

SCHOOL DISTRICT
OF
HANOVER TOWNSHIP

Hanover Township School District
Hanover, New Jersey

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2019

Comprehensive Annual Financial Report

of the

Hanover Township School District

Hanover, New Jersey

For the Fiscal Year Ended June 30, 2019

Prepared by

Hanover Township Board of Education

Finance Department

HANOVER TOWNSHIP SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2019

INTRODUCTORY SECTION (UNAUDITED)

Letter of Transmittal.....	1
Organizational Chart	6
Roster of Officials	7
Consultants and Advisors	8

FINANCIAL SECTION.....9

Independent Auditors' Report	10
------------------------------------	----

Required Supplementary Information	13
Management's Discussion and Analysis (Unaudited)	14

Basic Financial Statements (Sections A. and B.)	22
---	----

A. District-Wide Financial Statements	23
A-1 Statement of Net Position.....	24
A-2 Statement of Activities	25

B. Fund Financial Statements	27
B-1 Balance Sheet – Governmental Funds	28
B-2 Statement of Revenue, Expenditures and Changes in Fund Balance – Governmental Funds	29
B-3 Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	31
B-4 Statement of Net Position – Proprietary Funds	33
B-5 Statement of Revenue, Expenses and Changes in Fund Net Position – Proprietary Funds.....	34
B-6 Statement of Cash Flows – Proprietary Funds	35
B-7 Statement of Fiduciary Net Position – Fiduciary Funds	36
B-8 Statement of Changes in Fiduciary Net Position – Fiduciary Funds.....	37

Notes to the Basic Financial Statements.....	38
--	----

Required Supplementary Information (Unaudited).....	76
---	----

L. Schedules Related to Accounting and Reporting for Pensions and Postemployment Benefits Other than Pensions (Unaudited)	77
L-1 Schedule of District's Proportionate Share of the Net Pension Liability – Public Employees Retirement System	77
L-2 Schedule of District Contributions – Public Employees Retirement System.....	78
L-3 Schedule of State's Proportionate Share of the Net Pension Liability Attributable to the District – Teachers' Pension and Annuity Fund	79
L-4 Schedule of State Contributions – Teachers' Pension and Annuity Fund.....	80
L-5 Schedule of Changes in the State's Proportionate Share of the Total OPEB Liability Associated with the District and Related Ratios	81
Notes to Required Supplementary Information	82

HANOVER TOWNSHIP SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

FINANCIAL SECTION (Cont'd)

Required Supplementary Information (Unaudited) (Cont'd)

C. Budgetary Comparison Schedules (Unaudited).....	85
C-1 Budgetary Comparison Schedule - General Fund.....	86
C-2 Budgetary Comparison Schedule - Special Revenue Fund.....	99
C-3 Budgetary Comparison Schedule – Note to Required Supplementary Information	100

Other Supplementary Schedules (D.-I.)

D. School Level Schedules (Not Applicable)	101
E. Special Revenue Fund.....	102
E-1 Combining Schedule of Revenue and Expenditures Special Revenue Fund – Budgetary Basis.....	103
E-2 Preschool Education Aid Schedule of Expenditures – Budgetary Basis (Not Applicable)	
F. Capital Projects Fund (Not Applicable).....	105
G. Proprietary Funds.....	106
G-1 Combining Statement of Net Position.....	107
G-2 Combining Statement of Revenue, Expenses and Changes in Fund Net Position.....	108
G-3 Combining Statement of Cash Flows.....	109
H. Fiduciary Funds	110
H-1 Combining Statement of Fiduciary Net Position	111
H-2 Combining Statement of Changes in Fiduciary Net Position.....	112
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements.....	113
H-4 Student Activity Agency Fund Statement of Activity.....	114
H-5 Payroll Agency Fund Schedule of Receipts and Disbursements.....	115
I. Long-Term Debt	116
I-1 Schedule of Serial Bonds	117
I-2 Schedule of Obligations Under Capital Leases	118
I-3 Debt Service Fund Budgetary Comparison Schedule	119

HANOVER TOWNSHIP SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

J.	STATISTICAL SECTION (Unaudited)	120
J-1	Net Position by Component	121
J-2	Changes in Net Position	122
J-3	Fund Balances – Governmental Funds.....	124
J-4	Changes in Fund Balances – Governmental Funds.....	125
J-5	General Fund Other Local Revenue by Source.....	127
J-6	Assessed Value and Actual Value of Taxable Property.....	128
J-7	Direct and Overlapping Property Tax Rates	129
J-8	Principal Property Taxpayers.....	130
J-9	Property Tax Levies and Collections	131
J-10	Ratios of Outstanding Debt by Type.....	132
J-11	Ratios of Net General Bonded Debt Outstanding	133
J-12	Ratios of Overlapping Governmental Activities Debt	134
J-13	Legal Debt Margin Information	135
J-14	Demographic and Economic Statistics.....	136
J-15	Principal Employers	137
J-16	Full-Time Equivalent District Employees by Function/Program.....	138
J-17	Operating Statistics	139
J-18	School Building Information.....	140
J-19	Schedule of Required Maintenance for School Facilities	141
J-20	Insurance Schedule.....	142
K.	SINGLE AUDIT SECTION	144
K-1	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	145
K-2	Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance	147
K-3	Schedule of Expenditures of Federal Awards	149
K-4	Schedule of Expenditures State Awards	150
K-5	Notes to the Schedules of Federal and State Awards.....	152
K-6	Schedule of Findings and Questioned Costs	154
K-7	Summary Schedule of Prior Audit Findings	156

INTRODUCTORY SECTION

Hanover Township Public Schools

61 Highland Avenue
Whippany, New Jersey 07981-1399

Vanessa M. Wolsky
School Business Administrator/Board Secretary

973-515-2407
FAX 973-540-1023

November 8, 2019

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

Dear Board Members:

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

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the Independent Auditors' Report, management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected economic and demographic information, financial trends, and the fiscal capacity of the District, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey's OMB Circular 15-08, "*Single Audit Policy for recipients of Federal Grants, State Grants and State Aid.*" Information related to this single audit, including the auditors' reports on internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

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

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

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

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

The District provides a full range of educational services appropriate to grade levels K through 8 for the students residing in Hanover Township. These include programs for regular, gifted and talented and special education students. The District completed the 2018-19 fiscal year with an average daily enrollment of 1,377 students, which is a decrease of 73 students from the previous year's enrollment.

Elementary School (K-5)

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

Middle School (6-8)

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

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

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

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

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

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

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

3) MAJOR INITIATIVES: During the 2018-2019 school year the Board of Education and administration in consultation with parents and faculty established and accomplished or made significant progress towards four district wide goals.

DISTRICT GOALS FOR THE 2019-2020 SCHOOL YEAR

1. Enhance district security through personnel, staff training, and infrastructure improvements.
2. Fully implement the use of Fountas & Pinnell Benchmark Reading Assessments in grades K-2 and plan for the implementation of the Fountas & Pinnell benchmark reading program in grades 3-5 during the 2020-2021 school year.
3. Enhance Digital learning experiences of Hanover Township students based on 2 areas identified via the Future Ready Schools Audit process (District Coding and Cart-to-Classroom Chromebook Initiatives).
4. Develop a plan to meet the educational needs of a changing student population (curriculum, staffing, facilities, transportation, etc.).

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as restrictions, commitments or assignments of fund balance at June 30, 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 Basic Financial Statements", Note 1.

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

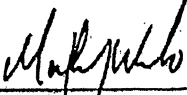
8) RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. A schedule of insurance coverage is found on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

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

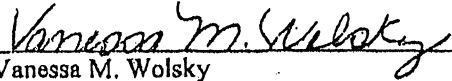
The Honorable President and Members of the Board of Education
Hanover Township School District
Page 5
November 8, 2019

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

Respectfully submitted,



Michael Wasko
Superintendent



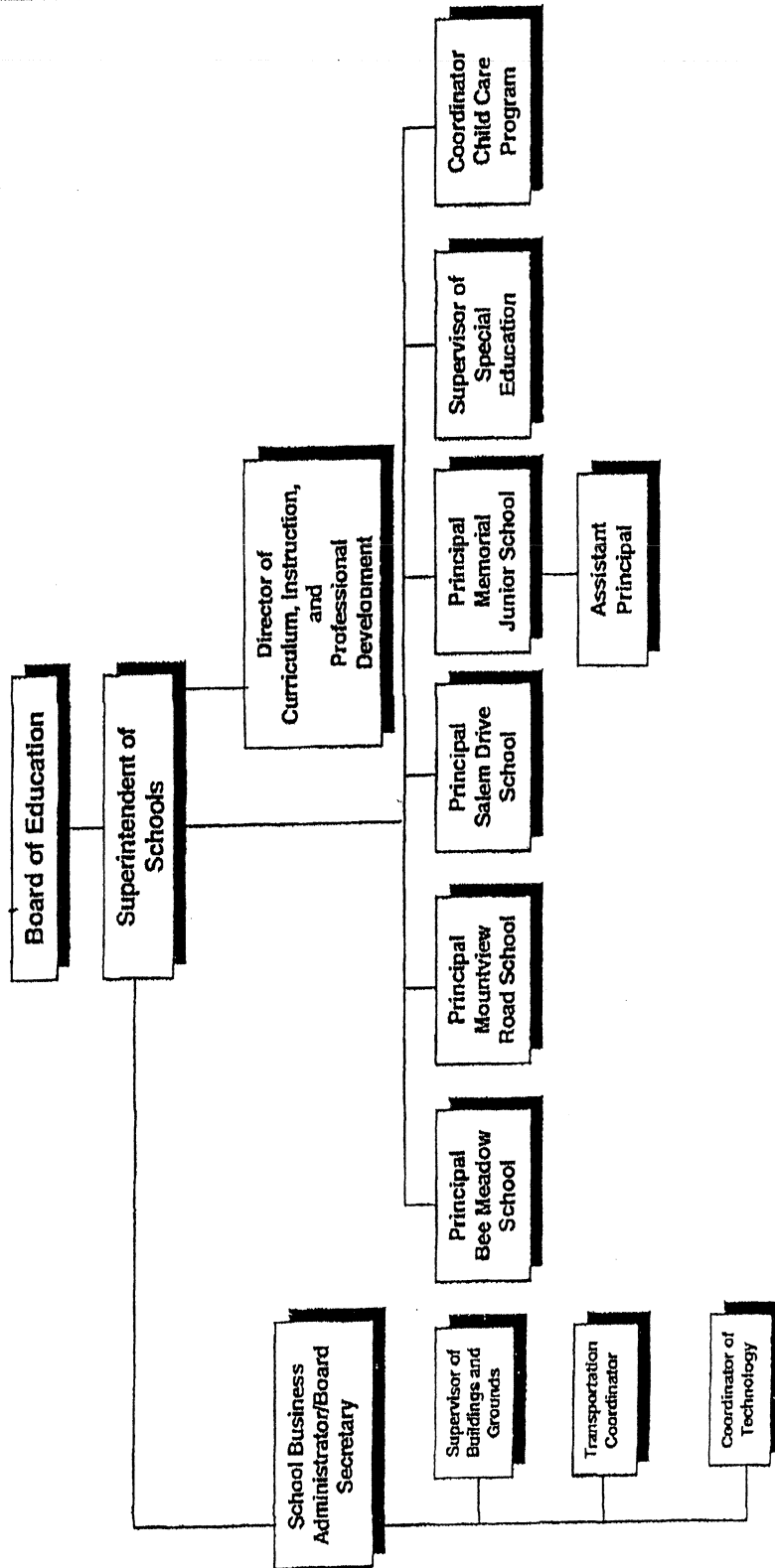
Vanessa M. Wolsky
School Business Administrator/Board Secretary

POLICY

HANOVER TOWNSHIP BOARD OF EDUCATION

ADMINISTRATION
1110/Page 1 of 1
Organizational Chart

1110 ORGANIZATIONAL CHART



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

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

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

**HANOVER TOWNSHIP SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2019**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Carol Tognetti , President	2021
Salvatore A. Azzarello, Vice President	2020
Daniel J. Breen	2019
Stephen E. Furda	2019
Patricia Mattia	2019
Douglas J. Petty	2021
Susan Shannon	2021
Gina Marie Winkler	2020
Glenn P. Yannotta	2020

Other Officers

Title

Michael Wasko	Superintendent of Schools
Vanessa M. Wolsky	School Business Administrator/Board Secretary

HANOVER TOWNSHIP SCHOOL DISTRICT

Consultants and Advisors

Architect

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

Audit Firm

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

Attorneys

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

Insurance Advisors

Burton Agency, Inc.
44 Bergen Street
Westwood, NJ 07675

Official Depository

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

FINANCIAL SECTION

Independent Auditors' Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Hanover Township School District, in the County of Morris, as of June 30, 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, which follows this report, the pension and post-employment benefits schedules in Exhibits L-1 through L-5 and the related notes and the budgetary comparison information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

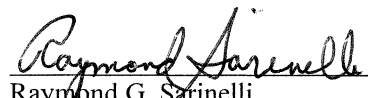
The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 District'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 District's internal control over financial reporting and compliance

November 8, 2019
Mount Arlington, New Jersey

NISIVOCIA LLP


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

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

Management Discussion and Analysis (Unaudited)

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

Overview of the Financial Statements

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

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

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

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

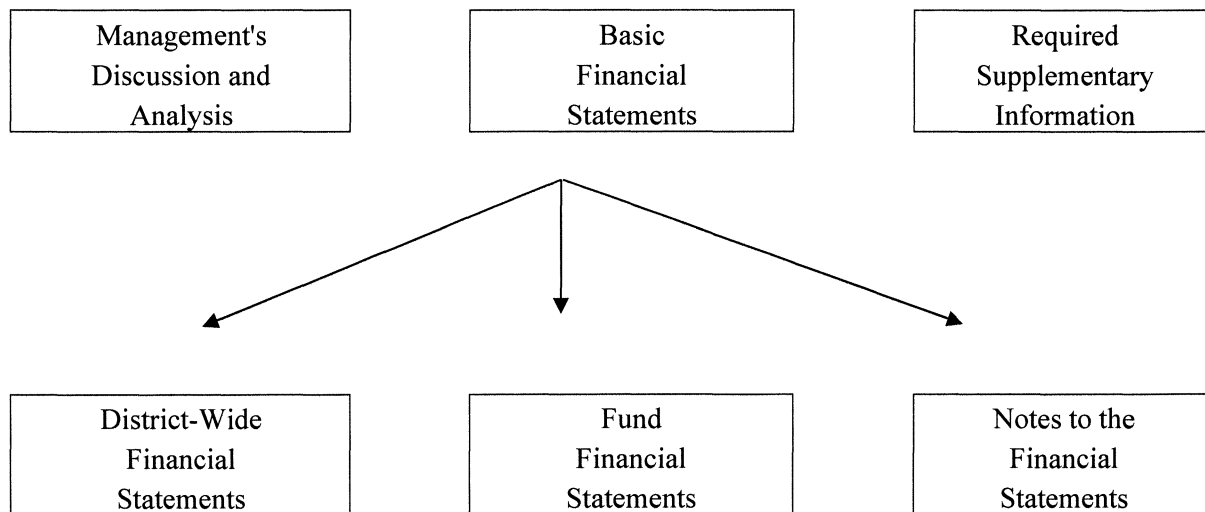


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights that structure and contents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

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

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

District-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

Financial Analysis of the District as a Whole

Net Position. The Statement of Net Position provides one perspective of the District as a whole. Figure A-3 provides a summary of the District's net position as of June 30, 2018 and 2019. The District's *combined* net position increased by \$237,069. Net position from governmental activities increased by \$161,811 and net position from business-type activities increased by \$75,258. Net investment in capital assets decreased by \$163,565, restricted net position increased by \$104,607, and unrestricted net position increased by \$296,027.

Figure A-3

Condensed Statement of Net Position

	Government Activities		Business-Type Activities		Total School District		Percentage
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	Change 2018/19
Current and							
Other Assets	\$ 2,608,641	\$ 3,073,163	\$ 956,668	\$ 1,051,210	\$ 3,565,309	\$ 4,124,373	
Capital Assets, Net	17,081,029	16,351,677			17,081,029	16,351,677	
Total Assets	19,689,670	19,424,840	956,668	1,051,210	20,646,338	20,476,050	-0.82%
Deferred Outflows of Resources	3,368,830	2,400,193			3,368,830	2,400,193	-28.75%
Other Liabilities	1,352,823	1,509,784	191,496	210,780	1,544,319	1,720,564	
Long-Term Liabilities							
Outstanding	15,991,525	13,421,882			15,991,525	13,421,882	
Total Liabilities	17,344,348	14,931,666	191,496	210,780	17,535,844	15,142,446	-13.65%
Deferred Inflows of Resources	2,592,148	3,609,552			2,592,148	3,609,552	39.25%
Net Position:							
Net Investment in							
Capital Assets	13,888,447	13,724,882			13,888,447	13,724,882	
Restricted	682,945	787,552			682,945	787,552	
Unrestricted/(Deficit)	(11,449,388)	(11,228,619)	765,172	840,430	(10,684,216)	(10,388,189)	
Total Net Position	\$ 3,122,004	\$ 3,283,815	\$ 765,172	\$ 840,430	\$ 3,887,176	\$ 4,124,245	6.10%

Changes in Net Position. The District's *combined* net position was \$4,124,245 on June 30, 2019, \$237,069 or 6.10% more than it was the year before. (See Figure A-3). Net investment in capital assets decreased by \$163,565 due to depreciation expense offset by reductions in bond and lease debt and capital additions. Restricted net position increased by \$104,607 due to the increase in the Capital Reserve account. Unrestricted net position increased by \$296,027 due primarily to the net increase in year-end encumbrances and the decrease in net pension liability, offset by the net increase in pension related deferred inflows and outflows.

