

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**East Hanover Township, New Jersey**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**of the**

**East Hanover Township Board of Education**

**East Hanover Township, New Jersey**

**For The Fiscal Year Ended June 30, 2020**

**Prepared by**

**Business Office**

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## **INTRODUCTORY SECTION**

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

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

Carol Delsandro  
Business Administrator/Board Secretary

Natalee Bartlett  
Superintendent of Schools

January 11, 2021

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

Dear President Sullivan and Board of Education Members:

The comprehensive annual financial report of the East Hanover Township School District for the fiscal year ended June 30, 2020, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the East Hanover Township Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

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

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



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

The District provides a full range of educational services appropriate to grade Kindergarten through eighth grade for the students residing in East Hanover Township. These include regular as well as special services for children with special needs. The District’s average enrollment for the 2019-2020 fiscal year was 934 students, which is an increase of 33 students from the previous year’s average enrollment.

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

<u>Fiscal Year</u>	<u>Average Daily Enrollment Student Enrollment</u>	<u>Percent Change</u>
2019-20	934	3.66%
2018-19	901	-3.22%
2017-18	931	-4.32%
2016-17	973	0.41%
2015-16	969	-2.81%
2014-15	997	-2.35%
2013-14	1,021	-3.35%
2012-13	1,082	-2.70%
2011-12	1,112	-0.54%
2010-11	1,118	-2.70%

**2. ECONOMIC CONDITION AND OUTLOOK:**

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

**3. MAJOR INTIATIVES:**

The East Hanover Township School District (EHTSD) continues to systematically review and update curricula and resources. During the 2019-2020 school year, curricula revisions focused on further strengthening the ELA and Specials area programs in all grade levels. Among the criteria for selection of new materials was the alignment of programs to the New Jersey Student Learning Standards as well as the depth of

### **3. MAJOR INITIATIVES (continued):**

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

For the 2020-2021 school year, curricula revisions will focus on further strengthening Math in all grade levels. EHTSD continues to provide a comprehensive mathematics program for all students. The mathematics program at the Middle School is in the second year of implementation. The district continues to refine and grow instructional practices through job-embedded professional development. In grades K-5, EHTSD will continue to introduce several mathematics programs for possible implementation in the 2021-2022 school year. The piloted programs will be evaluated by teams of teachers and administrators. Among the criteria for selection is alignment with the NJSLs, a strong foundation in problem-solving and critical thinking, a depth of support for a student-centered and differentiated mathematics classroom and the effective integration of technology.

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

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

### **4. INTERNAL ACCOUNTING CONTROLS:**

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

#### **4. INTERNAL ACCOUNTING CONTROLS (continued):**

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

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

#### **5. BUDGETARY CONTROLS:**

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as fund balance at June 30, 2020.

#### **6. ACCOUNTING SYSTEM AND REPORTS:**

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

#### **7. DEBT ADMINISTRATION:**

As of June 30, 2020, the District's outstanding bonded debt totals \$1,695,000.

#### **8. CASH MANAGEMENT:**

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

**9. RISK MANAGEMENT:**

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

**10. OTHER INFORMATION:**

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

**11. ACKNOWLEDGEMENTS:**

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

Respectfully submitted



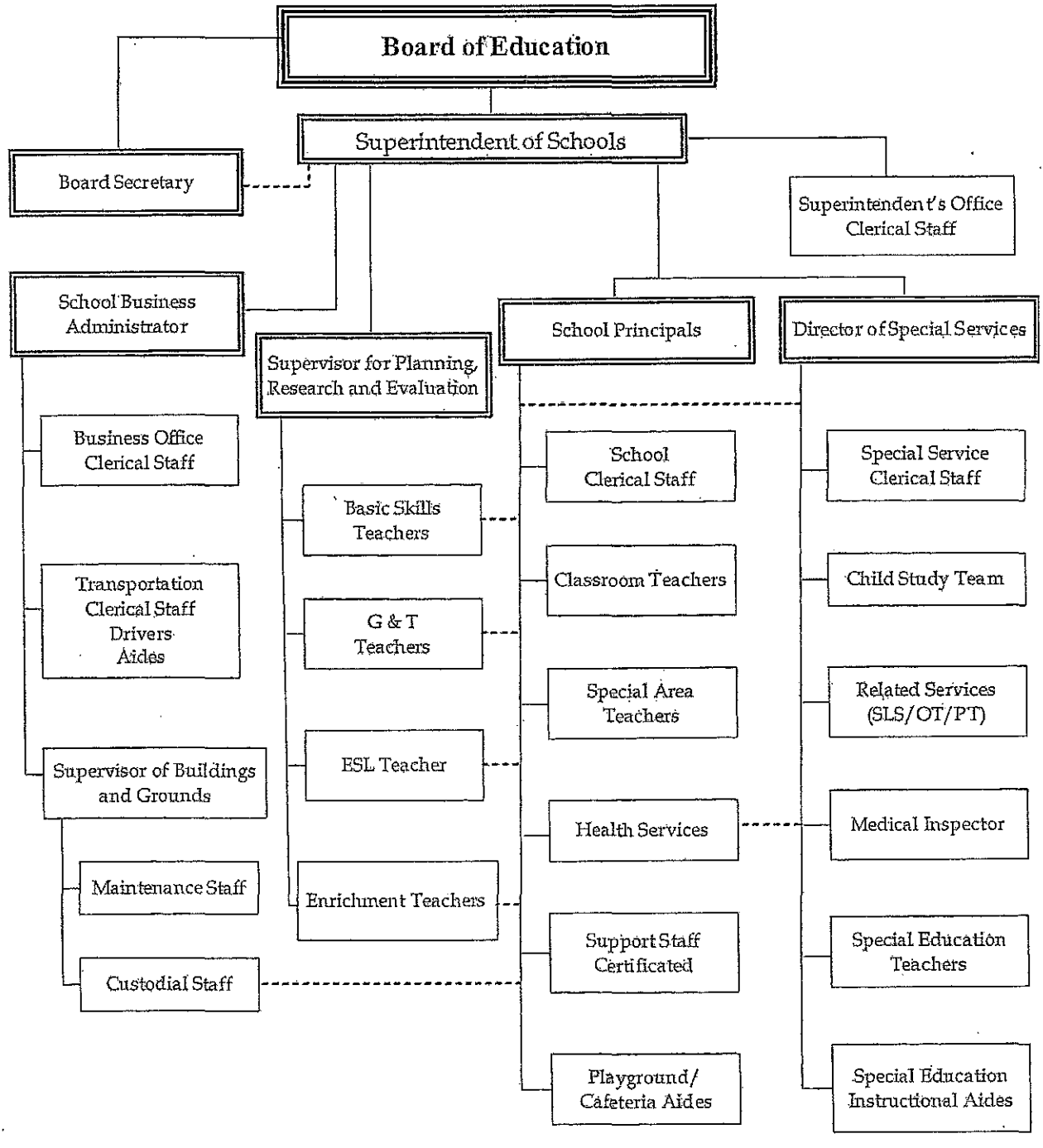
Carol Delsandro  
School Business Administrator/Board Secretary

# POLICY

## EAST HANOVER TOWNSHIP BOARD OF EDUCATION

Administration  
1110/Page 1 of 1  
ORGANIZATIONAL CHART

### 1110 ORGANIZATIONAL CHART



Adopted: 29 April 2004  
Revised: 13 September 2010



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

**ROSTER OF OFFICIALS**

**JUNE 30, 2020**

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

**Other Officials**

**Natalee Bartlett, Superintendent**

**Deborah Muscara, Business Administrator/ Board Secretary**

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION**

**CONSULTANTS AND ADVISORS**

**Architect**

Parette Somjen Architects  
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Rockaway, New Jersey 07866

**Attorneys**

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100 Southgate Parkway  
Morristown, NJ 07962

**Audit Firm**

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

**Bond Counsel**

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

**Financial Advisor**

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

**Official Depository**

TD Bank  
50 River Road  
East Hanover, New Jersey 07936

## **FINANCIAL SECTION**





# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

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

ELIZABETH A. SHICK, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
RALPH M. PICONE, III, CPA, RMA, PSA  
DONNA L. JAPHET, CPA, PSA  
DEBRA GOLLE, CPA  
MARK SACO, CPA  
ROBERT LERCH, CPA  
CHRIS SOHN, CPA

## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the East Hanover Township Board of Education, as of and for the fiscal year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

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

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

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

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the East Hanover Township Board of Education as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

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

### *Other Information*


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

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

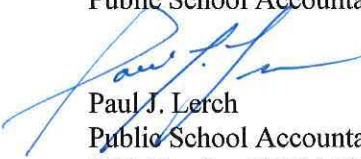
The introductory section, financial schedules and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with Government Auditing Standards, we have also issued our report dated January 11, 2021 on our consideration of the East Hanover Township Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 East Hanover Township Board of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the East Hanover Township Board of Education's internal control over financial reporting and compliance.



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



Paul J. Lerch  
Public School Accountant  
PSA Number CS01118

Fair Lawn, New Jersey  
January 11, 2021

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# EAST HANOVER TOWNSHIP BOARD OF EDUCATION

## Management's Discussion and Analysis Year Ended June 30, 2020

This section of East Hanover Township Board of Education's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2020. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

### FINANCIAL HIGHLIGHTS

Key financial highlights for 2020 are as follows:

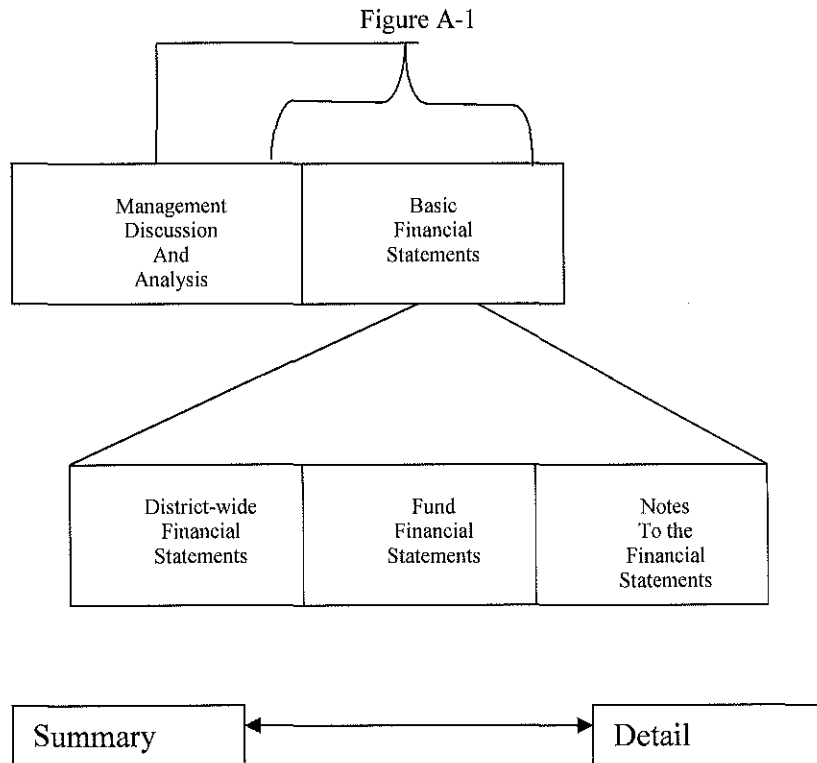
- District-Wide - Overall revenues were \$26,929,156. General revenues accounted for \$20,688,599 or 77 percent of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$6,240,557 or 23 percent of total revenues of \$26,929,156.
- District-Wide - The School District had \$25,963,926 in expenses; only \$6,240,557 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$20,688,599 were adequate to provide for these programs.
- Fund Financials – As of the close of the current fiscal year, the East Hanover Township Board of Education's governmental funds reported combined ending fund balances of \$3,691,137 an increase of \$414,199 in comparison with the prior year.
- Fund Financials - At the end of June 30, 2020, unassigned fund balance (budgetary basis) for the General Fund was \$530,809 a decrease of \$166,508.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



EAST HANOVER TOWNSHIP BOARD OF EDUCATION

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

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

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

## EAST HANOVER TOWNSHIP BOARD OF EDUCATION

### **District-wide Statements**

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

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

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

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

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

### **Fund Financial Statements**

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

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



## EAST HANOVER TOWNSHIP BOARD OF EDUCATION

### **Fund Financial Statements (Continued)**

The District has three kinds of funds:

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

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

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

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

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

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

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

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

Table A-1 provides a summary of the school district's net position for fiscal years 2020 and 2019 which for 2020 and 2019 were \$8,110,920 and \$7,145,690, respectively (see Table A-1).

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

**Table A-1  
Statement of Net Position  
as of June 30, 2020 and 2019**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>Assets</b>						
Current and Other Assets	\$ 3,717,744	\$ 3,316,235	\$ 310,275	\$ 631,929	\$ 4,028,019	\$ 3,948,164
Capital Assets	12,653,229	12,749,409	4,121	5,538	12,657,350	12,754,947
<b>Total Assets</b>	<u>16,370,973</u>	<u>16,065,644</u>	<u>314,396</u>	<u>637,467</u>	<u>16,685,369</u>	<u>16,703,111</u>
<b>Deferred Outflows of Resources</b>						
Deferred Amounts on Net Pension Liability	598,469	881,623			598,469	881,623
Deferred Amounts on Refunding of Debt	2,734	5,555	-	-	2,734	5,555
<b>Total Deferred Outflows of Resources</b>	<u>601,203</u>	<u>887,178</u>	<u>-</u>	<u>-</u>	<u>601,203</u>	<u>887,178</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>16,972,176</u>	<u>16,952,822</u>	<u>314,396</u>	<u>637,467</u>	<u>17,286,572</u>	<u>17,590,289</u>
<b>Liabilities</b>						
Current Liabilities	58,384	78,332	25,265	295,150	83,649	373,482
Noncurrent Liabilities	7,337,449	8,208,567	-	-	7,337,449	8,208,567
<b>Total Liabilities</b>	<u>7,395,833</u>	<u>8,286,899</u>	<u>25,265</u>	<u>295,150</u>	<u>7,421,098</u>	<u>8,582,049</u>
<b>Deferred Inflows of Resources</b>						
Deferred Amounts of Net Pension Liability	1,754,554	1,862,550	-	-	1,754,554	1,862,550
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>9,150,387</u>	<u>10,149,449</u>	<u>25,265</u>	<u>295,150</u>	<u>9,175,652</u>	<u>10,444,599</u>
<b>Net Position</b>						
Net Investment in Capital Assets	9,683,384	9,151,459	4,121	5,538	9,687,505	9,156,997
Restricted	2,932,408	2,570,523			2,932,408	2,570,523
Unrestricted	(4,794,003)	(4,918,609)	285,010	336,779	(4,508,993)	(4,581,830)
<b>Total Net Position</b>	<u>\$ 7,821,789</u>	<u>\$ 6,803,373</u>	<u>\$ 289,131</u>	<u>\$ 342,317</u>	<u>\$ 8,110,920</u>	<u>\$ 7,145,690</u>

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

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

**Governmental activities.** Governmental activities increased the District's net position by \$1,018,416. Key elements of this increase are as follows: (see Table A-2).

