

SCHOOL DISTRICT
OF
HANOVER TOWNSHIP

Hanover Township School District
Hanover, New Jersey

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2010

Comprehensive Annual Financial Report

of the

Hanover Township School District

Hanover, New Jersey

For the Fiscal Year Ended June 30, 2010

Prepared by

Hanover Township Board of Education

Finance Department

HANOVER TOWNSHIP SCHOOL DISTRICT
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INTRODUCTORY SECTION

Hanover Township Public Schools

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Vanessa M. Wolsky
School Business Administrator/Board Secretary

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August 13, 2010

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

Dear Board Members:

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

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the Independent Auditors' Report, management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected economic and demographic information, financial trends, and the fiscal capacity of the District, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and the New Jersey OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

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

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

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

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

The District provides a full range of educational services appropriate to grade levels K through 8 for the students residing in Hanover Township. These include programs for regular, gifted and talented and special education students. The District completed the 2009-10 fiscal year with an average daily enrollment of 1,543 students, which is a decrease of 31 students from the previous year's enrollment.

Average Daily Enrollment

Fiscal Year	Student Enrollment	Percentage Change
2009-2010	1,543	-1.97%
2008-2009	1,574	-0.06%
2007-2008	1,575	1.16%
2006-2007	1,557	-0.32%
2005-2006	1,562	2.36%
2004-2005	1,526	3.88%
2003-2004	1,469	5.84%
2002-2003	1,388	1.31%
2001-2002	1,370	-0.22%
2000-2001	1,373	4.49%

Elementary School (K-5)

The emphasis in the elementary curriculum includes instruction in mathematics, science, world languages, social studies, reading and language arts, art, music, physical education, computer technology, health and safety. Provisions are made for instruction in study skills, world language (Spanish), character education and media as appropriate for the grade level. The instructional programs promote the skills delineated in the New Jersey Core Curriculum Content Standards.

Middle School (6-8)

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

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

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

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

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

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

2) ECONOMIC CONDITION AND OUTLOOK: Hanover Township encompasses 10.8 square miles of Morris County. The Township, comprised of Cedar Knolls and Whippany, is home to more than 13,000 residents. The Township presents an ideal suburban tapestry of residential neighborhoods, parkland and commercial & industrial businesses. Located in Hanover Township is the Morristown Airport, the third largest in the State of New Jersey. Some of the businesses located in the Township include Lucent Technologies, Bear Stearns, Cadbury Schwepps and Tiffany's. In addition, the Morris County Library and radio stations WMTR & WDHA are located in the Township. The Hanover Marriott and Courtyard by Marriott and Hilton are also conveniently located on Route 10. Hanover Township is committed to fostering economic growth while preserving open space and parkland areas, providing excellent educational and recreational opportunities.

Legislative changes, both previous and proposed, and the loss of ratables in the Township have severely hindered the school district's ability to manage its budget in a fiscally prudent manner. Hanover, like several other school districts that had sound fiscal policies and were able to keep taxes flat, has been forced to reduce expenditures and raise taxes to keep up with increasing costs, state regulations and maintenance of physical plant. The District is realizing the negative impact of these legislative changes and will continue to do so in the coming years ahead.

The Honorable President and Members of the Board of Education
Hanover Township School District
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3) MAJOR INITIATIVES: During the 2009-2010 school year the K-8 Hanover Township Public Schools continued to demonstrate its status as one of Morris County's premier school districts. Building on its highly successful NJQSAC monitoring, the district continues to develop and implement programs for students to maintain and expand student achievement.

Character Education, grades K-8, serves as a prominent building block for overall student success. A newly developed elementary program involves students in a year-long series of activities based on the Six Pillars of Character, including initiatives such as the Character Fair and Social Afternoons. These experiences strengthen the home-school-community connections and social skill building. Similarly the middle school character education program includes opportunities for all students with their teacher advisors to develop and enact community service projects. This year Memorial Junior School was honored at the NJ state level as an exemplary "school of character" for its outstanding efforts in enacting school based character education programs.

The District continues to expand and implement appropriate active learning opportunities for students. The introduction of a new hands-on science program, FOSS, developed by the University of California at Berkeley, provides exciting and meaningful science experiences for students in grades K-5. Additionally, new instructional materials to guide the writing skills development of students were introduced. Also, at all levels, students participate in technology based assessment experiences. At grades K-2, Children's Progress, is part of the formative assessment effort, and at grades 3-8, students are involved with the Learnia assessment program. These experiences are important to maintain, expand and modify appropriate instructional opportunities that lead to student achievement.

In an ongoing effort to support our vision of "A Community That Inspires Excellence" the District established and attained four goals during the 2009-2010 school year. These included:

Goal #1- Provide resources (staffing, technology, character education, curriculum, safe/healthy facilities) to staff and students that they require to promote student achievement.

Goal #2- Identify student strengths and weaknesses through tests, staff observations, and technology as a strategy to promote student achievement.

Goal#3- Provide information and opportunities for the school district to explore and contribute to green initiatives. (Become an example)

Goal #4- Develop and implement regulations for policies.

These initiatives continue to provide the school district with a road map for success.

The Honorable President and Members of the Board of Education
Hanover Township School District
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August 13, 2010

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2010.

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

7) DEBT ADMINISTRATION: As of June 30, 2010, the District's outstanding debt totals \$4,070,000 for general obligation bonds.

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

The Honorable President and Members of the Board of Education
Hanover Township School District
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August 13, 2010

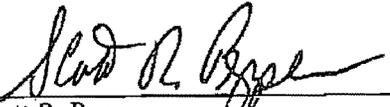
9) RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. A schedule of insurance coverage is found on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

10) OTHER INFORMATION:

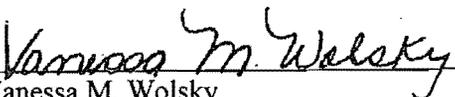
Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia & Company LLP, CPAs, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related Federal OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and the New Jersey OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditor's report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

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

Respectfully submitted,



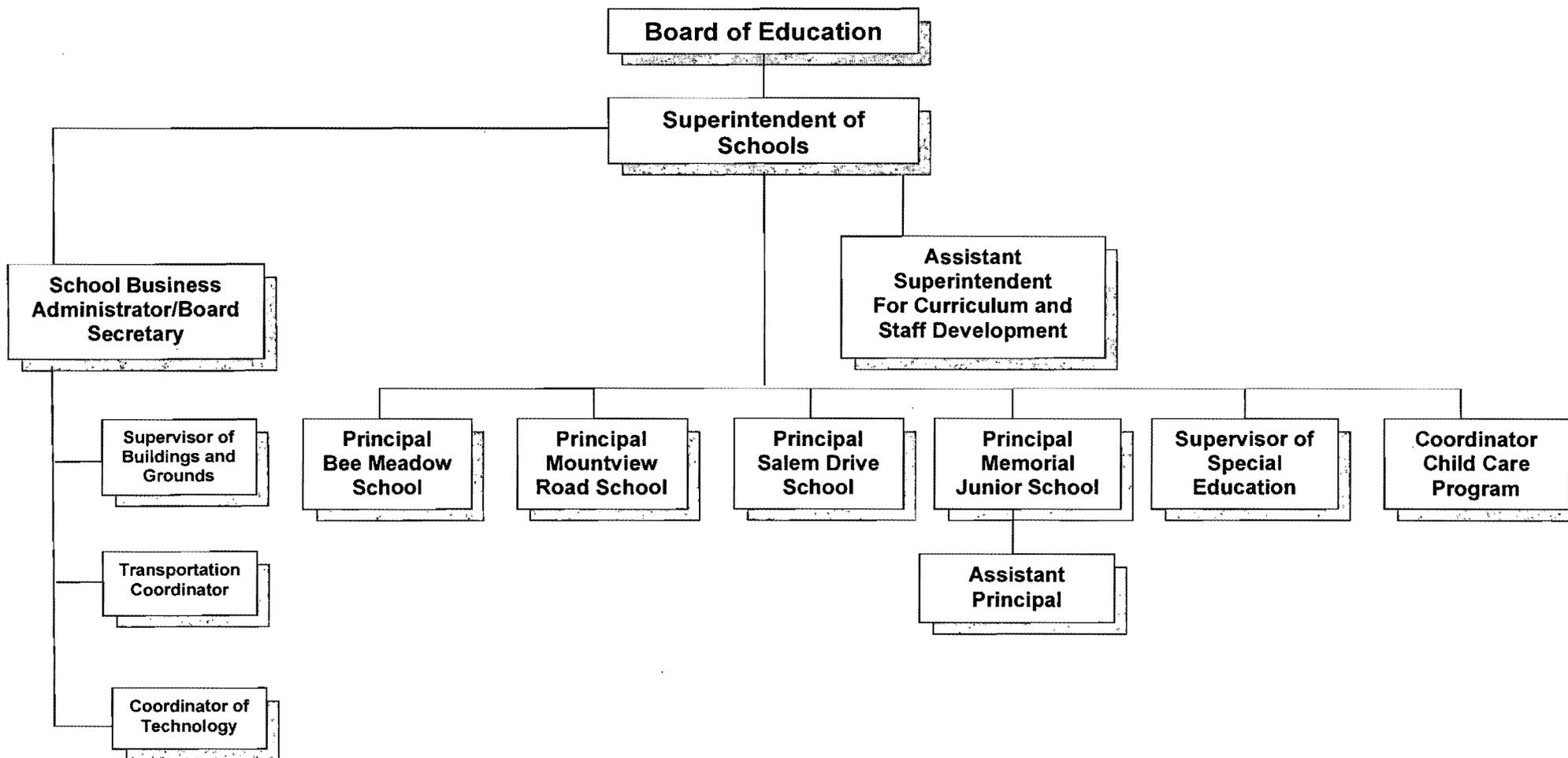
Scott R. Pepper
Superintendent



Vanessa M. Wolsky
School Business Administrator/Board Secretary

HANOVER TOWNSHIP BOARD OF EDUCATION
 CHART OF ADMINISTRATIVE ORGANIZATION

1110



Adopted: 12/20/71
 Revised: 12/18/72
 Revised: 4/28/87
 Revised: 10/22/91

Revised: 11/15/94
 Revised: 03/18/97
 Revised: 12/15/98
 Revised: 11/15/01
 Revised: 11/30/01
 Revised: 8/26/03
 Revised: 9/23/08

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

**HANOVER TOWNSHIP SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2010**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Michael Alwell, President	2013
Brian Cahill, Vice President	2011
Salvatore A. Azzarello	2011
Nicholas Duva	2012
Stephen E. Furda	2013
Thomas "Ace" Gallagher	2012
Brandie J. Linfante	2011
Anthony J. Scarpino	2012
Catherine V. Slattery	2013

<u>Other Officers</u>	<u>Title</u>
Scott R. Pepper	Superintendent of Schools
Vanessa M. Wolsky	School Business Administrator/Board Secretary
Silvio Esposito	Treasurer of School Monies

HANOVER TOWNSHIP SCHOOL DISTRICT

Consultants and Advisors

Architect

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Gianforcaro Architects & Engineers
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Audit Firm

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Official Depository

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FINANCIAL SECTION



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 Fax: 973-383-6555

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Hanover Township School District in the County of Morris as of and for the fiscal year ended June 30, 2010, which collectively comprise the District's basic financial statements, as listed in the foregoing 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 *Governmental 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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, business type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Hanover Township School District in the County of Morris as of June 30, 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 August 13, 2010, on our consideration of the Board of Education of the Hanover Township School District's internal control over financial reporting and 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.

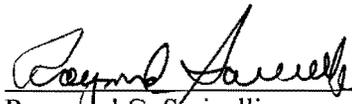
The Honorable President and Members
of the Board of Education
Hanover Township School District
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The Management's Discussion and Analysis and Budgetary Comparison Information on Schedules C-1 through C-3 and I-3 are not a required part of the basic financial 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 Board of Education of the Hanover Township School District's basic financial statements. The accompanying introductory section, other supplementary information such as the combining and individual fund financial statements, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the schedules of expenditures of federal and state awards 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 Nonprofit Organizations*; and New Jersey's OMB Circular NJOMB 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 supplementary and combining individual fund financial statements, supplementary schedules and schedules of expenditures of federal and state awards 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 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.

August 13, 2010
Mount Arlington, New Jersey

NISIVOCIA & COMPANY LLP



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

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Management Discussion and Analysis (Unaudited)

This section of Hanover Township School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 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

- ◆ Overall revenue of governmental and business-type activities was \$25,267,043 which consisted primarily of property taxes of \$20,866,411. Overall expenditures were \$25,303,868.
- ◆ The General Fund had revenues of \$22,859,894 and expenditures of \$22,962,986. The General Fund's fund balance (budgetary) decreased \$237,899 from 2009.
- ◆ The District appropriated \$700,000 of fund balance in FY 2009 to aid in funding the FY 2010 budget and will appropriate \$650,000 of fund balance in FY 2010 to aid in funding the FY 2011 budget.

Overview of the Financial Statements

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

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

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

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

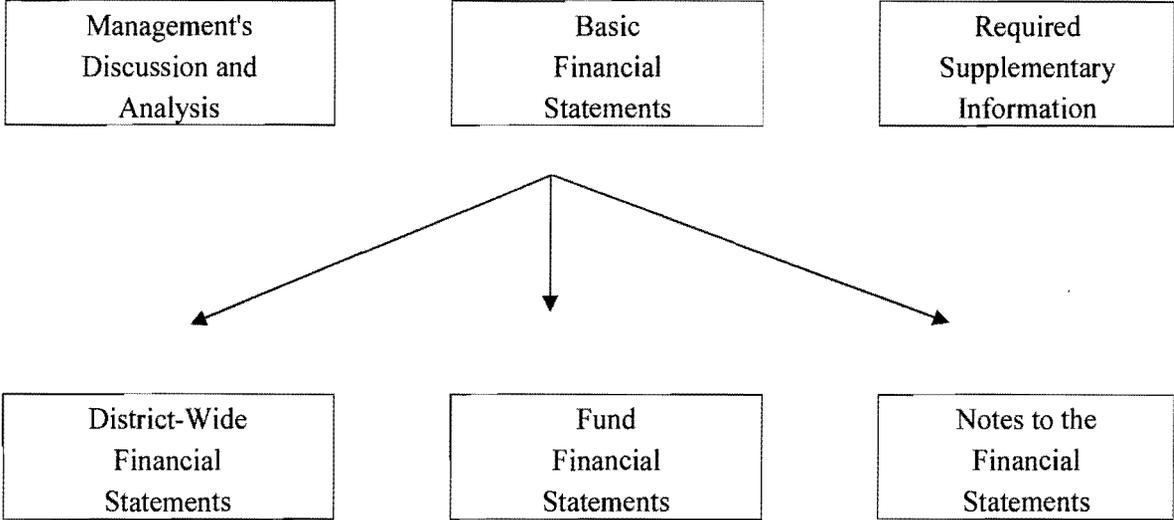


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

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

District-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

Financial Analysis of the District as a Whole

Net Assets. The Statement of Net Assets provides one perspective of the District as a whole. Figure A-3 provides a summary of the District's net assets as of June 30, 2009 and 2010. The District's *combined* net assets were \$12,977,443 on June 30, 2010, \$36,825 or .28% less than they were the year before. It is important to note here that depreciation of the District's capital assets is computed in the total. The depreciation factored into the District's net assets for 2009/10 is \$655,622. This same amount is also factored in as an expense in this year's financial statements.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2009/10
	Government Activities		Business-Type Activities		Total School District		
	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10	
Current and Other Assets	\$ 2,694,665	\$ 2,442,530	\$ 285,738	\$ 331,035	\$ 2,980,403	\$ 2,773,565	-6.94%
Capital Assets	16,468,264	16,169,751			16,468,264	16,169,751	-1.81%
Total Assets	<u>19,162,929</u>	<u>18,612,281</u>	<u>285,738</u>	<u>331,035</u>	<u>19,448,667</u>	<u>18,943,316</u>	<u>-2.60%</u>
Long-Term Debt Outstanding	5,480,421	5,017,579			5,480,421	5,017,579	-8.45%
Other Liabilities	782,305	771,678	171,673	176,616	953,978	948,294	-0.60%
Total Liabilities	<u>6,262,726</u>	<u>5,789,257</u>	<u>171,673</u>	<u>176,616</u>	<u>6,434,399</u>	<u>5,965,873</u>	<u>-7.28%</u>
Net Assets:							
Invested in Capital Assets, Net of Related Debt	11,873,264	12,099,751			11,873,264	12,099,751	1.91%
Restricted	1,650,464	1,362,584			1,650,464	1,362,584	-17.44%
Unrestricted/(Deficit)	<u>(623,525)</u>	<u>(639,311)</u>	<u>114,065</u>	<u>154,419</u>	<u>(509,460)</u>	<u>(484,892)</u>	<u>4.82%</u>
Total Net Assets	<u>\$ 12,900,203</u>	<u>\$ 12,823,024</u>	<u>\$ 114,065</u>	<u>\$ 154,419</u>	<u>\$ 13,014,268</u>	<u>\$ 12,977,443</u>	<u>-0.28%</u>

Changes in Net Assets. The District's *combined* net assets were \$12,977,443 on June 30, 2010, \$36,825 or .28% less than they were the year before. (See Figure A-3). The decrease in the District's financial position came mainly from its governmental activities, as net assets went from \$12,900,203 to \$12,823,024. Again, it is important to note that depreciation of the District's capital assets other than those in the business-type activities (food service and school age child care) is included in both the net assets and the expenditures of the District. The depreciation factored into the net assets of the District as an expenditure and reduction of net assets is \$655,622. The increase in net assets of the business-type activities amounted to \$40,354 (See Figure A-4) for the fiscal year ended June 30, 2010.

