

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

East Hanover Township, New Jersey

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

of the

East Hanover Township Board of Education

East Hanover Township, New Jersey

For The Fiscal Year Ended June 30, 2019

Prepared by

Business Office

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INTRODUCTORY SECTION

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

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

Deborah Muscara
Business Administrator/Board Secretary

Natalee Bartlett
Superintendent of Schools

October 30, 2019

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

Dear President Sullivan and Board of Education Members:

The comprehensive annual financial report of the East Hanover Township School District for the fiscal year ended June 30, 2019, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the East Hanover Township Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the basic financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act, as amended, and the State Treasury Circular Letter 15-08-OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid payments." Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1) **REPORTING ENTITY AND ITS SERVICES:**

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

1) **REPORTING ENTITY AND ITS SERVICES (continued):**

The District provides a full range of educational services appropriate to grade Kindergarten through eighth grade for the students residing in East Hanover Township. These include regular as well as special services for children with special needs. The District's average enrollment for the 2018-2019 fiscal year was 901 students, which is a decrease of 30 students from the previous year's average enrollment.

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

<u>Fiscal Year</u>	<u>Average Daily Enrollment</u> <u>Student Enrollment</u>	<u>Percent Change</u>
2018-19	901	-3.22%
2017-18	931	-4.32%
2016-17	973	0.41%
2015-16	969	-2.81%
2014-15	997	-2.35%
2013-14	1,021	-3.35%
2012-13	1,082	-2.70%
2011-12	1,112	-0.54%
2010-11	1,118	-2.70%
2009-10	1,149	0.05%

2. **ECONOMIC CONDITION AND OUTLOOK:**

The residential growth of the Township of East Hanover has leveled off from prior years which keeps the student population fairly consistent. There will be a change in student population in a few years in regards to a new real estate project. The 80-acre Mondalez site is under contract for sale with a concept plan of building approximately 600 mixed rate units for sale and rent. This project is in the preliminary stages and will take several years to complete.

3. **MAJOR INITIATIVES:**

The East Hanover Township School District (EHTSD) continues to systematically review and update curricula and resources. During the 2019-2020 school year, curricula revisions focused on further strengthening the ELA and Specials area programs in all grade levels. EHTSD is implementing a new reading program (*Fountas and Pinnell Classrooms*) in PK-2 and *Reading Workshop* in grade 6. The new curricula in both the early elementary levels and middle school level reflect the Department of Education's goal of integrating 21st Century Skills and diversity into the academic curriculum. Among the criteria for selection of new materials was the alignment of programs to the New Jersey Student Learning Standards as well as the depth of

3. MAJOR INITIATIVES (continued):

support for a student-centered, differentiated approach to instruction rooted in best practices. Specials area curricula were revised to ensure complete alignment with the NJSLs as well as with a focus on Social and Emotional Learning and STEM/Technology integration. Student achievement in these areas will be analyzed and assessed through comprehensive data reviews using information from diagnostic tests, benchmark assessments, and state assessments. This data will guide future revisions to curricula and instructional practices.

In the area of Mathematics, EHTSD continues to provide a comprehensive mathematics program for all students. The mathematics program at the Middle School is in the second year of implementation. The district continues to refine and grow instructional practices through job-embedded professional development. In grades K-5, EHTSD will pilot several mathematics programs for possible implementation in the 2020-2021 school year. The piloted programs will be evaluated by teams of teachers and administrators. Among the criteria for selection is alignment with the NJSLs, a strong foundation in problem-solving and critical thinking, a depth of support for a student-centered and differentiated mathematics classroom and the effective integration of technology.

Overall, the EHTSD continues to place a strong focus on providing all students with an appropriate academic program and supports students with both intervention and enrichment opportunities. The district has enhanced programming availability for early intervention and targeted support for students in all grade levels. Additionally, there are increased opportunities for enrichment services in Kindergarten through second grade.

The implementation and application of technology continue to be a district priority. The District continues to implement a 1:1 Chromebook initiative in grades one through eight, with take-home devices available to for middle school students. Additionally, developmentally appropriate devices continued to be infused into our Kindergarten classrooms. Technology initiatives focus on providing meaningful, productive, and engaging opportunities for students to accomplish tasks, solve problems, be creative, and work collaboratively.

4. INTERNAL ACCOUNTING CONTROLS:

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

4. INTERNAL ACCOUNTING CONTROLS (continued):

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

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

5. BUDGETARY CONTROLS:

In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is ensuring compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and debt service fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as fund balance at June 30, 2019.

6. ACCOUNTING SYSTEM AND REPORTS:

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

7. DEBT ADMINISTRATION:

As of June 30, 2019, the District's outstanding bonded debt totals \$2,265,000.

8. CASH MANAGEMENT:

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

The Honorable President and Members of the Board of Education
East Hanover Township School District
Page 5
October 30, 2019

9. RISK MANAGEMENT:

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

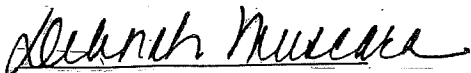
10. OTHER INFORMATION:

Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Lerch, Vinci & Higgins, LLP was selected by the Board's finance committee. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act State Treasury Circular Letter 15-08-OMB. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

11. ACKNOWLEDGEMENTS:

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

Respectfully submitted



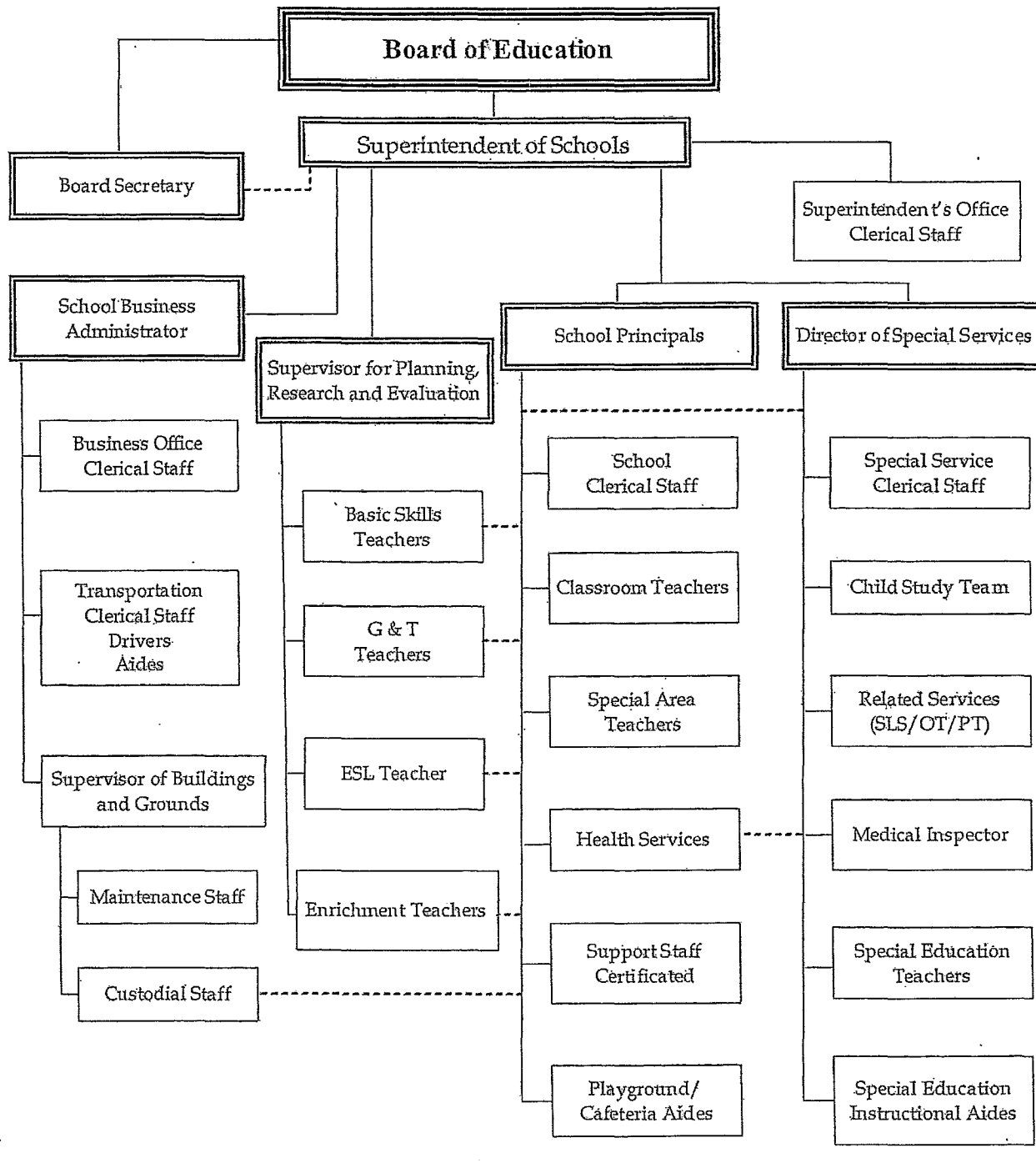
Deborah Muscara
School Business Administrator/Board Secretary

POLICY

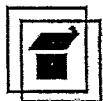
EAST HANOVER TOWNSHIP BOARD OF EDUCATION

Administration
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ORGANIZATIONAL CHART

1110 ORGANIZATIONAL CHART



Adopted: 29 April 2004
Revised: 13 September 2010



**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
EAST HANOVER, NEW JERSEY**

ROSTER OF OFFICIALS

JUNE 30, 2019

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Sean Sullivan, President	2022
Catherine Pfund-Olsen, Vice President	2020
Anthony Barisciano	2020
Michael Filippone	2022
Stephanie A. Mitchell	2021
Joseph Troise	2020
Vincent Ucci, Jr.	2021

Other Officials

Natalee Bartlett, Superintendent

Deborah Muscara, Business Administrator/ Board Secretary

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

CONSULTANTS AND ADVISORS

Architect

Parette Somjen Architects
439 Route 46 East
Rockaway, New Jersey 07866

Attorneys

Porzio Bromberg & Newman P.C.
100 Southgate Parkway
Morristown, NJ 07962

Audit Firm

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

Bond Counsel

McManimon, Scotland & Baumann, LLC
75 Livingston Avenue
Roseland, NJ 07068

Financial Advisor

Phoenix Advisors, LLC
4 West Park Street
Bordentown, NJ 08505

Official Depository

TD Bank
50 River Road
East Hanover, New Jersey 07936

FINANCIAL SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
MARK SACO, CPA
SHERYL M. LEIDIG, CPA, PSA
ROBERT LERCH, CPA
CHRIS SOHN, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the East Hanover Township Board of Education, as of and for the fiscal year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in the 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 entity'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 entity'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 East Hanover Township Board of Education as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension information and other postemployment benefits information 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

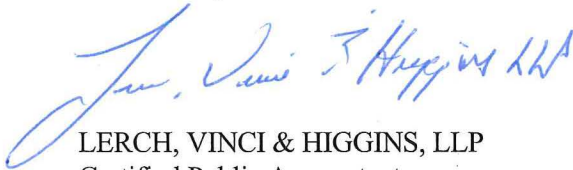
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Hanover Township Board of Education's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, financial schedules, statistical section, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the East Hanover Township Board of Education.

The combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting 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 combining and individual nonmajor fund financial statements, schedules of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

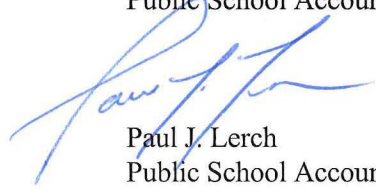
The introductory section, financial schedules and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated October 30, 2019 on our consideration of the East Hanover Township Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the East Hanover Township Board of Education's 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 East Hanover Township Board of Education's internal control over financial reporting and compliance.



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



Paul J. Lerch
Public School Accountant
PSA Number CS01118

Fair Lawn, New Jersey
October 30, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

Management's Discussion and Analysis Year Ended June 30, 2019

This section of East Hanover Township Board of Education's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2019 are as follows:

- District-Wide - Overall revenues were \$27,508,124. General revenues accounted for \$20,175,334 or 76 percent of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$7,332,790 or 24 percent of total revenues of \$27,508,124.
- District-Wide - The School District had \$27,219,310 in expenses; only \$7,332,790 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$20,175,334 were adequate to provide for these programs.
- Fund Financials – As of the close of the current fiscal year, the East Hanover Township Board of Education's governmental funds reported combined ending fund balances of \$3,276,938, a decrease of \$152,989 in comparison with the prior year.
- Fund Financials - At the end of June 30, 2019, unassigned fund balance (budgetary basis) for the General Fund was \$697,317 an increase of \$52,210.

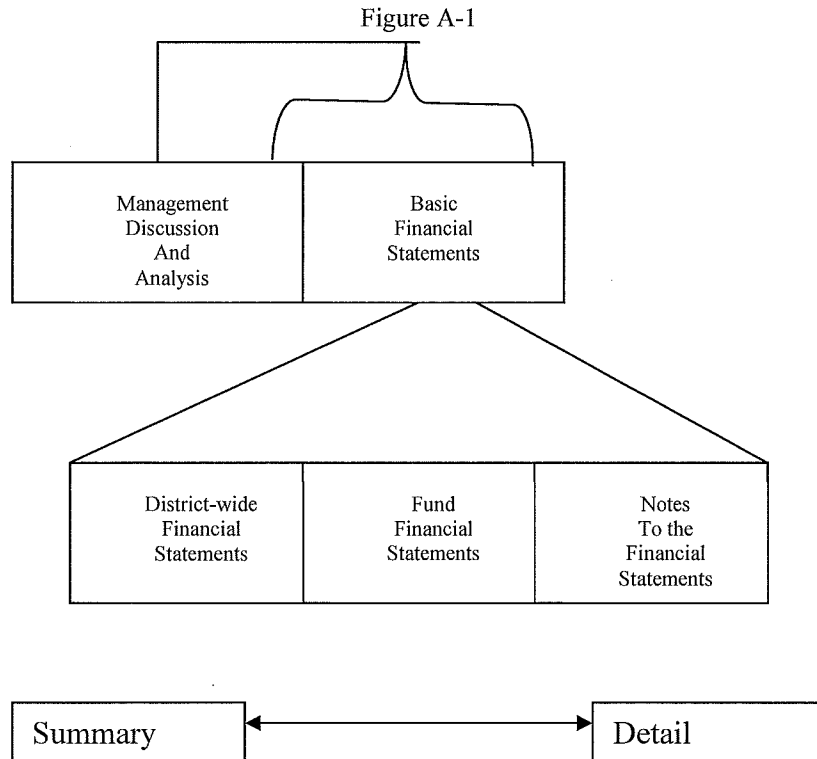
EAST HANOVER TOWNSHIP BOARD OF EDUCATION

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



EAST HANOVER TOWNSHIP BOARD OF EDUCATION

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

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

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

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

District-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

Fund Financial Statements (Continued)

The District has three kinds of funds:

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

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

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

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

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

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

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

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

Table A-1 provides a summary of the school district's net position for fiscal years 2019 and 2018 which for 2019 and 2018 were \$7,145,690 and \$6,856,876, respectively (see Table A-1).

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

**Table A-1
Statement of Net Position
as of June 30, 2019 and 2018**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Assets						
Current and Other Assets	\$ 3,316,235	\$ 3,474,682	\$ 631,929	\$ 694,791	\$ 3,948,164	\$ 4,169,473
Capital Assets	<u>12,749,409</u>	<u>13,025,153</u>	<u>5,538</u>	<u>5,805</u>	<u>12,754,947</u>	<u>13,030,958</u>
Total Assets	<u>16,065,644</u>	<u>16,499,835</u>	<u>637,467</u>	<u>700,596</u>	<u>16,703,111</u>	<u>17,200,431</u>
Deferred Outflows of Resources						
Deferred Amounts on Net Pension Liability	881,623	1,330,655			881,623	1,330,655
Deferred Amounts on Refunding of Debt	<u>5,555</u>	<u>10,437</u>	<u>-</u>	<u>-</u>	<u>5,555</u>	<u>10,437</u>
Total Deferred Outflows of Resources	<u>887,178</u>	<u>1,341,092</u>	<u>-</u>	<u>-</u>	<u>887,178</u>	<u>1,341,092</u>
Total Assets and Deferred Outflows of Resources	<u>16,952,822</u>	<u>17,840,927</u>	<u>637,467</u>	<u>700,596</u>	<u>17,590,289</u>	<u>18,541,523</u>
Liabilities						
Current Liabilities	78,332	90,454	295,150	398,382	373,482	488,836
Noncurrent Liabilities	<u>8,208,567</u>	<u>9,663,976</u>	<u>-</u>	<u>-</u>	<u>8,208,567</u>	<u>9,663,976</u>
Total Liabilities	<u>8,286,899</u>	<u>9,754,430</u>	<u>295,150</u>	<u>398,382</u>	<u>8,582,049</u>	<u>10,152,812</u>
Deferred Inflows of Resources						
Deferred Amounts of Net Pension Liability	<u>1,862,550</u>	<u>1,531,835</u>	<u>-</u>	<u>-</u>	<u>1,862,550</u>	<u>1,531,835</u>
Total Liabilities and Deferred Inflows of Resources	<u>10,149,449</u>	<u>11,286,265</u>	<u>295,150</u>	<u>398,382</u>	<u>10,444,599</u>	<u>11,684,647</u>
Net Position						
Net Investment in Capital Assets	9,151,459	8,785,656	5,538	5,805	9,156,997	8,791,461
Restricted	2,570,523	2,682,130			2,570,523	2,682,130
Unrestricted	<u>(4,918,609)</u>	<u>(4,913,124)</u>	<u>336,779</u>	<u>296,409</u>	<u>(4,581,830)</u>	<u>(4,616,715)</u>
Total Net Position	<u>\$ 6,803,373</u>	<u>\$ 6,554,662</u>	<u>\$ 342,317</u>	<u>\$ 302,214</u>	<u>\$ 7,145,690</u>	<u>\$ 6,856,876</u>

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

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

Governmental activities. Governmental activities increased the District's net position by \$248,711. Key elements of this increase are as follows: (see Table A-2).

Table A-2
Change in Net Position
For The Fiscal Years Ended June 30, 2019 and 2018

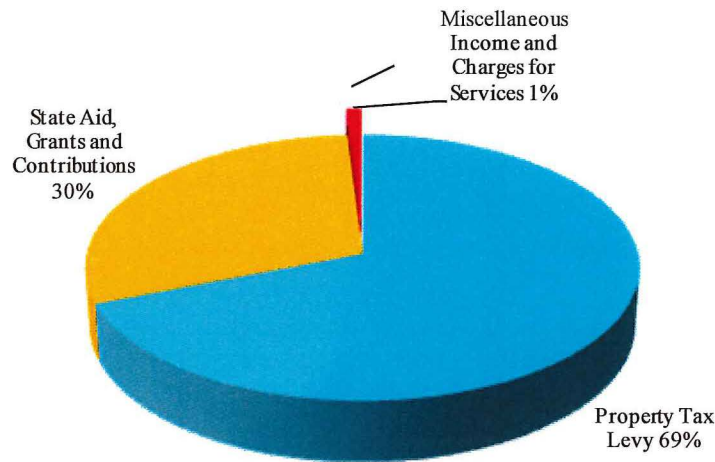
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues						
Program Revenues						
Charges for Services	\$ 58,900	\$ 80,838	\$ 710,204	\$ 847,881	\$ 769,104	\$ 928,719
Grants and Contributions	6,563,686	8,293,041			6,563,686	8,293,041
General Revenues						
Property Taxes	20,109,261	19,410,542			20,109,261	19,410,542
Other	66,073	198,831	-	-	66,073	198,831
Total Revenues	<u>26,797,920</u>	<u>27,983,252</u>	<u>710,204</u>	<u>847,881</u>	<u>27,508,124</u>	<u>28,831,133</u>
Expenses						
Instruction						
Regular	9,593,360	10,699,992			9,593,360	10,699,992
Special Education	4,183,035	4,405,633			4,183,035	4,405,633
Other Instruction	1,578,091	1,322,777			1,578,091	1,322,777
School Sponsored Activities and Athletics	246,975	264,852			246,975	264,852
Support Services						
Student and Instruction Related Services	2,663,178	2,890,975			2,663,178	2,890,975
Health Services	486,883	489,116			486,883	489,116
Educational Media / School Library	628,533	642,995			628,533	642,995
General Administrative Services	638,959	671,562			638,959	671,562
School Administrative Services	1,794,844	2,019,721			1,794,844	2,019,721
Plant Operations and Maintenance	2,778,847	2,069,552			2,778,847	2,069,552
Pupil Transportation	1,339,441	1,383,351			1,339,441	1,383,351
Central Services	451,630	464,749			451,630	464,749
Interest and Other Charges	157,734	174,347			157,734	174,347
Food Services			18,140	19,113	18,140	19,113
After School Child Care	-	-	659,660	725,720	659,660	725,720
Total Expenses	<u>26,541,510</u>	<u>27,499,622</u>	<u>677,800</u>	<u>744,833</u>	<u>27,219,310</u>	<u>28,244,455</u>
Change in Net Position Before Transfers	256,410	483,630	32,404	103,048	288,814	586,678
Transfers	(7,699)	(6,000)	7,699	6,000	-	-
Net Position, Beginning of Year	<u>6,554,662</u>	<u>6,077,032</u>	<u>302,214</u>	<u>193,166</u>	<u>6,856,876</u>	<u>6,270,198</u>
Net Position, End of Year	<u>\$ 6,803,373</u>	<u>\$ 6,554,662</u>	<u>\$ 342,317</u>	<u>\$ 302,214</u>	<u>\$ 7,145,690</u>	<u>\$ 6,856,876</u>

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

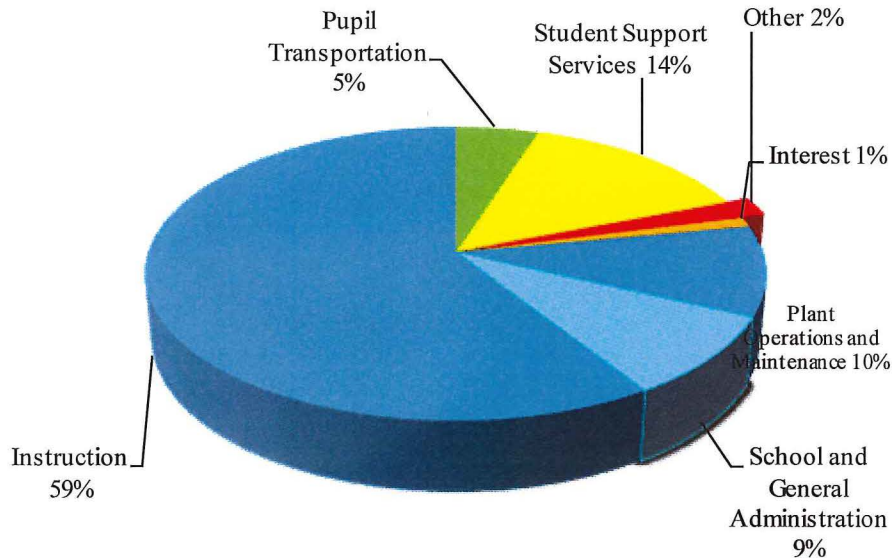
Governmental activities. The District’s total governmental revenues were \$26,797,920. The local share of the revenues that included property taxes, unrestricted state aid, miscellaneous revenue amounted to \$20,175,334 or 78% of total revenues. Funding from state sources and contributions amounted to \$6,563,686 or 22% and charges for services were \$58,900 (less than 1%). (see Table A-2)

The District’s total governmental expenses were \$26,541,510, which are predominantly related to instruction and support services. Instruction totaled \$15,601,461 (59%); support services totaled \$10,782,315 (40%). Interest and Other Charges totaled \$157,734 (1%).