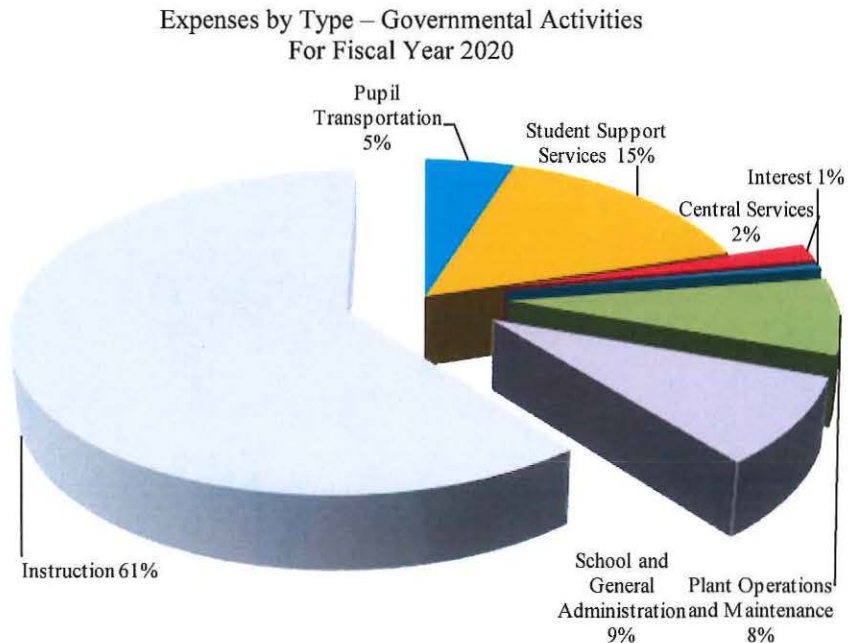
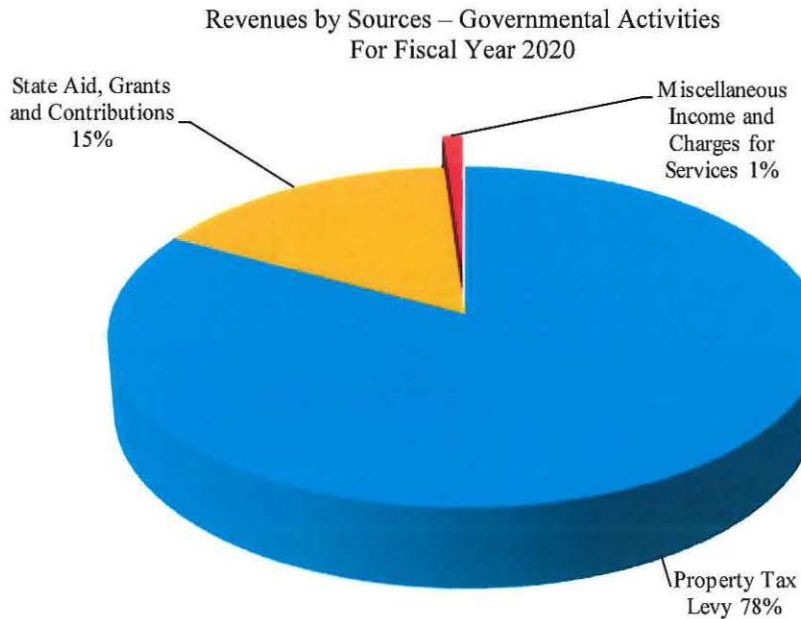
**Table A-2**  
**Change in Net Position**  
**For The Fiscal Years Ended June 30, 2020 and 2019**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 68,434	\$ 58,900	\$ 515,306	\$ 710,204	\$ 583,740	\$ 769,104
Grants and Contributions	5,656,817	6,563,686			5,656,817	6,563,686
General Revenues						
Property Taxes	20,650,692	20,109,261			20,650,692	20,109,261
Other	37,907	66,073	-	-	37,907	66,073
<b>Total Revenues</b>	<u>26,413,850</u>	<u>26,797,920</u>	<u>515,306</u>	<u>710,204</u>	<u>26,929,156</u>	<u>27,508,124</u>
<b>Expenses</b>						
Instruction						
Regular	9,577,100	9,593,360			9,577,100	9,593,360
Special Education	4,184,729	4,183,035			4,184,729	4,183,035
Other Instruction	1,405,316	1,578,091			1,405,316	1,578,091
School Sponsored Activities and Athletics	226,335	246,975			226,335	246,975
Support Services					-	
Student and Instruction Related Services	2,761,188	2,663,178			2,761,188	2,663,178
Health Services	589,743	486,883			589,743	486,883
Educational Media / School Library	571,037	628,533			571,037	628,533
General Administrative Services	584,467	638,959			584,467	638,959
School Administrative Services	1,656,709	1,794,844			1,656,709	1,794,844
Plant Operations and Maintenance	1,988,414	2,778,847			1,988,414	2,778,847
Pupil Transportation	1,255,265	1,339,441			1,255,265	1,339,441
Central Services	453,648	451,630			453,648	451,630
Interest and Other Charges	139,173	157,734			139,173	157,734
Food Services			10,275	18,140	10,275	18,140
After School Child Care	-	-	560,527	659,660	560,527	659,660
<b>Total Expenses</b>	<u>25,393,124</u>	<u>26,541,510</u>	<u>570,802</u>	<u>677,800</u>	<u>25,963,926</u>	<u>27,219,310</u>
Change in Net Position Before Transfers	1,020,726	256,410	(55,496)	32,404	965,230	288,814
Transfers	(2,310)	(7,699)	2,310	7,699	-	-
<b>Net Position, Beginning of Year</b>	<u>6,803,373</u>	<u>6,554,662</u>	<u>342,317</u>	<u>302,214</u>	<u>7,145,690</u>	<u>6,856,876</u>
<b>Net Position, End of Year</b>	<u>\$ 7,821,789</u>	<u>\$ 6,803,373</u>	<u>\$ 289,131</u>	<u>\$ 342,317</u>	<u>\$ 8,110,920</u>	<u>\$ 7,145,690</u>

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

**Governmental activities.** The District’s total governmental revenues were \$26,413,850. The local share of the revenues that included property taxes, unrestricted state aid, miscellaneous revenue amounted to \$20,688,599 or 78% of total revenues. Funding from state sources and contributions amounted to \$5,656,817 or 21% and charges for services were \$68,434 (less than 1%). (see Table A-2)

The District’s total governmental expenses were \$25,393,124, which are predominantly related to instruction and support services. Instruction totaled \$15,393,480 (61%); support services totaled \$9,860,471 (39%). Interest Charges totaled \$139,173 less than (1%).



EAST HANOVER TOWNSHIP BOARD OF EDUCATION

**Governmental activities (Continued)**

**Table A-3  
Total and Net Cost of Governmental Activities  
For the Fiscal Years Ended June 30, 2020 and 2019**

<u>Functions/Programs</u>	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Governmental Activities				
Instruction				
Regular	\$ 9,577,100	\$ 9,593,360	\$ 7,575,976	\$ 7,193,461
Special Education	4,184,729	4,183,035	2,270,700	2,252,504
Other Instruction	1,405,316	1,578,091	1,053,283	1,130,009
School Sponsored Activities and Athletics	226,335	246,975	180,192	186,238
Support Services				
Student and Instruction Related Services	2,761,188	2,663,178	2,195,891	2,012,559
Health Services	589,743	486,883	471,287	351,772
Educational Media / School Library	571,037	628,533	483,580	507,329
General Administrative Services	584,467	638,959	491,317	518,131
School Administrative Services	1,656,709	1,794,844	1,301,036	1,337,106
Plant Operations and Maintenance	1,988,414	2,778,847	1,977,413	2,698,297
Pupil Transportation	1,255,265	1,339,441	1,072,410	1,140,883
Central Services	453,648	451,630	455,615	432,901
Interest and Other Charges	139,173	157,734	139,173	157,734
Total	<u>\$ 25,393,124</u>	<u>\$ 26,541,510</u>	<u>\$ 19,667,873</u>	<u>\$ 19,918,924</u>

**Business-Type Activities** – The District’s total business-type activities revenues were \$515,306 for the fiscal year ended June 30, 2020. Charges for services accounted for 100% of total revenues.

Total cost of all business-type activities programs and services was \$570,802. The District’s expenses are related to the milk and the after school child care program.

Total business-type activities revenues were less than their expenses before transfers resulting in a net loss after transfers in of \$53,186.

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

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

As the District completed the year, its governmental funds reported a combined fund balance of \$3,691,137. At June 30, 2019, the fund balance was \$3,276,938. The increase in fund balance is due to favorable budget results.

**The District's Funds**

All governmental funds (i.e., general fund, special revenue fund and debt service fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$25,361,888 and expenditures were \$24,996,920.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound fiscal management. The following schedule presents a summary of the governmental fund revenues for the fiscal years ended June 30, 2020 and 2019.

**Governmental Funds Revenues**

	<b>Fiscal Year Ended <u>6/30/2020</u></b>	<b>Fiscal Year Ended <u>6/30/2019</u></b>	<b>Amount of Increase (Decrease)</b>	<b>Percent Change</b>
Local Sources:				
Property Taxes	\$ 20,650,692	\$ 20,109,261	\$ 541,431	3%
Other	164,312	178,643	(14,331)	-8%
Federal Sources	370,704	384,371	(13,667)	-4%
State Sources	<u>4,176,180</u>	<u>3,997,234</u>	<u>178,946</u>	4%
 Total Revenues	 <u>\$ 25,361,888</u>	 <u>\$ 24,669,509</u>	 <u>\$ 692,379</u>	 3%

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

**The District's Funds (Continued)**

The following schedule represents a summary of governmental Fund expenditures for the fiscal years ended June 30, 2020 and 2019.

**Governmental Funds Expenditures**

	<b>Fiscal Year Ended <u>6/30/2020</u></b>	<b>Fiscal Year Ended <u>6/30/2019</u></b>	<b>Amount of Increase <u>(Decrease)</u></b>	<b>Percent <u>Change</u></b>
Instruction	\$ 14,073,348	\$ 13,603,831	\$ 469,517	3%
Support Services	9,297,925	9,825,868	(527,943)	-5%
Debt Service	833,306	919,146	(85,840)	-9%
Capital Outlay	<u>792,341</u>	<u>603,924</u>	<u>188,417</u>	31%
 Total Expenditures	 <u>\$ 24,996,920</u>	 <u>\$ 24,952,769</u>	 <u>\$ 44,151</u>	 0.18%

**General Fund Budgetary Highlights**

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

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

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

**Capital Assets.** At the end of the fiscal years 2020 and 2019, the school district had invested in land, land improvements, construction in progress, buildings, furniture, machinery and equipment as stated in Table A-4 as follows:

**Table A-4**

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
Land	\$ 139,675	\$ 139,675
Construction in Progress	26,750	53,400
Land Improvements	1,018,734	1,018,734
Building and Building Improvements	22,918,770	22,215,199
Machinery and Equipment	<u>1,715,997</u>	<u>1,600,577</u>
 Total	 25,819,926	 25,027,585
 Less: Accumulated Depreciation	 <u>(13,166,697)</u>	 <u>(12,278,176)</u>
 Total	 <u>\$ 12,653,229</u>	 <u>\$ 12,749,409</u>

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

**Debt Administration.** As of June 30, 2020 and 2019, the School District had outstanding long-term liabilities as stated in Table A-5 as follows:

**Long-Term Liabilities**

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

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
General Obligation Bonds, Net	\$ 1,695,492	\$ 2,266,001
Capital Lease/Lease Purchase Agreements	1,409,344	1,476,990
Net Pension Liability	3,832,171	4,105,773
Compensated Absences Payable	<u>400,442</u>	<u>359,803</u>
 Total	 <u>\$ 7,337,449</u>	 <u>\$ 8,208,567</u>

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



## EAST HANOVER TOWNSHIP BOARD OF EDUCATION

### **FACTORS BEARING ON THE DISTRICT'S FUTURE**

While many factors influence the District's future, the availability of funding for special education needs and the economy will have the most impact on educational and fiscal decision making in the future. The additional housing units will also have a large impact on the fiscal decisions made for the future.

Many factors were considered by the District's administration during the process of developing the fiscal year 2020-2021 budget. The primary factors were the District's projected student population, anticipated state and federal aid, as well, as increasing salaries and related benefit costs.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

## **BASIC FINANCIAL STATEMENTS**

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION**  
**STATEMENT OF NET POSITION**  
**AS OF JUNE 30, 2020**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 3,706,574	\$ 306,854	\$ 4,013,428
Receivables, net			
Receivables from Other Governments	11,170		11,170
Other Receivables		760	760
Prepaid Items		2,661	2,661
Capital Assets, net			
Not Being Depreciated	166,425		166,425
Being Depreciated, Net	<u>12,486,804</u>	<u>4,121</u>	<u>12,490,925</u>
Total Assets	<u>16,370,973</u>	<u>314,396</u>	<u>16,685,369</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Amounts on Net Pension Liability	598,469		598,469
Deferred Amounts on Refunding of Debt	<u>2,734</u>	-	<u>2,734</u>
Total Deferred Outflows of Resources	<u>601,203</u>	-	<u>601,203</u>
Total Assets and Deferred Outflows of Resources	<u>16,972,176</u>	<u>314,396</u>	<u>17,286,572</u>
<b>LIABILITIES</b>			
Payable to Other Governments	11,153		11,153
Accrued Interest Payable	31,777		31,777
Unearned Revenue	15,454	25,265	40,719
Noncurrent Liabilities			
Due within one year	745,106		745,106
Due beyond one year	<u>6,592,343</u>	-	<u>6,592,343</u>
Total Liabilities	<u>7,395,833</u>	<u>25,265</u>	<u>7,421,098</u>
<b>Deferred Inflows of Resources</b>			
Deferred Amounts on Net Pension Liability	<u>1,754,554</u>	-	<u>1,754,554</u>
Total Liabilities and Deferred Inflows of Resources	<u>9,150,387</u>	<u>25,265</u>	<u>9,175,652</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	9,683,384	4,121	9,687,505
Restricted for			
Capital Projects	2,300,257		2,300,257
Other Purposes	632,151		632,151
Unrestricted	<u>(4,794,003)</u>	<u>285,010</u>	<u>(4,508,993)</u>
Total Net Position	<u>\$ 7,821,789</u>	<u>\$ 289,131</u>	<u>\$ 8,110,920</u>