Figure A-4

Changes in Net Assets from Operating Results

	Governmental Activities		Business-Type Activities		Total School District		Percentage
	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10	Change 2009/10
Revenue:							
Program Revenue:							
Charges for Services			\$ 766,912	\$ 829,067	\$ 766,912	\$ 829,067	8.10%
Operating Grants and Contributions	\$ 3,006,953	\$ 3,054,568	15,664	13,255	3,022,617	3,067,823	1.50%
Capital Grants and Contributions		100,333				100,333	100.00%
General Revenue:							
Property Taxes	20,503,519	20,866,411			20,503,519	20,866,411	1.77%
State Aid	169,555	183,564			169,555	183,564	8.26%
Other	230,135	219,436	1,513	409	231,648	219,845	-5.10%
Total Revenue	<u>23,910,162</u>	<u>24,424,312</u>	<u>784,089</u>	<u>842,731</u>	<u>24,694,251</u>	<u>25,267,043</u>	2.32%
Expenses:							
Instruction	14,132,508	14,671,916			14,132,508	14,671,916	3.82%
Pupil and Instruction Services	3,509,085	3,739,002			3,509,085	3,739,002	6.55%
Administrative and Business	2,258,728	2,331,515			2,258,728	2,331,515	3.22%
Maintenance and Operations	2,382,636	2,468,355			2,382,636	2,468,355	3.60%
Transportation	1,007,382	1,062,908			1,007,382	1,062,908	5.51%
Other	253,588	227,795	775,233	802,377	1,028,821	1,030,172	0.13%
Total Expenses	<u>23,543,927</u>	<u>24,501,491</u>	<u>775,233</u>	<u>802,377</u>	<u>24,319,160</u>	<u>25,303,868</u>	4.05%
Increase/(Decrease) in Net Assets	<u>\$ 366,235</u>	<u>\$ (77,179)</u>	<u>\$ 8,856</u>	<u>\$ 40,354</u>	<u>\$ 375,091</u>	<u>\$ (36,825)</u>	109.82%

Revenue Sources. The District's total revenue for the 2009/10 school year was \$25,267,043. (See Figure A-4). The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$20,866,411 of the total, or 82.58 percent. (See Figure A-5). Another 13.26 percent came from state and federal aid for specific programs and the remainder from miscellaneous sources. It is important to note that of the Categorical Grants amount of \$2,468,750, over \$.7 million is included in funds that are not paid to the District, but are included in funding for Non-Contributory Insurance and Post Retirement Contributions that the State of New Jersey is paying on behalf of the District. Hanover Township School District basically conducts its operations from the revenues it receives from its local taxpayers.

Figure A-5**Sources of Revenue for Fiscal Year 2010**

	<u>Amount</u>	<u>Percentage</u>
Sources of Income:		
State Formula Aid	\$ 882,970	3.49%
Property Taxes	20,866,411	82.58%
Federal and State Categorical Grants	2,468,750	9.77%
Charges for Services	829,067	3.28%
Other	219,845	0.87%
	<u>\$ 25,267,043</u>	<u>100.00%</u>

The total cost of all programs and services was \$25,303,868. The District's expenses are predominantly related to instruction and instruction services which comprise 72.76% of total expenses.

Figure A-6**Expenses for Fiscal Year 2010**

	<u>Amount</u>	<u>Percentage</u>
Expense Category:		
Instruction	\$ 14,671,916	57.98%
Pupil and Instruction Services	3,739,002	14.78%
Administrative and Business	2,331,515	9.21%
Maintenance and Operations	2,468,355	9.75%
Transportation	1,062,908	4.20%
Other	1,030,172	4.07%
	<u>\$ 25,303,868</u>	<u>100.00%</u>

Governmental Activities

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

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

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

Figure A-7

Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2008/2009	2009/2010	2008/2009	2009/2010
Instruction	\$ 14,132,508	\$ 14,671,916	\$ 11,437,691	\$ 11,987,218
Pupil and Instruction Services	3,509,085	3,739,002	3,399,230	3,550,923
Administrative and Business	2,258,728	2,331,515	2,258,728	2,331,515
Maintenance and Operations	2,382,636	2,468,355	2,382,636	2,368,022
Transportation	1,007,382	1,062,908	805,101	881,117
Other	253,588	227,795	253,588	227,795
	<u>\$ 23,543,927</u>	<u>\$ 24,501,491</u>	<u>\$ 20,536,974</u>	<u>\$ 21,346,590</u>

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

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

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

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

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

Other expenses include cost of debt for the school district.

Business-Type Activities

Net assets from the District's business-type activity increased by over \$40,000. (Refer to Figure A-4). The main factor contributing to these results was better utilization of staff and supplies.

Financial Analysis of the District's Funds

The school district's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$24,424,312 and expenditures of \$24,674,064. The General Fund experienced a net change in fund balance of (\$237,899). However, due to regulations regarding the reporting of state aid receivables, this balance must be decreased to (\$253,592). This difference of \$15,693 is the difference between Hanover Township's final 08/09 and 09/10 General Fund state aid payments.

The 2005-06 year was the last year the District had the luxury of using excess fund balance to reduce the tax levy that supports the school district budget. The legislation enacted in June 2004 limited the amount of fund balance to 2% going forward. In the past, excess fund balance has always been used to reduce taxes when preparing the budget for the ensuing school year. Accordingly, we have gone above and beyond to reduce expenses and not be dependent on excess fund balance going forward which has been a challenge during 2009-10 and will continue to be a larger challenge going forward.

To maintain a stable financial position, the District must continue its practice of sound fiscal management.

General Fund Budgetary Highlights

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

During the course of the fiscal year 2010, the school district amended its General Fund budget as needed. The School District uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management. Amendments to the budget were for the following:

- ◆ Staffing changes based on student needs.
- ◆ Additional costs for special education.
- ◆ Substantial increase in health benefits premiums
- ◆ Changes in appropriations to prevent budget overruns.
- ◆ Reformatting the delivery of some supplemental instruction.

While the District's final budget for the general fund anticipated that revenues and expenditures would roughly equal, the actual results for the year show a \$237,899 deficit.

- ◆ Actual revenues were \$366,268 less than expected mainly due to state aid withholding of \$449,636.
- ◆ The actual expenditures were \$983,624 lower than expected, due to reduction of class sections based on enrollment, utility savings realized through ACES and other cost cutting measures.

Capital Asset and Debt Administration**Figure A-8**

	Capital Assets (Net of Depreciation)						Percentage Change 2009/10
	Government Activities		Business-Type Activities		Total School District		
	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10	
Land	\$ 288,109	\$ 288,109			\$ 288,109	\$ 288,109	0.00%
Construction in Progress	5,000	5,000			5,000	5,000	0.00%
Site Improvements	635,052	590,945			635,052	590,945	-6.95%
Buildings and Improvements	14,871,472	14,641,995			14,871,472	14,641,995	-1.54%
Machinery and Equipment	668,631	643,702			668,631	643,702	-3.73%
Total Capital Assets (Net of Depreciation)	\$ 16,468,264	\$ 16,169,751	\$ -0-	\$ -0-	\$ 16,468,264	\$ 16,169,751	-1.81%

Overall capital assets decreased \$298,513 from fiscal year 2009 to fiscal year 2010. Increases in capital assets were offset by depreciation expenses for the year.

The capital asset expenditures during fiscal year 2010 were mainly physical plant improvements. The School District installed new fire alarms at Memorial Junior School and Bee Meadow School.

Long-term Debt

At June 30, 2010, the School District had \$5,017,579 of outstanding long-term liabilities – a reduction of \$462,842 from last year – as shown in Figure A-9. Of this amount \$947,579 is for compensated absences and \$4,070,000 for bonds for school construction. In September 2001 the voters of Hanover Township approved the sale of bonds to fund additions at three elementary schools in the amount of \$4,750,000.

At June 30, 2010, the School District's overall legal debt borrowing margin available was \$119,152,361.

Figure A-9**Outstanding Long-Term Debt**

	Total School District		Percentage Change
	2008/09	2009/10	
General Obligation Bonds (Financed with Property Taxes)	\$ 4,595,000	\$ 4,070,000	-12.90%
Other Long- Term Liabilities	885,421	947,579	6.56%
	\$ 5,480,421	\$ 5,017,579	-8.45%

- The District continued to pay down its debt, retiring \$525,000 of outstanding bonds.
- No new debt was issued during the year.

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

The Hanover Township Public School District is in good financial condition at present. The District suffered a significant financial setback due to the loss of \$449,636 in budgeted State Aid. This will be compounded by the loss of \$1.2 million in State Aid in 2010-11, which is approximately 85% of the District's total State Aid. The District was faced with a very difficult budget situation for the upcoming school year. In addition to the loss of State Aid, the Township of Hanover experienced a substantial loss of ratables for the second year in a row. In order to lessen the impact on the taxpayer, the District made numerous difficult decisions while developing the budget for the upcoming year, including restructuring the Kindergarten and World Language programs as well as reductions in certificated staff, support staff, administrative expenses, capital projects, equipment, supplies, field trips and after-school sports and clubs. We appropriated \$650,000 to fund the FY 2011 budget and all proposed capital projects will be funded with Capital Reserve funds. There is a major concern that we will have substantially fewer funds available to appropriate towards the FY 2012 budget and will be forced to make many even more difficult choices going forward to comply with state mandates, many of which are uncertain at this time. The State of New Jersey's current fiscal crisis has led to major reforms proposed in Trenton, including a 2% tax levy cap which is substantially less than the current 4% tax levy cap we have operated under the last several years.

Hanover Township residents have successfully passed their school budget vote each year for the last sixteen years. Hanover Township Board of Education is a member of ACES, a consortium of school districts seeking financial savings due to the deregulation of energy pricing. It also participates in the Universal Service Program to receive rebates on telecommunications fees. The District also participates in cooperative bidding along with over 200 other New Jersey school districts for the purchase of classroom supplies (general and subject specific), office supplies, copy duplicator supplies, custodial supplies, trade skills and furniture. The District is anticipating the receipt of 40% funding from the NJ School Development Authority for the completion of 4 capital projects in the coming year. Currently, the District is pursuing a potential cost saving energy initiatives as a result of the energy audit completed during the previous school year. Hanover Township was allocated \$351,158 in Individuals with Disabilities Education Act funds under The American Recovery and Reinvestment Act of 2009. These funds were used for unbudgeted special education costs.

The District is currently pursuing a potential refunding of bonds issued in 2002 as interest rates in the current market yield a net present value of greater than 3%.

In conclusion, the Hanover Township Public School District has committed itself to financial excellence for many years. In addition, the District's system for financial planning, budgeting, and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet future challenges.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS:			
Cash and Cash Equivalents	\$ 1,592,727	\$ 327,753	\$ 1,920,480
Receivables:			
Other Governments	285,394	1,174	286,568
Other	17,989	2,108	20,097
Interfund	430		430
Bond Issuance Costs, Net	29,394		29,394
Restricted Assets:			
Capital Reserve Account - Cash	516,596		516,596
Capital Assets, Net:			
Sites (Land) and Construction in Progress	293,109		293,109
Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment	15,876,642		15,876,642
Total Assets	<u>18,612,281</u>	<u>331,035</u>	<u>18,943,316</u>
LIABILITIES:			
Accrued Interest Payable	88,351		88,351
Accounts Payable - Vendors	99,975	1,492	101,467
Interfund Payable	567,267		567,267
Payable to State Government	16,085		16,085
Deferred Revenue		175,124	175,124
Noncurrent Liabilities:			
Due Within One Year	614,038		614,038
Due Beyond One Year	4,403,541		4,403,541
Total Liabilities	<u>5,789,257</u>	<u>176,616</u>	<u>5,965,873</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	12,099,751		12,099,751
Restricted for:			
Debt Service	7,162		7,162
Capital Projects	513,258		513,258
Other Purposes	842,164		842,164
Unrestricted/(Deficit)	(639,311)	154,419	(484,892)
Total Net Assets	<u>\$ 12,823,024</u>	<u>\$ 154,419</u>	<u>\$ 12,977,443</u>

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

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Governmental Activities:						
Instruction:						
Regular	\$ 11,794,795		\$ 1,570,085		\$ (10,224,710)	\$ (10,224,710)
Special Education	2,417,583		1,114,613		(1,302,970)	(1,302,970)
Other Special Instruction	279,890				(279,890)	(279,890)
Other Instruction	179,648				(179,648)	(179,648)
Support Services:						
Tuition	187,937		58,355		(129,582)	(129,582)
Student & Instruction Related Services	3,551,065		129,724		(3,421,341)	(3,421,341)
General Administrative Services	554,182				(554,182)	(554,182)
School Administrative Services	1,132,765				(1,132,765)	(1,132,765)
Plant Operations and Maintenance	2,468,355			\$ 100,333	(2,368,022)	(2,368,022)
Pupil Transportation	1,062,908		181,791		(881,117)	(881,117)
Central services and Admin Info Tech	644,568				(644,568)	(644,568)
Transfer to Charter School	20,391				(20,391)	(20,391)
Interest on Long-Term Debt	207,404				(207,404)	(207,404)
Total Governmental Activities	24,501,491		3,054,568	100,333	(21,346,590)	(21,346,590)

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Business-Type Activities:						
Enterprise Funds	\$ 802,377	\$ 829,067	\$ 13,255		\$ 39,945	\$ 39,945
Total Business-Type Activities	<u>802,377</u>	<u>829,067</u>	<u>13,255</u>		<u>39,945</u>	<u>39,945</u>
Total Primary Government	<u>\$ 25,303,868</u>	<u>\$ 829,067</u>	<u>\$ 3,067,823</u>	<u>\$ 100,333</u>	<u>\$ (21,346,590)</u>	<u>\$ (21,306,645)</u>
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				\$ 20,130,621		\$ 20,130,621
Taxes, Levied for Debt Service				735,790		735,790
Federal and State Aid not Restricted				183,564		183,564
Investment Earnings				11,760	\$ 409	12,169
Miscellaneous Income				207,676		207,676
Total General Revenues, Special Items and Transfers				<u>21,269,411</u>	<u>409</u>	<u>21,269,820</u>
Change in Net Assets				(77,179)	40,354	(36,825)
Net Assets - Beginning				<u>12,900,203</u>	<u>114,065</u>	<u>13,014,268</u>
Net Assets - Ending				<u>\$ 12,823,024</u>	<u>\$ 154,419</u>	<u>\$ 12,977,443</u>

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

FUND FINANCIAL STATEMENTS

HANOVER TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 1,585,670			\$ 7,057	\$ 1,592,727
Receivables:					
Other Governments	145,417	\$ 39,644	\$ 100,333		285,394
Interfund Receivable	98,247			105	98,352
Other	17,989				17,989
Restricted Cash and Cash Equivalents	516,596				516,596
Total Assets	<u>\$ 2,363,919</u>	<u>\$ 39,644</u>	<u>\$ 100,333</u>	<u>\$ 7,162</u>	<u>\$ 2,511,058</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable - Vendors	\$ 86,740	\$ 13,235			\$ 99,975
Interfund Payable	567,267	10,324	\$ 87,598		665,189
Payable to State Government		16,085			16,085
Total Liabilities	<u>654,007</u>	<u>39,644</u>	<u>87,598</u>		<u>781,249</u>
Fund Balances:					
Reserved for:					
Encumbrances	66,057		12,735		78,792
Capital Reserve Account	500,523				500,523
Excess Surplus	126,107				126,107
Excess Surplus - Designated for Subsequent Year's Expenditures	372,170				372,170
Unreserved, Reported In:					
General Fund - Undesignated	367,225				367,225
General Fund - Designated for Subsequent Year's Expenditures	277,830				277,830
Debt Service Fund - Designated for Subsequent Year's Expenditures				\$ 7,057	7,057
Debt Service Fund- Undesignated				105	105
Total Fund Balances	<u>1,709,912</u>		<u>12,735</u>	<u>7,162</u>	<u>1,729,809</u>
Total Liabilities and Fund Balances	<u>\$ 2,363,919</u>	<u>\$ 39,644</u>	<u>\$ 100,333</u>	<u>\$ 7,162</u>	<u>\$ 2,511,058</u>