Revenues by Sources – Governmental Activities
For Fiscal Year 2019



Expenses by Type – Governmental Activities
For Fiscal Year 2019



EAST HANOVER TOWNSHIP BOARD OF EDUCATION

Governmental activities (Continued)

**Table A-3
Total and Net Cost of Governmental Activities
For the Fiscal Years Ended June 30, 2019 and 2018**

<u>Functions/Programs</u>	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Governmental Activities				
Instruction				
Regular	9,593,360	\$ 10,699,992	\$ 7,193,461	\$ 7,348,263
Special Education	4,183,035	4,405,633	2,252,504	2,179,379
Other Instruction	1,578,091	1,322,777	1,130,009	827,401
School Sponsored Activities and Athletics	246,975	264,852	186,238	180,571
Support Services				
Student and Instruction Related Services	2,663,178	2,890,975	2,012,559	2,143,813
Health Services	486,883	489,116	351,772	328,896
Educational Media / School Library	628,533	642,995	507,329	482,732
General Administrative Services	638,959	671,562	518,131	508,211
School Administrative Services	1,794,844	2,019,721	1,337,106	1,362,489
Plant Operations and Maintenance	2,778,847	2,069,552	2,698,297	1,909,570
Pupil Transportation	1,339,441	1,383,351	1,140,883	1,256,936
Central Services	451,630	464,749	432,901	423,135
Interest and Other Charges	<u>157,734</u>	<u>174,347</u>	<u>157,734</u>	<u>174,347</u>
 Total	 <u>\$ 26,541,510</u>	 <u>\$ 27,499,622</u>	 <u>\$ 19,918,924</u>	 <u>\$ 19,125,743</u>

Business-Type Activities – The District’s total business-type activities revenues were \$710,204 for the fiscal year ended June 30, 2019. Charges for services accounted for 100% of total revenues.

Total cost of all business-type activities programs and services was \$677,800. The District’s expenses are related to the milk and the after school child care program.

Total business-type activities revenues were greater than their expenses before transfers resulting in a net income after transfers in of \$40,103.

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

As the District completed the year, its governmental funds reported a combined fund balance of \$3,276,938. At June 30, 2018, the fund balance was \$3,429,927. The increase in fund balance is due to favorable budget results.

The District's Funds

All governmental funds (i.e., general fund, special revenue fund, capital projects fund and debt service fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$24,669,509 and expenditures were \$24,952,769.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound fiscal management. The following schedule presents a summary of the governmental fund revenues for the fiscal years ended June 30, 2019 and 2018.

Governmental Funds Revenues

	Fiscal Year Ended <u>6/30/2019</u>	Fiscal Year Ended <u>6/30/2018</u>	Amount of Increase <u>(Decrease)</u>	Percent <u>Change</u>
Local Sources:				
Property Taxes	\$ 20,109,261	\$ 19,410,542	\$ 698,719	4%
Other	178,643	261,465	(82,822)	-32%
Federal Sources	384,371	361,261	23,110	6%
State Sources	<u>3,997,234</u>	<u>3,523,594</u>	<u>473,640</u>	13%
 Total Revenues	 <u>\$ 24,669,509</u>	 <u>\$ 23,556,862</u>	 <u>\$ 1,112,647</u>	 5%

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

The District's Funds (Continued)

The following schedule represents a summary of governmental Fund expenditures for the fiscal years ended June 30, 2019 and 2018.

Governmental Funds Expenditures

	Fiscal Year Ended <u>6/30/2019</u>	Fiscal Year Ended <u>6/30/2018</u>	Amount of Increase <u>(Decrease)</u>	Percent Change
Instruction	\$ 13,603,831	\$ 13,084,016	\$ 519,815	4%
Support Services	9,825,868	8,918,914	906,954	10%
Debt Service	919,146	969,751	(50,605)	-5%
Capital Outlay	<u>603,924</u>	<u>437,545</u>	<u>166,379</u>	38%
 Total Expenditures	 <u>\$ 24,952,769</u>	 <u>\$ 23,410,226</u>	 <u>\$ 1,542,543</u>	 7%

General Fund Budgetary Highlights

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

- Implementing budgets for specially funded projects, which include both federal and state grants, reinstating prior year purchase orders being carried over, and budgeting for clearing, resale, and gifts.
- Increases in appropriations for significant unbudgeted costs.

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

Capital Assets. At the end of the fiscal years 2019 and 2018, the school district had invested in land, land improvements, construction in progress, buildings, furniture, machinery and equipment as stated in Table A-4 as follows:

Table A-4

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Land	\$ 139,675	\$ 139,675
Construction in Progress	53,400	35,250
Land Improvements	1,018,734	1,018,734
Building and Building Improvements	22,215,199	21,744,669
Machinery and Equipment	<u>1,600,577</u>	<u>1,508,497</u>
 Total	 25,027,585	 24,446,825
 Less: Accumulated Depreciation	 <u>(12,278,176)</u>	 <u>(11,421,672)</u>
 Total	 <u>\$ 12,749,409</u>	 <u>\$ 13,025,153</u>

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

Debt Administration. As of June 30, 2019 and 2018, the School District had outstanding long-term liabilities as stated in Table A-5 as follows:

Long-Term Liabilities

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

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
General Obligation Bonds, Net	\$ 2,266,001	\$ 2,826,881
Capital Lease/Lease Purchase Agreements	1,476,990	1,537,770
Net Pension Liability	4,105,773	4,952,627
Compensated Absences Payable	<u>359,803</u>	<u>346,698</u>
 Total	 <u>\$ 8,208,567</u>	 <u>\$ 9,663,976</u>

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

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

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

Many factors were considered by the District's administration during the process of developing the fiscal year 2019-2020 budget. The primary factors were the District's projected student population, anticipated state and federal aid, as well, as increasing salaries and related benefit costs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
STATEMENT OF NET POSITION
AS OF JUNE 30, 2019

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 3,283,767	\$ 562,497	\$ 3,846,264
Receivables, net			
Receivables from Other Governments	32,468		32,468
Other Receivables		760	760
Prepaid Items		68,672	68,672
Capital Assets, net			
Not Being Depreciated	193,075		193,075
Being Depreciated, Net	<u>12,556,334</u>	<u>5,538</u>	<u>12,561,872</u>
Total Assets	<u>16,065,644</u>	<u>637,467</u>	<u>16,703,111</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts on Net Pension Liability	881,623		881,623
Deferred Amounts on Refunding of Debt	<u>5,555</u>	<u>-</u>	<u>5,555</u>
Total Deferred Outflows of Resources	<u>887,178</u>	<u>-</u>	<u>887,178</u>
Total Assets and Deferred Outflows of Resources	<u>16,952,822</u>	<u>637,467</u>	<u>17,590,289</u>
LIABILITIES			
Accounts Payable and Other Current Liabilities	5,223		5,223
Accrued Interest Payable	39,035		39,035
Unearned Revenue	34,074	295,150	329,224
Noncurrent Liabilities			
Due within one year	739,185		739,185
Due beyond one year	<u>7,469,382</u>	<u>-</u>	<u>7,469,382</u>
Total Liabilities	<u>8,286,899</u>	<u>295,150</u>	<u>8,582,049</u>
Deferred Inflows of Resources			
Deferred Amounts on Net Pension Liability	<u>1,862,550</u>	<u>-</u>	<u>1,862,550</u>
Total Liabilities and Deferred Inflows of Resources	<u>10,149,449</u>	<u>295,150</u>	<u>10,444,599</u>
NET POSITION			
Net Investment in Capital Assets	9,151,459	5,538	9,156,997
Restricted for			
Capital Projects	2,072,072		2,072,072
Other Purposes	498,451		498,451
Unrestricted	<u>(4,918,609)</u>	<u>336,779</u>	<u>(4,581,830)</u>
Total Net Position	<u>\$ 6,803,373</u>	<u>\$ 342,317</u>	<u>\$ 7,145,690</u>

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction							
Regular	\$ 9,593,360	\$ 58,900	\$ 2,340,999		\$ (7,193,461)		\$ (7,193,461)
Special Education	4,183,035		1,930,531		(2,252,504)		(2,252,504)
Other Instruction	1,578,091		448,082		(1,130,009)		(1,130,009)
School Sponsored Activities and Athletics	246,975		60,737		(186,238)		(186,238)
Support Services							
Student and Instruction Related Services	2,663,178		650,619		(2,012,559)		(2,012,559)
Health Services	486,883		135,111		(351,772)		(351,772)
Educational Media / School Library	628,533		121,204		(507,329)		(507,329)
General Administrative Services	638,959		120,828		(518,131)		(518,131)
School Administrative Services	1,794,844		457,738		(1,337,106)		(1,337,106)
Plant Operations and Maintenance	2,778,847		80,550		(2,698,297)		(2,698,297)
Pupil Transportation	1,339,441		198,558		(1,140,883)		(1,140,883)
Central Services	451,630		18,729		(432,901)		(432,901)
Interest and Other Charges	157,734	-	-	-	(157,734)	-	(157,734)
Total Governmental Activities	<u>26,541,510</u>	<u>58,900</u>	<u>6,563,686</u>	<u>-</u>	<u>(19,918,924)</u>	<u>-</u>	<u>(19,918,924)</u>
Business-Type Activities							
Food Service - Non-Major	18,140	9,978				\$ (8,162)	(8,162)
After School Child Care	659,660	700,226				40,566	40,566
Total Business-Type Activities	<u>677,800</u>	<u>710,204</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,404</u>	<u>32,404</u>
Total Primary Government	<u>\$ 27,219,310</u>	<u>\$ 769,104</u>	<u>\$ 6,563,686</u>	<u>\$ -</u>	<u>(19,918,924)</u>	<u>32,404</u>	<u>(19,886,520)</u>
General Revenues and Other Items							
General Revenues							
Taxes:							
Property Taxes, levied for general purposes, net					19,470,149		19,470,149
Property Taxes, levied for debt service					639,112		639,112
Unrestricted State Aid					1,947		1,947
Miscellaneous Income					84,974		84,974
Loss on Disposal of Capital Asset					(20,848)		(20,848)
Transfers					(7,699)	7,699	-
Total General Revenues, Transfers and Other Items					<u>20,167,635</u>	<u>7,699</u>	<u>20,175,334</u>
Change in Net Position					248,711	40,103	288,814
Net Position, Beginning of Year					<u>6,554,662</u>	<u>302,214</u>	<u>6,856,876</u>
Net Position, End of Year					<u>\$ 6,803,373</u>	<u>\$ 342,317</u>	<u>\$ 7,145,690</u>

FUND FINANCIAL STATEMENTS

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2019

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 3,269,384	\$ 14,383			\$ 3,283,767
Receivables, Net					
Receivables From Other Governments	<u>18,802</u>	<u>13,666</u>	-	-	<u>32,468</u>
Total Assets	<u>\$ 3,288,186</u>	<u>\$ 28,049</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,316,235</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 5,223				\$ 5,223
Unearned Revenue	<u>6,025</u>	<u>\$ 28,049</u>	-	-	<u>34,074</u>
Total Liabilities	<u>11,248</u>	<u>28,049</u>	-	-	<u>39,297</u>
Fund Balance					
Restricted:					
Excess Surplus	140,533				140,533
Excess Surplus - Designated for					
Subsequent Year's Expenditures	143,343				143,343
Maintenance Reserve	332,151				332,151
Maintenance Reserve- Designated for Subsequent					
Year's Expenditures	166,300				166,300
Capital Reserve	1,317,072				1,317,072
Capital Reserve- Designated for Subsequent Year's					
Expenditures	755,000				755,000
Assigned:					
Year-end Encumbrances	58,588				58,588
Unassigned	<u>363,951</u>	-	-	-	<u>363,951</u>
Total Fund Balances	<u>3,276,938</u>	-	-	-	<u>3,276,938</u>
Total Liabilities and Fund Balances	<u>\$ 3,288,186</u>	<u>\$ 28,049</u>	<u>\$ -</u>	<u>\$ -</u>	

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2019

Total Governmental Fund Balances (B-1) \$ 3,276,938

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 \$25,027,585 and the accumulated depreciation is \$12,278,176. 12,749,409

Certain amounts resulting from the measurement of the net pension liability are reported as either deferred inflows of resources or deferred outflows of resources on the statement of net position and deferred over future years.

Deferred Outflows of Resources	\$ 881,623	
Deferred Inflows of Resources	<u>(1,862,550)</u>	(980,927)

The District has financed capital assets through the issuance of serial bonds. The interest accrual at year end is: (39,035)

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

Bonds Payable, net of Premium	(2,266,001)	
Deferred Outflows of Resources- Deferred Amounts on Refunding of Debt	5,555	
Capital Lease/ Lease Purchase Agreements	(1,476,990)	
Net Pension Liability	(4,105,773)	
Compensated Absences	<u>(359,803)</u>	(8,203,012)

Net position of governmental activities (A-1) \$ 6,803,373

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local Sources					
Property Tax Levy	\$ 19,470,149			\$ 639,112	\$ 20,109,261
Tuition	58,900				58,900
Miscellaneous	84,974	\$ 34,769	-	-	119,743
Total - Local Sources	19,614,023	34,769	-	639,112	20,287,904
Intergovernmental					
State Sources	3,997,234				3,997,234
Federal Sources	-	384,371	-	-	384,371
Total Revenues	<u>23,611,257</u>	<u>419,140</u>	<u>-</u>	<u>639,112</u>	<u>24,669,509</u>
EXPENDITURES					
Current					
Instruction					
Regular Instruction	8,289,342	34,769			8,324,111
Special Education Instruction	3,466,226	237,273			3,703,499
Other Instruction	1,306,005	56,668			1,362,673
School-Sponsored Activities and Athletics	213,548				213,548
Support Services					
Student and Instruction Related Services	2,264,444	90,430			2,354,874
Health Services	412,524				412,524
Educational Media/School Library	561,827				561,827
General Administrative Services	572,461				572,461
School Administrative Services	1,542,925				1,542,925
Plant Operations and Maintenance	2,651,294				2,651,294
Pupil Transportation	1,315,997				1,315,997
Central Services	413,966				413,966
Debt Service					
Principal	198,750			560,000	758,750
Interest and Other Charges	81,284			79,112	160,396
Capital Outlay	603,924	-	-	-	603,924
Total Expenditures	<u>23,894,517</u>	<u>419,140</u>	<u>-</u>	<u>639,112</u>	<u>24,952,769</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(283,260)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(283,260)</u>
OTHER FINANCING SOURCES (USES)					
Lease Purchase Agreement Proceeds	137,970				137,970
Transfer In	68,753				68,753
Transfers Out	(7,699)	-	\$ (68,753)	-	(76,452)
Total Other Financing Sources and Uses	<u>199,024</u>	<u>-</u>	<u>(68,753)</u>	<u>-</u>	<u>130,271</u>
Net Change in Fund Balances	(84,236)	-	(68,753)	-	(152,989)
Fund Balance, Beginning of Year	<u>3,361,174</u>	<u>-</u>	<u>68,753</u>	<u>-</u>	<u>3,429,927</u>
Fund Balance, End of Year	<u>\$ 3,276,938</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,276,938</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
WITH THE DISTRICT-WIDE STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Total net change in fund balances - governmental funds (Exhibit B-2) \$ (152,989)

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

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

Capital Outlay	\$	603,924	
Depreciation Expense		<u>(858,820)</u>	(254,896)

The net effect of various miscellaneous transactions involving capital asset (i.e. sales, disposal, donations) is to increase net position. These transactions are not reported in the governmental fund financial statements.

Loss on Capital Assets		(20,848)	
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In the statement of activities, certain operating expenses - compensated absences and net pension liability are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (accrued):

Increase in Compensated Absences		(13,105)	
Decrease in Net Pension Expense		<u>67,107</u>	54,002

In the statement of activities, the issuance of long-term debt (e.g. bonds/leases) provides current financial resources to the governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums and other such related to the refunding bonds when they are first issued, whereas these amounts are deferred and amortized in the statement of activities.

