

# Comprehensive Annual Financial Report

of the

Hanover Township School District

Hanover, New Jersey

For the Fiscal Year Ended June 30, 2018

Prepared by

Hanover Township Board of Education

Finance Department

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HANOVER TOWNSHIP SCHOOL DISTRICT  
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INTRODUCTORY SECTION

# Hanover Township Public Schools

61 Highland Avenue  
Whippany, New Jersey 07981-1399

**Vanessa M. Wolsky**  
**School Business Administrator/Board Secretary**

**973-515-2407**  
**FAX 973-540-1023**

January 18, 2019

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, 2018, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

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

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

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

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

The District provides a full range of educational services appropriate to grade levels K through 8 for the students residing in Hanover Township. These include programs for regular, gifted and talented and special education students. The District completed the 2017-18 fiscal year with an average daily enrollment of 1,450 students, which is a decrease of 8 students from the previous year's enrollment.

#### Elementary School (K-5)

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

#### Middle School (6-8)

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

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

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

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

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

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

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

**3) MAJOR INITIATIVES:** During the 2017-2018 school year the Board of Education and administration in consultation with parents and faculty established and accomplished or made significant progress towards four district wide goals.

#### **DISTRICT GOALS FOR THE 2017-2018 SCHOOL YEAR**

1. Each of the Hanover Township Schools will apply for the “Future Ready” Schools Certification through the submission of the necessary evidence for the New Jersey Indicators of Future Readiness based on three Future Ready Schools themes: Leadership, Education & Classroom Practice, and Technology Support & Services.
2. Enhance district security through Personnel, staff training, infrastructure improvements, and the review/revision of district crisis management procedures.
3. Successfully implement the new ELA curriculum in grades 3-5, as measured by the writing of curriculum, staff professional development, and staff feedback/surveys.
4. Continue to address district facilities needs identified as “areas in need of improvement” using an environmentally-conscious approach when possible.

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as restrictions, commitments or assignments of fund balance at June 30, 2018.

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

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

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

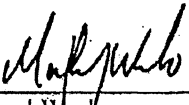
**9) OTHER INFORMATION:**

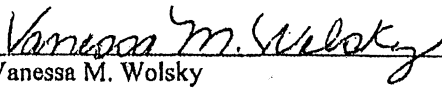
Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed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

The Honorable President and Members of the Board of Education  
Hanover Township School District  
Page 5  
January 18, 2019

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

Respectfully submitted,

  
\_\_\_\_\_  
Michael Wasko  
Superintendent

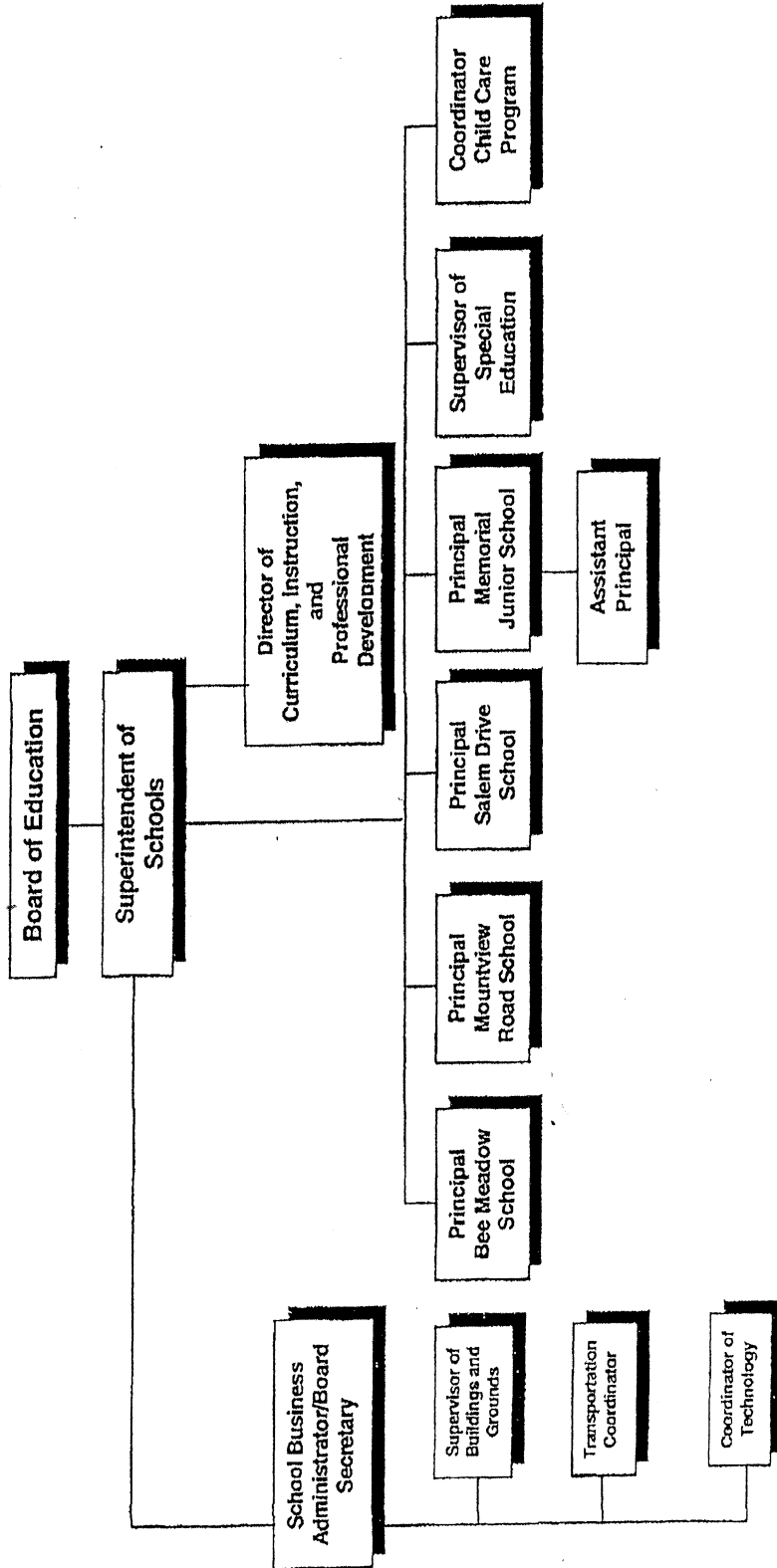
  
\_\_\_\_\_  
Vanessa M. Wolsky  
School Business Administrator/Board Secretary

# POLICY

## HANOVER TOWNSHIP BOARD OF EDUCATION

ADMINISTRATION  
1110/Page 1 of 1  
Organizational Chart

### 1110 ORGANIZATIONAL CHART



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

Revised: 11/15/94  
Revised: 03/18/97  
Revised: 12/15/98  
Revised: 11/15/01  
Revised: 11/30/01  
Revised: 8/26/03  
Revised: 9/23/08  
Revised: 10/29/13

Adopted: 12/20/71  
Revised: 12/18/72  
Revised: 4/28/87  
Revised: 10/22/91  
org chart 2013.doc



**HANOVER TOWNSHIP SCHOOL DISTRICT  
 ROSTER OF OFFICIALS  
 JUNE 30, 2018**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Stephen E. Furda, President	2019
Carol Tognetti, Vice President	2018
Daniel J. Breen	2019
Gina Marie Winkler	2020
Salvatore A. Azzarello	2020
Patricia Mattia	2019
Rose McCauley	2018
Douglas J. Petty	2018
Glenn P. Yannotta	2020

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

# **HANOVER TOWNSHIP SCHOOL DISTRICT**

## **Consultants and Advisors**

### **Architect**

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

### **Audit Firm**

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

### **Attorneys**

Nathanya Simon  
1100 Valley Brook Ave.  
P.O. Box 790  
Lyndhurst, NJ 07071

### **Insurance Advisors**

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

### **Official Depository**

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

FINANCIAL SECTION

## Independent Auditors' Report

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Hanover Township School District (the "District") in the County of Morris, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Hanover Township School District, in the County of Morris, as of June 30, 2018 and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 10 to the basic financial statements, the District implemented Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, during the fiscal year ended June 30, 2018. Our opinions are not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, which follows this report, the pension and post-employment benefits schedules in Exhibits L-1 through L-5 and the related notes and the budgetary comparison information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

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

The Honorable President and Members  
of the Board of Education  
Hanover Township School District  
Page 3

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

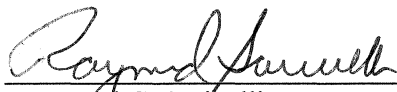
The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance

January 18, 2019  
Mount Arlington, New Jersey

NISIVOCIA LLP



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

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

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**



## Management Discussion and Analysis (Unaudited)

This section of Hanover Township School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2018. 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 \$38,448,020 which consisted primarily of property taxes of \$25,554,621. Overall expenses were \$38,601.
- ◆ The General Fund had revenues and other financing sources of \$30,168,558 and expenditures of \$29,848,267. The General Fund's fund balance (budgetary basis) increased \$324,680 from 2017.
- ◆ The District appropriated \$400,000 of fund balance and \$65,000 of capital reserve at June 30, 2017, to aid in funding the FY 2018 budget and appropriated \$493,935 of fund balance at June 30, 2018 to aid in funding the FY 2019 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**

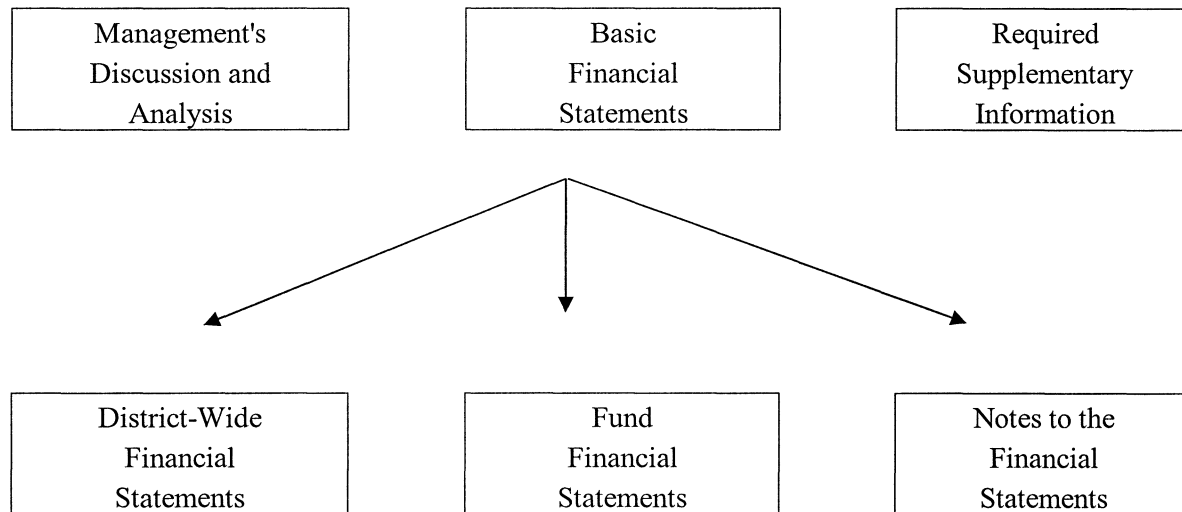


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents 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"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenue, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenue, expenses and changes in net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities are included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## *District-wide Statements*

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

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

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

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

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

## *Fund Financial Statements*

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

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

The District has three kinds of funds:

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

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

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

### Financial Analysis of the District as a Whole

*Net Position.* The Statement of Net Position provides one perspective of the District as a whole. Figure A-3 provides a summary of the District’s net position as of June 30, 2017 and 2018. The District’s *combined* net position was \$3,887,176 on June 30, 2018, \$182,594 or 4.49% less than it was the year before. It is important to note here that depreciation of the District’s capital assets is computed in the total. The depreciation factored into the District’s net position for 2017/18 is \$1,065,194. This same amount is also factored in as an expense in this year’s financial statements.

Figure A-3

#### Condensed Statement of Net Position

	Government Activities		Business-Type Activities		Total School District		Percentage
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	Change 2017/18
Current and Other Assets	\$ 2,374,592	\$ 2,608,641	\$ 857,936	\$ 956,668	\$ 3,232,528	\$ 3,565,309	10.29%
Capital Assets, Net	17,935,871	17,081,029			17,935,871	17,081,029	-4.77%
Total Assets	20,310,463	19,689,670	857,936	956,668	21,168,399	20,646,338	-2.47%
Deferred Outflows of Resources	4,705,579	3,368,830			4,705,579	3,368,830	-28.41%
Other Liabilities	1,444,657	1,352,823	196,429	191,496	1,641,086	1,544,319	-5.90%
Long-Term Liabilities							
Outstanding	20,021,562	15,991,525			20,021,562	15,991,525	-20.13%
Total Liabilities	21,466,219	17,344,348	196,429	191,496	21,662,648	17,535,844	-19.05%
Deferred Inflows of Resources	141,560	2,592,148			141,560	2,592,148	1731.13%
Net Position:							
Net Investment in Capital Assets	14,096,888	13,888,447			14,096,888	13,888,447	-1.48%
Restricted	401,835	682,945			401,835	682,945	69.96%
Unrestricted/(Deficit)	(11,090,460)	(11,449,388)	661,507	765,172	(10,428,953)	(10,684,216)	-2.45%
Total Net Position	\$ 3,408,263	\$ 3,122,004	\$ 661,507	\$ 765,172	\$ 4,069,770	\$ 3,887,176	-4.49%

*Changes in Net Position.* The District’s *combined* net position was \$3,887,176 on June 30, 2018, \$182,594 or 4.49% less than it was the year before. (See Figure A-3). The decrease in the District’s financial position came primarily from its governmental activities as net position decreased \$286,259, while net position from business type activities increased \$103,665, (See Figure A-4) for the fiscal year ended June 30, 2018.

Figure A-4

Changes in Net Position from Operating Results

	Governmental Activities		Business-Type Activities		Total School District		Percentage
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	Change 2017/18
<b>Revenue:</b>							
<b>Program Revenue:</b>							
Charges for Services			\$ 1,146,457	\$ 1,091,374	\$ 1,146,457	\$ 1,091,374	-4.80%
Operating Grants and Contributions	\$ 9,379,277	\$ 10,971,490	11,366	11,668	9,390,643	10,983,158	16.96%
<b>General Revenue:</b>							
Property Taxes	24,830,321	25,554,621			24,830,321	25,554,621	2.92%
Unrestricted State Aid	362,255	364,902			362,255	364,902	0.73%
Other	315,696	224,302	80	421	315,776	224,723	-28.83%
<b>Total Revenue</b>	<b>34,887,549</b>	<b>37,115,315</b>	<b>1,157,903</b>	<b>1,103,463</b>	<b>36,045,452</b>	<b>38,218,778</b>	<b>6.03%</b>
<b>Expenses:</b>							
Instruction	22,025,905	23,917,949			22,025,905	23,917,949	8.59%
Pupil and Instruction Services	5,513,936	5,372,499			5,513,936	5,372,499	-2.57%
Administrative and Business	3,262,318	3,038,144			3,262,318	3,038,144	-6.87%
Maintenance and Operations	3,099,103	3,149,877			3,099,103	3,149,877	1.64%
Transportation	1,792,139	1,393,017			1,792,139	1,393,017	-22.27%
Other	186,619	530,088	1,092,843	999,798	1,279,462	1,529,886	19.57%
<b>Total Expenses</b>	<b>35,880,020</b>	<b>37,401,574</b>	<b>1,092,843</b>	<b>999,798</b>	<b>36,972,863</b>	<b>38,401,372</b>	<b>3.86%</b>
<b>Increase/(Decrease) in</b>							
Net Position	\$ (992,471)	\$ (286,259)	\$ 65,060	\$ 103,665	\$ (927,411)	\$ (182,594)	80.31%

*Revenue Sources.* The District’s total revenue for the 2017/18 school year was \$35,448,020. (See Figure A-4). Property taxes and state formula aid accounted for most of the District’s revenue, with local taxes accounting for \$25,554,621 of the total, or 72.09 percent. (See Figure A-5). Another 24.19 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 \$5,148,202, over \$3.5 million is included in funds that are not paid to the District, but are included in funding for Pension Contributions and Post Retirement Contributions that the State of New Jersey is paying on behalf of the District. Hanover Township School District basically conducts its operations from the revenues it receives from its local taxpayers.

**Figure A-5**

**Sources of Revenue for Fiscal Year 2018**

	<u>Amount</u>	<u>Percentage</u>
Sources of Income:		
State Formula Aid	\$ 6,199,858	9.67%
Property Taxes	25,554,621	72.09%
Federal and State Categorical Grants	5,148,202	14.52%
Charges for Services	1,091,374	3.08%
Other	<u>224,723</u>	<u>0.64%</u>
	<u>\$ 38,218,778</u>	<u>100.00%</u>

The total cost of all programs and services was \$35,630,614. The District's expenses are predominantly related to instruction and instruction services which comprise 74.89% of total expenses.

**Figure A-6**

**Expenses for Fiscal Year 2018**

	<u>Amount</u>	<u>Percentage</u>
Expense Category:		
Instruction	\$ 23,917,949	59.81%
Pupil and Instruction Services	5,372,499	15.08%
Administrative and Business	3,038,144	8.97%
Maintenance and Operations	3,149,877	9.03%
Transportation	1,393,017	3.91%
Other	<u>1,529,886</u>	<u>3.20%</u>
	<u>\$ 38,401,372</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	
	2016/2017	2017/2018	2016/2017	2017/2018
Instruction	\$ 22,025,905	\$ 23,917,949	\$ 13,155,956	\$ 13,586,974
Pupil and Instruction Services	5,513,936	5,372,499	5,513,936	5,372,499
Administrative and Business	3,262,318	3,038,144	2,818,225	2,786,309
Maintenance and Operations	3,099,103	3,149,877	3,099,103	3,217,067
Transportation	1,792,139	1,393,017	1,726,904	1,326,804
Other	186,619	530,088	186,619	140,431
	<u>\$ 35,880,020</u>	<u>\$ 37,401,574</u>	<u>\$ 26,500,743</u>	<u>\$ 26,430,084</u>

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

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

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

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

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

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

***Business-Type Activities***

Net position from the District's business-type activities increased \$103,665. (Refer to Figure A-4). School Age Child Care enrollment decreased in 2017/2018 causing a drop in expenses.