Amounts Reported for *Governmental Activities* in the Statement of Net Assets (A-1) are Different Because:

Fund Balances (GAAP Basis - B-1)	\$ 1,729,809
Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$26,320,504 and the accumulated depreciation is \$10,150,753.	16,169,751
Long-term liabilities, including bonds payable and other long-term liabilities, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(5,017,579)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(88,351)
Bond issuance costs are reported as expenditures in the governmental funds. The cost is \$82,843 and accumulated amortization is \$53,449.	29,394
Net Assets of Governmental Activities	<u>\$ 12,823,024</u>

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

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 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:					
Local Tax Levy	\$ 20,130,621			\$ 735,790	\$ 20,866,411
Interest Earned on Investments	10,114				10,114
Interest Earned on Capital Reserve Funds	1,541				1,541
Miscellaneous	207,676		\$ 105		207,781
Total - Local Sources	20,349,952		105	735,790	21,085,847
State Sources	2,509,942	\$ 109,124	100,333		2,719,399
Federal Sources		619,066			619,066
Total Revenues	22,859,894	728,190	100,438	735,790	24,424,312
EXPENDITURES:					
Current:					
Regular Instruction	7,805,316	48,362			7,853,678
Special Education Instruction	1,633,760	384,773			2,018,533
Other Special Instruction	223,518				223,518
Other Instruction	138,017				138,017
Support Services and Undistributed Costs:					
Tuition	129,582	58,355			187,937
Student & Instruction Related Services	2,786,053	129,724			2,915,777
General Administration Services	473,054				473,054
School Administration Services	904,012				904,012
Central Services	403,119				403,119
Administrative Information Technology Services	119,663				119,663
Plant Operations and Maintenance	2,159,140				2,159,140
Pupil Transportation	1,013,728				1,013,728
Business and Other Support Services					-

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
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>
EXPENDITURES (Cont'd):					
Current:					
Unallocated Benefits	\$ 5,102,162				\$ 5,102,162
Transfer to Charter School	20,391				20,391
Debt Service:					
Principal				\$ 525,000	525,000
Interest and Other Charges				219,790	219,790
Capital Outlay	51,471	\$ 106,976	\$ 238,098		396,545
Total Expenditures	<u>22,962,986</u>	<u>728,190</u>	<u>238,098</u>	<u>744,790</u>	<u>24,674,064</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(103,092)</u>		<u>(137,660)</u>	<u>(9,000)</u>	<u>(249,752)</u>
OTHER FINANCING SOURCES/(USES):					
Transfers In			150,500	105	150,605
Transfers Out	(150,500)		(105)		(150,605)
Total Other Financing Sources/(Uses)	<u>(150,500)</u>		<u>150,395</u>	<u>105</u>	
Net Change in Fund Balances	(253,592)		12,735	(8,895)	(249,752)
Fund Balances - July 1	<u>1,963,504</u>			<u>16,057</u>	<u>1,979,561</u>
Fund Balances - June 30	<u>\$ 1,709,912</u>	<u>\$ -0-</u>	<u>\$ 12,735</u>	<u>\$ 7,162</u>	<u>\$ 1,729,809</u>

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

HANOVER TOWNSHIP SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ (249,752)

Amounts Reported for Governmental Activities in the Statement
of Activities (A-2) are Different Because:

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

This is the amount by which capital outlays differ from depreciation and deletions in the period.

	Depreciation expense	\$ (655,622)	
	Capital outlays	<u>357,109</u>	
			(298,513)

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation. (+) (62,158)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. (+) 525,000

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation. (+) 12,386

The governmental funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. (-) (4,142)

Change in Net Assets of Governmental Activities \$ (77,179)

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	<u>Business-type Activities - Enterprise Funds</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 327,753
Accounts Receivable:	
Federal	1,174
Other	<u>2,108</u>
Total Current Assets	<u>331,035</u>
Total Assets	<u>331,035</u>
 LIABILITIES:	
Current Liabilities:	
Accounts Payable - Vendors	1,492
Deferred Revenue	<u>175,124</u>
Total Current Liabilities	<u>176,616</u>
 NET ASSETS:	
Unrestricted	<u>154,419</u>
Total Net Assets	<u><u>\$ 154,419</u></u>

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

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Business-type Activities - Enterprise Funds</u>
Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs:	
Special Milk Program	\$ 26,681
Child Care Fees	802,386
	<hr/>
Total Operating Revenue	829,067
	<hr/>
Operating Expenses:	
Cost of Milk	17,114
Salaries	474,865
Benefits and Taxes	127,938
Purchased Services	73,242
Travel	49,365
Supplies	59,853
	<hr/>
Total Operating Expenses	802,377
	<hr/>
Operating Income	26,690
	<hr/>
Non-Operating Revenue:	
Local Sources:	
Interest Revenue	409
Federal Sources:	
Special Milk Program	13,255
	<hr/>
Total Non-Operating Revenue	13,664
	<hr/>
Change in Net Assets	40,354
	<hr/>
Net Assets - Beginning of Year	114,065
	<hr/>
Net Assets - End of Year	\$ 154,419
	<hr/> <hr/>

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

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Business-type Activities - Enterprise Funds</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 833,745
Payments to Employees	(474,865)
Payments for Employee Benefits	(127,938)
Payments to Suppliers	(198,099)
	32,843
Net Cash Provided/(Used) by Operating Activities	32,843
Cash Flows from Noncapital Financing Activities:	
Cash Received from State and Federal Reimbursements	13,526
	13,526
Net Cash Provided by Noncapital Financing Activities	13,526
Cash Flows from Investing Activities:	
Interest on Investments	409
	409
Net Cash Provided by Investing Activities	409
Net Increase in Cash and Cash Equivalents	46,778
Cash and Cash Equivalents, July 1	280,975
Cash and Cash Equivalents, June 30	\$ 327,753
Reconciliation of Operating Income to Net Cash Provided/(Used) by Operating Activities:	
Operating Income	\$ 26,690
Adjustment to Reconcile Operating Income to Cash Provided/(Used) by Operating Activities:	
Changes in Assets and Liabilities:	
Decrease in Other Accounts Receivable	1,210
Increase in Accounts Payable	1,474
Increase in Deferred Revenue	3,469
	32,843
Net Cash Provided by Operating Activities	\$ 32,843

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

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

	<u>Agency</u>	<u>Unemployment Compensation</u>	<u>Private Purpose Scholarship Fund</u>
ASSETS:			
Cash and Cash Equivalents	\$ 109,951	\$ 164,885	\$ 13,897
Interfund Receivable	<u>567,267</u>		
Total Assets	<u>\$ 677,218</u>	<u>\$ 164,885</u>	<u>\$ 13,897</u>
LIABILITIES:			
Due to Student Groups	\$ 85,688		
Accrued Salaries and Wages	567,267		
Payroll Deductions and Withholdings	23,833		
Interfund Payable	<u>430</u>		
Total Liabilities	<u>677,218</u>		
NET ASSETS:			
Held in Trust for Unemployment Claims		\$ 164,885	
Reserved for Scholarships			<u>\$ 13,897</u>
Total Net Assets	<u>\$ -0-</u>	<u>\$ 164,885</u>	<u>\$ 13,897</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Unemployment Compensation Fund</u>	<u>Private Purpose Scholarship Fund</u>
ADDITIONS:		
Contributions:		
Plan Members	\$ 36,410	
Donations		\$ 225
Total Contributions	<u>36,410</u>	<u>225</u>
Investment Earnings:		
Interest	<u>178</u>	<u>60</u>
Net Investment Earnings	<u>178</u>	<u>60</u>
Total Additions	<u>36,588</u>	<u>285</u>
DEDUCTIONS:		
Quarterly Contribution Reports	39,953	
Scholarships Awarded		649
Total Deductions	<u>39,953</u>	<u>649</u>
Change in Net Assets	(3,365)	(364)
Net Assets - Beginning of the Year	<u>168,250</u>	<u>14,261</u>
Net Assets - End of the Year	<u>\$ 164,885</u>	<u>\$ 13,897</u>

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significance) should be included in the financial reporting entity. The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include elementary schools and a middle school located in Hanover Township. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation:

District-Wide Financial Statements:

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

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenues identifies the extent to

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

(Continued)

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

B. Basis of Presentation: (Cont'd)

which each government function or business segment is self financing or draws from the general revenues of the District.

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

The District reports the following governmental funds:

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

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

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

Capital Projects Fund: The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Debt Service Fund: The Debt Service Fund is used to account for the accumulation of resources for and the payment of principal and interest on bonds issued to finance major property acquisition, construction and improvement programs.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

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

Reports for the District's Enterprise Funds are prepared following the Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with Governmental Accounting Standards Board (GASB) pronouncements.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

D. Budgets/Budgetary Control:

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

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

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 22,875,587	\$ 726,829
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		1,361
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	105,954	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(121,647)	
	\$ 22,859,894	\$ 728,190
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.		

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

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

Uses/Outflows of Resources:

Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 22,962,986	\$ 726,829
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.	_____	1,361
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 22,962,986	\$ 728,190

E. Cash and Cash Equivalents:

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

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

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

F. Interfund Transactions

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

F. Interfund Transactions: (Cont'd)

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

G. Allowance for Uncollectible Accounts

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

H. Encumbrances:

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as 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.

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2010.

K. Capital Assets:

During the year ended June 30, 1994, the District established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994, are recorded at historical cost including ancillary charges necessary to place the asset into service. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Land has been recorded at estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

K. Capital Assets: (Cont'd)

received. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment.

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

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

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

L. Long-Term Liabilities

In the district-wide and enterprise fund statements of net assets, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bonds issuance costs, as well as applicable bond premium and discounts, are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, governmental fund types recognize bond issuance costs, as expenditures in the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

M. Accrued Salaries and Wages:

Certain District employees, who provide services to the District over the ten-month academic year, have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2010, the amount earned by these employees but not disbursed was \$567,267.

N. Compensated Absences:

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

N. Compensated Absences: (Cont'd)

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

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

O. Deferred Revenue:

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

P. Fund Balance Appropriated:

General Fund: Of the \$1,709,912 General Fund fund balance at June 30, 2010, \$66,057 is reserved for encumbrances; \$500,523 is reserved in the capital reserve account; \$498,277 is reserved as excess surplus in accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, C.73 (S1701); \$372,170 of the total reserve for excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 2011 and \$126,107 will be appropriated and included as anticipated revenue for the year ending June 30, 2012. \$277,830 of unreserved fund balance will be included as anticipated revenue for the year ending June 30, 2011, and \$367,225 is unreserved and undesignated, which is \$121,647 less than the calculated maximum unreserved fund balance, on a GAAP basis, due to the June state aid payments, which are not recognized until the fiscal year ending June 30, 2011.

Capital Projects Fund: The Capital Projects Fund fund balance at June 30, 2010 of \$12,735 is reserved for encumbrances.

Debt Service Fund: Of the \$7,162 Debt Service Fund fund balance at June 30, 2010, \$7,057 of unreserved fund balance will be included as anticipated revenue for the year ending June 30, 2011 and \$105 is unreserved and undesignated.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, C.73 (S1701), the designation for 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 at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District had excess surplus as noted above.

The District's unreserved/undesignated fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$121,647 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, Districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school Districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the school District cannot recognize the June state aid payments on the GAAP financial statements

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

P. Fund Balance Appropriated: (Cont'd)

until the year the State records the payable. The excess surplus is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the June state aid payments and not the fund balance reported on the fund statement which excludes the June state aid payments.

Q. Deficit Net Assets

The \$639,311 deficit in unrestricted net assets for the governmental activities at June 30, 2010 resulted from the accrual of \$88,351 interest payable and \$947,579 compensated absences payable. This deficit does not indicate the District is in financial difficulties and is permitted practice under generally accepted accounting principles.

R. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

S. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditures. Unreserved fund balance indicates that portion which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, capital reserve and excess surplus as defined by State law.

T. Revenue - Exchange and Nonexchange Transactions

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

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

U. Operating Revenue and Expenses

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

V. Management Estimates

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

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

Deposits:

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
 (Continued)

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

Deposits: (Cont'd)

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

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

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

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in statute; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

Investments: (Cont'd)

As of June 30, 2010, cash and cash equivalents of the District consisted of the following:

	Cash and Cash Equivalents	Capital Reserve	Total
Checking and Savings Accounts	\$ 2,209,213	\$ 516,596	\$ 2,725,809

During the period ended June 30, 2010, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2010, was \$2,725,809 and the bank balance was \$3,063,913. The carrying amount of the Board's cash and cash equivalents at June 30, 2009, was \$3,032,170 and the bank balance was \$3,835,635.

NOTE 4. CAPITAL RESERVE ACCOUNT

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

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

The activity of the capital reserve for the July 1, 2009 to June 30, 2010 fiscal year is as follows:

Beginning balance, July 1, 2009		\$ 459,864
Interest Earnings	\$ 1,541	
Deposits:		
Transfer by Resolution	100,000	
		101,541
		561,405
Withdrawals:		
Board resolutions		(60,882)
Ending balance, June 30, 2010		\$ 500,523

The June 30, 2010 LRFP balance of local support costs exceeds the balance in the capital reserve account at June 30, 2010. The withdrawals from the capital reserve were for use in a DOE approved facilities project, consistent with the District's Long Range Facilities Plan.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 5. TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2010, the District did not make any transfers to the capital outlay accounts.

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2010 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ (Decreases)</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 288,109			\$ 288,109
Construction in Progress	5,000			5,000
Total Capital Assets Not Being Depreciated	<u>293,109</u>			<u>293,109</u>
Capital Assets Being Depreciated:				
Site Improvements	1,459,777	\$ 26,728		1,486,505
Buildings and Building Improvements	22,239,375	261,048		22,500,423
Machinery and Equipment	2,557,713	69,333	(586,579)	2,040,467
Total Capital Assets Being Depreciated	<u>26,256,865</u>	<u>357,109</u>	<u>(586,579)</u>	<u>26,027,395</u>
Governmental Activities Capital Assets	<u>26,549,974</u>	<u>357,109</u>	<u>(586,579)</u>	<u>26,320,504</u>
Less Accumulated Depreciation for:				
Site Improvements	824,725	70,835		895,560
Buildings and Building Improvements	7,367,903	490,525		7,858,428
Machinery and Equipment	1,889,082	94,262	(586,579)	1,396,765
	<u>10,081,710</u>	<u>655,622</u>	<u>(586,579)</u>	<u>10,150,753</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 16,468,264</u>	<u>\$ (298,513)</u>	<u>\$ -0-</u>	<u>\$ 16,169,751</u>

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 440,368
Special Education Instruction	25,059
Other Special Instruction	5,989
Other Instruction	14,780
Student and Instruction Related Services	57,483
General Administrative Services	23,832
School Administrative Services	17,221
Operations and Maintenance of Plant	19,843
Pupil Transportation	44,968
Central Services	6,079
	<u>\$ 655,622</u>

The District had active construction projects totaling \$250,833 as of June 30, 2010. These projects were for new fire alarms at Memorial Junior Middle School and Bee Meadow Elementary School.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 7. OPERATING LEASES

The District has commitments to lease copiers and energy savings equipment under operating leases which expire March 2014. Total operating lease payments made during the year ended June 30, 2010 were \$73,347. Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2011	\$ 67,849
2012	25,675
2013	8,427
2014	3,461
	<u>\$ 105,412</u>

NOTE 8. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2010, the following changes occurred in liabilities reported in the District-wide financial statements:

	<u>Balance</u> <u>6/30/2009</u>	<u>Added</u>	<u>Retired</u>	<u>Balance</u> <u>6/30/2010</u>
Compensated Absences Payable	\$ 885,421	\$ 82,564	\$ 20,406	\$ 947,579
Serial Bonds Payable	4,595,000		525,000	4,070,000
	<u>\$ 5,480,421</u>	<u>\$ 82,564</u>	<u>\$ 545,406</u>	<u>\$ 5,017,579</u>

A. Bonds Payable:

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

<u>Serial Bonds</u>				
<u>Purpose</u>	<u>Issue</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>Date</u>	<u>Amount</u>
School Improvements	1/15/1993	5.70%	1/15/2012	\$ 695,000
School Improvements	1/15/2002	4.30%-4.75%	1/15/2022	<u>3,375,000</u>
				<u>\$ 4,070,000</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 575,000	\$ 192,765	\$ 767,765
2012	570,000	163,140	733,140
2013	225,000	133,800	358,800
2014	300,000	124,125	424,125
2015	300,000	111,225	411,225
2016-2020	1,500,000	352,875	1,852,875
2021-2022	600,000	42,750	642,750
	<u>\$ 4,070,000</u>	<u>\$ 1,120,680</u>	<u>\$ 5,190,680</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2010, the Board had no bonds authorized but not issued.