Lease Purchase Agreement Issues		(137,970)	
Reduction of Long Term Debt		560,000	
Reduction of Capital Lease/Lease Purchase Agreement		198,750	
Amortization of Bond Premium		880	
Amortization of Deferred Amounts on Refunding		<u>(4,882)</u>	616,778

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

Decrease in Accrued Interest		<u>6,664</u>	
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Change in net position of governmental activities (Exhibit A-2) \$ 248,711

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 AS OF JUNE 30, 2019**

	Business-Type Activities		<u>Total</u>
	<u>Non-Major Enterprise Funds</u>	<u>After School Child Care Program Enterprise Fund</u>	
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 1,485	\$ 561,012	\$ 562,497
Other Accounts Receivable		760	760
Prepaid Items	-	68,672	68,672
Total Current Assets	<u>1,485</u>	<u>630,444</u>	<u>631,929</u>
Noncurrent Assets			
Equipment	74,665		74,665
Less: Accumulated Depreciation	<u>(69,127)</u>	<u>-</u>	<u>(69,127)</u>
Total Noncurrent Assets	<u>5,538</u>	<u>-</u>	<u>5,538</u>
Total Assets	<u>7,023</u>	<u>630,444</u>	<u>637,467</u>
LIABILITIES			
Current Liabilities			
Unearned Revenue	-	295,150	295,150
Total Current Liabilities	<u>-</u>	<u>295,150</u>	<u>295,150</u>
NET POSITION			
Investment in Capital Assets	5,538		5,538
Unrestricted	<u>1,485</u>	<u>335,294</u>	<u>336,779</u>
Total Net Position	<u>\$ 7,023</u>	<u>\$ 335,294</u>	<u>\$ 342,317</u>

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 PROPRIETARY FUND
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Business-Type Activities		Total
	Non-Major Enterprise Funds	After School Child Care Program Enterprise Fund	
OPERATING REVENUES			
Charges for Services			
Daily Sales	\$ 9,978		\$ 9,978
Program Fees	-	\$ 700,226	700,226
Total Operating Revenues	<u>9,978</u>	<u>700,226</u>	<u>710,204</u>
OPERATING EXPENSES			
Salaries and Benefits		395,812	395,812
Cost of Sales	14,089		14,089
Field Trips		123,679	123,679
Contracted Services		80,372	80,372
Depreciation	2,352		2,352
Supplies	<u>1,699</u>	<u>59,797</u>	<u>61,496</u>
Total Operating Expenses	<u>18,140</u>	<u>659,660</u>	<u>677,800</u>
Operating Income/(Loss), Before Transfers	<u>(8,162)</u>	<u>40,566</u>	<u>32,404</u>
Transfer In	<u>7,699</u>	-	<u>7,699</u>
Change in Net Position	<u>(463)</u>	<u>40,566</u>	<u>40,103</u>
Net Position, Beginning of Year	<u>7,486</u>	<u>294,728</u>	<u>302,214</u>
Net Position, End of Year	<u>\$ 7,023</u>	<u>\$ 335,294</u>	<u>\$ 342,317</u>

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Business-Type Activities		Total
	Non-Major Enterprise Funds	After School Child Care Program Enterprise Fund	
Cash Flow From Operating Activities			
Cash Received from Customers	\$ 9,978	\$ 597,184	\$ 607,162
Cash Payments for Employees' Salaries and Benefits		(395,812)	(395,812)
Cash Payments to Suppliers for Goods and Services	(15,788)	(255,820)	(271,608)
Net Cash Provided by/(used for) Operating Activities	(5,810)	(54,448)	(60,258)
Cash Flows From Noncapital Financing Activities			
Cash Received from General Fund	7,699	-	7,699
Net Cash Provided by Noncapital Financing Activities	7,699	-	7,699
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	(2,085)	-	(2,085)
Net Cash (Used for) Capital and Related Financing Activities	(2,085)	-	(2,085)
Net Increase/ (decrease) in Cash and Cash Equivalents	(196)	(54,448)	(54,644)
Cash and Cash Equivalents, Beginning of Year	1,681	615,460	617,141
Cash and Cash Equivalents, End of Year	<u>\$ 1,485</u>	<u>\$ 561,012</u>	<u>\$ 562,497</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY/(USED FOR) OPERATING ACTIVITIES			
Operating Income/(Loss)	\$ (8,162)	\$ 40,566	\$ 32,404
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by/(used for) Operating Activities			
Depreciation	2,352		2,352
Change in Assets and Liabilities			-
(Increase)/Decrease in Accounts Receivable		190	190
(Increase)/Decrease in Prepaid Items		8,028	8,028
Increase/ (Decrease) in Unearned Revenue	-	(103,232)	(103,232)
Total Adjustments	2,352	(95,014)	(92,662)
Net Cash Provided by/(used for) Operating Activities	<u>\$ (5,810)</u>	<u>\$ (54,448)</u>	<u>\$ (60,258)</u>

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2019**

	Unemployment Compensation <u>Trust Fund</u>	<u>Agency Fund</u>
ASSETS		
Cash and Cash Equivalents	\$ 261,277	\$ 32,916
Total Assets	<u>\$ 261,277</u>	<u>\$ 32,916</u>
LIABILITIES		
Payroll Deductions and Withholdings		\$ 14,185
Accrued Salaries and Wages		2,909
Flexible Spending		3,948
Due to Student Groups	<u>-</u>	<u>11,874</u>
Total Liabilities	<u>\$ -</u>	<u>\$ 32,916</u>
NET POSITION		
Held In Trust For Unemployment Claims	<u>\$ 261,277</u>	

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Unemployment Compensation <u>Trust Fund</u>
ADDITIONS	
Contributions Employees	\$ <u>20,552</u>
Total Additions	<u>20,552</u>
DEDUCTIONS	
Unemployment Claims	<u>2,808</u>
Total Deductions	<u>2,808</u>
Change in Net Position	17,744
Net Position, Beginning of Year	<u>243,533</u>
Net Position, End of Year	<u>\$ 261,277</u>

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

NOTES TO THE FINANCIAL STATEMENTS

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

B. New Accounting Standards

During fiscal year 2019, the District adopted the following GASB statements:

- GASB No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistency provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms association with debt will be disclosed.

Other accounting standards that the District is currently reviewing for applicability and potential impact on the financial statements include:

- GASB No. 84, *Fiduciary Activities*, will be effective with the fiscal year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities of all state and local governments.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

- GASB No. 87, *Leases*, will be effective with the fiscal year ending June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.
- GASB No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*, will be effective beginning with the fiscal year ending June 30, 2020. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

C. Basis of Presentation - Financial Statements

The financial statements include both district-wide financial statements (based on the District as a whole) and fund financial statements (based on specific District activities or objectives). Both the district-wide and fund financial statements categorize activities as either governmental activities or business-type activities. While separate district-wide and fund financial statements are presented, they are interrelated. In the district-wide financial statements, the governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the District's enterprise funds. Fiduciary funds are excluded from the district-wide financial statements.

District-Wide Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Board of Education. All fiduciary activities are reported only in the fund financial statements. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In the statement of net position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) reflect on a full accrual economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

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

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

C. Basis of Presentation - Financial Statements (Continued)

Separate fund financial statements are provided for governmental, proprietary, and fiduciary activities, even though the latter are excluded from the district-wide financial statements. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. The District considers all of its governmental and the before and after school child care program enterprise fund to be major funds.

The District reports the following major governmental funds:

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

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

The *capital projects fund* accounts for the proceeds from the sale of bonds, lease purchases and other revenues used for the acquisition or construction of capital facilities and other capital assets, other than those financed by the proprietary funds.

The *debt service fund* accounts for the accumulation of resources that are restricted, committed or assigned for the payment of principal and interest on long-term general obligation debt of governmental funds.

The District reports the following major proprietary fund which is organized to be self-supporting through user charges:

The *after school child care program fund* accounts for the activities of the District's enrichment based child care program which provides high quality service to the students and parents.

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

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

Additionally, the government reports the following fund types:

The *fiduciary trust funds* are used to account for resources legally held in trust for state unemployment insurance claims.

The *fiduciary agency funds* account for assets held by the District as an agent for student activities and for payroll deductions and withholdings. The funds for the student activities fund are solely for noninstructional student activities that are supported and controlled by student organizations and clubs for which school administration does not have management involvement. The payroll funds are held to remit employee withholdings to respective state, federal and other agencies.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

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

Reclassifications

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year’s presentation.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

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

Property taxes, tuition, unrestricted state aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements (formula-type grants and aid) are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source. Expenditure-driven grants and similar awards (reimbursement-type grants and awards) are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements imposed by the grantor or provider have been met, and the amount is received during the period or within the availability period for this revenue source. All other revenue items are considered to be measurable and available only when cash is received by the District.

When both restricted and unrestricted resources are available for use, it is the Board’s policy to use restricted resources first, then unrestricted resources as they are needed.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash, Cash Equivalents and Investments

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

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

2. Receivables

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

3. Inventories

The cost of inventories of the governmental fund types are recorded as expenditures at the time individual inventory items are purchased.

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both district-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

5. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years. The District was able to estimate the historical cost for the initial reporting of these capital assets through back trending. As the District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

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

Land and construction in progress are not depreciated. The other property, plant, and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	20
Buildings and Building Improvements	50
Machinery and Equipment	5-10

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Board has two items which arise only under the accrual basis of accounting that qualify for reporting in this category. One item is the deferred amount on refunding of debt which results from the loss on a debt refunding reported in the district-wide statement of net position. Deferred amounts on debt refunding result from the loss on the transaction when the debt's reacquisition price is greater than the carrying value of the refunded debt. These amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; (4) changes in proportion and differences between employer contributions and proportionate share of contributions; and (5) contributions made subsequent to the measurement date. These amounts are deferred and amortized over future years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Board has one item, which arises only under the accrual basis of accounting that qualifies for reporting in this category. The item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; and (4) changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are deferred and amortized over future years.

7. Compensated Absences

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

8. Pensions

In the district-wide financial statements and proprietary fund types in the fund financial statements, 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 retirement systems sponsored and administered by the State of New Jersey and additions to/deductions from these retirement systems' fiduciary net position have been determined on the same basis as they are reported by the retirement systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

In the governmental fund financial statements, net pension liabilities represent amounts normally expected to be liquidated with expendable available financial resources for required pension contributions that are due and payable at year end. Pension expenditures are recognized based on contractual pension contributions that are required to be made to the pension plan during the fiscal year.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

9. Long-Term Obligations

In the district-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Gains resulting from debt refundings are classified as deferred inflows of resources and losses are reported as deferred outflows of resources. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Gains and losses resulting from debt refundings are also deferred and amortized over the life of the refunded bonds or new bonds whichever is less using the effective interest method. Bonds payable are reported with the unamortized bond premium or discount. Bond issuance costs (other than for prepaid insurance) are treated as an expense.

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

10. Net Position/Fund Balance

District-Wide Statements

In the district-wide statements, there are three classes of net position:

- **Net Investment in Capital Assets** – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or related debt also should be included.
- **Restricted Net Position** – reports net position when constraints placed on the residual amount of noncapital assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – any portion of net position not already classified as either net investment in capital assets or net position – restricted is classified as net position – unrestricted.

Governmental Fund Statements

Fund balance categories are designed to make the nature and extent of the constraints placed on the District's fund balance more transparent. These categories are comprised of a hierarchy based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Restricted Fund Balance – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Excess Surplus – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2019 audited excess surplus that is required to be appropriated in the 2020/2021 original budget certified for taxes.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

10. Net Position/Fund Balance (Continued)

Governmental Fund Statements (Continued)

Restricted Fund Balance (Continued)

Excess Surplus – Designated for Subsequent Year’s Expenditures - This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2018 audited excess surplus that was appropriated in the 2019/2020 original budget certified for taxes.

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

Capital Reserve - Designated for Subsequent Year’s Expenditures – This designation was created to dedicate the portion of capital reserve fund balance appropriated in the adopted 2019/2020 District budget certified for taxes.

Maintenance Reserve – This restriction was created by the Board in accordance with NJAC 6A:23A-14.2 to accumulate funds for the required maintenance of school facilities in accordance with the EFCA (NJSA 18A:7G-9) for a thorough and efficient education. (See Note 2).

Maintenance Reserve - Designated for Subsequent Year’s Expenditures – This designation was created to dedicate the portion of maintenance reserve fund balance appropriated in the adopted 2019/2020 District budget certified for taxes

Assigned Fund Balance – Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Year-End Encumbrances – Represent outstanding purchase orders for goods or services approved by management for specific purposes from available resources of the current year for which the goods and materials have not yet been received or the services have not yet been rendered at June 30.

Unassigned Fund Balance – Represents fund balance that has not been restricted, committed or assigned to specific purposes within the governmental funds.

In the general operating fund and other governmental funds (capital projects and debt service fund types), it is the District’s policy to consider restricted resources to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted (i.e., committed, assigned or unassigned) fund balances are available, followed by committed and then assigned fund balances. Unassigned amounts are used only after the other resources have been used.

11. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The Board of Trustees is the highest level of decision-making authority for the government that can, by adoption of a resolution or formal Board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District has no committed fund balances at year end.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

11. *Fund Balance Policies (Continued)*

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 committed. The Board has authorized the School Business Administrator/Board Secretary to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

F. Revenues and Expenditures/Expenses

1. *Program Revenues*

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

2. *Property Taxes*

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

3. *Tuition Revenues and Expenditures*

Tuition Revenues - Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs are determined and certified by the State Department of Education.

Tuition Expenditures - Tuition charges for the fiscal years 2017-2018 and 2018-2019 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

4. *Proprietary Funds, Operating and Nonoperating Revenues and Expenses*

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent for review and approval prior to adoption. Prior to the 2012/2013 budget year, the annual budget was required to be voted upon at the annual school election held on the third Tuesday in April. On January 17, 2012, Chapter 202 of the Laws of P.L. 2011 was approved which established procedures for moving the date of a school district’s annual school election from April to the general election in November. Under the new law, districts that have their school board members elected in November no longer have to submit their budgets that meet levy cap requirements for voter approval beginning with the 2012/2013 budget year. Only a school board decision to exceed the tax levy cap would require voter approval for the additional amount on the November ballot. On February 12, 2012, the Board adopted a resolution to move its annual election to the date of the general elections in accordance with the law; therefore voter approval of the annual budget is not required.

Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Board approved several budget transfers during 2018/2019. Also, during 2018/2019 the Board increased the original budget by \$1,111,813. The increase was funded by additional surplus appropriated, grant awards and the reappropriation of prior year general fund encumbrances.

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

Encumbrance accounting is employed in the governmental funds. Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as 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 which are reappropriated and honored during the subsequent fiscal year.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Capital Reserve

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

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

The activity of the capital reserve for the fiscal year ended June 30, 2019 is as follows:

Balance, July 1, 2018		\$	2,213,377
Increased By:			
Deposits Approved by Board Resolution	\$	900,000	
Transfer in from Capital Projects Fund		68,753	
Unexpended Project Balances		<u>198,461</u>	
Total Increases			<u>1,167,214</u>
Withdrawals:			
Approved by Board Resolution		683,519	
Approved in District Budget		<u>625,000</u>	
Total Withdrawals			<u>1,308,519</u>
Balance, June 30, 2019		\$	<u>2,072,072</u>
<u>Analysis</u>			
Capital Reserve	\$	1,317,072	
Capital Reserve-Designated for Subsequent Year's Expenditures		<u>755,000</u>	
	\$		<u>2,072,072</u>

The June 30, 2019 LRFP balance of local support costs of uncompleted capital projects is \$12,931,170. The withdrawals from the capital reserve were for use in a department approved facilities project, consistent with the district’s Long Range Facilities Plan. \$755,000 of the capital reserve balance at June 30, 2019 was designated and appropriated for use in the 2019/2020 original budget certified for taxes.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Maintenance Reserve

A maintenance reserve account was established by the District. The accumulation of funds will be used for required maintenance of school facilities expenditures in subsequent fiscal years. The maintenance reserve is maintained in the General Fund and its activity is included in the General Fund annual budget.

Funds placed in the maintenance reserve are restricted to required maintenance activities for a school facility as reported in the comprehensive maintenance plan. A District may appropriate funds into the maintenance reserve in the annual General Fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts or both. Pursuant to N.J.A.C. 6A:23A-14.2(g), the balance in the reserve cannot at any time exceed four percent of the replacement cost of the school district's school facilities for the current year.

The activity of the maintenance reserve for the fiscal year ended June 30, 2019 is as follows:

Balance, July 1, 2018	\$ 400,000
Increased by	
Deposits Approved by Board Resolution	<u>250,000</u>
Withdrawals:	650,000
Approved in District Budget	<u>151,549</u>
Balance, June 30, 2019	<u>\$ 498,451</u>
 <u>Analysis</u>	
Maintenance Reserve	\$ 332,151
Maintenance Reserve - Designated for Subsequent Years Expenditures	<u>166,300</u>
	 <u>\$ 498,451</u>

The June 30, 2019 comprehensive maintenance plan indicated a maximum maintenance reserve amount of \$903,914. The withdrawals from the maintenance reserve were for use in required maintenance activities for school facilities. \$166,300 of the maintenance reserve balance at June 30, 2019 was designated and appropriated for use in the 2019/2020 original budget certified for taxes.

D. Transfers to Capital Outlay

During the 2018/2019 school year, the district transferred \$61,000 to the non-equipment capital outlay accounts. The transfer was made from the capital reserve account to supplement a capital project previously approved for preliminary costs related to the HVAC Project for the 2019/20 school year.

E. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended, the restricted fund balance for 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 in excess of 2% of budget expenditures at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess fund balance at June 30, 2019 is \$283,876. Of this amount, \$143,343 was designated and appropriated in the 2019/2020 original budget certified for taxes and the remaining amount of \$140,533 will be appropriated in the 2020/2021 original budget certified for taxes.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Cash Deposits and Investments

Cash Deposits

The Board's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Board is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC and NCUSIF.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2019, the book value of the Board's deposits were \$4,140,457 and bank and brokerage firm balances of the Board's deposits amounted to \$4,595,605. The Board's deposits which are displayed on the various fund balance sheets as "cash and cash equivalents" are categorized as:

Depository Account

Insured	\$ <u>4,595,605</u>
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Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Board does not have a policy for custodial credit risk. As of June 30, 2019 none of the Board's bank balances were exposed to custodial credit risk.

Investments

The Board is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America; Government Money Market Mutual Funds; 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 obligations bear a fixed rate of interest not dependent on any index or other external factor; 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; 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 "Local Authorities Fiscal Control Law," (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 school districts; Local Government investment pools; 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); and agreements for the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

As of June 30, 2019, the Board had no outstanding investments.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

Receivables as of June 30, 2019 for the district's individual major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>After School Child Care</u>	<u>Total</u>
Receivables:				
Intergovernmental				
Federal		\$ 13,666		\$ 13,666
State	\$ 18,546			18,546
Local				-
Other	<u>256</u>	<u>-</u>	<u>\$ 760</u>	<u>1,016</u>
 Total Net Receivables	 <u>\$ 18,802</u>	 <u>\$ 13,666</u>	 <u>\$ 760</u>	 <u>\$ 33,228</u>

C. Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue reported in the governmental funds were as follows:

General Fund	
Preschool Tuition	\$ 6,025
Special Revenue Fund	
Unencumbered Grant Draw Downs	<u>28,049</u>
 Total Unearned Revenue for Governmental Funds	 <u>\$ 34,074</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	Balance, <u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	Balance <u>June 30, 2019</u>
Governmental Activities:					
Capital Assets, Not Being Depreciated:					
Land	\$ 139,675				\$ 139,675
Construction in Progress	<u>35,250</u>	\$ 434,509	-	\$ (416,359)	<u>53,400</u>
Total Capital Assets, Not Being Depreciated	<u>174,925</u>	<u>434,509</u>	-	<u>(416,359)</u>	<u>193,075</u>
Capital Assets, Being Depreciated:					
Land Improvements	1,018,734				1,018,734
Building and Building Improvements	21,744,669	54,171		416,359	22,215,199
Machinery and Equipment	<u>1,508,497</u>	<u>115,244</u>	\$ (23,164)	-	<u>1,600,577</u>
Total Capital Assets Being Depreciated	<u>24,271,900</u>	<u>169,415</u>	<u>(23,164)</u>	<u>416,359</u>	<u>24,834,510</u>
Less Accumulated Depreciation for:					
Land Improvements	(140,927)	(48,639)			(189,566)
Building and Building Improvements	(10,128,040)	(732,750)		-	(10,860,790)
Machinery and Equipment	<u>(1,152,705)</u>	<u>(77,431)</u>	2,316	-	<u>(1,227,820)</u>
Total Accumulated Depreciation	<u>(11,421,672)</u>	<u>(858,820)</u>	<u>2,316</u>	<u>-</u>	<u>(12,278,176)</u>
Total Capital Assets, Being Depreciated, Net	<u>12,850,228</u>	<u>(689,405)</u>	<u>(20,848)</u>	<u>416,359</u>	<u>12,556,334</u>
Government Activities Capital Assets, Net	<u>\$ 13,025,153</u>	<u>\$ (254,896)</u>	<u>\$ (20,848)</u>	<u>\$ -</u>	<u>\$ 12,749,409</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

	Balance, <u>July 1, 2018</u>	<u>Increases</u>	Decreases/ <u>Adjustments</u>	Balance <u>June 30, 2019</u>
Business-Type Activities:				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 72,580	\$ 2,085	-	\$ 74,665
Total Capital Assets Being Depreciated	<u>72,580</u>	<u>2,085</u>	-	<u>74,665</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	<u>(66,775)</u>	<u>(2,352)</u>	-	<u>(69,127)</u>
Total Accumulated Depreciation	<u>(66,775)</u>	<u>(2,352)</u>	-	<u>(69,127)</u>
Total Capital Assets, Being Depreciated, Net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-Type Activities Capital Assets, Net	<u>\$ 5,805</u>	<u>\$ (267)</u>	<u>\$ -</u>	<u>\$ 5,538</u>

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

Governmental Activities:

Instruction	
Regular	\$ 347,721
Special Education	131,373
Other Instruction	59,015
School-Sponsored Activities and Athletics	<u>9,158</u>
Total Instruction	<u>547,267</u>
Support Services	
Student and Instruction Related Services	84,462
Health Services	20,371
Educational Media / School Library	18,275
General Administration Services	18,218
School Administration Services	69,015
Operations and Maintenance of Plant	68,429
Student Transportation	12,577
Central Services	<u>20,206</u>
Total Support Services	<u>311,553</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 858,820</u>
Business Type Activities:	
Food Service Fund	<u>\$ 2,352</u>
Total Depreciation Expense - Business Type Activities	<u>\$ 2,352</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Receivables, Payables, and Transfers

There were no interfund balances as of June 30, 2019.

Interfund transfers

	Transfer In:	
	<u>General</u>	<u>Enterprise - Non-Major</u>
Transfer Out:		
General Fund		\$ 7,699
Capital Projects Fund	\$ 68,753	-
Total Transfers	\$ 68,753	\$ 76,452

The above transfers are the result of revenues earned and/or other financing sources received in one fund to finance expenditures in another fund.