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
Instruction							
Regular	\$ 9,577,100	\$ 68,434	\$ 1,932,690		\$ (7,575,976)		\$ (7,575,976)
Special Education	4,184,729		1,914,029		(2,270,700)		(2,270,700)
Other Instruction	1,405,316		352,033		(1,053,283)		(1,053,283)
School Sponsored Activities and Athletics	226,335		46,143		(180,192)		(180,192)
Support Services							
Student and Instruction Related Services	2,761,188		565,297		(2,195,891)		(2,195,891)
Health Services	589,743		118,456		(471,287)		(471,287)
Educational Media / School Library	571,037		87,457		(483,580)		(483,580)
General Administrative Services	584,467		93,150		(491,317)		(491,317)
School Administrative Services	1,656,709		355,673		(1,301,036)		(1,301,036)
Plant Operations and Maintenance	1,988,414		11,001		(1,977,413)		(1,977,413)
Pupil Transportation	1,255,265		182,855		(1,072,410)		(1,072,410)
Central Services	453,648		(1,967)		(455,615)		(455,615)
Interest and Other Charges	139,173	-	-	-	(139,173)	-	(139,173)
<b>Total Governmental Activities</b>	<b>25,393,124</b>	<b>68,434</b>	<b>5,656,817</b>	<b>-</b>	<b>(19,667,873)</b>	<b>-</b>	<b>(19,667,873)</b>
<b>Business-Type Activities</b>							
Food Service - Non-Major	10,275	6,928				\$ (3,347)	(3,347)
After School Child Care	560,527	508,378	-	-	-	(52,149)	(52,149)
<b>Total Business-Type Activities</b>	<b>570,802</b>	<b>515,306</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(55,496)</b>	<b>(55,496)</b>
<b>Total Primary Government</b>	<b>\$ 25,963,926</b>	<b>\$ 583,740</b>	<b>\$ 5,656,817</b>	<b>\$ -</b>	<b>(19,667,873)</b>	<b>(55,496)</b>	<b>(19,723,369)</b>
<b>General Revenues and Other Items</b>							
General Revenues							
Taxes:							
Property Taxes, levied for general purposes, net					20,014,879		20,014,879
Property Taxes, levied for debt service					635,813		635,813
Miscellaneous Income					37,907		37,907
Transfers					(2,310)	2,310	-
<b>Total General Revenues, Transfers and Other Items</b>					<b>20,686,289</b>	<b>2,310</b>	<b>20,688,599</b>
Change in Net Position					1,018,416	(53,186)	965,230
Net Position, Beginning of Year					6,803,373	342,317	7,145,690
Net Position, End of Year					<b>\$ 7,821,789</b>	<b>\$ 289,131</b>	<b>\$ 8,110,920</b>

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

**FUND FINANCIAL STATEMENTS**

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
AS OF JUNE 30, 2020**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 3,693,017	\$ 13,557		\$ 3,706,574
Receivables, Net				
Receivables From Other Governments	<u>4,985</u>	<u>6,185</u>	-	<u>11,170</u>
Total Assets	<u>\$ 3,698,002</u>	<u>\$ 19,742</u>	<u>\$ -</u>	<u>\$ 3,717,744</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Payable to Federal Governments		\$ 11,153		\$ 11,153
Unearned Revenue	<u>\$ 6,865</u>	<u>8,589</u>	-	<u>15,454</u>
Total Liabilities	<u>6,865</u>	<u>19,742</u>	-	<u>26,607</u>
<b>Fund Balance</b>				
Restricted:				
Excess Surplus	294,132			294,132
Excess Surplus - Designated for Subsequent Year's Expenditure	140,533			140,533
Maintenance Reserve	300,000			300,000
Maintenance Reserve- Designated for Subsequent Year's Expenditures	332,151			332,151
Capital Reserve	2,051,757			2,051,757
Capital Reserve- Designated for Subsequent Year's Expenditures	248,500			248,500
Assigned:				
Year-end Encumbrances	105,113			105,113
Unassigned	<u>218,951</u>	-	-	<u>218,951</u>
Total Fund Balances	<u>3,691,137</u>	-	-	<u>3,691,137</u>
Total Liabilities and Fund Balances	<u>\$ 3,698,002</u>	<u>\$ 19,742</u>	<u>\$ -</u>	

EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
AS OF JUNE 30, 2020

**Total Governmental Fund Balances (B-1)** \$ 3,691,137

Amounts reported for *governmental activities* in the statement of net position (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$25,819,926 and the accumulated depreciation is \$13,166,697. 12,653,229

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

Deferred Outflows of Resources	\$ 598,469	
Deferred Inflows of Resources	<u>(1,754,554)</u>	(1,156,085)

The District has financed capital assets through the issuance of serial bonds. The interest accrual at year end is: (31,777)

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

Bonds Payable, net of Premium	(1,695,492)	
Deferred Outflows of Resources- Deferred Amounts on Refunding of Debt	2,734	
Capital Lease/ Lease Purchase Agreements	(1,409,344)	
Net Pension Liability	(3,832,171)	
Compensated Absences	<u>(400,442)</u>	(7,334,715)

**Net position of governmental activities (A-1)** \$ 7,821,789

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Local Sources				
Property Tax Levy	\$ 20,014,879		\$ 635,813	\$ 20,650,692
Tuition	68,434			68,434
Miscellaneous	37,907	\$ 57,971	-	95,878
Total - Local Sources	20,121,220	57,971	635,813	20,815,004
Intergovernmental				
State Sources	4,176,180			4,176,180
Federal Sources	-	370,704	-	370,704
Total Revenues	24,297,400	428,675	635,813	25,361,888
<b>EXPENDITURES</b>				
Current				
Instruction				
Regular Instruction	8,722,802	25,702		8,748,504
Special Education Instruction	3,617,827	221,196		3,839,023
Other Instruction	1,216,397	63,176		1,279,573
School-Sponsored Activities and Athletics	206,248			206,248
Support Services				
Student and Instruction Related Services	2,478,860	86,332		2,565,192
Health Services	538,177			538,177
Educational Media/School Library	532,966			532,966
General Administrative Services	543,918			543,918
School Administrative Services	1,501,879			1,501,879
Plant Operations and Maintenance	1,932,940			1,932,940
Pupil Transportation	1,246,997			1,246,997
Central Services	435,856			435,856
Debt Service				
Principal	119,187		570,000	689,187
Interest and Other Charges	78,306		65,813	144,119
Capital Outlay	760,072	32,269	-	792,341
Total Expenditures	23,932,432	428,675	635,813	24,996,920
Excess (Deficiency) of Revenues Over (Under) Expenditures				
	364,968	-	-	364,968
<b>OTHER FINANCING SOURCES (USES)</b>				
Lease Purchase Agreement Proceeds	51,541			51,541
Transfer In	1,190			1,190
Transfers Out	(3,500)	-	-	(3,500)
Total Other Financing Sources and Uses	49,231	-	-	49,231
Net Change in Fund Balances	414,199	-	-	414,199
Fund Balance, Beginning of Year	3,276,938	-	-	3,276,938
Fund Balance, End of Year	\$ 3,691,137	\$ -	\$ -	\$ 3,691,137

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



**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
WITH THE DISTRICT-WIDE STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Total net change in fund balances - governmental funds (Exhibit B-2)** \$ 414,199

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

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

Capital Outlay	\$ 792,341	
Depreciation Expense	<u>(888,521)</u>	(96,180)

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

Increase in Compensated Absences	(40,639)	
Decrease in Net Pension Expense	<u>98,444</u>	57,805

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

Lease Purchase Agreement Issues	(51,541)	
Reduction of Long Term Debt	570,000	
Reduction of Capital Lease/Lease Purchase Agreement	119,187	
Amortization of Bond Premium	509	
Amortization of Deferred Amounts on Refunding	<u>(2,821)</u>	635,334

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

Decrease in Accrued Interest		<u>7,258</u>
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**Change in net position of governmental activities (Exhibit A-2)** **\$ 1,018,416**

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 AS OF JUNE 30, 2020**

	<b>Business-Type Activities</b>		<b>Total</b>
	<b>Non-Major Enterprise Funds</b>	<b>After School Child Care Program Enterprise Fund</b>	
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalents	\$ 3,055	\$ 303,799	\$ 306,854
Other Accounts Receivable		760	760
Prepaid Items	-	2,661	2,661
Total Current Assets	<u>3,055</u>	<u>307,220</u>	<u>310,275</u>
Noncurrent Assets			
Equipment	74,665		74,665
Less: Accumulated Depreciation	<u>(70,544)</u>	<u>-</u>	<u>(70,544)</u>
Total Noncurrent Assets	<u>4,121</u>	<u>-</u>	<u>4,121</u>
Total Assets	<u>7,176</u>	<u>307,220</u>	<u>314,396</u>
<b>LIABILITIES</b>			
Current Liabilities			
Unearned Revenue	-	25,265	25,265
Total Current Liabilities	<u>-</u>	<u>25,265</u>	<u>25,265</u>
<b>NET POSITION</b>			
Investment in Capital Assets	4,121		4,121
Unrestricted	<u>3,055</u>	<u>281,955</u>	<u>285,010</u>
Total Net Position	<u>\$ 7,176</u>	<u>\$ 281,955</u>	<u>\$ 289,131</u>

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
 PROPRIETARY FUND  
 STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN NET POSITION  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Business-Type Activities		<u>Total</u>
	<u>Non-Major Enterprise Funds</u>	<u>After School Child Care Program Enterprise Fund</u>	
<b>OPERATING REVENUES</b>			
Charges for Services			
Daily Sales	\$ 6,928		\$ 6,928
Program Fees	-	\$ 508,378	508,378
Total Operating Revenues	<u>6,928</u>	<u>508,378</u>	<u>515,306</u>
<b>OPERATING EXPENSES</b>			
Salaries and Benefits		335,187	335,187
Cost of Sales	8,744		8,744
Field Trips		117,141	117,141
Contracted Services		78,870	78,870
Depreciation	1,417		1,417
Supplies	114	29,329	29,443
Total Operating Expenses	<u>10,275</u>	<u>560,527</u>	<u>570,802</u>
Operating Income/(Loss), Before Transfers	<u>(3,347)</u>	<u>(52,149)</u>	<u>(55,496)</u>
<b>OTHER FINANCING SOURCE (USES)</b>			
Transfers In	3,500	-	3,500
Transfers Out	-	(1,190)	(1,190)
Total Other Financing Sources and Uses	<u>3,500</u>	<u>(1,190)</u>	<u>2,310</u>
Change in Net Position	<u>153</u>	<u>(53,339)</u>	<u>(53,186)</u>
Net Position, Beginning of Year	<u>7,023</u>	<u>335,294</u>	<u>342,317</u>
Net Position, End of Year	<u>\$ 7,176</u>	<u>\$ 281,955</u>	<u>\$ 289,131</u>

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<b>Business-Type Activities</b>		<b>Total</b>
	<b>Non-Major Enterprise Funds</b>	<b>After School Child Care Program Enterprise Fund</b>	
<b>Cash Flow From Operating Activities</b>			
Cash Received from Customers	\$ 6,928	\$ 238,493	\$ 245,421
Cash Payments for Employees' Salaries and Benefits		(335,187)	(335,187)
Cash Payments to Suppliers for Goods and Services	(8,858)	(159,329)	(168,187)
Net Cash Provided by/(used for) Operating Activities	(1,930)	(256,023)	(257,953)
<b>Cash Flows From Noncapital Financing Activities</b>			
Cash Received from General Fund	3,500	-	3,500
Cash Payments to General Fund	-	(1,190)	(1,190)
Net Cash Provided by/(used for) Noncapital Financing Activities	3,500	(1,190)	2,310
Net Increase/ (decrease) in Cash and Cash Equivalents	1,570	(257,213)	(255,643)
Cash and Cash Equivalents, Beginning of Year	1,485	561,012	562,497
Cash and Cash Equivalents, End of Year	<u>\$ 3,055</u>	<u>\$ 303,799</u>	<u>\$ 306,854</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY/(USED FOR) OPERATING ACTIVITIES</b>			
Operating Income/(Loss)	\$ (3,347)	\$ (52,149)	\$ (55,496)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by/(used for) Operating Activities			
Depreciation	1,417		1,417
Change in Assets and Liabilities			
(Increase)/Decrease in Prepaid Expense		66,011	66,011
Increase/ (Decrease) in Unearned Revenue	-	(269,885)	(269,885)
Total Adjustments	1,417	(203,874)	(202,457)
Net Cash Provided by/(used for) Operating Activities	<u>\$ (1,930)</u>	<u>\$ (256,023)</u>	<u>\$ (257,953)</u>

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
AS OF JUNE 30, 2020**

	<b>Unemployment Compensation <u>Trust Fund</u></b>	<b><u>Agency Fund</u></b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ <u>271,438</u>	\$ <u>47,950</u>
Total Assets	\$ <u>271,438</u>	\$ <u>47,950</u>
<b>LIABILITIES</b>		
Due to State of New Jersey	\$ 32,986	
Payroll Deductions and Withholdings		\$ 25,400
Accrued Salaries and Wages		3,271
Flexible Spending		5,122
Due to Student Groups	<u>-</u>	<u>14,157</u>
Total Liabilities	\$ <u>32,986</u>	\$ <u>47,950</u>
<b>NET POSITION</b>		
Held In Trust For Unemployment Claims	<u>\$ 238,452</u>	

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<b>Unemployment Compensation <u>Trust Fund</u></b>
<b>ADDITIONS</b>	
Contributions Employees	\$ <u>20,554</u>
Total Additions	<u>20,554</u>
<b>DEDUCTIONS</b>	
Unemployment Claims	<u>43,379</u>
Total Deductions	<u>43,379</u>
Change in Net Position	(22,825)
Net Position, Beginning of Year	<u>261,277</u>
Net Position, End of Year	<u>\$ 238,452</u>

## **NOTES TO THE FINANCIAL STATEMENTS**

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The East Hanover Township Board of Education (the “Board” or the “District”) is an instrumentality of the State of New Jersey, established to function as an education institution. The Board consists of seven elected officials and is responsible for the fiscal control of the District. A Superintendent is appointed by the Board and is responsible for the administrative control of the District. A Business Administrator/Board Secretary is also appointed by the Board and oversees the business functions of the District. Under existing statutes, the Board's duties and powers include, but are not limited to, the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property. The Board currently operates a Pre-Kindergarten through grade eight (8) school district.

The Board also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls. The Superintendent is the Chief Administrative Officer of the District who is responsible for planning and operational functions of the District. The Business Administrator/Board Secretary is the Chief Financial Officer and is responsible for budgeting, financial accounting and reporting and reports through the Superintendent to the Board.

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

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

**B. New Accounting Standards**

For fiscal year 2020, there were no GASB statements required to be adopted and implemented by the District.

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

- GASB No. 84, *Fiduciary Activities*, implementation postponed will be effective beginning with the fiscal year ending June 30, 2021. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities of all state and local governments.



**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. New Accounting Standards (Continued)**

- GASB No. 87, *Leases*, implementation postponed will be effective beginning with the fiscal year ending June 30, 2022. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.
- GASB No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*, implementation postponed will be effective beginning with the fiscal year ending June 30, 2022. The objectives of this Statement is to improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities.
- GASB No. 92, *Omnibus 2020*, implementation postponed will be effective beginning with the fiscal year ending June 30, 2022 except requirements related to GASB No. 87 and Implementation Guide No. 2019-3 are effective upon issuance. The objective of this Statement is to enhance comparability in the application of accounting and financial reporting requirements and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics.
- GASB No. 96, *Subscription – Based Information Technology Arrangements*, will be effective beginning with the year ending June 30, 2023. The objective of this Statement will be to improve financial reporting by establishing a definition for subscription-based information technology arrangements (SBITAs) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.
- GASB No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No.84, and a Supersession of GASB Statement No. 32*, the section that maybe applicable to the District will be effective beginning with the year ending June 30, 2022. The objective of this Statement is to provide more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The requirements also will enhance the relevance, consistency, and comparability of (1) the information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Presentation - Financial Statements**

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

**District-Wide Financial Statements**

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

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

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

**Fund Financial Statements**

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

The District reports the following major governmental funds:

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Presentation - Financial Statements (Continued)**

**Fund Financial Statements (Continued)**

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

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

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

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

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

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

Additionally, the government reports the following fund types:

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

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

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

**Reclassifications**

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting**

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

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

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

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

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

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

***1. Cash, Cash Equivalents and Investments***

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

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

***2. Receivables***

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**3. Inventories**

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

**4. Prepaid Items**

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

**5. Capital Assets**

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

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

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

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

**6. Deferred Outflows/Inflows of Resources**

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**6. *Deferred Outflows/Inflows of Resources (Continued)***

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

**7. *Compensated Absences***

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

**8. *Pensions***

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

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

**9. *Long-Term Obligations***

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**9. Long-Term Obligations (Continued)**

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

**10. Net Position/Fund Balance**

**District-Wide Statements**

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

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

**Governmental Fund Statements**

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

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

*Excess Surplus* – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2020 audited excess surplus that is required to be appropriated in the 2021/2022 original budget certified for taxes.