Figure A-4

Changes in Net Position from Operating Results

	Governmental Activities		Business-Type Activities		Total School District		Percentage
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	Change
							2018/19
Revenue:							
Program Revenue:							
Charges for Services		\$ 32,900	\$ 1,091,374	\$ 1,062,151	\$ 1,091,374	\$ 1,095,051	
Operating Grants and Contributions	\$ 10,971,490	8,858,968	11,668	8,871	10,983,158	8,867,839	
General Revenue:							
Property Taxes	25,554,621	26,514,564			25,554,621	26,514,564	
Unrestricted State Aid	364,902	404,763			364,902	404,763	
Other	224,302	243,925	421	2,650	224,723	246,575	
Total Revenue	37,115,315	36,055,120	1,103,463	1,073,672	38,218,778	37,128,792	-2.85%
Expenses:							
Instruction	23,917,949	22,324,581			23,917,949	22,324,581	
Pupil and Instruction Services	5,372,499	5,462,181			5,372,499	5,462,181	
Administrative and Business	3,038,144	3,433,234			3,038,144	3,433,234	
Maintenance and Operations	3,149,877	3,003,094			3,149,877	3,003,094	
Transportation	1,393,017	1,493,196			1,393,017	1,493,196	
Other	530,088	177,023	999,798	998,414	1,529,886	1,175,437	
Total Expenses	37,401,574	35,893,309	999,798	998,414	38,401,372	36,891,723	-3.93%
Increase/(Decrease) in							
Net Position	\$ (286,259)	\$ 161,811	\$ 103,665	\$ 75,258	\$ (182,594)	\$ 237,069	229.83%

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Figure A-5 shows the total cost of services and the net cost of services. The net cost shows the financial burden that was placed on the District’s taxpayers by each of these functions.

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

Figure A-5 presents the cost of six major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity’s net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District’s taxpayers by each of these functions:

Figure A-5

Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2017/2018	2018/2019	2017/2018	2018/2019
Instruction	\$ 23,917,949	\$ 22,324,581	\$ 13,586,974	\$ 14,365,661
Pupil and Instruction Services	5,372,499	5,462,181	5,372,499	5,429,281
Administrative and Business	3,038,144	3,433,234	2,786,309	2,746,209
Maintenance and Operations	3,149,877	3,003,094	3,217,067	3,003,094
Transportation	1,393,017	1,493,196	1,326,804	1,280,173
Other	530,088	177,023	140,431	177,023
	<u>\$ 37,401,574</u>	<u>\$ 35,893,309</u>	<u>\$ 26,430,084</u>	<u>\$ 27,001,441</u>

Business-Type Activities

Net position from the District's business-type activities increased \$75,258. (Refer to Figure A-4).

Financial Analysis of the District's Funds

The District's General Fund experienced a net change in fund balance of \$335,630 on the budgetary basis of accounting. However, due to regulations regarding the reporting of state aid receivables, this balance must be adjusted to \$325,225. This difference of (\$10,405) is the difference between Hanover Township's final 17/18 and 18/19 General Fund state aid payments.

General Fund Budgetary Highlights

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

Capital Asset and Long-Term Liabilities Administration

Figure A-6

	Capital Assets (Net of Depreciation)						Percentage Change
	Government Activities		Business-Type Activities		Total School District		
	2017-2018	2018-2019	2017-2018	2018-2019	2017-2018	2018-2019	
Land	\$ 288,109	\$ 288,109			\$ 288,109	\$ 288,109	
Construction in Progress	5,000				5,000		
Site Improvements	300,481	275,003			300,481	275,003	
Buildings and Improvements	15,694,660	15,021,740			15,694,660	15,021,740	
Machinery and Equipment	792,779	766,825			792,779	766,825	
Total Capital Assets (Net of Depreciation)	<u>\$ 17,081,029</u>	<u>\$ 16,351,677</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 17,081,029</u>	<u>\$ 16,351,677</u>	-4.27%

Overall capital assets decreased \$729,352 from fiscal year 2018 to fiscal year 2019. Capital additions of \$279,199 were offset by deletions of \$5,000 and depreciation expenses of \$1,003,551 for the year.

The capital asset expenses during fiscal year 2019 were mainly for equipment.

Long-term Liabilities

At June 30, 2019, the School District had \$13,421,882 of outstanding long-term liabilities – a decrease of \$2,569,643 from last year – as shown in Figure A-7.

Figure A-7

	Total School District		Percentage Change
	2017/18	2018/19	
General Obligation Bonds (Financed with Property Taxes)	\$ 1,210,000	\$ 905,000	
Net Pension Liability	11,744,497	9,733,950	
Unamortized Bond Premium	75,657	56,743	
Capital Leases	2,047,032	1,770,132	
Other Long- Term Liabilities	914,339	956,057	
	<u>\$ 15,991,525</u>	<u>\$ 13,421,882</u>	-16.07%

- The District continued to pay down its debt, retiring \$305,000 of outstanding bonds.
- The Net Pension Liability decreased \$2,010,547

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

The Hanover Township Public School District is in good financial condition at present. The Township of Hanover currently has several proposed and recently completed residential developments that may have a substantial impact on the District's enrollment and future budgets.

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

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 1,829,068	\$ 1,056,527	\$ 2,885,595
Internal Balances	6,200	(6,200)	
Receivables:			
Other Governments	448,505	717	449,222
Other	1,838	166	2,004
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	787,552		787,552
Capital Assets, Net:			
Sites (Land)	288,109		288,109
Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment	16,063,568		16,063,568
Total Assets	<u>19,424,840</u>	<u>1,051,210</u>	<u>20,476,050</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Amount on Refunding	48,337		48,337
Deferred Outflows Related to Pensions	2,351,856		2,351,856
Total Deferred Outflows of Resources	<u>2,400,193</u>		<u>2,400,193</u>
LIABILITIES:			
Accrued Interest Payable	16,592		16,592
Accounts Payable - Vendors	218,292	2,048	220,340
Interfund Payable	750,472		750,472
Payable to State Government	523,528		523,528
Unearned Revenue	900	208,732	209,632
Noncurrent Liabilities:			
Due Within One Year	552,156		552,156
Due Beyond One Year	12,869,726		12,869,726
Total Liabilities	<u>14,931,666</u>	<u>210,780</u>	<u>15,142,446</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows Related to Pensions	3,609,552		3,609,552
Total Deferred Inflows of Resources	<u>3,609,552</u>		<u>3,609,552</u>
NET POSITION:			
Net Investment in Capital Assets	13,724,882		13,724,882
Restricted for:			
Capital Projects	787,552		787,552
Unrestricted/(Deficit)	(11,228,619)	840,430	(10,388,189)
Total Net Position	<u>\$ 3,283,815</u>	<u>\$ 840,430</u>	<u>\$ 4,124,245</u>

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

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Functions/Programs	Program Revenue		Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$ 16,605,303		\$ 5,210,794	\$ (11,394,509)		\$ (11,394,509)
Special Education	4,551,559		2,367,927	(2,183,632)		(2,183,632)
Other Special Instruction	897,287		303,488	(593,799)		(593,799)
Other Instruction	270,432		76,711	(193,721)		(193,721)
Support Services:						
Tuition	722,231	\$ 32,900		(689,331)		(689,331)
Student & Instruction Related Services	4,739,950			(4,739,950)		(4,739,950)
General Administrative Services	635,617		313,855	(321,762)		(321,762)
School Administrative Services	2,046,175		373,170	(1,673,005)		(1,673,005)
Plant Operations and Maintenance	3,003,094			(3,003,094)		(3,003,094)
Pupil Transportation	1,493,196		213,023	(1,280,173)		(1,280,173)
Central Services and Admin Info Tech	751,442			(751,442)		(751,442)
Transfer to Charter School	94,593			(94,593)		(94,593)
Capital Outlay	39,621			(39,621)		(39,621)
Interest on Long-Term Debt	42,809			(42,809)		(42,809)
Total Governmental Activities	35,893,309	32,900	8,858,968	(27,001,441)		(27,001,441)

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Functions/Programs Business-Type Activities: Enterprise Funds	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
	\$ 998,414	\$ 1,062,151	\$ 8,871		\$ 72,608	\$ 72,608
Total Business-Type Activities	998,414	1,062,151	8,871		72,608	72,608
Total Primary Government	\$ 36,891,723	\$ 1,095,051	\$ 8,867,839	\$ (27,001,441)	\$ 72,608	\$ (26,928,833)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				\$ 26,161,164		\$ 26,161,164
Taxes, Levied for Debt Service				353,400		353,400
Federal and State Aid not Restricted				404,763		404,763
Investment Earnings				35,104	\$ 2,650	37,754
Miscellaneous Income				208,821		208,821
Total General Revenues				27,163,252	2,650	27,165,902
Change in Net Position				161,811	75,258	237,069
Net Position - Beginning				3,122,004	765,172	3,887,176
Net Position - Ending				\$ 3,283,815	\$ 840,430	\$ 4,124,245

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

FUND FINANCIAL STATEMENTS

HANOVER TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 1,790,793	\$ 38,275			\$ 1,829,068
Receivables:					
Other Governments	428,744	19,761			448,505
Interfund Receivable	6,200				6,200
Other	1,838				1,838
Restricted Cash and Cash Equivalents	<u>787,552</u>				<u>787,552</u>
Total Assets	<u>\$ 3,015,127</u>	<u>\$ 58,036</u>			<u>\$ 3,073,163</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable - Vendors	\$ 205,778	\$ 12,514			\$ 218,292
Interfund Payable	750,472				750,472
Unearned Revenue	900				900
Payable to State Government		<u>45,522</u>			<u>45,522</u>
Total Liabilities	<u>957,150</u>	<u>58,036</u>			<u>1,015,186</u>
Fund Balances:					
Restricted for:					
Capital Reserve Account	787,552				787,552
Assigned:					
For Subsequent					
Year's Expenditures	450,000				450,000
Year End Encumbrances	233,060				233,060
Unassigned	<u>587,365</u>				<u>587,365</u>
Total Fund Balances	<u>2,057,977</u>				<u>2,057,977</u>
Total Liabilities and Fund Balances	<u>\$ 3,015,127</u>	<u>\$ 58,036</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	

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

Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$33,885,129 and the accumulated depreciation is \$17,533,452.	16,351,677
Long-term liabilities, including bonds payable and other long-term liabilities, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(3,631,189)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(16,592)
Bond issuance premiums are reported as revenue in the governmental funds in the year the bonds are sold. The amount is \$226,969 and the accumulated amortization is \$170,226.	(56,743)
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(9,733,950)
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds:	
Changes in Assumptions - Pensions - 2014, 2015 and 2016	1,603,994
Changes in Assumptions - Pensions - 2017 and 2018	(3,112,400)
Difference Between Expected and Actual Experience - Pensions - 2015, 2016 and 2017	185,628
Difference Between Expected and Actual Experience - Pensions - 2018	(50,191)
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - Pensions	(91,305)
Changes in Proportions - Pensions - 2016 and 2014	84,228
Changes in Proportions - Pensions - 2015, 2017 and 2018	(355,656)
Deferred amounts on refunding are not reported as expenditures in the governmental funds in the year of the expenditure.	<u>48,337</u>
Net Position of Governmental Activities	<u>\$ 3,283,815</u>

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

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local Sources:					
Local Tax Levy	\$ 26,161,164			\$ 353,400	\$ 26,514,564
Tuition Charges	32,900				32,900
Interest Earned on Capital Reserve Funds	5,444				5,444
Miscellaneous	238,481				238,481
Total - Local Sources	26,437,989			353,400	26,791,389
State Sources	5,488,152	\$ 32,184			5,520,336
Federal Sources		312,175			312,175
Total Revenues	31,926,141	344,359		353,400	32,623,900
EXPENDITURES:					
Current:					
Regular Instruction	8,546,150	5,096			8,551,246
Special Education Instruction	2,387,388	283,560			2,670,948
Other Special Instruction	456,644				456,644
Other Instruction	135,749				135,749
Support Services and Undistributed Costs:					
Tuition	722,231				722,231
Student & Instruction Related Services	3,528,776	51,653			3,580,429
General Administration Services	533,914				533,914
School Administration Services	1,037,248				1,037,248
Central Services	437,151				437,151
Administrative Information Technology Services	114,683				114,683
Plant Operations and Maintenance	2,670,425				2,670,425
Pupil Transportation	1,014,839				1,014,839

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
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>
EXPENDITURES (Cont'd):					
Current:					
Allocated and Unallocated Benefits	\$ 9,619,380				\$ 9,619,380
Transfer to Charter School	94,593				94,593
Debt Service:					
Principal				\$ 305,000	305,000
Interest and Other Charges				48,400	48,400
Capital Outlay	301,745	\$ 4,050			305,795
Total Expenditures	<u>31,600,916</u>	<u>344,359</u>		<u>353,400</u>	<u>32,298,675</u>
Excess (Deficiency) of Revenues over/(under) Expenditures	325,225				325,225
Fund Balances - July 1	<u>1,732,752</u>				<u>1,732,752</u>
Fund Balances - June 30	<u>\$ 2,057,977</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 2,057,977</u>

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

HANOVER TOWNSHIP SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2) \$ 325,225

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

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

Depreciation expense	\$ (1,003,551)
Capital outlays	279,199
Disposals	(5,000)
	(729,352)

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

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

Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.

305,000

276,900

HANOVER TOWNSHIP SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

<p>In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation. (+)</p> <p>The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:</p> <p style="padding-left: 20px;">Change in Net Pension Liability</p> <p style="padding-left: 20px;">Deferred Outflows:</p> <p style="padding-left: 40px;">Changes in Assumptions - 2014, 2015, and 2016</p> <p style="padding-left: 40px;">Changes in Proportion - 2016 and 2014</p> <p style="padding-left: 40px;">Difference Between Expected and Actual Experience - Pensions - 2015, 2016, and 2017</p> <p style="padding-left: 40px;">Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments</p> <p style="padding-left: 20px;">Deferred Inflows:</p> <p style="padding-left: 40px;">Changes in Assumptions - 2017 and 2018</p> <p style="padding-left: 40px;">Changes in Proportion - 2015 2017, and 2018</p> <p style="padding-left: 40px;">Difference Between Expected and Actual Experience - Pensions - 2018</p> <p>The governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. (+)</p> <p>The governmental funds report the effect of deferred amounts on refunding when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p> <p>Change in Net Position of Governmental Activities (Exhibit A-2)</p>	<p>\$ 5,591</p> <p>2,010,547</p> <p>(762,117)</p> <p>(42,776)</p> <p>(90,914)</p> <p>(171,277)</p> <p>(754,963)</p> <p>(120,945)</p> <p>(50,191)</p> <p>18,914</p> <hr style="border: 0.5px solid black;"/> <p>(16,113)</p> <hr style="border: 0.5px solid black;"/> <p>\$ 161,811</p>
---	--

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Non-Major Fund</u>	<u>Major Fund School Age Child Care</u>	<u>Total Funds</u>
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 12,671	\$ 1,043,856	\$ 1,056,527
Accounts Receivable:			
Federal	717		717
Other		166	166
Total Current Assets	<u>13,388</u>	<u>1,044,022</u>	<u>1,057,410</u>
Total Assets	<u>13,388</u>	<u>1,044,022</u>	<u>1,057,410</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable - Vendors	1,730	318	2,048
Interfund Payable	6,200		6,200
Unearned Revenue		208,732	208,732
Total Current Liabilities	<u>7,930</u>	<u>209,050</u>	<u>216,980</u>
NET POSITION:			
Unrestricted	<u>5,458</u>	<u>834,972</u>	<u>840,430</u>
Total Net Position	<u>\$ 5,458</u>	<u>\$ 834,972</u>	<u>\$ 840,430</u>

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

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Business-Type Activities - Enterprise Funds		
	Non-Major Fund	Major Fund School Age Child Care	Total Funds
Operating Revenue:			
Local Sources:			
Daily Sales - Reimbursable Programs:			
Special Milk Program	\$ 16,366		\$ 16,366
Child Care Fees		\$ 1,045,785	1,045,785
Total Operating Revenue	16,366	1,045,785	1,062,151
Operating Expenses:			
Cost of Sales - Reimbursable Programs	18,387		18,387
Salaries	6,200	524,281	530,481
Benefits and Taxes		188,950	188,950
Purchased Services		64,614	64,614
Supplies/Field Trips/Travel		85,346	85,346
Memberships		82,662	82,662
Other		27,974	27,974
Total Operating Expenses	24,587	973,827	998,414
Operating Income (Loss)	(8,221)	71,958	63,737
Non-Operating Revenue:			
Local Sources:			
Interest Revenue		2,650	2,650
Federal Sources:			
Special Milk Program	8,871		8,871
Total Non-Operating Revenue	8,871	2,650	11,521
Change in Net Position	650	74,608	75,258
Net Position - Beginning of Year	4,808	760,364	765,172
Net Position - End of Year	\$ 5,458	\$ 834,972	\$ 840,430

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

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Non-Major Fund</u>	<u>Major Fund School Age Child Care</u>	<u>Total Funds</u>
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 16,366	\$ 1,046,488	\$ 1,062,854
Payments to Employees		(524,281)	(524,281)
Payments for Employee Benefits		(188,950)	(188,950)
Payments to Suppliers	(17,981)	(241,718)	(259,699)
Net Cash Provided by/(Used for) Operating Activities	<u>(1,615)</u>	<u>91,539</u>	<u>89,924</u>
Cash Flows from Noncapital Financing Activities:			
Cash Received from Federal Reimbursements	9,190		9,190
Net Cash Provided by Noncapital Financing Activities	<u>9,190</u>		<u>9,190</u>
Cash Flows from Investing Activities:			
Interest on Investments		2,650	2,650
Net Cash Provided by Investing Activities		<u>2,650</u>	<u>2,650</u>
Net Increase in Cash and Cash Equivalents	7,575	94,189	101,764
Cash and Cash Equivalents, July 1	5,096	949,667	954,763
Cash and Cash Equivalents, June 30	<u>\$ 12,671</u>	<u>\$ 1,043,856</u>	<u>\$ 1,056,527</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by/(Used for) Operating Activities:			
Operating Income (Loss)	\$ (8,221)	\$ 71,958	\$ 63,737
Adjustment to Reconcile Operating Income (Loss) to Cash Provided by/(Used for) Operating Activities:			
Changes in Assets and Liabilities:			
Decrease in Other Accounts Receivable		703	703
Increase in Interfunds Payable	6,200		6,200
Increase in Accounts Payable	406	315	721
Increase in Unearned Revenue		18,563	18,563
Net Cash Provided by/(Used for) Operating Activities	<u>\$ (1,615)</u>	<u>\$ 91,539</u>	<u>\$ 89,924</u>