F. Leases

Lease Purchase Agreements

The District leases technology equipment under non-cancelable leases. Lease payments for the fiscal year ended June 30, 2019 were \$113,201. The future minimum lease payments for these operating leases are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2020	\$ 62,532
2021	47,769
2022	36,040
Total Lease Payments	146,341
Less: Amount Representing Interest	(6,855)
Present Value of Remaining Lease Payments	\$ 139,486

Capital Leases

The District is leasing an energy savings incentive program totaling \$1,696,601 under capital leases. The leases are for terms of 20 years.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

F. Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019 were as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Governmental</u> <u>Activities</u>
2020	\$ 95,505
2021	95,540
2022	83,232
2023	85,359
2024	87,541
2025-2029	472,497
2030-2034	536,318
2035-2036	<u>234,338</u>
Total minimum lease payments	1,690,330
Less: amount representing interest	<u>(352,826)</u>
Present value of minimum lease payments	<u>\$ 1,337,504</u>

G. Long-Term Debt

General Obligation Bonds

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

Bonds payable at June 30, 2019 are comprised of the following issues:

\$6,355,000, 2012 Refunding Bonds, due in annual installments of \$555,000 to \$575,000 through January 15, 2023, interest at 2.38% to 3.00%	<u>\$ 2,265,000</u>
	<u>\$ 2,265,000</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Debt (Continued)

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

Governmental Activities:

Fiscal Year Ending <u>June 30,</u>	<u>Serial Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2020	\$ 570,000	\$ 65,813	\$ 635,813
2021	575,000	50,850	625,850
2022	565,000	33,600	598,600
2023	<u>555,000</u>	<u>16,650</u>	<u>571,650</u>
	<u>\$ 2,265,000</u>	<u>\$ 166,913</u>	<u>\$ 2,431,913</u>

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2019 was as follows:

3% of Equalized Valuation Basis (Municipal)	99,525,499
Less: Net Debt	<u>2,265,000</u>
Remaining Borrowing Power	<u>\$ 97,260,499</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

H. Other Long-Term Liabilities

Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2019, was as follows:

	Balance, <u>July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance, <u>June 30, 2019</u>	Due Within <u>One Year</u>
Governmental Activities:					
Bonds Payable	\$ 2,825,000		\$ 560,000	\$ 2,265,000	\$ 570,000
Deferred Amounts					
Add: Original Issue Premium	<u>1,881</u>	<u>-</u>	<u>880</u>	<u>1,001</u>	<u>-</u>
Total Bonds Payable	2,826,881	-	560,880	2,266,001	570,000
Capital Lease/Lease Purchase					
Agreements	1,537,770	\$ 137,970	198,750	1,476,990	119,185
Net Pension Liability	4,952,627		846,854	4,105,773	
Compensated Absences	<u>346,698</u>	<u>52,650</u>	<u>39,545</u>	<u>359,803</u>	<u>50,000</u>
Governmental Activity Long-Term Liabilities	<u>\$ 9,663,976</u>	<u>\$ 190,620</u>	<u>\$ 1,646,029</u>	<u>\$ 8,208,567</u>	<u>\$ 739,185</u>

Compensated absences, capital lease/lease purchase agreements and net pension liability are generally liquidated by the general fund.

NOTE 4 OTHER INFORMATION

A. Risk Management

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

The District is a member of the New Jersey School Board Insurance Group (NJSBAIG or Group). The Group is a risk sharing public entity pool, established for the purpose of insuring against worker's compensation claims.

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (Continued)

A. Risk Management (Continued)

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

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

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

<u>Fiscal Year Ended June 30,</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2019		\$ 20,552	\$ 2,808	\$ 261,277
2018		20,401	31,701	243,533
2017		20,402	33,527	254,833

B. Contingent Liabilities

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

Federal and State Awards – The Board participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor government. As of June 30, 2019, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

C. Federal Arbitrage Regulations

The District is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At June 30, 2019, the District has not estimated its arbitrage earnings due to the IRS, if any.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans

Plan Descriptions and Benefits Provided

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

Public Employees’ Retirement System (PERS) – Established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage to substantially all full time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees. PERS is a cost sharing multiple employer defined benefit pension plan. For additional information about PERS, please refer to the State Division of Pension and Benefits (Division’s) Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions.

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

The following represents the membership tiers for PERS:

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

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

Teachers’ Pension and Annuity Fund (TPAF) – Established in January 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage to substantially all full time certified teachers or professional staff of the public school systems in the State. Membership is mandatory for such employees. TPAF is a cost sharing multiple- employer defined benefit pension plan with a special funding situation, which the State is responsible to fund 100% of local employer contributions, excluding any local employer early retirement incentive (ERI) contributions. For additional information about TPAF, please refer to the State Division of Pension and Benefits (Division’s) Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Teachers' Pension and Annuity Fund (TPAF) (Continued)

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 represent 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

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

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Board employees who are eligible for pension coverage.

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007 and employees enrolled in PERS on or after July 1, 2007 who earn in excess of established annual maximum compensation limits (equivalent to annual maximum wage for social security deductions). This provision was extended by Chapter 1, P.L. 2010, effective May 21, 2010, to new employees (Tier 2) of the PFRS and new employees who would otherwise be eligible to participate in PERS and do not earn the minimum salary required or do not work the minimum required hours but earn a base salary of at least \$5,000 are eligible for participation in the DCRP. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership. DCRP is a defined contribution pension plan.

Other Pension Funds

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Other Pension Funds (Continued)

The cost of living increase for PERS and TPAF, are funded directly by each of the respective systems but are currently suspended as a result of reform legislation.

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

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

Plan Amendments

The authority to amend the provisions of the above plans rests with new legislation passed by the State of New Jersey. Pension reforms enacted pursuant to Chapter 78, P.L. 2011 included provisions creating special Pension Plan Design Committees for TPAF and PERS, once a Target Funded Ratio (TFR) is met. The Pension Plan Design Committees will have the discretionary authority to modify certain plan design features, including member contribution rate; formula for calculation of final compensation of final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. The committees will also have the authority to reactivate the cost of living adjustment (COLA) on pensions. However, modifications can only be made to the extent that the resulting impact does not cause the funded ratio to drop below the TFR in any one year of a 30-year projection period.

Measurement Focus and Basis of Accounting

The financial statements of the retirement systems are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the pension trust funds. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

Investment Valuation

The Division of Investment, Department of the Treasury, State of New Jersey (Division of Investment) manages and invests certain assets of the retirement systems. Prudential retirement is the third-party administrator for the DCRP and provides record keeping, administrative services and investment options. Investment transactions are accounted for on a trade or investment date basis. Interest and dividend income is recorded on the accrual basis, with dividends accruing on the ex-dividend date. The net increase or decrease in the fair value of investments includes the net realized and unrealized gains or losses on investments.

The State of New Jersey, Department of the Treasury, Division of Investment issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial reports may be obtained in writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290 or at www.state.nj.us/treasury/doinvest.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Collective Net Pension Liability

The collective net pension liability of the participating employers for local PERS at June 30, 2018 is \$19.7 billion and the plan fiduciary net position as a percentage of the total pension liability is 53.60%. The collective net pension liability of the State funded TPAF at June 30, 2018 is \$63.81 billion and the plan fiduciary net position as a percentage of total pension liability is 26.49%.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2017 which were rolled forward to June 30, 2018.

Actuarial Methods and Assumptions

In the July 1, 2017 PERS and TPAF actuarial valuation, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The pension systems selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 68. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 7.50% for PERS, 7.50% for TPAF and 5.50% for DCRP of the employee's annual compensation for fiscal year 2019.

PERS employers' and TPAF State's nonemployer contributions are based on actuarially determined amounts, which include the normal cost and unfunded accrued liability. For the fiscal year ended June 30, 2019 for TPAF, which is a cost sharing multiple employer defined benefit pension plan with a special funding situation, the State's annual pension contribution was less than this actuarial determined amount. For PERS, which is a cost sharing multiple employer defined benefit pension plan, the annual pension contributions were equal to the actuarial determined amounts. TPAF nonemployer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution. All PERS and DCRP contributions made by the Board for fiscal years 2019, 2018 and 2017 were equal to the required contributions.

During the fiscal years ended June 30, 2019, 2018 and 2017 the Board was required to contribute for PERS and DCRP and the State of New Jersey, as a nonemployer contributing entity, contributed for TPAF, respectively for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Fiscal Year Ended <u>June 30,</u>	<u>PERS</u>	On-behalf <u>TPAF</u>	<u>DCRP</u>
2019	\$ 210,097	\$ 1,613,938	\$ 27,940
2018	197,879	1,206,786	24,173
2017	213,710	932,702	29,956

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Employer and Employee Pension Contributions (Continued)

In addition for fiscal years 2019, 2018 and 2017 the District contributed \$610, \$783 and \$376, respectively for PERS and the State contributed \$2,341, \$2,654 and \$3,122, respectively for TPAF for Long Term Disability Insurance Premium (LTDI).

The PERS contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure. The on-behalf TPAF contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB Statement No. 85, *Omnibus 2017* (GASB No. 85). The DCRP contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure, as well as, the district-wide financial statements (accrual basis) as an expense.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$620,962 during the fiscal year ended June 30, 2019 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been recognized in the district-wide financial statements (accrual basis) and the governmental fund financial statements (modified accrual basis) as a revenue and expense/expenditure in accordance with GASB No. 85.

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

Public Employees Retirement System (PERS)

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, (GASB No. 68) requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense. The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the measurement period July 1, 2017 through June 30, 2018. Employer allocation percentages have been rounded for presentation purposes.

Although the NJ Division of Pensions and Benefits ("Division") administers one cost-sharing multiple employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense are determined separately for each individual employer of the State and local groups of the plan.

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages are presented for each group. The allocation percentages for each group as of June 30, 2018 are based on the ratio of each employer's contribution to total employer contributions of the group for the fiscal year ended June 30, 2018.

At June 30, 2019, the District reported in the statement of net position (accrual basis) a liability of \$4,105,773 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating governmental entities, actuarially determined. At June 30, 2018, the District's proportionate share was .02085 percent, which was a decrease of .00042 percent from its proportionate share measured as of June 30, 2017 of .02127 percent.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

For the fiscal year ended June 30, 2019, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$142,990 for PERS. The pension contribution made by the District during the current 2018/2019 fiscal year is the contribution that is applied to the net pension liability reported at the end of the current fiscal year of June 30, 2019 with a measurement date of the prior fiscal year end of June 30, 2018. Since the State of New Jersey applies the current year pension contribution towards the calculation of the net pension liability reported at the end of the current fiscal year, which has a measurement date of the preceding fiscal year end, there is no deferred outflows of resources reported as of June 30, 2019 for contributions made subsequent to the measurement date. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 78,298	\$ 21,171
Changes of Assumptions	676,563	1,312,808
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		38,512
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	<u>126,762</u>	<u>490,059</u>
Total	<u>\$ 881,623</u>	<u>\$ 1,862,550</u>

At June 30, 2019, the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2020	\$ (40,246)
2021	(112,354)
2022	(408,890)
2023	(331,405)
2024	(88,032)
Thereafter	<u>-</u>
	<u>\$ (980,927)</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
 Related to Pensions (Continued)**

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The District's total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	<u>PERS</u>
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%
Mortality Rate Table	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
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NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
 Related to Pensions (Continued)**

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and actuaries. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans 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 the pension plans' target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
US Equities	30.00%	8.19%
Non-US Developed Markets Equity	11.50%	9.00%
Emerging Market Equities	6.50%	11.64%
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 Estate	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liabilities of the PERS plan was as follows:

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2019	June 30, 2018	5.66%
2018	June 30, 2017	5.00%

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

The following table represents the crossover period, if applicable, for the PERS defined benefit plan:

Period of Projected Benefit

Payments for which the Following
 Rates were Applied:

Long-Term Expected Rate of Return	Through June 30, 2046
Municipal Bond Rate *	From July 1, 2046 and Thereafter

* The municipal bond return rate used is 3.87% as of the measurement date of June 30, 2018. 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.

Sensitivity of Net Pension Liability

The following presents the District's proportionate share of the PERS net pension liability calculated using the discount rate of 5.66%, as well as what the District's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.66 percent) or 1-percentage-point higher (6.66 percent) than the current rate:

	1% Decrease <u>4.66%</u>	Current Discount Rate <u>5.66%</u>	1% Increase <u>6.66%</u>
District's Proportionate Share of the PERS Net Pension Liability	<u>\$ 5,162,536</u>	<u>\$ 4,105,773</u>	<u>\$ 3,219,216</u>

The sensitivity analysis was based on the proportionate share of the District's net pension liability at June 30, 2018. A sensitivity analysis specific to the District's net pension liability at June 30, 2018 was not provided by the pension system.

Pension Plan Fiduciary Net Position

Detailed information about the PERS pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

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NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF)

GASB No. 68, requires participating employers in TPAF to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense. The non-employer allocation percentages presented are based on the ratio of the State's contributions made as an employee and non-employer adjusted for unpaid early retirement incentives to total contributions to TPAF during the fiscal year ended June 30, 2018. Non-employer allocation percentages have been rounded for presentation purposes.

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and non-employer contributions by the State. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. For the fiscal year ended June 30, 2018, the State's pension contribution was less than the actuarial determined amount.

In accordance with GASB No. 68, the District is not required to recognize a net pension liability for TPAF. The State of New Jersey, as a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to TPAF on behalf of the District. Accordingly, the District's proportionate share percentage determined under Statement No. 68 is zero percent and the State's proportionate share is 100% of the net pension liability attributable to the District for TPAF. Therefore, in addition, the District does not recognize any portion of the TPAF collective deferred outflows of resources and deferred inflows of resources.

For the fiscal year ended June 30, 2019, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$2,967,151 for TPAF. This amount has been included in the district-wide statement of activities (accrual basis) as both a revenue and expense in accordance with GASB No. 85.

At June 30, 2019 the State's proportionate share of the net pension liability attributable to the District is \$50,897,573. The nonemployer allocation percentages are based on the ratio of the State's contributions made as an employer and nonemployer adjusted for unpaid early retirement incentives to total contributions to TPAF during the year ended June 30, 2018. At June 30, 2018, the State's share of the net pension liability attributable to the District was .08001 percent, which was a decrease of .00291 percent from its proportionate share measured as of June 30, 2017 of .08292 percent.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
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NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
 Related to Pensions (Continued)**

Teachers Pension and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

	<u>TPAF</u>
Inflation Rate	2.25%
Salary Increases:	
2011-2026	1.55-4.55%
Thereafter	2.00-5.45%
Investment Rate of Return	7.00%
Mortality Rate Table	RP-2006

Assumptions for mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational bases based on a 60-year average of Social Security data from 1953 to 2013.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

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NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions (Continued)**

Teachers Pension and Annuity Fund (TPAF) (Continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and actuaries. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans 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 the pension plans' target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
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 Estate	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

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NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
 Related to Pensions (Continued)**

Teachers Pension and Annuity Fund (TPAF) (Continued)

Discount Rate

The discount rate used to measure the total pension liabilities of the TPAF plan was as follows:

Fiscal Year	Measurement Date	Discount Rate
2019	June 30, 2018	4.86%
2018	June 30, 2017	4.25%

The following table represents the crossover period, if applicable, for the TPAF defined benefit plan:

Period of Projected Benefit

Payments for which the Following
 Rates were Applied:

Long-Term Expected Rate of Return	Through June 30, 2040
Municipal Bond Rate *	From July 1, 2040 and Thereafter

* The municipal bond return rate used is 3.87% as of the measurement date of June 30, 2018. 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.

Sensitivity of Net Pension Liability

The following presents the State's proportionate share of the TPAF net pension liability attributable to the District calculated using the discount rate of 4.86%, as well as what the State's proportionate share of the TPAF net pension liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (3.86 percent) or 1-percentage-point higher (5.86 percent) than the current rate:

	1% Decrease (3.86%)	Current Discount Rate (4.86%)	1% Increase (5.86%)
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	<u>\$ 60,159,965</u>	<u>\$ 50,897,573</u>	<u>\$ 43,219,276</u>

The sensitivity analysis was based on the State's proportionate share of the net pension liability attributable to the District at June 30, 2018. A sensitivity analysis specific to the State's proportionate share of the net pension liability attributable to the District at June 30, 2018 was not provided by the pension system.

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NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the TPAF pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

E. Post-Retirement Medical Benefits

The State of New Jersey sponsors and administers the post-retirement health benefit program plan for school districts.

As a result of implementing GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, the post-retirement health benefit program plan is reported in an Agency Fund in the New Jersey Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018. Therefore, the plan has no assets accumulated in a trust. In accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension* (GASB No. 75), the plan is classified as a single employer defined benefit OPEB plan with a special funding situation that is not administered through a trust that meets the criteria in paragraph 4 of GASB No. 75.

Plan Description and Benefits Provided

The State of New Jersey sponsors and administers the following post-retirement health benefit program plan covering certain local school district employees, including those Board employees and retirees eligible for coverage.

State Health Benefit Program Fund – Local Education Retired Employees Plan (including Prescription Drug Program Fund) – N.J.S.A. 52:14-17.32f provides medical coverage, prescription drug benefits and Medicare Part B reimbursement to qualified retired education employees and their covered dependents. The State of New Jersey provides employer-paid coverage to members of the TPAF who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of Chapter 126, P.L. 1992, the State also provides employer-paid coverage to members of the PERS and Alternate Benefits Program (ABP) who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare Parts A and B by paying the cost of the insurance for themselves and their covered dependents.

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 or more years 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.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

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

Plan Membership

Membership of the defined benefit OPEB plan consisted of the following at June 30, 2017:

Active Plan Members	217,131
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	145,050
Inactive Plan Members Entitled to but not yet Receiving Benefits	<u> -</u>
Total	<u>362,181</u>

Measurement Focus and Basis of Accounting

The financial statements of the post-employment health benefit plans are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the post-employment health benefit plans. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Collective Net OPEB Liability

The collective net OPEB liability of the State, as the non-employer contributing entity, of the plan at June 30, 2018 is \$46.1 billion, and the plan fiduciary net position as a percentage of the total OPEB liability is zero percent.

The total OPEB liabilities were determined based on actuarial valuations as of June 30, 2017 which were rolled forward to June 30, 2018.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Actuarial Methods and Assumptions

In the June 30, 2017 OPEB actuarial valuation, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The Plan selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 75. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

Post-Retirement Medical Benefits Contributions

The funding policy of the OPEB plan is pay as you go basis; therefore, there is no prefunding of the liability. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are made by the State, as a non-employer contributing entity, under a special funding situation in accordance with State statutes as previously disclosed. The State as a non-employer contributing entity made contributions of \$1.23 million to the OPEB plan in fiscal year 2018.

The State sets the contribution rate based on a pay as you go basis rather than the actuarial determined contribution an amount actuarially determined in accordance with the parameters of GASB Statement 75. The actuarial determined contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any unfunded actuarial liabilities (or funding excess) of the plan using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan.

The State's contributions, as a nonemployer contributing entity, to the State Health Benefits Program Fund – Local Education Retired Employees Plan for retirees' post-retirement benefits on behalf of the School District for the fiscal years ended June 30, 2019, 2018 and 2017 were \$732,080, \$779,437 and \$777,154, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund – Local Education Retired Employees Plan for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey. The on-behalf OPEB contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 85.

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

GASB Statement No. 75 requires participating employers in the State Health Benefit Program Fund – Local Education Retired Employees Plan to recognize their proportionate share of the collective OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense. The nonemployer allocation percentages presented are based on the ratio of the State's contributions made as a nonemployer toward the actuarially determined contribution amount to total contributions to the plan during the measurement period July 1, 2017 through June 30, 2018. Nonemployer allocation percentages have been rounded for presentation purposes.

In accordance with GASB No. 75, the District is not required to recognize an OPEB liability for the post-employment health benefit plan. The State of New Jersey, as a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to the plan on behalf of the District. Accordingly, the District's proportionate share percentage determined under Statement No. 75 is zero percent and the State's proportionate share is 100% of the OPEB liability attributable to the District. Therefore, in addition, the District does not recognize any portion of the collective deferred outflows of resources and deferred inflows of resources related to the plan.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
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NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

For the fiscal year ended June 30, 2019, the District recognized in the district-wide statement of activities (accrual basis) OPEB expense of \$1,528,126. This amount has been included in the district-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 85.

At June 30, 2019 the State's proportionate share of the OPEB liability attributable to the District is \$37,583,821. The nonemployer allocation percentages are based on the ratio of the State's proportionate share of the OPEB liability attributable to the District at June 30, 2018 to the total OPEB liability of the State Health Benefit Program Fund – Local Education Retired Employees Plan at June 30, 2018. At June 30, 2018, the state's share of the OPEB liability attributable to the District was .08151 percent, which was a decrease of .00058 percent from its proportionate share measured as of June 30, 2017 of .08209 percent.

Actuarial Assumptions

The OPEB liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases *	
Initial Fiscal Year Applied Through	2026
Rate	1.55% to 4.55%
Rate Thereafter	2.00% to 5.45%
Mortality	Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy 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-2006 Headcount-Weighted Disable Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.
Long-Term Rate of Return	1.00%

*Salary increases are based on the defined benefit plan that the individual is enrolled in and his or her year of service for TPAF or his or her age for PERS.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the TPAF and PERS actuarial experience studies for the period July 1, 2012 to June 30, 2015 and July 1, 2011 to June 30, 2014, respectively.