*Excess Surplus – Designated for Subsequent Year's Expenditures* - This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2019 audited excess surplus that was appropriated in the 2020/2021 original budget certified for taxes.

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

*Capital Reserve - Designated for Subsequent Year's Expenditures* – This designation was created to dedicate the portion of capital reserve fund balance appropriated in the adopted 2020/2021 District budget certified for taxes.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

***10. Net Position/Fund Balance (Continued)***

**Governmental Fund Statements (Continued)**

**Restricted Fund Balance (Continued)**

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

Maintenance Reserve - Designated for Subsequent Year's Expenditures – This designation was created to dedicate the portion of maintenance reserve fund balance appropriated in the adopted 2020/2021 District budget certified for taxes

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

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

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

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

***11. Fund Balance Policies***

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

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

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



**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Revenues and Expenditures/Expenses**

**1. *Program Revenues***

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

**2. *Property Taxes***

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

**3. *Tuition Revenues and Expenditures***

Tuition Revenues - Tuition charges were established by the Board of Education based on estimated costs.

Tuition Expenditures - Tuition charges for the fiscal years 2018-2019 and 2019-2020 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

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

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

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

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

Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Board approved several budget transfers during 2019/2020. Also, during 2019/2020 the Board increased the original budget by \$538,727. The increase was funded by the additional appropriation of capital reserve, grant awards and the reappropriation of prior year general fund encumbrances

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

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**B. Capital Reserve**

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

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

The activity of the capital reserve for the fiscal year ended June 30, 2020 is as follows:

Balance, July 1, 2019		\$	2,072,072
Increased By:			
Deposits Approved by Board Resolution	\$	900,000	
Unexpended Project Balances		<u>134,910</u>	
Total Increases			<u>1,034,910</u>
Withdrawals:			
Approved by Board Resolution		51,725	
Approved in District Budget		<u>755,000</u>	
Total Withdrawals			<u>806,725</u>
Balance, June 30, 2020		\$	<u><u>2,300,257</u></u>
<u>Analysis</u>			
Capital Reserve	\$	2,051,757	
Capital Reserve-Designated for Subsequent Year's Expenditures		<u>248,500</u>	
	\$		<u><u>2,300,257</u></u>

The June 30, 2020 LRFP balance of local support costs of uncompleted capital projects is \$7,225,000. The withdrawals from the capital reserve were for use in a department approved facilities project, consistent with the district's Long Range Facilities Plan. \$248,500 of the capital reserve balance at June 30, 2020 was designated and appropriated for use in the 2020/2021 original budget certified for taxes.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**C. Maintenance Reserve**

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

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

The activity of the maintenance reserve for the fiscal year ended June 30, 2020 is as follows:

Balance, July 1, 2019	\$ 498,451
Increased by	
Deposits Approved by Board Resolution	300,000
Withdrawals:	798,451
Approved in District Budget	166,300
Balance, June 30, 2020	\$ 632,151
<u>Analysis</u>	
Maintenance Reserve	\$ 300,000
Maintenance Reserve - Designated for Subsequent Years Expenditures	332,151
	\$ 632,151

The June 30, 2020 comprehensive maintenance plan indicated a maximum maintenance reserve amount of \$903,914. The withdrawals from the maintenance reserve were for use in required maintenance activities for school facilities. \$332,151 of the maintenance reserve balance at June 30, 2020 was designated and appropriated for use in the 2020/2021 original budget certified for taxes.

**D. Transfers to Capital Outlay**

During the 2019/2020 school year, the district transferred \$51,725 to the non-equipment capital outlay accounts. The transfer was made from the capital reserve account to supplement a capital project previously approved for costs related to various project for the 2019/20 and 2020/21 school years.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**E. Calculation of Excess Surplus**

In accordance with N.J.S.A. 18A:7F-7, as amended, the restricted fund balance for Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance in excess of 2% of budget expenditures at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess fund balance at June 30, 2020 is \$434,665. Of this amount, \$140,533 was designated and appropriated in the 2020/2021 original budget certified for taxes and the remaining amount of \$294,132 will be appropriated in the 2021/2022 original budget certified for taxes.

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

**A. Cash Deposits and Investments**

**Cash Deposits**

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

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2020, the book value of the Board's deposits were \$4,332,816 and bank and brokerage firm balances of the Board's deposits amounted to \$4,636,888. The Board's deposits which are displayed on the various fund balance sheets as "cash" or "cash and cash equivalents" are categorized as:

**Depository Account**

Insured	\$ <u>4,636,888</u>
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Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Board does not have a policy for custodial credit risk. As of June 30, 2020 none of the Board's bank balances were exposed to custodial credit risk.

**Investments**

The Board is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America; Government Money Market Mutual Funds; any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor; bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located; Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law," (C.40A:5A-1 et seq.); Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by school districts; Local Government investment pools; deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); and agreements for the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**A. Cash Deposits and Investments (Continued)**

**Investments (Continued)**

As of June 30, 2020, the Board had no outstanding investments.

**B. Receivables**

Receivables as of June 30, 2020 for the district's individual major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>After School Child Care</u>	<u>Total</u>
Receivables:				
Intergovernmental				
Federal		\$ 6,185		\$ 6,185
State	\$ 4,985			4,985
Local				-
Other	-	-	\$ 760	760
Total Net Receivables	<u>\$ 4,985</u>	<u>\$ 6,185</u>	<u>\$ 760</u>	<u>\$ 11,930</u>

**C. Unearned Revenue**

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

General Fund	
Preschool Tuition	\$ 6,865
Special Revenue Fund	
Unencumbered Grant Draw Downs	<u>8,589</u>
Total Unearned Revenue for Governmental Funds	<u>\$ 15,454</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**D. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

	<u>Balance, July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Balance June 30, 2020</u>
<b>Governmental Activities:</b>					
Capital Assets, Not Being Depreciated:					
Land	\$ 139,675				\$ 139,675
Construction in Progress	<u>53,400</u>	<u>\$ 26,750</u>	<u>-</u>	<u>\$ (53,400)</u>	<u>26,750</u>
Total Capital Assets, Not Being Depreciated	<u>193,075</u>	<u>26,750</u>	<u>-</u>	<u>(53,400)</u>	<u>166,425</u>
Capital Assets, Being Depreciated:					
Land Improvements	1,018,734				1,018,734
Building and Building Improvements	22,215,199	650,171		53,400	22,918,770
Machinery and Equipment	<u>1,600,577</u>	<u>115,420</u>	<u>-</u>	<u>-</u>	<u>1,715,997</u>
Total Capital Assets Being Depreciated	<u>24,834,510</u>	<u>765,591</u>	<u>-</u>	<u>53,400</u>	<u>25,653,501</u>
Less Accumulated Depreciation for:					
Land Improvements	(189,566)	(48,639)			(238,205)
Building and Building Improvements	(10,860,790)	(762,461)		-	(11,623,251)
Machinery and Equipment	<u>(1,227,820)</u>	<u>(77,421)</u>	<u>-</u>	<u>-</u>	<u>(1,305,241)</u>
Total Accumulated Depreciation	<u>(12,278,176)</u>	<u>(888,521)</u>	<u>-</u>	<u>-</u>	<u>(13,166,697)</u>
Total Capital Assets, Being Depreciated, Net	<u>12,556,334</u>	<u>(122,930)</u>	<u>-</u>	<u>53,400</u>	<u>12,486,804</u>
Government Activities Capital Assets, Net	<u>\$ 12,749,409</u>	<u>\$ (96,180)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,653,229</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**D. Capital Assets (Continued)**

	Balance, July 1, 2019	<u>Increases</u>	<u>Decreases/ Adjustments</u>	Balance June 30, 2020
<b>Business-Type Activities:</b>				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 74,665	-	-	\$ 74,665
Total Capital Assets Being Depreciated	<u>74,665</u>	-	-	<u>74,665</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	(69,127)	\$ (1,417)	-	(70,544)
Total Accumulated Depreciation	<u>(69,127)</u>	<u>(1,417)</u>	-	<u>(70,544)</u>
Total Capital Assets, Being Depreciated, Net	-	-	-	-
Business-Type Activities Capital Assets, Net	<u>\$ 5,538</u>	<u>\$ (1,417)</u>	<u>\$ -</u>	<u>\$ 4,121</u>

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

**Governmental Activities:**

Instruction	
Regular	\$ 364,200
Special Education	151,951
Other Instruction	55,269
School-Sponsored Activities and Athletics	<u>8,829</u>
Total Instruction	<u>580,249</u>
Support Services	
Student and Instruction Related Services	86,148
Health Services	22,665
Educational Media / School Library	16,734
General Administration Services	17,823
School Administration Services	68,054
Operations and Maintenance of Plant	65,893
Student Transportation	9,821
Central Services	<u>21,134</u>
Total Support Services	<u>308,272</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 888,521</u>
<b>Business Type Activities:</b>	
Food Service Fund	<u>\$ 1,417</u>
Total Depreciation Expense - Business Type Activities	<u>\$ 1,417</u>



**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**E. Interfund Receivables, Payables, and Transfers (Continued)**

There were no interfund balance as of June 30, 2020.

**Interfund transfers**

	Transfer In:	
	<u>General</u>	<u>Enterprise - Non-Major</u>
Transfer Out:		
General Fund		\$ 3,500
After School Child Care Program Enterprise Fund	\$ 1,190	-
 Total Transfers	\$ 1,190	\$ 3,500

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

**F. Leases**

**Capital Leases**

The District is leasing an energy savings incentive program totaling \$1,696,601 under a capital lease. The lease is for a term of 20 years.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020 were as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>
2021	\$ 95,540
2022	83,232
2023	85,359
2024	87,541
2025	89,780
2026-2030	484,608
2031-2035	550,106
2036	118,659
Total minimum lease payments	1,594,825
Less: amount representing interest	(317,738)
Present value of minimum lease payments	\$ 1,277,087

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**F. Leases (Continued)**

**Lease Purchase Agreements**

The District leases technology equipment under non-cancelable leases. Lease payments for the fiscal year ended June 30, 2020 were \$62,532. The future minimum lease payments for these operating leases are as follows:

**Governmental Activities:**

<u>Year Ending June 30</u>	<u>Amount</u>
2021	\$ 61,319
2022	49,590
2023	13,550
2024	<u>13,550</u>
Total Lease Payments	138,009
Less: Amount Representing Interest	<u>(5,752)</u>
Present Value of Remaining Lease Payments	<u>\$ 132,257</u>

**G. Long-Term Debt**

**General Obligation Bonds**

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

Bonds payable at June 30, 2020 are comprised of the following issues:

\$6,355,000, 2012 Refunding Bonds, due in annual installments of \$555,000 to \$575,000 through January 15, 2023, interest at 3.00%	\$ 1,695,000
	<u>\$ 1,695,000</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**G. Long-Term Debt (Continued)**

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

**Governmental Activities:**

Fiscal Year Ending June 30,	<u>Serial Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2021	\$ 575,000	\$ 50,850	\$ 625,850
2022	565,000	33,600	598,600
2023	<u>555,000</u>	<u>16,650</u>	<u>571,650</u>
	<u>\$ 1,695,000</u>	<u>\$ 101,100</u>	<u>\$ 1,796,100</u>

**Statutory Borrowing Power**

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2020 was as follows:

3% of Equalized Valuation Basis (Municipal)	\$ 99,525,907
Less: Net Debt	<u>1,695,000</u>
Remaining Borrowing Power	<u>\$ 97,830,907</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**H. Other Long-Term Liabilities**

**Changes in Long-Term Liabilities**

Long-term liability activity for the fiscal year ended June 30, 2020, was as follows:

	Balance, July 1, 2019	<u>Additions</u>	<u>Reductions</u>	Balance, June 30, 2020	Due Within One Year
<b>Governmental Activities:</b>					
Bonds Payable	\$ 2,265,000		\$ 570,000	\$ 1,695,000	\$ 575,000
Deferred Amounts					
Add: Original Issue Premium	<u>1,001</u>	<u>-</u>	<u>509</u>	<u>492</u>	<u>-</u>
Total Bonds Payable	2,266,001	-	570,509	1,695,492	575,000
Capital Lease/Lease Purchase					
Agreements	1,476,990	\$ 51,541	119,187	1,409,344	120,106
Net Pension Liability	4,105,773		273,602	3,832,171	
Compensated Absences	<u>359,803</u>	<u>51,674</u>	<u>11,035</u>	<u>400,442</u>	<u>50,000</u>
Governmental Activity Long-Term Liabilities	<u>\$ 8,208,567</u>	<u>\$ 103,215</u>	<u>\$ 974,333</u>	<u>\$ 7,337,449</u>	<u>\$ 745,106</u>

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

**NOTE 4 OTHER INFORMATION**

**A. Risk Management**

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

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

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 4 OTHER INFORMATION (Continued)**

**A. Risk Management (Continued)**

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

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

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

<u>Fiscal Year Ended June 30,</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2020		\$ 20,554	\$ 43,379	\$ 238,452
2019		20,552	2,808	261,277
2018		20,401	31,701	243,533

**B. Contingent Liabilities**

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

**Federal and State Awards** – The Board participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor government. As of June 30, 2020, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

**C. Federal Arbitrage Regulations**

The District is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At June 30, 2020, the District has not estimated its arbitrage earnings due to the IRS, if any.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans**

**Plan Descriptions and Benefits Provided**

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

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

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

The following represents the membership tiers for PERS:

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

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

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

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.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

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

The following represent the membership tiers for TPAF:

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

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

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

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

**Other Pension Funds**

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

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

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

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

**Plan Amendments**

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

**Measurement Focus and Basis of Accounting**

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

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

**Investment Valuation**

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

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



**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

**Collective Net Pension Liability**

The collective net pension liability of the participating employers for local PERS at June 30, 2019 is \$18.1 billion and the plan fiduciary net position as a percentage of the total pension liability is 56.27%. The collective net pension liability of the State funded TPAF at June 30, 2019 is \$61.5 billion and the plan fiduciary net position as a percentage of total pension liability is 26.95%.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2018 which were rolled forward to June 30, 2019.

**Actuarial Methods and Assumptions**

In the July 1, 2018 PERS and TPAF actuarial valuation, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The pension systems selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 68. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

**Employer and Employee Pension Contributions**

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 7.50% for PERS, 7.50% for TPAF and 5.50% for DCRP of the employee's annual compensation for fiscal year 2020.