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

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>	<u>Flexible Spending Trust</u>
ASSETS:				
Cash and Cash Equivalents	\$ 125,866	\$ 190,804	\$ 9,485	\$ 14,051
Interfund Receivable	750,472			
Total Assets	<u>\$ 876,338</u>	<u>\$ 190,804</u>	<u>\$ 9,485</u>	<u>\$ 14,051</u>
LIABILITIES:				
Due to Student Groups	\$ 91,434			
Accrued Salaries and Wages	750,472			
Payroll Deductions and Withholding	34,432			
Total Liabilities	<u>876,338</u>			
NET POSITION:				
Restricted for Scholarships			\$ 9,485	
Held in Trust for:				
Unemployment Claims		\$ 190,804		
Flexible Spending Claims				\$ 14,051
Total Net Position	<u>\$ -0-</u>	<u>\$ 190,804</u>	<u>\$ 9,485</u>	<u>\$ 14,051</u>

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

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>	<u>Flexible Spending Trust</u>
ADDITIONS:			
Contributions:			
Plan Members	\$ 41,933		\$ 27,922
Donations		\$ 175	
Total Contributions	<u>41,933</u>	<u>175</u>	<u>27,922</u>
Investment Earnings:			
Interest	<u>373</u>	<u>98</u>	
Net Investment Earnings	<u>373</u>	<u>98</u>	
Total Additions	<u>42,306</u>	<u>273</u>	<u>27,922</u>
DEDUCTIONS:			
Quarterly Contribution Reports	27,331		
Scholarships Awarded		3,287	
Flexible Spending Claims			<u>21,661</u>
Total Deductions	<u>27,331</u>	<u>3,287</u>	<u>21,661</u>
Change in Net Position	14,975	(3,014)	6,261
Net Position - Beginning of the Year	<u>175,829</u>	<u>12,499</u>	<u>7,790</u>
Net Position - End of the Year	<u>\$ 190,804</u>	<u>\$ 9,485</u>	<u>\$ 14,051</u>

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

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

B. Basis of Presentation:

District-Wide Financial Statements:

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

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

B. Basis of Presentation: (Cont'd)

District-Wide Financial Statements (Cont'd):

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

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

The District reports the following governmental funds:

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

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

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

B. Basis of Presentation: (Cont'd)

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

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

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

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

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

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

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

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ended June 30, 2019 was submitted to the County office and approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by School Board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
 (Continued)

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue"		
from the Budgetary Comparison Schedule	\$ 31,936,546	\$ 346,738
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		(2,379)
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	90,488	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(100,893)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 31,926,141	\$ 344,359
	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 31,600,916	\$ 346,738
Differences - Budget to GAAP		
Encumbrances for Supplies and Equipment Ordered but Not Received are Reported in the Year the Order is Placed for Budgetary Purposes, but in the Year the Supplies are Received for Financial Reporting Purposes.		(2,379)
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 31,600,916	\$ 344,359

E. Cash and Cash Equivalents:

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

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

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

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

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

F. Interfund Transactions

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

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

G. Allowance for Uncollectible Accounts

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

H. Encumbrances:

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

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

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

I. Short-term Interfund Receivables/Payables:

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2019.

K. Capital Assets:

During the year ended June 30, 1994, the District established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994, are recorded at historical cost including ancillary charges necessary to place the asset into service. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Land has been recorded at estimated historical cost. Donated capital assets are valued at their acquisition value. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment.

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

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

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

L. Long-Term Liabilities

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

M. Accrued Salaries and Wages:

Certain District employees, who provide services to the District over the ten-month academic year, have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2019, the amount earned by these employees but not disbursed was \$750,472.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

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

N. Compensated Absences:

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by GASB 16. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

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

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

O. Unearned Revenue:

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

P. Fund Balance Appropriated:

General Fund: Of the \$2,057,977 General Fund fund balance at June 30, 2019, \$683,060 is assigned fund balance of which \$233,060 is for year- end encumbrances and \$450,000 has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2020; \$787,552 is restricted in the capital reserve account; and there is \$587,365 in unassigned fund balance which is \$100,893 less than the calculated maximum unassigned fund balance, on a GAAP basis, due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2020.

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

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$100,893 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, Districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school Districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the school District cannot recognize the June state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the June state aid payments and not the fund balance reported on the fund statement which excludes the June state aid payments.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

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

Q. Deficit Net Position/Fund Balance

The \$11,228,619 deficit in the Unrestricted Net Position of the District's Governmental Activities is primarily due to the net pension liability and changes in pensions proportions and changes in pensions assumptions. The deficit does not indicate that the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

R. Net Position

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

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources for the Deferred Amount on Refunding at June 30, 2019, changes in assumptions of pensions, changes in proportions of pensions, District contribution subsequent to the measurement date – pensions and difference between pension expected and actual experience.

The district had deferred inflows of resources at June 30, 2019 for changes in pension proportions, changes in assumptions in pensions, net difference between projected and actual investment earnings on pension plan investments and difference between pension expected and actual experience.

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

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

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

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

S. Fund Balance Restrictions, Commitments and Assignments

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

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

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District had no committed resources at June 30, 2019.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for year-end encumbrances and for amounts designated for subsequent year's expenditures in the General Fund at June 30, 2019.

T. Revenue - Exchange and Nonexchange Transactions

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

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

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

U. Operating Revenue and Expenses

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

V. Management Estimates

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

W. Pensions

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

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

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

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

Deposits:

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

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

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

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

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

Investments:

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

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

Investments (Cont'd):

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

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

As of June 30, 2019, cash and cash equivalents of the District consisted of the following:

	<u>Cash and Cash Equivalents</u>	<u>Restricted Cash and Cash Equivalents Capital Reserve</u>	<u>Total</u>
Checking and Savings Accounts	\$ 3,225,801	\$ 787,552	\$ 4,013,353

During the period ended June 30, 2019, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2019, was \$4,013,353 and the bank balance was \$4,394,788.

NOTE 4. CAPITAL RESERVE ACCOUNT

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

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

The activity of the capital reserve for the July 1, 2018 to June 30, 2019 fiscal year is as follows:

Beginning balance, July 1, 2018		\$ 682,945
Interest Earnings	\$ 5,444	
Deposits:		
Transfer by Board Resolution (June 2019)	343,594	
		349,038
		1,031,983
Withdrawals:		
Budgeted Withdrawal		(244,431)
Ending balance, June 30, 2019		\$ 787,552

The June 30, 2019 LRFP balance of local support costs exceeds the balance in the capital reserve account at June 30, 2019. Withdrawals from the capital reserve were for use in DOE approved facilities projects, consistent with the District's LRFP.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 5. TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2019, the District transferred \$14,847 to the equipment line items and therefore did not require approval from the County Superintendent. The District transferred \$29,069 to facilities acquisition and construction services which was approved by the County Superintendent.

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2019 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ (Decreases)</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 288,109			\$ 288,109
Construction in Progress	5,000		\$ (5,000)	
Total Capital Assets Not Being Depreciated	<u>293,109</u>		<u>(5,000)</u>	<u>288,109</u>
Capital Assets Being Depreciated:				
Site Improvements	1,716,265	\$ 15,880		1,732,145
Buildings and Building Improvements	28,620,101	83,149		28,703,250
Machinery and Equipment	3,116,386	180,170	(134,931)	3,161,625
Total Capital Assets Being Depreciated	<u>33,452,752</u>	<u>279,199</u>	<u>(134,931)</u>	<u>33,597,020</u>
Governmental Activities Capital Assets	<u>33,745,861</u>	<u>279,199</u>	<u>(139,931)</u>	<u>33,885,129</u>
Less Accumulated Depreciation for:				
Site Improvements	1,415,784	41,358		1,457,142
Buildings and Building Improvements	12,925,441	756,069		13,681,510
Machinery and Equipment	2,323,607	206,124	(134,931)	2,394,800
	<u>16,664,832</u>	<u>1,003,551</u>	<u>(134,931)</u>	<u>17,533,452</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 17,081,029</u>	<u>\$ (724,352)</u>	<u>\$ (5,000)</u>	<u>\$ 16,351,677</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 6. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 662,519
Special Education Instruction	35,632
Other Special Instruction	25,435
Other Instruction	7,572
Student and Instruction Related Services	71,485
General Administrative Services	4,788
School Administrative Services	24,019
Operations and Maintenance of Plant	61,847
Pupil Transportation	98,869
Central Services	11,385
	<u>\$ 1,003,551</u>

NOTE 7. OPERATING LEASES

The District has commitments to lease copiers which expire March 2024. Total operating lease payments made during the year ended June 30, 2019 were \$36,644. Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 36,409
2021	20,857
2022	12,811
2023	5,587
2024	2,396
	<u>\$ 78,060</u>

NOTE 8. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2019, the following changes occurred in liabilities reported in the District-wide financial statements:

	<u>Balance</u> <u>6/30/2018</u>	<u>Accrued</u>	<u>Retired</u>	<u>Balance</u> <u>6/30/2019</u>
Serial Bonds Payable	\$ 1,210,000		\$ 305,000	\$ 905,000
Net Pension Liability	11,744,497		2,010,547	9,733,950
Compensated Absences Payable	914,339	\$ 58,421	16,703	956,057
Capital Leases Payable	2,047,032		276,900	1,770,132
Unamortized Bond Issuance Premium	75,657		18,914	56,743
	<u>\$ 15,991,525</u>	<u>\$ 58,421</u>	<u>\$ 2,628,064</u>	<u>\$ 13,421,882</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 8. LONG-TERM LIABILITIES

A. Unamortized Bond Premium

The unamortized bond issuance premium of the governmental fund types is recorded in the noncurrent liabilities. The current portion of the unamortized bond issuance premium balance of the governmental funds is \$18,914 and is separated from long term liability balance of \$37,829.

B. Bonds Payable:

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

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

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

<u>Serial Bonds</u>				
<u>Purpose</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
School Refunding Bonds	11/2/2010	4.00%	1/15/2022	<u>\$ 905,000</u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 305,000	\$ 36,200	\$ 341,200
2021	300,000	24,000	324,000
2022	300,000	12,000	312,000
	<u>\$ 905,000</u>	<u>\$ 72,200</u>	<u>\$ 977,200</u>

C. Bonds Authorized But Not Issued:

As of June 30, 2019, the Board had no bonds authorized but not issued.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

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

D. Capital Leases Payable:

The District is leasing technology equipment and an energy savings improvement program totaling \$3,097,043 of which \$1,326,911 has been liquidated as of June 30, 2019. The capital leases are for terms ranging from three to fifteen years. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2019.

Year	Amount
2020	\$ 258,964
2021	239,118
2022	239,118
2023	239,118
2024	239,118
2025-2027	717,354
Total Minimum Lease Payables	1,932,790
Less: Amount representing interest	162,658
Present value of net minimum lease payments	\$ 1,770,132

The General Fund will be used to liquidate the capital leases. The current portion of capital lease payable at June 30, 2018 is \$222,706 and the long-term portion is \$1,547,426.

E. Compensated Absences:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The current portion of the compensated absences balance of the governmental funds is \$5,536 and the long-term portion of compensated absences is \$950,521. The General Fund will be used to liquidate the compensated absences payable.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2019, no liability existed for compensated absences in the Enterprise Funds.

F. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2019 is \$-0- and the long-term portion is \$9,733,950. See Note 9 for further information on the PERS.

NOTE 9. PENSION PLANS

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

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

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is being paid by the employer in level annual payments over a period of 15 years, which began with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$447,479 for fiscal year 2019.

The employee contribution rate was 7.50% effective July 1, 2018.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

At June 30, 2019, the District reported a liability of \$9,733,950 for its proportionate share of the 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 July 1, 2017 which was rolled forward to June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2018, the District's proportion was 0.0494%, which was a decrease of 0.001% from its proportion measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the District recognized pension expense of \$474,378. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	6.44	\$ 77,045	
	2015	5.72	347,734	
	2016	5.57	1,179,215	
	2017	5.48		\$ (1,794,380)
	2018	5.63		(1,318,020)
			<u>1,603,994</u>	<u>(3,112,400)</u>
Difference Between Expected and Actual Experience	2015	5.72	96,478	
	2016	5.57	35,785	
	2017	5.48	53,365	
	2018	5.63		(50,191)
			<u>185,628</u>	<u>(50,191)</u>
Changes in Proportion	2014	6.44	32,774	
	2015	5.72		(65,456)
	2016	5.57	51,454	
	2017	5.48		(101,920)
	2018	5.63		(188,280)
			<u>84,228</u>	<u>(355,656)</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2015	5.00		58,819
	2016	5.00		328,828
	2017	5.00		(295,961)
	2018	5.00		(182,991)
				<u>(91,305)</u>
District Contribution Subsequent to the Measurement Date	2018	1.00	478,006	
			<u>\$ 2,351,856</u>	<u>\$ (3,609,552)</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

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

Fiscal Year Ending June 30,	Total
2019	\$ 67,559
2020	(93,536)
2021	(670,728)
2022	(581,398)
2023	(186,171)
	\$ (1,464,274)

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.

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

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and a generational approach based on the conduit-2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected_returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 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 Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. The local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2018 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2018		
	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
District's proportionate share of the Net Pension Liability	\$ 12,239,320	\$ 9,733,950	\$ 7,632,104

Pension plan Fiduciary Net Position

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

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

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

Benefits Provided

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

The following represents the membership tiers for TPAF:

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

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

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2019, the State's pension contribution was less than the actuarially determined amount.

Special Funding Situation

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2019, the State of New Jersey contributed \$2,165,587 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$4,045,341.

The employee contribution rate was 7.50% effective July 1, 2018.

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

At June 30, 2019, the State's proportionate share of the net pension liability associated with the District was \$69,392,514. 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 July 1, 2017 which was rolled forward to June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2018, the District's proportion was 0.109%, which was an increase of 0.002% from its proportion measured as of June 30, 2017.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

District's Proportionate Share of the Net Pension Liability	\$	-0-
State's Proportionate Share of the Net Pension Liability Associated with the District		69,392,514
Total	\$	69,392,514

For the fiscal year ended June 30, 2019, the State recognized pension expense on behalf of the District in the amount of \$4,045,341 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2019 financial statements.

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

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	8.5	\$ 1,076,424,469	
	2015	8.3	3,063,649,492	
	2016	8.3	6,913,685,892	
	2017	8.3		\$ 10,084,192,916
	2018	8.29		5,994,557,085
			11,053,759,853	16,078,750,001
Difference Between Expected and Actual Experience	2014	8.5		10,252,211
	2015	8.3	189,214,650	
	2016	8.3		85,977,601
	2017	8.3	179,419,108	
	2018	8.29	1,051,605,259	
			1,420,239,017	96,229,812
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2015	5		(192,642,062)
	2016	5		(863,710,381)
	2017	5		678,024,787
	2018	5		384,121,486
				5,793,830
			\$ 12,473,998,870	\$ 16,180,773,643

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

Fiscal Year Ending June 30,	Total
2019	\$ 401,574,312
2020	208,932,249
2021	(222,922,941)
2022	(149,225,008)
2023	(735,040,983)
Thereafter	(3,210,092,402)
	\$ (3,706,774,773)

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.

Inflation Rate	2.25%
Salary Increases:	
2011-2026	1.55 – 4.55%
Thereafter	2.00 – 5.45%
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the RP-2006 Employee White Collar Mortality Tables, set back 3 years for males and 5 years for females, projected on a generational basis from a base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Post-retirement mortality rates were based on the RP-2006 Healthy Annuitant White Collar Mortality Tables, with adjustments as described in the latest experience study, projected on a generational basis from a base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Disabled mortality rates were based on the RP-2006 Disabled Retiree Mortality Tables with rates adjusted by 90%. No mortality improvement is assumed for disabled retiree mortality.

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.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF target asset allocation as of June 30, 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 Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.86% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. The State contributed 50% of the actuarially determined contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the State's proportionate share of the net pension liability associated with the District as of June 30, 2018 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2018		
	At 1% Decrease (3.86%)	At Current Discount Rate (4.86%)	At 1% Increase (5.86%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 82,020,633	\$ 69,392,514	\$ 58,924,110

Pension Plan Fiduciary Net Position - TPAF

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

C. Defined Contribution Retirement Program (DCRP)

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

For DCRP, the District recognized pension expense of \$28,642 for the fiscal year ended June 30, 2019. Employee contributions to DCRP amounted to \$38,776 for the fiscal year ended June 30, 2019.

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

General Information about the OPEB Plan

Plan Description and Benefits Provided

The District is in a "special funding situation", as described in GASB Codification Section P50, in that OPEB contributions and expenses are legally required to be made by and are the sole responsibility of the State of New Jersey, not the District.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefits for the State Health Benefit Local Education Retired Education Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in GASB Codification Section P50. The State Health Benefits Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

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

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

For additional information about the State Health Benefit Local Education Retired Education Plan, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at <https://www.state.nj.us/treasury/pensions/gasb-notices-opeb.shtml>.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

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

Employees Covered by Benefit Terms

At June 30, 2017, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	145,050
Active Plan Members	<u>217,131</u>
Total	<u><u>362,181</u></u>

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. The total nonemployer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016 which was rolled forward to June 30, 2017.