Healthcare cost trend rates for pre-Medicare Preferred Provider Organization (PPO) medical benefits, this amount initially is 5.8 percent and decreases to a 5.0 percent long-term trend rate after eight years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5 percent. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8 percent and decreases to a 5.0 percent long-term trend rate after eight years. For prescription drug benefits, the initial trend rate is 8.0 percent and decreases to a 5.0 percent long-term trend rate seven years. For the Medicare Part B reimbursement, the trend rate is 5.0 percent. This reflects the known underlying cost of the Part B premium. The Medicare Advantage trend is 4.5 percent and will continue in all future years.

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NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Long-Term Expected Rate of Return

As the OPEB plan only invests in the State of New Jersey Cash Management Fund, the long-term expected rate of return on OPEB investments was based off the best-estimate ranges of future real rates of return (expected returns, net of OPEB plan investment expense and inflation) for cash equivalents, which is 1.00% as of June 30, 2018.

Discount Rate

The discount rate used to measure the total OPEB liabilities of the plan was as follows:

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2019	June 30, 2018	3.87%
2018	June 30, 2017	3.58%

The discount rate represents the municipal bond return rate as chosen by the Division. 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Changes in the Total OPEB Liability

The change in the State's proportionate share of the OPEB liability attributable to the District for the fiscal year ended June 30, 2019 (measurement date June 30, 2018) is as follows:

	<u>Total OPEB Liability (State Share 100%)</u>
Balance, June 30, 2017 Measurement Date	\$ 44,033,965
Changes Recognized for the Fiscal Year:	
Service Cost	(773,501)
Interest on the Total OPEB Liability	1,293,980
Changes of Assumptions	(4,965,366)
Gross Benefit Payments	(2,081,918)
Contributions from the Member	76,661
Net Changes	<u>\$ (6,450,144)</u>
Balance, June 30, 2018 Measurement Date	<u>\$ 37,583,821</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.58 percent in 2017 to 3.87 percent in 2018.

The change in the total OPEB liability was based on the State's proportionate share of the OPEB liability attributable to the District at June 30, 2018. A change in the total OPEB liability specific to the State's proportionate share of the OPEB liability attributable to the District for the fiscal year ended June 30, 2018 was not provided by the pension system.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Sensitivity of OPEB Liability

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the State's proportionate share of the OPEB liability attributable to the District calculated using the discount rate of 3.87%, as well as what the State's proportionate share of the OPEB liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87 percent) or 1-percentage-point higher (4.87 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
State's Proportionate Share of the OPEB Liability Attributable to the District	<u>\$ 44,614,707</u>	<u>\$ 37,583,821</u>	<u>\$ 32,006,855</u>

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the State's proportionate share of the OPEB liability attributable to the District calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability (School Retirees)	<u>\$ 30,909,060</u>	<u>\$ 37,583,821</u>	<u>\$ 46,447,826</u>

The sensitivity analyses were based on the State's proportionate share of the OPEB liability attributable to the District at June 30, 2018. Sensitivity analyses specific to the State's proportionate share of the OPEB liability attributable to the District at June 30, 2018 were not provided by the pension system.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Original Budget	Adjustments	Final Budget	Actual	Variance with Final Budget
REVENUES					
Local Sources					
Property Tax Levy	\$ 19,470,149		\$ 19,470,149	\$ 19,470,149	
Tuition	59,160		59,160	58,900	\$ (260)
Miscellaneous	55,038	-	55,038	84,974	29,936
Total Local Sources	19,584,347	-	19,584,347	19,614,023	29,676
State Sources					
Special Education Aid	593,490		593,490	593,490	
Security Aid	17,287		17,287	17,287	
Transportation Aid	178,676		178,676	178,676	
Extraordinary Aid				260,267	260,267
Nonpublic School Transportation Aid				18,546	18,546
On-behalf TPAF Pension Payments (Non-Budget)				1,580,847	1,580,847
On-behalf TPAF Pension Payments - NCGI Premium (Non-Budget)				33,091	33,091
On-behalf TPAF Pension Payments - Post Retirement Medical (Non-Budget)				732,080	732,080
On-behalf TPAF Pension Payments - LT Disability (Non-Budget)				2,341	2,341
On-behalf TPAF Social Security Payments (Non-Budget)	-	-	-	620,962	620,962
Total State Sources	789,453	-	789,453	4,037,587	3,248,134
Total Revenues	20,373,800	-	20,373,800	23,651,610	3,277,810
Instruction - Regular Programs					
Salaries of Teachers					
Preschool	122,920	2,710	125,630	125,630	-
Kindergarten	365,645	10,355	376,000	370,360	5,640
Grades 1-5	2,360,514	(88,741)	2,271,773	2,232,388	39,385
Grades 6-8	2,144,983	(201,068)	1,943,915	1,943,915	-
Regular Program - Home Instruction					
Salaries of Teachers	3,000	2,191	5,191	4,707	484
Purchased Professional-Educational Services	6,000	(1,350)	4,650		4,650
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	182,655	22,752	205,407	205,397	10
Purchased Professional-Educational Services	6,550	9,515	16,065	14,025	2,040
Purchased Technical Services	166,041	(4,788)	161,253	159,657	1,596
Other Purchased Services	133,505	-	133,505	119,351	14,154
General Supplies	326,977	133,522	460,499	415,311	45,188
Other Objects	5,700	6,191	11,891	9,694	2,197
Total Regular Programs	5,824,490	(108,711)	5,715,779	5,600,435	115,344

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Original Budget	Adjustments	Final Budget	Actual	Variance with Final Budget
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Special Education					
Multiple Disabilities					
Salaries of Teachers	\$ 75,195	\$ 3,277	\$ 78,472	\$ 78,472	-
Other Salaries for Instruction	59,992	(55,044)	4,948	-	\$ 4,948
General Supplies	700	-	700	143	557
Total Multiple Disabilities	135,887	(51,767)	84,120	78,615	5,505
Resource Room					
Salaries of Teachers	1,585,295	(66,238)	1,519,057	1,519,057	-
Other Salaries for Instruction	149,664	44,969	194,633	194,633	-
General Supplies	9,700	(3,132)	6,568	6,568	-
Total Resource Room	1,744,659	(24,401)	1,720,258	1,720,258	-
Preschool Disabilities - Part Time					
Salaries of Teachers		43,352	43,352	43,243	109
Other Salaries for Instruction		9,231	9,231	9,211	20
General Supplies	-	1,618	1,618	1,618	-
Total Preschool Disabilities - Part Time	-	54,201	54,201	54,072	129
Home Instruction					
Salaries of Teachers	3,000	-	3,000	-	3,000
Purchased Professional-Educational Services	6,000	(70)	5,930	-	5,930
Total Home Instruction	9,000	(70)	8,930	-	8,930
Total Special Education	1,889,546	(22,037)	1,867,509	1,852,945	14,564
Basic Skills/Remedial					
Salaries of Teachers	470,057	210,507	680,564	676,588	3,976
General Supplies	7,500	-	7,500	1,001	6,499
Total Basic Skills/Remedial	477,557	210,507	688,064	677,589	10,475
Bilingual Education					
Salaries of Teachers	101,920	750	102,670	102,670	-
Total Bilingual Education	101,920	750	102,670	102,670	-
School Sponsored Cocurricular Activities					
Salaries	76,922	(921)	76,001	72,414	3,587
Total School Sponsored Cocurricular Activities	76,922	(921)	76,001	72,414	3,587
School Sponsored Athletics					
Salaries	55,249	921	56,170	56,170	-
Purchased Services	10,500	(55)	10,445	6,355	4,090
Supplies and Materials	3,700	-	3,700	3,611	89
Other Objects	1,800	55	1,855	1,855	-
Total School Sponsored Athletics	71,249	921	72,170	67,991	4,179
After School Programs "Best" - Instruction					
Salaries of Teachers	21,950	-	21,950	6,237	15,713
Supplies and Materials	2,500	-	2,500	801	1,699
Total Before & After School Programs	24,450	-	24,450	7,038	17,412
Summer School - Instruction					
Salaries of Teachers	19,725	-	19,725	16,518	3,207
Other Salaries for Instruction	22,800	-	22,800	15,768	7,032
Purchased Prof. & Tech. Services	19,280	-	19,280	10,061	9,219
General Supplies	300	-	300	-	300
Total Summer School	62,105	-	62,105	42,347	19,758
Total Instruction	8,528,239	80,509	8,608,748	8,423,429	185,319

Continued

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Original Budget	Adjustments	Final Budget	Actual	Variance with Final Budget
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures					
Instruction					
Tuition to Priv. Sch. For the Disabled Within the State	\$ 762,876	\$ (29,063)	\$ 733,813	\$ 552,866	\$ 180,947
Total Undistributed Expenditures - Instruction	762,876	(29,063)	733,813	552,866	180,947
Attendance and Social Work					
Salaries	52,599	1,136	53,735	53,586	149
Total Attendance and Social Work	52,599	1,136	53,735	53,586	149
Health Services					
Salaries	222,125	10,325	232,450	232,450	-
Purchased Professional and Technical Services	10,851	-	10,851	10,222	629
Other Purchased Services		4,725	4,725	4,650	75
Supplies and Materials	3,439	6	3,445	2,296	1,149
Other Objects	519	(6)	513	198	315
Total Health Services	236,934	15,050	251,984	249,816	2,168
Speech, OT, PT and Related Services					
Salaries	176,162	6,298	182,460	182,460	-
Purchased Professional-Educational Services	286,700	46,691	333,391	276,685	56,706
Supplies and Materials	18,024	(1,485)	16,539	7,215	9,324
Other Objects	1,300	(300)	1,000	1,000	-
Total OT, PT and Related Services	482,186	51,204	533,390	467,360	66,030
Other Supp. Serv. Students - Extra Serv.					
Salaries	192,765	(16,291)	176,474	176,474	-
Total Other Supp. Serv. Students - Extra Serv.	192,765	(16,291)	176,474	176,474	-
Guidance					
Salaries of Other Professional Staff	187,165	4,265	191,430	187,013	4,417
Other Salaries	25,351	-	25,351	25,351	-
Other Purchased Prof. and Tech. Services	999	-	999	-	999
Supplies and Materials	450	-	450	150	300
Total Guidance	213,965	4,265	218,230	212,514	5,716
Child Study Teams					
Salaries of Other Professional Staff	406,125	13,431	419,556	379,625	39,931
Salaries of Secretarial and Clerical Assistants	59,902	-	59,902	59,002	900
Other Salaries	25,660	-	25,660	10,717	14,943
Purchased Professional-Educational Services	12,000	-	12,000	6,710	5,290
Other Purchased Services	6,805	(6,805)	-	-	-
Miscellaneous Purchased Services		6,805	6,805	5,679	1,126
Supplies and Materials	8,500	(63)	8,437	4,776	3,661
Other Objects	450	-	450	380	70
Total Child Study Teams	519,442	13,368	532,810	466,889	65,921
Improv. of Inst. Serv.					
Salaries of Supervisors of Instruction	92,688	-	92,688	91,938	750
Other Salaries	40,200	5,584	45,784	30,303	15,481
Other Purchased Prof. and Tech. Services	28,800	3,000	31,800	28,660	3,140
Other Purchased Services	1,400	-	1,400	880	520
Supplies and Materials	4,000	2,105	6,105	3,306	2,799
Other Objects	1,500	-	1,500	820	680
Total Improv. of Inst. Serv.	168,588	10,689	179,277	155,907	23,370

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Original Budget	Adjustments	Final Budget	Actual	Variance with Final Budget
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Educational Media Services/School Library					
Salaries	\$ 158,366	\$ 7,784	\$ 166,150	\$ 166,150	-
Salaries of Technology Coordinators	90,446	-	90,446	90,446	-
Purchased Professional and Technical Services	158,357	(17,000)	141,357	141,357	-
Other Purchased Services	720	-	720	524	\$ 196
Supplies and Materials	16,000	-	16,000	13,955	2,045
Other Objects	3,620	-	3,620	3,434	186
Total Educational Media Serv./School Library	427,509	(9,216)	418,293	415,866	2,427
Instructional Staff Training Services					
Purchased Professional-Educational Services	66,313	(4,226)	62,087	43,063	19,024
Other Purchased Services	21,500	-	21,500	6,887	14,613
Total Instructional Staff Training Services	87,813	(4,226)	83,587	49,950	33,637
Support Services General Administration					
Salaries	257,213	(1,415)	255,798	255,798	-
Legal Services	30,000	(4,323)	25,677	25,677	-
Audit Fees	32,500	36,812	69,312	34,312	35,000
Architectural/Engineering Services		-			-
Other Purchased Professional Services	10,335	2,109	12,444	11,294	1,150
Communications/Telephone	12,696	10,962	23,658	23,658	-
Purchased Technical Services	6,260	636	6,896	6,896	-
BOE Other Purchased Services	1,900	(425)	1,475	1,221	254
Miscellaneous Purchased Services	35,261	16,096	51,357	51,120	237
General Supplies	7,600	(6,183)	1,417	1,417	-
Miscellaneous Expenditures	7,360	(501)	6,859	6,273	586
BOE Membership Dues and Fees	9,800	(405)	9,395	9,287	108
Total Support Services General Administration	410,925	53,363	464,288	426,953	37,335
Support Services School Administration					
Salaries of Principal/Asst. Principals	532,677	20,525	553,202	553,202	-
Salaries Other Prof. Staff	106,749	-	106,749	106,749	-
Salaries of Secretarial and Clerical Assistants	305,727	5,273	311,000	309,101	1,899
Unused Vacation Payment to Terminated/Retired Staff		2,407	2,407	2,407	-
Other Purchased Services	7,450	1,748	9,198	4,672	4,526
Supplies and Materials	15,610	(7,971)	7,639	4,356	3,283
Other Objects	6,495	(291)	6,204	5,359	845
Total Support Services School Administration	974,708	21,691	996,399	985,846	10,553
Central Services					
Salaries	284,370	-	284,370	283,708	662
Purchased Technical Services	14,659	-	14,659	14,658	1
Miscellaneous Purchased Services	5,155	225	5,380	5,206	174
Supplies and Materials	6,000	1,249	7,249	6,249	1,000
Miscellaneous Expenditures	2,040	-	2,040	1,540	500
Total Central Services	312,224	1,474	313,698	311,361	2,337
Admin. Info. Tech.					
Purchased Technical Services	5,000	17,000	22,000	20,414	1,586
Supplies and Materials	1,900	(1,474)	426	-	426
Total Admin. Info. Tech.	6,900	15,526	22,426	20,414	2,012
Required Maintenance for School Facilities					
Salaries	277,620	25,797	303,417	303,417	-
Unused Vacation Payment to Terminated/Retired Staff		24,074	24,074	24,074	-
Cleaning, Repair and Maintenance	189,549	46,286	235,835	230,889	4,946
General Supplies	32,000	9,277	41,277	41,277	-
Other Objects	3,310	(635)	2,675	2,000	675
Total Required Maintenance for School Fac.	502,479	104,799	607,278	601,657	5,621

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Original Budget	Adjustments	Final Budget	Actual	Variance with Final Budget
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Custodial Services					
Salaries	\$ 553,563	\$ (22,680)	\$ 530,883	\$ 529,584	\$ 1,299
Salaries for Non-Instructional Aides	129,817	(14,896)	114,921	114,357	564
Unused Vacation Payment to Terminated/Retired Staff		14,766	14,766	14,766	-
Purchased Prof. And Technical Serv.	4,000	2,521	6,521	5,615	906
Cleaning, Repair and Maint. Serv.	23,700	640,632	664,332	664,107	225
Lease Purchase Payments-Energy Savings Impr Prog	122,744	-	122,744	122,743	1
Insurance	95,045	(31,793)	63,252	62,692	560
General Supplies	37,000	(2,128)	34,872	32,745	2,127
Energy (Gasoline)	4,000	-	4,000	2,894	1,106
Other Objects	1,350	627	1,977	1,977	-
Energy (Electricity)	155,000	(34,311)	120,689	120,689	-
Energy (Natural Gas)	110,000	7,468	117,468	117,468	-
Total Custodial Services	1,236,219	560,206	1,796,425	1,789,637	6,788
Care and Upkeep of Grounds					
Clean, Repair and Maintenance Serv.	11,300	600	11,900	11,900	-
General Supplies	2,000	(600)	1,400	396	1,004
Total Care and Upkeep of Grounds	13,300	-	13,300	12,296	1,004
Security					
Salaries	12,676	810	13,486	13,462	24
Purchased Professional and Technical Service	68,800	950	69,750	69,390	360
Cleaning, Repair and Maint. Serv.	9,690	(9,690)	-	-	-
General Supplies	-	9,690	9,690	9,242	448
Total Security	91,166	1,760	92,926	92,094	832
Student Transportation Services					
Salaries - Pupil Transportation (Between Home & School) - Regular	236,353	(19,711)	216,642	176,588	40,054
Unused Vacation Payment to Terminated/Retired Staff		6,240	6,240	6,240	-
Cleaning, Repair & Maint. Svc.	9,000	(9,000)	-	-	-
Contracted Services - Aid in Lieu of Payments - Non-Public Schools	55,000	-	55,000	52,544	2,456
Contracted Services- (Between Home and School - Joint Agreements)	685,572	-	685,572	672,514	13,058
Contracted Services (Other than Bet Home and School - Vendors)	35,000	-	35,000	33,436	1,564
Contracted Service (Spl. Ed.) - Joint Agreements	228,748	3,768	232,516	230,678	1,838
Contracted Service (Spl. Ed.) - ESCs & CTAs	132,950	(3,768)	129,182	91,793	37,389
Misc. Purchased Svc. - Transportation	1,258	-	1,258	592	666
Supplies and Materials	4,000	(3,546)	454	454	-
Other Objects	200	-	200	-	200
Total Student Transportation Services	1,388,081	(26,017)	1,362,064	1,264,839	97,225
Unallocated Benefits - Employee Benefits					
Social Security Contributions	260,000	5,015	265,015	265,015	-
Other Retirement Contributions - PERS	226,000	(10,366)	215,634	210,707	4,927
Other Employee Retirement Contributions	26,600	1,340	27,940	27,940	-
Workmen's Compensation	136,128	(16,862)	119,266	116,824	2,442
Health Benefits	3,100,516	(97,800)	3,002,716	2,634,860	367,856
Tuition Reimbursement	56,625	1,962	58,587	58,587	-
Other Employee Benefits	134,250	64,907	199,157	198,586	571
Unused Sick Payment to Terminated/Retired Staff	30,000	9,545	39,545	39,545	-
Total Unallocated Benefits - Employee Benefits	3,970,119	(42,259)	3,927,860	3,552,064	375,796

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Original Budget	Adjustments	Final Budget	Actual	Variance with Final Budget
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
On-behalf TPAF Pension Payments (Non-Budget)				\$ 1,580,847	\$ (1,580,847)
On-behalf TPAF Pension Payments - NCGI Premium (Non-Budget)				33,091	(33,091)
On-behalf TPAF Pension Payments - Post Retirement Medical (Non-Budget)				732,080	(732,080)
On-behalf TPAF Pension Payments - LT Disability (Non-Budget)				2,341	(2,341)
On-behalf TPAF Social Security Payments (Non-Budget)	-	-	-	620,962	(620,962)
Total Undistributed Expenditures	\$ 12,050,798	\$ 727,459	\$ 12,778,257	\$ 14,827,710	(2,049,453)
Total Expenditures - Current Expenditures	20,579,037	807,968	21,387,005	23,251,139	(1,864,134)
CAPITAL OUTLAY					
Equipment					
Undistributed Expenditures:					
Instruction	9,020	-	9,020	5,005	4,015
Required Maintenance for School Facilities		68,244	68,244	68,244	-
Custodial Services	37,100	4,895	41,995	41,995	-
Total Equipment	46,120	73,139	119,259	115,244	4,015
Facilities Acquisition and Construction Services					
Architectural/Engineering Services		71,250	71,250	63,640	7,610
Construction Services	50,000	420,980	470,980	425,040	45,940
Assessment for Debt Service on SDA Funding	39,454	-	39,454	39,454	-
Total Facilities Acquisition and Construction Services	89,454	492,230	581,684	528,134	53,550
Interest Deposit to Capital Reserve	100	-	100	-	100
Total Capital Outlay	135,674	565,369	701,043	643,378	57,665
Total Expenditures	20,714,711	1,373,337	22,088,048	23,894,517	(1,806,469)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(340,911)	(1,373,337)	(1,714,248)	(242,907)	1,471,341
Other Financing Sources/(Uses)					
Lease Purchase Agreements		137,970	137,970	137,970	-
Transfer In- Capital Projects Fund				68,753	68,753
Transfer Out- Capital Reserve to Capital Projects Fund	(575,000)	422,480	(152,520)		152,520
Transfer Out - Food Service Deficit	(6,000)	(1,699)	(7,699)	(7,699)	-
Total Other Financing Sources/(Uses)	(581,000)	558,751	(22,249)	199,024	221,273
Excess (Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Sources	(921,911)	(814,586)	(1,736,497)	(43,883)	1,692,614
Fund Balance, Beginning of Year	3,654,187	-	3,654,187	3,654,187	-
Fund Balance, End of Year	\$ 2,732,276	\$ (814,586)	\$ 1,917,690	\$ 3,610,304	\$ 1,692,614