## **Financial Analysis of the District's Funds**

The school district's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$34,344,557 and expenditures of \$34,630,816. The General Fund experienced a net change in fund balance of \$324,680 on the budgetary basis of accounting. However, due to regulations regarding the reporting of state aid receivables, this balance must be adjusted to \$320,291. This difference of (\$4,389) is the difference between Hanover Township's final 16/17 and 17/18 General Fund state aid payments.

### **General Fund Budgetary Highlights**

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

During the course of the fiscal year 2018, the school district amended its General Fund budget as needed. The School District uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management. Amendments to the budget were for the following:

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

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

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

## Capital Asset and Long-Term Liabilities Administration

Figure A-8

	Capital Assets (Net of Depreciation)						Percentage Change
	Government Activities		Business-Type Activities		Total School District		
	2016-2017	2017-2018	2016-2017	2017-2018	2015-2016	2017-2018	
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	323,808	300,481			323,808	300,481	-7.20%
Buildings and Improvements	16,404,406	15,694,660			16,404,406	15,694,660	-4.33%
Machinery and Equipment	914,548	792,779			914,548	792,779	-13.31%
<b>Total Capital Assets (Net of Depreciation)</b>	<b>\$ 17,935,871</b>	<b>\$ 17,081,029</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ 17,935,871</b>	<b>\$ 17,081,029</b>	<b>-4.77%</b>

Overall capital assets decreased \$854,842 from fiscal year 2017 to fiscal year 2018. Capital additions of \$210,352 were offset by depreciation expenses of \$1,065,194 for the year.

The capital asset expenses during fiscal year 2018 were mainly for equipment.

### Long-term Liabilities

At June 30, 2018, the School District had \$15,991,525 of outstanding long-term liabilities – a decrease of \$4,030,037 from last year – as shown in Figure A-9. Of this amount \$914,339 is for compensated absences, \$2,047,032 for capital leases, \$1,210,000 for bonds for school construction, \$75,657 for unamortized bond premium and \$11,744,497 for net pension liability.

Figure A-9

	Total School District		Percentage Change
	2016/17	2017/18	
General Obligation Bonds (Financed with Property Taxes)	\$ 1,515,000	\$ 1,210,000	-25.21%
Net Pension Liability	15,160,555	11,744,497	-29.09%
Unamortized Bond Premium	94,571	75,657	-25.00%
Capital Leases	2,404,546	2,047,032	-17.46%
Other Long-Term Liabilities	846,890	914,339	7.38%
	<b>\$ 20,021,562</b>	<b>\$ 15,991,525</b>	<b>-20.13%</b>

- The District continued to pay down its debt, retiring \$305,000 of outstanding bonds.
- The Net Pension Liability decreased \$3,416,058

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

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

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

## **Contacting the District's Financial Management**

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

**BASIC FINANCIAL STATEMENTS**

DISTRICT-WIDE FINANCIAL STATEMENTS

HANOVER TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2018

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 1,542,825	\$ 954,763	\$ 2,497,588
Receivables:			
Other Governments	381,628	1,036	382,664
Other	1,243	869	2,112
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	682,945		682,945
Capital Assets, Net:			
Sites (Land) and Construction in Progress	293,109		293,109
Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment	<u>16,787,920</u>		<u>16,787,920</u>
Total Assets	<u>19,689,670</u>	<u>956,668</u>	<u>20,646,338</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred Amount on Refunding	64,450		64,450
Deferred Outflows Related to Pensions	<u>3,304,380</u>		<u>3,304,380</u>
Total Deferred Outflows of Resources	<u>3,368,830</u>		<u>3,368,830</u>
<b>LIABILITIES:</b>			
Accrued Interest Payable	22,183		22,183
Accounts Payable - Vendors	164,294	1,327	165,621
Interfund Payable	699,358		699,358
Payable to State Government	466,988		466,988
Unearned Revenue		190,169	190,169
Noncurrent Liabilities:			
Due Within One Year	600,814		600,814
Due Beyond One Year	<u>15,390,711</u>		<u>15,390,711</u>
Total Liabilities	<u>17,344,348</u>	<u>191,496</u>	<u>17,535,844</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred Inflows Related to Pensions	<u>2,592,148</u>		<u>2,592,148</u>
Total Deferred Inflows of Resources	<u>2,592,148</u>		<u>2,592,148</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	13,888,447		13,888,447
Restricted for:			
Capital Projects	682,945		682,945
Unrestricted/(Deficit)	<u>(11,449,388)</u>	<u>765,172</u>	<u>(10,684,216)</u>
Total Net Position	<u>\$ 3,122,004</u>	<u>\$ 765,172</u>	<u>\$ 3,887,176</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, 2018

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$ 17,960,884	\$	7,143,991	\$ (10,816,893)		\$ (10,816,893)
Special Education	4,685,420		2,668,763	(2,016,657)		(2,016,657)
Other Special Instruction	974,242		411,751	(562,491)		(562,491)
Other Instruction	297,403		106,470	(190,933)		(190,933)
Support Services:						
Tuition	754,586			(754,586)		(754,586)
Student & Instruction Related Services	4,617,913			(4,617,913)		(4,617,913)
General Administrative Services	1,094,246		365,455	(728,791)		(728,791)
School Administrative Services	1,943,898		208,847	(1,735,051)		(1,735,051)
Plant Operations and Maintenance	2,827,410			(2,827,410)		(2,827,410)
Pupil Transportation	1,393,017		66,213	(1,326,804)		(1,326,804)
Central Services and Admin Info Tech	322,467			(322,467)		(322,467)
Transfer to Charter School	63,299			(63,299)		(63,299)
Capital Outlay	22,124			(22,124)		(22,124)
Interest on Long-Term Debt	55,008			(55,008)		(55,008)
Unallocated Benefits	389,657			(389,657)		(389,657)
Total Governmental Activities	37,401,574		10,971,490	(26,430,084)		(26,430,084)

HANOVER TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Program Revenue		Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Business-Type Activities:					
Enterprise Funds	\$ 999,798	\$ 11,668		\$ 103,244	\$ 103,244
Total Business-Type Activities	999,798	11,668		103,244	103,244
Total Primary Government	\$ 38,401,372	\$ 10,983,158	\$ (26,430,084)	\$ 103,244	\$ (26,326,840)
General Revenues:					
Taxes:					
Property Taxes, Levied for General Purposes, Net			\$ 25,189,021		\$ 25,189,021
Taxes, Levied for Debt Service			365,600		365,600
Federal and State Aid not Restricted			364,902		364,902
Investment Earnings			636	421	1,057
Miscellaneous Income			223,666		223,666
Total General Revenues			26,143,825	421	26,144,246
Change in Net Position			(286,259)	103,665	(182,594)
Net Position - Beginning			3,408,263	661,507	4,069,770
Net Position - Ending			\$ 3,122,004	\$ 765,172	\$ 3,887,176

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, 2018

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 1,542,825				\$ 1,542,825
Receivables:					
Other Governments	337,197	\$ 44,431			381,628
Interfund Receivable	12,076				12,076
Other	825	418			1,243
Restricted Cash and Cash Equivalents	<u>682,945</u>				<u>682,945</u>
Total Assets	<u>\$ 2,575,868</u>	<u>\$ 44,849</u>			<u>\$ 2,620,717</u>
<b>LIABILITIES AND FUND BALANCES:</b>					
Liabilities:					
Accounts Payable - Vendors	\$ 143,758	\$ 20,536			\$ 164,294
Interfund Payable	699,358	12,076			711,434
Payable to State Government		<u>12,237</u>			<u>12,237</u>
Total Liabilities	<u>843,116</u>	<u>44,849</u>			<u>887,965</u>
Fund Balances:					
Restricted for:					
Capital Reserve Account	682,945				682,945
Assigned:					
For Subsequent					
Year's Expenditures	493,935				493,935
Year End Encumbrances	73,934				73,934
Unassigned	<u>481,938</u>				<u>481,938</u>
Total Fund Balances	<u>1,732,752</u>				<u>1,732,752</u>
Total Liabilities and Fund Balances	<u>\$ 2,575,868</u>	<u>\$ 44,849</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	

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

Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$33,745,861 and the accumulated depreciation is \$16,664,832.	17,081,029
Long-term liabilities, including bonds payable and other long-term liabilities, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(4,171,371)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(22,183)
Bond issuance premiums are reported as revenue in the governmental funds in the year the bonds are sold. The amount is \$226,969 and the accumulated amortization is \$151,312.	(75,657)
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(11,744,497)
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds:	
Changes in Assumptions - Pensions - 2014, 2015, and 2016	2,366,111
Changes in Assumptions - Pensions - 2017	(2,357,437)
Difference Between Expected and Actual Experience - Pensions	276,542
Investment Gains - Pensions	79,972
Changes in Proportions - Pensions - 2016 and 2014	127,004
Changes in Proportions - Pensions - 2015 and 2017	(234,711)
Deferred amounts on refunding are not reported as expenditures in the governmental funds in the year of the expenditure.	<u>64,450</u>
Net Position of Governmental Activities	<u>\$ 3,122,004</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, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>					
Local Sources:					
Local Tax Levy	\$ 25,189,021			\$ 365,600	\$ 25,554,621
Interest Earned on Capital Reserve Funds	636				636
Miscellaneous	223,666				223,666
Total - Local Sources	<u>25,413,323</u>			<u>365,600</u>	<u>25,778,923</u>
State Sources	\$ 4,755,235	\$ 39,135			4,794,370
Federal Sources		353,832			353,832
Total Revenues	<u>30,168,558</u>	<u>392,967</u>		<u>365,600</u>	<u>30,927,125</u>
<b>EXPENDITURES:</b>					
Current:					
Regular Instruction	8,155,408	296,469			8,451,877
Special Education Instruction	2,266,989	30,175			2,297,164
Other Special Instruction	433,129				433,129
Other Instruction	130,149				130,149
Support Services and Undistributed Costs:					
Tuition	694,073	20,825			714,898
Student & Instruction Related Services	3,405,532	35,498			3,441,030
General Administration Services	530,061				530,061
School Administration Services	1,008,933				1,008,933
Central Services	445,724				445,724
Administrative Information Technology Services	111,614				111,614
Plant Operations and Maintenance	2,507,557				2,507,557
Pupil Transportation	1,009,986				1,009,986

HANOVER TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>EXPENDITURES (Cont'd):</b>					
Current:					
Allocated and Unallocated Benefits	\$ 8,871,362				\$ 8,871,362
Transfer to Charter School	63,299				63,299
Debt Service:					
Principal				\$ 305,000	305,000
Interest and Other Charges				60,600	60,600
Capital Outlay	214,451	\$ 10,000			224,451
Total Expenditures	29,848,267	392,967		365,600	30,606,834
Excess (Deficiency) of Revenues over/(under) Expenditures	320,291				320,291
Net Change in Fund Balances	320,291				320,291
Fund Balances - July 1	1,412,461				1,412,461
Fund Balances - June 30	\$ 1,732,752	\$ -0-	\$ -0-	\$ -0-	\$ 1,732,752

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, 2018

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2)	\$	320,291
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays differs from depreciation in the period.	Depreciation expense	\$ (1,065,194)
	Capital outlays	<u>210,352</u>
		(854,842)
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation. (+)		
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities. (+)		(67,449)
Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.		305,000
		357,514

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, 2018

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. (+)	\$ 5,592
The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:	
Change in Net Pension Liability	3,416,058
Deferred Outflows:	
Changes in Assumptions - 2014, 2015, and 2016	(774,345)
Changes in Proportion - 2016 and 2014	(42,779)
Difference Between Expected and Actual Experience - Pensions	(5,398)
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	(498,114)
Deferred Inflows:	
Changes in Assumptions - 2017	(2,357,437)
Changes in Proportion - 2015 and 2017	(93,151)
The governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. (+)	
The governmental funds report the effect of deferred amounts on refunding when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Change in Net Position of Governmental Activities (Exhibit A-2)	(16,113)
	\$ (286,259)

HANOVER TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2018

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Non-Major Fund</u>	<u>Major Fund School Age Child Care</u>	<u>Total Funds</u>
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 5,096	\$ 949,667	\$ 954,763
Accounts Receivable:			
Federal	1,036		1,036
Other		869	869
Total Current Assets	<u>6,132</u>	<u>950,536</u>	<u>956,668</u>
Total Assets	<u>6,132</u>	<u>950,536</u>	<u>956,668</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts Payable - Vendors	1,324	3	1,327
Unearned Revenue		190,169	190,169
Total Current Liabilities	<u>1,324</u>	<u>190,172</u>	<u>191,496</u>
<b>NET POSITION:</b>			
Unrestricted	<u>4,808</u>	<u>760,364</u>	<u>765,172</u>
Total Net Position	<u>\$ 4,808</u>	<u>\$ 760,364</u>	<u>\$ 765,172</u>

HANOVER TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Non-Major Fund</u>	<u>Major Fund School Age Child Care</u>	<u>Total Funds</u>
Operating Revenue:			
Local Sources:			
Daily Sales - Reimbursable Programs:			
Special Milk Program	\$ 21,061		\$ 21,061
Child Care Fees		\$ 1,070,313	1,070,313
	<u>21,061</u>	<u>1,070,313</u>	<u>1,091,374</u>
Total Operating Revenue			
Operating Expenses:			
Cost of Sales - Reimbursable Programs	18,059		18,059
Salaries	11,319	530,440	541,759
Benefits and Taxes	5,336	190,814	196,150
Purchased Services		15,616	15,616
Supplies/Field Trips/Travel		148,958	148,958
Other	219	79,037	79,256
	<u>34,933</u>	<u>964,865</u>	<u>999,798</u>
Total Operating Expenses			
Operating Income (Loss)	<u>(13,872)</u>	<u>105,448</u>	<u>91,576</u>
Non-Operating Revenue:			
Local Sources:			
Interest Revenue		421	421
Federal Sources:			
Special Milk Program	11,668		11,668
	<u>11,668</u>	<u>421</u>	<u>12,089</u>
Total Non-Operating Revenue			
Change in Net Position	(2,204)	105,869	103,665
Net Position - Beginning of Year	<u>7,012</u>	<u>654,495</u>	<u>661,507</u>
Net Position - End of Year	<u>\$ 4,808</u>	<u>\$ 760,364</u>	<u>\$ 765,172</u>

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



HANOVER TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Business-Type Activities - Enterprise Funds		
	Non-Major Fund	Major Fund School Age Child Care	Total Funds
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 21,061	\$ 1,072,136	\$ 1,093,197
Payments to Employees	(11,319)	(530,440)	(541,759)
Payments for Employee Benefits	(5,336)	(190,814)	(196,150)
Payments to Suppliers	(18,357)	(248,466)	(266,823)
Net Cash Provided by/(Used for) Operating Activities	(13,951)	102,417	88,466
Cash Flows from Noncapital Financing Activities:			
Cash Received from Federal Reimbursements	11,696		11,696
Net Cash Provided by Noncapital Financing Activities	11,696		11,696
Cash Flows from Investing Activities:			
Interest on Investments		421	421
Net Cash Provided by Investing Activities		421	421
Net Increase (Decrease) in Cash and Cash Equivalents	(2,255)	102,838	100,583
Cash and Cash Equivalents, July 1	7,351	846,829	854,180
Cash and Cash Equivalents, June 30	\$ 5,096	\$ 949,667	\$ 954,763
Reconciliation of Operating Income (Loss) to Net Cash Provided by/(Used for) Operating Activities:			
Operating Income (Loss)	\$ (13,872)	\$ 105,448	\$ 91,576
Adjustment to Reconcile Operating Income (Loss) to Cash Provided by/(Used for) Operating Activities:			
Changes in Assets and Liabilities:			
Decrease in Other Accounts Receivable		1,823	1,823
Increase/(Decrease) in Accounts Payable	(79)	3	(76)
(Decrease) in Unearned Revenue		(4,857)	(4,857)
Net Cash Provided by/(Used for) Operating Activities	\$ (13,951)	\$ 102,417	\$ 88,466

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2018

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>	<u>Flexible Spending Trust</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 186,365	\$ 175,829	\$ 12,499	\$ 7,790
Interfund Receivable	<u>699,358</u>			
Total Assets	<u>\$ 885,723</u>	<u>\$ 175,829</u>	<u>\$ 12,499</u>	<u>\$ 7,790</u>
<b>LIABILITIES:</b>				
Due to Student Groups	\$ 82,898			
Accrued Salaries and Wages	699,358			
Payroll Deductions and Withholding	<u>103,467</u>			
Total Liabilities	<u>885,723</u>			
<b>NET POSITION:</b>				
Restricted for Scholarships			\$ 12,499	
Held in Trust for:				
Unemployment Claims		\$ 175,829		
Flexible Spending Claims				<u>\$ 7,790</u>
Total Net Position	<u>\$ -0-</u>	<u>\$ 175,829</u>	<u>\$ 12,499</u>	<u>\$ 7,790</u>

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Unemployment Compensation Trust	Private Purpose Scholarship Trust	Flexible Spending Trust
ADDITIONS:			
Contributions:			
Plan Members	\$ 40,187		\$ 14,748
Donations		\$ 3,485	
Total Contributions	40,187	3,485	14,748
Investment Earnings:			
Interest	344	12	
Net Investment Earnings	344	12	
Total Additions	40,531	3,497	14,748
DEDUCTIONS:			
Quarterly Contribution Reports	13,198		
Scholarships Awarded		810	
Flexible Spending Claims			14,649
Total Deductions	13,198	810	14,649
Change in Net Position	27,333	2,687	99
Net Position - Beginning of the Year	148,496	9,812	7,691
Net Position - End of the Year	\$ 175,829	\$ 12,499	\$ 7,790

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, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

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

B. Basis of Presentation:

District-Wide Financial Statements:

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

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

B. Basis of Presentation: (Cont'd)

District-Wide Financial Statements (Cont'd):

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

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

The District reports the following governmental funds:

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

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

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

B. Basis of Presentation: (Cont'd)

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

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

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

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

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

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

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

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ended June 30, 2018 was submitted to the County office and approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by School Board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
 (Continued)

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue"		
from the Budgetary Comparison Schedule	\$ 30,172,947	\$ 392,967
Difference - Budget to GAAP:		
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	86,099	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(90,488)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 30,168,558	\$ 392,967
	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 29,848,267	\$ 392,967
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 29,848,267	\$ 392,967

E. Cash and Cash Equivalents:

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

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

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



HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

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

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

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

F. Interfund Transactions

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

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

G. Allowance for Uncollectible Accounts

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

H. Encumbrances:

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

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2018.