Actuarial Assumptions and Other Inputs

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

Inflation Rate	2.50%	
	<u>TPAF/ABP</u>	<u>PERS</u>
Salary Increases:		
Through 2026	1.55 - 4.55%	2.15 - 4.15%
	based on years of service	based on age
Thereafter	2.00 - 5.45%	3.15 - 5.15%
	based on years of service	based on age

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

100% of all retirees who currently have healthcare coverage are assumed to continue with that coverage. 100% of active members are considered to participate in the Plan upon retirement, having a coverage blend of 85% and 15% in PPO and HMO, respectively.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

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

Mortality Rates

Pre-retirement 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. Post-retirement mortality rates were based on the RP-2006 Headcount-Weighted Health Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using MP-2017 scale.

Health Care Trend Assumptions

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

Discount Rate

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

Changes in the State's Proportionate Share of the Total OPEB Liability Associated with the District

	Total OPEB Liability
Balance at June 30, 2017	\$ 65,257,652
Changes for Year:	
Service Cost	2,223,493
Interest on the Total OPEB Liability	2,389,599
Changes of Assumptions	(6,570,649)
Differences between Expected and Actual Experience	(4,563,894)
Gross Benefit Payments by the State	(1,531,060)
Contributions from Members	52,916
Net Changes	(7,999,595)
Balance at June 30, 2018	\$ 57,258,057

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

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

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

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2018, calculated using the discount rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2018		
	At 1% Decrease (2.87%)	At Discount Rate (3.87%)	At 1% Increase (4.87%)
Total OPEB Liability Attributable to the District	\$ 67,690,679	\$ 57,258,057	\$ 48,965,200

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

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2018, calculated using the healthcare trend rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2018		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 47,327,119	\$ 57,258,057	\$ 70,392,103

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

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

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

For the fiscal year ended June 30, 2019 the District recognized OPEB expense of \$2,554,336 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Codification Section P50, in which there is a special funding situation.

In accordance with GASB Codification Section P50, as the District's proportionate share of the OPEB liability is \$-0-, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2018 the State had deferred outflows of resources and deferred inflows of resources related to OPEB associated with the District from the following sources:

	<u>Deferral Year</u>	<u>Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2017	9.54		\$ (6,954,957)
Changes in Assumptions	2018	9.51		(5,879,729)
			<u>\$ -0-</u>	<u>\$ (12,834,686)</u>
Differences Between Expected and Actual Experience	2018	9.51		(5,558,173)
Changes in Proportion	N/A	N/A	<u>\$ 1,350,455</u>	<u>(59,736)</u>
			<u>\$ 1,350,455</u>	<u>\$ (18,452,595)</u>

N/A - Not Available

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

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

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB(Cont'd)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	Total
2019	\$ (2,266,462)
2020	(2,266,462)
2021	(2,266,462)
2022	(2,266,462)
2023	(2,266,462)
Thereafter	(7,060,547)
	\$ (18,392,859)

NOTE 11. RISK MANAGEMENT

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

Property, Liability and Health Benefits

The District provides health benefit coverage through Horizon Blue Cross/Blue Shield of NJ as of December 1, 2018. The District was previously covered through the New Jersey State Health Benefits Program. The District provides vision and dental coverage via a direct contract with VSP and Delta Dental.

The Hanover Township School District is currently a member of the Morris Essex Insurance Group (the "Group"). The Group provides its members with Workers' Compensation. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The Group is a risk-sharing public entity risk pool that is an insured and self-administered group of school Districts established for the purpose of providing low-cost insurance coverage for their members in order to keep local property taxes at a minimum.

Each member appoints an official to represent their respective District for the purpose of creating a governing body from which officers for the Group and the Fund are elected. As a member of the Group, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the Group were to be exhausted, members would become responsible for their respective shares of the Group's liabilities.

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

Property, Liability and Health Benefits (Cont'd)

The audit for the year ended June 30, 2019 was not available as of the date of this report.

Selected financial information for the Group as of June 30, 2018 is as follows:

	<u>Morris Essex Insurance Group</u>
Total Assets	\$ 10,451,281
Net Position	\$ 7,796,837
Total Revenue	\$ 3,830,220
Total Expenses and Adjustments	\$ 2,486,421
Change in Net Position	\$ 293,812
Members Dividends	\$ 1,049,987

Financial statements are available at the Administrators' Office.

Morris Essex Insurance Group

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

New Jersey Unemployment Compensation Insurance

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

<u>Fiscal Year</u>	<u>Employee/ District Contributions</u>	<u>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2018-2019	\$ 41,933	\$ 373	\$ 27,331	\$ 190,804
2017-2018	40,187	344	13,198	175,829
2016-2017	40,171	100	14,248	148,496

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 12. ECONOMIC DEPENDENCY

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

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The following interfund balances remained on the balance sheet at June 30, 2019:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 6,200	\$ 750,472
Milk Service Fund		6,200
Fiduciary Fund	750,472	
	\$ 756,672	\$ 756,672

The interfund between the General Fund and the Milk Service Fund represents salaries paid by the General Fund on behalf of the Milk Service Fund. The interfund between General Fund and Fiduciary Fund is the amount of salary for ten-month employees earned which will be disbursed during the summer months and retirement payouts.

NOTE 14. DEFERRED COMPENSATION

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

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 15. TAX CALENDAR

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

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

NOTE 16. COMMITMENTS AND CONTINGENCIES

Grant Programs

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

Litigation

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

Encumbrances

At June 30, 2019, there were encumbrances as detailed below in the governmental funds. All of the governmental funds are considered to be major funds:

General Fund	Total Governmental Funds
\$ 233,060	\$ 233,060

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
 (Continued)

NOTE 17. ACCOUNTS PAYABLE

Accounts payable recorded in the District's Governmental Activities and Business-Type Activities as of June 30, 2019 consisted of the following:

	<u>Governmental Funds</u>		<u>District Contribution Subsequent to the Measurement Date</u>	<u>Total Governmental Activities</u>	<u>Business- Type Activities Proprietary Funds</u>
	<u>General Fund</u>	<u>Special Revenue</u>			
Vendors	\$ 205,778	\$ 12,514		\$ 218,292	\$ 2,048
State of New Jersey		45,522	\$ 478,006	523,528	
	<u>\$ 205,778</u>	<u>\$ 58,036</u>	<u>\$ 478,006</u>	<u>\$ 741,820</u>	<u>\$ 2,048</u>

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

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

	Fiscal Year Ending June 30,		
	2015	2016	2017
District's proportion of the net pension liability	0.0517578196%	0.0506270674%	0.0511884638%
District's proportionate share of the net pension liability	\$ 9,690,479	\$ 11,364,762	\$ 15,160,555
District's covered employee payroll	\$ 3,485,838	\$ 3,487,396	\$ 3,441,428
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	278.00%	325.88%	440.53%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%
			48.10%
			53.60%
		2018	2019
		0.0504523354%	0.0494372585%
		\$ 11,744,497	\$ 9,733,950
		\$ 3,506,581	\$ 3,424,800
		334.93%	284.22%

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

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

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2009
Contractually required contribution	\$ 396,368	\$ 390,257	\$ 411,548	\$ 425,897	\$ 447,479
Contributions in relation to the contractually required contribution	<u>(396,368)</u>	<u>(390,257)</u>	<u>(411,548)</u>	<u>(425,897)</u>	<u>(447,479)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 3,483,902	\$ 3,485,838	\$ 3,487,396	\$ 3,441,428	\$ 3,506,581
Contributions as a percentage of covered employee payroll	16.52%	15.94%	11.80%	12.38%	12.76%

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

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

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
State's proportion of the net pension liability attributable to the District	0.1082879663%	0.1049605154%	0.1056243150%	0.1075573721%	0.1090771087%
State's proportionate share of the net pension liability attributable to the District	\$ 57,876,394	\$ 66,339,528	\$ 83,090,811	\$ 72,519,059	\$ 69,392,514
District's covered employee payroll	\$ 10,856,307	\$ 11,364,760	\$ 11,393,594	\$ 11,590,604	\$ 12,224,184
State's proportionate share of the net pension liability attributable to the District as a percentage of its covered employee payroll	533.11%	583.73%	729.28%	625.67%	567.67%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%	25.41%	26.49%

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

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

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
Contractually required contribution	\$ 3,114,293	\$ 4,050,625	\$ 6,243,118	\$ 5,023,753	\$ 4,045,341
Contributions in relation to the contractually required contribution	<u>(567,455)</u>	<u>(845,670)</u>	<u>(1,167,507)</u>	<u>(1,606,321)</u>	<u>(2,165,587)</u>
Contribution deficiency/(excess)	<u>\$ 2,546,838</u>	<u>\$ 3,204,955</u>	<u>\$ 5,075,611</u>	<u>\$ 3,417,432</u>	<u>\$ 1,879,754</u>
District's covered employee payroll	\$ 10,856,307	\$ 11,364,760	\$ 11,393,594	\$ 11,590,604	\$ 12,224,184
Contributions as a percentage of covered employee payroll	5.23%	7.44%	10.25%	13.86%	17.72%

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

HANOVER TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF CHANGES IN THE STATE'S PROPORTIONATE SHARE OF THE TOTAL OPEB LIABILITY
ASSOCIATED WITH THE DISTRICT AND RELATED RATIOS

LAST TWO FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,	
	2017	2018
Service Cost	\$ 2,677,543	\$ 2,223,493
Interest Cost	2,063,340	2,389,599
Changes in Assumptions	(8,470,530)	(6,570,649)
Differences between Expected and Actual Experience		(4,563,894)
Member Contributions	55,657	52,916
Gross Benefit Payments	(1,511,506)	(1,531,060)
Net Change in Total OPEB Liability	(5,185,496)	(7,999,595)
Total OPEB Liability - Beginning	70,443,148	65,257,652
Total OPEB Liability - Ending	\$ 65,257,652	\$ 57,258,057
District's Covered Employee Payroll *	\$ 15,097,185	\$ 15,648,984
Total OPEB Liability as a Percentage of Covered Employee Payroll	432%	366%

* - Covered payroll for the fiscal years ending June 30, 2017 and June 30, 2018 are based on the payroll on the June 30, 2016 and June 30, 2017 census data.

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 5.00% as of June 30, 2017 to 5.66% as of June 30, 2018. The municipal bond rate changed from 3.58% to 3.87%.

The mortality rates utilized in the July 1, 2016 valuation were as follows: Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

The mortality rates utilized in the July 1, 2017 valuation were as follows: Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and a generational approach based on the conduent-2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

B. TEACHERS' PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 4.25% as of June 30, 2017 to 4.86% as of June 30, 2018. The municipal bond rate changed from 3.58 to 3.87%.

The salary increases in the July 1, 2016 valuation were as follows: 2012-2021 and thereafter – varies based on experience. The salary increases in the July 1, 2017 valuation are as follows: 2011-2026 – 1.55% - 4.55% and thereafter – 2% - 5.45%.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED
(Continued)

B.TEACHERS' PENSION AND ANNUITY FUND (Cont'd)

Changes of Actuarial Assumptions (Cont'd)

The mortality rates utilized in the July 1, 2016 valuation were as follows: Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

The mortality rates utilized in the July 1, 2017 valuation were as follows: Pre-retirement mortality rates were based on the RP-2006 Employee White Collar Mortality Tables, set back 3 years for males and 5 years for females, projected on a generational basis from a base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Post-retirement mortality rates were based on the RP-2006 Healthy Annuitant White Collar Mortality Tables, with adjustments as described in the latest experience study, projected on a generational basis from a base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Disabled mortality rates were based on the RP-2006 Disabled Retiree Mortality Tables with rates adjusted by 90%. No mortality improvement is assumed for disabled retiree mortality.

C. STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEB PLAN

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.58% as of June 30, 2017 to 3.87% as of June 30, 2018.

The mortality rates in the valuation as of June 30, 2017 were based on the following:

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

The mortality rates in the valuation as of June 30, 2018 were based on the following:

Pre-retirement 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. Post-retirement mortality rates were based on the RP-2006 Headcount-Weighted Health Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using MP-2017 scale.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED
(Continued)

C. STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEB PLAN (Cont'd)

Changes of Actuarial Assumptions (Cont'd)

The health care trend rates in the valuation as of June 30, 2017 were based on the following:

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long term trend rate after nine years. For self-insured post 65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long term rate after eight years. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

The health care trend rates in the valuation as of June 30, 2018 were based on the following:

For pre-Medicare preferred provider organization (PPO) medical benefits and health maintenance organization (HMO) medical benefits, trend rate is initially 5.8% and decreases to a 5.0% long term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long term rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

BUDGETARY COMPARISON SCHEDULES
(UNAUDITED)

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 26,161,164		\$ 26,161,164	\$ 26,161,164	
Tuition From Individuals	45,000		45,000	32,900	\$ (12,100)
Interest Earned on Capital Reserve Funds	10		10	5,444	5,434
Miscellaneous	110,000		110,000	238,481	128,481
Total - Local Sources	26,316,174		26,316,174	26,437,989	121,815
State Sources:					
Categorical Special Education Aid	790,889		790,889	790,889	
Categorical Transportation Aid	214,496		214,496	214,496	
Extraordinary Special Education Costs Aid	250,000		250,000	373,670	123,670
Additional Extraordinary Special Education Costs Aid				1,100	1,100
Security Aid	25,667		25,667	25,667	
Nonpublic School Transportation Costs				13,063	13,063
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				2,165,587	2,165,587
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)				45,331	45,331
TPAF Long-Term Disability Insurance (On-Behalf - Non-Budgeted)				2,430	2,430
TPAF Post Retirement (On-Behalf - Non-Budgeted)				1,002,869	1,002,869
TPAF Social Security (Reimbursed - Non-Budgeted)				863,455	863,455
Total State Sources	1,281,052		1,281,052	5,498,557	4,217,505
TOTAL REVENUES	27,597,226		27,597,226	31,936,546	4,339,320

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 409,199	\$ 62,708	\$ 471,907	\$ 471,495	\$ 412
Grades 1-5 - Salaries of Teachers	4,374,442	(77,570)	4,296,872	4,292,017	4,855
Grades 6-8 - Salaries of Teachers	2,894,989	13,068	2,908,057	2,908,056	1
Regular Programs - Home Instruction:					
Salaries of Teachers	10,000		10,000	5,380	4,620
Regular Programs - Undistributed Instruction:					
Purchased Professional-Educational Services	800		800	445	355
Other Purchased Services (400-500 series)	51,360	(1,974)	49,386	48,207	1,179
General Supplies	517,206	220,633	737,839	682,409	55,430
Textbooks	186,912	(37,466)	149,446	123,227	26,219
Other Objects	15,173	475	15,648	14,914	734
Total Regular Programs - Instruction	8,460,081	179,874	8,639,955	8,546,150	93,805
Special Education - Instruction:					
Multiple Disabilities:					
Salaries of Teachers	243,253	(1,000)	242,253	237,517	4,736
Other Salaries for Instruction	230,557	(25,787)	204,770	202,237	2,533
Purchased Professional-Educational Services		1,650	1,650	750	900
General Supplies	7,008	(2,000)	5,008	4,199	809
Textbooks	500		500		500
Other Objects	4,125		4,125	2,695	1,430
Total Multiple Disabilities	485,443	(27,137)	458,306	447,398	10,908

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Resource Room/Resource Center:					
Salaries of Teachers	\$ 1,250,088	\$ 24,994	\$ 1,275,082	\$ 1,264,189	\$ 10,893
Other Salaries for Instruction	1,500	755	2,255	2,255	
General Supplies	7,479		7,479	6,338	1,141
Total Resource Room/Resource Center	1,259,067	25,749	1,284,816	1,272,782	12,034
Autism:					
Purchased Professional-Educational Services	420,394	21,414	441,808	441,608	200
Total Autism	420,394	21,414	441,808	441,608	200
Preschool Disabilities - Part-Time:					
Salaries of Teachers	165,352		165,352	163,153	2,199
Other Salaries for Instruction	62,595	(1,123)	61,472	59,089	2,383
General Supplies	3,283		3,283	3,006	277
Other Objects	2,130		2,130	352	1,778
Total Preschool Disabilities - Part-Time	233,360	(1,123)	232,237	225,600	6,637
Total Special Education - Instruction	2,398,264	18,903	2,417,167	2,387,388	29,779

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	\$ 308,572		\$ 308,572	\$ 308,029	\$ 543
General Supplies	1,875		1,875	1,643	232
Total Basic Skills/Remedial - Instruction	310,447		310,447	309,672	775
Bilingual Education - Instruction:					
Salaries of Teachers	144,692		144,692	144,192	500
General Supplies	6,240		6,240	2,780	3,460
Total Bilingual Education - Instruction	150,932		150,932	146,972	3,960
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	62,000	\$ 3,241	65,241	64,416	825
Supplies and Materials	5,650	500	6,150	5,672	478
Total School-Sponsored Cocurricular Activities - Instruction	67,650	3,741	71,391	70,088	1,303
School-Sponsored Athletics - Instruction:					
Salaries	44,500	5,435	49,935	49,935	
Purchased Services (300-500 series)	8,000	(2,490)	5,510	5,510	
Supplies and Materials	7,095	371	7,466	7,106	360
Other Objects	3,300	(190)	3,110	3,110	
Total School-Sponsored Athletics - Instruction	62,895	3,126	66,021	65,661	360
Total Instruction	11,450,269	205,644	11,655,913	11,525,931	129,982