PERS employers' and TPAF State's nonemployer contributions are based on actuarially determined amounts, which include the normal cost and unfunded accrued liability. For the fiscal year ended June 30, 2020 for TPAF, which is a cost sharing multiple employer defined benefit pension plan with a special funding situation, the State's annual pension contribution was less than the actuarial determined amount. For PERS, which is a cost sharing multiple employer defined benefit pension plan, the annual pension contributions were equal to the actuarial determined amounts. TPAF nonemployer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution. All PERS and DCRP contributions made by the Board for fiscal years 2020, 2019 and 2018 were equal to the required contributions.

During the fiscal years ended June 30, 2020, 2019 and 2018 the Board was required to contribute for PERS and DCRP and the State of New Jersey, as a nonemployer contributing entity, contributed for TPAF, respectively for normal cost pension and unfunded accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Fiscal Year Ended <u>June 30,</u>	<u>PERS</u>	On-behalf <u>TPAF</u>	<u>DCRP</u>
2020	\$ 206,876	\$ 1,774,897	\$ 31,056
2019	210,097	1,613,938	27,940
2018	197,879	1,206,786	24,173

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

**D. Employee Retirement Systems and Pension Plans (Continued)**

**Employer and Employee Pension Contributions (Continued)**

In addition for fiscal years 2020, 2019 and 2018 the District contributed \$586, \$610 and \$783, respectively for PERS and the State contributed \$1,854, \$2,341 and \$2,654, respectively for TPAF for Long Term Disability Insurance Premium (LTDI).

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

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$641,393 during the fiscal year ended June 30, 2020 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been recognized in the district-wide financial statements (accrual basis) and the governmental fund financial statements (modified accrual basis) as a revenue and expense/expenditure in accordance with GASB No. 85.

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

**Public Employees Retirement System (PERS)**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, (GASB No. 68) requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense. The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the measurement period July 1, 2018 through June 30, 2019. Employer allocation percentages have been rounded for presentation purposes.

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

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages are presented for each group. The allocation percentages for each group as of June 30, 2019 are based on the ratio of each employer's contribution to total employer contributions of the group for the fiscal year ended June 30, 2019.

At June 30, 2020, the District reported in the statement of net position (accrual basis) a liability of \$3,832,171 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2019 and was determined by an actuarial valuation as of July 1, 2018. The District's proportionate share of the net pension liability was based on the ratio of the District's share of contributions to the pension plan relative to the total contributions of all participating governmental entities, for the year ended June 30, 2019. At June 30, 2019, the District's proportionate share was .02127 percent, which was an increase of .00042 percent from its proportionate share measured as of June 30, 2018 of .02085 percent.

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

**D. Employee Retirement Systems and Pension Plans (Continued)**

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

**Public Employees Retirement System (PERS) (Continued)**

For the fiscal year ended June 30, 2020, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$108,432 for PERS. The pension contribution made by the District during the current 2019/2020 fiscal year is the contribution that is applied to the net pension liability reported at the end of the current fiscal year of June 30, 2020 with a measurement date of the prior fiscal year end of June 30, 2019. Since the State of New Jersey applies the current year pension contribution towards the calculation of the net pension liability reported at the end of the current fiscal year, which has a measurement date of the preceding fiscal year end, there is no deferred outflows of resources reported as of June 30, 2020 for contributions made subsequent to the measurement date. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 68,782	\$ 16,929
Changes of Assumptions	382,656	1,330,134
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		60,492
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>147,031</u>	<u>346,999</u>
Total	<u>\$ 598,469</u>	<u>\$ 1,754,554</u>

At June 30, 2020, the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense/(benefit) as follows:

Year Ending <u>December 31,</u>	<u>Total</u>
2021	\$ (163,308)
2022	(459,844)
2023	(382,359)
2024	(138,989)
2025	(11,585)
Thereafter	<u>-</u>
	<u>\$ (1,156,085)</u>

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

**D. Employee Retirement Systems and Pension Plans (Continued)**

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

**Public Employees Retirement System (PERS) (Continued)**

*Actuarial Assumptions*

The District's total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

	<u>PERS</u>
Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00-6.00% Based on Years of Service
Thereafter	3.00%-7.00% Based on Years of Service
Investment Rate of Return	7.00%
Mortality Rate Table	Pub-2010

Assumptions for mortality improvements are based on Society of Actuaries Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

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**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

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

**Public Employees Retirement System (PERS) (Continued)**

***Long-Term Expected Rate of Return***

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and actuaries. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the PERS's target asset allocation as of June 30, 2019 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	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
US Equity	28.00%	8.26%
Non-US Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
High Yield	2.00%	5.37%
Real Assets	2.50%	9.31%
Private Credit	6.00%	7.92%
Real Estate	7.50%	8.33%
Private Equity	12.00%	10.85%

***Discount Rate***

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

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2020	June 30, 2019	6.28%
2019	June 30, 2018	5.66%

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

**D. Employee Retirement Systems and Pension Plans (Continued)**

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

**Public Employees Retirement System (PERS) (Continued)**

***Discount Rate (Continued)***

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

Period of Projected Benefit Payments for which the Following Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2057
Municipal Bond Rate *	From July 1, 2057 and Thereafter

\* The municipal bond return rate used is 3.50% as of the measurement date of June 30, 2019. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

***Sensitivity of Net Pension Liability***

The following presents the District's proportionate share of the PERS net pension liability calculated using the discount rate of 6.28%, as well as what the District's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.28 percent) or 1-percentage-point higher (7.28 percent) than the current rate:

	<b>1% Decrease <u>5.28%</u></b>	<b>Current Discount Rate <u>6.28%</u></b>	<b>1% Increase <u>7.28%</u></b>
District's Proportionate Share of the PERS Net Pension Liability	\$ <u>4,840,655</u>	\$ <u>3,832,171</u>	\$ <u>2,982,381</u>

The sensitivity analysis was based on the proportionate share of the District's net pension liability as of the measurement date of June 30, 2019. A sensitivity analysis specific to the District's net pension liability at June 30, 2019 was not provided by the pension system.

***Pension Plan Fiduciary Net Position***

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

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**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

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

**Teachers Pension and Annuity Fund (TPAF)**

GASB No. 68, requires participating employers in TPAF to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense. The non-employer allocation percentages presented are based on the ratio of the State's contributions made as an employee and non-employer adjusted for unpaid early retirement incentives to total contributions to TPAF during the measurement period July 1, 2018 through June 30, 2019. Non-employer allocation percentages have been rounded for presentation purposes.

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and non-employer contributions by the State. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. For the fiscal year ended June 30, 2019, the State's pension contribution was less than the actuarial determined amount.

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

For the fiscal year ended June 30, 2020, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$2,909,552 for TPAF. This amount has been included in the district-wide statement of activities (accrual basis) as both a revenue and expense in accordance with GASB No. 85.

At June 30, 2020 the State's proportionate share of the net pension liability attributable to the District is \$49,328,934. The nonemployer allocation percentages are based on the ratio of the State's contributions made as a nonemployer attributable to the District adjusted for unpaid early retirement incentives relative to total contributions to TPAF during the year ended June 30, 2019. At June 30, 2019, the State's share of the net pension liability attributable to the District was .08038 percent, which was an increase of .00037 percent from its proportionate share measured as of June 30, 2018 of .08001 percent.

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

**D. Employee Retirement Systems and Pension Plans (Continued)**

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

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

**Actuarial Assumptions**

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

	<u>TPAF</u>
Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	1.55-4.55% Based on Years of Service
Thereafter	2.75%-5.65% Based on Years of Service
Investment Rate of Return	7.00%
Mortality Rate Table	Pub-2010

Assumptions for mortality improvements are based on Society of Actuaries Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018.



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

**D. Employee Retirement Systems and Pension Plans (Continued)**

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

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

**Long-Term Expected Rate of Return**

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and actuaries. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the TPAF's target asset allocation as of June 30, 2019 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	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
US Equity	28.00%	8.26%
Non-US Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
High Yield	2.00%	5.37%
Real Assets	2.50%	9.31%
Private Credit	6.00%	7.92%
Real Estate	7.50%	8.33%
Private Equity	12.00%	10.85%

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

**D. Employee Retirement Systems and Pension Plans (Continued)**

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

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

*Discount Rate*

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

<b>Fiscal Year</b>	<b>Measurement Date</b>	<b>Discount Rate</b>
2020	June 30, 2019	5.60%
2019	June 30, 2018	4.86%

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

Period of Projected Benefit

Payments for which the Following Rates were Applied:

Long-Term Expected Rate of Return	Through June 30, 2054
Municipal Bond Rate *	From July 1, 2054 and Thereafter

\* The municipal bond return rate used is 3.50% as of the measurement date of June 30, 2019. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

*Sensitivity of Net Pension Liability*

The following presents the State’s proportionate share of the TPAF net pension liability attributable to the District calculated using the discount rate of 5.60%, as well as what the State’s proportionate share of the TPAF net pension liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (4.60 percent) or 1-percentage-point higher (6.60 percent) than the current rate:

	<b>1% Decrease (4.60%)</b>	<b>Current Discount Rate (5.60%)</b>	<b>1% Increase (6.60%)</b>
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	\$ 58,169,731	\$ 49,328,934	\$ 41,993,864

The sensitivity analysis was based on the State’s proportionate share of the net pension liability attributable to the District as of the measurement date of June 30, 2019. A sensitivity analysis specific to the State’s proportionate share of the net pension liability attributable to the District at June 30, 2019 was not provided by the pension system.

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

**D. Employee Retirement Systems and Pension Plans (Continued)**

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

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

***Pension Plan Fiduciary Net Position***

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

**E. Post-Retirement Medical Benefits**

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

As a result of implementing GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, the post-retirement health benefit program plan is reported in an Agency Fund in the New Jersey Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019. Therefore, the plan has no assets accumulated in a trust. In accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension* (GASB No. 75), the plan is classified as a single employer defined benefit OPEB plan with a special funding situation that is not administered through a trust that meets the criteria in paragraph 4 of GASB No. 75.

**Plan Description and Benefits Provided**

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

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

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

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

**E. Post-Retirement Medical Benefits (Continued)**

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

**Plan Membership**

Membership of the defined benefit OPEB plan consisted of the following at June 30, 2018:

Active Plan Members	216,892
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	148,051
Inactive Plan Members Entitled to but not yet Receiving Benefits	<u>          -</u>
Total	<u>364,943</u>

**Measurement Focus and Basis of Accounting**

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

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

**Investment Valuation**

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

**Collective Net OPEB Liability**

The collective net OPEB liability of the State, as the non-employer contributing entity, of the plan at June 30, 2019 is \$41.7 billion, and the plan fiduciary net position as a percentage of the total OPEB liability is zero percent.

The total OPEB liabilities were determined based on actuarial valuations as of June 30, 2018 which were rolled forward to June 30, 2019.

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

**E. Post-Retirement Medical Benefits (Continued)**

**Actuarial Methods and Assumptions**

In the June 30, 2018 OPEB actuarial valuation, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The Plan selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 75. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

**Post-Retirement Medical Benefits Contributions**

The funding policy of the OPEB plan is pay as you go basis; therefore, there is no prefunding of the liability. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are made by the State, as a non-employer contributing entity, under a special funding situation in accordance with State statutes as previously disclosed. The State as a non-employer contributing entity made contributions of \$1.28 billion to the OPEB plan in fiscal year 2019.

The State sets the contribution rate based on a pay as you go basis rather than the actuarial determined contribution amount actuarially determined in accordance with the parameters of GASB Statement 75. The actuarial determined contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any unfunded actuarial liabilities (or funding excess) of the plan using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan. over a period not to exceed thirty years. The State's contributions, as a nonemployer contributing entity, to the State Health Benefits Program Fund – Local Education Retired Employees Plan for retirees' post-retirement benefits on behalf of the School District for the fiscal years ended June 30, 2020, 2019 and 2018 were \$658,454, \$732,780 and \$779,154, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund – Local Education Retired Employees Plan for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey. The on-behalf OPEB contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 85.

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

GASB Statement No. 75 requires participating employers in the State Health Benefit Program Fund – Local Education Retired Employees Plan to recognize their proportionate share of the collective OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense. The nonemployer allocation percentages presented are based on the ratio of the State's contributions made as a nonemployer toward the actuarially determined contribution amount to total contributions to the plan during the measurement period July 1, 2018 through June 30, 2019. Nonemployer allocation percentages have been rounded for presentation purposes.

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

For the fiscal year ended June 30, 2020, the District recognized in the district-wide statement of activities (accrual basis) OPEB expense of \$575,761. This amount has been included in the district-wide statement of activities (accrual basis) as both a revenue and expense in accordance with GASB No. 85.

At June 30, 2020 the State's proportionate share of the OPEB liability attributable to the District is \$33,273,099. The nonemployer allocation percentages are based on the ratio of the State's proportionate share of the OPEB liability attributable to the District at June 30, 2019 to the total OPEB liability of the State Health Benefit Program Fund – Local Education Retired Employees Plan at June 30, 2019. At June 30, 2019, the state's share of the OPEB liability attributable to the District was .08 percent, which was no change from its proportionate share measured as of June 30, 2018 of .08 percent.

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

**E. Post-Retirement Medical Benefits (Continued)**

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

**Actuarial Assumptions**

The OPEB liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases*	
PERS:	
Initial Fiscal Year Applied Through	2026
Rate	2.00% to 6.00%
Rate Thereafter	3.00% to 7.00%
TPAF:	
Initial Fiscal Year Applied Through	2026
Rate	1.55% to 3.05%
Rate Thereafter	1.55% to 3.05%
Mortality:	
PERS	Pre-retirement and Post-retirement based on Pub-2010 Healthy "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019.
TPAF	Pre-retirement and Post-retirement based on Pub-2010 "Teachers" and "General" classifications respectively, headcount-weighted mortality tables with fully generational mortality improvement projections from the central year using Scale MP-2019.
Long-Term Rate of Return	2.00%

\*Salary increases are based on the defined benefit pension plan that the member is enrolled in and the members years of service.

For the June 30, 2019 measurement date healthcare cost trend rates for pre-Medicare medical benefits, the trend is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 4 OTHER INFORMATION (Continued)**

**E. Post-Retirement Medical Benefits (Continued)**

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

**Actuarial Assumptions (Continued)**

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the TPAF and PERS actuarial experience studies for the period July 1, 2015 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively.

100% of active members are considered to participate in the plan upon retirement.

**Long-Term Expected Rate of Return**

As the OPEB plan only invests in the State of New Jersey Cash Management Fund, the long-term expected rate of return on OPEB investments was based off the best-estimate ranges of future real rates of return (expected returns, net of OPEB plan investment expense and inflation) for cash equivalents, which is 2.00% as of June 30, 2019.

**Discount Rate**

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

<b><u>Fiscal Year</u></b>	<b><u>Measurement Date</u></b>	<b><u>Discount Rate</u></b>
2020	June 30, 2019	3.50%
2019	June 30, 2018	3.87%

The discount rate represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 4 OTHER INFORMATION (Continued)**

**E. Post-Retirement Medical Benefits (Continued)**

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

**Changes in the Total OPEB Liability**

The change in the State's proportionate share of the OPEB liability attributable to the District for the fiscal year ended June 30, 2020 (measurement date June 30, 2019) is as follows:

	Total OPEB Liability (State Share 100%)
Balance, June 30, 2018 Measurement Date	\$ <u>37,583,821</u>
Changes Recognized for the Fiscal Year:	
Service Cost	1,318,417
Interest on the Total OPEB Liability	1,486,521
Differences Between Expected and Actual Experience	(6,620,657)
Changes of Assumptions	4,496,105
Gross Benefit Payments	(1,021,385)
Contributions from the Member	<u>30,277</u>
<b>Net Changes</b>	<b>\$ <u>(310,722)</u></b>
Balance, June 30, 2019 Measurement Date	\$ <u><u>37,273,099</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.87% percent in 2018 to 3.50% percent in 2019.