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
 (Continued)

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

K. Capital Assets:

During the year ended June 30, 1994, the District established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994, are recorded at historical cost including ancillary charges necessary to place the asset into service. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Land has been recorded at estimated historical cost. Donated capital assets are valued at their acquisition value. 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 and Building Improvements	50 years
Site Improvements	20 years
Machinery 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. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

L. Long-Term Liabilities

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

M. Accrued Salaries and Wages:

Certain District employees, who provide services to the District over the ten-month academic year, have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2018, the amount earned by these employees but not disbursed was \$699,358.

N. Compensated Absences:

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by GASB 16. 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, 2018  
(Continued)

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

N. Compensated Absences: (Cont'd)

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

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

O. Unearned Revenue:

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

P. Fund Balance Appropriated:

General Fund: Of the \$1,732,752 General Fund fund balance at June 30, 2018, \$567,869 is assigned fund balance of which \$73,934 is for year- end encumbrances and \$493,935 has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2019; \$682,945 is restricted in the capital reserve account; and there is \$481,938 in unassigned fund balance which is \$90,488 less than the calculated maximum unassigned fund balance, on a GAAP basis, due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2019.

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

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$90,488 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, Districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school Districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the school District cannot recognize the June state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the June state aid payments and not the fund balance reported on the fund statement which excludes the June state aid payments.

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

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

Q. Deficit Net Position/Fund Balance

The \$11,449,388 deficit in the Unrestricted Net Position of the District's Governmental Activities is primarily due to the accrual of \$914,339 of compensated absences, \$11,744,497 of net pension liability, changes in pensions proportions of \$234,711, changes in pensions assumptions of \$2,357,437 unamortized bond premium of \$75,657 and \$22,183 of accrued interest payable offset by \$73,934 of encumbrances, \$2,366,111 of changes in pensions assumptions, \$127,004 of changes in pensions proportions, \$79,972 of net investment gains – pensions, \$276,542 in pension for the difference between expected and actual experience and \$493,935 of fund balance designated for subsequent year's expenditures in the General Fund. The deficit does not indicate that the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

R. Net Position

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

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources for the Deferred Amount on Refunding at June 30, 2018, changes in assumptions of pensions, changes in proportions of pensions, investment gains – pensions, District contribution subsequent to the measurement date – pensions, and difference between pension actual and experience.

The district had deferred inflows of resources at June 30, 2018 for changes in pension proportions, and changes in assumptions in pensions.

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

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

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

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

S. Fund Balance Restrictions, Commitments and Assignments

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

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

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District had no committed resources at June 30, 2018.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for year-end encumbrances and for amounts designated for subsequent year's expenditures in the General Fund at June 30, 2018.

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, 2018  
(Continued)

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

U. Operating Revenue and Expenses

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

V. Management Estimates

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

W. Pensions

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

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

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

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

Deposits:

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

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

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

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

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

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located.
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the “Local Authorities Fiscal Control Law”, P.L. 1983, c.313 (C.40A:5A-1 et seq.). Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by local units;

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(CONTINUED)

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

Investments (Cont'd):

- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4);; or
- (8) Agreements for the repurchase of fully collateralized securities if:
  - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection or are bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the requirements of the "Local Authorities Fiscal Control Law," P.L. 1983, c. 313 (C.40A:5A-1 et seq.);
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed; or
- (9) Deposit of funds in accordance with the following conditions:
  - (a) The funds are initially invested through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41) designated by the school district;
  - (b) The designated public depository arranges for the deposit of the funds in deposit accounts in one or more federally insured banks, savings banks or savings and loan associations or credit unions for the account of the school district;
  - (c) 100 percent of the principal and accrued interest of each deposit is insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund;
  - (d) The designated public depository acts as custodian for the school district with respect to these deposits; and
  - (e) On the same date that the school district's funds are deposited pursuant to subparagraph (b) of this paragraph, the designated public depository receives an amount of deposits from customers of other financial institutions, wherever located, equal to the amounts of funds initially invested by the school district through the designated public depository.



HANOVER TOWNSHIP SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
 (Continued)

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

As of June 30, 2018, cash and cash equivalents of the District consisted of the following:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents Capital Reserve	Total
Checking and Savings Accounts	\$ 2,880,071	\$ 682,945	\$ 3,563,016

During the period ended June 30, 2018, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2018, was \$3,563,016 and the bank balance was \$3,996,720.

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, 2017 to June 30, 2018 fiscal year is as follows:

Beginning balance, July 1, 2017		\$ 401,835
Interest Earnings	\$ 636	
Deposits:		
Transfer by Board Resolution (June 2018)	345,474	
		346,110
		747,945
Withdrawals:		
Budgeted Withdrawal		(65,000)
Ending balance, June 30, 2018		\$ 682,945

The June 30, 2018 LRFP balance of local support costs exceeds the balance in the capital reserve account at June 30, 2018. Withdrawals from the capital reserve were for use in DOE approved facilities projects, consistent with the District's LRFP.

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(CONTINUED)

NOTE 5. TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2018, the District transferred \$5,449 to the equipment line items and therefore did not require approval from the County Superintendent. The District transferred \$11,900 to the construction services line item for repairs to walking paths which was approved by the County Superintendent.

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2018 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	1,691,565	\$ 24,700		1,716,265
Buildings and Building Improvements	28,561,434	58,667		28,620,101
Machinery and Equipment	<u>2,989,401</u>	<u>126,985</u>		<u>3,116,386</u>
Total Capital Assets Being Depreciated	<u>33,242,400</u>	<u>210,352</u>	<u>-0-</u>	<u>33,452,752</u>
Governmental Activities Capital Assets	<u>33,535,509</u>	<u>210,352</u>	<u>-0-</u>	<u>33,745,861</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ (Decreases)</u>	<u>Ending Balance</u>
Less Accumulated Depreciation for:				
Site Improvements	1,367,757	48,027		1,415,784
Buildings and Building Improvements	12,157,028	768,413		12,925,441
Machinery and Equipment	<u>2,074,853</u>	<u>248,754</u>		<u>2,323,607</u>
	<u>15,599,638</u>	<u>1,065,194</u>	<u>-0-</u>	<u>16,664,832</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$17,935,871</u>	<u>\$ (854,842)</u>	<u>\$ -0-</u>	<u>\$17,081,029</u>

HANOVER TOWNSHIP SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
 (Continued)

NOTE 6. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 698,626
Special Education Instruction	23,984
Other Special Instruction	12,827
Other Instruction	30,651
Student and Instruction Related Services	71,055
General Administrative Services	9,677
School Administrative Services	29,958
Operations and Maintenance of Plant	76,800
Pupil Transportation	95,506
Central Services	16,110
	<u>\$ 1,065,194</u>

NOTE 7. OPERATING LEASES

The District has commitments to lease copiers which expire July 2022. Total operating lease payments made during the year ended June 30, 2018 were \$31,474. Future minimum lease payments are as follows:

Year	Amount
2019	\$ 33,652
2020	31,021
2021	15,469
2022	7,423
2023	199
	<u>\$ 87,764</u>

NOTE 8. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2018, the following changes occurred in liabilities reported in the District-wide financial statements:

	Balance 6/30/2017	Accrued	Retired	Balance 6/30/2018
Serial Bonds Payable	\$ 1,515,000		\$ 305,000	\$ 1,210,000
Net Pension Liability	15,160,555		3,416,058	11,744,497
Compensated Absences Payable	846,890	\$ 187,147	119,698	914,339
Capital Leases Payable	2,404,546		357,514	2,047,032
Unamortized Bond Issuance Premium	94,571		18,914	75,657
	<u>\$ 20,021,562</u>	<u>\$ 187,147</u>	<u>\$ 4,217,184</u>	<u>\$ 15,991,525</u>

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 8. LONG-TERM LIABILITIES

A. Unamortized Bond Premium

The unamortized bond issuance premium of the governmental fund types is recorded in the noncurrent liabilities. The current portion of the unamortized bond issuance premium balance of the governmental funds is \$18,914 and is separated from long term liability balance of \$56,743.

B. Bonds Payable:

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

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

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

<u>Serial Bonds</u>				
<u>Purpose</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
School Refunding Bonds	11/2/2010	4.00%	1/15/2022	<u>\$ 1,210,000</u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 305,000	\$ 48,400	\$ 353,400
2020	305,000	36,200	341,200
2021	300,000	24,000	324,000
2022	300,000	12,000	312,000
	<u>\$ 1,210,000</u>	<u>\$ 120,600</u>	<u>\$ 1,330,600</u>

C. Bonds Authorized But Not Issued:

As of June 30, 2018, the Board had no bonds authorized but not issued.

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

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

D. Capital Leases Payable:

The District is leasing technology equipment and an energy savings improvement program totaling \$3,300,299 of which \$1,253,267 has been liquidated as of June 30, 2018. The capital leases are for terms ranging from three to fifteen years. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2018.

Year	Amount
2019	\$ 318,502
2020	258,964
2021	239,118
2022	239,118
2023	239,118
2024-2027	956,472
Total Minimum Lease Payables	2,251,292
Less: Amount representing interest	204,260
Present value of net minimum lease payments	\$ 2,047,032

The General Fund will be used to liquidate the capital leases. The current portion of capital lease payable at June 30, 2018 is \$276,900 and the long-term portion is \$1,770,132.

E. Compensated Absences:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The current portion of the compensated absences balance of the governmental funds is \$-0- and the long-term liability balance of compensated absences is \$914,339. 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, 2018, no liability existed for compensated absences in the Enterprise Funds.

F. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2018 is \$-0- and the long-term portion is \$11,744,497. See Note 9 for further information on the PERS.

NOTE 9. PENSION PLANS

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

Plan Description

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

Benefits Provided

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

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

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$425,897 for fiscal year 2018.

The employee contribution rate was 7.34% effective July 1, 2017. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

At June 30, 2018, the District reported a liability of \$11,744,497 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2017, the District's proportion was 0.0504%, which was a decrease of 0.0007% from its proportion measured as of June 30, 2016.

For the fiscal year ended December 31, 2017, the District recognized pension expense of \$467,387.

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	6.44	\$ 133,229	
	2015	5.72	561,196	
	2016	5.57	1,671,686	
	2017	5.48		\$ 2,357,437
			<u>2,366,111</u>	<u>\$ 2,357,437</u>
Differene Between Expected and Actual Experience	2015	5.72	155,701	
	2016	5.57	50,731	
	2017	5.48	70,110	
			<u>276,542</u>	
Changes in Proportion	2014	6.44	55,534	
	2015	5.72		103,506
	2016	5.57	71,470	
	2017	5.48		131,205
			<u>127,004</u>	<u>234,711</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5.00	(140,733)	
	2015	5.00	120,054	
	2016	5.00	503,369	
	2017	5.00	(402,718)	
			<u>79,972</u>	
District Measurement Subsequent to the Measurement Date	2017	1	454,751	
			<u>\$ 3,304,380</u>	<u>\$ 2,592,148</u>

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

Fiscal Year Ending June 30,	Total
2018	\$ 276,478
2019	417,210
2020	252,808
2021	(336,235)
2022	(245,073)
	\$ 365,188

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15 based on age
Investment Rate of Return	7.00%

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.



HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. The local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2017 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
District's proportionate share of the Net Pension Liability	\$ 14,569,846	\$ 11,744,497	\$ 9,390,000

Pension plan Fiduciary Net Position

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

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

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

Benefits Provided

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

The following represents the membership tiers for TPAF:

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

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

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2018, the State's pension contribution was less than the actuarially determined amount.

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2018, the State of New Jersey contributed \$1,606,321 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$5,023,753.

The employee contribution rate was 7.34% effective July 1, 2017. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2018, the State's proportionate share of the net pension liability associated with the District was \$72,519,059. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2017, the District's proportion was 0.108%, which was an increase of 0.002% from its proportion measured as of June 30, 2016.

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

District's Proportionate Share of the Net Pension Liability	\$	-0-
State's Proportionate Share of the Net Pension Liability Associated with the District		72,519,059
Total	\$	72,519,059

For the fiscal year ended June 30, 2017, the State recognized pension expense on behalf of the District in the amount of \$5,023,753 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2017 financial statements.

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

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	8.5	\$ 1,383,974,317	
	2015	8.3	3,776,126,119	
	2016	8.3	8,218,154,928	
	2017	8.3		\$ 11,684,858,458
				13,378,255,364
Difference Between Expected and Actual Experience	2014	8.5		13,181,413
	2015	8.3	233,218,057	
	2016	8.3		102,199,790
	2017	8.3	207,898,332	
			441,116,389	115,381,203
Net Difference Between Projected and Actual				
Investment Earnings on Pension Plan Investments	2014	5	(435,309,142)	
	2015	5	385,284,122	
	2016	5	1,295,565,574	
	2017	5	(904,033,050)	
			341,507,504	
			\$ 14,160,879,257	\$ 11,800,239,661

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

Fiscal Year Ending June 30,	Total
2018	\$ 740,341,056
2019	1,175,650,200
2020	983,008,137
2021	551,152,948
2022	624,850,883
Thereafter	(1,714,363,628)
	\$ 2,360,639,596

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.25%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.00%

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
 (Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.25% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. The State contributed 40% of the actuarially determined contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2036. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2036, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the State's proportionate share of the net pension liability associated with the District as of June 30, 2017 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	At 1% Decrease (3.25%)	At Current Discount Rate (4.25%)	At 1% Increase (5.25%)
State's Proportionate Share of the Net			
Pension Liability Associated with the District	\$ 86,154,916	\$ 72,519,059	\$ 61,285,780

Pension Plan Fiduciary Net Position - TPAF

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

C. Defined Contribution Retirement Program (DCRP)

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

For DCRP, the District recognized pension expense of \$25,935 for the fiscal year ended June 30, 2018. Employee contributions to DCRP amounted to \$36,154 for the fiscal year ended June 30, 2018.

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)

General Information about the OPEB Plan

Plan Description and Benefits Provided

The District is in a "special funding situation", as described in GASB Statement No. 75, in that OPEB contributions and expenses are legally required to be made by and are the sole responsibility of the State of New Jersey, not the District.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefits for the State Health Benefit Local Education Retired Education Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The State Health Benefits Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A. 52:14-17.32f. According to N.J.S.A. 52:14-17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 years or more of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

The total nonemployer OPEB liability does not include certain other postemployment benefit obligations that are provided by the local education employers. The reporting of these benefits, if any, is the responsibility of the individual education employers.



HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)

Employees Covered by Benefit Terms

At June 30, 2016, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	142,331
Active Plan Members	<u>223,747</u>
Total	<u><u>366,078</u></u>

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The total nonemployer OPEB liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016.

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

	<u>TPAF/ABP</u>	<u>PERS</u>	<u>PFRS</u>
Salary Increases:			
Through 2026	1.55 - 4.55% based on years of service	2.15 - 4.15% based on age	2.10 - 8.98% based on age
Thereafter	2.00 - 5.45% based on years of service	3.15 - 5.15% based on age	3.10 - 9.98% based on age

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Health Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 – June 30, 2015, July 1, 2010 – June 30, 2013, and July 1, 2011 – June 30, 2014 for TPAF, PFRS and PERS, respectively.

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long term trend rate after nine years. For self-insured post 65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long term rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% and decreases to a 5.0% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond rate as chosen by the State of New Jersey Division of Pensions and Benefits. The source is the Bond Buyer Go 20-Bond Municipal bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Changes in the State’s Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2016	\$ 57,831,784,184
Changes for Year:	
Service Cost	2,391,878,884
Interest on the Total OPEB Liability	1,699,441,736
Changes of Assumptions	(7,086,599,129)
Gross Benefit Payments by the State	(1,242,412,566)
Contributions from Members	45,748,749
Net Changes	(4,191,942,326)
Balance at June 30, 2017	\$ 53,639,841,858

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Discount Rate

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2017 and 2016, respectively, calculated using the discount rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	At 1%	At	At 1%
	Decrease (2.58%)	Discount Rate (3.58%)	Increase (4.58%)
Total OPEB Liability Attributable to the District	\$ 77,465,541	\$ 65,257,652	\$ 55,574,238

	June 30, 2016		
	At 1%	At	At 1%
	Decrease (1.85%)	Discount Rate (2.85%)	Increase (3.85%)
Total OPEB Liability Attributable to the District	\$ 84,392,387	\$ 70,443,148	\$ 59,463,309

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Healthcare Trend Rate

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2017 and 2016, respectively, calculated using the healthcare trend rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	1%	Healthcare	1%
	Decrease	Cost Trend Rate	Increase
Total OPEB Liability Attributable to the District	\$ 53,668,110	\$ 65,257,652	\$ 80,648,427

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Healthcare Trend Rate

	June 30, 2016		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 57,800,564	\$ 70,443,148	\$ 87,345,078

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018 the District recognized OPEB expense of \$3,833,424 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Statement 75, in which there is a special funding situation.