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Recapitulation of Fund Balance					
Restricted Fund Balance:					
Excess Surplus				\$ 140,533	
Excess Surplus - Designated for Subsequent Year's Expenditures				143,343	
Maintenance Reserve				332,151	
Maintenance Reserve- Designated for Subsequent Year's Expenditures				166,300	
Capital Reserve				1,317,072	
Capital Reserve- Designated for Subsequent Year's Expenditures				755,000	
Assigned Fund Balance:					
Year-End Encumbrances				58,588	
Unassigned Fund Balance:					
				<u>697,317</u>	
Budgetary Fund Balance				<u>3,610,304</u>	
Reconciliation to Governmental Fund Statements (GAAP)					
2018/2019 State Aid Payment Not Recognized on a GAAP Basis				73,099	
2018/2019 Extraordinary Aid Not Recognized on GAAP Basis				<u>260,267</u>	
Fund Balance per Governmental Funds (GAAP Basis)				<u>\$ 3,276,938</u>	

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
BUDGET (NON-GAAP) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES					
Intergovernmental					
Local	\$ 10,000	\$ 47,814	\$ 57,814	\$ 34,769	\$ 23,045
Federal	316,528	111,443	427,971	384,371	43,600
Total Revenues	<u>326,528</u>	<u>159,257</u>	<u>485,785</u>	<u>419,140</u>	<u>66,645</u>
EXPENDITURES					
Instruction					
Other Salaries		54,865	54,865	47,168	7,697
Tuition	181,750	82,523	264,273	264,273	-
General Supplies	103,820	(61,714)	42,106	17,269	24,837
Total Instruction	<u>285,570</u>	<u>75,674</u>	<u>361,244</u>	<u>328,710</u>	<u>32,534</u>
Support Services					
Purchased Professional/Educational Services	8,000	5,937	13,937	13,937	-
Purchased Professional and Technical Services	11,058	88,121	99,179	69,038	30,141
Other Purchased Services	21,900	(21,899)	1	-	1
Benefits		3,761	3,761	3,608	153
Supplies and Materials	-	7,663	7,663	3,847	3,816
Total Support Services	<u>40,958</u>	<u>83,583</u>	<u>124,541</u>	<u>90,430</u>	<u>34,111</u>
Facilities Acquisition and Construction Services					
Non-Instructional Equipment	-	-	-	-	-
Total Facilities Acquisition and Construction	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>326,528</u>	<u>159,257</u>	<u>485,785</u>	<u>419,140</u>	<u>66,645</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART II

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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

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

	<u>General Fund</u>		<u>Special Revenue Fund</u>
Sources/inflows of resources			
Actual amounts (budgetary basis) "revenue"			
from the budgetary comparison schedule	(C-1) \$ 23,651,610	(C-2)	\$ 419,140
Difference - Budget to GAAP:			
State Aid payment and Extraordinary Aid recognized for GAAP purposes, not recognized for Budgetary statements (2017/2018 State Aid)	293,013		
State Aid payment and Extraordinary Aid recognized for Budgetary purposes, not recognized for GAAP statements (2018/2019 State Aid)	<u>(333,366)</u>		<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	(B-2) \$ <u>23,611,257</u>	(B-2)	\$ <u>419,140</u>
Uses/outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	(C-1) \$ <u>23,894,517</u>	(C-2)	\$ <u>419,140</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	(B-2) \$ <u>23,894,517</u>	(B-2)	\$ <u>419,140</u>

SCHOOL LEVEL SCHEDULES
(General Fund)
NOT APPLICABLE

REQUIRED SUPPLEMENTARY INFORMATION - PART III

PENSION AND POST EMPLOYMENT BENEFITS INFORMATION

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Public Employees Retirement System

Last Six Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0.02085 %	0.02127 %	0.02406 %	0.02291 %	0.02336 %	0.02287 %
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 4,105,773	\$ 4,952,627	\$ 7,124,695	\$ 5,141,255	\$ 4,374,279	\$ 4,370,892
District's Covered-Employee Payroll	\$ 1,510,695	\$ 1,425,126	\$ 1,495,957	\$ 1,620,572	\$ 1,600,512	\$ 1,640,479
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	271.78 %	347.52 %	476.26 %	317.25 %	273.30 %	266.44 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.60%	48.11%	40.14%	47.93%	52.08%	48.72%

* The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS**

Public Employees Retirement System

Last Six Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 210,097	\$ 197,879	\$ 213,710	\$ 196,604	\$ 192,605	\$ 173,968
Contributions in Relation to the Contractually Required Contribution	<u>210,097</u>	<u>197,879</u>	<u>213,710</u>	<u>196,604</u>	<u>192,605</u>	<u>173,968</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 1,510,695	\$ 1,425,126	\$ 1,495,957	\$ 1,620,572	\$ 1,600,512	\$ 1,640,479
Contributions as a Percentage of Covered-Employee Payroll	15.768 %	13.885 %	14.290 %	12.132 %	12.034 %	10.605 %

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Teachers Pension and Annuity Fund

Last Six Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0 %	0 %	0 %	0 %	0 %	0 %
District's Proportionate Share of the Net Pension Liability (Asset)	0 %	0 %	0 %	0 %	0 %	0 %
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	<u>\$ 50,897,573</u>	<u>\$ 55,908,567</u>	<u>\$ 63,752,247</u>	<u>\$ 51,752,796</u>	<u>\$ 45,634,900</u>	<u>\$ 41,792,527</u>
Total	<u>\$ 50,897,573</u>	<u>\$ 55,908,567</u>	<u>\$ 63,752,247</u>	<u>\$ 51,752,796</u>	<u>\$ 45,634,900</u>	<u>\$ 41,792,527</u>
District's Covered-Employee Payroll	\$ 8,345,460	\$ 8,644,850	\$ 8,059,613	\$ 8,210,419	\$ 7,961,442	\$ 8,013,750
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	0 %	0 %	0 %	0 %	0 %	0 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	26.49%	36.44%	22.33%	28.71%	33.76%	33.76%

* The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND SCHEDULE OF DISTRICT CONTRIBUTIONS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Change of Benefit Terms: None.

Change of Assumptions: Assumptions used in calculating the net pension liability and statutorily required employer contribution are presented in Note 4D.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S PROPORTIONATE SHARE OF
TOTAL OPEB LIABILITY**

POSTEMPLOYMENT HEALTH BENEFIT PLAN

Last Two Fiscal Years*

	2019	2018
Total OPEB Liability		
Service Cost	\$ (773,501)	\$ 1,745,921
Interest on Total OPEB Liability	1,293,980	1,400,353
Changes of Benefit Terms		
Differences Between Expected and Actual Experience		
Changes of Assumptions	(4,965,366)	(5,817,524)
Gross Benefit Payments	(2,081,918)	(984,877)
Contribution from the Member	76,661	36,266
Net Change in Total OPEB Liability	(6,450,144)	(3,619,861)
Total OPEB Liability - Beginning	44,033,965	47,653,826
Total OPEB Liability - Ending	\$ 37,583,821	\$ 44,033,965
District's Proportionate Share of OPEB Liability	\$0	\$0
State's Proportionate Share of OPEB Liability	37,583,821	44,033,965
Total OPEB Liability - Ending	\$ 37,583,821	\$ 44,033,965
District's- Covered-Employee Payroll	\$ 9,856,155	\$ 10,069,976
District's Proportionate Share of the Total OPEB Liability as a Percentage of its Covered-Employee Payroll	0%	0%

Note: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

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

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 75. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S PROPORTIONATE SHARE OF THE OPEB LIABILITY
AND SCHEDULE OF DISTRICT PROPORTIONATE SHARE OF THE OPEB LIABILITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Changes in Benefit Terms:

None.

Changes of Assumptions

Assumptions used in calculating the OPEB liability are presented in Note 4E.

SPECIAL REVENUE FUND

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	ESSA				Title IV Carryover	I.D.E.A Part B Basic	I.D.E.A Part B Carryover	I.D.E.A Preschool	Local	Grand Total
	Title I	Title I Carryover	Title IIA	Title IV						
REVENUES										
Intergovernmental										
Local									\$ 34,769	\$ 34,769
Federal	\$ 82,880	\$ 25,310	\$ 17,085	\$ 3,516	\$ 4,370	\$ 223,929	\$ 13,344	\$ 13,937	-	384,371
Total Revenues	<u>\$ 82,880</u>	<u>\$ 25,310</u>	<u>\$ 17,085</u>	<u>\$ 3,516</u>	<u>\$ 4,370</u>	<u>\$ 223,929</u>	<u>\$ 13,344</u>	<u>\$ 13,937</u>	<u>\$ 34,769</u>	<u>\$ 419,140</u>
EXPENDITURES										
Instruction										
Other Salaries	\$ 25,168	\$ 16,000		\$ 2,300	\$ 3,700					\$ 47,168
Tuition						\$ 223,929	\$ 13,344		\$ 27,000	264,273
Supplies and Materials	-	8,073	-	1,040	387	-	-	-	7,769	17,269
Total Instruction	<u>25,168</u>	<u>24,073</u>	<u>-</u>	<u>3,340</u>	<u>4,087</u>	<u>223,929</u>	<u>13,344</u>	<u>-</u>	<u>34,769</u>	<u>328,710</u>
Support Services										
Purchased Professional Educational Services								\$ 13,937		13,937
Purchased Professional and Technical Services	55,800		\$ 13,238							69,038
Benefits	1,912	1,237		176	283					3,608
Supplies and Materials	-	-	3,847	-	-	-	-	-	-	3,847
Total Support Services	<u>57,712</u>	<u>1,237</u>	<u>17,085</u>	<u>176</u>	<u>283</u>	<u>-</u>	<u>-</u>	<u>13,937</u>	<u>-</u>	<u>90,430</u>
Facilities Acquisition and Construction										
Non-Instructional Equipment	-	-	-	-	-	-	-	-	-	-
Total Facilities Acquisition and Construction	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 82,880</u>	<u>\$ 25,310</u>	<u>\$ 17,085</u>	<u>\$ 3,516</u>	<u>\$ 4,370</u>	<u>\$ 223,929</u>	<u>\$ 13,344</u>	<u>\$ 13,937</u>	<u>\$ 34,769</u>	<u>\$ 419,140</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
SPECIAL REVENUE FUND
SCHEDULE OF PRESCHOOL EDUCATION AID EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOT APPLICABLE

CAPITAL PROJECTS FUND

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<u>Project</u>	<u>Appropriations</u>	<u>Expenditures to Date</u>		<u>Transfer</u>	<u>Unexpended Balance, June 30, 2019</u>
		<u>Prior Periods</u>	<u>Current Year</u>		
Energy Savings Incentive Program	* \$ 2,021,682	\$ 1,952,929	\$ -	\$ 68,753	\$ -
	<u>\$ 2,021,682</u>	<u>\$ 1,952,929</u>	<u>\$ -</u>	<u>\$ 68,753</u>	<u>\$ -</u>
Project Balance					\$ -
Fund Balance - Budgetary Basis, June 30, 2019					<u>\$ -</u>
<u>Reconciliation to GAAP</u>					
Restricted for Capital Projects:					
Reserve for Encumbrances					
Available for Capital Projects					
					<u>\$ -</u>
Total Fund Balance - Restricted					
for Capital Projects - GAAP Basis - June 30, 2019					
					<u>\$ -</u>

*- Modified for Interest Earnings

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Revenues and Other Financing

Sources

Interest Earnings	-
Total Revenues and Other Financing Sources	-

Expenditures and Other

Financing Uses

Other Purchased and Technical Services	
Construction Services	
Transfer Out to General Fund- Excess Capital Reserve Funds	\$ 68,753
Total Expenditures and Other Financing Uses	68,753

Excess (Deficit) of Revenues over (under) Expenditures	(68,753)
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Fund Balance- Beginning	68,753
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Fund Balance- Ending	\$ -
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Reconciliation to GAAP:

Project Fund Balances- Budgetary	\$ -
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GAAP Fund Balance- Ending	\$ -
---------------------------	------

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
ENERGY SAVINGS INCENTIVE PROGRAM
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Lease Proceeds	\$ 1,696,601		\$ 1,696,601	\$ 1,696,601
Interest Earnings on Lease	81		81	81
Transfer from Capital Reserve	<u>325,000</u>	<u>-</u>	<u>325,000</u>	<u>325,000</u>
Total Revenues and Other Financing Sources	<u>2,021,682</u>	<u>-</u>	<u>2,021,682</u>	<u>2,021,682</u>
Expenditures and Other Financing Uses				
Construction Services	1,791,219		1,791,219	1,858,350
Purchased Professional Services	161,710		161,710	163,332
Transfer Out to General Fund- Excess Capital Reserve Funds	<u>-</u>	<u>68,753</u>	<u>68,753</u>	<u>-</u>
Total Expenditures and Other Financing Uses	<u>1,952,929</u>	<u>68,753</u>	<u>2,021,682</u>	<u>2,021,682</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ 68,753</u>	<u>\$ (68,753)</u>	<u>\$ -</u>	<u>\$ -</u>
Additional Project Information:				
Project Number	Not Applicable			
Grant Date	Not Applicable			
Bond Authorization Date	Not Applicable			
Bonds Authorized	Not Applicable			
Bonds Issued	Not Applicable			
Original Authorized Cost	\$ 2,021,601			
Additional Authorized Cost	\$ 81			
Revised Authorized Cost	\$ 2,021,682			
Percentage Increase(Decrease) Over Original				
Authorized Cost	0.00%			
Percentage Completion	100%			
Original Target Completion Date	Jun-18			
Revised Target Completion Date	Jun-18			

ENTERPRISE FUND

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
PROPRIETARY FUNDS
COMBINING STATEMENTS OF NET POSITION
AS OF JUNE 30, 2019**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

**COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

**COMBINING STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

FIDUCIARY FUNDS

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AS OF JUNE 30, 2019**

	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 11,874	\$ 21,042	\$ 32,916
Total Assets	<u>\$ 11,874</u>	<u>\$ 21,042</u>	<u>\$ 32,916</u>
LIABILITIES			
Due to Student Groups	\$ 11,874		\$ 11,874
Accrued Salaries and Wages		\$ 2,909	2,909
Flexible Spending		3,948	3,948
Payroll Deductions and Withholdings	<u>-</u>	<u>14,185</u>	<u>14,185</u>
Total Liabilities	<u>\$ 11,874</u>	<u>\$ 21,042</u>	<u>\$ 32,916</u>

**FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

**EAST HANOER TOWNSHIP BOARD OF EDUCATION
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Balance, July 1, 2018</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2019</u>
<u>Elementary Schools:</u>				
Frank J. Smith	\$ 8,286	\$ 8,333	\$ 8,894	\$ 7,725
Central School	10,232	13,025	20,088	3,169
Middle School/Athletics	<u>5,761</u>	<u>119,575</u>	<u>124,356</u>	<u>980</u>
 Total All Schools	 <u>\$ 24,279</u>	 <u>\$ 140,933</u>	 <u>\$ 153,338</u>	 <u>\$ 11,874</u>

EXHIBIT H-4

**PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Balance, July 1, 2018</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2019</u>
Payroll Deductions and Withholdings	\$ 14,560	\$ 5,876,253	\$ 5,876,628	\$ 14,185
Accrued Salaries and Wages	2,909	8,041,404	8,041,404	2,909
Flexible Spending	<u>5,679</u>	<u>12,430</u>	<u>14,161</u>	<u>3,948</u>
 Total	 <u>\$ 23,148</u>	 <u>\$ 13,930,087</u>	 <u>\$ 13,932,193</u>	 <u>\$ 21,042</u>

LONG-TERM DEBT

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 LONG-TERM DEBT
 SCHEDULE OF SERIAL BONDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance, July 1, 2018</u>	<u>Matured</u>	<u>Balance, June 30, 2019</u>
			<u>Date</u>	<u>Amount</u>				
Refunding Bonds	1/15/2012	\$ 6,355,000	1/15/2020	\$ 570,000	2.63%			
			1/15/2021	575,000	3.00%			
			1/15/2022	565,000	3.00%			
			1/15/2023	555,000	3.00%			
						<u>\$ 2,825,000</u>	<u>\$ 560,000</u>	<u>\$ 2,265,000</u>
						<u>\$ 2,825,000</u>	<u>\$ 560,000</u>	<u>\$ 2,265,000</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
LONG-TERM DEBT
STATEMENT OF OBLIGATIONS UNDER CAPITAL LEASES/LEASE PURCHASE AGREEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<u>Purpose</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Balance, June 30, 2018</u>	<u>Issued</u>	<u>Matured</u>	<u>Balance, June 30, 2019</u>
<u>Capital Leases</u>						
Energy Savings Incentive Program	\$ 1,696,601	2.653%	\$ 1,423,053	-	\$ 85,549	\$ 1,337,504
<u>Lease Purchase Agreements</u>						
Chrome Books	130,444	0.00%	33,096		33,096	-
Computers	81,776	2.28%	20,790		20,790	-
Chrome Books	56,831	2.00%	28,650		14,323	14,327
Chrome Books	43,343	2.10%	32,181		10,575	21,606
Chrome Books	137,970	3.21%	-	\$ 137,970	34,417	103,553
Total Lease Purchase Agreements			114,717	137,970	113,201	139,486
			<u>\$ 1,537,770</u>	<u>\$ 137,970</u>	<u>\$ 198,750</u>	<u>\$ 1,476,990</u>

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES					
Local Sources					
Local Property Tax Levy	\$ 639,112	-	\$ 639,112	\$ 639,112	-
Total Revenues	639,112	-	639,112	639,112	-
EXPENDITURES					
Regular Debt Service					
Interest	79,113	-	79,113	79,112	\$ 1
Principal	560,000	-	560,000	560,000	-
Total Expenditures	639,113	-	639,113	639,112	1
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1)	-	(1)	-	1
Fund Balance, Beginning of Year	-	-	-	-	-
Fund Balance, End of Year	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ 1</u>

STATISTICAL SECTION

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

Contents

Exhibits

Financial Trends

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

J-1 to J-5

Revenue Capacity

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

J-6 to J-9

Debt Capacity

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

J-10 to J-13

Demographic and Economic Information

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

J-14 and J-15

Operating Information

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

J-16 to J-20

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

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2010	2011	2012 (1)	2013	2014 (2)	2015	2016	2017	2018	2019
Governmental Activities										
Net Investment in Capital Assets	\$ 7,448,345	\$ 8,428,587	\$ 9,018,662	\$ 9,123,389	\$ 7,191,639	\$ 7,241,344	\$ 7,493,042	\$ 8,696,052	\$ 8,785,656	\$ 9,151,459
Restricted	414,508	314,012	1,021,031	1,478,155	1,385,630	1,891,884	3,582,166	2,193,979	2,682,130	2,570,523
Unrestricted	<u>67,848</u>	<u>734,700</u>	<u>698,939</u>	<u>812,138</u>	<u>(3,328,191)</u>	<u>(4,122,738)</u>	<u>(5,958,124)</u>	<u>(4,812,999)</u>	<u>(4,913,124)</u>	<u>(4,918,609)</u>
Total Governmental Activities Net Position	<u>\$ 7,930,701</u>	<u>\$ 9,477,299</u>	<u>\$ 10,738,632</u>	<u>\$ 11,413,682</u>	<u>\$ 5,249,078</u>	<u>\$ 5,010,490</u>	<u>\$ 5,117,084</u>	<u>\$ 6,077,032</u>	<u>\$ 6,554,662</u>	<u>\$ 6,803,373</u>
Business-Type Activities										
Net Investment in Capital Assets		\$ 8,093	\$ 8,607	\$ 16,556	\$ 11,717	\$ 11,062	\$ 10,429	\$ 8,064	\$ 5,805	\$ 5,538
Unrestricted	\$ 27,637	<u>235,877</u>	<u>446,252</u>	<u>642,973</u>	<u>252,571</u>	<u>288,652</u>	<u>269,349</u>	<u>185,102</u>	<u>296,409</u>	<u>336,779</u>
Total Business-Type Activities Net Position	<u>\$ 27,637</u>	<u>\$ 243,970</u>	<u>\$ 454,859</u>	<u>\$ 659,529</u>	<u>\$ 264,288</u>	<u>\$ 299,714</u>	<u>\$ 279,778</u>	<u>\$ 193,166</u>	<u>\$ 302,214</u>	<u>\$ 342,317</u>
District-Wide										
Net Investment in Capital Assets	7,448,345	8,436,680	9,027,269	9,139,945	7,203,356	7,252,406	7,503,471	8,704,116	8,791,461	9,156,997
Restricted	414,508	314,012	1,021,031	1,478,155	1,385,630	1,891,884	3,582,166	2,193,979	2,682,130	2,570,523
Unrestricted	<u>95,485</u>	<u>970,577</u>	<u>1,145,191</u>	<u>1,455,111</u>	<u>(3,075,620)</u>	<u>(3,834,086)</u>	<u>(5,688,775)</u>	<u>(4,627,897)</u>	<u>(4,616,715)</u>	<u>(4,581,830)</u>
Total District Net Position	<u>\$ 7,958,338</u>	<u>\$ 9,721,269</u>	<u>\$ 11,193,491</u>	<u>\$ 12,073,211</u>	<u>\$ 5,513,366</u>	<u>\$ 5,310,204</u>	<u>\$ 5,396,862</u>	<u>\$ 6,270,198</u>	<u>\$ 6,856,876</u>	<u>\$ 7,145,690</u>

Source: District's Financial Records

Note 1 - Net Position at June 30, 2011 is restated to reflect the implementation of GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position" and GASB Statement "Items Previously Reported in Assets and Liabilities".