The change in the total OPEB liability was based on the State's proportionate share of the OPEB liability attributable to the District at June 30, 2019.



**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 4 OTHER INFORMATION (Continued)**

**E. Post-Retirement Medical Benefits (Continued)**

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

**Sensitivity of OPEB Liability**

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the State's proportionate share of the OPEB liability attributable to the District calculated using the discount rate of 3.50%, as well as what the State's proportionate share of the OPEB liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current rate:

	<b>1% Decrease <u>(2.50%)</u></b>	<b>Current Discount Rate <u>(3.50%)</u></b>	<b>1% Increase <u>(4.50%)</u></b>
State's Proportionate Share of the OPEB Liability Attributable to the District	\$ 39,308,679	\$ 33,273,099	\$ 28,478,765

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

	<b>1% Decrease</b>	<b>Healthcare Cost Trend Rates</b>	<b>1% Increase</b>
Total OPEB Liability (School Retirees)	\$ 27,415,551	\$ 33,273,099	\$ 41,027,290

The sensitivity analyses were based on the State's proportionate share of the OPEB liability attributable to the District at June 30, 2019. Sensitivity analyses specific to the State's proportionate share of the OPEB liability attributable to the District at June 30, 2019 were not provided by the pension system.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 5 INFECTIOUS DISEASE OUTBREAK – COVID-19 PANDEMIC**

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the “Pandemic”) by the World Health Organization and is currently affecting many parts of the world, including the United States and the State of New Jersey. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President’s Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

New Jersey Governor Phil Murphy has issued multiple Executive Orders since March 16, 2020 including but not limited to aggressive social distancing measures, restrictions on local elections, restrictions on foreclosure and evictions, suspension of all elective surgeries, closing of all schools and child care centers, the commandeering of property such as medical supplies, the cessation of all non-essential construction projects, extending insurance premium grace periods, the temporary reprieve to certain at-risk inmates and the extension of the permitted statutory grace period from May 11, 2020 to June 1, 2020 for quarterly property taxes due May 1, 2020. The Board expects ongoing actions will be taken by State, federal and local governments and private entities to mitigate the spread and impacts of COVID-19. The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values within the School District. The declaration of a public health emergency remains in effect as of the date of audit. As part of a planned multi-stage approach to restart the State’s economy, Governor Murphy has signed a series of Executive Orders permitting the resumption of certain activities.

Because of the evolving nature of the outbreak and federal, state and local responses thereto, the Board cannot predict how the outbreak will impact the financial condition or operations of the School District, or if there will be any impact on the assessed values of property within the School District or deferral of tax payments to municipalities. The Board cannot predict costs associated with this or any other potential infectious disease outbreak, including whether there will be any reduction in State funding or an increase in operational costs incurred to clean, sanitize and maintain its facilities either before or after an outbreak of an infectious disease.

**BUDGETARY COMPARISON SCHEDULES**

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Original Budget	Adjustments	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>					
Local Sources					
Property Tax Levy	\$ 20,014,879		\$ 20,014,879	\$ 20,014,879	
Tuition - Preschool	59,160		59,160	68,434	\$ 9,274
Miscellaneous	22,100	-	22,100	37,907	15,807
<b>Total Local Sources</b>	<b>20,096,139</b>	<b>-</b>	<b>20,096,139</b>	<b>20,121,220</b>	<b>25,081</b>
State Sources					
Special Education Aid	643,778		643,778	643,777	(1)
Security Aid	17,287		17,287	17,287	
Transportation Aid	178,676		178,676	178,676	
Extraordinary Aid		\$ 124,642	124,642	233,349	108,707
Nonpublic School Transportation Aid				4,985	4,985
On-behalf TPAF Pension Payments (Non-Budget)				1,743,644	1,743,644
On-behalf TPAF Pension Payments - NCGI Premium (Non-Budget)				31,253	31,253
On-behalf TPAF Pension Payments - Post Retirement Medical (Non-Budget)				658,454	658,454
On-behalf TPAF Pension Payments - LT Disability (Non-Budget)				1,854	1,854
On-behalf TPAF Social Security Payments (Non-Budget)	-	-	-	641,393	641,393
<b>Total State Sources</b>	<b>839,741</b>	<b>124,642</b>	<b>964,383</b>	<b>4,154,672</b>	<b>3,190,289</b>
<b>Total Revenues</b>	<b>20,935,880</b>	<b>124,642</b>	<b>21,060,522</b>	<b>24,275,892</b>	<b>3,215,370</b>
Instruction - Regular Programs					
Salaries of Teachers					
Preschool	128,700	(165)	128,535	128,535	-
Kindergarten	383,970	66,149	450,119	450,119	-
Grades 1-5	2,291,616	(43,563)	2,248,053	2,248,053	-
Grades 6-8	1,992,902	(897)	1,992,005	1,988,536	3,469
Regular Program - Home Instruction					
Salaries of Teachers	3,500	-	3,500		3,500
Purchased Professional-Educational Services	6,000	(2,000)	4,000		4,000
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	215,022	2,965	217,987	217,987	-
Purchased Professional-Educational Services	16,475	(1,683)	14,792	4,486	10,306
Purchased Technical Services	235,070	(39,656)	195,414	163,715	31,699
Other Purchased Services	146,331	33,554	179,885	169,928	9,957
General Supplies	430,822	73,351	504,173	460,010	44,163
Other Objects	10,200	15,652	25,852	23,585	2,267
<b>Total Regular Programs</b>	<b>5,860,608</b>	<b>103,707</b>	<b>5,964,315</b>	<b>5,854,954</b>	<b>109,361</b>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Original Budget	Adjustments	Final Budget	Actual	Variance with Final Budget
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
Special Education					
Multiple Disabilities					
Salaries of Teachers	\$ 82,660	\$ 59,860	\$ 142,520	\$ 142,520	-
Other Salaries for Instruction	52,621	69,855	122,476	107,539	\$ 14,937
General Supplies	700	-	700	-	700
<b>Total Multiple Disabilities</b>	<b>135,981</b>	<b>129,715</b>	<b>265,696</b>	<b>250,059</b>	<b>15,637</b>
Resource Room					
Salaries of Teachers	1,651,282	(56,541)	1,594,741	1,552,376	42,365
Other Salaries for Instruction	153,538	42,293	195,831	195,741	90
General Supplies	10,000	-	10,000	8,420	1,580
<b>Total Resource Room</b>	<b>1,814,820</b>	<b>(14,248)</b>	<b>1,800,572</b>	<b>1,756,537</b>	<b>44,035</b>
Preschool Disabilities - Part Time					
Salaries of Teachers	91,735	-	91,735	91,735	-
Other Salaries for Instruction	20,450	(10,399)	10,051	10,050	1
General Supplies	2,500	-	2,500	855	1,645
<b>Total Preschool Disabilities - Part Time</b>	<b>114,685</b>	<b>(10,399)</b>	<b>104,286</b>	<b>102,640</b>	<b>1,646</b>
Home Instruction					
Salaries of Teachers	3,000	(885)	2,115	-	2,115
Purchased Professional-Educational Services	6,000	-	6,000	-	6,000
<b>Total Home Instruction</b>	<b>9,000</b>	<b>(885)</b>	<b>8,115</b>	<b>-</b>	<b>8,115</b>
<b>Total Special Education</b>	<b>2,074,486</b>	<b>104,183</b>	<b>2,178,669</b>	<b>2,109,236</b>	<b>69,433</b>
Basic Skills/Remedial					
Salaries of Teachers	655,031	(28,924)	626,107	624,960	1,147
General Supplies	6,300	(85)	6,215	397	5,818
<b>Total Basic Skills/Remedial</b>	<b>661,331</b>	<b>(29,009)</b>	<b>632,322</b>	<b>625,357</b>	<b>6,965</b>
Bilingual Education					
Salaries of Teachers	103,420	-	103,420	103,420	-
General Supplies	-	117	117	117	-
<b>Total Bilingual Education</b>	<b>103,420</b>	<b>117</b>	<b>103,537</b>	<b>103,537</b>	<b>-</b>
School Sponsored Cocurricular Activities					
Salaries	87,249	-	87,249	65,105	22,144
<b>Total School Sponsored Cocurricular Activities</b>	<b>87,249</b>	<b>-</b>	<b>87,249</b>	<b>65,105</b>	<b>22,144</b>
School Sponsored Athletics					
Salaries	56,765	145	56,910	56,910	-
Purchased Services	10,525	(146)	10,379	6,355	4,024
Supplies and Materials	4,800	721	5,521	5,521	-
Other Objects	1,855	-	1,855	1,855	-
<b>Total School Sponsored Athletics</b>	<b>73,945</b>	<b>720</b>	<b>74,665</b>	<b>70,641</b>	<b>4,024</b>
After School Programs"Best"- Instruction					
Salaries of Teachers	20,476	-	20,476	5,033	15,443
Supplies and Materials	2,500	-	2,500	947	1,553
<b>Total Before &amp; After School Programs</b>	<b>22,976</b>	<b>-</b>	<b>22,976</b>	<b>5,980</b>	<b>16,996</b>
Summer School - Instruction					
Salaries of Teachers	17,690	-	17,690	15,888	1,802
Other Salaries for Instruction	18,240	-	18,240	14,516	3,724
Purchased Prof. & Tech. Services	17,455	(6,800)	10,655	6,419	4,236
General Supplies	300	-	300	-	300
<b>Total Summer School</b>	<b>53,685</b>	<b>(6,800)</b>	<b>46,885</b>	<b>36,823</b>	<b>10,062</b>
<b>Total Instruction</b>	<b>8,937,700</b>	<b>172,918</b>	<b>9,110,618</b>	<b>8,871,633</b>	<b>238,985</b>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Original Budget	Adjustments	Final Budget	Actual	Variance with Final Budget
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
Undistributed Expenditures					
Instruction					
Tuition to Priv. Sch. For the Disabled Within the State	\$ 494,572	\$ (167,864)	\$ 326,708	\$ 285,979	\$ 40,729
Total Undistributed Expenditures - Instruction	494,572	(167,864)	326,708	285,979	40,729
Attendance and Social Work					
Salaries	74,819	805	75,624	75,475	149
Total Attendance and Social Work	74,819	805	75,624	75,475	149
Health Services					
Salaries	237,755	-	237,755	237,755	-
Purchased Professional and Technical Services	109,048	-	109,048	108,648	400
Other Purchased Services	-	3,200	3,200	3,200	-
Supplies and Materials	3,250	4,174	7,424	7,388	36
Other Objects	519	-	519	198	321
Total Health Services	350,572	7,374	357,946	357,189	757
Speech, OT, PT and Related Services					
Salaries	189,255	6,214	195,469	179,935	15,534
Purchased Professional-Educational Services	346,116	4,666	350,782	306,102	44,680
Supplies and Materials	14,350	(1,027)	13,323	5,854	7,469
Other Objects	1,000	-	1,000	-	1,000
Total OT, PT and Related Services	550,721	9,853	560,574	491,891	68,683
Other Supp. Serv. Students - Extra Serv.					
Salaries	177,284	(41,941)	135,343	135,341	2
Purchased Professional-Educational Services	-	138,220	138,220	138,220	-
Total Other Supp. Serv. Students - Extra Serv.	177,284	96,279	273,563	273,561	2
Guidance					
Salaries of Other Professional Staff	195,825	-	195,825	193,130	2,695
Other Salaries	71,810	(12,741)	59,069	58,667	402
Other Purchased Prof. and Tech. Services	1,003	-	1,003	1,000	3
Supplies and Materials	500	-	500	219	281
Total Guidance	269,138	(12,741)	256,397	253,016	3,381
Child Study Teams					
Salaries of Other Professional Staff	392,282	13,234	405,516	405,090	426
Salaries of Secretarial and Clerical Assistants	60,016	-	60,016	60,016	-
Other Salaries	28,251	(1,229)	27,022	7,702	19,320
Purchased Professional-Educational Services	12,000	-	12,000	4,830	7,170
Other Purchased Services	6,801	4,000	10,801	6,975	3,826
Supplies and Materials	7,900	-	7,900	3,932	3,968
Other Objects	450	-	450	29	421
Total Child Study Teams	507,700	16,005	523,705	488,574	35,131
Improv. of Inst. Serv.					
Salaries of Supervisors of Instruction	100,750	1,000	101,750	101,750	-
Other Salaries	33,800	-	33,800	21,309	12,491
Other Purchased Prof. and Tech. Services	38,218	3,386	41,604	40,144	1,460
Other Purchased Services	1,400	-	1,400	514	886
Supplies and Materials	1,000	1,599	2,599	2,599	-
Other Objects	1,500	-	1,500	1,095	405
Total Improv. of Inst. Serv.	176,668	5,985	182,653	167,411	15,242

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Original Budget	Adjustments	Final Budget	Actual	Variance with Final Budget
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
Undistributed Expenditures (Continued)					
Educational Media Services/School Library					
Salaries	\$ 169,196	-	\$ 169,196	\$ 131,510	\$ 37,686
Salaries of Technology Coordinators	100,750	\$ (1,000)	99,750	99,750	-
Purchased Professional and Technical Services	166,624	(32,000)	134,624	134,623	1
Other Purchased Services	1,825	(75)	1,750	105	1,645
Supplies and Materials	31,419	1,375	32,794	29,894	2,900
Other Objects	4,395	-	4,395	3,459	936
Total Educational Media Serv./School Library	474,209	(31,700)	442,509	399,341	43,168
Instructional Staff Training Services					
Purchased Professional-Educational Services	37,633	-	37,633	27,623	10,010
Other Purchased Services	12,100	963	13,063	7,316	5,747
Other Objects	-	840	840	840	-
Total Instructional Staff Training Services	49,733	1,803	51,536	35,779	15,757
Support Services General Administration					
Salaries	237,246	9,242	246,488	246,313	175
Legal Services	30,000	(2,926)	27,074	20,855	6,219
Audit Fees	33,500	35,000	68,500	33,632	34,868
Architectural/Engineering Services	-	6,400	6,400	6,400	-
Other Purchased Professional Services	10,150	1,022	11,172	8,792	2,380
Purchased Technical Services	8,770	14,279	23,049	21,354	1,695
Communications/Telephone	16,700	3,845	20,545	20,545	-
BOE Other Purchased Services	1,900	(332)	1,568	1,568	-
Miscellaneous Purchased Services	34,807	(14,321)	20,486	20,478	8
General Supplies	2,744	142	2,886	2,886	-
Miscellaneous Expenditures	7,255	2,931	10,186	9,486	700
BOE Membership Dues and Fees	9,800	(513)	9,287	9,287	-
Total Support Services General Administration	392,872	54,769	447,641	401,596	46,045
Support Services School Administration					
Salaries of Principal/Asst. Principals	501,887	13,076	514,963	514,962	1
Salaries Other Prof. Staff	109,929	-	109,929	109,770	159
Salaries of Secretarial and Clerical Assistants	322,775	(5,007)	317,768	315,768	2,000
Other Purchased Services	7,650	790	8,440	1,342	7,098
Supplies and Materials	13,210	(2,484)	10,726	6,462	4,264
Other Objects	6,495	40,000	46,495	6,010	40,485
Total Support Services School Administration	961,946	46,375	1,008,321	954,314	54,007
Central Services					
Salaries	292,066	1	292,067	292,064	3
Purchased Technical Services	15,484	938	16,422	16,300	122
Miscellaneous Purchased Services	5,095	264	5,359	4,824	535
Supplies and Materials	5,518	(65)	5,453	2,258	3,195
Miscellaneous Expenditures	2,075	-	2,075	1,725	350
Total Central Services	320,238	1,138	321,376	317,171	4,205
Admin. Info. Tech.					
Purchased Technical Services	-	32,000	32,000	32,000	-
Supplies and Materials	3,500	(1,137)	2,363	56	2,307
Total Admin. Info. Tech.	3,500	30,863	34,363	32,056	2,307
Required Maintenance for School Facilities					
Salaries	307,888	(22,358)	285,530	276,230	9,300
Cleaning, Repair and Maintenance	238,564	6,388	244,952	210,911	34,041
General Supplies	32,400	34,516	66,916	66,916	-
Other Objects	28,495	(22,167)	6,328	2,530	3,798
Total Required Maintenance for School Fac.	607,347	(3,621)	603,726	556,587	47,139