In accordance with GASB Statement 75, as the District’s proportionate share of the OPEB liability is \$-0, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2017 the State had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Assumption Changes		\$ (6,343,769,032)
Contributions Made in Fiscal Year Ending 2018 After June 30, 2017 Measurement Date	\$ 1,190,373,242	
	\$ 1,190,373,242	\$ (6,343,769,032)

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Total</u>
2018	\$ (742,830,097)
2019	(742,830,097)
2020	(742,830,097)
2021	(742,830,097)
2022	(742,830,097)
Thereafter	<u>(2,629,618,547)</u>
	<u>\$ (6,343,769,032)</u>

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.

The Hanover Township School District is currently a member of the Morris Essex Insurance Group (the "Group"). The Group 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 Group 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 Group and the Fund are elected. As a member of the Group and the Fund, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the Group or the Fund were to be exhausted, members would become responsible for their respective shares of the Group's or Fund's liabilities.

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

Property, Liability and Health Benefits (Cont'd)

The audit for the year ended June 30, 2018 was not available as of the date of this report.

Selected financial information for the Fund and the Group as of June 30, 2017 is as follows:

	<u>School Alliance Insurance Fund</u>	<u>Morris Essex Insurance Group</u>
Total Assets	<u>\$ 41,637,320</u>	<u>\$ 10,087,866</u>
Net Position	<u>\$ 10,127,373</u>	<u>\$ 7,503,025</u>
Total Revenue	<u>\$ 41,923,835</u>	<u>\$ 3,384,095</u>
Total Expenses and Adjustments	<u>\$ 41,259,477</u>	<u>\$ 1,932,089</u>
Change in Net Position	<u>\$ 664,358</u>	<u>\$ 490,233</u>
Members Dividends	<u>\$ -0-</u>	<u>\$ 961,773</u>

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.

New Jersey Unemployment Compensation Insurance

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

<u>Fiscal Year</u>	<u>Employee/ District Contributions</u>	<u>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017-2018	\$ 40,187	\$ 344	\$ 13,198	\$ 175,829
2016-2017	40,171	100	14,248	148,496
2015-2016	38,506	112	33,979	122,473

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

NOTE 12. ECONOMIC DEPENDENCY

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

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The following interfund balances remained on the balance sheet at June 30, 2018:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 12,076	\$ 699,358
Special Revenue Fund		12,076
Fiduciary Fund	699,358	
	\$ 711,434	\$ 711,434

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

NOTE 14. DEFERRED COMPENSATION

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

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(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. COMMITMENTS AND CONTINGENCIES

Grant Programs

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

Litigation

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

Encumbrances

At June 30, 2018, there were encumbrances as detailed below in the governmental funds. All of the governmental funds are considered to be major funds:

General Fund	Total Governmental Funds
\$ 73,934	\$ 73,934



HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
 (Continued)

NOTE 17. ACCOUNTS PAYABLE

Accounts payable recorded in the District's Governmental Activities and Business-Type Activities as of June 30, 2018 consisted of the following:

	<u>Governmental Funds</u>		<u>District Contribution Subsequent to the Measurement Date</u>	<u>Total Governmental Activities</u>	<u>Business- Type Activities Proprietary Funds</u>
	<u>General Fund</u>	<u>Special Revenue</u>			
Vendors	\$ 143,758	\$ 20,536		\$ 164,294	\$ 1,327
State of New Jersey		12,237	\$ 454,751	466,988	
	<u>\$ 143,758</u>	<u>\$ 32,773</u>	<u>\$ 454,751</u>	<u>\$ 631,282</u>	<u>\$ 1,327</u>

REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)

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

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
District's proportion of the net pension liability	0.0517578196%	0.0506270674%	0.0511884638%	0.0504523354%
District's proportionate share of the net pension liability	\$ 9,690,479	\$ 11,364,762	\$ 15,160,555	\$ 11,744,497
District's covered employee payroll	\$ 3,485,838	\$ 3,487,396	\$ 3,441,428	\$ 3,506,581
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	278.00%	325.88%	440.53%	334.93%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%	48.10%

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

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

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
Contractually required contribution	\$ 396,368	\$ 390,257	\$ 411,548	\$ 425,897
Contributions in relation to the contractually required contribution	<u>(396,368)</u>	<u>(390,257)</u>	<u>(411,548)</u>	<u>(425,897)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 3,483,902	\$ 3,485,838	\$ 3,487,396	\$ 3,441,428
Contributions as a percentage of covered employee payroll	16.52%	15.94%	11.80%	12.38%

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

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

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
State's proportion of the net pension liability attributable to the District	0.1082879663%	0.1049605154%	0.1056243150%	0.1075573721%
State's proportionate share of the net pension liability attributable to the District	\$ 57,876,394	\$ 66,339,528	\$ 83,090,811	\$ 72,519,059.00
District's covered employee payroll	\$ 10,856,307	\$ 11,364,760	\$ 11,393,594	\$ 11,590,604
State's proportionate share of the net pension liability attributable to the District as a percentage of its covered employee payroll	533.11%	583.73%	729.28%	625.67%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%	25.41%

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

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

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
Contractually required contribution	\$ 3,114,293	\$ 4,050,625	\$ 6,243,118	\$ 5,023,753
Contributions in relation to the contractually required contribution	(567,455)	(845,670)	(1,167,507)	(1,606,321)
Contribution deficiency/(excess)	<u>\$ 2,546,838</u>	<u>\$ 3,204,955</u>	<u>\$ 5,075,611</u>	<u>\$ 3,417,432</u>
District's covered employee payroll	\$ 10,856,307	\$ 11,364,760	\$ 11,393,594	\$ 11,590,604
Contributions as a percentage of covered employee payroll	5.23%	7.44%	10.25%	13.86%

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF CHANGES IN THE STATE'S TOTAL OPEB LIABILITY AND RELATED RATIOS  
LAST TWO FISCAL YEARS  
UNAUDITED

	Fiscal Years Ending	
	June 30, 2016	June 30, 2017
Total OPEB Liability		
Service Cost	\$ 1,723,999,319	\$ 2,391,878,884
Interest Cost	1,823,643,792	1,699,441,736
Changes in Assumptions	8,611,513,521	(7,086,599,129)
Member Contributions	46,273,747	45,748,749
Gross Benefit Payments	(1,223,298,019)	(1,242,412,566)
Net Change in Total OPEB Liability	10,982,132,360	(4,191,942,326)
Total OPEB Liability - Beginning	46,849,651,824	57,831,784,184
Total OPEB Liability - Ending	\$ 57,831,784,184	\$ 53,639,841,858
State's Covered Employee Payroll *	\$ 13,493,400,208	\$ 13,493,400,208
Total OPEB Liability as a Percentage of Covered Employee Payroll	429%	398%

\* - Covered payroll for the fiscal years ending June 30, 2016 and June 30, 2017 is based on the payroll on the June 30, 2016 census data.

Note: This schedule does not contain ten years of information as GASB No. 75 was implemented during the fiscal year ended June 30, 2018.

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.98% as of June 30, 2016 to 5.00% as of June 30, 2017. The municipal bond rate changed from 2.85% to 3.58%. The long-term expected rate of return on pension plan investments changed from 7.65% to 7.00%.

The inflation rate changed from 3.08% as of June 30, 2016 to 2.25% as of June 30, 2017.

B. TEACHERS' PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.22% as of June 30, 2016 to 4.25% as of June 30, 2017. The municipal bond rate changed from 2.85% to 3.58%. The long-term expected rate of return on pension plan investments changed from 7.65% to 7.00%.

The inflation rate changed from 2.50% as of June 30, 2016 to 2.25% as of June 30, 2017.

State Health Benefit Local Education Retired Employees OPEB Plan

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.



BUDGETARY COMPARISON SCHEDULES  
(UNAUDITED)

HANOVER TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 25,189,021		\$ 25,189,021	\$ 25,189,021	\$ (100,000)
Tuition From Other LEAs within State	100,000		100,000		626
Interest Earned on Capital Reserve Funds	10		10	636	(48,000)
Transportation Fees from other LEAs	48,000		48,000		168,666
Miscellaneous	55,000		55,000	223,666	
<b>Total - Local Sources</b>	<b>25,392,031</b>		<b>25,392,031</b>	<b>25,413,323</b>	<b>21,292</b>
State Sources:					
Categorical Special Education Aid	790,889		790,889	790,889	
Categorical Transportation Aid	66,112		66,112	66,112	
Extraordinary Aid	250,000		250,000	283,135	33,135
Security Aid	25,667		25,667	25,667	
PARCC Readiness Aid	14,880		14,880	14,880	
Per Pupil Growth Aid	14,880		14,880	14,880	
Professional Learning Community Aid	14,630		14,630	14,630	
Nonpublic School Transportation Costs				13,053	13,053
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				1,606,321	1,606,321
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)				38,981	38,981
TPAF Long-Term Disability Insurance (On-Behalf - Non-Budgeted)				2,443	2,443
TPAF Post Retirement (On-Behalf - Non-Budgeted)				1,062,665	1,062,665
TPAF Social Security (Reimbursed - Non-Budgeted)				825,968	825,968
<b>Total State Sources</b>	<b>1,177,058</b>		<b>1,177,058</b>	<b>4,759,624</b>	<b>3,582,566</b>
<b>TOTAL REVENUES</b>	<b>26,569,089</b>		<b>26,569,089</b>	<b>30,172,947</b>	<b>3,603,858</b>

HANOVER TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 545,392	\$ (128,455)	\$ 416,937	\$ 398,736	\$ 18,201
Grades 1-5 - Salaries of Teachers	4,109,574	112,243	4,221,817	4,203,375	18,442
Grades 6-8 - Salaries of Teachers	2,835,593	(35,000)	2,800,593	2,782,850	17,743
Regular Programs - Home Instruction:					
Salaries of Teachers	10,000	(10,000)			
Regular Programs - Undistributed Instruction:					
Purchased Professional-Educational Services	800		800	750	50
Other Purchased Services (400-500 series)	51,367		51,367	48,392	2,975
General Supplies	514,313	(16,915)	497,398	447,714	49,684
Textbooks	262,092	30,185	292,277	258,307	33,970
Other Objects	15,233	100	15,333	15,284	49
<b>Total Regular Programs - Instruction</b>	<b>8,344,364</b>	<b>(47,842)</b>	<b>8,296,522</b>	<b>8,155,408</b>	<b>141,114</b>
Special Education - Instruction:					
Multiple Disabilities:					
Salaries of Teachers	234,367	4,129	238,496	236,705	1,791
Other Salaries for Instruction	249,663	(25,385)	224,278	220,026	4,252
Purchased Professional-Educational Services		2,854	2,854	746	2,108
General Supplies	7,853	(3,615)	4,238	3,120	1,118
Textbooks	500		500		500
Other Objects	5,420	(192)	5,228	2,589	2,639
<b>Total Multiple Disabilities</b>	<b>497,803</b>	<b>(22,209)</b>	<b>475,594</b>	<b>463,186</b>	<b>12,408</b>

HANOVER TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Resource Room/Resource Center:					
Salaries of Teachers	\$ 1,232,453	\$ 7,022	\$ 1,239,475	\$ 1,228,412	\$ 11,063
Other Salaries for Instruction	1,500	3,271	4,771	4,771	
General Supplies	8,462		8,462	6,927	1,535
Total Resource Room/Resource Center	<u>1,242,415</u>	<u>10,293</u>	<u>1,252,708</u>	<u>1,240,110</u>	<u>12,598</u>
Autism:					
Purchased Professional-Educational Services	492,000	(11,800)	480,200	339,686	140,514
Total Autism	<u>492,000</u>	<u>(11,800)</u>	<u>480,200</u>	<u>339,686</u>	<u>140,514</u>
Preschool Disabilities - Part-Time:					
Salaries of Teachers	158,622	2,839	161,461	160,551	910
Other Salaries for Instruction	42,984	18,217	61,201	60,575	626
General Supplies	2,900		2,900	2,345	555
Other Objects	2,020	192	2,212	536	1,676
Total Preschool Disabilities - Part-Time	<u>206,526</u>	<u>21,248</u>	<u>227,774</u>	<u>224,007</u>	<u>3,767</u>
Total Special Education - Instruction	<u>2,438,744</u>	<u>(2,468)</u>	<u>2,436,276</u>	<u>2,266,989</u>	<u>169,287</u>

HANOVER TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	\$ 281,557	\$ 14,684	\$ 296,241	\$ 296,241	
General Supplies	2,925	(33)	2,892	1,912	\$ 980
Total Basic Skills/Remedial - Instruction	284,482	14,651	299,133	298,153	980
Bilingual Education - Instruction:					
Salaries of Teachers	139,458		139,458	133,569	5,889
General Supplies	5,130		5,130	1,407	3,723
Total Bilingual Education - Instruction	144,588		144,588	134,976	9,612
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	57,500	4,125	61,625	61,625	
Supplies and Materials	5,650	(482)	5,168	5,168	
Total School-Sponsored Cocurricular Activities - Instruction	63,150	3,643	66,793	66,793	
School-Sponsored Athletics - Instruction:					
Salaries	44,500	5,015	49,515	49,515	
Purchased Services (300-500 series)	7,000	(625)	6,375	6,148	227
Supplies and Materials	6,700	(1,000)	5,700	4,739	961
Other Objects	3,300		3,300	2,954	346
Total School-Sponsored Athletics - Instruction	61,500	3,390	64,890	63,356	1,534
Total Instruction	11,336,828	(28,626)	11,308,202	10,985,675	322,527

HANOVER TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expenditures:					
Instruction:					
Tuition to Private Schools for the Handicapped - Within State	\$ 713,786	\$ 6,000	\$ 719,786	\$ 694,073	\$ 25,713
Total Instruction	713,786	6,000	719,786	694,073	25,713
Attendance & Social Work:					
Salaries	9,533		9,533	9,435	98
Total Attendance & Social Work	9,533		9,533	9,435	98
Health Services:					
Salaries	386,389	23,868	410,257	408,399	1,858
Other Purchased Professional and Technical Services	21,000		21,000	20,079	921
Other Purchased Services (400-500 series)	10,900	1,860	12,760	11,878	882
Supplies and Materials	19,526	(100)	19,426	18,217	1,209
Other Objects	4,000		4,000	1,540	2,460
Total Health Services	441,815	25,628	467,443	460,113	7,330
Speech, OT, PT and Related Services:					
Salaries of Other Professional Staff	374,717	(18,304)	356,413	339,546	16,867
Purchased Professional - Educational Services	409,878	4,040	413,918	359,419	54,499
Supplies and Materials	2,482		2,482	1,417	1,065
Total Speech, OT, PT and Related Services	787,077	(14,264)	772,813	700,382	72,431
Other Support Services - Students - Extra Services:					
Salaries of Other Professional Staff	446,055	(2,660)	443,395	443,319	76
Purchased Professional - Educational Services	3,500		3,500	3,085	415
Total Other Support Services - Students - Extra Services	449,555	(2,660)	446,895	446,404	491

HANOVER TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Guidance:					
Salaries of Other Professional Staff	\$ 339,617	\$ (779)	\$ 338,838	\$ 333,692	\$ 5,146
Salaries of Secretarial and Clerical Assistants	47,389	1,396	48,785	48,619	166
Other Purchased Professional. and Technical Services	49,774	8,868	58,642	56,268	2,374
Other Purchased Services (400-500 series)	500		500		500
Supplies and Materials	4,569	(617)	3,952	2,135	1,817
Total Guidance	441,849	8,868	450,717	440,714	10,003
Child Study Team:					
Salaries of Other Professional Staff	704,566	14,197	718,763	718,763	
Salaries of Secretarial and Clerical Assistants	78,309	300	78,609	78,529	80
Other Purchased Professional. and Technical Services	11,420	35	11,455	11,455	
Misc Purchased Service (400-500 series/ O/than Resid Costs)	5,200	3,648	8,848	8,848	
Supplies and Materials	13,634	(7,656)	5,978	5,622	356
Other Objects	1,200	(116)	1,084	1,084	
Total Child Study Team	814,329	10,408	824,737	824,301	436
Improvement of Instructional Services:					
Salaries of Supervisor of Instruction	127,742	311	128,053	128,053	
Salaries of Other Professional Staff	27,000	2,371	29,371	29,371	
Salaries of Secretarial and Clerical Assistants	45,213	(5,182)	40,031	44,910	303
Purchased Professional - Educational Services	6,000		6,000	6,884	818
Other Purchased Professional. and Technical Services	10,000	(2,000)	8,000	8,884	1,116
Other Purchased Services (400-500)	2,000		2,000	527	1,473
Supplies and Materials	2,000	4,500	6,500	6,490	10
Other Objects	3,000		3,000	2,999	1
Total Improvement of Instructional Services	222,955		222,955	219,234	3,721