Note 2- Net Position at June 30, 2014 has been restated to reflect the implementation of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" and for corrections of the capital assets.

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 7,335,791	\$ 7,273,332	\$ 7,300,500	\$ 7,627,472	\$ 7,433,337	\$ 8,936,445	\$ 8,707,360	\$ 9,904,703	\$ 10,699,992	\$ 9,593,360
Special Education	4,105,242	3,971,192	3,994,843	4,166,051	3,695,472	4,235,965	3,895,131	4,324,798	4,405,633	4,183,035
Other Instruction	535,460	689,777	659,204	521,872	727,235	869,224	983,484	1,258,396	1,322,777	1,578,091
School Sponsored Activities and Athletics	153,907	165,258	143,543	220,893	162,914	334,569	332,910	240,345	264,852	246,975
Support Services:										
Student & Instruction Related Services	2,164,484	1,988,873	2,065,190	2,281,958	2,617,070	3,259,064	4,141,148	4,349,703	4,023,086	3,778,594
General Administration	600,557	459,408	450,156	568,071	483,623	614,681	649,908	689,535	671,562	638,959
School Administrative Services	1,216,253	1,111,225	1,240,938	1,319,443	1,337,113	1,644,589	1,691,757	1,855,209	2,019,721	1,794,844
Plant Operations And Maintenance	1,648,716	1,529,296	1,600,416	1,465,983	1,744,199	1,696,158	1,726,163	1,812,516	2,069,552	2,778,847
Pupil Transportation	1,022,589	1,039,319	1,031,678	1,127,879	1,070,623	1,139,088	1,156,246	1,182,336	1,383,351	1,339,441
Central Services	454,181	438,247	394,801	354,931	348,388	422,750	402,680	413,915	464,749	451,630
Interest and Other Charges	302,318	198,129	224,477	195,977	181,256	171,960	167,715	191,884	174,347	157,734
Total Governmental Activities Expenses	<u>19,539,498</u>	<u>18,864,056</u>	<u>19,105,746</u>	<u>19,850,530</u>	<u>19,801,230</u>	<u>23,324,493</u>	<u>23,854,502</u>	<u>26,223,340</u>	<u>27,499,622</u>	<u>26,541,510</u>
Business-Type Activities:										
Food Service	10,794	11,556	21,371	14,436	17,690	17,816	15,863	19,335	19,113	18,140
Summer Program	-	260,035	338,674	429,154	489,527	609,313	751,655	775,617	725,720	659,660
Total Business-Type Activities Expense	<u>10,794</u>	<u>271,591</u>	<u>360,045</u>	<u>443,590</u>	<u>507,217</u>	<u>627,129</u>	<u>767,518</u>	<u>794,952</u>	<u>744,833</u>	<u>677,800</u>
Total District Expenses	<u>\$ 19,550,292</u>	<u>\$ 19,135,647</u>	<u>\$ 19,465,791</u>	<u>\$ 20,294,120</u>	<u>\$ 20,308,447</u>	<u>\$ 23,951,622</u>	<u>\$ 24,622,020</u>	<u>\$ 27,018,292</u>	<u>\$ 28,244,455</u>	<u>\$ 27,219,310</u>
Program Revenues										
Governmental Activities:										
Charges For Services		\$ 41,573	\$ 60,449	\$ 55,710	\$ 104,344	\$ 85,255	\$ 57,350	\$ 71,800	\$ 80,838	\$ 58,900
Operating Grants And Contributions	\$ 3,022,004	2,306,293	2,743,373	3,101,787	2,869,549	5,076,324	5,784,143	7,492,737	8,280,886	6,563,686
Capital Grants And Contributions	-	153,710	27,269	13,020	4,284	82,600	4,195	693,423	12,155	-
Total Governmental Activities Program Revenues	<u>3,022,004</u>	<u>2,501,576</u>	<u>2,831,091</u>	<u>3,170,517</u>	<u>2,978,177</u>	<u>5,244,179</u>	<u>5,845,688</u>	<u>8,257,960</u>	<u>8,373,879</u>	<u>6,622,586</u>
Business-Type Activities:										
Charges For Services										
Food Service	\$ 15,612	\$ 15,160	\$ 13,817	\$ 12,911	\$ 11,321	\$ 10,610	\$ 10,427	\$ 10,958	\$ 10,020	\$ 9,978
After School Child Care Program		469,593	557,055	622,549	577,605	706,399	737,155	694,382	837,861	700,226
Operating Grants And Contributions	3,845	2,976	-	-	-	-	-	-	-	-
Total Business Type Activities Program Revenues	<u>19,457</u>	<u>487,729</u>	<u>570,872</u>	<u>635,460</u>	<u>588,926</u>	<u>717,009</u>	<u>747,582</u>	<u>705,340</u>	<u>847,881</u>	<u>710,204</u>
Total District Program Revenues	<u>\$ 3,041,461</u>	<u>\$ 2,989,305</u>	<u>\$ 3,401,963</u>	<u>\$ 3,805,977</u>	<u>\$ 3,567,103</u>	<u>\$ 5,961,188</u>	<u>\$ 6,593,270</u>	<u>\$ 8,963,300</u>	<u>\$ 9,221,760</u>	<u>\$ 7,332,790</u>

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net (Expense)/Revenue										
Governmental Activities	\$ (16,517,494)	\$ (16,362,480)	\$ (16,274,655)	\$ (16,680,013)	\$ (16,823,053)	\$ (18,080,314)	\$ (18,008,814)	\$ (17,965,380)	\$ (19,125,743)	\$ (19,918,924)
Business-Type Activities	8,663	216,138	210,827	191,870	81,709	89,880	(19,936)	(89,612)	103,048	32,404
Total District-Wide Net Expense	\$ (16,508,831)	\$ (16,146,342)	\$ (16,063,828)	\$ (16,488,143)	\$ (16,741,344)	\$ (17,990,434)	\$ (18,028,750)	\$ (18,054,992)	\$ (19,022,695)	\$ (19,886,520)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied For General Purposes, Net	\$ 16,431,592	\$ 17,013,656	\$ 16,670,904	\$ 16,523,260	\$ 16,762,710	\$ 17,089,582	\$ 17,422,828	\$ 18,214,980	\$ 18,779,280	\$ 19,470,149
Taxes Levied For Debt Service	846,839	865,413	796,570	856,272	516,463	516,191	616,762	621,662	631,262	639,112
Unrestricted Grants And Contributions	21,922				368	17,854	19,108	27,322	27,841	1,947
Miscellaneous Income	59,527	30,009	68,514	55,707	118,077	237,690	56,710	65,762	170,990	84,974
Loss on Disposal of Capital Assets					(3,540)	-	-	(1,398)		(20,848)
Transfers	-	-	-	-	476,950	54,454	-	(3,000)	(6,000)	(7,699)
Total Governmental Activities	17,359,880	17,909,078	17,535,988	17,435,239	17,871,028	17,915,771	18,115,408	18,925,328	19,603,373	20,167,635
Business-Type Activities:										
Miscellaneous Income	64	195	62	12	-	-	-	-	-	-
Transfers	-	-	-	-	(476,950)	(54,454)	-	3,000	6,000	7,699
Total Business-Type Activities	64	195	62	12	(476,950)	(54,454)	-	3,000	6,000	7,699
Total District-Wide	\$ 17,359,944	\$ 17,909,273	\$ 17,536,050	\$ 17,435,251	\$ 17,394,078	\$ 17,861,317	\$ 18,115,408	\$ 18,928,328	\$ 19,609,373	\$ 20,175,334
Change in Net Position										
Governmental Activities	\$ 842,386	\$ 1,546,598	\$ 1,261,333	\$ 755,226	\$ 1,047,975	\$ (164,543)	\$ 106,594	\$ 959,948	\$ 477,630	\$ 248,711
Business-Type Activities	8,727	216,333	210,889	191,882	(395,241)	35,426	(19,936)	(86,612)	109,048	40,103
Total District	\$ 851,113	\$ 1,762,931	\$ 1,472,222	\$ 947,108	\$ 652,734	\$ (129,117)	\$ 86,658	\$ 873,336	\$ 586,678	\$ 288,814

Source: District's Financial Records

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

	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Reserved	\$ 916,417									
Unreserved	36,064									
Restricted		\$ 780,137	\$ 1,247,812	\$ 1,879,339	\$ 1,850,831	\$ 2,366,212	\$ 2,339,551	\$ 2,484,350	\$ 2,902,082	\$ 2,854,399
Assigned		201,326	511,038	62,316	638,725	78,522	54,097	182,895	106,998	58,588
Unassigned	-	358,870	315,420	301,886	309,642	177,631	315,595	340,463	352,094	363,951
Total General Fund	\$ 952,481	\$ 1,340,333	\$ 2,074,270	\$ 2,243,541	\$ 2,799,198	\$ 2,622,365	\$ 2,709,243	\$ 3,007,708	\$ 3,361,174	\$ 3,276,938
All Other Governmental Funds										
Reserved	\$ 25,100									
Unreserved	479,936									
Restricted	-	\$ 527,067	\$ 395,582	\$ 205,571	\$ 105,572	\$ 1	\$ 1,449,548	\$ 238,240	\$ 68,753	
Assigned	-	-	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	\$ 505,036	\$ 527,067	\$ 395,582	\$ 205,571	\$ 105,572	\$ 1	\$ 1,449,548	\$ 238,240	\$ 68,753	\$ -

Source: District's Financial Records

Beginning with Fiscal Year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". The Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. This Statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Reclassification of prior year fund balance amounts to comply with Statement No. 54 is not required.

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

	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Tax Levy	\$ 17,278,431	\$ 17,879,069	\$ 17,467,474	\$ 17,379,532	\$ 17,279,173	\$ 17,605,773	\$ 18,039,590	\$ 18,836,642	\$ 19,410,542	\$ 20,109,261
Tuition Charges			60,449	55,710	80,660	68,300	57,350	71,800	80,838	58,900
Miscellaneous	59,527	151,414	124,034	102,333	149,275	399,814	81,410	125,562	180,627	119,743
State Sources	2,500,747	2,067,982	2,346,441	2,773,110	2,581,464	2,728,931	2,955,485	3,218,064	3,523,594	3,997,234
Federal Sources	543,179	312,189	344,012	295,071	285,223	289,775	311,940	384,803	361,261	384,371
Total Revenue	20,381,884	20,410,654	20,342,410	20,605,756	20,375,795	21,092,593	21,445,775	22,636,871	23,556,862	24,669,509
Expenditures										
Instruction										
Regular Instruction	7,254,801	7,221,167	7,176,330	7,521,613	7,280,961	7,557,356	7,270,858	7,642,298	8,304,763	8,324,111
Special Education Instruction	4,057,394	3,950,105	3,941,165	4,119,061	3,630,579	3,610,983	3,285,328	3,430,341	3,533,748	3,703,499
Other Instruction	529,406	685,326	648,958	513,508	714,168	715,642	807,384	983,824	1,042,562	1,362,673
School Sponsored Activities and Athletics	154,195	164,070	141,143	219,783	159,881	296,814	293,581	179,814	202,943	213,548
Support Services:										
Student and Inst. Related Services	2,138,540	1,976,767	2,036,949	2,250,534	2,419,480	2,828,558	3,556,406	3,439,956	3,238,844	3,329,225
General Administration	593,669	456,881	444,392	563,071	477,441	550,189	574,400	570,290	551,572	572,461
School Administrative Services	1,204,492	1,102,669	1,218,594	1,299,835	1,309,814	1,361,043	1,392,146	1,407,316	1,536,950	1,542,925
Central Services	448,692	437,197	392,091	349,967	341,037	397,838	384,379	385,078	401,887	413,966
Plant Operations And Maintenance	1,629,523	1,521,005	1,579,941	1,448,662	1,719,300	1,615,423	1,667,048	1,717,250	1,857,241	2,651,294
Pupil Transportation	1,009,733	1,037,967	1,028,368	1,124,733	1,065,476	1,121,141	1,143,650	1,160,734	1,332,420	1,315,997
Employee Benefits										
Capital Outlay	462,585	597,022	260,333	302,127	623,034	713,248	701,517	1,769,935	437,545	603,924
Debt Service										
Principal	535,000	620,000	680,000	728,000	485,000	500,000	587,462	728,152	794,656	758,750
Cost of Issuance		106,225								
Advance Refunding Escrow		124,310								
Interest and Other Charges	311,839	248,672	191,494	185,602	170,916	161,216	154,012	188,557	175,095	160,396
Total Expenditures	20,329,869	20,249,383	19,739,758	20,626,496	20,397,087	21,429,451	21,818,171	23,603,545	23,410,226	24,952,769
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	52,015	161,271	602,652	(20,740)	(21,292)	(336,858)	(372,396)	(966,674)	146,636	(283,260)

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

	2010		2011		2012		2013		Fiscal Year Ended June 30,		2014		2015		2016		2017		2018		2019	
Other Financing Sources (Uses)																						
Lease Proceeds																\$ 1,908,821	\$ 56,831	\$ 43,343	\$ 137,970			
Bond Proceeds				\$ 6,355,000																		
Premium on Bond Proceeds				22,412																		
Payment to Refunded Bond Escrow Agent				(6,129,000)																		
Capital Leases (Non-Budgeted)																						
Transfers In	\$ 2,078	260,722					\$ 48,377	\$ 576,950	\$ 160,024	395,480	1,243,968										68,753	
Transfers Out	(2,078)	(260,722)					(48,377)	(100,000)	(105,570)	(395,480)	(1,246,968)										(6,000)	(76,452)
Total Other Financing Sources (Uses)	-	248,412	-	-	-	-	-	476,950	54,454	1,908,821	53,831	37,343	130,271									
Net Change in Fund Balances	\$ 52,015	\$ 409,683	\$ 602,652	\$ (20,740)	\$ 455,658	\$ (282,404)	\$ 1,536,425	\$ (912,843)	\$ 183,979	\$ (152,989)												
Debt Service as a Percentage of																						
Noncapital Expenditures	4.26%	4.42%	4.47%	4.50%	3.32%	3.19%	3.51%	4.20%	4.22%	3.77%												

Source: District's Financial Records

* Noncapital expenditures are total expenditures less capital outlay.

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

<u>Fiscal Year Ended June 30,</u>	<u>Interest on Investments</u>	<u>Sale of Assets</u>	<u>Tuition</u>	<u>Prior Year Refunds</u>	<u>Transportation Fees</u>	<u>Cancel Prior Year Accounts Payable</u>	<u>E-Rate</u>	<u>New Jersey Clean Energy</u>	<u>Miscellaneous</u>	<u>Total</u>
2010	\$ 8,431								\$ 49,018	\$ 57,449
2011	2,333		\$ 41,573						26,954	70,860
2012		\$ 2,667	60,449	\$ 64,317					1,530	128,963
2013			55,710	27,792					27,915	111,417
2014			80,660	22,676	\$ 23,684		\$ 8,265		87,136	222,421
2015	3,879		68,300	19,268	16,253	\$ 126,830	4,978		82,735	322,243
2016	1,905		57,350	9,892	15,158		11,289		18,443	114,037
2017	2,294		71,800	9,774	6,668		13,020		33,948	137,504
2018	11,193	1,859	80,838	6,656			9,599	\$ 67,973	75,569	251,828
2019	21,916	11,238	58,900	14,392			9,599		39,067	143,874

Source: District's Financial Records

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

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate ^a
2010	\$ 22,852,400	\$ 1,417,254,300			\$ 820,763,797	\$ 200,142,200	\$ 224,300	\$ 2,461,236,997	\$ 2,037,625	\$ 2,463,274,622	\$ 4,044,758,170	\$ 0.714
2011	22,432,600	1,418,273,800			820,963,397	200,566,400		2,462,236,197	2,037,625	2,464,273,822	3,836,789,266	0.717
2012	21,921,200	1,418,233,400			821,059,097	200,816,300		2,462,029,997	2,045,837	2,464,075,834	3,412,374,787	0.708
2013	20,842,200	1,423,277,600			817,689,997	201,416,300		2,463,226,097	2,045,837	2,465,271,934	3,410,921,059	0.708
2014	20,748,400	1,424,081,700			884,469,197	202,322,900		2,531,622,197	2,045,837	2,533,668,034	3,538,256,041	0.689
2015	21,366,100	1,426,212,000			882,190,797	202,322,900		2,532,091,797	1,974,647	2,534,066,444	3,583,486,834	0.704
2016	20,188,000	1,434,708,400			880,470,597	202,072,900	320,900	2,537,760,797	1,974,647	2,539,735,444	3,381,426,778	0.726
2017	19,877,800	1,440,661,700			879,706,097	200,693,600	153,100	2,541,092,297	1,974,647	2,543,066,944	3,274,603,476	0.732
2018	20,196,800	1,444,642,100			875,268,277	199,799,700	153,100	2,540,059,977	7,669	2,540,067,646	3,312,113,675	0.778
2019	20,128,100	1,448,660,200			872,269,477	195,927,500	153,100	2,537,138,377	7,669	2,537,146,046	3,364,905,009	0.804

Source: County Abstract of Ratables

N/A - Information is not available.

^a Tax rates are per \$100

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
(Unaudited)
(rate per \$100 of assessed value)**

Assessment Year	Hanover Park Regional District	East Hanover School District	East Hanover Township	Morris County	Total
2010	\$ 0.420	\$ 0.714	\$ 0.559	\$ 0.377	\$ 2.070
2011	0.372	0.717	0.463	0.576	2.129
2012	0.428	0.708	0.569	0.370	2.075
2013	0.431	0.708	0.595	0.352	2.086
2014	0.448	0.689	0.609	0.348	2.094
2015	0.472	0.704	0.608	0.356	2.140
2016	0.471	0.726	0.631	0.343	2.171
2017	0.464	0.752	0.647	0.338	2.201
2018	0.466	0.778	0.689	0.342	2.275
2019	0.488	0.804	0.708	0.346	2.346

Source: County Abstract of Ratables

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

Taxpayer	2019		Taxpayer	2011	
	Taxable Assessed Value	% of Total District Net Assessed Value		Taxable Assessed Value	% of Total District Net Assessed Value
Novartis	\$ 415,030,700	16.36%	Novartis	353,910,100	14.37%
Mondelez Global LLC	61,987,600	2.44%	Kraft	71,962,600	2.92%
New Hanover LLC	23,900,000	0.94%	New Hanover LLC	24,917,000	1.01%
Givaudan Fragrances Corp	21,400,000	0.84%	Caste Ridge Plaza	22,000,000	0.89%
EH Route Ten Realty Corp	21,218,700	0.84%	Givaudan Fragrance	21,400,000	0.87%
Castle Ridge Plaza LLC	18,500,000	0.73%	Paradigm East Hanover LLC	21,303,497	0.86%
11 Mt. Pleasant Ave.	17,024,777	0.67%	Eagle Rock Executive	20,000,000	0.81%
Givaudan Flavors	16,000,000	0.63%	Givaudan Flavors	19,991,300	0.81%
Costco Wholesale Corp	13,920,000	0.55%	Eric Richard Company	15,500,000	0.63%
Eric Richard Company	13,880,000	0.55%	Costco Wholesale Corp	14,000,000	0.57%
	<u>\$ 622,861,777</u>	<u>24.55%</u>		<u>\$ 584,984,497</u>	<u>23.75%</u>

Source: Municipal Tax Assessor

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2010	\$ 17,278,431	\$ 17,278,431	100.00%	N/A
2011	17,879,069	17,879,069	100.00%	N/A
2012	17,467,474	17,467,474	100.00%	N/A
2013	17,379,532	17,379,532	100.00%	N/A
2014	17,279,173	17,279,173	100.00%	N/A
2015	17,605,773	17,605,773	100.00%	N/A
2016	18,039,590	18,039,590	100.00%	N/A
2017	18,836,642	18,836,642	100.00%	N/A
2018	19,410,542	19,410,542	100.00%	N/A
2019	20,109,261	20,109,261	100.00%	N/A

Source: District Financial Records

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

Fiscal Year Ended June 30,	Governmental Activities		Total District	Population	Per Capita
	General Obligation Bonds	Capital/Lease Agreements			
2010	\$ 7,177,000		\$ 7,177,000	73,918	\$ 97
2011	6,783,000		6,783,000	76,573	89
2012	6,103,000		6,103,000	79,481	77
2013	5,375,000		5,375,000	80,358	67
2014	4,890,000		4,890,000	83,626	58
2015	4,390,000	\$ 74,045	4,464,045	87,505	51
2016	3,885,000	1,900,404	5,785,404	89,653	65
2017	3,365,000	1,749,083	5,114,083	94,259	54
2018	2,825,000	1,537,770	4,362,770	94,259	Est. 46
2019	2,265,000	1,476,990	3,741,990	97,896	Est. 38