C. Capital Leases Payable:

As of June 30, 2010, the District had no Capital Leases Payable.

D. Compensated Absences:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The current portion of the compensated absences balance of the governmental funds is \$39,038 and the long-term liability balance of compensated absences is \$908,541. The General Fund will be used to liquidate the compensated absences payable.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2010, no liability existed for compensated absences in the Food Service Fund.

NOTE 9. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey. These systems are sponsored and administered by the State of New Jersey. The TPAF is considered a cost-sharing, multiple employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other noncontribution employers. The PERS is also considered a cost-sharing, multiple-employer plan.

Employees who are members of TPAF or PERS and retire at or after age 55 are entitled to a retirement benefit based upon a formula which takes 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Vesting occurs after 8 to 10 years of service.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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 obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey regulation. Employee contributions are based on percentages of 5.50% for TPAF and 5.50% for PERS of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums. Under current statute, the District is a noncontributing employer of the TPAF.

<u>Three-Year Trend for TPAF (Paid on-behalf of District)</u>			
<u>Year Funding</u> <u>June 30,</u>	<u>Annual</u> <u>Pension Cost</u> <u>(APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
2010	\$ -0-	100.00%	\$ -0-
2009	-0-	100.00%	-0-
2008	776,161	100.00%	776,161

During the fiscal year ended June 30, 2010, the State of New Jersey Contributed \$-0- to the TPAF for normal pension benefits on behalf of the District.

<u>Three-Year Trend for PERS</u>			
<u>Year Funding</u> <u>June 30,</u>	<u>Annual</u> <u>Pension Cost</u> <u>(APC)</u>	<u>Percentage of</u> <u>APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
2010	\$ 287,961	100.00%	\$ 287,961
2009	218,648	100.00%	218,648
2008	204,518	80.00%	163,614

Effective July 1, 2003, Chapter 108, P.L. 2003 provides for a reduction or "phase-in" of the required pension contribution to PERS for local employers for State fiscal years 2005-2008. The local employer PERS normal and accrued liability contributions required for State fiscal years 2005-2008 are as follows:

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

20% for payments due in State fiscal year 2005
 Not more than 40% for payments due in State fiscal year 2006
 Not more than 60% for payments due in State fiscal year 2007
 Not more than 80% for payments due in State fiscal year 2008

NOTE 10. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2009, there were 84,590 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994 with an additional contribution beginning in fiscal year 1996 to maintain a medical reserve of one-half of 1% of the active State payroll each year.

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

The State's on behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$666,694, \$656,956 and \$973,519 for 2010, 2009 and 2008, respectively.

NOTE 11. RISK MANAGEMENT

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

Property, Liability and Health Benefits

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

The Hanover Township School District is currently a member of the Morris Essex Insurance Group (the "Pool"). The Pool provides its members with Workers' Compensation. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The District is also a member of the School Alliance Insurance Fund (the "Fund"). SAIF is a public entity risk management pool which provides general liability, property and automobile coverage for its members. Both the Pool and the Fund are risk-sharing public entity risk pools that are both an insured and self-administered group of school Districts established for the purpose of providing low-cost insurance coverage for their members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective District for the purpose of creating a governing body from which officers for the Pool and the Fund are elected. As a member of the Pool and the Fund, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the Pool or the Fund were to be exhausted, members would become responsible for their respective shares of the Pool's or Fund's liabilities.

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

Selected financial information for the Fund and the Pool as of June 30, 2009 is as follows:

	<u>School Alliance Insurance Fund</u>	<u>Morris Essex Insurance Group</u>
Total Assets	\$ 33,659,794	\$ 6,627,738
Net Assets	\$ 14,417,326	\$ 2,401,075
Total Revenue	\$ 28,042,089	\$ 2,808,265
Total Expenses and Adjustments	\$ 25,015,943	\$ 2,229,493
Change in Net Assets	\$ 3,026,146	\$ 578,772
Net Assets Distribution to Participating Members	\$ 3,005,614	\$ 630,209

Financial statements are available at the Administrators' Office.

School Alliance Insurance Fund

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

Morris Essex Insurance Group

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

New Jersey Unemployment Compensation Insurance

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

<u>Fiscal Year</u>	<u>Employee/ District Contributions</u>	<u>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2009-2010	\$ 36,410	\$ 178	\$ 39,953	\$ 164,885
2008-2009	34,743	1,036	51,420	168,250
2007-2008	34,068	4,040	31,131	183,891

NOTE 12. ECONOMIC DEPENDENCY

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

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2010:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 98,247	\$ 567,267
Special Revenue Fund		10,324
Capital Projects Fund		87,598
Debt Service Fund	105	
Trust Fund	567,267	430
	<u>\$ 665,619</u>	<u>\$ 665,619</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES (Cont'd)

The interfund between the General Fund and the Special Revenue and Capital Projects Funds represents cash advances to eliminate negative cash balances in the Special Revenue and Capital Projects Funds. The interfund between the General Fund and Trust and Agency Fund is the amount of salary ten-month employees earned which will be disbursed during the summer months and retirement payouts. The interfund between the Capital Projects Fund and Debt Service Fund represents interest earned not yet transferred.

During the fiscal year ended June 30, 2010, the General Fund transferred \$150,500 to the Capital Projects Fund for various improvements.

NOTE 14. DEFERRED COMPENSATION

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

Equitable	MetLife Resources
Individual Annuity Center	125 17th Street
Raritan Plaza III	Denver, CO
101 Fieldcrest Avenue	
Edison, NJ 08837	
Great West Life	Variable Annuity Life Insurance
Retirement Annuity Consultant	Company (VALIC)
197 State Highway 18, Suite 250	90 Woodbridge Ctr. Dr., Suite 300
East Brunswick, NJ 08816	Woodbridge, NJ 07095
The Legend Group	
100 Canal Pointe Blvd.	
Princeton, NJ 08540	

Metropolitan Life is the plan administrator for the District's Internal Revenue Code Section 457 plan.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 15. TAX CALENDAR

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

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

NOTE 16. CONTINGENT LIABILITIES

Grant Programs

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

Litigation

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

Contingency

The District is in the process of remediation of contaminated property owned by the District. The New Jersey Department of Environmental Protections (NJDEP) has accepted the plan submitted by the District's environmental consultant to install signs and fencing around the contaminated pile. It is expected that remediation will be completed by November 2010 and the cost of remediation since 2008 will total \$70,000, and has already been provided, budgeted and recorded.

BUDGETARY COMPARISON SCHEDULES

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
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	\$ 20,130,621		\$ 20,130,621	\$ 20,130,621	
Interest Earned on Investments				10,114	\$ 10,114
Interest Earned on Capital Reserve Funds	8,000		8,000	1,541	(6,459)
Miscellaneous	185,000		185,000	207,676	22,676
Total - Local Sources	20,323,621		20,323,621	20,349,952	26,331
State Sources:					
Categorical Special Education Aid	934,041		934,041	629,395	(304,646)
Security Aid	122,184		122,184	79,420	(42,764)
Adjustment Aid	14,859		14,859	9,658	(5,201)
Transportation Aid	277,215		277,215	180,190	(97,025)
District Reimbursement for Extraordinary Costs	48,212		48,212	97,245	49,033
Nonpublic School Transportation Costs				8,004	8,004
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)				35,498	35,498
TPAF Post Retirement (On-Behalf - Non-Budgeted)				666,694	666,694
TPAF Social Security (Reimbursed - Non-Budgeted)				819,531	819,531
Total State Sources	1,396,511		1,396,511	2,525,635	1,129,124
TOTAL REVENUES	21,720,132		21,720,132	22,875,587	1,155,455

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
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 EXPENSE:					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	417,080	(40,789)	376,291	374,731	1,560
Grades 1-5 - Salaries of Teachers	4,273,713	(113,113)	4,160,600	4,160,600	
Grades 6-8 - Salaries of Teachers	2,583,883	42,370	2,626,253	2,626,253	
Regular Programs - Home Instruction:					
Salaries of Teachers	5,000	12,670	17,670	17,670	
Purchased Professional-Educational Services	3,000	(3,000)			
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	201,585	(148,297)	53,288	53,288	
Purchased Professional-Educational Services	3,150		3,150	2,950	200
Other Purchased Services (400-500 series)	70,667		70,667	64,254	6,413
General Supplies	452,231	(20,423)	431,808	339,579	92,229
Textbooks	169,973	164	170,137	131,238	38,899
Other Objects	47,290		47,290	34,753	12,537
Total Regular Programs - Instruction	8,227,572	(270,418)	7,957,154	7,805,316	151,838
Special Education - Instruction:					
Learning/Language Disabilities:					
Salaries of Teachers	69,832	524	70,356	70,143	213
Other Salaries for Instruction	13,653		13,653	12,711	942
General Supplies	1,037		1,037	513	524
Textbooks	100		100	100	
Total Learning/Language Disabilities	84,622	524	85,146	83,367	1,779
Multiple Disabilities:					
Salaries of Teachers	78,961	13,530	92,491	89,698	2,793
Other Salaries for Instruction	68,127	(134)	67,993	67,973	20
General Supplies	3,332		3,332	2,419	913
Textbooks	150		150	150	
Other Objects	1,744	600	2,344	2,289	55
Total Multiple Disabilities	152,314	13,996	166,310	162,379	3,931

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
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>
Resource Room/Resource Center:					
Salaries of Teachers	1,036,662	(25,954)	1,010,708	1,008,550	2,158
Other Salaries for Instruction	4,000		4,000	3,534	466
General Supplies	5,203		5,203	4,111	1,092
Textbooks	900		900	576	324
Total Resource Room/Resource Center	<u>1,046,765</u>	<u>(25,954)</u>	<u>1,020,811</u>	<u>1,016,771</u>	<u>4,040</u>
Autism:					
Salaries of Teachers	60,681	(400)	60,281	59,386	895
Other Salaries for Instruction	118,493	(9,974)	108,519	103,383	5,136
Purchased Professional-Educational Services	3,000	(600)	2,400	2,400	
General Supplies	2,586		2,586	2,098	488
Textbooks	150		150		150
Other Objects	1,414		1,414	1,382	32
Total Autism	<u>186,324</u>	<u>(10,974)</u>	<u>175,350</u>	<u>168,649</u>	<u>6,701</u>
Preschool Disabilities - Part-Time:					
Salaries of Teachers	135,050	134	135,184	130,227	4,957
Other Salaries for Instruction	57,301	(2,816)	54,485	50,346	4,139
Purchased Professional-Educational Services	55,000	(34,852)	20,148	17,383	2,765
General Supplies	5,333	1,371	6,704	4,477	2,227
Other Objects	515	(354)	161	161	
Total Preschool Disabilities - Part-Time	<u>253,199</u>	<u>(36,517)</u>	<u>216,682</u>	<u>202,594</u>	<u>14,088</u>
Total Special Education - Instruction	<u>1,723,224</u>	<u>(58,925)</u>	<u>1,664,299</u>	<u>1,633,760</u>	<u>30,539</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
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>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	155,474		155,474	154,636	838
General Supplies	1,380	24	1,404	1,228	176
Total Basic Skills/Remedial - Instruction	<u>156,854</u>	<u>24</u>	<u>156,878</u>	<u>155,864</u>	<u>1,014</u>
Bilingual Education - Instruction:					
Salaries of Teachers	67,491		67,491	65,788	1,703
Other Purchased Services (400-500 series)	485		485	485	485
General Supplies	2,785		2,785	1,866	919
Total Bilingual Education - Instruction	<u>70,761</u>		<u>70,761</u>	<u>67,654</u>	<u>3,107</u>
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	59,117		59,117	50,352	8,765
Supplies and Materials	7,500		7,500	3,867	3,633
Total School-Sponsored Cocurricular Activities - Instruction	<u>66,617</u>		<u>66,617</u>	<u>54,219</u>	<u>12,398</u>
School-Sponsored Athletics - Instruction:					
Salaries	69,422		69,422	65,960	3,462
Purchased Services (300-500 series)	8,000		8,000	6,830	1,170
Supplies and Materials	9,600		9,600	9,063	537
Other Objects	2,700		2,700	1,945	755
Total School-Sponsored Athletics - Instruction	<u>89,722</u>		<u>89,722</u>	<u>83,798</u>	<u>5,924</u>
Total Instruction	<u>10,334,750</u>	<u>(329,319)</u>	<u>10,005,431</u>	<u>9,800,611</u>	<u>204,820</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAS Within the State - Regular		21,994	21,994	4,765	17,229
Tuition to Private Schools for the Handicapped - Within State	120,921	4,122	125,043	124,817	226
Total Instruction	120,921	26,116	147,037	129,582	17,455
Attendance & Social Work:					
Salaries	6,965	1,031	7,996	7,996	
Total Attendance & Social Work	6,965	1,031	7,996	7,996	
Health Services:					
Salaries	330,351	(13,453)	316,898	316,567	331
Other Purchased Services (400-500 series)	38,000	(2,966)	35,034	21,360	13,674
Supplies and Materials	12,825	(30)	12,795	10,030	2,765
Other Objects	4,250		4,250	202	4,048
Total Health Services	385,426	(16,449)	368,977	348,159	20,818
Other Support Services - Students - Related Services:					
Salaries of Other Professional Staff	397,085		397,085	395,860	1,225
Purchased Professional - Educational Services	246,864	8,857	255,721	212,068	43,653
Supplies and Materials	3,791	30	3,821	3,749	72
Total Other Support Services - Students - Related Services	647,740	8,887	656,627	611,677	44,950
Other Support Services - Students - Extra Services:					
Salaries of Other Professional Staff	327,211	5,447	332,658	329,936	2,722
Purchased Professional - Educational Services	9,575	(75)	9,500	8,868	632
Supplies and Materials	1,300		1,300		1,300
Total Other Support Services - Students - Extra Services	338,086	5,372	343,458	338,804	4,654
Other Support Services - Students - Regular:					
Salaries of Other Professional Staff	211,283	(2,648)	208,635	208,635	
Salaries of Secretarial and Clerical Assistants	52,880	(1,339)	51,541	51,541	
Other Purchased Professional, and Technical Services	33,025		33,025	24,279	8,746
Other Purchased Services (400-500 series)	500		500		500
Supplies and Materials	6,460	(917)	5,543	5,365	178
Total Other Support Services - Students - Regular	304,148	(4,904)	299,244	289,820	9,424

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Other Support Services - Students - Special Services:					
Salaries of Other Professional Staff	573,246	12,281	585,527	585,228	299
Salaries of Secretarial and Clerical Assistants	67,683	(1,621)	66,062	65,811	251
Other Purchased Services (400-500 series)	5,740		5,740	4,693	1,047
Supplies and Materials	14,537	74	14,611	8,846	5,765
Other Objects	1,765		1,765	918	847
Total Other Support Services - Students - Special Services	662,971	10,734	673,705	665,496	8,209
Improvement of Instructional Services:					
Salaries of Supervisor of Instruction	144,680	320	145,000	145,000	
Salaries of Other Professional Staff	20,000	454	20,454	16,032	4,422
Salaries of Secretarial and Clerical Assistants	27,061	725	27,786	27,786	
Other Purchased Services (400-500)	3,000		3,000	1,028	1,972
Supplies and Materials	8,000		8,000	2,902	5,098
Other Objects	2,200		2,200	1,735	465
Total Improvement of Instructional Services	204,941	1,499	206,440	194,483	11,957
Educational Media Services/School Library:					
Salaries	277,404	(3,119)	274,285	274,280	5
Purchased Professional and Technical Services	6,960		6,960	6,843	117
Supplies and Materials	50,338	(297)	50,041	28,107	21,934
Other Objects	3,700		3,700	3,245	455
Total Educational Media Services/School Library	338,402	(3,416)	334,986	312,475	22,511
Instructional Staff Training Services:					
Purchased Professional - Educational Services	5,000		5,000	2,983	2,017
Other Purchased Services (400-500 series)	43,084		43,084	11,943	31,141
Supplies and Materials	3,809	(387)	3,422	1,830	1,592
Other Objects		387	387	387	
Total Instructional Staff Training Services	51,893		51,893	17,143	34,750