HANOVER TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Educational Media Services/School Library:					
Salaries	\$ 242,653	\$ (39,609)	\$ 203,044	\$ 192,065	\$ 10,979
Salaries Technology Coordinators	60,099	2,785	62,884	62,884	
Supplies and Materials	34,416	(50)	34,366	30,813	3,553
Other Objects	3,900	50	3,950	3,800	150
<b>Total Educational Media Services/School Library</b>	<b>341,068</b>	<b>(36,824)</b>	<b>304,244</b>	<b>289,562</b>	<b>14,682</b>
Instructional Staff Training Services:					
Purchased Professional - Educational Services	5,400		5,400		5,400
Other Purchased Services (400-500 series)	25,710	(670)	25,040	15,102	9,938
Supplies and Materials	2,000		2,000	285	1,715
<b>Total Instructional Staff Training Services</b>	<b>27,710</b>	<b>4,730</b>	<b>32,440</b>	<b>15,387</b>	<b>17,053</b>
Support Services - General Administration:					
Salaries	242,240	2,349	244,589	244,589	
Legal Services	30,000	7,625	37,625	19,233	18,392
Audit Fees	43,000	(4,470)	38,530	38,530	
Other Purchased Professional Services	4,100		4,100	4,090	10
Purchased Technical Services	12,000	10,000	22,000	12,000	10,000
Communications/Telephone	110,000	4,519	114,519	104,224	10,295
BOE Other Purchased Services	3,000		3,000	2,990	10
Misc Purchased Services	66,500	19,477	85,977	85,689	288
Supplies and Materials	1,500		1,500	1,186	314
BOE In-House Training/Meeting Supplies	500		500	333	167
BOE Membership Dues & Fees	11,000		11,000	10,816	184
Miscellaneous Expenditures	7,500		7,500	6,381	1,119
<b>Total Support Services - General Administration</b>	<b>531,340</b>	<b>39,500</b>	<b>570,840</b>	<b>530,061</b>	<b>40,779</b>



HANOVER TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	\$ 599,490		\$ 599,490	\$ 599,490	
Salaries of Secretarial and Clerical Assistants	388,106	\$ 8,286	396,392	394,849	\$ 1,543
Other Purchased Services (400-500 series)	7,500	6,670	14,170	5,402	8,768
Supplies and Materials	2,800	(210)	2,590	2,300	290
Other Objects	7,000	210	7,210	6,892	318
<b>Total Support Services - School Administration</b>	<b>1,004,896</b>	<b>14,956</b>	<b>1,019,852</b>	<b>1,008,933</b>	<b>10,919</b>
Support Services - Central Services:					
Salaries	382,177	8,704	390,881	390,881	
Purchased Technical Services	36,000	20,330	56,330	40,387	15,943
Other Purchased Services (400-500 series)	9,500	1,547	11,047	10,605	442
Supplies and Materials	4,000	(885)	3,115	2,173	942
Other Objects	2,000	(262)	1,738	1,678	60
<b>Total Support Services - Central Services</b>	<b>433,677</b>	<b>29,434</b>	<b>463,111</b>	<b>445,724</b>	<b>17,387</b>
Support Services - Administrative Information Technology Services:					
Salaries	111,614		111,614	111,614	
Supplies and Materials		10,000	10,000		10,000
<b>Total Support Services - Administrative IT Services</b>	<b>111,614</b>	<b>10,000</b>	<b>121,614</b>	<b>111,614</b>	<b>10,000</b>
Required Maintenance of School Facilities:					
Salaries	275,226	23,057	298,283	296,844	1,439
Cleaning, Repair and Maintenance Services	146,774	(1,280)	145,494	124,044	21,450
General Supplies	30,297	(5,620)	24,677	24,677	
<b>Total Required Maintenance of School Facilities</b>	<b>452,297</b>	<b>16,157</b>	<b>468,454</b>	<b>445,565</b>	<b>22,889</b>

HANOVER TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Custodial Services:					
Salaries	\$ 940,739	\$ (1,025)	\$ 939,714	\$ 934,315	\$ 5,399
Salaries of Non-Instructional Aides	215,507	(21,326)	194,181	192,908	1,273
Cleaning, Repair and Maintenance Services	24,250	(596)	23,654	21,240	2,414
Rental of Land & Building Other Than Lease Purchase Agreements	1,500		1,500	1,406	94
Other Purchased Property Services	35,000	(2,195)	32,805	32,321	484
Insurance	90,000	(8,868)	81,132	81,132	
Miscellaneous Purchased Services	2,000		2,000	1,990	10
General Supplies	123,150	(9,090)	114,060	106,100	7,960
Energy (Natural Gas)	150,000	(16,000)	134,000	116,721	17,279
Energy (Electricity)	250,000	(24,043)	225,957	217,774	8,183
Energy (Gasoline)	6,500	1,200	7,700	7,029	671
Other Objects	12,525	2,385	14,910	14,817	93
Interest - Energy Savings Impr Program Bonds		46,863	46,863	46,788	75
Lease Purchase Payments - Energy Savings Improvement Program	239,118	(46,663)	192,455	192,455	
<b>Total Custodial Services</b>	<b>2,090,289</b>	<b>(79,358)</b>	<b>2,010,931</b>	<b>1,966,996</b>	<b>43,935</b>
Care and Upkeep of Grounds:					
Salaries	86,926	11,939	98,865	94,996	3,869
Cleaning, Repair and Maintenance Services	13,000	(13,000)			
<b>Total Care and Upkeep of Grounds</b>	<b>99,926</b>	<b>(1,061)</b>	<b>98,865</b>	<b>94,996</b>	<b>3,869</b>
Security:					
Purchased Professional Services	24,000	(11,900)	12,100		12,100
<b>Total Security</b>	<b>24,000</b>	<b>(11,900)</b>	<b>12,100</b>		<b>12,100</b>

HANOVER TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Student Transportation Services:					
Salaries of Non-Instructional Aides	\$ 18,000	\$ 1,200	\$ 19,200	\$ 19,188	\$ 12
Salaries for Pupil Transportation (Between Home and School) - Regular	486,459	16,644	503,103	503,043	60
Salaries for Pupil Transportation (Between Home and School) - Special Education	135,989	(18,455)	117,534	117,534	
Salaries for Pupil Transportation (Other Than Between Home and School) - Other	75,000	3,337	78,337	78,287	50
Salaries for Pupil Transportation - Non-Public Schools	9,817	5,958	15,775	15,775	
Cleaning, Repair and Maintenance Services	7,000	11,796	18,796	18,790	6
Contracted Services (Special Education Students) - ESC's	45,400	7,217	52,617	52,607	10
Aid in Lieu Payments - Non Public Schools Students	44,200	(394)	43,806	43,806	
Aid in Lieu Payments - Charter School Students		1,000	1,000	1,000	
Miscellaneous Purchased Services - Transportation	45,760	(622)	45,138	43,463	1,675
General Supplies	105,500	14,317	119,817	116,493	3,324
<b>Total Student Transportation Services</b>	<b>973,125</b>	<b>41,998</b>	<b>1,015,123</b>	<b>1,009,986</b>	<b>5,137</b>
Allocated Benefits - Student Transportation Services:					
Social Security Contributions	52,000	3,443	55,443	54,802	641
Workers Compensation	39,665	(1,510)	38,155	38,155	
Health Benefits	343,185	(46,485)	296,700	296,700	
<b>Total Allocated Benefits - Student Transportation Services</b>	<b>434,850</b>	<b>(44,552)</b>	<b>390,298</b>	<b>389,657</b>	<b>641</b>

HANOVER TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Unallocated Benefits:					
Social Security Contributions	\$ 340,000		\$ 340,000	\$ 330,524	\$ 9,476
Other Retirement Contributions - PERS	415,000	\$ 10,897.00	425,897	425,897	
Other Retirement Contributions - Regular	17,000	10,500	27,500	25,935	1,565
Workmen's Compensation	139,681		139,681	139,681	
Health Benefits	4,153,254	(40,755)	4,112,499	3,960,032	152,467
Tuition Reimbursement	45,000	5,000	50,000	50,000	
Other Employee Benefits	5,000	8,575	13,575	13,258	317
<b>Total Unallocated Benefits</b>	<b>5,114,935</b>	<b>(5,783)</b>	<b>5,109,152</b>	<b>4,945,327</b>	<b>163,825</b>
On-Behalf Contributions:					
On-behalf TPAF Pension Contributions (non-budgeted)				1,606,321	(1,606,321)
On-behalf Non-Contributory Insurance (non-budgeted)				38,981	(38,981)
On-behalf Long-Term Disability Insurance (non-budgeted)				2,443	(2,443)
On-behalf TPAF Post Retirement Contributions (non-budgeted)				1,062,665	(1,062,665)
Reimbursed TPAF Social Security Contributions (non-budgeted)				825,968	(825,968)
<b>Total On-Behalf Contributions</b>				<b>3,536,378</b>	<b>(3,536,378)</b>
<b>Total Personal Services - Employee Benefits</b>	<b>5,549,785</b>	<b>(50,335)</b>	<b>5,499,450</b>	<b>8,871,362</b>	<b>(3,371,912)</b>
<b>Total Undistributed Expenses</b>	<b>15,520,626</b>	<b>11,277</b>	<b>15,531,903</b>	<b>18,584,842</b>	<b>(3,052,939)</b>
<b>TOTAL CURRENT EXPENSE</b>	<b>26,857,454</b>	<b>(17,349)</b>	<b>26,840,105</b>	<b>29,570,517</b>	<b>(2,730,412)</b>

HANOVER TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>CAPITAL OUTLAY</b>					
Equipment:					
Regular Programs - Instruction:					
Grades 1-5	\$ 23,300	\$ 650	\$ 23,950	\$ 23,440	\$ 510
School Buses - Special	104,205		104,205	104,205	
Undistributed Expenditures - Required Maintenance for School Facilities		4,799	4,799		4,799
Total Equipment	127,505	5,449	132,954	127,645	5,309
Facilities Acquisition and Construction Services:					
Construction Services	65,000	11,900	76,900	64,682	12,218
Assessment for Debt Service on SDA Funding	22,124		22,124	22,124	
Total Facilities Acquisition and Construction Services	87,124	11,900	99,024	86,806	12,218
<b>TOTAL CAPITAL OUTLAY</b>	214,629	17,349	231,978	214,451	17,527
Transfer of Funds to Charter Schools	87,758		87,758	63,299	24,459
<b>TOTAL EXPENDITURES</b>	27,159,841		27,159,841	29,848,267	(2,688,426)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(590,752)		(590,752)	324,680	915,432

HANOVER TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures	\$ (590,752)	\$	(590,752)	\$ 324,680	\$ 915,432
Fund Balance, July 1	1,498,560		1,498,560	1,498,560	
Fund Balance, June 30	\$ 907,808	\$ -0-	\$ 907,808	\$ 1,823,240	\$ 915,432
<u>Recapitulation:</u>					
Restricted:				\$ 682,945	
Capital Reserve				73,934	
Assigned:				493,935	
Year-End Encumbrances				572,426	
Designated for Subsequent Year's Expenditures				1,823,240	
Unassigned				(90,488)	
Reconciliation to Governmental Funds Statements (GAAP):				\$ 1,732,752	
June State Aid Payments not recognized on GAAP Basis					
Fund Balance per Governmental Funds (GAAP)					

HANOVER TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
State Sources	\$ 53,000	\$ (1,629)	\$ 51,371	\$ 39,135	\$ (12,236)
Federal Sources	262,000	111,755	373,755	353,832	(19,923)
<b>Total Revenues</b>	<b>315,000</b>	<b>110,126</b>	<b>425,126</b>	<b>392,967</b>	<b>(32,159)</b>
<b>EXPENDITURES:</b>					
Instruction					
Other Purchased Services	242,000	40,681	282,681	282,680	1
General Supplies	2,000	11,914	13,914	4,692	9,222
Security	4,000	2,225	6,225	5,208	1,017
Textbooks	5,000	(1,111)	3,889	3,889	
<b>Total Instruction</b>	<b>253,000</b>	<b>53,709</b>	<b>306,709</b>	<b>296,469</b>	<b>10,240</b>
Support Services					
Personal Services - Salaries		6,366	6,366		6,366
Purchased Professional - Educational Services		53,021	53,021	38,912	14,109
Tuition	35,000	(14,040)	20,960	20,825	135
Other Purchased Services	27,000	(25)	26,975	26,761	214
Supplies and Materials		1,095	1,095		1,095
<b>Total Support Services</b>	<b>62,000</b>	<b>46,417</b>	<b>108,417</b>	<b>86,498</b>	<b>21,919</b>
Facilities Acquisition and Construction Services:					
Instructional Equipment		10,000	10,000	10,000	
<b>Total Facilities Acquisition and Construction Services</b>		<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	
<b>Total Expenditures</b>	<b>315,000</b>	<b>110,126</b>	<b>425,126</b>	<b>392,967</b>	<b>32,159</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>

HANOVER TOWNSHIP SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

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

	General Fund	Special Revenue Fund
	<u>          </u>	<u>          </u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 30,172,947	\$ 392,967
Differences - Budget to GAAP:		
Prior Year State Aid Payments Not Recognized for Budgetary Purposes, Recognized for GAAP Statements	86,099	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(90,488)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 30,168,558</u>	<u>\$ 392,967</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	<u>\$ 29,848,267</u>	<u>\$ 392,967</u>
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 29,848,267</u>	<u>\$ 392,967</u>

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budget for the fiscal year ended June 30, 2018 was submitted to the County office and was approved by a vote by the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)l. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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



SPECIAL REVENUE FUND

HANOVER TOWNSHIP SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Elementary and Secondary Education Act		IDEA Part B		IDEA Part B Preschool	Nonpublic Security	Nonpublic Technology Initiative
	Title II A	Title IV	Basic Regular				
REVENUE:							
State Sources	\$ 20,175	\$ 10,000	\$ 305,414	\$ 18,243	\$ 5,208	\$ 2,627	
Federal Sources							
Total Revenue	20,175	10,000	305,414	18,243	5,208	2,627	
EXPENDITURES:							
Instruction:							
Other Purchased Services			282,680				2,627
General Supplies			2,065			5,208	
Security							
Textbooks							
Total Instruction			284,745			5,208	2,627
Support Services:							
Purchased Professional - Educational Services			20,669	18,243			
Tuition	20,175						
Other Purchased Services							
Total Support Services	20,175		20,669	18,243			
Facilities Acquisition and Construction Services:							
Instructional Equipment		10,000					
Total Facilities Acquisition and Construction Services		10,000					
Total Expenditures	\$ 20,175	\$ 10,000	\$ 305,414	\$ 18,243	\$ 5,208	\$ 2,627	

HANOVER TOWNSHIP SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

	Nonpublic Auxiliary Services					Totals June 30, 2018
	Nonpublic Nursing	Nonpublic Textbook	Compensatory Education	Examination & Classification	Nonpublic Handicapped Services Supplemental Instruction	
REVENUE:						
State Sources	\$ 6,586	\$ 3,889	\$ 14,174	\$ 2,367	\$ 2,141	\$ 2,143
Federal Sources						
Total Revenue	6,586	3,889	14,174	2,367	2,141	392,967
EXPENDITURES:						
Instruction:						
Other Purchased Services						282,680
General Supplies						4,692
Security						5,208
Textbooks		3,889				3,889
Total Instruction		3,889				296,469
Support Services:						
Purchased Professional - Educational Services						38,912
Tuition			14,174	2,367	2,141	20,825
Other Purchased Services	6,586					26,761
Total Support Services	6,586		14,174	2,367	2,141	86,498
Facilities Acquisition and Construction Services:						
Instructional Equipment						10,000
Total Facilities Acquisition and Construction Services						10,000
Total Expenditures	\$ 6,586	\$ 3,889	\$ 14,174	\$ 2,367	\$ 2,141	\$ 392,967

CAPITAL PROJECTS FUND  
NOT APPLICABLE

PROPRIETARY FUNDS

HANOVER TOWNSHIP SCHOOL DISTRICT  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Non-Major Fund <u>Milk Service</u>	Major Fund <u>School Age Child Care</u>	<u>Total</u>
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 5,096	\$ 949,667	\$ 954,763
Accounts Receivable:			
Federal	1,036		1,036
Other		869	869
Total Current Assets	<u>6,132</u>	<u>950,536</u>	<u>956,668</u>
Total Assets	<u>6,132</u>	<u>950,536</u>	<u>956,668</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts Payable - Vendors	1,324	3	1,327
Unearned Revenue		190,169	190,169
Total Current Liabilities	<u>1,324</u>	<u>190,172</u>	<u>191,496</u>
<b>NET POSITION:</b>			
Unrestricted	<u>4,808</u>	<u>760,364</u>	<u>765,172</u>
Total Net Position	<u>\$ 4,808</u>	<u>\$ 760,364</u>	<u>\$ 765,172</u>

HANOVER TOWNSHIP SCHOOL DISTRICT  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN FUND NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Non-Major Fund <u>Milk Service</u>	Major Fund <u>School Age Child Care</u>	<u>Total</u>
Operating Revenue:			
Local Sources:			
Daily Sales - Reimbursable Programs:			
Special Milk Program	\$ 21,061		\$ 21,061
Child Care Fees		\$ 1,070,313	1,070,313
Total Operating Revenue	<u>21,061</u>	<u>1,070,313</u>	<u>1,091,374</u>
Operating Expenses:			
Cost of Sales - Reimbursable Programs	18,059		18,059
Salaries	11,319	530,440	541,759
Benefits and Taxes	5,336	190,814	196,150
Purchased Services		15,616	15,616
Supplies/Field Trips/Travel		148,958	148,958
Other	219	79,037	79,256
Total Operating Expenses	<u>34,933</u>	<u>964,865</u>	<u>999,798</u>
Operating Income (Loss)	<u>(13,872)</u>	<u>105,448</u>	<u>91,576</u>
Non-Operating Revenue:			
Local Sources:			
Interest Revenue		421	421
Federal Sources:			
Special Milk Program	11,668		11,668
Total Non-Operating Revenue	<u>11,668</u>	<u>421</u>	<u>12,089</u>
Change in Net Position	(2,204)	105,869	103,665
Net Position - Beginning of Year	<u>7,012</u>	<u>654,495</u>	<u>661,507</u>
Net Position - End of Year	<u>\$ 4,808</u>	<u>\$ 760,364</u>	<u>\$ 765,172</u>