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Original Budget	Adjustments	Final Budget	Actual	Variance with Final Budget
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
Undistributed Expenditures (Continued)					
Custodial Services					
Salaries	\$ 541,312	\$ (8,000)	\$ 533,312	\$ 510,923	\$ 22,389
Salaries for Non-Instructional Aides	121,993	-	121,993	109,581	12,412
Purchased Prof. And Technical Serv.	4,000	380	4,380	3,087	1,293
Cleaning, Repair and Maint. Serv.	26,970	(380)	26,590	21,473	5,117
Lease Purchase Payments-Energy Savings Impr Prog	95,506	-	95,506	95,505	1
Insurance	90,317	14,893	105,210	102,049	3,161
General Supplies	41,500	(1,750)	39,750	33,648	6,102
Energy (Natural Gas)	130,000	(35,651)	94,349	94,349	-
Energy (Electricity)	140,000	(16,395)	123,605	123,605	-
Energy (Gasoline)	4,000	-	4,000	2,465	1,535
Other Objects	1,350	568	1,918	1,918	-
<b>Total Custodial Services</b>	<b>1,196,948</b>	<b>(46,335)</b>	<b>1,150,613</b>	<b>1,098,603</b>	<b>52,010</b>
Care and Upkeep of Grounds					
Clean, Repair and Maintenance Serv.	13,000	1,471	14,471	13,338	1,133
General Supplies	2,500	829	3,329	1,129	2,200
<b>Total Care and Upkeep of Grounds</b>	<b>15,500</b>	<b>2,300</b>	<b>17,800</b>	<b>14,467</b>	<b>3,333</b>
Security					
Salaries	13,892	18	13,910	13,910	-
Purchased Professional and Technical Service	80,600	1,842	82,442	74,775	7,667
<b>Total Security</b>	<b>94,492</b>	<b>1,860</b>	<b>96,352</b>	<b>88,685</b>	<b>7,667</b>
Student Transportation Services					
Salaries - Pupil Transportation (Between Home & School) - Regular	192,081	(20,417)	171,664	135,732	35,932
Contracted Services - Aid in Lieu of Payments - Non-Public Schools	50,000	-	50,000	31,333	18,667
Contracted Services (Other than Bet Home and School - Vendors)	43,400	-	43,400	21,850	21,550
Contracted Services- (Between Home and School - Joint Agreements)	692,690	47,810	740,500	740,500	-
Contracted Service (Spl. Ed.) - Joint Agreements	248,175	(36,636)	211,539	200,357	11,182
Contracted Service (Spl. Ed.) - ESCs & CTSA's	89,896	-	89,896	76,763	13,133
Supplies and Materials	710	-	710	203	507
Other Objects	100	-	100	-	100
<b>Total Student Transportation Services</b>	<b>1,317,052</b>	<b>(9,243)</b>	<b>1,307,809</b>	<b>1,206,738</b>	<b>101,071</b>
Unallocated Benefits - Employee Benefits					
Social Security Contributions	278,500	-	278,500	251,356	27,144
Other Retirement Contributions - PERS	226,000	(13,238)	212,762	207,462	5,300
Other Employee Retirement Contributions	27,000	4,056	31,056	31,056	-
Workmen's Compensation	130,000	(3,979)	126,021	124,303	1,718
Health Benefits	3,165,298	7,500	3,172,798	2,796,576	376,222
Tuition Reimbursement	63,850	-	63,850	44,093	19,757
Other Employee Benefits	198,600	(3,637)	194,963	175,536	19,427
Unused Sick Payment to Terminated/Retired Staff	55,000	860	55,860	55,860	-
<b>Total Unallocated Benefits - Employee Benefits</b>	<b>4,144,248</b>	<b>(8,438)</b>	<b>4,135,810</b>	<b>3,686,242</b>	<b>449,568</b>



**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Original Budget	Adjustments	Final Budget	Actual	Variance with Final Budget
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
On-behalf TPAF Pension Payments (Non-Budget)				\$ 1,743,644	\$ (1,743,644)
On-behalf TPAF Pension Payments - NCGI Premium (Non-Budget)				31,253	(31,253)
On-behalf TPAF Pension Payments - Post Retirement Medical (Non-Budget)				658,454	(658,454)
On-behalf TPAF Pension Payments - LT Disability (Non-Budget)				1,854	(1,854)
On-behalf TPAF Social Security Payments (Non-Budget)	-	-	-	641,393	(641,393)
Total Undistributed Expenditures	\$ 12,179,559	\$ (4,533)	\$ 12,175,026	14,261,273	(2,086,247)
Total Expenditures - Current Expenditures	21,117,259	168,385	21,285,644	23,132,906	(1,847,262)
<b>CAPITAL OUTLAY</b>					
Equipment					
Undistributed Expenditures:					
Instruction	31,500	2,600	34,100	13,829	20,271
Required Maintenance for School Facilities	3,000	1,550	4,550	4,550	-
Custodial Services	-	55,571	55,571	26,887	28,684
Total Equipment	34,500	59,721	94,221	45,266	48,955
Facilities Acquisition and Construction Services					
Architectural/Engineering Services		42,550	42,550	34,350	8,200
Other Purchased Services		2,000	2,000	913	1,087
Construction Services	802,210	14,775	816,985	679,543	137,442
Assessment for Debt Service on SDA Funding	39,454	-	39,454	39,454	-
Total Facilities Acquisition and Construction Services	841,664	59,325	900,989	754,260	146,729
Interest Deposit to Capital Reserve	100	-	100	-	100
Total Capital Outlay	876,264	119,046	995,310	799,526	195,784
Total Expenditures	21,993,523	287,431	22,280,954	23,932,432	(1,651,478)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(1,057,643)	(162,789)	(1,220,432)	343,460	1,563,892
Other Financing Sources/(Uses)					
Lease Purchase Agreements		51,285	51,285	51,541	256
Transfer In- After School Child Care Enterprise Fund		1,190	1,190	1,190	-
Transfer Out - Food Service Deficit	(7,000)	-	(7,000)	(3,500)	3,500
Total Other Financing Sources/(Uses)	(7,000)	52,475	45,475	49,231	3,756
Excess (Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Sources	(1,064,643)	(110,314)	(1,174,957)	392,691	1,567,648
Fund Balance, Beginning of Year	3,610,304	-	3,610,304	3,610,304	-
Fund Balance, End of Year	\$ 2,545,661	\$ (110,314)	\$ 2,435,347	\$ 4,002,995	\$ 1,567,648

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Recapitulation of Fund Balance</b>					
<b>Restricted Fund Balance:</b>					
Excess Surplus				\$ 294,132	
Excess Surplus - Designated for Subsequent Year's Expenditures				140,533	
Maintenance Reserve				300,000	
Maintenance Reserve- Designated for Subsequent Year's Expenditures				332,151	
Capital Reserve				2,051,757	
Capital Reserve- Designated for Subsequent Year's Expenditures				248,500	
<b>Assigned Fund Balance:</b>					
Year-End Encumbrances				105,113	
<b>Unassigned Fund Balance:</b>					
				<u>530,809</u>	
Budgetary Fund Balance				<u>4,002,995</u>	
<b>Reconciliation to Governmental Fund Statements (GAAP)</b>					
2019/2020 State Aid Payment Not Recognized on a GAAP Basis				78,509	
2019/2020 Extraordinary Aid Not Recognized on GAAP Basis				<u>233,349</u>	
Fund Balance per Governmental Funds (GAAP Basis)				<u>\$ 3,691,137</u>	

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
BUDGET (NON-GAAP) AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>					
Intergovernmental					
Local	\$ 10,000	\$ 56,559	\$ 66,559	\$ 57,971	\$ 8,588
Federal	306,941	194,737	501,678	370,704	130,974
Total Revenues	<u>316,941</u>	<u>251,296</u>	<u>568,237</u>	<u>428,675</u>	<u>139,562</u>
<b>EXPENDITURES</b>					
Instruction					
Other Salaries		64,552	64,552	59,506	5,046
Tuition	179,143	64,303	243,446	243,446	-
General Supplies	10,000	68,698	78,698	7,122	71,576
Total Instruction	<u>189,143</u>	<u>197,553</u>	<u>386,696</u>	<u>310,074</u>	<u>76,622</u>
Support Services					
Purchased Professional/Educational Services	11,150	30,798	41,948	25,633	16,315
Purchased Professional and Technical Services	61,775	(5,320)	56,455	54,000	2,455
Other Purchased Services	14,604	(14,604)			-
Benefits		4,017	4,017	4,017	-
Supplies and Materials	8,000	38,852	46,852	2,682	44,170
Total Support Services	<u>95,529</u>	<u>53,743</u>	<u>149,272</u>	<u>86,332</u>	<u>62,940</u>
Facilities Acquisition and Construction Services					
Non-Instructional Equipment	32,269	-	32,269	32,269	-
Total Facilities Acquisition and Construction	<u>32,269</u>	<u>-</u>	<u>32,269</u>	<u>32,269</u>	<u>-</u>
Total Expenditures	<u>316,941</u>	<u>251,296</u>	<u>568,237</u>	<u>428,675</u>	<u>139,562</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART II**

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL  
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

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

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

	<u>General Fund</u>		<u>Special Revenue Fund</u>
<b>Sources/inflows of resources</b>			
Actual amounts (budgetary basis) "revenue"			
from the budgetary comparison schedule	(C-1) \$ 24,275,892	(C-2) \$	428,675
Difference - Budget to GAAP:			
State Aid payment and Extraordinary Aid recognized for GAAP purposes, not recognized for Budgetary statements (2018/2019 State Aid)	333,366		
State Aid payment and Extraordinary Aid recognized for Budgetary purposes, not recognized for GAAP statements (2019/2020 State Aid)	<u>(311,858)</u>		<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	(B-2) \$ <u>24,297,400</u>	(B-2) \$	<u>428,675</u>
<b>Uses/outflows of resources</b>			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	(C-1) \$ <u>23,932,432</u>	(C-2) \$	<u>428,675</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	(B-2) \$ <u>23,932,432</u>	(B-2) \$	<u>428,675</u>

**SCHOOL LEVEL SCHEDULES**

**(General Fund)**

**NOT APPLICABLE**

**REQUIRED SUPPLEMENTARY INFORMATION - PART III**

**PENSION AND POST EMPLOYMENT BENEFITS INFORMATION**

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

**Public Employees Retirement System**

**Last Seven Fiscal Years\***

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0.02127 %	0.02085 %	0.02127 %	0.02406 %	0.02291 %	0.02336 %	0.02287 %
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 3,832,171	\$ 4,105,773	\$ 4,952,627	\$ 7,124,695	\$ 5,141,255	\$ 4,374,279	\$ 4,370,892
District's Covered-Employee Payroll	\$ 1,466,724	\$ 1,510,695	\$ 1,425,126	\$ 1,495,957	\$ 1,620,572	\$ 1,600,512	\$ 1,640,479
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	261.27 %	271.78 %	347.52 %	476.26 %	317.25 %	273.30 %	266.44 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.27%	53.60%	48.11%	40.14%	47.93%	52.08%	48.72%

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

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



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

**Public Employees Retirement System**

**Last Seven Fiscal Years**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 206,876	\$ 207,416	\$ 197,879	\$ 213,710	\$ 196,604	\$ 192,605	\$ 173,968
Contributions in Relation to the Contractually Required Contribution	<u>206,876</u>	<u>210,097</u>	<u>197,879</u>	<u>213,710</u>	<u>196,604</u>	<u>192,605</u>	<u>173,968</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 1,453,022	\$ 1,466,724	\$ 1,510,695	\$ 1,425,126	\$ 1,495,957	\$ 1,620,572	\$ 1,600,512
Contributions as a Percentage of Covered-Employee Payroll	14.238 %	14.141 %	13.100 %	14.996 %	13.142 %	11.885 %	10.870 %

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

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

**Teachers Pension and Annuity Fund**

**Last Seven Fiscal Years\***

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	%	0 %	0 %	0 %	0 %	0 %	0 %
District's Proportionate Share of the Net Pension Liability (Asset)	%	0 %	0 %	0 %	0 %	0 %	0 %
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	<u>\$ 49,328,934</u>	<u>\$ 50,897,573</u>	<u>\$ 55,908,567</u>	<u>\$ 63,752,247</u>	<u>\$ 51,752,796</u>	<u>\$ 45,634,900</u>	<u>\$ 41,792,527</u>
Total	<u>\$ 49,328,934</u>	<u>\$ 50,897,573</u>	<u>\$ 55,908,567</u>	<u>\$ 63,752,247</u>	<u>\$ 51,752,796</u>	<u>\$ 45,634,900</u>	<u>\$ 41,792,527</u>
District's Covered-Employee Payroll	\$ 8,670,880	\$ 8,345,460	\$ 8,644,850	\$ 8,059,613	\$ 8,210,419	\$ 7,961,442	\$ 8,013,750
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	0 %	0 %	0 %	0 %	0 %	0 %	0 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	26.95%	26.49%	36.44%	22.33%	28.71%	33.76%	33.76%

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

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY  
AND SCHEDULE OF DISTRICT CONTRIBUTIONS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Change of Benefit Terms:** None.

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

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

**POSTEMPLOYMENT HEALTH BENEFIT PLAN**

Last Three Fiscal Years\*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>			
Service Cost	\$ 1,318,417	\$ (773,501)	\$ 1,745,921
Interest on Total OPEB Liability	1,486,521	1,293,980	1,400,353
Changes of Benefit Terms			
Differences Between Expected and Actual Experience	(6,620,657)		
Changes of Assumptions	496,105	(4,965,366)	(5,817,524)
Gross Benefit Payments	(1,021,385)	(2,081,918)	(984,877)
Contribution from the Member	<u>30,277</u>	<u>76,661</u>	<u>36,266</u>
<b>Net Change in Total OPEB Liability</b>	(4,310,722)	(6,450,144)	(3,619,861)
<b>Total OPEB Liability - Beginning</b>	<u>37,583,821</u>	<u>44,033,965</u>	<u>47,653,826</u>
<b>Total OPEB Liability - Ending</b>	<u>\$ 33,273,099</u>	<u>\$ 37,583,821</u>	<u>\$ 44,033,965</u>
District's Proportionate Share of OPEB Liability	\$0	\$0	\$0
State's Proportionate Share of OPEB Liability	<u>33,273,099</u>	<u>37,583,821</u>	<u>44,033,965</u>
Total OPEB Liability - Ending	<u>\$ 33,273,099</u>	<u>\$ 37,583,821</u>	<u>\$ 44,033,965</u>
District's- Covered-Employee Payroll	<u>\$ 10,137,604</u>	<u>\$ 9,856,155</u>	<u>\$ 10,069,976</u>
District's Proportionate Share of the Total OPEB Liability as a Percentage of its Covered-Employee Payroll	0%	0%	0%

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

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

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE DISTRICT'S PROPORTIONATE SHARE OF THE OPEB LIABILITY  
AND SCHEDULE OF DISTRICT PROPORTIONATE SHARE OF THE OPEB LIABILITY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Changes in Benefit Terms:**

None.