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

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

<u>General Bonded Debt Outstanding</u>					
Fiscal Year Ended June 30,	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
2010	\$ 7,177,000		\$ 7,177,000	0.29%	\$ 97
2011	6,783,000		6,783,000	0.28%	89
2012	6,103,000		6,103,000	0.25%	77
2013	5,375,000		5,375,000	0.22%	67
2014	4,890,000		4,890,000	0.19%	58
2015	4,390,000		4,390,000	0.17%	50
2016	3,885,000		3,885,000	0.15%	43
2017	3,365,000		3,365,000	0.13%	36
2018	2,825,000		2,825,000	0.11%	30
2019	2,265,000		2,265,000	0.09%	23

Source: District Financial Records and Abstract of Ratables

Notes:

a See Exhibit J-6 for property tax data.

b See Exhibit J-14 for population data.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
DECEMBER 31, 2018
(Unaudited)**

	<u>Total Debt</u>
Municipal Debt: (1)	
East Hanover Township Board of Education	\$ 2,825,000
Regional High School - Township's Share	6,043,316
Township of East Hanover	<u>30,148,339</u>
	39,016,655
Overlapping Debt Apportioned to the Municipality:	
Morris County:	
County of Morris (A)	<u>12,759,609</u>
Total Direct and Overlapping Debt	<u><u>\$ 51,776,264</u></u>

Source:

(1) Township's 2018 Annual Debt Statement

(A) The debt for this entity was apportioned to East Hanover by dividing the municipality's 2018 equalized value by the total 2018 equalized value for Morris County.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
LEGAL DEBT MARGIN INFORMATION
LAST TEN CALENDAR YEARS
(Unaudited)**

Legal Debt Margin Calculation for Calendar Year 2018

Equalized Valuation Basis	
2018	\$ 3,368,779,810
2017	3,313,459,769
2016	3,270,310,305
	<u>\$ 9,952,549,884</u>
 Average Equalized Valuation Of Taxable Property	 <u>\$ 3,317,516,628</u>
 Debt Limit (3% of Average	 \$ 99,525,499
Total Net Debt Applicable to Limit	<u>2,825,000</u>
 Legal Debt Margin	 <u>\$ 96,700,499</u>

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Debt Limit	\$ 113,820,788	\$ 115,655,910	\$ 115,255,469	\$ 108,989,593	\$ 105,301,995	\$ 104,347,483	\$ 103,990,799	\$ 102,270,057	\$ 99,576,432	\$ 99,525,499
Total Net Debt Applicable To Limit	<u>7,177,000</u>	<u>6,783,000</u>	<u>6,103,000</u>	<u>5,375,000</u>	<u>4,890,000</u>	<u>4,390,000</u>	<u>4,390,000</u>	<u>3,885,000</u>	<u>3,365,000</u>	<u>2,825,000</u>
Legal Debt Margin	<u>\$ 106,643,788</u>	<u>\$ 108,872,910</u>	<u>\$ 109,152,469</u>	<u>\$ 103,614,593</u>	<u>\$ 100,411,995</u>	<u>\$ 99,957,483</u>	<u>\$ 99,600,799</u>	<u>\$ 98,385,057</u>	<u>\$ 96,211,432</u>	<u>\$ 96,700,499</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	6.31%	5.86%	5.30%	4.93%	4.64%	4.21%	4.22%	3.80%	3.38%	2.84%

Source: Annual Debt Statements

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

<u>Year</u>	<u>Population</u> *	<u>County Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2009	11,372	\$ 70,184	7.2%
2010	11,168	73,918	7.3%
2011	11,216	76,573	7.1%
2012	11,242	79,481	7.4%
2013	11,252	80,358	6.4%
2014	11,242	83,626	5.2%
2015	11,245	87,505	4.1%
2016	11,238	89,653	4.0%
2017	11,234	94,259	4.0%
2018	11,054	94,259 *	4.0%

Source: New Jersey State Department of Education

*- Estimated

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

<u>Employer</u>	<u>2019</u>		<u>2010</u>	
	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>

INFORMATION NOT AVAILABLE

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

<u>Function/Program</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Instruction										
Regular			66.0	64.8	65.5	64.0	63.5	67	71.5	71.7
Special Education			41.2	62.0	44.0	40.7	32.3	32	27.2	27.0
Other Special Education										
Vocational										
Other Instruction			4.8	5.0	5.0	6.9	7	7	6.2	10.3
Nonpublic School Programs										
Adult/Continuing Education Programs										
Support Services:										
Student and Instruction Related Services			17.6	15.9	17.0	28.3	38.6	32	28.3	25.3
General Administration			2.1	2.0	2.0	2.0	2.1	2	2.0	2.0
School Administrative Services			10.5	11.5	10.5	10.5	10.5	11	11.0	11.0
Other Administrative Services								-		
Central Services			3.0	3.0	3.5	3.5	3.5	4	3.5	3.5
Administrative Information Technology										
Plant Operations And Maintenance			17.7	27.5	25.5	26.5	18.6	19	19.0	19.0
Pupil Transportation			4.6	7.5	6.1	6.5	6.2	8	8.3	6.3
Other Support Services										
Special Schools										
Food Service										
Child Care	-	-	-	-	-	-	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>167.5</u>	<u>199.2</u>	<u>179.1</u>	<u>188.9</u>	<u>182.3</u>	<u>180.5</u>	<u>177.0</u>	<u>176.1</u>

Source: District Personnel Records

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

Fiscal Year	Enrollment ^a	Operating Expenditures ^b	Cost Per Pupil ^c	Percentage Change	Pupil/Teacher Ratio			Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
					Teaching Staff	Elementary	Middle School				
2010	1,149	\$ 19,020,445	\$ 16,554	1.43%	N/A	N/A	N/A	1,149	1,108	-0.09%	96.43%
2011	1,118	18,553,154	16,595	0.25%	N/A	N/A	N/A	1,118	1,008	-2.70%	90.16%
2012	1,114	18,607,931	16,704	0.66%	N/A	N/A	N/A	1,112	1,072	-0.54%	96.40%
2013	1,053	19,410,767	18,434	10.36%	01:10.7	01:12.3	01:08.8	1,082	1,036	-2.70%	95.75%
2014	1,015	19,118,137	18,836	2.18%	01:10.3	01:11.1	01:09.1	1,021	980	-5.64%	95.98%
2015	997	20,054,987	20,115	6.79%	01:10.2	01:11.0	01:09.1	997	956	-2.35%	95.89%
2016	968	20,375,180	21,049	4.64%	01:09.9	01:10.5	01:09.0	969	930	-2.81%	95.98%
2017	973	20,916,901	21,497	2.13%	01:09.9	01:10.6	01:08.9	973	932	0.41%	95.79%
2018	933	22,002,930	23,583	9.70%	01:09.7	01:10.4	01:08.6	931	890	-4.32%	95.60%
2019	900	23,429,699	26,033	10.39%	01:09.3	01:10.3	01:07.6	901	864	-3.22%	95.89%

Sources: District Financial Records and Personnel Records

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

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<u>District Building</u>										
<u>Elementary</u>										
Central School										
Square Feet	58,328	58,328	58,328	58,328	58,328	58,328	58,328	58,328	58,328	43,726
Capacity (students)			374	374	374	374	374	374	374	374
Enrollment	394	394	364	364	329	316	302	297	284	290
Frank J. Smith School										
Square Feet	39,197	39,197	39,197	39,197	39,197	39,197	39,197	39,197	39,197	40,750
Capacity (students)			425	425	425	425	425	425	425	425
Enrollment	344	344	351	351	316	313	304	329	320	326
<u>Middle School</u>										
Square Feet	60,502	60,502	60,502	60,502	60,502	60,502	60,502	60,502	60,502	75,640
Capacity (students)			383	383	383	383	383	383	383	383
Enrollment	384	384	399	399	370	368	362	347	327	290
<u>Other</u>										
Board of Education Offices										
Square Feet	7,083	7,083	7,083	7,083	7,083	7,083	7,083	7,083	7,083	7,083

Number of Schools at June 30, 2019

- Elementary = 2
- Middle School = 1
- Other = 1

Source: District Records

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

	<u>Project # (s)</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
School Facilities											
Frank J. Smith School	N/A	\$ 59,770	\$ 55,823	\$ 74,073	\$ 66,961	\$ 117,630	\$ 93,918	\$ 120,734	\$ 98,274	114,180	163,269
Central School	N/A	104,599	97,692	110,167	100,720	140,030	139,756	167,192	141,361	169,909	175,193
Middle School	N/A	119,241	111,368	114,248	105,971	181,566	154,586	173,424	151,689	176,241	234,816
Administration Building	N/A	<u>14,949</u>	<u>13,964</u>	<u>15,379</u>	<u>14,060</u>	<u>21,256</u>	<u>16,971</u>	<u>20,303</u>	<u>17,758</u>	<u>20,633</u>	<u>28,379</u>
Total School Facilities		<u>\$ 298,559</u>	<u>\$ 278,847</u>	<u>\$ 313,867</u>	<u>\$ 287,712</u>	<u>\$ 460,482</u>	<u>\$ 405,231</u>	<u>\$ 481,653</u>	<u>\$ 409,082</u>	<u>\$ 480,963</u>	<u>\$ 601,657</u>

Source: District Records

Note:

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

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
INSURANCE SCHEDULE
JUNE 30, 2019
(Unaudited)

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - NJSBAIG		
Property:		
Real & Personal Property	\$ 500,000,000	\$ 5,000
Extra Expense (Per Occurrence)	50,000,000	5,000
Valuable Papers and Records (Per Occurrence)	10,000,000	5,000
Demolition and Increased Construction (Per Occurrence)	25,000,000	
Equipment Breakdown	100,000,000	1,000
Accounts Receivable (Per Occurrence)	250,000	
Pollutant Cleanup and Removal (Per Occurrence)	250,000	
Arson Reward & Fire Department Service Charge (Per Occurrence)	10,000	
Limited Builders Risk	10,000,000	
Fire Dept. Service Charge	10,000	
Per Occurrence/ Annual Aggregate:		
All Flood Zones	75,000,000	10,000
Special Flood Zones	25,000,000	500,000
Earthquakes	50,000,000	
Terrorism	1,000,000	
Comprehensive General Liability	16,000,000	1,000
Comprehensive Automotive Liability	16,000,000	1,000
Workers' Compensation - NJSIG		
Professional & Clerical	10,787,584	
No-Professional	910,152	
School Board Legal Liability - NJSIG		
Director's and Officer's Policy	15,000,000	5,000
Public Employees' Faithful Performance Blanket		
Position Bond:		
NJSIG		
Board Secretary/School Business Administrator	250,000	1,000
Treasurer	225,000	1,000
General Employees	250,000	1,000
Theft, Forgery, Computer Fraud	25,000 Ea	500
Electric Data Processing		
Data Processing Equipment	315,126	1000
Computer Virus	250,000	1000

Source: District records

SINGLE AUDIT SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-1

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

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
MARK SACO, CPA
SHERYL M. LEIDIG, CPA, PSA
ROBERT LERCH, CPA
CHRIS SOHN, CPA

**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 AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
East Hanover Township Board of Education
East Hanover, 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 audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the East Hanover Township Board of Education as of and for the fiscal year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the East Hanover Township Board of Education's basic financial statements and have issued our report thereon dated October 30, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the East Hanover Township Board of Education'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 East Hanover Township Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the East Hanover Township Board of Education's internal control.

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

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

Compliance and Other Matters

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

However, we noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the East Hanover Township Board of Education in a separate report entitled, "Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance" dated October 30, 2019.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the East Hanover Township Board of Education'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 East Hanover Township Board of Education's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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



Paul I. Lerch
Public School Accountant
PSA Number CS01118

Fair Lawn, New Jersey
October 30, 2019



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-2

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
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ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
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MARK SACO, CPA
SHERYL M. LEIDIG, CPA, PSA
ROBERT LERCH, CPA
CHRIS SOHN, CPA

**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON THE SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE AS REQUIRED BY NEW JERSEY OMB CIRCULAR 15-08**

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major State Program

We have audited the East Hanover Township Board of Education's compliance with the types of compliance requirements described in the New Jersey OMB Circular 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the East Hanover Township Board of Education's major state programs for the fiscal year ended June 30, 2019. The East Hanover Township Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the East Hanover Township Board of Education'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; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, U.S. Uniform Guidance and New Jersey Circular 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 East Hanover Township Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the East Hanover Township Board of Education 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, 2019.

Report on Internal Control Over Compliance

Management of the East Hanover Township Board of Education 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 East Hanover Township Board of Education'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 New Jersey OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the East Hanover Township Board of Education'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 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 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 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.

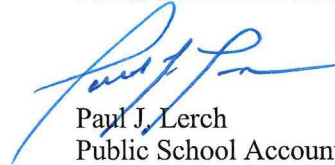
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 15-08

We have audited the financial statements of the East Hanover Township Board of Education, as of and for the fiscal year ended June 30, 2019 and have issued our report thereon dated October 30, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.



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



Paul J. Lerch
Public School Accountant
PSA Number CS01118

Fair Lawn, New Jersey
October 30, 2019

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Federal/Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal FAIN Number	Grant Period	Award Amount	Balance July 1, 2018	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustment	Refund of Prior Years' Balances	Balance, June 30, 2019			Memo Only GAAP Receivable
											(Account Receivable)	Unearned Revenue	Due to Grantor	
Special Revenue Fund:														
U.S. Department of Education														
Passed-through State Department of Education														
ESEA														
Title I	84.010A	S010A180030	7/1/18-6/30/19	\$ 117,554	-	\$ 38,101	\$ 73,208	\$ 108,190			\$ (44,346)	\$ 47,465		\$ (10,187)
Title I, Carryover	84.010A	S010A170030	7/1/17-6/30/18	117,279	(515)	(38,101)	25,310				(13,306)			
Title I, Carryover	84.010A	S010A160030	7/1/16-6/30/17	109,331	-						(7,436)	7,436		
Title II A	84.367A	S367A180029	7/1/18-6/30/19	18,255	-		17,085	17,085			(1,170)	1,170		
Title II A, Carryover	84.367A	S367A170029	7/1/17-6/30/18	27,433	-						(7,660)	7,660		
Title IV	84.424	S424A180031	7/1/18-6/30/19	10,000	-	5,694	1,902	7,886			(8,098)	7,808		(290)
Title IV Carryover	84.424	S424A180031	7/1/17-6/30/18	10,000	-	(5,694)	4,370				(1,324)			(1,324)
I.D.E.I.A Part B, Basic	83.027	H027A180100	7/1/18-6/30/19	223,929	-	13,344	228,930	237,273				5,001		-
I.D.E.I.A Part B, Basic, Carryover	83.027	H027A170100	7/1/17-6/30/18	227,188	11,153	(13,344)	2,191	-						-
I.D.E.I.A Preschool	84-173	H173A180114	7/1/18-6/30/19	13,937	-	-	12,072	13,937			(1,865)	-		(1,865)
Total IDEA Cluster								251,210						
Total Special Revenue Fund					10,638	-	365,068	384,371	-	-	(85,205)	76,540	-	(13,666)
Total Federal Awards				\$ 10,638	\$ -	\$ 365,068	\$ 384,371	\$ -	\$ -	\$ (85,205)	\$ 76,540	\$ -	\$ (13,666)	

Note: This schedule is not subject to a single audit in accordance with the U.S. Uniform Guidance.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance, July 1, 2018	Carryover Amount	Cash Received	Budgetary Expenditures	Refund of Prior Years'		Balance, June 30, 2019			Memo	
								Balances	Adjustment	(Accounts Receivable)	Unearned Revenue	Due to Grantor	GAAP Receivable	Cumulative Total Expenditures
State Department of Education														
General Fund:														
Special Education Aid	19-495-034-5120-089	7/1/18-6/30/19	\$ 593,490			\$ 538,666	\$ 593,490					\$ (54,824)		\$ 593,490
Special Education Aid	18-495-034-5120-089	7/1/17-6/30/18	593,490	\$ (55,177)		55,177								
Security Aid	19-495-034-5120-084	7/1/18-6/30/19	17,287			15,825	17,287					(1,462)		17,287
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	17,287	(1,298)		1,298								-
Professional Learning Community Aid	18-495-034-5120-101	7/1/17-6/30/18	8,820	(649)		649								-
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	9,370	(649)		649								-
PARCC Readiness Aid	18-495-034-5120-098	7/1/17-6/30/18	9,370	(649)		649								-
Total State Aid Public Cluster							610,777							
Transportation Aid	19-495-034-5120-014	7/1/18-6/30/19	178,676			161,863	178,676					(16,813)		178,676
Transportation Aid	18-495-034-5120-014	7/1/17-6/30/18	68,923	(6,492)		6,492								-
Nonpublic School Transportation Aid	19-495-034-5120-014	7/1/18-6/30/19	18,546				18,546					(18,546)	\$ (18,546)	18,546
Nonpublic School Transportation Aid	18-495-034-5120-014	7/1/17-6/30/18	24,070	(24,070)		24,070								-
Total Transportation Aid Cluster							197,222							
Extraordinary Aid	19-100-034-5120-044	7/1/18-6/30/19	260,267				260,267					(260,267)		260,267
Extraordinary Aid	18-100-034-5120-044	7/1/17-6/30/18	228,099	(228,099)		228,099								-
Reimbursed TPAF Social Security Contribution	19-495-034-5094-003	7/1/18-6/30/19	620,962			620,962	620,962							620,962
On-Behalf TPAF Pension Contribution	19-495-034-5094-002	7/1/18-6/30/19	1,580,847			1,580,847	1,580,847							1,580,847
On-Behalf TPAF Pension Contribution - NCGI	19-495-034-5094-004	7/1/18-6/30/19	33,091			33,091	33,091							33,091
On-Behalf TPAF Post Retirement Medical Contribution	19-495-034-5094-001	7/1/18-6/30/19	732,080			732,080	732,080							732,080
On-Behalf Long-Term Disability	19-495-034-5094-004	7/1/18-6/30/19	2,341	-	-	2,341	2,341	-	-	-	-	-	-	2,341
Total On-Behalf Contributions							2,969,321							
Total General Fund				(317,083)	-	4,002,758	4,037,587	-	-	(351,912)	-	-	(18,546)	4,037,587
Total State Financial Assistance Subject to Single Audit				\$ (317,083)	\$ -	\$ 4,002,758	\$ 4,037,587	\$ -	\$ -	\$ (351,912)	\$ -	\$ -	\$ (18,546)	\$ 4,037,587
Less: Amounts not Utilized in Single Audit and Major Program Determination On-Behalf TPAF Pension							<u>2,348,359</u>							
Total State Financial Assistance Subject to Major Program Determination							\$ 1,689,228							

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 GENERAL

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

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are prepared and presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Notes 1(C) to the Board's financial statements. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (U.S. Uniform Guidance) and New Jersey OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Therefore, some amounts presented in these schedules may differ from the amounts presented in, or used in the preparation of, the financial statements.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is a decrease of \$40,353 for the general fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 3,997,234	\$ 3,997,234
Special Revenue Fund	\$ 384,371	-	384,371
Total Financial Assistance	<u>\$ 384,371</u>	<u>\$ 3,997,234</u>	<u>\$ 4,381,605</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5 OTHER INFORMATION

TPAF Social Security contributions in the amount of \$620,962 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2019. The amount reported as TPAF Pension System Contributions in the amount of \$1,613,938, TPAF Post-Retirement Medical Benefits Contributions in the amount of \$732,080 and TPAF Long-Term Disability Insurance in the amount of \$2,341 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2019.

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

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

NOTE 7 DE MINIMIS INDIRECT COST RATE

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

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Part I – Summary of Auditor’s Results

Financial Statement Section

Type of auditor's report issued:	<u>Unmodified</u>	
Internal control over financial reporting:		
1) Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
2) Were significant deficiency(ies) identified that were not considered to be material weaknesses?	<u> </u> yes	<u> X </u> none reported
Noncompliance material to the basic financial statements noted?	<u> </u> yes	<u> X </u> no

Federal Awards Section- Not Applicable

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Part I – Summary of Auditor’s Results

State Awards Section

Dollar threshold used to distinguish between Type A and Type B Programs \$ 750,000

Auditee qualified as low-risk auditee? X yes no

Internal Control over compliance:

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

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

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

Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 15-08, as amended? yes X none

Identification of major programs:

<u>State Grant/Project Number (s)</u>	<u>Name of State Program</u>
<u>495-034-5094-003</u>	<u>Reimbursable TPAF Social Security</u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>
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**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Part 2 - Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements in accordance with Government Auditing Standards.

THERE ARE NONE.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by Uniform Guidance and New Jersey OMB's Circular 15-08.

CURRENT YEAR FEDERAL AWARDS

NOT APPLICABLE

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

CURRENT YEAR STATE AWARDS

THERE ARE NONE.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

STATUS OF PRIOR YEAR FINDINGS

There were none.