HANOVER TOWNSHIP SCHOOL DISTRICT  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Non-Major Fund	Major Fund	
	Milk Service	School Age Child Care	Total
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 21,061	\$ 1,072,136	\$ 1,093,197
Payments to Employees	(11,319)	(530,440)	(541,759)
Payments for Employee Benefits	(5,336)	(190,814)	(196,150)
Payments to Suppliers	(18,357)	(248,466)	(266,823)
Net Cash Provided by/(Used for) Operating Activities	(13,951)	102,417	88,466
Cash Flows from Noncapital Financing Activities:			
Cash Received from Federal Reimbursements	11,696		11,696
Net Cash Provided by Noncapital Financing Activities	11,696		11,696
Cash Flows from Investing Activities:			
Interest on Investments		421	421
Net Cash Provided by Investing Activities		421	421
Net Increase (Decrease) in Cash and Cash Equivalents	(2,255)	102,838	100,583
Cash and Cash Equivalents, July 1	7,351	846,829	854,180
Cash and Cash Equivalents, June 30	\$ 5,096	\$ 949,667	\$ 954,763
Reconciliation of Operating Income (Loss) to Net Cash Provided by/(Used for)			
Operating Activities:			
Operating Income (Loss)	\$ (13,872)	\$ 105,448	\$ 91,576
Adjustment to Reconcile Operating Income (Loss) to Cash			
Provided by/(Used for) Operating Activities:			
Changes in Assets and Liabilities:			
Decrease in Other Accounts Receivable		1,823	1,823
Increase/(Decrease) in Accounts Payable	(79)	3	(76)
(Decrease) in Unearned Revenue		(4,857)	(4,857)
Net Cash Provided by/(Used for) Operating Activities	\$ (13,951)	\$ 102,417	\$ 88,466



FIDUCIARY FUNDS

HANOVER TOWNSHIP SCHOOL DISTRICT  
FIDUCIARY FUND  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2018

	<u>Agency</u>		<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>	<u>Flexible Spending Trust</u>
	<u>Student Activity</u>	<u>Payroll</u>			
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 82,898	\$ 103,467	\$ 186,365	\$ 175,829	\$ 7,790
Interfund Receivable		699,358	699,358	12,499	
<b>Total Assets</b>	<b>\$ 82,898</b>	<b>\$ 802,825</b>	<b>\$ 885,723</b>	<b>\$ 175,829</b>	<b>\$ 7,790</b>
<b>LIABILITIES:</b>					
Due to Student Groups	\$ 82,898		\$ 82,898		
Accrued Salaries and Wages		\$ 699,358	699,358		
Payroll Deductions and Withholdings		103,467	103,467		
<b>Total Liabilities</b>	<b>82,898</b>	<b>802,825</b>	<b>885,723</b>		
<b>NET POSITION:</b>					
Restricted for Scholarships				\$ 12,499	
Held in Trust for:					
Unemployment Claims			\$ 175,829		
Flexible Spending Claims					\$ 7,790
<b>Total Net Position</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ 175,829</b>	<b>\$ 7,790</b>

HANOVER TOWNSHIP SCHOOL DISTRICT  
FIDUCIARY FUND  
COMBINING STATEMENT OF CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Unemployment Compensation Trust	Private Purpose Scholarship Trust	Flexible Spending Trust	Totals
<b>ADDITIONS:</b>				
Contributions:				
Plan members	\$ 40,187		\$ 14,748	\$ 54,935
Donations		\$ 3,485		3,485
Total Contributions	40,187	3,485	14,748	58,420
Investment Earnings:				
Interest	344	12		356
Net Investment Earnings	344	12		356
Total Additions	40,531	3,497	14,748	58,776
<b>DEDUCTIONS:</b>				
Quarterly Contribution Reports	13,198			13,198
Scholarships Awarded		810		810
Flexible Spending Claims			14,649	14,649
Total Deductions	13,198	810	14,649	28,657
Change in Net Position	27,333	2,687	99	30,119
Net Position - Beginning of the Year	148,496	9,812	7,691	165,999
Net Position - End of the Year	\$ 175,829	\$ 12,499	\$ 7,790	\$ 196,118

HANOVER TOWNSHIP SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 79,984	\$ 123,182	\$ 120,268	\$ 82,898
Total Assets	<u>\$ 79,984</u>	<u>\$ 123,182</u>	<u>\$ 120,268</u>	<u>\$ 82,898</u>
 <u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	\$ 79,984	\$ 123,182	120,268	\$ 82,898
Total Liabilities	<u>\$ 79,984</u>	<u>\$ 123,182</u>	<u>\$ 120,268</u>	<u>\$ 82,898</u>

HANOVER TOWNSHIP SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
STATEMENT OF ACTIVITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2018</u>
Elementary Schools:				
Bee Meadow	\$ 8,476	\$ 2,450	\$ 1,636	\$ 9,290
Mountview	31,828	11,274	11,442	31,660
Salem Drive	2,114	5,822	6,530	1,406
	<hr/>	<hr/>	<hr/>	<hr/>
Total Elementary Schools	42,418	19,546	19,608	42,356
	<hr/>	<hr/>	<hr/>	<hr/>
Middle School:				
Memorial	37,566	103,636	100,660	40,542
	<hr/>	<hr/>	<hr/>	<hr/>
Total Middle School	37,566	103,636	100,660	40,542
	<hr/>	<hr/>	<hr/>	<hr/>
Total All Schools	<u>\$ 79,984</u>	<u>\$ 123,182</u>	<u>\$ 120,268</u>	<u>\$ 82,898</u>

HANOVER TOWNSHIP SCHOOL DISTRICT  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 34,663	\$ 9,495,659	\$ 9,426,855	\$ 103,467
Interfund Receivable	654,750	699,358	654,750	699,358
Total Assets	<u>\$ 689,413</u>	<u>\$ 10,195,017</u>	<u>\$ 10,081,605</u>	<u>\$ 802,825</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 34,663	\$ 9,495,659	\$ 9,426,855	\$ 103,467
Accrued Salaries and Wages	654,750	699,358	654,750	699,358
Total Liabilities	<u>\$ 689,413</u>	<u>\$ 10,195,017</u>	<u>\$ 10,081,605</u>	<u>\$ 802,825</u>

LONG-TERM DEBT

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds		Interest Rate	Balance June 30, 2017	Matured	Balance June 30, 2018
			Date	Amount				
School Refunding Bonds	11/2/2010	\$ 2,970,000	01/15/19-20	\$ 305,000	4.00%	\$ 1,515,000	\$ 305,000	\$ 1,210,000
			01/15/21-22	300,000	4.00%			
						<u>\$ 1,515,000</u>	<u>\$ 305,000</u>	<u>\$ 1,210,000</u>



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

<u>Item</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance June 30, 2017</u>	<u>Matured</u>	<u>Balance June 30, 2018</u>
Technology Upgrades	1.85%	\$ 231,491	\$ 174,816	\$ 76,799	\$ 98,017
Computers	2.05%	203,256	86,211	86,211	
Energy Savings	2.12%	2,865,552	<u>2,143,519</u>	<u>194,504</u>	<u>1,949,015</u>
			<u>\$ 2,404,546</u>	<u>\$ 357,514</u>	<u>\$ 2,047,032</u>

HANOVER TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUE:</b>					
Local Sources:					
Local Tax Levy	\$ 365,600		\$ 365,600	\$ 365,600	
Total Revenue	365,600		365,600	365,600	
<b>EXPENDITURES:</b>					
Regular Debt Service:					
Interest	60,600		60,600	60,600	
Redemption of Principal	305,000		305,000	305,000	
Total Regular Debt Service	365,600		365,600	365,600	
Total Expenditures	365,600		365,600	365,600	
Deficiency of Revenue Under Expenditures					
Fund Balance, July 1					
Fund Balance, June 30	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

STATISTICAL SECTION

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

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Governmental Activities:</b>										
Net Investment in Capital Assets	\$ 11,873,264	\$ 12,099,751	\$ 12,430,565	\$ 12,783,499	\$ 11,146,934	\$ 13,346,166	\$ 14,081,901	\$ 14,012,558	\$ 14,096,888	\$ 13,888,447
Restricted	1,650,464	1,362,584	908,005	1,174,834	3,077,900	564,241	347,380	448,975	401,835	682,945
Unrestricted/(Deficit)	(623,525)	(639,311)	69,543	337,158	372,978	(9,371,663)	(10,192,430)	(10,060,799)	(11,090,460)	(11,449,388)
<b>Total Governmental Activities Net Position</b>	<b>\$ 12,900,203</b>	<b>\$ 12,823,024</b>	<b>\$ 13,408,113</b>	<b>\$ 14,295,491</b>	<b>\$ 14,597,812</b>	<b>\$ 4,538,744</b>	<b>\$ 4,236,851</b>	<b>\$ 4,400,734</b>	<b>\$ 3,408,263</b>	<b>\$ 3,122,004</b>
<b>Business-Type Activities:</b>										
Unrestricted	\$ 114,065	\$ 154,419	\$ 142,992	\$ 217,132	\$ 289,821	\$ 384,435	\$ 477,442	\$ 596,447	\$ 661,507	\$ 765,172
<b>Total Business-Type Activities Net Position</b>	<b>\$ 114,065</b>	<b>\$ 154,419</b>	<b>\$ 142,992</b>	<b>\$ 217,132</b>	<b>\$ 289,821</b>	<b>\$ 384,435</b>	<b>\$ 477,442</b>	<b>\$ 596,447</b>	<b>\$ 661,507</b>	<b>\$ 765,172</b>
<b>District-Wide:</b>										
Net Investment in Capital Assets	\$ 11,873,264	\$ 12,099,751	\$ 12,430,565	\$ 12,783,499	\$ 11,146,934	\$ 13,346,166	\$ 14,081,901	\$ 14,012,558	\$ 14,096,888	\$ 13,888,447
Restricted	1,650,464	1,362,584	908,005	1,174,834	3,077,900	564,241	347,380	448,975	401,835	682,945
Unrestricted/(Deficit)	(509,460)	(484,892)	212,535	554,290	662,799	(8,987,228)	(9,714,988)	(9,464,352)	10,428,953	(10,684,216)
<b>Total District Net Position</b>	<b>\$ 13,014,268</b>	<b>\$ 12,977,443</b>	<b>\$ 13,551,105</b>	<b>\$ 14,512,623</b>	<b>\$ 14,887,633</b>	<b>\$ 4,923,179</b>	<b>\$ 4,714,293</b>	<b>\$ 4,997,181</b>	<b>\$ 4,069,770</b>	<b>\$ 3,887,176</b>

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

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses:</b>										
<b>Governmental Activities:</b>										
<b>Instruction:</b>										
Regular	\$ 11,460,263	\$ 11,794,795	\$ 11,625,678	\$ 11,732,694	\$ 12,358,797	\$ 12,285,458	\$ 13,653,591	\$ 14,777,730	\$ 16,387,022	\$ 17,960,884
Special Education	2,262,515	2,417,583	2,356,644	2,383,792	2,242,404	2,381,786	3,915,308	4,143,667	4,520,561	4,685,420
Other Special Instruction	246,294	279,890	294,577	299,431	350,893	390,574	608,597	725,467	849,600	974,242
Other Instruction	163,436	179,648	126,103	127,635	135,330	144,762	207,807	230,730	268,722	297,403
<b>Support Services:</b>										
Tuition	203,930	187,937	152,135	94,216	280,756	614,542	655,357	624,151	729,894	754,586
Student and Instruction Related Services	3,305,155	3,551,065	3,703,937	3,719,667	3,869,769	3,682,481	4,064,379	4,211,188	4,784,042	4,617,913
School Administrative Services	1,068,874	1,132,765	1,163,207	1,202,777	1,236,068	1,227,091	1,614,400	1,699,971	641,632	1,094,246
General Administrative Services	585,913	554,182	535,400	558,532	537,407	573,787	621,811	556,855	1,750,859	1,943,898
Plant Operations and Maintenance	2,382,636	2,468,355	2,435,686	2,461,558	2,463,388	2,582,194	2,922,902	2,833,742	3,099,103	2,827,410
Pupil Transportation	1,007,382	1,062,908	1,122,002	1,143,092	1,166,369	1,364,055	1,390,033	1,383,555	1,792,139	1,393,017
Central Services and Admin Info Tech	603,941	644,568	621,950	638,917	688,411	679,070	771,494	795,474	869,827	322,467
Charter Schools	19,159	20,391	40,748	45,600	51,574	120,605	22,330	25,892	22,124	63,299
Capital Outlay	234,429	207,404	116,669	122,113	102,513	94,737	86,431	77,676	67,208	55,008
Interest on Long-Term Debt										
Unallocated Benefits										
<b>Total Governmental Activities Expenses</b>	<u>23,543,927</u>	<u>24,501,491</u>	<u>24,294,736</u>	<u>24,530,024</u>	<u>25,483,679</u>	<u>26,621,142</u>	<u>30,659,675</u>	<u>32,228,550</u>	<u>35,880,020</u>	<u>37,401,374</u>
<b>Business-Type Activities:</b>										
Enterprise Funds	775,233	802,377	832,740	863,854	890,818	942,290	995,976	948,571	1,092,843	999,798
<b>Total Business-Type Activities Expense</b>	<u>775,233</u>	<u>802,377</u>	<u>832,740</u>	<u>863,854</u>	<u>890,818</u>	<u>942,290</u>	<u>995,976</u>	<u>948,571</u>	<u>1,092,843</u>	<u>999,798</u>
<b>Total District Expenses</b>	<u>\$ 24,319,160</u>	<u>\$ 25,303,868</u>	<u>\$ 25,127,476</u>	<u>\$ 25,393,878</u>	<u>\$ 26,374,497</u>	<u>\$ 27,563,432</u>	<u>\$ 31,655,651</u>	<u>\$ 33,177,121</u>	<u>\$ 36,972,863</u>	<u>\$ 38,401,372</u>
<b>Program Revenues:</b>										
<b>Governmental Activities:</b>										
Charges for Services:										
Instruction (tuition)										
Operating Grants and Contributions	\$ 3,006,953	\$ 3,054,568	\$ 2,389,744	\$ 2,883,780	\$ 3,576,649	\$ 3,284,389	\$ 6,053,224	\$ 7,109,627	\$ 9,379,277	\$ 10,971,490
Capital Grants and Contributions		100,333	165,652	119,797						
<b>Total Governmental Activities Program Revenues</b>	<u>3,006,953</u>	<u>3,154,901</u>	<u>2,555,396</u>	<u>3,003,577</u>	<u>3,576,649</u>	<u>3,284,389</u>	<u>6,053,224</u>	<u>7,109,627</u>	<u>9,379,277</u>	<u>10,971,490</u>
<b>Business-Type Activities:</b>										
Charges for Services:										
Enterprise Funds	766,912	829,067	830,545	922,001	969,161	1,022,570	1,074,636	1,055,402	1,146,457	1,091,374
Operating Grants and Contributions	15,664	13,255	15,116	15,841	14,150	14,104	14,175	12,102	11,366	11,668
Total Business Type Activities Program Revenues	<u>782,576</u>	<u>842,322</u>	<u>845,661</u>	<u>937,842</u>	<u>983,311</u>	<u>1,036,674</u>	<u>1,088,811</u>	<u>1,067,504</u>	<u>1,157,823</u>	<u>1,103,042</u>
<b>Total District Program Revenues</b>	<u>\$ 3,789,529</u>	<u>\$ 3,997,223</u>	<u>\$ 3,401,057</u>	<u>\$ 3,941,419</u>	<u>\$ 4,559,960</u>	<u>\$ 4,321,063</u>	<u>\$ 7,142,035</u>	<u>\$ 8,177,131</u>	<u>\$ 10,537,100</u>	<u>\$ 12,074,532</u>

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

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net (Expense)/Revenue:										
Governmental Activities	\$ (20,536,974)	\$ (21,346,590)	\$ (21,739,340)	\$ (21,526,447)	\$ (21,907,030)	\$ (23,336,753)	\$ (24,606,451)	\$ (25,118,923)	\$ (26,500,743)	\$ (26,430,084)
Business-Type Activities	7,343	39,945	12,921	73,988	92,493	94,384	92,835	118,933	64,980	103,244
Total District-Wide Net Expense	\$ (20,529,631)	\$ (21,306,645)	\$ (21,726,419)	\$ (21,452,459)	\$ (21,814,537)	\$ (23,242,369)	\$ (24,513,616)	\$ (24,999,990)	\$ (26,435,763)	\$ (26,326,840)
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 19,731,704	\$ 20,130,621	\$ 21,155,846	\$ 21,265,275	\$ 21,415,620	\$ 21,943,932	\$ 23,216,270	\$ 23,973,068	\$ 24,452,429	\$ 25,189,021
Taxes Levied for Debt Service	771,815	735,790	760,708	730,685	325,968	368,450	375,094	381,701	377,792	365,600
Federal and State Aid Not Restricted	169,555	183,564	133,427	206,995	222,668	332,392	371,656	480,397	362,255	364,902
Investment Earnings	44,647	11,760	6,912	6,647	7,419	6,910	4,339	2,821	20	636
Miscellaneous Income	185,488	207,676	243,025	204,223	276,637	316,480	337,199	444,818	315,676	223,666
Transfers			24,511		20,000					
Total Governmental Activities	20,903,209	21,269,411	22,324,429	22,413,825	22,268,312	22,968,164	24,304,558	25,282,805	25,508,272	26,143,825
Business-Type Activities:										
Investment Earnings	1,513	409	163	152	196	230	172	72	80	421
Transfers			(24,511)		(20,000)					
Total Business-Type Activities	1,513	409	(24,348)	152	(19,804)	230	172	72	80	421
Total District-Wide	\$ 20,904,722	\$ 21,269,820	\$ 22,300,081	\$ 22,413,977	\$ 22,248,508	\$ 22,968,394	\$ 24,304,730	\$ 25,282,877	\$ 25,508,352	\$ 26,144,246
Change in Net Position:										
Governmental Activities	\$ 366,235	\$ (77,179)	\$ 585,089	\$ 887,378	\$ 361,282	\$ (368,589)	\$ (301,893)	\$ 163,882	\$ (992,471)	\$ (286,259)
Business-Type Activities	8,856	40,354	(11,427)	74,140	72,689	94,614	93,007	119,005	65,060	103,663
Total District	\$ (401,923)	\$ (456,599)	\$ 847,622	\$ 599,440	\$ (993,861)	\$ (1,545,222)	\$ (695,260)	\$ (1,152,886)	\$ (1,152,886)	\$ (182,594)