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
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>
Support Services - General Administration:					
Salaries	240,109	846	240,955	240,955	
Legal Services	100,000		100,000	40,411	59,589
Audit Fees	37,271	(1,500)	35,771	35,770	1
Other Purchased Professional Services	11,990	1,500	13,490	8,490	5,000
Communications/Telephone	69,150	10,000	79,150	65,676	13,474
Other Purchased Services (400-500 series)	67,750	17,453	85,203	59,952	25,251
BOE Other Purchased Services	5,000	(89)	4,911	2,829	2,082
Supplies and Materials	2,500		2,500	675	1,825
BOE In-House Training/Meeting Supplies	4,000		4,000	533	3,467
BOE Membership Dues & Fees	12,000	(210)	11,790	11,790	
Miscellaneous Expenditures	7,500		7,500	5,973	1,527
Total Support Services - General Administration	557,270	28,000	585,270	473,054	112,216
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	590,373		590,373	583,902	6,471
Salaries of Secretarial and Clerical Assistants	305,707	12,000	317,707	309,245	8,462
Other Purchased Services (400-500 series)	12,000	18,000	30,000	2,436	27,564
Supplies and Materials	4,870		4,870	2,294	2,576
Other Objects	8,850		8,850	6,135	2,715
Total Support Services - School Administration	921,800	30,000	951,800	904,012	47,788
Support Services - Central Services:					
Salaries	357,220	(691)	356,529	356,344	185
Purchased Technical Services	29,545	7,100	36,645	29,955	6,690
Other Purchased Services (400-500 series)	12,000	(160)	11,840	6,841	4,999
Supplies and Materials	6,125	1,900	8,025	7,534	491
Other Objects	2,500		2,500	2,445	55
Total Support Services - Central Services	407,390	8,149	415,539	403,119	12,420

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Support Services - Administrative Information Technology Services:					
Salaries	119,843	(180)	119,663	119,663	
Supplies and Materials		13,500	13,500		13,500
Total Support Services - Administrative IT Services	119,843	13,320	133,163	119,663	13,500
Required Maintenance of School Facilities:					
Salaries	249,453	(75,333)	174,120	174,120	
Cleaning, Repair and Maintenance Services	157,185	(8,848)	148,337	137,602	10,735
General Supplies	55,304		55,304	20,386	34,918
Total Required Maintenance of School Facilities	461,942	(84,181)	377,761	332,108	45,653
Other Operations & Maintenance of Plant:					
Salaries	847,524	(19,885)	827,639	822,262	5,377
Salaries of Non-Instructional Aides		143,218	143,218	136,934	6,284
Cleaning, Repair and Maintenance Services	81,090	(20,152)	60,938	21,909	39,029
Other Purchased Property Services	46,200		46,200	27,230	18,970
Insurance	62,200	(13,500)	48,700	46,781	1,919
Miscellaneous Purchased Services	3,000		3,000	1,950	1,050
General Supplies	149,150		149,150	122,085	27,065
Energy (Natural Gas)	336,000		336,000	217,669	118,331
Energy (Heat and Electricity)	415,000		415,000	323,259	91,741
Other Objects	13,450		13,450	11,735	1,715
Total Other Operations & Maintenance of Plant	1,953,614	89,681	2,043,295	1,731,814	311,481
Care and Upkeep of Grounds:					
Salaries		95,218	95,218	95,218	
Total Care and Upkeep of Grounds		95,218	95,218	95,218	

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
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>
Student Transportation Services:					
Salaries for Pupil Transportation (Between Home and School) - Regular	395,280	(12,075)	383,205	383,205	
Salaries for Pupil Transportation (Between Home and School) - Special Education	40,204	38,670	78,874	78,874	
Salaries for Pupil Transportation (Other Than Between Home and School) - Regular	88,500	(6,437)	82,063	82,063	
Salaries for Pupil Transportation - Non-Public	41,654	(10,061)	31,593	31,592	1
Management Fee - ESC Transportation	1,000	(516)	484	32	452
Cleaning, Repair and Maintenance Services	8,500	(4,785)	3,715	3,715	
Contract Services (Other than Between Home & School)-Vendors	6,000		6,000		6,000
Contract Services (Sp Ed. Student)-Joint Agreements	20,000	6,360	26,360	26,360	
Contracted Services (Regular Students) - ESC's	2,000	(1,000)	1,000	806	194
Contracted Services (Special Education Students) - ESC's	2,000	(2,000)			
Aid in Lieu Payments - Non Public	45,700	(9,878)	35,822	35,719	103
Aid in Lieu Payments - Charter School	1,828	(944)	884	884	
Miscellaneous Purchased Services - Transportation	38,946	(3,789)	35,157	34,336	821
Supplies and Materials	102,500	3,522	106,022	98,514	7,508
Miscellaneous Expenditures	500		500		500
Social Security Contributions	43,272	1,208	44,480	44,480	
Workers Compensation	40,952	(1,194)	39,758	39,758	
Health Benefits	150,000	2,919	152,919	152,919	
Other Employee Benefits	600		600	471	129
Total Student Transportation Services	<u>1,029,436</u>		<u>1,029,436</u>	<u>1,013,728</u>	<u>15,708</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
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>
Unallocated Benefits:					
Social Security Contributions	260,000	32,220	292,220	292,220	
Other Retirement Contributions - Regular	285,500	(24,060)	261,440	261,440	
Workmen's Compensation	153,863	(44,486)	109,377	108,656	721
Health Benefits	2,731,954	146,095	2,878,049	2,854,576	23,473
Tuition Reimbursement	41,000	3,500	44,500	36,619	7,881
Other Employee Benefits	20,000	6,993	26,993	26,928	65
Total Unallocated Benefits	3,492,317	120,262	3,612,579	3,580,439	32,140
On-Behalf Contributions:					
On-behalf TPAF Non-Contributory Insurance (non-budgeted)				35,498	(35,498)
On-behalf TPAF post retirement Contributions (non-budgeted)				666,694	(666,694)
Reimbursed TPAF Social Security Contributions (non-budgeted)				819,531	(819,531)
Total On-Behalf Contributions				1,521,723	(1,521,723)
Total Personal Services - Employee Benefits	3,492,317	120,262	3,612,579	5,102,162	(1,489,583)
Total Undistributed Expenses	12,005,105	329,319	12,334,424	13,090,513	(756,089)
TOTAL CURRENT EXPENSE	22,339,855		22,339,855	22,891,124	(551,269)

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CAPITAL OUTLAY					
Equipment:					
Regular Programs - Instruction:					
Grades 1-5	12,000		12,000	7,300	4,700
Grades 6-8	2,750		2,750	2,527	223
Undistributed Expenditures - Student Trans.-Non-Inst. Equip	2,500	(2,500)			
Undistributed Expenditures - School Buses - Regular		2,500	2,500	2,500	
Total Equipment	17,250		17,250	12,327	4,923
Facilities Acquisition and Construction Services:					
Architectural/Engineering Services	32,500	9,350	41,850	33,712	8,138
Construction Services	14,782	(9,350)	5,432	5,432	
Total Facilities Acquisition and Construction Services	47,282		47,282	39,144	8,138
TOTAL CAPITAL OUTLAY	64,532		64,532	51,471	13,061
Transfer of Funds to Charter Schools	20,500		20,500	20,391	109
TOTAL EXPENDITURES	22,424,887		22,424,887	22,962,986	(538,099)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(704,755)		(704,755)	(87,399)	617,356

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
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>
Other Financing Uses:					
Operating Transfer Out:					
Transfer to Capital Projects Fund - Capital Reserve	(150,000)		(150,000)	(60,882)	89,118
Transfer to Capital Projects Fund - Capital Outlay	<u>(89,618)</u>		<u>(89,618)</u>	<u>(89,618)</u>	
Total Other Financing Uses	<u>(239,618)</u>		<u>(239,618)</u>	<u>(150,500)</u>	<u>89,118</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures and Other Financing Uses	(944,373)		(944,373)	(237,899)	706,474
Fund Balance, July 1	<u>2,069,458</u>		<u>2,069,458</u>	<u>2,069,458</u>	
Fund Balance, June 30	<u>\$ 1,125,085</u>	<u>\$ -0-</u>	<u>\$ 1,125,085</u>	<u>\$ 1,831,559</u>	<u>\$ 706,474</u>
 <u>Recapitulation:</u>					
Reserve for Encumbrances				\$ 66,057	
Excess Surplus - Designated for Subsequent Year's Expenditures				372,170	
Reserve for Excess Surplus				126,107	
Capital Reserve				500,523	
Unreserved - Designated for Subsequent Year's Expenditures				277,830	
Unreserved / Undesignated Fund Balance				<u>488,872</u>	
				1,831,559	
Reconciliation to Governmental Funds Statements (GAAP):					
June State Aid Payments not recognized on GAAP Basis				<u>(121,647)</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 1,709,912</u>	

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
State Sources	\$ 90,515	\$ 574	\$ 91,089	\$ 109,124	\$ 18,035
Federal Sources	315,650	447,946	763,596	617,705	(145,891)
Total Revenues	406,165	448,520	854,685	726,829	(127,856)
EXPENDITURES:					
Instruction					
Personal Services - Salaries		16,614	16,614	16,497	117
Other Purchased Services	314,420	50,488	364,908	358,158	6,750
General Supplies	7,132	43,265	50,397	49,628	769
Textbooks	34,504	(26,887)	7,617	7,617	
Total Instruction	356,056	83,480	439,536	431,900	7,636
Support Services					
Personal Services - Salaries		34,517	34,517	32,891	1,626
Employee Benefits		8,175	8,175		8,175
Purchased Professional - Educational Services	4,000	1,000	5,000	5,000	
Purchased Professional - Technical Services		76,535	76,535	65,443	11,092
Tuition		74,440	74,440	58,355	16,085
Travel	16,503	(3,515)	12,988	11,728	1,260
Other Purchased Services	24,878	(15,846)	9,032	9,032	
Supplies and Materials	4,728	6,323	11,051	5,504	5,547
Total Support Services	50,109	181,629	231,738	187,953	43,785
Facilities Acquisition and Construction Services:					
Building/Renovation		139,666	139,666	70,000	69,666
Instructional Equipment		28,199	28,199	21,430	6,769
Non Instructional Equipment		15,546	15,546	15,546	
Total Facilities Acquisition and Construction Services		183,411	183,411	106,976	76,435
Total Expenditures	406,165	448,520	854,685	726,829	127,856
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

HANOVER TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 22,875,587	\$ 726,829
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not		1,361
Prior Year State Aid Payments Not Recognized for Budgetary Purposes, Recognized for GAAP Statements	105,954	
State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(121,647)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 22,859,894</u>	<u>\$ 728,190</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 22,962,986	\$ 726,829
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>1,361</u>
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 22,962,986</u>	<u>\$ 728,190</u>

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

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

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

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

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

HANOVER TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>No Child Left Behind</u>		<u>IDEA Part B, Basic Regular</u>		
	<u>Title II A</u>	<u>Title IV</u>	<u>2009-10</u>	<u>Carryover 2008-09</u>	<u>ARRA</u>
REVENUE:					
State Sources					
Federal Sources	\$ 25,232	\$ 2,390	\$ 293,543	\$ 2,187	\$ 259,382
Total Revenue	<u>25,232</u>	<u>2,390</u>	<u>293,543</u>	<u>2,187</u>	<u>259,382</u>
EXPENDITURES:					
Instruction:					
Personal Services - Salaries					16,497
Other Purchased Services			282,822		38,887
General Supplies	3,000	2,390			39,632
Textbooks					
Total Instruction	<u>3,000</u>	<u>2,390</u>	<u>282,822</u>		<u>95,016</u>
Support Services:					
Personal Services - Salaries					27,299
Purchased Professional - Educational Services	5,000				
Purchased Professional - Technical Services			10,721	2,187	42,091
Tuition					
Travel	11,728				
Other Purchased Services					
Supplies and Materials	5,504				
Total Support Services	<u>22,232</u>		<u>10,721</u>	<u>2,187</u>	<u>69,390</u>
Facilities Acquisition and Construction Services:					
Building/Renovation					70,000
Instructional Equipment					21,430
Non Instructional Equipment					3,546
Total Facilities Acquisition and Construction Services					<u>94,976</u>
Total Expenditures	<u>\$ 25,232</u>	<u>\$ 2,390</u>	<u>\$ 293,543</u>	<u>\$ 2,187</u>	<u>\$ 259,382</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

	IDEA Part B, Preschool			Nonpublic Nursing	Nonpublic Textbook
	2009-10	Carryover 2008-09	ARRA		
REVENUE:					
State Sources				\$ 9,032	\$ 7,617
Federal Sources	\$ 12,772	\$ 12,001	\$ 10,198		
Total Revenue	<u>12,772</u>	<u>12,001</u>	<u>10,198</u>	<u>9,032</u>	<u>7,617</u>
EXPENDITURES:					
Instruction:					
Personal Services - Salaries					
Other Purchased Services	2,329				
General Supplies			4,606		
Textbooks					7,617
Total Instruction	<u>2,329</u>		<u>4,606</u>		<u>7,617</u>
Support Services:					
Personal Services - Salaries			5,592		
Purchased Professional - Educational Services					
Purchased Professional - Technical Services	10,443	1			
Tuition					
Travel					
Other Purchased Services				9,032	
Supplies and Materials					
Total Support Services	<u>10,443</u>	<u>1</u>	<u>5,592</u>	<u>9,032</u>	
Facilities Acquisition and Construction Services:					
Building/Renovation					
Instructional Equipment					
Non Instructional Equipment		12,000			
Total Facilities Acquisition and Construction Services		<u>12,000</u>			
Total Expenditures	<u>\$ 12,772</u>	<u>\$ 12,001</u>	<u>\$ 10,198</u>	<u>\$ 9,032</u>	<u>\$ 7,617</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

	Nonpublic	Nonpublic Handicapped Services			New Jersey Clean Energy Program	Totals June 30, 2010
	Auxiliary Services Compensatory Education	Supplemental Instruction	Examination & Classification	Corrective Speech		
REVENUE:						
State Sources	\$ 27,351	\$ 8,362	\$ 11,882	\$ 10,760	\$ 34,120	\$ 109,124
Federal Sources						617,705
Total Revenue	<u>27,351</u>	<u>8,362</u>	<u>11,882</u>	<u>10,760</u>	<u>34,120</u>	<u>726,829</u>
EXPENDITURES:						
Instruction:						
Personal Services - Salaries						16,497
Other Purchased Services					34,120	358,158
General Supplies						49,628
Textbooks						7,617
Total Instruction					<u>34,120</u>	<u>431,900</u>
Support Services:						
Personal Services - Salaries						32,891
Purchased Professional - Educational Services						5,000
Purchased Professional - Technical Services						65,443
Tuition	27,351	8,362	11,882	10,760		58,355
Travel						11,728
Other Purchased Services						9,032
Supplies and Materials						5,504
Total Support Services	<u>27,351</u>	<u>8,362</u>	<u>11,882</u>	<u>10,760</u>		<u>187,953</u>
Facilities Acquisition and Construction Services:						
Building/Renovation						70,000
Instructional Equipment						21,430
Non Instructional Equipment						15,546
Total Facilities Acquisition and Construction Services						<u>106,976</u>
Total Expenditures	<u>\$ 27,351</u>	<u>\$ 8,362</u>	<u>\$ 11,882</u>	<u>\$ 10,760</u>	<u>\$ 34,120</u>	<u>\$ 726,829</u>

CAPITAL PROJECTS FUND

Exhibit F-1

HANOVER TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Revenue and Other Financing Sources:	
State Sources - SDA Grant	\$ 100,333
Transfer from Capital Reserve	60,882
Transfer from Capital Outlay	89,618
Interest Income	<u>105</u>
Total revenue and other financing sources	<u>250,938</u>
Expenditures and Other Financing Uses:	
Purchased professional and technical services	17,029
Miscellaneous costs	221,069
Transfer to Debt Service Fund	<u>105</u>
Total expenditures and other financing uses	<u>238,203</u>
Excess/(deficit) of revenue over/(under) expenditures and other financing uses	12,735
Fund balance - beginning of year	<u>-0-</u>
Fund balance - end of year	<u>\$ 12,735</u>
Recapitulation:	
Reserve for Encumbrances	<u>\$ 12,735</u>
Fund Balance per Governmental Funds (GAAP)	<u>\$ 12,735</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
MEMORIAL JUNIOR MIDDLE SCHOOL NEW FIRE ALARM
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant		\$ 61,649	\$ 61,649	\$ 61,649
Transfer from capital reserve		54,103	54,103	54,103
Transfer from capital outlay		38,371	38,371	38,371
Total revenue and other financing sources		<u>154,123</u>	<u>154,123</u>	<u>154,123</u>
Expenditures and Other Financing Uses:				
Purchased professional and technical services		9,951	9,951	9,951
Miscellaneous costs		136,868	136,868	144,172
Total expenditures and other financing uses		<u>146,819</u>	<u>146,819</u>	<u>154,123</u>
Excess/(deficit) of revenue and other financing sources over/(under) expenditures and other financing uses	<u>\$ -0-</u>	<u>\$ 7,304</u>	<u>\$ 7,304</u>	<u>\$ -0-</u>