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expenditures:					
Instruction:					
Tuition to Private Schools for the Handicapped - Within State	\$ 768,937	\$ (1,500)	\$ 767,437	\$ 722,231	\$ 45,206
Total Instruction	768,937	(1,500)	767,437	722,231	45,206
Attendance & Social Work:					
Salaries	9,533		9,533	9,533	
Total Attendance & Social Work	9,533		9,533	9,533	
Health Services:					
Salaries	411,631	(2,517)	409,114	409,114	
Other Purchased Professional and Technical Services	21,000		21,000	19,279	1,721
Other Purchased Services (400-500 series)	15,000	4,600	19,600	16,149	3,451
Supplies and Materials	19,826	(4,876)	14,950	14,665	285
Other Objects	2,200	(1,836)	364	91	273
Total Health Services	469,657	(4,629)	465,028	459,298	5,730
Speech, OT, PT and Related Services:					
Salaries of Other Professional Staff	339,124	1,649	340,773	340,773	
Purchased Professional - Educational Services	458,785	(31,000)	427,785	353,622	74,163
Supplies and Materials	2,014	(700)	1,314	1,241	73
Total Speech, OT, PT and Related Services	799,923	(30,051)	769,872	695,636	74,236
Other Support Services - Students - Extra Services:					
Salaries of Other Professional Staff	459,230	25,284	484,514	482,882	1,632
Purchased Professional - Educational Services	2,000	(1,775)	225		225
Total Other Support Services - Students - Extra Services	461,230	23,509	484,739	482,882	1,857

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Guidance:					
Salaries of Other Professional Staff	\$ 345,862	\$ 5,100	\$ 350,962	\$ 348,805	\$ 2,157
Salaries of Secretarial and Clerical Assistants	51,420	300	51,720	51,359	361
Other Purchased Professional, and Technical Services	44,990	10,371	55,361	53,291	2,070
Other Purchased Services (400-500 series)	600		600	66	534
Supplies and Materials	5,370	(500)	4,870	3,202	1,668
Total Guidance	448,242	15,271	463,513	456,723	6,790
Child Study Team:					
Salaries of Other Professional Staff	708,412	8,774	717,186	717,131	55
Salaries of Secretarial and Clerical Assistants	79,563	3	79,566	79,566	
Other Purchased Professional, and Technical Services	11,702	1,735	13,437	13,231	206
Misc Purchased Service (400-500 series/ O/than Resid Costs)	6,600	390	6,990	6,849	141
Supplies and Materials	8,021	671	8,692	8,624	68
Other Objects	1,555		1,555	1,308	247
Total Child Study Team	815,853	11,573	827,426	826,709	717
Improvement of Instructional Services:					
Salaries of Supervisor of Instruction	131,894	961	132,855	132,855	
Salaries of Other Professional Staff	27,000	(1,744)	25,256	21,307	3,949
Salaries of Secretarial and Clerical Assistants	45,255	880	46,135	46,135	
Other Purchased Professional, and Technical Services	8,000	376	8,376	8,376	
Other Purchased Services (400-500)	2,000	(948)	1,052	1,052	
Supplies and Materials	1,000	(265)	735	735	
Other Objects	3,000	(585)	2,415	2,415	
Total Improvement of Instructional Services	218,149	(1,325)	216,824	212,875	3,949

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Educational Media Services/School Library:					
Salaries	\$ 236,740	\$ (8,148)	\$ 228,592	\$ 228,591	\$ 1
Salaries of Technology Coordinators	64,456	1,631	66,087	66,064	23
Supplies and Materials	36,270	(1,447)	34,823	29,610	5,213
Other Objects	4,000		4,000	3,910	90
Total Educational Media Services/School Library	341,466	(7,964)	333,502	328,175	5,327
Instructional Staff Training Services:					
Purchased Professional - Educational Services	7,400	37,035	44,435	33,606	10,829
Other Purchased Services (400-500 series)	26,826	(700)	26,126	20,617	5,509
Supplies and Materials	2,403	892	3,295	2,722	573
Total Instructional Staff Training Services	36,629	37,227	73,856	56,945	16,911
Support Services - General Administration:					
Salaries	273,279	(1,004)	272,275	267,880	4,395
Legal Services	25,000	9,066	34,066	33,248	818
Audit Fees	42,000		42,000	41,685	315
Other Purchased Professional Services	4,100	40	4,140	4,140	
Purchased Technical Services	12,000	(7,000)	5,000	5,000	
Communications/Telephone	90,132	(6,340)	83,792	81,524	2,268
BOE Other Purchased Services	3,000		3,000	2,834	166
Misc Purchased Services	79,010	5,387	84,397	78,918	5,479
General Supplies	1,500	(107)	1,393	976	417
BOE In-House Training/Meeting Supplies	500		500	258	242
Miscellaneous Expenditures	7,500	(250)	7,250	6,575	675
BOE Membership Dues & Fees	11,000		11,000	10,876	124
Total Support Services - General Administration	549,021	(208)	548,813	533,914	14,899

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	\$ 613,605	\$ 1	\$ 613,606	\$ 613,606	
Salaries of Secretarial and Clerical Assistants	392,353	18,532	410,885	410,522	\$ 363
Other Purchased Services (400-500 series)	7,500	(1,946)	5,554	3,492	2,062
Supplies and Materials	2,450	551	3,001	2,965	36
Other Objects	7,000	(180)	6,820	6,663	157
Total Support Services - School Administration	1,022,908	16,958	1,039,866	1,037,248	2,618
Support Services - Central Services:					
Salaries	391,431	(4,800)	386,631	384,802	1,829
Purchased Technical Services	40,000		40,000	35,815	4,185
Misc. Purchased Services (400-500 series)	11,500	446	11,946	11,352	594
Supplies and Materials	3,000	1,472	4,472	3,500	972
Other Objects	2,000	(318)	1,682	1,682	
Total Support Services - Central Services	447,931	(3,200)	444,731	437,151	7,580
Support Services - Administrative Information Technology Services:					
Salaries	114,404	279	114,683	114,683	
Total Support Services - Administrative IT Services	114,404	279	114,683	114,683	
Required Maintenance of School Facilities:					
Salaries	285,206	32,436	317,642	317,524	118
Cleaning, Repair and Maintenance Services	174,782	69,038	243,820	227,251	16,569
General Supplies	34,000	2,939	36,939	30,059	6,880
Total Required Maintenance of School Facilities	493,988	104,413	598,401	574,834	23,567

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Custodial Services:					
Salaries	\$ 968,808	\$ (49,112)	\$ 919,696	\$ 919,087	\$ 609
Salaries of Non-Instructional Aides	212,117	(28,499)	183,618	183,154	464
Cleaning, Repair and Maintenance Services	22,700	(8,109)	14,591	13,465	1,126
Rental of Land & Building Other Than Lease Purchase Agreements	1,356	163	1,519	1,519	
Other Purchased Property Services	35,000	(1,770)	33,230	32,805	425
Insurance	85,000	2,039	87,039	87,039	
Miscellaneous Purchased Services	2,500	(500)	2,000	2,000	
General Supplies	122,917	9,426	132,343	117,101	15,242
Energy (Natural Gas)	120,000	16,812	136,812	136,812	
Energy (Electricity)	240,000	3,156	243,156	227,406	15,750
Energy (Gasoline)	6,500	(3,880)	2,620	10,164	2,620
Other Objects	12,550	(1,814)	10,736	40,450	572
Interest - Energy Savings Impr Program Bonds	40,450		40,450	40,450	
Principal - Energy Savings Improvement Program	198,668		198,668	198,668	
Total Custodial Services	2,068,566	(62,088)	2,006,478	1,969,670	36,808
Care and Upkeep of Grounds:					
Salaries	91,609	(1,920)	89,689	89,669	20
Cleaning, Repair and Maintenance Services	7,300	1,000	8,300	8,265	35
General Supplies		6,950	6,950	6,411	539
Total Care and Upkeep of Grounds	98,909	6,030	104,939	104,345	594
Security:					
Purchased Professional. and Technical Services	27,000		27,000	21,576	5,424
Total Security	27,000		27,000	21,576	5,424

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Student Transportation Services:					
Salaries of Non-Instructional Aides	\$ 18,000	\$ 5,034	\$ 23,034	\$ 23,034	
Salaries for Pupil Transportation (Between Home and School) - Regular	505,495	(1,806)	503,689	495,460	\$ 8,229
Salaries for Pupil Transportation (Between Home and School) - Special Education	139,651	(13,850)	125,801	103,987	21,814
Salaries for Pupil Transportation (Other Than Between Home and School) - Other	75,000	(3,228)	71,772	71,296	476
Salaries for Pupil Transportation - Non-Public Schools	10,120	286	10,406	10,406	
Cleaning, Repair and Maintenance Services	7,000	16,524	23,524	23,392	132
Contracted Services - Aid in Lieu Payments - Non Public Schools Students	50,000	(2,000)	48,000	45,339	2,661
Contracted Services - Aid in Lieu Payments - Charter School Students	102,876	2,000	2,000	1,305	695
Contracted Services (Special Education Students) - ESC's	49,250	(6,000)	96,876	75,391	21,485
Miscellaneous Purchased Services - Transportation	135,617	3,017	52,267	50,714	1,553
General Supplies		4,869	140,486	114,515	25,971
Total Student Transportation Services	1,093,009	4,846	1,097,855	1,014,839	83,016
Allocated Benefits - Student Transportation Services:					
Social Security Contributions	55,000		55,000	53,008	1,992
Workers Compensation	38,540	(1,146)	37,394	36,605	789
Health Benefits	397,200	(71,528)	325,672	284,497	41,175
Total Allocated Benefits - Student Transportation Services	490,740	(72,674)	418,066	374,110	43,956

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Unallocated Benefits:					
Social Security Contributions	\$ 330,000		\$ 330,000	\$ 323,220	\$ 6,780
Other Retirement Contributions - PERS	430,000	\$ 17,479.00	447,479	447,479	
Other Retirement Contributions - Regular	23,000	5,700	28,700	28,642	58
Workmen's Compensation	139,681	(1,242)	138,439	134,766	3,673
Health Benefits	4,666,013	(307,294)	4,358,719	4,164,493	194,226
Tuition Reimbursement	50,000	1	50,001	50,000	1
Other Employee Benefits		16,998	16,998	16,998	
Total Unallocated Benefits	5,638,694	(268,358)	5,370,336	5,165,598	204,738
On-Behalf Contributions:					
On-behalf TPAF Pension Contributions (non-budgeted)				2,165,587	(2,165,587)
On-behalf Non-Contributory Insurance (non-budgeted)				45,331	(45,331)
On-behalf Long-Term Disability Insurance (non-budgeted)				2,430	(2,430)
On-behalf TPAF Post Retirement Contributions (non-budgeted)				1,002,869	(1,002,869)
Reimbursed TPAF Social Security Contributions (non-budgeted)				863,455	(863,455)
Total On-Behalf Contributions				4,079,672	(4,079,672)
Total Personal Services - Employee Benefits	6,129,434	(341,032)	5,788,402	9,619,380	(3,830,978)
Total Undistributed Expenses	16,414,789	(231,891)	16,182,898	19,678,647	(3,495,749)
TOTAL CURRENT EXPENSE	27,865,058	(26,247)	27,838,811	31,204,578	(3,365,767)

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CAPITAL OUTLAY					
Equipment:					
Regular Programs - Instruction:					
Grades 6-8	\$ 8,700	\$ (774)	\$ 7,926	\$ 7,926	
Undistributed Expenditures - Central Services	4,799	(4,799)	2,021	2,021	
Undistributed Expenditures - Required Maintenance for School Facilities	53,000	18,399	71,399	69,578	\$ 1,821
Undistributed Expenditures - Care and Upkeep of Grounds	116,811		116,811	114,245	2,566
School Buses - Special					
Total Equipment	183,310	14,847	198,157	193,770	4,387
Facilities Acquisition and Construction Services:					
Other Purchased Professional, and Technical Services	177,262	17,669	194,931	26,190	168,741
Construction Services	49,500	11,400	60,900	59,661	1,239
Assessment for Debt Service on SDA Funding	22,124		22,124	22,124	
Total Facilities Acquisition and Construction Services	248,886	29,069	277,955	107,975	169,980
TOTAL CAPITAL OUTLAY	432,196	43,916	476,112	301,745	174,367
Transfer of Funds to Charter Schools	94,593		94,593	94,593	
TOTAL EXPENDITURES	28,391,847	17,669	28,409,516	31,600,916	(3,191,400)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(794,621)	(17,669)	(812,290)	335,630	1,147,920

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Fund Balance, July 1	\$ 1,823,240		\$ 1,823,240	\$ 1,823,240	
Fund Balance, June 30	\$ 1,028,619	\$ (17,669)	\$ 1,010,950	\$ 2,158,870	\$ 1,147,920
<u>Recapitulation:</u>					
Restricted:					
Capital Reserve				\$ 787,552	
Assigned:					
Year-End Encumbrances				233,060	
Designated for Subsequent Year's Expenditures				450,000	
Unassigned				688,258	
				<u>2,158,870</u>	
Reconciliation to Governmental Funds Statements (GAAP):					
June State Aid Payments not recognized on GAAP Basis				(100,893)	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 2,057,977</u>	

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
State Sources	\$ 41,096	\$ 36,659	\$ 77,755	\$ 32,184	\$ (45,571)
Federal Sources	264,949	103,336	368,285	314,554	(53,731)
Total Revenues	306,045	139,995	446,040	346,738	(99,302)
EXPENDITURES:					
Instruction					
Other Purchased Services	248,809	43,718	292,527	253,628	38,899
General Supplies	2,101	14,715	16,816	16,768	48
Textbooks	3,111	(67)	3,044	3,044	
Total Instruction	254,021	58,366	312,387	273,440	38,947
Support Services					
Personal Services - Salaries					
Purchased Professional - Educational Services	5,510	32,447	37,957	17,595	20,362
Other Purchased Services	41,534	45,612	87,146	51,653	35,493
Total Support Services	47,044	78,059	125,103	69,248	55,855
Facilities Acquisition and Construction Services:					
Non Instructional Equipment	4,980	3,570	8,550	4,050	4,500
Total Facilities Acquisition and Construction Services	4,980	3,570	8,550	4,050	4,500
Total Expenditures	306,045	139,995	446,040	346,738	99,302
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

HANOVER TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 31,936,546	\$ 346,738
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not		(2,379)
Prior Year State Aid Payments Not Recognized for Budgetary Purposes, Recognized for GAAP Statements	90,488	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(100,893)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 31,926,141	\$ 344,359
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 31,600,916	\$ 346,738
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		(2,379)
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 31,600,916	\$ 344,359

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budget for the fiscal year ended June 30, 2019 was submitted to the County office and was approved by a vote by the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)l. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

HANOVER TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Elementary and Secondary Education Act		IDEA Part B	IDEA Part B	Nonpublic	Nonpublic
	Title II A	Title IV	Basic Regular	Preschool	Security	Technology Initiative
REVENUE:						
State Sources	\$ 18,615	\$ 10,000	\$ 267,481	\$ 18,458	\$ 4,050	\$ 2,052
Federal Sources						
Total Revenue	18,615	10,000	267,481	18,458	4,050	2,052
EXPENDITURES:						
Instruction:						
Other Purchased Services			236,628	17,000		
General Supplies			13,258	1,458		2,052
Textbooks						
Total Instruction			249,886	18,458		2,052
Support Services:						
Purchased Professional - Educational Services			17,595			
Other Purchased Services	18,615	10,000				
Total Support Services	18,615	10,000	17,595			
Facilities Acquisition and Construction Services:						
Non Instructional Equipment					4,050	
Total Facilities Acquisition and Construction Services					4,050	
Total Expenditures	\$ 18,615	\$ 10,000	\$ 267,481	\$ 18,458	\$ 4,050	\$ 2,052

HANOVER TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

	Nonpublic Nursing	Nonpublic Textbook	Nonpublic Auxiliary Services			Nonpublic Handicapped Services			Totals June 30, 2019
			Compensatory Education	Examination & Classification	Supplemental Instruction	Corrective Speech			
REVENUE:									
State Sources	\$ 5,529	\$ 3,044	\$ 5,922	\$ 7,095	\$ 1,903	\$ 2,589	\$ 32,184		
Federal Sources							314,554		
Total Revenue	5,529	3,044	5,922	7,095	1,903	2,589	346,738		
EXPENDITURES:									
Instruction:									
Other Purchased Services								253,628	
General Supplies		3,044						16,768	
Textbooks		3,044						3,044	
Total Instruction		3,044						273,440	
Support Services:									
Purchased Professional - Educational Services								17,595	
Other Purchased Services	5,529		5,922	7,095	1,903	2,589	51,653		
Total Support Services	5,529		5,922	7,095	1,903	2,589	69,248		
Facilities Acquisition and Construction Services:									
Non Instructional Equipment								4,050	
Total Facilities Acquisition and Construction Services								4,050	
Total Expenditures	\$ 5,529	\$ 3,044	\$ 5,922	\$ 7,095	\$ 1,903	\$ 2,589	\$ 346,738		

CAPITAL PROJECTS FUND
NOT APPLICABLE

PROPRIETARY FUNDS

HANOVER TOWNSHIP SCHOOL DISTRICT
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Non-Major Fund	Major Fund	
	Milk Service	School Age Child Care	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 12,671	\$ 1,043,856	\$ 1,056,527
Accounts Receivable:			
Federal	717		717
Other		166	166
Total Current Assets	13,388	1,044,022	1,057,410
Total Assets	13,388	1,044,022	1,057,410
LIABILITIES:			
Current Liabilities:			
Accounts Payable - Vendors	1,730	318	2,048
Interfund Payable	6,200		6,200
Unearned Revenue		208,732	208,732
Total Current Liabilities	7,930	209,050	216,980
NET POSITION:			
Unrestricted	5,458	834,972	840,430
Total Net Position	\$ 5,458	\$ 834,972	\$ 840,430