Source: School District Financial Reports

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

	June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>General Fund:</b>										
Restricted/Reserved	\$ 934,407	\$ 1,064,857	\$ 703,967	\$ 1,144,852	\$ 763,891	\$ 563,886	\$ 347,273	\$ 441,050	\$ 401,835	\$ 682,945
Unreserved	1,029,097	645,055								
Assigned		495,943		660,608	751,703	846,666	442,492	576,774	569,697	567,869
Unassigned		459,189		500,527	512,168	418,896	425,728	430,612	440,929	481,938
<b>Total General Fund</b>	<b>\$ 1,963,504</b>	<b>\$ 1,709,912</b>	<b>\$ 1,659,099</b>	<b>\$ 2,305,987</b>	<b>\$ 2,027,762</b>	<b>\$ 1,829,448</b>	<b>\$ 1,215,493</b>	<b>\$ 1,448,436</b>	<b>\$ 1,412,461</b>	<b>\$ 1,732,752</b>
<b>All Other Governmental Funds:</b>										
Reserved/Restricted for:										
Capital Projects Fund	\$ 16,057	\$ 12,735	\$ 30,087	\$ 29,982	\$ 256	\$ 355	\$ 107	\$ 8		
Debt Service Fund		7,162								
Committed for:										
Capital Projects Fund			\$ 289,920		2,313,753					
Unassigned for/(Deficit):			(115,969)				(125,469)	7,917		
Capital Projects Fund										
<b>Total All Other Governmental Funds</b>	<b>\$ 16,057</b>	<b>\$ 19,897</b>	<b>\$ 204,038</b>	<b>\$ 29,982</b>	<b>\$ 2,314,009</b>	<b>\$ 355</b>	<b>\$ (125,362)</b>	<b>\$ 7,925</b>	<b>\$ -0-</b>	<b>\$ -0-</b>

Source: School District Financial Reports

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

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues:</b>										
Tax Levy	\$20,503,519	\$20,866,411	\$21,916,554	\$21,995,960	\$21,741,588	\$22,312,382	\$23,591,364	\$24,354,769	\$24,830,321	\$25,554,621
Interest Earned on Investments	37,192	10,114	6,303	6,315	6,999	6,548	4,251	2,805		
Interest Earned on Capital Reserve Funds	7,455	1,541	609	332	420	362	88	16	20	636
Miscellaneous	185,488	207,781	243,025	204,223	276,637	328,938	337,241	444,818	315,676	223,666
State Sources	2,816,400	2,719,399	2,249,970	2,835,511	3,415,498	3,237,489	3,516,719	4,032,232	4,306,060	4,794,370
Federal Sources	360,108	619,066	438,853	375,061	383,819	366,834	361,282	352,837	359,861	353,832
<b>Total Revenue</b>	<b>23,910,162</b>	<b>24,424,312</b>	<b>24,855,314</b>	<b>25,417,402</b>	<b>25,824,961</b>	<b>26,252,553</b>	<b>27,810,945</b>	<b>29,187,477</b>	<b>29,811,938</b>	<b>30,927,125</b>
<b>Expenditures:</b>										
<b>Instruction:</b>										
Regular Instruction	7,737,186	7,853,678	7,617,349	7,360,487	7,477,493	7,569,926	7,714,690	7,966,561	7,870,668	8,451,877
Special Education Instruction	1,908,052	2,018,533	1,928,497	1,959,809	1,819,485	2,400,176	2,608,191	2,660,979	2,695,772	2,297,164
Other Special Instruction	199,681	223,518	233,231	238,117	276,104	307,438	344,732	390,087	406,425	433,129
Other Instruction	126,848	138,017	92,864	95,343	101,032	104,405	112,784	121,112	126,226	130,149
<b>Support Services:</b>										
Tuition	203,930	187,937	152,135	94,216	280,756	614,542	655,357	624,151	3,351,768	714,898
Student and Instruction Related Services	2,765,207	2,915,777	3,017,996	3,059,956	3,240,573	2,970,649	3,094,123	3,175,946	497,920	3,441,030
General Administrative Services	512,112	473,054	473,656	490,708	466,590	500,365	509,210	501,060	967,669	530,061
School Administrative Services	860,861	904,012	912,185	951,970	963,973	951,456	1,004,475	1,019,700	427,289	1,008,933
Central Services	381,602	403,119	382,365	383,523	399,650	397,930	405,274	434,803	167,525	445,724
Administrative Information Technology Services	114,902	119,663	123,566	128,776	144,391	147,741	157,146	161,860	2,620,524	111,614
Plant Operations and Maintenance	2,140,680	2,159,140	2,091,263	2,073,443	2,109,201	2,361,958	2,527,468	2,447,138	1,001,170	2,507,357
Pupil Transportation	952,573	1,013,728	1,077,072	1,096,727	1,106,603	1,294,064	1,308,861	1,277,644	8,035,817	1,009,986
Unallocated Benefits	4,652,040	5,102,162	5,407,400	5,773,954	6,334,308	6,110,250	6,528,885	7,138,111	97,287	8,871,362
Charter Schools	19,159	20,391	40,748	45,600	51,574	120,605	125,235	142,452	142,452	63,299
<b>Debt Service:</b>										
Principal	525,000	525,000	595,000	595,000	250,000	270,000	285,000	300,000	305,000	305,000
Interest and Other Charges	246,815	219,790	142,783	135,790	105,950	98,450	90,350	81,800	72,800	60,600
Capital Outlay	602,140	396,545	552,089	530,020	1,577,028	2,544,566	1,078,836	581,099	713,575	224,451
<b>Total Expenditures</b>	<b>23,948,788</b>	<b>24,674,064</b>	<b>24,840,199</b>	<b>25,013,439</b>	<b>26,704,711</b>	<b>28,764,521</b>	<b>28,550,617</b>	<b>29,024,503</b>	<b>30,087,329</b>	<b>30,606,834</b>



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

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (38,626)	\$ (249,752)	\$ 15,115	\$ 403,963	\$ (879,750)	\$ (2,511,968)	\$ (739,672)	\$ 162,974	\$ (275,391)	\$ 320,291
Other Financing Sources (Uses)					2,865,552					
Lease Purchase Proceeds			93,702	68,869				203,256	231,491	
Capital Leases (Non-budgeted)			422,431	5,741	739,031	77,701	310,998		7,917	
Transfers In	299,022	150,605	(397,920)	(5,741)	(719,031)	(77,701)	(310,998)		(7,917)	
Transfers Out	(299,022)	(150,605)	118,213	68,869	2,885,552			203,256	231,491	
Total Other Financing Sources (Uses)										
Net Change in Fund Balances	\$ (38,626)	\$ (249,752)	\$ 133,328	\$ 472,832	\$ 2,005,802	\$ (2,511,968)	\$ (739,672)	\$ 366,230	\$ (43,900)	\$ 320,291
Debt Service as a Percentage of Noncapital Expenditures	3.31%	3.07%	3.04%	2.98%	1.42%	1.41%	1.37%	1.34%	1.29%	1.20%

Source: School District Financial Reports

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

Fiscal Year Ending June 30,	Interest on Investments	Rentals - Use of Facilities	Prior Year Refunds	Miscellaneous	Total
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
2011	6,912	50	73,705	169,270	249,937
2012	6,647		52,083	152,140	210,870
2013	7,060		58,790	162,847	228,697
2014	6,811		146,921	157,559	311,291
2015	4,331		132,867	204,332	341,530
2016	2,821		155,279	286,718	444,818
2017	2,496		14,407	298,793	315,696
2018	6,940		80,529	136,197	223,666

Source: School District Records

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

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Tax-Exempt Property	Public Utilities <sup>a</sup>	Net Valuation Taxable	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
2008	\$ 74,908,200	\$ 1,139,038,922	\$ 9,100	\$ 3,800	\$ 573,242,511	\$ 212,569,800	\$ 28,868,800	\$ 2,028,641,133	\$ 269,514,700	\$ 11,274,582	\$ 2,039,915,715	\$ 0.97	\$ 4,196,257,833
2009	72,641,900	1,148,171,700	368,300	7,600	538,942,500	213,530,700	28,868,800	2,002,531,500	271,431,000	11,255,992	2,013,787,492	1.02	4,139,864,889
2010	65,676,800	1,153,279,300	368,300	7,600	524,527,300	214,138,200	28,868,800	1,986,866,300	271,947,500	11,175,509	1,998,041,809	1.06	4,166,464,286
2011	47,974,300	1,176,198,450	368,300	7,600	489,126,600	221,082,600	28,868,800	1,963,626,650	271,672,800	10,542,510	1,974,169,160	1.63	4,115,149,057
2012 <sup>c</sup>	78,048,900	2,054,726,800	433,000	5,900	871,536,400	412,981,600	56,721,600	3,474,454,200	376,741,000	21,415,187	3,495,869,387	0.63	3,957,980,829
2013	94,503,500	2,055,323,600	433,000	5,900	873,200,300	408,758,900	56,721,600	3,488,946,800	366,341,800	-	3,488,946,800	0.64	3,889,698,033
2014	80,697,600	2,080,627,400	433,000	5,900	996,669,100	433,662,200	57,634,600	3,649,729,800	375,167,100	-	3,649,729,800	0.64	3,841,012,208
2015	73,645,700	2,101,021,300	433,000	5,900	1,016,994,300	429,302,700	75,960,100	3,697,363,000	375,229,600	-	3,697,363,000	0.65	3,891,141,865
2016	75,035,800	2,106,119,300	433,000	5,900	983,192,400	425,684,100	84,700,100	3,675,170,600	372,465,700	-	3,675,170,600	0.64	4,093,380,765
2017	74,177,300	2,124,601,600	441,800	5,900	1,034,213,600	422,412,500	84,734,600	3,740,587,300	372,788,000	-	3,740,587,300	0.67	4,226,174,783

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

<sup>a</sup> Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies

<sup>b</sup> Tax rates are per \$100 of Assessed Valuation

<sup>c</sup> Represents a Revaluation Year

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

Year Ended December 31,	Hanover Township School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	Total Direct	Hanover Township	Hanover Park Regional High School	Morris County	
2008	0.93	0.04	0.97	0.64	0.45	0.48	2.54
2009	0.98	0.04	1.02	0.67	0.48	0.47	2.64
2010	1.02	0.04	1.06	0.72	0.50	0.48	2.76
2011	1.58	0.05	1.63	0.75	0.52	0.49	3.39
2012 <sup>c</sup>	0.62	0.01	0.63	0.43	0.30	0.27	1.63
2013	0.63	0.01	0.64	0.44	0.30	0.28	1.66
2014	0.63	0.01	0.64	0.43	0.30	0.26	1.63
2015	0.63	0.02	0.65	0.44	0.32	0.26	1.67
2016	0.63	0.01	0.64	0.43	0.37	0.44	1.88
2017	0.65	0.01	0.67	0.45	0.37	0.28	1.76

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.

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

<sup>b</sup> Rates for debt service are based on each year's requirements.

<sup>c</sup> Represents a Revaluation Year

Source: Municipal Tax Collector and School Business Administrator

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

Taxpayer	2018	
	Taxable Assessed Value	% of Total District Net Assessed Value
Bayer Healthcare LLC	\$ 155,670,300	4.13%
SFP ML I LLC (Metlife)	60,000,000	1.59%
Sterling Apartments LLC	55,101,100	1.46%
Interstate Realty Company LLc	50,290,300	1.33%
LSAC Morris Count LP	42,954,600	1.14%
115 SJ Investors	36,424,400	0.97%
ISBI Hanover Hotel LLC	35,950,500	0.95%
Ravine Development Company LLC	34,824,000	0.92%
DCT IND Realty Inc	33,000,000	0.87%
Kraft Foods Global Inc.	32,000,000	0.85%
<b>Total</b>	<b>\$ 536,215,200</b>	<b>14.21%</b>
Taxpayer	2009	
	Taxable Assessed Value	% of Total District Net Assessed Value
LTI NJ Finance LLC	\$ 100,966,300	4.98%
Bear Stearn & Company	62,229,800	3.07%
Hartz Mountain Industries	39,351,100	1.94%
Marriot Corporation	29,658,000	1.46%
Sterling Apartments LLC	27,587,300	1.36%
Fan Pier Land Company	27,228,000	1.34%
Interstate Realty Company	26,338,800	1.30%
CLF Parsippany-Cadbury Adams	24,607,500	1.21%
River Park Business Center LLC	23,355,600	1.15%
Lynton Jet/ Signature Flight	19,200,000	0.95%
<b>Total</b>	<b>\$ 380,522,400</b>	<b>18.76%</b>

Source: Municipal Tax Assessor

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
2009	\$ 20,503,519	\$ 20,503,519	100.00%	-0-
2010	20,866,411	20,866,411	100.00%	-0-
2011	21,916,554	21,916,554	100.00%	-0-
2012	21,995,960	21,995,960	100.00%	-0-
2013	21,741,588	21,741,588	100.00%	-0-
2014	22,312,382	22,312,382	100.00%	-0-
2015	23,591,364	23,591,364	100.00%	-0-
2016	24,354,769	24,354,769	100.00%	-0-
2017	24,830,321	24,830,321	100.00%	-0-
2018	25,554,621	25,554,621	100.00%	-0-

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

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

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

Fiscal Year Ended June 30,	Governmental Activities			Total District	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds	Capital Leases				
2009	\$ 4,595,000			4,595,000	0.48%	338
2010	4,070,000			4,070,000	0.41%	296
2011	3,520,000	\$ 72,896		3,592,896	0.34%	257
2012	2,925,000	86,750		3,011,750	0.27%	215
2013	2,675,000	2,897,409		5,572,409	0.81%	395
2014	2,405,000	2,702,911		5,107,911	0.43%	356
2015	2,120,000	2,520,382		4,640,382	0.37%	322
2016	1,820,000	2,487,553		4,307,553	0.35%	299
2017	1,515,000	2,404,546		3,919,546	0.30%	267
2018	1,210,000	2,047,032		3,257,032	0.27%	241

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

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

Source: School District Financial Reports

HANOVER TOWNSHIP SCHOOL DISTRICT  
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING  
LAST TEN 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 <sup>a</sup> of</u> <u>Property</u>	<u>Per Capita <sup>b</sup></u>
2009	\$ 4,595,000	-0-	\$ 4,595,000	0.23%	338
2010	4,070,000	-0-	4,070,000	0.20%	296
2011	3,520,000	-0-	3,520,000	0.18%	252
2012	2,925,000	-0-	2,925,000	0.15%	208
2013	2,675,000	-0-	2,675,000	0.08%	190
2014	2,405,000	-0-	2,405,000	0.07%	168
2015	2,120,000	-0-	2,120,000	0.06%	147
2016	1,820,000	-0-	1,820,000	0.05%	126
2017	1,515,000	-0-	1,515,000	0.04%	112
2018	1,210,000	-0-	1,210,000	0.03%	89

Source: School District Financial Reports

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

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

<sup>b</sup> See Exhibit J-14 for population data. This ratio is calculated using population for the prior calendar year.



HANOVER TOWNSHIP SCHOOL DISTRICT  
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2017  
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></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	217,187,521	4.59%	<u>9,974,236</u>
Subtotal, Overlapping Debt			9,974,236
Hanover Township School District Direct Debt			<u>3,562,032</u>
Total Direct and Overlapping Debt			<u><u>\$ 13,536,268</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.

<sup>a</sup> 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 2018

Equalized Valuation Basis	
2017	\$ 4,151,698,922
2016	4,152,265,959
2015	4,060,359,104
	<u>\$ 12,364,323,985</u>
Average Equalized Valuation of Taxable Property	
	4,121,441,328
Debt Limit (3% of Average Equalization Value) <sup>a</sup>	
	123,643,240
Net Bonded School Debt as of June 30, 2018	
	<u>1,515,000</u>
	<u>\$ 122,128,240</u>

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt Limit	\$ 120,633,344	\$ 123,222,361	\$ 123,117,899	\$ 120,650,991	\$ 117,590,042	\$ 111,547,573	\$ 111,334,039	\$ 112,127,474	\$ 120,536,373	\$ 123,643,240
Total Net Debt Applicable to Limit	<u>4,595,000</u>	<u>4,070,000</u>	<u>3,520,000</u>	<u>2,925,000</u>	<u>2,675,000</u>	<u>2,405,000</u>	<u>2,120,000</u>	<u>1,820,000</u>	<u>1,515,000</u>	<u>1,515,000</u>
Legal Debt Margin	<u>\$ 116,038,344</u>	<u>\$ 119,152,361</u>	<u>\$ 119,597,899</u>	<u>\$ 117,725,991</u>	<u>\$ 114,915,042</u>	<u>\$ 109,142,573</u>	<u>\$ 109,214,039</u>	<u>\$ 110,307,474</u>	<u>\$ 119,021,373</u>	<u>\$ 122,128,240</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	3.81%	3.30%	2.86%	2.42%	2.27%	2.16%	1.90%	1.62%	1.26%	1.23%

<sup>a</sup> Limit set by NISA 18A:24-19 for a K through 8 district; other % limits would be applicable for other districts

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

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

<u>Year</u>	<u>Population<sup>a</sup></u>	<u>Personal Income<sup>b</sup></u>	<u>Morris County Per Capita Personal Income<sup>c</sup></u>	<u>Unemployment Rate<sup>d</sup></u>
2009	13,609	\$ 959,652,244	\$ 70,516	3.90%
2010	13,764	1,001,743,920	72,780	3.90%
2011	13,975	1,064,811,150	76,194	3.80%
2012	14,031	1,104,141,483	78,693	3.90%
2013	14,098	692,127,212	49,094	5.20%
2014	14,344	1,187,826,640	82,810	5.20%
2015	14,409	1,247,560,038	86,582	4.70%
2016	14,686	1,308,008,590	89,065	3.50%
2017	13,522	1,204,336,930	89,065 *	3.40%
2018	13,522 **	1,204,336,930 ***	89,065 *	N/A

\* - Latest Morris County per capita personal income available (2016) was used for calculation purposes.