Additional project information:

Project Number:	
Memorial Junior Middle School	2000-040-09-1004
Grant Date	02/26/2009
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	289,707
Revised Authorized Cost	154,123

Percentage Increase over Original

Authorized Cost	0%
Percentage Completion	95%
Original target completion date	6/2010
Revised target completion date	6/2010

HANOVER TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
BEE MEADOW ELEMENTARY SCHOOL NEW FIRE ALARM
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenue and Other Financing Sources:				
State Sources - SDA Grant		\$ 38,684	\$ 38,684	\$ 38,684
Transfer from capital reserve		6,779	6,779	6,779
Transfer from capital outlay		51,247	51,247	51,247
Total revenue and other financing sources		96,710	96,710	96,710
Expenditures and Other Financing Uses:				
Purchased professional and technical services		7,078	7,078	7,078
Miscellaneous costs		84,201	84,201	89,632
Total expenditures and other financing uses		91,279	91,279	96,710
Excess/(deficit) of revenue and other financing sources over/(under) expenditures and other financing uses	\$ -0-	\$ 5,431	\$ 5,431	\$ -0-

Additional project information:

Project Number:

Bee Meadow Elementary School 2000-040-09-1002

Grant Date 02/26/2009

Bond Authorization Date N/A

Bonds Authorized N/A

Bonds Issued N/A

Original Authorized Cost 165,751

Revised Authorized Cost 96,710

Percentage Increase over Original

Authorized Cost 0%

Percentage Completion 94%

Original target completion date 6/2010

Revised target completion date 6/2010

PROPRIETARY FUNDS

HANOVER TOWNSHIP SCHOOL DISTRICT
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Business-Type Activities: Enterprise Funds		
	Food Service	School Age Child Care	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 17,459	\$ 310,294	\$ 327,753
Accounts Receivable:			
Federal	1,174		1,174
Other		2,108	2,108
Total Current Assets	<u>18,633</u>	<u>312,402</u>	<u>331,035</u>
Total Assets	<u>18,633</u>	<u>312,402</u>	<u>331,035</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable - Vendors	1,455	37	1,492
Deferred Revenue		175,124	175,124
Total Current Liabilities	<u>1,455</u>	<u>175,161</u>	<u>176,616</u>
NET ASSETS:			
Unrestricted	<u>17,178</u>	<u>137,241</u>	<u>154,419</u>
Total Net Assets	<u>\$ 17,178</u>	<u>\$ 137,241</u>	<u>\$ 154,419</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Business-Type Activities:		
	Enterprise Funds		
	Food Service	School Age Child Care	Total
Operating Revenue:			
Local Sources:			
Daily Sales - Reimbursable Programs:			
Special Milk Program	\$ 26,681		\$ 26,681
Child Care Fees		\$ 802,386	802,386
Total Operating Revenue	26,681	802,386	829,067
Operating Expenses:			
Cost of Sales	17,114		17,114
Salaries	15,286	459,579	474,865
Benefits and Taxes	5,533	122,405	127,938
Purchased Services		73,242	73,242
Field Trips/Travel		49,365	49,365
Supplies	267	59,586	59,853
Total Operating Expenses	38,200	764,177	802,377
Operating Income (Loss)	(11,519)	38,209	26,690
Non-Operating Revenue:			
Local Sources:			
Interest Revenue	38	371	409
Federal Sources:			
Special Milk Program	13,255		13,255
Total Non-Operating Revenue	13,293	371	13,664
Change in Net Assets	1,774	38,580	40,354
Net Assets - Beginning of Year	15,404	98,661	114,065
Net Assets - End of Year	\$ 17,178	\$ 137,241	\$ 154,419

HANOVER TOWNSHIP SCHOOL DISTRICT
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Business-Type Activities:		
	Enterprise Funds		
	Food Service	School Age Child Care	Total
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 26,681	\$ 807,064	\$ 833,745
Payments to Employees	(15,286)	(459,579)	(474,865)
Payments for Employee Benefits	(5,533)	(122,405)	(127,938)
Payments to Suppliers	(15,926)	(182,173)	(198,099)
Net Cash Provided by/(Used for) Operating Activities	<u>(10,064)</u>	<u>42,907</u>	<u>32,843</u>
Cash Flows from Noncapital Financing Activities:			
Cash Received from Federal Reimbursements	<u>13,526</u>		<u>13,526</u>
Net Cash Provided by Noncapital Financing Activities	<u>13,526</u>		<u>13,526</u>
Cash Flows from Investing Activities:			
Interest on Investments	<u>38</u>	<u>371</u>	<u>409</u>
Net Cash Provided by Investing Activities	<u>38</u>	<u>371</u>	<u>409</u>
Net Increase in Cash and Cash Equivalents	3,500	43,278	46,778
Cash and Cash Equivalents, July 1	<u>13,959</u>	<u>267,016</u>	<u>280,975</u>
Cash and Cash Equivalents, June 30	<u>\$ 17,459</u>	<u>\$ 310,294</u>	<u>\$ 327,753</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by/(Used for)			
Operating Activities:			
Operating Income (Loss)	\$ (11,519)	\$ 38,209	\$ 26,690
Adjustment to Reconcile Operating Income (Loss) to Cash			
Provided by/(Used for) Operating Activities:			
Changes in Assets and Liabilities:			
Decrease in Other Accounts Receivable		1,210	1,210
Increase in Accounts Payable	1,455	19	1,474
Increase in Deferred Revenue		3,469	3,469
Net Cash Provided by/(Used for) Operating Activities	<u>\$ (10,064)</u>	<u>\$ 42,907</u>	<u>\$ 32,843</u>

FIDUCIARY FUNDS

HANOVER TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2010

	<u>Agency</u>			<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>
	<u>Student Activity</u>	<u>Payroll</u>	<u>Totals</u>		
ASSETS:					
Cash and Cash Equivalents	\$ 85,688	\$ 24,263	\$ 109,951	\$ 164,885	\$ 13,897
Interfund Receivable		567,267	567,267		
Total Assets	\$ 85,688	\$ 591,530	\$ 677,218	\$ 164,885	\$ 13,897
LIABILITIES:					
Due to Student Groups	\$ 85,688		\$ 85,688		
Accrued Salaries and Wages		\$ 567,267	567,267		
Payroll Deductions and Withholdings		23,833	23,833		
Interfund Payable		430	430		
Total Liabilities	85,688	591,530	677,218		
NET ASSETS:					
Held in Trust for Unemployment Claims				\$ 164,885	
Reserved for Scholarships					\$ 13,897
Total Net Assets	\$ -0-	\$ -0-	\$ -0-	\$ 164,885	\$ 13,897

HANOVER TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Unemployment Compensation Trust	Private Purpose Scholarship Fund	Totals
ADDITIONS:			
Contributions:			
Plan members	\$ 36,410		\$ 36,410
Donations		\$ 225	225
Total Contributions	36,410	225	36,635
Investment Earnings:			
Interest	178	60	238
Net Investment Earnings	178	60	238
Total Additions	36,588	285	36,873
DEDUCTIONS:			
Quarterly Contribution Reports	39,953		39,953
Scholarships Awarded		649	649
Total Deductions	39,953	649	40,602
Change in Net Assets	(3,365)	(364)	(3,729)
Net Assets - Beginning of the Year	168,250	14,261	182,511
Net Assets - End of the Year	\$ 164,885	\$ 13,897	\$ 178,782

HANOVER TOWNSHIP SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 50,872	\$ 153,826	\$ 119,010	\$ 85,688
Total Assets	<u>\$ 50,872</u>	<u>\$ 153,826</u>	<u>\$ 119,010</u>	<u>\$ 85,688</u>
 <u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	\$ 50,872	\$ 153,826	\$ 119,010	\$ 85,688
Total Liabilities	<u>\$ 50,872</u>	<u>\$ 153,826</u>	<u>\$ 119,010</u>	<u>\$ 85,688</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2010</u>
Elementary Schools:				
Bee Meadow	\$ 4,574	\$ 2,387	\$ 743	\$ 6,218
Mountview	6,043	9,455	5,551	9,947
Salem Drive	1,810	2,580	3,691	699
Total Elementary Schools	<u>12,427</u>	<u>14,422</u>	<u>9,985</u>	<u>16,864</u>
Middle School:				
Memorial	<u>38,445</u>	<u>139,404</u>	<u>109,025</u>	<u>68,824</u>
Total Middle School	<u>38,445</u>	<u>139,404</u>	<u>109,025</u>	<u>68,824</u>
Total All Schools	<u>\$ 50,872</u>	<u>\$ 153,826</u>	<u>\$ 119,010</u>	<u>\$ 85,688</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 356,989	\$ 7,462,260	\$ 7,794,986	\$ 24,263
Interfund Receivable	547,378	567,267	547,378	567,267
Total Assets	<u>\$ 904,367</u>	<u>\$ 8,029,527</u>	<u>\$ 8,342,364</u>	<u>\$ 591,530</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 22,599	\$ 7,461,830	\$ 7,460,596	\$ 23,833
Accrued Salaries and Wages	547,378	567,267	547,378	567,267
Interfund Payable	334,390	430	334,390	430
Total Liabilities	<u>\$ 904,367</u>	<u>\$ 8,029,527</u>	<u>\$ 8,342,364</u>	<u>\$ 591,530</u>

LONG-TERM DEBT

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding June 30, 2010		Interest Rate	Balance June 30, 2009	Matured	Balance June 30, 2010
			Date	Amount				
School Improvements	1/15/1993	\$ 4,850,000	01/15/11	\$ 350,000	5.70%	\$ 1,020,000	\$ 325,000	\$ 695,000
			01/15/12	345,000				
School Improvements	1/15/2002	4,750,000	01/15/11-13	225,000	4.30%	3,575,000	200,000	3,375,000
			01/15/14	300,000	4.30%			
			01/15/15	300,000	4.40%			
			01/15/16	300,000	4.50%			
			01/15/17	300,000	4.60%			
			01/15/18	300,000	4.625%			
			01/15/19	300,000	4.70%			
			01/15/20-22	300,000	4.75%			
						<u>3,575,000</u>	<u>200,000</u>	<u>3,375,000</u>
						<u>\$ 4,595,000</u>	<u>\$ 525,000</u>	<u>\$ 4,070,000</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOT APPLICABLE

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
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>
REVENUE:					
Local Sources:					
Local Tax Levy	\$ 735,790		\$ 735,790	\$ 735,790	
Total Revenue	<u>735,790</u>		<u>735,790</u>	<u>735,790</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	219,790		219,790	219,790	
Redemption of Principal	525,000		525,000	525,000	
Total Regular Debt Service	<u>744,790</u>		<u>744,790</u>	<u>744,790</u>	
Total Expenditures	<u>744,790</u>		<u>744,790</u>	<u>744,790</u>	
(Deficiency) of Revenue (Under) Expenditures	<u>(9,000)</u>		<u>(9,000)</u>	<u>(9,000)</u>	
Other Financing Sources:					
Operating Transfer In:					
Transfer from Capital Projects Fund				105	\$ 105
Total Other Financing Sources				<u>105</u>	<u>105</u>
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures	(9,000)		(9,000)	(8,895)	105
Fund Balance, July 1	<u>16,057</u>		<u>16,057</u>	<u>16,057</u>	
Fund Balance, June 30	<u>\$ 7,057</u>	<u>\$ -0-</u>	<u>\$ 7,057</u>	<u>\$ 7,162</u>	<u>\$ 105</u>
<u>Recapitulation:</u>					
Unreserved - Designated for Subsequent Year's Expenditures				\$ 7,057	
Unreserved/Undesignated Fund Balance				105	
				<u>\$ 7,162</u>	

STATISTICAL SECTION

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

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
Governmental Activities:						
Invested in Capital Assets, Net of Related Debt	\$ 9,212,364	\$ 10,025,347	\$ 10,599,240	\$ 11,408,472	\$ 11,873,264	\$ 12,099,751
Restricted	2,864,602	2,990,114	2,644,521	1,623,991	1,650,464	1,362,584
Unrestricted/(Deficit)	116,882	(565,962)	(496,801)	(498,495)	(623,525)	(639,311)
Total Governmental Activities Net Assets	<u>\$ 12,193,848</u>	<u>\$ 12,449,499</u>	<u>\$ 12,746,960</u>	<u>\$ 12,533,968</u>	<u>\$ 12,900,203</u>	<u>\$ 12,823,024</u>
Business-Type Activities:						
Unrestricted	\$ 175,153	\$ 148,126	\$ 116,081	\$ 105,209	\$ 114,065	\$ 154,419
Total Business-Type Activities Net Assets	<u>\$ 175,153</u>	<u>\$ 148,126</u>	<u>\$ 116,081</u>	<u>\$ 105,209</u>	<u>\$ 114,065</u>	<u>\$ 154,419</u>
District-Wide:						
Invested in Capital Assets, Net of Related Debt	\$ 9,212,364	\$ 10,025,347	\$ 10,599,240	\$ 11,408,472	\$ 11,873,264	\$ 12,099,751
Restricted	2,864,602	2,990,114	2,644,521	1,623,991	1,650,464	1,362,584
Unrestricted/(Deficit)	292,035	(417,836)	(380,720)	(393,286)	(509,460)	(484,892)
Total District Net Assets	<u>\$ 12,369,001</u>	<u>\$ 12,597,625</u>	<u>\$ 12,863,041</u>	<u>\$ 12,639,177</u>	<u>\$ 13,014,268</u>	<u>\$ 12,977,443</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports

HANOVER TOWNSHIP SCHOOL DISTRICT
CHANGES IN NET ASSETS, LAST FOUR FISCAL YEARS
LAST SIX FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
UNAUDITED

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
Expenses:						
Governmental Activities:						
Instruction:						
Regular	\$ 9,194,032	\$ 11,963,094	\$ 11,895,254	\$ 12,544,129	\$ 11,460,263	\$ 11,794,795
Special Education	1,861,955	1,624,262	2,110,342	2,111,191	2,262,515	2,417,583
Other Special Instruction	370,665	273,076	314,743	272,269	246,294	279,890
Other Instruction	149,436	134,105	165,203	162,455	163,436	179,648
Support Services:						
Tuition	28,089	69,761	161,197	138,459	203,930	187,937
Student and Instruction Related Services	2,868,358	2,350,414	2,917,212	3,211,500	3,305,155	3,551,065
School Administrative Services	1,118,958	908,429	1,068,784	1,027,619	1,068,874	1,132,765
General Administrative Services	501,943	447,810	536,330	546,952	585,913	554,182
Plant Operations and Maintenance	2,212,333	1,985,861	2,381,960	2,392,670	2,382,636	2,468,355
Pupil Transportation	815,656	876,406	917,622	994,595	1,007,382	1,062,908
Central Services and Admin Info Tech	623,035	495,290	650,833	576,563	603,941	644,568
Charter Schools	8,063	12,456	17,220	17,906	19,159	20,391
Interest on Long-Term Debt	335,994	312,032	286,840	260,878	234,429	207,404
Total Governmental Activities Expenses	<u>20,088,517</u>	<u>21,452,996</u>	<u>23,423,540</u>	<u>24,257,186</u>	<u>23,543,927</u>	<u>24,501,491</u>
Business-Type Activities:						
Enterprise Funds	565,070	682,865	781,386	872,013	775,233	802,377
Total Business-Type Activities Expense	<u>565,070</u>	<u>682,865</u>	<u>781,386</u>	<u>872,013</u>	<u>775,233</u>	<u>802,377</u>
Total District Expenses	<u>\$ 20,653,587</u>	<u>\$ 22,135,861</u>	<u>\$ 24,204,926</u>	<u>\$ 25,129,199</u>	<u>\$ 24,319,160</u>	<u>\$ 25,303,868</u>
Program Revenues:						
Governmental Activities:						
Charges for Services:						
Instruction (tuition)			\$ 45,847			
Operating Grants and Contributions	\$ 2,908,543	\$ 3,144,600	3,896,539	\$ 3,922,487	\$ 3,006,953	\$ 3,054,568
Capital Grants and Contributions	241,359	309,023	180,847			100,333
Total Governmental Activities Program Revenues	<u>3,149,902</u>	<u>3,453,623</u>	<u>4,123,233</u>	<u>3,922,487</u>	<u>3,006,953</u>	<u>3,154,901</u>
Business-Type Activities:						
Charges for Services:						
Enterprise Funds	590,758	634,974	731,088	843,980	766,912	829,067
Operating Grants and Contributions	16,146	15,459	13,448	12,600	15,664	13,255
Total Business Type Activities Program Revenues	<u>606,904</u>	<u>650,433</u>	<u>744,536</u>	<u>856,580</u>	<u>782,576</u>	<u>842,322</u>
Total District Program Revenues	<u>\$ 3,756,806</u>	<u>\$ 4,104,056</u>	<u>\$ 4,867,769</u>	<u>\$ 4,779,067</u>	<u>\$ 3,789,529</u>	<u>\$ 3,997,223</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
CHANGES IN NET ASSETS, LAST FOUR FISCAL YEARS
LAST SIX FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
UNAUDITED
(CONTINUED)