HANOVER TOWNSHIP SCHOOL DISTRICT
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Non-Major Fund <u>Milk Service</u>	Major Fund <u>School Age Child Care</u>	<u>Total</u>
Operating Revenue:			
Local Sources:			
Daily Sales - Reimbursable Programs:			
Special Milk Program	\$ 16,366		\$ 16,366
Child Care Fees		\$ 1,045,785	1,045,785
Total Operating Revenue	<u>16,366</u>	<u>1,045,785</u>	<u>1,062,151</u>
Operating Expenses:			
Cost of Sales - Reimbursable Programs	18,387		18,387
Salaries	6,200	524,281	530,481
Benefits and Taxes		188,950	188,950
Purchased Services		64,614	64,614
Supplies/Field Trips/Travel		85,346	85,346
Memberships		82,662	82,662
Other		27,974	27,974
Total Operating Expenses	<u>24,587</u>	<u>973,827</u>	<u>998,414</u>
Operating Income (Loss)	<u>(8,221)</u>	<u>71,958</u>	<u>63,737</u>
Non-Operating Revenue:			
Local Sources:			
Interest Revenue		2,650	2,650
Federal Sources:			
Special Milk Program	8,871		8,871
Total Non-Operating Revenue	<u>8,871</u>	<u>2,650</u>	<u>11,521</u>
Change in Net Position	650	74,608	75,258
Net Position - Beginning of Year	<u>4,808</u>	<u>760,364</u>	<u>765,172</u>
Net Position - End of Year	<u>\$ 5,458</u>	<u>\$ 834,972</u>	<u>\$ 840,430</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Non-Major Fund <u>Milk Service</u>	Major Fund <u>School Age Child Care</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 16,366	\$ 1,046,488	\$ 1,062,854
Payments to Employees		(524,281)	(524,281)
Payments for Employee Benefits		(188,950)	(188,950)
Payments to Suppliers	(17,981)	(241,718)	(259,699)
Net Cash Provided by/(Used for) Operating Activities	<u>(1,615)</u>	<u>91,539</u>	<u>89,924</u>
Cash Flows from Noncapital Financing Activities:			
Cash Received from Federal Reimbursements	<u>9,190</u>		<u>9,190</u>
Net Cash Provided by Noncapital Financing Activities	<u>9,190</u>		<u>9,190</u>
Cash Flows from Investing Activities:			
Interest on Investments		<u>2,650</u>	<u>2,650</u>
Net Cash Provided by Investing Activities		<u>2,650</u>	<u>2,650</u>
Net Increase in Cash and Cash Equivalents	7,575	94,189	101,764
Cash and Cash Equivalents, July 1	<u>5,096</u>	<u>949,667</u>	<u>954,763</u>
Cash and Cash Equivalents, June 30	<u>\$ 12,671</u>	<u>\$ 1,043,856</u>	<u>\$ 1,056,527</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by/(Used for)			
Operating Activities:			
Operating Income (Loss)	\$ (8,221)	\$ 71,958	\$ 63,737
Adjustment to Reconcile Operating Income (Loss) to Cash			
Provided by/(Used for) Operating Activities:			
Changes in Assets and Liabilities:			
Decrease in Other Accounts Receivable		703	703
Increase in Interfunds Payable	6,200		6,200
Increase in Accounts Payable	406	315	721
Increase in Unearned Revenue		<u>18,563</u>	<u>18,563</u>
Net Cash Provided by/(Used for) Operating Activities	<u>\$ (1,615)</u>	<u>\$ 91,539</u>	<u>\$ 89,924</u>

FIDUCIARY FUNDS

HANOVER TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2019

	Student Activity	Agency Payroll	Totals	Unemployment Compensation Trust	Private Purpose Scholarship Trust	Flexible Spending Trust
ASSETS:						
Cash and Cash Equivalents	\$ 91,434	\$ 34,432	\$ 125,866	\$ 190,804	\$ 9,485	\$ 14,051
Interfund Receivable		750,472	750,472			
Total Assets	\$ 91,434	\$ 784,904	\$ 876,338	\$ 190,804	\$ 9,485	\$ 14,051
LIABILITIES:						
Due to Student Groups	\$ 91,434		\$ 91,434			
Accrued Salaries and Wages		\$ 750,472	750,472			
Payroll Deductions and Withholdings		34,432	34,432			
Total Liabilities	91,434	784,904	876,338			
NET POSITION:						
Restricted for Scholarships					\$ 9,485	
Held in Trust for:						
Unemployment Claims				\$ 190,804		
Flexible Spending Claims						\$ 14,051
Total Net Position	\$ -0-	\$ -0-	\$ -0-	\$ 190,804	\$ 9,485	\$ 14,051

HANOVER TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>	<u>Flexible Spending Trust</u>	<u>Totals</u>
ADDITIONS:				
Contributions:				
Plan members	\$ 41,933		\$ 27,922	\$ 69,855
Donations		\$ 175		175
Total Contributions	<u>41,933</u>	<u>175</u>	<u>27,922</u>	<u>70,030</u>
Investment Earnings:				
Interest	<u>373</u>	<u>98</u>		<u>471</u>
Net Investment Earnings	<u>373</u>	<u>98</u>		<u>471</u>
Total Additions	<u>42,306</u>	<u>273</u>	<u>27,922</u>	<u>70,501</u>
DEDUCTIONS:				
Quarterly Contribution Reports	27,331			27,331
Scholarships Awarded		3,287		3,287
Flexible Spending Claims			21,661	21,661
Total Deductions	<u>27,331</u>	<u>3,287</u>	<u>21,661</u>	<u>52,279</u>
Change in Net Position	14,975	(3,014)	6,261	18,222
Net Position - Beginning of the Year	<u>175,829</u>	<u>12,499</u>	<u>7,790</u>	<u>196,118</u>
Net Position - End of the Year	<u>\$ 190,804</u>	<u>\$ 9,485</u>	<u>\$ 14,051</u>	<u>\$ 214,340</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 82,898	\$ 145,897	\$ 137,361	\$ 91,434
Total Assets	<u>\$ 82,898</u>	<u>\$ 145,897</u>	<u>\$ 137,361</u>	<u>\$ 91,434</u>
 <u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	\$ 82,898	\$ 145,897	137,361	\$ 91,434
Total Liabilities	<u>\$ 82,898</u>	<u>\$ 145,897</u>	<u>\$ 137,361</u>	<u>\$ 91,434</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Balance</u> <u>July 1, 2018</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2019</u>
Elementary Schools:				
Bee Meadow	\$ 9,290	\$ 1,901	\$ 1,839	\$ 9,352
Mountview	31,660	11,266	11,619	31,307
Salem Drive	1,406	7,887	6,365	2,928
Total Elementary Schools	<u>42,356</u>	<u>21,054</u>	<u>19,823</u>	<u>43,587</u>
Middle School:				
Memorial	40,542	124,843	117,538	47,847
Total Middle School	<u>40,542</u>	<u>124,843</u>	<u>117,538</u>	<u>47,847</u>
Total All Schools	<u>\$ 82,898</u>	<u>\$ 145,897</u>	<u>\$ 137,361</u>	<u>\$ 91,434</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 103,467	\$ 19,533,221	\$ 19,602,256	\$ 34,432
Interfund Receivable	699,358	750,472	699,358	750,472
Total Assets	<u>\$ 802,825</u>	<u>\$ 20,283,693</u>	<u>\$ 20,301,614</u>	<u>\$ 784,904</u>
 <u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 103,467	\$ 19,533,221	\$ 19,602,256	\$ 34,432
Accrued Salaries and Wages	699,358	750,472	699,358	750,472
Total Liabilities	<u>\$ 802,825</u>	<u>\$ 20,283,693</u>	<u>\$ 20,301,614</u>	<u>\$ 784,904</u>

LONG-TERM DEBT

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance June 30, 2018	Matured	Balance June 30, 2019
			Date	Amount				
School Refunding Bonds	11/2/2010	\$ 2,970,000	01/15/20	\$ 305,000	4.00%	\$ 1,210,000	\$ 305,000	\$ 905,000
			01/15/21-22	300,000				

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

<u>Item</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance June 30, 2018</u>	<u>Matured</u>	<u>Balance June 30, 2019</u>
Technology Upgrades	1.85%	\$ 231,491	\$ 98,017	\$ 78,232	\$ 19,785
Energy Savings	2.12%	2,865,552	<u>1,949,015</u>	<u>198,668</u>	<u>1,750,347</u>
			<u>\$ 2,047,032</u>	<u>\$ 276,900</u>	<u>\$ 1,770,132</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUE:					
Local Sources:					
Local Tax Levy	\$ 353,400		\$ 353,400	\$ 353,400	
Total Revenue	353,400		353,400	353,400	
EXPENDITURES:					
Regular Debt Service:					
Interest	48,400		48,400	48,400	
Redemption of Principal	305,000		305,000	305,000	
Total Regular Debt Service	353,400		353,400	353,400	
Total Expenditures	353,400		353,400	353,400	
Deficiency of Revenue Under Expenditures					
Fund Balance, July 1					
Fund Balance, June 30	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

STATISTICAL SECTION
(UNAUDITED)

This part of the District’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 District’s overall financial health.

Contents

	<u>Exhibit</u>
Financial Trends These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	J-1 thru J-5
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.	J-6 thru J-9
Debt Capacity These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	J-10 thru J-13
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.	J-14 thru J-15
Operating Information These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.	J-16 thru J-20

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

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

	June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental Activities:										
Net Investment in Capital Assets	\$ 12,099,751	\$ 12,430,565	\$ 12,783,499	\$ 11,146,934	\$ 13,346,166	\$ 14,081,901	\$ 14,012,558	\$ 14,096,888	\$ 13,888,447	\$ 13,724,882
Restricted	1,362,584	908,005	1,174,834	3,077,900	564,241	347,380	448,975	401,835	682,945	787,552
Unrestricted/(Deficit)	(639,311)	69,543	337,158	372,978	(9,371,663)	(10,192,430)	(10,060,799)	(11,090,460)	(11,449,388)	(11,228,619)
Total Governmental Activities Net Position	\$ 12,823,024	\$ 13,408,113	\$ 14,295,491	\$ 14,597,812	\$ 4,538,744	\$ 4,236,851	\$ 4,400,734	\$ 3,408,263	\$ 3,122,004	\$ 3,283,815
Business-Type Activities:										
Unrestricted	\$ 154,419	\$ 142,992	\$ 217,132	\$ 289,821	\$ 384,435	\$ 477,442	\$ 596,447	\$ 661,507	\$ 765,172	\$ 840,430
Total Business-Type Activities Net Position	\$ 154,419	\$ 142,992	\$ 217,132	\$ 289,821	\$ 384,435	\$ 477,442	\$ 596,447	\$ 661,507	\$ 765,172	\$ 840,430
District-Wide:										
Net Investment in Capital Assets	\$ 12,099,751	\$ 12,430,565	\$ 12,783,499	\$ 11,146,934	\$ 13,346,166	\$ 14,081,901	\$ 14,012,558	\$ 14,096,888	\$ 13,888,447	\$ 13,724,882
Restricted	1,362,584	908,005	1,174,834	3,077,900	564,241	347,380	448,975	401,835	682,945	787,552
Unrestricted/(Deficit)	(484,892)	212,535	554,290	662,799	(8,987,228)	(9,714,988)	(9,464,352)	(10,428,953)	(10,684,216)	(10,388,189)
Total District Net Position	\$ 12,977,443	\$ 13,551,105	\$ 14,512,623	\$ 14,887,633	\$ 4,923,179	\$ 4,714,293	\$ 4,997,181	\$ 4,069,770	\$ 3,887,176	\$ 4,124,245

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

	Fiscal Year Ending June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses:										
Governmental Activities:										
Instruction:										
Regular	\$ 11,794,795	\$ 11,625,678	\$ 11,735,694	\$ 12,358,797	\$ 12,285,458	\$ 13,653,591	\$ 14,777,730	\$ 16,387,022	\$ 17,960,884	\$ 16,605,303
Special Education	2,417,583	2,356,644	2,383,792	2,242,404	2,861,786	3,915,308	4,143,667	4,520,561	4,685,420	4,551,559
Other Special Instruction	279,890	294,577	299,431	350,893	390,574	608,597	725,467	849,600	974,242	897,287
Other Instruction	179,648	126,103	127,635	135,330	144,762	207,807	230,730	268,722	297,403	270,432
Support Services:										
Tuition	187,937	152,135	94,216	280,756	614,542	655,357	624,151	729,894	754,586	722,231
Student and Instruction Related Services	3,351,065	3,703,937	3,719,667	3,869,769	3,682,481	4,064,379	4,211,188	4,784,042	4,617,913	4,739,950
School Administrative Service:	1,132,765	1,163,207	1,202,777	1,236,068	1,227,091	1,614,400	1,699,971	641,632	1,094,246	635,617
General Administrative Service:	554,182	535,400	558,532	537,407	573,787	621,811	556,855	1,750,859	1,943,898	2,046,175
Plant Operations and Maintenance	2,468,355	2,435,686	2,461,558	2,463,388	2,582,194	2,922,902	2,833,742	3,099,103	2,827,410	3,003,094
Pupil Transportation	1,062,908	1,122,002	1,143,092	1,166,369	1,364,055	1,390,033	1,383,555	1,792,139	1,393,017	1,493,196
Central Services and Admin Info Tech	644,568	621,950	638,917	688,411	679,070	771,494	795,474	869,827	322,467	751,442
Charter Schools	20,391	40,748	45,600	51,574	120,605	125,235	142,452	97,287	63,299	94,593
Capital Outlay	207,404	116,669	122,113	102,513	94,737	22,330	25,892	22,124	22,124	39,621
Interest on Long-Term Debt						86,431	77,676	67,208	55,008	42,809
Unallocated Benefits									389,657	
Total Governmental Activities Expenses	<u>24,501,491</u>	<u>24,294,736</u>	<u>24,530,024</u>	<u>25,483,679</u>	<u>26,621,142</u>	<u>30,659,675</u>	<u>32,228,550</u>	<u>35,880,020</u>	<u>37,401,574</u>	<u>35,893,309</u>
Business-Type Activities:										
Enterprise Funds	802,377	832,740	863,854	890,818	942,290	995,976	948,571	1,092,843	999,798	998,414
Total Business-Type Activities Expense	<u>802,377</u>	<u>832,740</u>	<u>863,854</u>	<u>890,818</u>	<u>942,290</u>	<u>995,976</u>	<u>948,571</u>	<u>1,092,843</u>	<u>999,798</u>	<u>998,414</u>
Total District Expenses	<u>\$ 25,303,868</u>	<u>\$ 25,127,476</u>	<u>\$ 25,393,878</u>	<u>\$ 26,374,497</u>	<u>\$ 27,563,432</u>	<u>\$ 31,655,651</u>	<u>\$ 33,177,121</u>	<u>\$ 36,972,863</u>	<u>\$ 38,401,372</u>	<u>\$ 36,891,723</u>
Program Revenues:										
Governmental Activities:										
Charges for Services:										
Instruction (tuition)	\$ 3,054,568	\$ 2,389,744	\$ 2,883,780	\$ 3,576,649	\$ 3,284,389	\$ 6,053,224	\$ 7,109,627	\$ 9,379,277	\$ 10,971,490	\$ 8,858,968
Operating Grants and Contributions	100,333	165,652	119,797							
Capital Grants and Contributions	3,154,901	2,555,396	3,003,577	3,576,649	3,284,389	6,053,224	7,109,627	9,379,277	10,971,490	8,891,868
Total Governmental Activities Program Revenues										
Business-Type Activities:										
Charges for Services:										
Enterprise Funds	829,067	830,545	922,001	969,161	1,022,570	1,074,636	1,055,402	1,146,457	1,091,374	1,062,151
Operating Grants and Contributions	13,255	15,116	15,841	14,150	14,104	14,175	12,102	11,366	11,668	8,871
Total Business Type Activities Program Revenues	<u>842,322</u>	<u>845,661</u>	<u>937,842</u>	<u>983,311</u>	<u>1,036,674</u>	<u>1,088,811</u>	<u>1,067,504</u>	<u>1,157,823</u>	<u>1,103,042</u>	<u>1,071,022</u>
Total District Program Revenues	<u>\$ 3,997,223</u>	<u>\$ 3,401,057</u>	<u>\$ 3,941,419</u>	<u>\$ 4,559,960</u>	<u>\$ 4,321,063</u>	<u>\$ 7,142,035</u>	<u>\$ 8,177,131</u>	<u>\$ 10,537,100</u>	<u>\$ 12,074,532</u>	<u>\$ 9,962,890</u>

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

	Fiscal Year Ending June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net (Expense)/Revenue:										
Governmental Activities	\$ (21,346,590)	\$ (21,739,340)	\$ (21,526,447)	\$ (21,907,030)	\$ (23,336,753)	\$ (24,606,451)	\$ (25,118,923)	\$ (26,500,743)	\$ (26,430,084)	\$ (27,001,441)
Business-Type Activities	39,945	12,921	73,988	92,493	94,384	92,835	118,933	64,980	103,244	72,608
Total District-Wide Net Expense	\$ (21,306,645)	\$ (21,726,419)	\$ (21,452,459)	\$ (21,814,537)	\$ (23,242,369)	\$ (24,513,616)	\$ (24,999,990)	\$ (26,435,763)	\$ (26,326,840)	\$ (26,928,833)
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 20,130,621	\$ 21,155,846	\$ 21,265,275	\$ 21,415,620	\$ 21,943,932	\$ 23,216,270	\$ 23,973,068	\$ 24,452,429	\$ 25,189,021	\$ 26,161,164
Taxes Levied for Debt Service	735,790	760,708	730,685	325,968	368,450	375,094	381,701	377,792	365,600	353,400
Federal and State Aid Not Restricted	183,564	133,427	206,995	222,668	332,392	371,656	480,397	362,255	364,902	404,763
Investment Earnings	11,760	6,912	6,647	7,419	6,910	4,339	2,821	20	636	35,104
Miscellaneous Income	207,676	243,025	204,223	276,637	316,480	337,199	444,818	315,676	223,666	208,821
Transfers		24,511		20,000						
Total Governmental Activities	21,269,411	22,324,429	22,413,825	22,268,312	22,968,164	24,304,538	25,282,805	25,508,172	26,143,825	27,163,252
Business-Type Activities:										
Investment Earnings	409	163	152	196	230	172	72	80	421	2,650
Transfers	(24,511)	(24,511)		(20,000)						
Total Business-Type Activities	409	(24,348)	152	(19,804)	230	172	72	80	421	2,650
Total District-Wide	\$ 21,269,820	\$ 22,300,081	\$ 22,413,977	\$ 22,248,508	\$ 22,968,394	\$ 24,304,730	\$ 25,282,877	\$ 25,508,252	\$ 26,144,246	\$ 27,165,902
Change in Net Position:										
Governmental Activities	\$ (77,179)	\$ 585,089	\$ 887,378	\$ 361,282	\$ (368,589)	\$ (301,893)	\$ 163,882	\$ (992,571)	\$ (286,259)	\$ 161,811
Business-Type Activities	40,354	(11,427)	74,140	72,689	94,614	93,007	119,005	65,060	103,665	75,258
Total District	\$ (36,825)	\$ 573,662	\$ 961,518	\$ 433,971	\$ (273,975)	\$ (208,886)	\$ 282,887	\$ (927,511)	\$ (182,594)	\$ 237,069