\*\* - Latest population data available (2017) was used for calculation purposes.

\*\*\* - Latest available population data (2017) and latest available Morris County per capita personal income (2016) was used for calculation purposes.

Sources:

<sup>a</sup> Population information provided by the NJ Dept of Labor and Workforce Development

<sup>b</sup> Personal income has been estimated based upon the municipal population and per capita personal income presented

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

<sup>d</sup> Unemployment data provided by the NJ Dept of Labor and Workforce Development

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

Employer	2017		2008	
	Employees	Percentage of Total Employment	Employees	Percentage of Total Employment
U.S. Army Armament Research and Development	5,841	N/A		
Novartis Corporation	5,035	N/A		
Atlantic Health System	4,463	N/A		
Automatic Data Processing, Inc.	2,060	N/A		
Bayer Healthcare, LLC	1,900	N/A		
County of Morris	1,674	N/A		
Wyndham Worldwide Coporation	1,653	N/A		
St. Clare's	1,642	N/A		
BASF Corporation	1,500	N/A		
Accenture	1,480	N/A		
<b>Total</b>	<b>27,248</b>	<b>N/A</b>		

Information is Not Available

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

Note - Information is for Morris County

Source: Morris County Economic Development Corporation

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

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Instruction	119.91	103.20	98.76	99.10	97.78	100.32	100.72	102.28	102.24	102.64
Regular	32.51	32.65	32.35	33.76	28.90	30.69	33.86	34.85	36.22	35.22
Special education										
Support Services:										
Student & instruction related services	42.15	43.28	42.78	43.19	42.29	43.51	43.91	45.14	47.19	50.29
School administrative services	11.25	11.58	11.58	11.68	11.79	11.79	12.03	12.23	12.23	11.78
General and business administrative services	9.67	9.67	8.67	8.67	8.85	8.85	8.85	8.85	8.85	7.85
Plant operations and maintenance	21.75	29.83	29.00	29.01	29.01	30.51	31.29	31.92	32.53	33.83
Pupil transportation	14.80	14.80	15.37	15.37	16.27	17.27	16.74	17.27	16.67	16.87
<b>Total</b>	<b>252.04</b>	<b>245.01</b>	<b>238.51</b>	<b>240.78</b>	<b>234.89</b>	<b>242.94</b>	<b>247.40</b>	<b>252.54</b>	<b>255.93</b>	<b>258.48</b>

Source: District Personnel Records

HANOVER TOWNSHIP SCHOOL DISTRICT  
OPERATING STATISTICS  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil <sup>d</sup>	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle				
2009	1,574	\$ 22,574,833	14,342	-3.30%	163	1:19	1:20	1,574	1,511	-0.06%	96.00%
2010	1,543	23,532,729	15,251	6.34%	162	1:18	1:20	1,543	1,488	-1.97%	96.44%
2011	1,517	23,550,327	15,524	1.79%	162	1:18	1:19	1,517	1,460	-1.69%	96.24%
2012	1,500	23,752,629	15,835	2.00%	160	1:18	1:19	1,500	1,450	-1.12%	96.67%
2013	1,476	24,771,733	16,783	5.99%	160	1:18	1:19	1,476	1,415	-1.60%	95.87%
2014	1,483	25,851,505	17,432	3.87%	160	1:18	1:19	1,483	1,428	2.03%	96.29%
2015	1,464	27,096,431	18,508	6.18%	160	1:18	1:19	1,464	1,411	2.03%	96.38%
2016	1,464	27,096,431	18,508	6.18%	160	1:18	1:19	1,464	1,411	2.03%	96.38%
2017	1,458	28,995,954	19,887	7.45%	160	1:18	1:19	1,458	1,451	2.83%	99.52%
2018	1,447	30,216,783	20,882	5.00%	160	1:18	1:19	1,450	1,391	-4.14%	95.93%

Source: Hanover Township School District records

Note: Enrollment based on annual October district count.

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

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

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

d The Cost Per Pupil calculated above is the sum of the operating expenditures divided by enrollment. This Cost Per Pupil may be different from other Cost Per Pupil calculations.

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

District Buildings	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Bee Meadow School	65,467	65,467	65,467	65,467	65,467	65,467	65,467	65,467	65,467	65,467
Square Feet	603	603	603	603	603	603	603	603	603	603
Capacity (students)	380	382	362	352	344	333	333	333	328	327
Enrollment	45,707	45,707	45,707	45,707	45,707	45,707	45,707	45,707	45,707	45,707
Salem Drive School	499	499	499	499	499	499	499	499	499	499
Square Feet	323	312	299	280	273	277	277	277	344	257
Capacity (students)	46,679	46,679	46,679	46,679	46,679	46,679	46,679	46,679	46,679	46,679
Enrollment	439	439	439	439	439	439	439	439	439	439
Mountview Road School	317	314	295	308	312	333	333	333	269	335
Square Feet	113,950	113,950	113,950	113,950	113,950	113,950	113,950	113,950	113,950	113,950
Capacity (students)	617	617	617	617	617	617	617	617	617	617
Enrollment	544	535	557	560	547	540	540	540	503	515

Number of Schools at June 30, 2018  
 Elementary = 3  
 Middle School = 1

Source: Hanover Township School District Facilities Office

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

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

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

School Facilities	Project #	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Bee Meadow School	N/A	\$ 107,037	\$ 79,992	\$ 83,473	\$ 92,109	\$ 108,085	\$ 100,560	\$ 128,091	\$ 113,802	\$ 134,656	\$ 98,851
Salem Drive School	N/A	58,641	55,848	58,278	64,308	74,548	60,812	77,461	68,820	94,013	75,877
Mountview School	N/A	75,375	57,036	59,517	65,675	83,169	75,877	96,650	85,869	96,012	81,384
Memorial Junior School	N/A	166,003	139,232	145,290	160,322	212,040	158,973	202,495	179,906	234,378	189,452
		<u>\$ 407,056</u>	<u>\$ 332,108</u>	<u>\$ 346,558</u>	<u>\$ 382,414</u>	<u>\$ 477,842</u>	<u>\$ 396,222</u>	<u>\$ 504,697</u>	<u>\$ 448,397</u>	<u>\$ 559,059</u>	<u>\$ 445,565</u>

Source: Hanover Township School District records.



HANOVER TOWNSHIP SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2018  
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	
Public Employees' Faithful Performance Blanket Position Bond	250,000	

Source: School District records.

SINGLE AUDIT SECTION

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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hanover Township School District, in the County of Morris (the "District") as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 18, 2019.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**


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

### **Purpose of this Report**

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

January 18, 2019  
Mount Arlington, New Jersey

NISIVOCCIA LLP

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

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

Independent Auditors' Report

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

**Report on Compliance for Each Major State Program**

We have audited the Board of Education of the Hanover Township's (the "District's") compliance with the types of compliance requirements described in the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the fiscal year ended June 30, 2018. The District's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, the Uniform Guidance and New Jersey's OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major State Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2018.

## Report on Internal Control Over Compliance

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

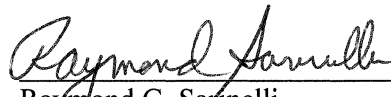
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

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

January 18, 2019  
Mount Arlington, New Jersey

NISIVOCIA LLP



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Raymond G. Sarnelli  
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, 2018

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance Unearned/ Revenue/ (Accounts Receivable) June 30, 2017	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Unearned Revenue June 30, 2018	(Accounts Receivable) June 30, 2018	Due to Grantor June 30, 2018
<b>U.S. Department of Education</b>											
Passed-through State Department of Education:											
Special Revenue Fund:											
NCLB Consolidated Grant:											
Title II - Part A											
Title II - Part A											
Title IV											
<b>Special Education Cluster:</b>											
IDEA, Part B, Basic	84.027	FT-2000-17	7/1/16-6/30/17	341,760	(49,759)	49,759	(305,414)			(38,752)	
IDEA, Part B, Basic	84.027	FT-2000-18	7/1/17-6/30/18	325,338		266,662	(18,243)				
IDEA, Part B, Preschool	84.173	PS-2000-16	7/1/17-6/30/18	18,243		18,243					
IDEA, Part B, Preschool	84.173	PS-2000-17	7/1/16-6/30/17	18,364	(821)	821	(323,657)			(38,752)	
Total Special Education Cluster					(50,580)	335,485	(323,657)			(38,752)	
Total Special Revenue Fund					(50,661)	360,062	(353,832)			(44,431)	
<b>U.S. Department of Agriculture</b>											
Passed-through the State Department of Agriculture:											
Child Nutrition Cluster:											
Special Milk Program	10.556	N/A	7/1/17-6/30/18	11,668	(1,064)	10,632	(11,668)			(1,036)	
Special Milk Program	10.556	N/A	7/1/16-6/30/17	11,366	(1,064)	1,064	(11,668)			(1,036)	
Total Child Nutrition Cluster					(1,064)	11,696	(11,668)			(1,036)	
Total U.S. Department of Agriculture					(1,064)	11,696	(11,668)			(1,036)	
Total Federal Awards					(51,725)	371,758	(365,500)			(45,467)	
											\$ -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, 2018

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance Due to Grantor/ (Accounts Receivable) June 30, 2017	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2018		MEMO	
								GAAP (Accounts Receivable)	Unearned Revenue	Due to Grantor	Budgetary (Account Receivable)
State Department of Education:											
Transportation Aid	18-495-034-5120-014	7/1/17-6/30/18	\$ 66,112	\$ 59,658	\$ (66,112)					\$ (6,454)	\$ 66,112
Transportation Aid	17-495-034-5120-014	7/1/16-6/30/17	58,257	6,446							58,257
Special Education Aid	18-495-034-5120-089	7/1/17-6/30/18	790,889	713,692	(790,889)					(77,197)	790,889
Special Education Aid	17-495-034-5120-089	7/1/16-6/30/17	746,954	72,823						(2,505)	746,954
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	25,667	23,162	(25,667)						25,667
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	25,667	2,502							25,667
Per Pupil Growth Aid	18-495-034-5120-096	7/1/17-6/30/18	14,880	13,428	(14,880)					(1,452)	14,880
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	14,880	1,451							14,880
PARCC Readiness Aid	18-495-034-5120-097	7/1/17-6/30/18	14,880	13,428	(14,880)					(1,452)	14,880
PARCC Readiness Aid	17-495-034-5120-098	7/1/16-6/30/17	14,880	1,451							14,880
Professional Learning Community Aid	17-495-035-5120-101	7/1/16-6/30/17	14,630	1,426							14,630
Professional Learning Community Aid	18-495-035-5120-102	7/1/17-6/30/18	14,630	13,202						(1,428)	14,630
District Reimbursement for Extraordinary Costs	18-495-034-5120-044	7/1/17-6/30/18	283,135	13,202	(283,135)					(283,135)	283,135
District Reimbursement for Extraordinary Costs	17-100-034-5120-473	7/1/16-6/30/17	285,300	285,300							285,300
Nonpublic School Transportation Costs	18-495-034-5120-014	7/1/17-6/30/18	13,053		(13,053)					(13,053)	13,053
Nonpublic School Transportation Costs	17-495-034-5120-014	7/1/16-6/30/17	10,800	7,308							10,800
Reimbursed TPAF Social Security Contributions	18-495-034-5094-003	7/1/17-6/30/18	825,968	784,959	(825,968)					(41,009)	825,968
Reimbursed TPAF Social Security Contributions	17-495-034-5094-003	7/1/16-6/30/17	808,478	120,819							808,478
On-Behalf TPAF Post Retirement Contribution	18-495-034-5094-001	7/1/17-6/30/18	1,062,665	1,062,665	(1,062,665)						1,062,665
On-Behalf TPAF Pension Contribution	18-495-034-5094-002	7/1/17-6/30/18	1,606,321	1,606,321	(1,606,321)						1,606,321
On-Behalf TPAF Non-Contributory Insurance	18-495-034-5094-004	7/1/17-6/30/18	38,981	38,981	(38,981)						38,981
On-Behalf TPAF Long-Term Disability Insurance	18-495-034-5094-004	7/1/17-6/30/18	2,443	2,443	(2,443)						2,443
Total General Fund State Aid			(499,526)	4,831,465	(4,759,624)			(337,197)		(427,685)	6,739,470
N.J. Nonpublic Aid:											
Textbook Aid	18-100-034-5120-064	7/1/17-6/30/18	3,889	3,889	(3,889)						3,889
Security Aid	18-100-034-5120-509	7/1/17-6/30/18	6,225	6,225	(5,208)				\$ 1,017		5,208
Nursing Aid	18-100-034-5120-070	7/1/17-6/30/18	6,887	6,887	(6,586)				301		6,586
Technology Initiative Aid	18-100-034-5120-373	7/1/17-6/30/18	2,627	2,627	(2,627)						2,627
Textbook Aid	17-100-034-5120-064	9/1/16-6/30/17	8,473	383			\$ (383)				8,090
Security Aid	17-100-034-5120-509	9/1/16-6/30/17	8,000	304			(304)				7,696



HANOVER TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance Due to Grantor/ (Accounts Receivable) June 30, 2017	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2018		MEMO		
								GAAP (Accounts Receivable)	Unearned Revenue	Due to Grantor	Budgetary (Account Receivable)	Cumulative Total Expenditures
<b>Auxiliary Services:</b>												
English as a Second Language	17-100-034-5120-067	9/1/16-6/30/17	\$ 1,096	\$ 548			\$ (548)				\$ 548	
Compensatory Education	17-100-034-5120-067	9/1/16-6/30/17	38,967	627			(627)				38,340	
Compensatory Education	18-100-034-5120-067	9/1/17 - 6/30/18	15,061		\$ 15,061	\$ (14,174)			\$ 887		14,174	
<b>Handicapped Services:</b>												
Supplemental Instruction	18-100-034-5120-066	9/1/17 - 6/30/18	4,758		4,758	(2,141)					2,617	2,920
Supplemental Instruction	17-100-034-5120-066	9/1/16-6/30/17	9,416	152			(152)				9,264	9,264
Examination and Classification	18-100-034-5120-066	9/1/17 - 6/30/18	7,461		7,461	(2,367)					5,094	2,367
Examination and Classification	17-100-034-5120-066	9/1/16-6/30/17	16,024	4,855			(4,855)				11,169	11,169
Corrective Speech	18-100-034-5120-066	9/1/17 - 6/30/18	4,464	1,975	4,464	(2,143)					2,321	3,731
Corrective Speech	17-100-034-5120-066	9/1/16-6/30/17	13,253	8,844	51,372	(39,135)	(8,844)				12,237	11,278
Total Special Revenue Fund				\$ (490,682)	\$ 4,882,837	\$ (4,798,759)	\$ (8,844)	\$ (337,197)	\$ -0-	\$ 12,237	\$ (427,685)	\$ 7,062,452
<b>Total State Awards Subject to Single Audit Determination</b>												
Less: State Awards Not Subject to Single Audit Major Program Determination												
On-Behalf TPAF Post Retirement Contribution	18-495-034-5094-001	7/1/17-6/30/18	1,062,665			1,062,665						
On-Behalf TPAF Pension Contribution	18-495-034-5094-002	7/1/17-6/30/18	1,606,321			1,606,321						
On-Behalf TPAF Non-Contributory Insurance	18-495-034-5094-004	7/1/17-6/30/18	38,981			38,981						
On-Behalf TPAF Long-Term Disability Insurance	18-495-034-5094-004	7/1/17-6/30/18	2,443			2,443						
Subtotal - On-Behalf TPAF Contributions						2,710,410						
Total State Awards Subject to Single Audit Major Program Determination						(2,088,349)						

N/A - Not Available/Applicable

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1. BASIS OF PRESENTATION

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. INDIRECT COST RATE

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

NOTE 4. RELATIONSHIP TO THE BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$4,389). See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds.

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
 (Continued)

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

	Federal	State	Total
General Fund		\$ 4,755,235	\$ 4,755,235
Special Revenue Fund	\$ 353,832	39,135	392,967
Enterprise Fund	11,668		11,668
Total Awards	\$ 365,500	\$ 4,794,370	\$ 5,159,870

NOTE 5. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 6. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2018.

HANOVER TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over major state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance*.
- The auditor's report on compliance for each of the major state programs for the District expresses an unmodified opinion on each of the major state programs.
- The District was not subject to the single audit provisions of the Uniform Guidance for the fiscal year ended June 30, 2018 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Uniform Guidance.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The District's programs tested as major state programs for the current fiscal year consisted of the following awards:

	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
State:				
Special Education Aid	18-495-034-5120-089	7/1/17-6/30/18	\$ 790,889	\$ 790,889
PARCC Readiness Aid	18-495-034-5120-098	7/1/17-6/30/18	14,880	14,880
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	14,880	14,880
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	25,667	25,667
Professional Learning Community Aid	18-495-035-5120-101	7/1/17-6/30/18	14,630	14,630

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

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Status of Prior Year Findings:

The District had no prior year audit findings.