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
Net (Expense)/Revenue:						
Governmental Activities	\$ (16,938,615)	\$ (17,999,373)	\$ (19,300,307)	\$ (20,334,699)	\$ (20,536,974)	\$ (21,346,590)
Business-Type Activities	41,834	(32,432)	(36,850)	(15,433)	7,343	39,945
Total District-Wide Net Expense	\$ (16,896,781)	\$ (18,031,805)	\$ (19,337,157)	\$ (20,350,132)	\$ (20,529,631)	\$ (21,306,645)
General Revenues and Other Changes in Net Assets:						
Governmental Activities:						
Property Taxes Levied for General Purposes, Net	\$ 16,002,736	\$ 16,991,387	\$ 18,146,999	\$ 18,972,792	\$ 19,731,704	\$ 20,130,621
Taxes Levied for Debt Service	746,753	788,278	788,740	553,036	771,815	735,790
Federal and State Aid Not Restricted	208,616	208,197	306,853	340,730	169,555	183,564
Investment Earnings	123,806	152,658	171,876	103,047	44,647	11,760
Miscellaneous Income	217,498	114,504	183,300	152,102	185,488	207,676
Total Governmental Activities	<u>17,299,409</u>	<u>18,255,024</u>	<u>19,597,768</u>	<u>20,121,707</u>	<u>20,903,209</u>	<u>21,269,411</u>
Business-Type Activities:						
Investment Earnings	3,543	5,405	4,805	4,561	1,513	409
Total Business-Type Activities	<u>3,543</u>	<u>5,405</u>	<u>4,805</u>	<u>4,561</u>	<u>1,513</u>	<u>409</u>
Total District-Wide	\$ 17,302,952	\$ 18,260,429	\$ 19,602,573	\$ 20,126,268	\$ 20,904,722	\$ 21,269,820
Change in Net Assets:						
Governmental Activities	\$ 360,794	\$ 255,651	\$ 297,461	\$ (212,992)	\$ 366,235	\$ (77,179)
Business-Type Activities	45,377	(27,027)	(32,045)	(10,872)	8,856	40,354
Total District	\$ 406,171	\$ 228,624	\$ 265,416	\$ (223,864)	\$ 375,091	\$ (36,825)

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports

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

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
General Fund:						
Reserved	\$ 2,246,859	\$ 1,478,112	\$ 1,320,653	\$ 748,965	\$ 934,407	\$ 1,064,857
Unreserved	1,283,641	1,452,514	1,394,970	1,210,135	1,029,097	645,055
Total General Fund	<u>\$ 3,530,500</u>	<u>\$ 2,930,626</u>	<u>\$ 2,715,623</u>	<u>\$ 1,959,100</u>	<u>\$ 1,963,504</u>	<u>\$ 1,709,912</u>
All Other Governmental Funds:						
Reserved	\$ 351,717		\$ 83,050	\$ 42,871		
Unreserved, Reported In:						
Capital Projects Fund/(Deficit)	(73,098)	\$ 389,449	211,447	9,493		\$ 12,735
Debt Service Fund	13,321	11,535	11,136	6,723	\$ 16,057	7,162
Total All Other Governmental Funds	<u>\$ 291,940</u>	<u>\$ 400,984</u>	<u>\$ 305,633</u>	<u>\$ 59,087</u>	<u>\$ 16,057</u>	<u>\$ 19,897</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports

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

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
Revenues:						
Tax Levy	\$ 16,749,489	\$ 17,779,665	\$ 18,935,739	\$ 19,525,828	\$ 20,503,519	\$ 20,866,411
Tuition Charges	135,926	79,336	45,847			
Interest Earned on Investments	79,764	118,594	131,308	81,628	37,192	10,114
Interest Earned on Capital Reserve Funds	24,197	25,850	30,967	21,419	7,455	1,541
Miscellaneous	101,417	43,382	192,901	152,102	185,488	207,781
State Sources	3,054,956	3,357,212	4,069,578	3,946,569	2,816,400	2,719,399
Federal Sources	303,562	304,608	314,661	316,648	360,108	619,066
Total Revenue	20,449,311	21,708,647	23,721,001	24,044,194	23,910,162	24,424,312
Expenditures:						
Instruction:						
Regular Instruction	6,694,386	6,941,164	7,191,607	7,648,062	7,737,186	7,853,678
Special Education Instruction	1,428,005	1,599,741	1,751,698	1,755,635	1,908,052	2,018,533
Other Special Instruction	274,504	267,755	252,394	218,693	199,681	223,518
Other Instruction	113,989	126,740	128,710	126,258	126,848	138,017
Support Services:						
Tuition	28,089	69,761	161,197	138,459	203,930	187,937
Student and Instruction Related Services	2,151,707	2,274,173	2,441,154	2,645,888	2,765,207	2,915,777
General Administrative Services	509,695	440,277	484,837	489,398	512,112	473,054
School Administrative Services	822,202	871,779	872,120	859,263	860,861	904,012
Central Services	377,097	413,775	438,542	391,082	381,602	403,119
Administrative Information Technology Services	108,868	75,129	87,185	89,977	114,902	119,663
Plant Operations and Maintenance	1,977,953	1,948,199	2,107,813	2,118,543	2,140,680	2,159,140
Pupil Transportation	783,091	841,384	879,216	955,005	952,573	1,013,728
Business and Other Support Services	3,447					
Unallocated Benefits	4,196,187	4,658,742	5,730,800	5,906,322	4,652,040	5,102,162
Charter Schools	8,063	12,456	17,220	17,906	19,159	20,391
Debt Service:						
Principal	450,000	475,000	500,000	500,000	525,000	525,000
Interest and Other Charges	346,753	323,278	298,740	272,778	246,815	219,790
Capital Outlay	1,234,865	860,124	688,122	913,994	602,140	396,545
Total Expenditures	21,508,901	22,199,477	24,031,355	25,047,263	23,948,788	24,674,064
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	(1,059,590)	(490,830)	(310,354)	(1,003,069)	(38,626)	(249,752)

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

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
Other Financing Sources (Uses)						
Transfers In	\$ 57,285	\$ 489,270	\$ 271,120	\$ 923,920	\$ 299,022	\$ 150,605
Transfers Out	(57,285)	(489,270)	(271,120)	(923,920)	(299,022)	(150,605)
Total Other Financing Sources (Uses)						
Net Change in Fund Balances	<u>\$ (1,059,590)</u>	<u>\$ (490,830)</u>	<u>\$ (310,354)</u>	<u>\$ (1,003,069)</u>	<u>\$ (38,626)</u>	<u>\$ (249,752)</u>
Debt Service as a Percentage of Noncapital Expenditures	3.93%	3.74%	3.42%	3.20%	3.31%	3.07%

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports

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

Fiscal Year Ending June 30,	Interest on Investments	Rentals - Use of Facilities	Prior Year Refunds	Cancellation of Prior Year Payables	Miscellaneous	Total
2001	\$ 226,932	\$ 844		\$ 350	\$ 147,633	\$ 375,759
2002	114,722		\$ 113,829		50,636	279,187
2003	78,370	4,403	83,505		192,923	359,201
2004	83,035	164	13,854		268,478	365,531
2005	103,961	30	5,927		211,541	321,459
2006	144,444		13,317		101,187	258,948
2007	162,275		66,339		162,808	391,422
2008	103,047	100	17,388		134,614	255,149
2009	44,647		3,084		179,689	227,420
2010	11,655		2,507		205,274	219,436

Source: School District Records

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

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Tax-Exempt Property	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2004	\$ 58,565,900	\$ 1,103,935,122	\$ 9,100	\$ 3,800	\$ 585,563,111	\$ 246,987,800	\$ 28,868,800	\$ 2,023,933,633	\$ 263,781,500	\$ 18,615,177	\$ 2,042,548,810	\$ 0.79	\$ 2,949,990,716
2005	71,739,900	1,107,353,322	9,100	3,800	542,556,011	260,008,400	28,868,800	2,010,539,333	264,102,300	16,296,284	2,026,835,617	0.84	3,081,610,785
2006	79,203,300	1,121,055,622	9,100	3,800	547,450,911	237,416,200	28,868,800	2,014,007,733	264,560,900	13,066,727	2,027,074,460	0.90	3,616,015,325
2007	75,065,500	1,123,936,422	9,100	3,800	546,826,011	244,676,100	28,868,800	2,019,385,733	269,329,200	12,068,528	2,031,454,261	0.94	3,949,502,848
2008	74,908,200	1,139,038,922	9,100	3,800	573,242,511	212,569,800	28,868,800	2,028,641,133	269,514,700	11,274,582	2,039,915,715	0.97	4,196,257,833
2009	72,641,900	1,148,171,700	368,300	7,600	538,942,500	213,530,700	28,868,800	2,002,531,500	271,431,000	11,255,992	2,013,787,492	1.02	4,139,864,889

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30,2006.

Source: Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

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

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

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

Year Ended December 31,	Hanover Township School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Hanover Township	Hanover Park Regional High School	Morris County	
2000	\$ 0.64	\$ 0.02	\$ 0.66	\$ 0.39	\$ 0.30	\$ 0.32	\$ 1.67
2001	0.67	0.02	0.69	0.40	0.31	0.36	1.76
2002	0.69	0.02	0.71	0.42	0.34	0.38	1.85
2003	0.71	0.04	0.75	0.44	0.37	0.40	1.96
2004	0.75	0.04	0.79	0.50	0.39	0.40	2.08
2005	0.80	0.04	0.84	0.54	0.39	0.41	2.18
2006	0.86	0.04	0.90	0.58	0.41	0.44	2.33
2007	0.91	0.03	0.94	0.61	0.44	0.47	2.46
2008	0.93	0.04	0.97	0.64	0.45	0.48	2.54
2009	0.98	0.04	1.02	0.67	0.48	0.47	2.64

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

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

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

Source: Municipal Tax Collector and School Business Administrator

Exhibit J-8

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

<u>Taxpayer</u>	<u>2009</u>	
	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>
LTI NJ Finance LLC	\$ 82,966,300	4.12%
JP Morgan Chase	52,229,800	2.59%
Hartz Mountain Industries	40,671,100	2.02%
Marriott Corporation	29,658,000	1.47%
Sterling Apartments LLC	27,587,300	1.37%
Interstate Realty Company	26,338,800	1.31%
CLF Parsippany- Cadbury Adams	24,607,500	1.22%
LSAC Morris County LP/CAE	21,904,000	1.09%
Fan Pier Land Compnay	21,462,400	1.07%
River Park Business Center LLC	21,355,600	1.06%
Total	\$ 348,780,800	17.32%
	<u>2000</u>	
<u>Taxpayer</u>	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>
NS-MGP Inc.	\$ 140,435,600	7.08%
Bear Stearn & Company	46,346,200	2.34%
Patriot American Hospitality Part.	43,300,000	2.18%
Marriott Corporation	41,028,400	2.07%
Hartz Mountain Industries	40,958,700	2.07%
Bell Atlantic	30,666,775	1.55%
Interstate Realty Company	20,010,300	1.01%
First Industrial LP	18,688,100	0.94%
Pine Plaza Associates	14,850,600	0.75%
BASF	13,382,700	0.67%
Total	\$ 409,667,375	20.66%

Source: Municipal Tax Assessor

Exhibit J-9

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2001	\$ 13,549,878	\$ 13,549,878	100.00%	-0-
2002	14,225,250	14,225,250	100.00%	-0-
2003	15,391,339	15,391,339	100.00%	-0-
2004	15,824,069	15,824,069	100.00%	-0-
2005	16,749,489	16,749,489	100.00%	-0-
2006	17,779,665	17,779,665	100.00%	-0-
2007	18,935,739	18,935,739	100.00%	-0-
2008	19,525,828	19,525,828	100.00%	-0-
2009	20,503,519	20,503,519	100.00%	-0-
2010	20,866,411	20,866,411	100.00%	-0-

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

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

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

Fiscal Year Ended June 30,	<u>Governmental Activities</u>		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds				
2005	\$ 6,595,000	\$	6,595,000	0.77%	\$ 490
2006	6,120,000		6,120,000	0.67%	456
2007	5,620,000		5,620,000	0.59%	418
2008	5,120,000		5,120,000	0.53%	379
2009	4,595,000		4,595,000	0.47%	338
2010	4,070,000		4,070,000	0.42%	299

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

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

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports

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

<u>General Bonded Debt Outstanding</u>					
<u>Fiscal Year</u> <u>Ended June</u> <u>30,</u>	<u>General</u> <u>Obligation</u> <u>Bonds</u>	<u>Deductions</u>	<u>Net General</u> <u>Bonded Debt</u> <u>Outstanding</u>	<u>Percentage of</u> <u>Actual Taxable</u> <u>Value ^a of</u> <u>Property</u>	<u>Per Capita ^b</u>
2005	\$ 6,595,000	\$ -0-	\$ 6,595,000	0.32%	\$ 490
2006	6,120,000	-0-	6,120,000	0.30%	456
2007	5,620,000	-0-	5,620,000	0.28%	418
2008	5,120,000	-0-	5,120,000	0.25%	379
2009	4,595,000	-0-	4,595,000	0.23%	338
2010	4,070,000	-0-	4,070,000	0.20%	299

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30,2006.

Source: School District Financial Reports

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

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2010
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes			
Hanover Township	\$ -0-	100.00%	\$ -0-
County of Morris General Obligation Debt	255,031,540	3.99%	<u>10,184,255</u>
Subtotal, Overlapping Debt			10,184,255
Hanover Township School District Direct Debt			<u>4,070,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 14,254,255</u></u>

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

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

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

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

Legal Debt Margin Calculation for Fiscal Year 2010	
Equalized Valuation Basis	
2009	\$ 4,117,893,276
2008	4,109,056,376
2007	4,095,286,419
	\$ 12,322,236,071
Average Equalized Valuation of Taxable Property	\$ 4,107,412,024
Debt Limit (3% of Average Equalization Value) ^a	123,222,361
Net Bonded School Debt as of June 30, 2010	4,070,000
Legal Debt Margin	\$ 119,152,361

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt Limit	\$ 60,569,421	\$ 66,743,436	\$ 74,055,663	\$ 80,317,781	\$ 85,963,380	\$ 94,421,102	\$ 104,171,992	\$ 114,889,815	\$ 120,633,344	\$ 123,222,361
Total Net Debt Applicable to Limit	3,395,000	7,895,000	7,470,000	7,045,000	6,595,000	6,120,000	5,620,000	5,120,000	4,595,000	4,070,000
Legal Debt Margin	\$ 57,174,421	\$ 58,848,436	\$ 66,585,663	\$ 73,272,781	\$ 79,368,380	\$ 88,301,102	\$ 98,551,992	\$ 109,769,815	\$ 116,038,344	\$ 119,152,361
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	5.61%	11.83%	10.09%	8.77%	7.67%	6.48%	5.39%	4.46%	3.81%	3.30%

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

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

Exhibit J-14

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

<u>Year</u>	<u>Population^a</u>	<u>Personal Income (thousands of dollars)^b</u>	<u>Morris County Per Capita Personal Income^c</u>	<u>Unemployment Rate^d</u>
2001	12,780	\$ 724,280,940	\$ 56,673	2.50%
2002	12,853	726,644,355	56,535	3.80%
2003	13,235	754,633,230	57,018	3.80%
2004	13,372	817,042,572	61,101	3.00%
2005	13,466	852,357,402	63,297	1.80%
2006	13,413	916,966,332	68,364	1.80%
2007	13,456	959,412,800	71,300	1.70%
2008	13,522	971,041,864	71,812 *	1.70%
2009	13,609 **	977,289,508	71,812 *	3.90%
2010	13,609 **	977,289,508	71,812 *	N/A

* - Latest Morris County per capita personal income available (2008) was used for calculation purposes.