Source: School District Financial Reports

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

	June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund:										
Restricted/Reserved	\$ 1,064,857	\$ 703,967	\$ 1,144,852	\$ 763,891	\$ 563,886	\$ 347,273	\$ 441,050	\$ 401,835	\$ 682,945	\$ 787,552
Unreserved	645,055									
Assigned	495,943	495,943	660,608	751,703	846,666	442,492	576,774	569,697	567,869	683,060
Unassigned	459,189	459,189	500,527	512,168	418,896	425,728	430,612	440,929	481,938	587,365
Total General Fund	\$ 1,709,912	\$ 1,659,099	\$ 2,305,987	\$ 2,027,762	\$ 1,829,448	\$ 1,215,493	\$ 1,448,436	\$ 1,412,461	\$ 1,732,752	\$ 2,057,977
All Other Governmental Funds:										
Reserved/Restricted for:										
Capital Projects Fund	\$ 12,735	\$ 30,087	\$ 29,982	\$ 256	\$ 355	\$ 107	\$ 8			
Debt Service Fund	7,162									
Committed for:										
Capital Projects Fund		289,920		2,313,753						
Unassigned for/(Deficit):		(115,969)				(125,469)	7,917			
Capital Projects Fund										
Total All Other Governmental Funds	\$ 19,897	\$ 204,038	\$ 29,982	\$ 2,314,009	\$ 355	\$ (125,362)	\$ 7,925	\$ -0-	\$ -0-	\$ -0-

Source: School District Financial Reports

HANOVER TOWNSHIP SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

UNAUDITED
(Modified accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues:										
Tax Levy	\$20,866,411	\$21,916,554	\$21,995,960	\$21,741,588	\$22,312,382	\$23,591,364	\$24,354,769	\$24,830,321	\$25,554,621	\$26,514,564
Tuition Charges	10,114	6,303	6,315	6,999	6,548	4,251	2,805			32,900
Interest Earned on Investments	1,541	609	332	420	362	88	16	20	636	5,444
Interest Earned on Capital Reserve Funds	207,781	243,025	204,223	276,637	328,938	337,241	444,818	315,676	223,666	238,481
Miscellaneous	2,719,399	2,249,970	2,835,511	3,415,498	3,237,489	3,516,719	4,032,232	4,306,060	4,794,370	5,520,336
State Sources	619,066	438,853	375,061	383,819	366,834	361,282	352,837	359,861	353,832	312,175
Federal Sources	24,424,312	24,835,314	25,417,402	25,824,961	26,252,553	27,810,945	29,187,477	29,811,938	30,927,125	32,623,900
Total Revenue										
	7,853,678	7,617,349	7,360,487	7,477,493	7,569,926	7,714,690	7,966,561	7,870,668	8,451,877	8,551,246
	2,018,533	1,928,497	1,959,809	1,819,485	2,400,176	2,608,191	2,660,979	2,695,772	2,297,164	2,670,948
	223,518	233,231	238,117	276,104	307,438	344,732	390,087	406,425	433,129	456,644
	138,017	92,864	95,343	101,032	104,405	112,784	121,112	126,226	130,149	135,749
	187,937	152,135	94,216	280,756	614,542	655,357	624,151	3,351,768	714,898	722,231
	2,915,777	3,017,996	3,059,956	3,240,573	2,970,649	3,094,123	3,175,946	497,920	3,441,030	3,580,429
	473,054	473,656	490,708	466,590	500,365	509,210	501,060	967,669	530,061	533,914
	904,012	912,185	951,970	963,973	951,456	1,004,475	1,019,700	427,289	1,008,933	1,037,248
	403,119	382,365	383,523	399,650	397,930	405,274	434,803	167,525	445,724	437,151
	119,663	123,566	128,776	144,391	147,741	157,146	161,860	2,620,524	111,614	114,683
	2,159,140	2,091,263	2,073,443	2,109,201	2,361,958	2,527,468	2,447,138	1,001,170	2,507,557	2,670,425
	1,013,728	1,077,072	1,096,727	1,106,603	1,294,064	1,308,861	1,277,644	8,035,817	1,009,986	1,014,839
	5,102,162	5,407,400	5,773,954	6,334,308	6,110,250	6,528,885	7,138,111	97,287	8,871,362	9,619,380
	20,391	40,748	45,600	51,574	120,605	125,235	142,452	142,452	63,299	94,593
	525,000	595,000	595,000	250,000	270,000	285,000	300,000	305,000	305,000	305,000
	219,790	142,783	135,790	105,950	98,450	90,350	81,800	72,800	60,600	48,400
	396,545	552,089	530,020	1,577,028	2,544,566	1,078,836	581,099	713,575	224,451	305,795
	24,674,064	24,840,199	25,013,439	26,704,711	28,764,521	28,550,617	29,024,503	30,229,781	30,606,834	32,298,675
Total Expenditures										

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

	Fiscal Year Ending June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (249,752)	\$ 15,115	\$ 403,963	\$ (879,750)	\$ (2,511,968)	\$ (739,672)	\$ 162,974	\$ (417,843)	\$ 320,291	\$ 325,225
Other Financing Sources (Uses)				2,865,552			203,256	231,491		
Lease Purchase Proceeds		93,702	68,869							
Capital Leases (Non-budgeted)		422,431	5,741	739,031	77,701	310,998		7,917		
Transfers In		(397,920)	(5,741)	(719,031)	(77,701)	(310,998)		(7,917)		
Transfers Out		118,213	68,869	2,885,552			203,256	231,491		
Total Other Financing Sources (Uses)										
Net Change in Fund Balances	\$ (249,752)	\$ 133,328	\$ 472,832	\$ 2,005,802	\$ (2,511,968)	\$ (739,672)	\$ 366,230	\$ (186,352)	\$ 320,291	\$ 325,225
Debt Service as a Percentage of Noncapital Expenditures	3.07%	3.04%	2.98%	1.42%	1.41%	1.37%	1.34%	1.28%	1.20%	1.10%

Source: School District Financial Reports

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

Fiscal Year Ending June 30,	Interest on Investments	Tuition	Rentals - Use of Facilities	Prior Year Refunds	Miscellaneous	Total
2010	\$ 11,655			\$ 2,507	\$ 205,274	\$ 219,436
2011	6,912		\$ 50	73,705	169,270	249,937
2012	6,647			52,083	152,140	210,870
2013	7,060			58,790	162,847	228,697
2014	6,811			146,921	157,559	311,291
2015	4,331			132,867	204,332	341,530
2016	2,821			155,279	286,718	444,818
2017	2,496			14,407	298,793	315,696
2018	6,940			80,529	136,197	223,666
2019	35,104	\$ 32,900		100,025	108,796	276,825

Source: School District Records

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

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Tax-Exempt Property	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2009	\$ 72,641,900	\$ 1,148,171,700	\$ 368,300	\$ 7,600	\$ 538,942,500	\$ 213,530,700	\$ 28,868,800	\$ 2,002,531,500	\$ 271,431,000	\$ 11,255,992	\$ 2,013,787,492	\$ 1.02	\$ 4,139,864,889
2010	65,676,800	1,153,279,300	368,300	7,600	524,527,300	214,138,200	28,868,800	1,986,866,300	271,947,500	11,175,509	1,998,041,809	1.06	4,166,464,286
2011	47,974,300	1,176,198,450	368,300	7,600	489,126,600	221,082,600	28,868,800	1,963,626,650	271,672,800	10,542,510	1,974,169,160	1.63	4,115,149,057
2012 ^c	78,048,900	2,054,726,800	433,000	5,900	871,536,400	412,981,600	56,721,600	3,474,454,200	376,741,000	21,415,187	3,495,869,387	0.63	3,957,980,829
2013	94,503,500	2,055,323,600	433,000	5,900	873,200,300	408,758,900	56,721,600	3,488,946,800	366,341,800	-	3,488,946,800	0.64	3,889,698,033
2014	80,697,600	2,080,627,400	433,000	5,900	996,669,100	433,662,200	57,634,600	3,649,729,800	375,167,100	-	3,649,729,800	0.64	3,841,012,208
2015	73,645,700	2,101,021,300	433,000	5,900	1,016,994,300	429,302,700	75,960,100	3,697,363,000	375,229,600	-	3,697,363,000	0.65	3,891,141,865
2016	75,035,800	2,106,119,300	433,000	5,900	983,192,400	425,684,100	84,700,100	3,675,170,600	372,465,700	-	3,675,170,600	0.64	4,093,380,765
2017	74,177,300	2,124,601,600	441,800	5,900	1,034,213,600	422,412,500	84,734,600	3,740,587,300	372,788,000	-	3,740,587,300	0.67	4,226,174,783
2018	58,906,700	2,121,024,700	441,800	5,900	1,081,238,100	410,507,800	91,543,400	3,763,668,400	373,380,000	-	3,773,668,400	0.69	4,338,309,152

Source: Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

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

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

^c Represents a Revaluation Year

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

Year Ended December 31,	Hanover Township School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Hanover Township	Hanover Park Regional High School	Morris County	
2009	\$ 0.98	\$ 0.04	\$ 1.02	\$ 0.67	\$ 0.48	\$ 0.47	\$ 2.64
2010	1.02	0.04	1.06	0.72	0.50	0.48	2.76
2011	1.58	0.05	1.63	0.75	0.52	0.49	3.39
2012 ^c	0.62	0.01	0.63	0.43	0.30	0.27	1.63
2013	0.63	0.01	0.64	0.44	0.30	0.28	1.66
2014	0.63	0.01	0.64	0.43	0.30	0.26	1.63
2015	0.63	0.02	0.65	0.44	0.32	0.26	1.67
2016	0.63	0.01	0.64	0.43	0.37	0.44	1.88
2017	0.66	0.01	0.67	0.45	0.36	0.28	1.76
2018	0.68	0.01	0.69	0.45	0.36	0.29	1.80

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

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

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

^c Represents a Revaluation Year

Source: Municipal Tax Collector and School Business Administrator

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

<u>Taxpayer</u>	<u>2019</u>	
	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>
Bayer Healthcare LLC	\$ 155,670,300	4.13%
SFP ML I LLC (Metlife)	60,000,000	1.59%
TR Sterling LLC	57,261,000	1.52%
Interstate Realty Company LLC	50,290,300	1.33%
AVR Hanover Hotel LLC	45,000,000	1.19%
LSAC Morris County LP	42,954,600	1.14%
US Real Estate Holdings	36,424,400	0.97%
Kraft Foods Global Inc.	32,000,000	0.85%
Hanover 3201 Realty LLC (Wegmans)	30,286,600	0.80%
Novartis Pharmaceuticals Corp.	30,000,000	0.80%
Total	\$ 539,887,200	14.32%

<u>Taxpayer</u>	<u>2010</u>	
	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>
LTI NJ Finance LLC	\$ 42,737,300	2.14%
JP Morgan Chase	42,229,800	2.11%
Hartz Mountain Industries	27,587,300	1.38%
Marriot Corporation	24,607,500	1.23%
Sterling Apartments LLC	24,600,300	1.23%
Interstate Realty Company	21,904,000	1.10%
CLF Parsippany-Cadbury Adams	21,462,400	1.07%
LSAC Morris County LP	21,355,600	1.07%
Fan Pier Land Company	19,200,000	0.96%
River Park Business Center LLC	18,300,400	0.92%
Total	\$ 263,984,600	13.21%

Source: Municipal Tax Assessor

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2010	\$ 20,866,411	\$ 20,866,411	100.00%	-0-
2011	21,916,554	21,916,554	100.00%	-0-
2012	21,995,960	21,995,960	100.00%	-0-
2013	21,741,588	21,741,588	100.00%	-0-
2014	22,312,382	22,312,382	100.00%	-0-
2015	23,591,364	23,591,364	100.00%	-0-
2016	24,354,769	24,354,769	100.00%	-0-
2017	24,830,321	24,830,321	100.00%	-0-
2018	25,554,621	25,554,621	100.00%	-0-
2019	26,514,564	26,514,564	100.00%	-0-

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

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

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

Fiscal Year Ended June 30,	<u>Governmental Activities</u>		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Capital Leases			
2010	\$ 4,070,000		\$ 4,070,000	0.41%	296
2011	3,520,000	\$ 72,896	3,592,896	0.34%	257
2012	2,925,000	86,750	3,011,750	0.27%	215
2013	2,675,000	2,897,409	5,572,409	0.81%	395
2014	2,405,000	2,702,911	5,107,911	0.43%	356
2015	2,120,000	2,520,382	4,640,382	0.37%	322
2016	1,820,000	2,487,553	4,307,553	0.33%	293
2017	1,515,000	2,404,546	3,919,546	0.31%	290
2018	1,210,000	2,047,032	3,257,032	0.24%	226
2019	905,000	1,770,132	2,675,132	0.20%	185

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

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

Source: School District Financial Reports

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

<u>General Bonded Debt Outstanding</u>					
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	\$ 4,070,000	-0-	\$ 4,070,000	0.20%	296
2011	3,520,000	-0-	3,520,000	0.18%	252
2012	2,925,000	-0-	2,925,000	0.15%	208
2013	2,675,000	-0-	2,675,000	0.08%	190
2014	2,405,000	-0-	2,405,000	0.07%	168
2015	2,120,000	-0-	2,120,000	0.06%	147
2016	1,820,000	-0-	1,820,000	0.05%	126
2017	1,515,000	-0-	1,515,000	0.04%	112
2018	1,210,000	-0-	1,210,000	0.03%	84
2019	905,000	-0-	905,000	0.02%	63

Source: School District Financial Reports

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

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2018
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes			
Hanover Township	\$ -0-	100.00%	\$ -0-
County of Morris General Obligation Debt	216,647,700	4.58%	<u>9,919,098</u>
Subtotal, Overlapping Debt			9,919,098
Hanover Township School District Direct Debt			<u>1,210,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 11,129,098</u></u>

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

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

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

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

Legal Debt Margin Calculation for Fiscal Year 2019		Equalized Valuation Basis	
		2018	\$ 4,171,182,049
		2017	4,242,471,702
		2016	4,152,265,959
			<u>\$ 12,565,919,710</u>
	Average Equalized Valuation of Taxable Property		4,188,639,903
	Debt Limit (3% of Average Equalization Value) ^a		125,659,197
	Net Bonded School Debt as of June 30, 2019		<u>905,000</u>
	Legal Debt Margin		<u>\$ 124,754,197</u>

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt Limit	\$ 123,222,361	\$ 123,117,899	\$ 120,650,991	\$ 117,590,042	\$ 111,547,573	\$ 111,334,039	\$ 112,127,474	\$ 120,536,373	\$ 123,643,240	\$ 125,659,197
Total Net Debt Applicable to Limit	4,070,000	3,520,000	2,925,000	2,675,000	2,405,000	2,120,000	1,820,000	1,515,000	1,210,000	905,000
Legal Debt Margin	<u>\$ 119,152,361</u>	<u>\$ 119,597,899</u>	<u>\$ 117,725,991</u>	<u>\$ 114,915,042</u>	<u>\$ 109,142,573</u>	<u>\$ 109,214,039</u>	<u>\$ 110,307,474</u>	<u>\$ 119,021,373</u>	<u>\$ 122,128,240</u>	<u>\$ 124,754,197</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	3.30%	2.86%	2.42%	2.27%	2.16%	1.90%	1.62%	1.26%	0.98%	0.72%

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

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

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

<u>Year</u>	<u>Population^a</u>	<u>Personal Income^b</u>	<u>Morris County Per Capita Personal Income^c</u>	<u>Unemployment Rate^d</u>
2010	13,764	\$ 1,001,743,920	\$ 72,780	3.90%
2011	13,975	1,064,811,150	76,194	3.80%
2012	14,031	1,104,141,483	78,693	3.90%
2013	14,098	692,127,212	49,094	5.20%
2014	14,344	1,187,826,640	82,810	5.20%
2015	14,409	1,247,560,038	86,582	4.70%
2016	14,686	1,308,008,590	89,065	3.50%
2017	13,522	1,274,570,198	94,259	3.40%
2018	14,428	1,359,968,852	94,259 *	3.00%
2019	14,428 **	1,359,968,852 ***	94,259 *	N/A

* - Latest Morris County per capita personal income available (2017) was used for calculation purposes.

** - Latest population data available (2018) was used for calculation purposes.

*** - Latest available population data (2018) and latest available Morris County per capita personal income (2017) was used for calculation purposes.

Sources:

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

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

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

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

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

2018		2009			
Employer	Employees	Percentage of Total Employment	Employer	Employees	Percentage of Total Employment
U.S. Army Armament Research and Development	6,400	N/A	Atlantic Health System	6,300	N/A
Atlantic Health System	6,350	N/A	U.S. Army Armament Research and Development	3,575	N/A
Novartis	4,607	N/A	Novartis	3,573	N/A
Bayer Healthcare, LLC	2,800	N/A	St. Clare's	2,342	N/A
Automatic Data Processing, Inc.	2,242	N/A	County of Morris	2,126	N/A
Wyndham Worldwide Coporation	1,907	N/A	Automatic Data Processing, Inc.	2,019	N/A
Accenture	1,883	N/A	UPS	1,941	N/A
Honeywell	1,863	N/A	AT&T	1,500	N/A
Allergan	1,700	N/A	Honeywell	1,500	N/A
St. Clare's	1,544	N/A	Wyndham Worldwide Coporation	1,395	N/A
Total	31,296	N/A	Total	26,271	N/A

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

Note - Information is for Morris County

Source: Morris County Economic Development Corporation

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

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Instruction	103.20	98.76	99.10	97.78	100.32	100.72	102.28	102.24	102.64	102.64
Regular	32.65	32.35	33.76	28.90	30.69	33.86	34.85	36.22	35.22	35.56
Special education										
Support Services:										
Student & instruction related services	43.28	42.78	43.19	42.29	43.51	43.91	45.14	47.19	50.29	50.98
School administrative services	11.58	11.58	11.68	11.79	11.79	12.03	12.23	12.23	11.78	12.34
General and business administrative services	9.67	8.67	8.67	8.85	8.85	8.85	8.85	8.85	7.85	7.85
Plant operations and maintenance	29.83	29.00	29.01	29.01	30.51	31.29	31.92	32.53	33.83	31.59
Pupil transportation	14.80	15.37	15.37	16.27	17.27	16.74	17.27	16.67	16.87	15.67
Total	245.01	238.51	240.78	234.89	242.94	247.40	252.54	255.93	258.48	256.63

Source: District Personnel Records

HANOVER TOWNSHIP SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle				
2010	1,543	\$ 23,532,729	15,251	6.34%	162	1:18	1:20	1,543	1,488	-1.97%	96.44%
2011	1,517	23,550,327	15,524	1.79%	162	1:18	1:19	1,517	1,460	-1.69%	96.24%
2012	1,500	23,752,629	15,835	2.00%	152	1:18	1:19	1,500	1,450	-1.12%	96.67%
2013	1,476	24,771,733	16,783	5.99%	152	1:18	1:19	1,476	1,415	-1.60%	95.87%
2014	1,483	25,851,505	17,432	3.87%	152	1:18	1:19	1,483	1,428	2.03%	96.29%
2015	1,464	27,096,431	18,508	6.18%	152	1:18	1:19	1,464	1,411	2.03%	96.38%
2016	1,464	27,096,431	18,508	6.18%	152	1:18	1:19	1,464	1,411	2.03%	96.38%
2017	1,458	28,995,954	19,887	7.45%	152	1:18	1:19	1,458	1,451	2.83%	99.52%
2018	1,447	30,216,783	20,882	5.00%	152	1:18	1:19	1,450	1,391	-4.14%	95.93%
2019	1,390	31,639,880	22,763	9.00%	152	1:18	1:19	1,377	1,320	-5.10%	95.86%

Source: Hanover Township School District records

Note: Enrollment based on annual October district count.

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

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

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

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

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

District Buildings	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Bee Meadow School										
Square Feet	65,467	65,467	65,467	65,467	65,467	65,467	65,467	65,467	65,467	65,467
Capacity (students)	603	603	603	603	603	603	603	603	603	603
Enrollment	382	362	352	344	333	333	333	328	327	326
Salem Drive School										
Square Feet	45,707	45,707	45,707	45,707	45,707	45,707	45,707	45,707	45,707	45,707
Capacity (students)	499	499	499	499	499	499	499	499	499	499
Enrollment	312	299	280	273	277	277	277	344	257	248
Mountview Road School										
Square Feet	46,679	46,679	46,679	46,679	46,679	46,679	46,679	46,679	46,679	46,679
Capacity (students)	439	439	439	439	439	439	439	439	439	439
Enrollment	314	295	308	312	333	333	333	269	335	324
Memorial Junior School										
Square Feet	113,950	113,950	113,950	113,950	113,950	113,950	113,950	113,950	113,950	113,950
Capacity (students)	617	617	617	617	617	617	617	617	617	617
Enrollment	535	557	560	547	540	540	540	503	515	478

Number of Schools at June 30, 2019

Elementary = 3

Middle School = 1

Source: Hanover Township School District Facilities Office

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

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

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

School Facilities	Project #	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Bee Meadow School	N/A	\$ 79,992	\$ 83,473	\$ 92,109	\$ 108,085	\$ 100,560	\$ 128,091	\$ 113,802	\$ 134,656	\$ 98,851	\$ 152,418
Salem Drive School	N/A	55,848	58,278	64,308	74,548	60,812	77,461	68,820	94,013	75,877	99,550
Mountview School	N/A	57,036	59,517	65,675	83,169	75,877	96,650	85,869	96,012	81,384	101,897
Memorial Junior School	N/A	139,232	145,290	160,322	212,040	158,973	202,495	179,906	234,378	189,452	220,969
		<u>\$ 332,108</u>	<u>\$ 346,558</u>	<u>\$ 382,414</u>	<u>\$ 477,842</u>	<u>\$ 396,222</u>	<u>\$ 504,697</u>	<u>\$ 448,397</u>	<u>\$ 559,059</u>	<u>\$ 445,565</u>	<u>\$ 574,834</u>

Source: Hanover Township School District records.

HANOVER TOWNSHIP SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2019
UNAUDITED

Type of Policy	Insurance Company	Policy Limits	Deductible
PROPERTY:	American Alternative Ins. Co.		
Property - Blanket and Contents			
School Limit Per Statement of Values		\$ 62,791,065	\$ 5,000
Flood:			
Outside Zones A or V		5,000,000	50,000
Zones A or V		2,000,000	500,000
Earthquake		5,000,000	50,000
BOILER & MACHINERY:	American Alternative Ins. Co.		
Property Damage (Blanket)		50,000,000	5,000
GENERAL LIABILITY:	American Alternative Ins. Co.		
General Aggregate		1,000,000	
Each Occurrence		1,000,000	
COMMERCIAL AUTOMOBILE LIABILITY:	American Alternative Ins. Co.		
Comprehensive		1,000,000	1,000
Collision		1,000,000	1,000
COMMERCIAL UMBRELLA	American Alternative Ins. Co.	10,000,000	10,000
EXCESS COMMERCIAL UMBRELLA	Fireman's Fund		
(Note: Shared Limits)			
Per Occurrence		50,000,000	
Aggregate		50,000,000	

HANOVER TOWNSHIP SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2019
UNAUDITED

Type of Policy	Insurance Company	Policy Limits	Deductible
CYBER & TECHNOLOGY LIABILITY	XL Group Insurance		
1st Party Coverage		\$ 1,000,000	\$ 15,000
3rd Party Coverage		2,000,000	
Group Aggregate		4,000,000	
WORKERS' COMPENSATION:	Morris Essex Insurance Group		
Limit of Indemnity Per Occurrence:			
(1) Part-One Workers' Compensation		1,000,000	
(2) Part-Two - Employer's Liability		5,000,000	
CRIME:	American Alternative Ins. Co.		
Employee Theft		500,000	5,000
EDUCATORS' LEGAL LIABILITY	XL Catlin	1,000,000	10,000
EMPLOYMENT PRACTICES LIABILITY	XL Catlin	1,000,000	15,000
ENVIRONMENTAL	Chubb	1,000,000	25,000
INDIVIDUAL SURETY BONDS:			
Business Administrator/Board Secretary	Selective Insurance Company	225,000	
VOLUNTEER WORKER'S ACCIDENT	Chubb	100,000	

Source: School District records.

SINGLE AUDIT SECTION

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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hanover Township School District, in the County of Morris (the "District") as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 8, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

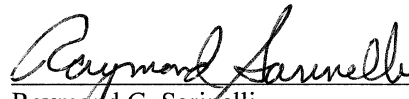
As part of obtaining reasonable assurance about whether the District’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

Purpose of this Report

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

November 8, 2019
Mount Arlington, New Jersey

NISIVOCCIA LLP


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



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-298-8500 | 973-298-8501 Fax
 Lawrence Business Center
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

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

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

We have audited the Board of Education of the Hanover Township's (the "District's") compliance with the types of compliance requirements described in the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on the District's major state program for the fiscal year ended June 30, 2019. The District's major state program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the fiscal year ended June 30, 2019.

Report on Internal Control Over Compliance

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

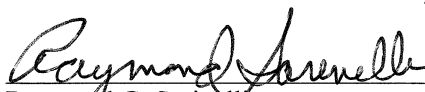
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

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

November 8, 2019
Mount Arlington, New Jersey

NISIVOCCIA LLP



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

HANOVER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Unearned Revenue June 30, 2019	(Accounts Receivable) June 30, 2019	Due to Grantor June 30, 2019
U.S. Department of Education										
Passed-through State Department of Education:										
Special Revenue Fund:										
Elementary and Secondary Education Grant:										
Title II - Part A	84.367A	ESEA-2000-18	7/1/17-6/30/18	\$ 20,175	\$ 5,679					
Title II - Part A	84.367A	ESEA-2000-19	7/1/18-6/30/19	18,615	18,615	\$ (18,615)				
Title IV	84.424	ESEA-2000-19	7/1/18-6/30/19	10,000	10,000	(10,000)				
Special Education Cluster:										
IDEA, Part B, Basic	84.027	IDEA024018	7/1/17-6/30/18	325,338	38,752					
IDEA, Part B, Basic	84.027	IDEA024019	7/1/18-6/30/19	321,212	249,841	(267,481)			\$ (17,640)	
IDEA, Part B, Preschool	84.173	IDEA024019	7/1/18-6/30/19	18,458	18,458	(18,458)			(17,640)	
Total Special Education Cluster					307,051	(285,939)			(17,640)	
Total Special Revenue Fund					341,345	(314,554)			(17,640)	
U.S. Department of Agriculture										
Passed-through the State Department of Agriculture:										
Child Nutrition Cluster:										
Special Milk Program	10.556	N/A	7/1/18-6/30/19	8,871	8,154	(8,871)			(717)	
Special Milk Program	10.556	N/A	7/1/17-6/30/18	11,668	1,036					
Total Child Nutrition Cluster					9,190	(8,871)			(717)	
Total U.S. Department of Agriculture					9,190	(8,871)			(717)	
Total Federal Awards					\$ 350,535	\$ (323,425)	\$ -0-	\$ -0-	\$ (18,357)	\$ -0-

N/A - Not Available/Applicable

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

HANOVER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance Due to Grantor/ (Accounts Receivable) June 30, 2018	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2019			MEMO		
								GAAP (Accounts Receivable)	Unearned Revenue	Due to Grantor	Budgetary (Account Receivable)	Cumulative Total Expenditures	
State Department of Education:													
Transportation Aid	18-495-034-5120-014	7/1/18-6/30/19	\$ 214,496	\$ (6,454)	\$ 193,507	\$ (214,496)					\$ (20,989)	\$ 214,496	
Transportation Aid	18-495-034-5120-014	7/1/17-6/30/18	66,112		6,454							66,112	
Special Education Aid	19-495-034-5120-089	7/1/18-6/30/19	790,889		713,497	(790,889)						790,889	
Special Education Aid	18-495-034-5120-089	7/1/17-6/30/18	790,889	(77,197)	77,197							790,889	
Security Aid	19-495-034-5120-084	7/1/18-6/30/19	25,667		23,155	(25,667)						25,667	
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	25,667	(2,505)	2,505							25,667	
Per Pupil Growth Aid	18-495-034-5120-096	7/1/17-6/30/18	14,880	(1,452)	1,452							14,880	
PARCC Readiness Aid	18-495-034-5120-097	7/1/17-6/30/18	14,880	(1,452)	1,452							14,880	
Professional Learning Community Aid	18-495-035-5120-101	7/1/17-6/30/18	14,630	(1,428)	1,428							14,630	
District Reimbursement for Extraordinary Costs	19-495-034-5120-044	7/1/18-6/30/19	373,670			(373,670)						373,670	
District Reimbursement for Extraordinary Costs	18-495-034-5120-044	7/1/17-6/30/18	284,235	(283,135)	284,235							284,235	
Nonpublic School Transportation Costs	19-495-034-5120-014	7/1/18-6/30/19	13,053	(13,053)	13,053	(13,063)						13,063	
Nonpublic School Transportation Costs	18-495-034-5120-014	7/1/17-6/30/18	13,053									13,053	
Reimbursed TPAF Social Security Contributions	19-495-034-5094-003	7/1/18-6/30/19	863,455		821,444	(863,455)						863,455	
Reimbursed TPAF Social Security Contributions	18-495-034-5094-003	7/1/17-6/30/18	825,968	(41,009)	41,009							825,968	
On-Behalf TPAF Post Retirement Contribution	19-495-034-5094-001	7/1/18-6/30/19	1,002,869		1,002,869	(1,002,869)						1,002,869	
On-Behalf TPAF Pension Contribution	19-495-034-5094-002	7/1/18-6/30/19	2,165,587		2,165,587	(2,165,587)						2,165,587	
On-Behalf TPAF Non-Contributory Insurance	19-495-034-5094-004	7/1/18-6/30/19	45,331		45,331	(45,331)						45,331	
On-Behalf TPAF Long-Term Disability Insurance	19-495-034-5094-004	7/1/18-6/30/19	2,430		2,430	(2,430)						2,430	
Total General Fund State Aid				(427,685)	5,396,605	(5,498,557)				(428,744)		7,347,771	
N.J. Nonpublic Aid:													
Textbook Aid	19-100-034-5120-064	9/1/18 - 6/30/19	3,044		3,044	(3,044)						3,044	
Security Aid	19-100-034-5120-509	9/1/18 - 6/30/19	8,550		8,550	(4,050)						4,050	
Nursing Aid	19-100-034-5120-070	9/1/18 - 6/30/19	5,529		5,529	(5,529)						5,529	
Technology Initiative Aid	19-100-034-5120-373	9/1/18 - 6/30/19	2,052		2,052	(2,052)						2,052	
Security Aid	18-100-034-5120-509	9/1/17 - 6/30/18	6,225	1,017								5,208	
Nursing Aid	18-100-034-5120-070	9/1/17 - 6/30/18	6,887	301								6,586	

HANOVER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance Due to Grantor/ (Accounts Receivable) June 30, 2018	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2019			MEMO	
								GAAP (Accounts Receivable)	Unearned Revenue	Due to Grantor	Budgetary (Account Receivable)	Cumulative Total Expenditures
Auxiliary Services:												
English as a Second Language	19-100-034-5120-067	9/1/18 - 6/30/19	\$ 1,726	\$ 887	\$ 1,726	\$ (887)	\$	\$	\$ 1,726	\$	\$	\$ 14,174
Compensatory Education	18-100-034-5120-067	9/1/17 - 6/30/18	15,061									5,670
Compensatory Education	19-100-034-5120-067	9/1/18 - 6/30/19	28,934		28,934	(5,922)			23,012			
Handicapped Services:												
Supplemental Instruction	19-100-034-5120-066	9/1/18 - 6/30/19	6,027		6,027	(1,903)			4,124			1,903
Supplemental Instruction	18-100-034-5120-066	9/1/17 - 6/30/18	4,758	2,617			(2,617)					2,141
Examination and Classification	19-100-034-5120-066	9/1/18 - 6/30/19	12,738		12,738	(7,095)			5,643			7,095
Examination and Classification	18-100-034-5120-066	9/1/17 - 6/30/18	7,461	5,094			(5,094)					2,367
Corrective Speech	19-100-034-5120-066	9/1/18 - 6/30/19	9,106		9,106	(2,589)			6,517			2,589
Corrective Speech	18-100-034-5120-066	9/1/17 - 6/30/18	4,464	2,321			(2,321)		45,522			2,143
Total Special Revenue Fund				12,237	77,706	(32,184)	(12,237)		45,522			68,373
Total State Awards Subject to Single Audit Determination				\$ (415,448)	\$ 5,474,311	\$ (5,530,741)	\$ (12,237)		\$ 45,522		\$ (529,637)	\$ 7,794,187
Less: State Awards Not Subject to Single Audit Major Program Determination												
On-Behalf TPAF Post Retirement Contribution	19-495-034-5094-001	7/1/18-6/30/19	1,002,869			1,002,869						
On-Behalf TPAF Pension Contribution	19-495-034-5094-002	7/1/18-6/30/19	2,165,587			2,165,587						
On-Behalf TPAF Non-Contributory Insurance	19-495-034-5094-004	7/1/18-6/30/19	45,331			45,331						
On-Behalf TPAF Long-Term Disability Insurance	19-495-034-5094-004	7/1/18-6/30/19	2,430			2,430						
Subtotal - On-Behalf TPAF Contributions						3,216,217						
Total State Awards Subject to Single Audit Major Program Determination						(2,314,524)						

N/A - Not Available/Applicable

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the “Schedules”) include the federal and state grant activity of the Hanover Township School District under programs of the federal and state governments for the fiscal year ended June 30, 2019. The information in these schedules is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and New Jersey’s OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. INDIRECT COST RATE

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

NOTE 4. RELATIONSHIP TO THE BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$10,405) for the general fund and (\$2,379) for the special revenue fund. See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 5,488,152	\$ 5,488,152
Special Revenue Fund	\$ 312,175	32,184	344,359
Enterprise Fund	8,871		8,871
Total Awards	<u>\$ 321,046</u>	<u>\$ 5,520,336</u>	<u>\$ 5,841,382</u>

NOTE 5. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 6. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2019.

HANOVER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over the major state program disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance*.
- The auditor's report on compliance for each of the major state programs for the District expresses an unmodified opinion on the major state program.
- The District was not subject to the single audit provisions of the Uniform Guidance for the fiscal year ended June 30, 2019 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Uniform Guidance.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The District's program tested as a major state program for the current fiscal year consisted of the following award:

Grant Number	Grant Period	Award Amount	Budgetary Expenditures
--------------	--------------	--------------	------------------------

State:

Reimbursed TPAF Social Security Contributions	19-495-034-5094-003	7/1/18-6/30/19	\$ 863,455	\$ 863,455
---	---------------------	----------------	------------	------------

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

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

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

HANOVER TOWNSHIP SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Status of Prior Year Findings:

The District had no prior year audit findings.