** - Latest population data available (2009) was used for calculation purposes.

N/A - Information Unavailable

Sources:

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

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

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

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

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

<u>Employer</u>	<u>2009</u>		<u>Employer</u>	<u>2000</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>		<u>Employees</u>	<u>Percentage of Total Employment</u>
Atlantic Health	6,300	N/A			
U.S. Army Armament Research and Development	3,575	N/A			
Novartis	3,573	N/A			
Saint Clare's Health System	2,342	N/A			Information is Not Available
County of Morris	2,126	N/A			
ADP	2,019	N/A			
UPS	1,941	N/A			
AT&T	1,500	N/A			
Honeywell	1,500	N/A			
Wyndham Worldwide	1,395	N/A			
Total	26,271	N/A			

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

Note - Information is for Morris County

Source: Morris County Economic Development Corporation

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

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Instruction						
Regular	140.00	142.60	145.00	121.90	119.91	103.20
Special education	30.50	29.90	30.50	28.60	32.51	32.65
Support Services:						
Student & instruction related services	30.80	35.30	36.10	43.50	42.15	43.28
School administrative services	11.50	11.60	11.60	11.03	11.25	11.58
General and business administrative services	10.10	9.10	10.10	10.67	9.67	9.67
Plant operations and maintenance	25.70	23.70	23.70	21.75	21.75	29.83
Pupil transportation	14.20	14.20	14.20	14.30	14.80	14.80
Total	<u>262.80</u>	<u>266.40</u>	<u>271.20</u>	<u>251.75</u>	<u>252.04</u>	<u>245.01</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: District Personnel Records

HANOVER TOWNSHIP SCHOOL DISTRICT
OPERATING STATISTICS
LAST SIX FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle				
2005	1,526	\$ 19,477,283	\$ 12,764	3.91%	159	1:17	1:20	1,526	1,472	3.88%	96.46%
2006	1,562	20,541,075	13,150	3.03%	160	1:19	1:20	1,562	1,504	2.36%	96.29%
2007	1,557	22,544,493	14,479	10.11%	162	1:19	1:20	1,557	1,496	-0.32%	96.08%
2008	1,575	23,360,491	14,832	2.44%	161	1:18	1:19	1,575	1,519	1.16%	96.44%
2009	1,574	22,574,833	14,342	-3.30%	163	1:19	1:20	1,574	1,511	-0.06%	96.00%
2010	1,543	23,532,729	15,251	6.34%	162	1:18	1:20	1,543	1,488	-1.97%	96.44%

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006

Source: Hanover Township School District records

Note: Enrollment based on annual October district count.

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

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

<u>District Buildings</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Bee Meadow School						
Square Feet	65,467	65,467	65,467	65,467	65,467	65,467
Capacity (students)	603	603	603	603	603	603
Enrollment	380	420	420	419	380	382
Salem Drive School						
Square Feet	45,707	45,707	45,707	45,707	45,707	45,707
Capacity (students)	499	499	499	499	499	499
Enrollment	312	336	323	327	323	312
Mountview Road School						
Square Feet	46,679	46,679	46,679	46,679	46,679	46,679
Capacity (students)	439	439	439	439	439	439
Enrollment	306	314	319	332	317	314
Memorial Junior School						
Square Feet	113,950	113,950	113,950	113,950	113,950	113,950
Capacity (students)	617	617	617	617	617	617
Enrollment	501	482	491	497	544	535

Number of Schools at June 30, 2009

 Elementary = 3

 Middle School = 1

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: Hanover Township School District Facilities Office

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

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

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

<u>School Facilities</u>	<u>Project #</u>	<u>2001</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>
Bee Meadow School	N/A	\$ 104,445	\$ 107,370	\$ 118,973	\$ 128,035	\$ 128,481	\$ 117,318	\$ 112,136	\$ 102,667	\$ 107,037	\$ 79,992
Salem Drive School	N/A	64,791	60,947	131,483	86,527	93,134	65,188	72,316	71,679	58,641	55,848
Mountview School	N/A	69,935	60,488	116,313	85,828	99,561	69,197	88,794	73,203	75,375	57,036
Memorial Junior School	N/A	203,637	190,437	156,573	191,564	210,613	175,190	184,453	178,700	166,003	139,232
		<u>\$ 442,808</u>	<u>\$ 419,242</u>	<u>\$ 523,342</u>	<u>\$ 491,954</u>	<u>\$ 531,789</u>	<u>\$ 426,893</u>	<u>\$ 457,699</u>	<u>\$ 426,250</u>	<u>\$ 407,056</u>	<u>\$ 332,108</u>

* School facilities as defined under EFCFA.
(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: Hanover Township School District records.

HANOVER TOWNSHIP SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2010
UNAUDITED

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

Source: School District records.

SINGLE AUDIT SECTION



Mount Arlington Corporate Center
 200 Valley Road Suite 300
 Mount Arlington, NJ 07856-1320
 Phone: 973-328-1825
 Fax: 973-328-0507

Lawrence Business Park
 11 Lawrence Road
 Newton, NJ 07860
 Phone: 973-383-6699
 Fax: 973-383-6555

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance
 and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
 Government Auditing Standards

The Honorable President and Members
 of the Board of Education
 Hanover Township School District
 County of Morris, 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 Board of Education of the Hanover Township School District, in the County of Morris (the "Board") as of, and for the fiscal year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated August 13, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board'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 Board's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. However, we noted a certain matter that we have reported to the Board in a separate report, the Auditors' Management Report on Administrative Findings – Financial, Compliance, and Performance, dated August 13, 2010.

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

August 13, 2010
Mount Arlington, New Jersey

NISIVOCCIA & COMPANY LLP



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



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Independent Auditors' 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 NJOMB 04-04

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

Compliance

We have audited the compliance of the Board of Education of the Hanover Township School District in the County of Morris (the "Board") 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 State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Board's major federal and state programs for the fiscal year ended June 30, 2010. The Board's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board'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; audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey (the "Department"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*, and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, OMB Circular A-133 and New Jersey's OMB Circular NJOMB 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Board'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 the Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2010.

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

Internal Control Over Compliance

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Board's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our 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 the *New Jersey State Aid/ Grant Compliance Supplement*, but not for the purpose of expressing our 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.

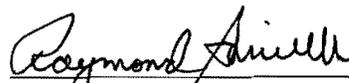
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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.

This report is intended solely for the information and use of management, the members of the Board of Education, and to meet the requirements for filing with 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.

August 13, 2010
Mount Arlington, New Jersey

NISIVOCCIA & COMPANY LLP



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

HANOVER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance Deferred Revenue/ (Accounts Receivable) June 30, 2009	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Deferred Revenue June 30, 2010	(Accounts Receivable) June 30, 2010	Due to Grantor June 30, 2010
U.S. Department of Education												
Passed-through State Department of Education:												
NCLB Consolidated Grant:												
Title II - Part A	84.367A	NCLB-2000-09	9/1/08-8/31/09	\$ 25,231	\$ (7,038)		\$ 7,038					
Title II - Part A	84.367A	NCLB-2000-10	9/1/09-8/31/10	25,284			16,447	\$ (25,232)			\$ (8,785)	
Title IV	84.186A	NCLB-2000-09	9/1/08-8/31/09	2,492	(2,492)		2,492					
Title IV	84.186A	NCLB-2000-10	9/1/09-8/31/10	2,390				(2,390)			(2,390)	
					(9,530)		25,977	(27,622)			(11,175)	
Special Education Cluster:												
IDEA, Part B, Basic	84.027	FT-2000-09	9/1/08-8/31/10	302,661	(26,518)	\$ (3,127)	31,832	(2,187)				
IDEA, Part B, Basic	84.027	FT-2000-10	9/1/09-8/31/10	301,773		3,127	261,816	(293,543)			(28,600)	
IDEA, Part B, Basic - Carryover	84.027	FT-2000-07	9/1/06-8/31/07	277,267	3,799				\$ (3,799)			
ARRA - IDEA, Part B, Basic	84.391	ARRA_10	9/1/09-8/31/11	338,891			258,232	(259,382)			(1,150)	
IDEA, Part B, Preschool	84.173	PS-2000-09	9/1/08-8/31/09	18,112	(144)	(5,967)	18,112	(12,001)				
IDEA, Part B, Preschool	84.173	PS-2000-10	9/1/09-8/31/10	18,106		5,967	1,963	(12,772)			(4,842)	
ARRA - IDEA, Part B, Preschool	84.392	ARRA_10	9/1/09-8/31/11	12,267			10,198	(10,198)				
Total Special Education Cluster					(22,863)		582,153	(590,083)	(3,799)		(34,592)	
Total U.S. Department of Education					(32,393)		608,130	(617,705)	(3,799)		(45,767)	
U.S. Department of Agriculture												
Passed-through the State Department of Education:												
Child Nutrition Cluster:												
Special Milk Program	10.556	N/A	9/1/08-8/31/09	15,664	(1,445)		1,445					
Special Milk Program	10.556	N/A	9/1/09-8/31/10	13,255			12,081	(13,255)			(1,174)	
Total Child Nutrition Cluster					(1,445)		13,526	(13,255)			(1,174)	
Total U.S. Department of Agriculture					(1,445)		13,526	(13,255)			(1,174)	
Total Federal Awards					\$ (33,838)	\$ -0-	\$ 621,656	\$ (630,960)	\$ (3,799)	\$ -0-	\$ (46,941)	\$ -0-

N/A - Not Available/Applicable

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

HANOVER TOWNSHIP SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF STATE AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance Deferred Revenue/ (Accounts Receivable) June 30, 2009	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2010			MEMO	
								GAAP (Accounts Receivable)	Deferred Revenue/ Interfund Payable	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education:												
Transportation Aid	09-495-034-5120-014	7/1/08 - 6/30/09	\$ 211,226	\$ (17,988)	\$ 17,988							\$ 211,226
Transportation Aid	10-495-034-5120-014	7/1/09 - 6/30/10	180,190		155,799	\$ (180,190)					\$ (24,391)	180,190
Special Education Aid	09-495-034-5120-089	7/1/08 - 6/30/09	923,735	(78,667)	78,667							923,735
Special Education Aid	10-495-034-5120-089	7/1/09 - 6/30/10	629,395		544,197	(629,395)					(85,198)	629,395
Security Aid	09-495-034-5120-084	7/1/08 - 6/30/09	109,186	(9,299)	9,299							109,186
Security Aid	10-495-034-5120-084	7/1/09 - 6/30/10	79,420		68,669	(79,420)					(10,751)	79,420
Adjustment Aid	10-495-034-5120-085	7/1/09 - 6/30/10	9,658		8,351	(9,658)					(1,307)	9,658
District Reimbursement for Extraordinary Costs	09-100-034-5120-473	7/1/08 - 6/30/09	48,212	(48,212)	48,212							48,212
District Reimbursement for Extraordinary Costs	10-100-034-5120-473	7/1/09 - 6/30/10	97,245			(97,245)		\$ (97,245)			(97,245)	97,245
Nonpublic School Transportation Costs	N/A	7/1/08 - 6/30/09	10,771	(10,771)	10,771							10,771
Nonpublic School Transportation Costs	N/A	7/1/09 - 6/30/10	8,004			(8,004)		(8,004)			(8,004)	8,004
Reimbursed TPAF Social Security Contributions	09-495-034-5095-002	7/1/08 - 6/30/09	797,929	(70,844)	70,844							797,929
Reimbursed TPAF Social Security Contributions	10-495-034-5095-002	7/1/09 - 6/30/10	819,531		779,363	(819,531)		(40,168)			(40,168)	819,531
Total General Fund State Aid				(235,781)	1,792,160	(1,823,443)		(145,417)			(267,064)	3,924,502
N.J. Nonpublic Aid:												
Textbook Aid	10-100-034-5120-064	9/1/09 - 6/30/10	7,617		7,617	(7,617)						7,617
Nursing Aid	10-100-034-5120-070	9/1/09 - 6/30/10	9,032		9,032	(9,032)						9,032
Technology Aid	09-100-034-5120-373	9/1/08 - 6/30/09	4,640	19			\$ (19)					4,621
Auxiliary Services:												
Compensatory Education	09-100-034-5120-067	9/1/08 - 6/30/09	27,870	6,172			(6,172)					21,698
Compensatory Education	10-100-034-5120-067	9/1/09 - 6/30/10	28,791		28,791	(27,351)			\$ 1,440			27,351
Handicapped Services:												
Supplemental Instruction	09-100-034-5120-066	9/1/08 - 6/30/09	14,868	7,269			(7,269)					7,599
Supplemental Instruction	10-100-034-5120-066	9/1/09 - 6/30/10	11,150		11,150	(8,362)			2,788			8,362
Examination and Classification	09-100-034-5120-066	9/1/08 - 6/30/09	18,575	6,012			(6,012)					12,563
Examination and Classification	10-100-034-5120-066	9/1/09 - 6/30/10	17,910		17,910	(11,882)			6,028			11,882
Corrective Speech	09-100-034-5120-066	9/1/08 - 6/30/09	11,625	3,255			(3,255)					8,370
Corrective Speech	10-100-034-5120-066	9/1/09 - 6/30/10	16,589		16,589	(10,760)			5,829			10,760
NJ Clean Energy Program	N/A	7/1/09 - 6/30/10	34,120		34,120	(34,120)						34,120
Total Special Revenue Fund				22,727	125,209	(109,124)	(22,727)			16,085		163,975
Schools Development Authority:												
Educational Facilities Construction and Financing	2000-040-09-1004	N/A	61,649			(61,649)		(61,649)				61,649
Educational Facilities Construction and Financing	2000-040-09-1002	N/A	38,684			(38,684)		(38,684)				38,684
Total Capital Projects Fund						(100,333)		(100,333)			100,333	100,333
Total State Awards				\$ (213,054)	\$ 1,917,369	\$ (2,032,900)	\$ (22,727)	\$ (245,750)	\$ -0-	\$ 16,085	\$ (166,731)	\$ 4,188,810

N/A - Not Available/Applicable

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO SCHEDULES OF FEDERAL EXPENDITURES OF AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1. GENERAL

The accompanying schedules of Expenditures of federal and state awards include federal and state award activity of the Board of Education, Hanover Township School District. The Board of Education is defined in Note 1 to the Board's basic financial statements. All awards received directly from federal and state agencies, as well as federal and state awards passed through other government agencies are included on the schedules of Expenditures of federal and state awards.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of Expenditures of federal and state awards are presented using the budgetary basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. The information in these schedules is presented in accordance with the requirements of Federal OMB Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations* and New Jersey OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the 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 the modified accrual basis with the exception of the revenue recognition of the June state aid payments in the current budget year, which is mandated pursuant to P.L. 2003, C.97.(A3521). For GAAP purposes, these payments are not recognized until the subsequent budget year due to the state deferral and recording of the June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$15,693) for the general fund and \$1,361 for the special revenue. See Note 1 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Additionally, the schedule of expenditures of state awards does not include the on-behalf TPAF Non-Contributory Insurance and Post Retirement Contributions revenue of \$35,498 and \$666,694 respectively. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 2,509,942	\$ 2,509,942
Special Revenue Fund	\$ 619,066	109,124	728,190
Enterprise Fund	13,255		13,255
Total Awards	<u>\$ 632,321</u>	<u>\$ 2,619,066</u>	<u>\$ 3,251,387</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the year ended June 30, 2010.

HANOVER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Summary of Auditors' Results:

- An unqualified report was issued on the District's financial statements.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District.
- The audit did not disclose any noncompliance which is material in relation to the financial statements of the District.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District's major Federal and State programs.
- An unqualified report was issued on the District's compliance for major Federal and State programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid* and OMB Circular A-133.
- The District's major federal and state programs for the current fiscal year consisted of the following awards:

	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
State:				
Special Education				
Categorical Aid	10-495-034-5120-089	7/1/09-6/30/10	\$ 629,395	\$ 629,395
Security Aid	10-495-034-5120-084	7/1/09-6/30/10	79,420	79,420
Adjustment Aid	10-495-034-5120-085	7/1/09-6/30/10	9,658	9,658
Reimbursed TPAF Social				
Security Contributions	10-495-034-5095-002	7/1/09-6/30/10	819,531	819,531
Federal:				
IDEA Basic	84.027	9/1/09-8/31/10	301,773	293,543
IDEA Basic Carryover	84.027	9/1/08-8/31/10	302,661	2,187
ARRA - IDEA Basic	84.391	9/1/09-8/31/11	338,891	259,382
IDEA Preschool	84.173	9/1/09-8/31/10	18,106	12,772
IDEA Preschool Carryover	84.173	9/1/08-8/31/10	18,112	12,001
ARRA - IDEA Preschool	84.392	9/1/09-8/31/11	12,267	10,198

- The threshold for distinguishing Type A and Type B programs was \$300,000.
- The District did not qualify as a "low-risk" auditee under the provisions of section 530 of the Circular.

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

Findings and Questioned Costs for Federal Awards:

- The audit did not disclose any findings or questioned costs for federal awards as defined in section 510(a) of the federal Circular.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in section 510(a) of the federal Circular and State OMB Circular NJOMB 04-04..

HANOVER TOWNSHIP SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

Status of Prior Year Findings:

The District had no prior year audit findings.