**Changes of Assumptions**

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

**SPECIAL REVENUE FUND**

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	ESSA					I.D.E.A		Local	Grand Total
	Title I	Title I Carrvoer	Title IIA	Title IIA Carrvoer	Title IV Carrvoer	Part B Basic	I.D.E.A Preschool		
<b>REVENUES</b>									
Intergovernmental									
Local								\$ 57,971	\$ 57,971
Federal	\$ 97,860	\$ 17,633	\$ 4,598	\$ 8,830	\$ 6,610	\$ 221,196	\$ 13,977	-	370,704
Total Revenues	<u>\$ 97,860</u>	<u>\$ 17,633</u>	<u>\$ 4,598</u>	<u>\$ 8,830</u>	<u>\$ 6,610</u>	<u>\$ 221,196</u>	<u>\$ 13,977</u>	<u>\$ 57,971</u>	<u>\$ 428,675</u>
<b>EXPENDITURES</b>									
Instruction									
Other Salaries	\$ 36,714	\$ 16,792			\$ 6,000				\$ 59,506
Tuition						\$ 221,196		\$ 22,250	243,446
Supplies and Materials	3,520	-	-	-	150	-	-	3,452	7,122
Total Instruction	<u>40,234</u>	<u>16,792</u>	<u>-</u>	<u>-</u>	<u>6,150</u>	<u>221,196</u>	<u>-</u>	<u>25,702</u>	<u>310,074</u>
Support Services									
Purchased Professional Educational Services	450		\$ 1,916	\$ 8,830	460		\$ 13,977		25,633
Purchased Professional and Technical Services	54,000								54,000
Benefits	3,176	841							4,017
Supplies and Materials	-	-	2,682	-	-	-	-	-	2,682
Total Support Services	<u>57,626</u>	<u>841</u>	<u>4,598</u>	<u>8,830</u>	<u>460</u>	<u>-</u>	<u>13,977</u>	<u>-</u>	<u>86,332</u>
Facilities Acquisition and Construction									
Non-Instructional Equipment	-	-	-	-	-	-	-	32,269	32,269
Total Facilities Acquisition and Construction	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,269</u>	<u>32,269</u>
Total Expenditures	<u>\$ 97,860</u>	<u>\$ 17,633</u>	<u>\$ 4,598</u>	<u>\$ 8,830</u>	<u>\$ 6,610</u>	<u>\$ 221,196</u>	<u>\$ 13,977</u>	<u>\$ 57,971</u>	<u>\$ 428,675</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
SCHEDULE OF PRESCHOOL EDUCATION AID EXPENDITURES  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOT APPLICABLE**



**CAPITAL PROJECTS FUND**

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF PROJECT EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOT APPLICABLE**

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOT APPLICABLE**

**ENTERPRISE FUND**

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
PROPRIETARY FUNDS  
COMBINING STATEMENTS OF NET POSITION  
AS OF JUNE 30, 2020**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

**COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES  
IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

**COMBINING STATEMENTS OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

**FIDUCIARY FUNDS**

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF ASSETS AND LIABILITIES  
AS OF JUNE 30, 2020**

	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency Funds</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 14,157	\$ 33,793	\$ 47,950
Total Assets	<u>\$ 14,157</u>	<u>\$ 33,793</u>	<u>\$ 47,950</u>
<b>LIABILITIES</b>			
Due to Student Groups	\$ 14,157		\$ 14,157
Accrued Salaries and Wages		\$ 3,271	3,271
Flexible Spending		5,122	5,122
Payroll Deductions and Withholdings	<u>-</u>	<u>25,400</u>	<u>25,400</u>
Total Liabilities	<u>\$ 14,157</u>	<u>\$ 33,793</u>	<u>\$ 47,950</u>

**FIDUCIARY FUNDS  
COMBINING STATEMENT OF CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

**EAST HANOER TOWNSHIP BOARD OF EDUCATION  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Balance, July 1, 2019</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2020</u>
<u>Elementary Schools:</u>				
Frank J. Smith	\$ 7,725	\$ 1,165	\$ 2,420	\$ 6,470
Central School	3,169	15,637	13,162	5,644
Middle School/Athletics	980	100,466	99,403	2,043
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total All Schools	<u>\$ 11,874</u>	<u>\$ 117,268</u>	<u>\$ 114,985</u>	<u>\$ 14,157</u>

**PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Balance, July 1, 2019</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2020</u>
Payroll Deductions and Withholdings	\$ 14,185	\$ 6,059,090	\$ 6,047,875	\$ 25,400
Accrued Salaries and Wages	2,909	8,019,458	8,019,096	3,271
Flexible Spending	3,948	15,380	14,206	5,122
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total	<u>\$ 21,042</u>	<u>\$ 14,093,928</u>	<u>\$ 14,081,177</u>	<u>\$ 33,793</u>



## **LONG-TERM DEBT**

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
LONG-TERM DEBT  
SCHEDULE OF SERIAL BONDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance, July 1, 2019</u>	<u>Matured</u>	<u>Balance, June 30, 2020</u>
			<u>Date</u>	<u>Amount</u>				
Refunding Bonds	1/15/2012	\$ 6,355,000	1/15/2021	\$ 575,000	3.00%			
			1/15/2022	565,000	3.00%			
			1/15/2023	555,000	3.00%	\$ 2,265,000	\$ 570,000	\$ 1,695,000
						<u>\$ 2,265,000</u>	<u>\$ 570,000</u>	<u>\$ 1,695,000</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
LONG-TERM DEBT  
STATEMENT OF OBLIGATIONS UNDER CAPITAL LEASES/LEASE PURCHASE AGREEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

<u>Purpose</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Balance, June 30, 2019</u>	<u>Issued</u>	<u>Matured</u>	<u>Balance, June 30, 2020</u>
<b><u>Capital Leases</u></b>						
Energy Savings Incentive Program	\$ 1,696,601	2.653%	\$ 1,337,504	-	\$ 60,417	\$ 1,277,087
<b><u>Lease Purchase Agreements</u></b>						
Chrome Books	56,831	2.00%	14,327		14,327	-
Chrome Books	43,343	2.10%	21,606		10,798	10,808
Chrome Books	137,970	3.21%	103,553		33,645	69,908
Chrome Books	51,541	2.04%	-	\$ 51,541	-	51,541
Total Lease Purchase Agreements			139,486	51,541	58,770	132,257
			\$ 1,476,990	\$ 51,541	\$ 119,187	\$ 1,409,344

EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>					
Local Sources					
Local Property Tax Levy	\$ 635,813	-	\$ 635,813	\$ 635,813	-
Total Revenues	<u>635,813</u>	<u>-</u>	<u>635,813</u>	<u>635,813</u>	<u>-</u>
<b>EXPENDITURES</b>					
Regular Debt Service					
Interest	65,813	-	65,813	65,813	-
Principal	<u>570,000</u>	<u>-</u>	<u>570,000</u>	<u>570,000</u>	<u>-</u>
Total Expenditures	<u>635,813</u>	<u>-</u>	<u>635,813</u>	<u>635,813</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## STATISTICAL SECTION

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

### Contents

### Exhibits

#### **Financial Trends**

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

J-1 to J-5

#### **Revenue Capacity**

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

J-6 to J-9

#### **Debt Capacity**

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

J-10 to J-13

#### **Demographic and Economic Information**

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

J-14 and J-15

#### **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs. J-16 to J-20

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

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

		Fiscal Year Ended June 30,									
		2011	2012	2013	2014 (1)	2015	2016	2017	2018	2019	2020
<b>Governmental Activities</b>											
	Net Investment in Capital Assets	\$ 8,428,587	\$ 9,018,662	\$ 9,123,389	\$ 7,191,639	\$ 7,241,344	\$ 7,493,042	\$ 8,696,052	\$ 8,785,656	\$ 9,151,459	\$ 9,683,384
	Restricted	314,012	1,021,031	1,478,155	1,385,630	1,891,884	3,582,166	2,193,979	2,682,130	2,570,523	2,932,408
	Unrestricted	<u>734,700</u>	<u>698,939</u>	<u>812,138</u>	<u>(3,328,191)</u>	<u>(4,122,738)</u>	<u>(5,958,124)</u>	<u>(4,812,999)</u>	<u>(4,913,124)</u>	<u>(4,918,609)</u>	<u>(4,794,003)</u>
	<b>Total Governmental Activities Net Position</b>	<u>\$ 9,477,299</u>	<u>\$ 10,738,632</u>	<u>\$ 11,413,682</u>	<u>\$ 5,249,078</u>	<u>\$ 5,010,490</u>	<u>\$ 5,117,084</u>	<u>\$ 6,077,032</u>	<u>\$ 6,554,662</u>	<u>\$ 6,803,373</u>	<u>\$ 7,821,789</u>
<b>Business-Type Activities</b>											
96	Net Investment in Capital Assets	\$ 8,093	\$ 8,607	\$ 16,556	\$ 11,717	\$ 11,062	\$ 10,429	\$ 8,064	\$ 5,805	\$ 5,538	\$ 4,121
	Unrestricted	<u>235,877</u>	<u>446,252</u>	<u>642,973</u>	<u>252,571</u>	<u>288,652</u>	<u>269,349</u>	<u>185,102</u>	<u>296,409</u>	<u>336,779</u>	<u>285,010</u>
	<b>Total Business-Type Activities Net Position</b>	<u>\$ 243,970</u>	<u>\$ 454,859</u>	<u>\$ 659,529</u>	<u>\$ 264,288</u>	<u>\$ 299,714</u>	<u>\$ 279,778</u>	<u>\$ 193,166</u>	<u>\$ 302,214</u>	<u>\$ 342,317</u>	<u>\$ 289,131</u>
<b>District-Wide</b>											
	Net Investment in Capital Assets	8,436,680	9,027,269	9,139,945	7,203,356	7,252,406	7,503,471	8,704,116	8,791,461	9,156,997	9,687,505
	Restricted	314,012	1,021,031	1,478,155	1,385,630	1,891,884	3,582,166	2,193,979	2,682,130	2,570,523	2,932,408
	Unrestricted	<u>970,577</u>	<u>1,145,191</u>	<u>1,455,111</u>	<u>(3,075,620)</u>	<u>(3,834,086)</u>	<u>(5,688,775)</u>	<u>(4,627,897)</u>	<u>(4,616,715)</u>	<u>(4,581,830)</u>	<u>(4,508,993)</u>
	<b>Total District Net Position</b>	<u>\$ 9,721,269</u>	<u>\$ 11,193,491</u>	<u>\$ 12,073,211</u>	<u>\$ 5,513,366</u>	<u>\$ 5,310,204</u>	<u>\$ 5,396,862</u>	<u>\$ 6,270,198</u>	<u>\$ 6,856,876</u>	<u>\$ 7,145,690</u>	<u>\$ 8,110,920</u>

Source: District's Financial Records

Note 1 - Net Position at June 30, 2014 has been restated to reflect the implementation of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" and for corrections of the capital assets.

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

	Fiscal Year Ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Expenses</b>										
<b>Governmental Activities</b>										
<b>Instruction</b>										
Regular	\$ 7,273,332	\$ 7,300,500	\$ 7,627,472	\$ 7,433,337	\$ 8,936,445	\$ 8,707,360	\$ 9,904,703	\$ 10,699,992	\$ 9,593,360	\$ 9,577,100
Special Education	3,971,192	3,994,843	4,166,051	3,695,472	4,235,965	3,895,131	4,324,798	4,405,633	4,183,035	4,184,729
Other Instruction	689,777	659,204	521,872	727,235	869,224	983,484	1,258,396	1,322,777	1,578,091	1,405,316
School Sponsored Activities and Athletics	165,258	143,543	220,893	162,914	334,569	332,910	240,345	264,852	246,975	226,335
<b>Support Services:</b>										
Student & Instruction Related Services	1,988,873	2,065,190	2,281,958	2,617,070	3,259,064	4,141,148	4,349,703	4,023,086	3,778,594	3,921,968
General Administration	459,408	450,156	568,071	483,623	614,681	649,908	689,535	671,562	638,959	584,467
School Administrative Services	1,111,225	1,240,938	1,319,443	1,337,113	1,644,589	1,691,757	1,855,209	2,019,721	1,794,844	1,656,709
Plant Operations And Maintenance	1,529,296	1,600,416	1,465,983	1,744,199	1,696,158	1,726,163	1,812,516	2,069,552	2,778,847	1,988,414
Pupil Transportation	1,039,319	1,031,678	1,127,879	1,070,623	1,139,088	1,156,246	1,182,336	1,383,351	1,339,441	1,255,265
Central Services	438,247	394,801	354,931	348,388	422,750	402,680	413,915	464,749	451,630	453,648
Interest and Other Charges	198,129	224,477	195,977	181,256	171,960	167,715	191,884	174,347	157,734	139,173
<b>Total Governmental Activities Expenses</b>	<b>18,864,056</b>	<b>19,105,746</b>	<b>19,850,530</b>	<b>19,801,230</b>	<b>23,324,493</b>	<b>23,854,502</b>	<b>26,223,340</b>	<b>27,499,622</b>	<b>26,541,510</b>	<b>25,393,124</b>
<b>Business-Type Activities:</b>										
Food Service	11,556	21,371	14,436	17,690	17,816	15,863	19,335	19,113	18,140	10,275
Summer Program	260,035	338,674	429,154	489,527	609,313	751,655	775,617	725,720	659,660	560,527
<b>Total Business-Type Activities Expense</b>	<b>271,591</b>	<b>360,045</b>	<b>443,590</b>	<b>507,217</b>	<b>627,129</b>	<b>767,518</b>	<b>794,952</b>	<b>744,833</b>	<b>677,800</b>	<b>570,802</b>
<b>Total District Expenses</b>	<b>\$ 19,135,647</b>	<b>\$ 19,465,791</b>	<b>\$ 20,294,120</b>	<b>\$ 20,308,447</b>	<b>\$ 23,951,622</b>	<b>\$ 24,622,020</b>	<b>\$ 27,018,292</b>	<b>\$ 28,244,455</b>	<b>\$ 27,219,310</b>	<b>\$ 25,963,926</b>
<b>Program Revenues</b>										
<b>Governmental Activities:</b>										
Charges For Services	\$ 41,573	\$ 60,449	\$ 55,710	\$ 104,344	\$ 85,255	\$ 57,350	\$ 71,800	\$ 80,838	\$ 58,900	\$ 68,434
Operating Grants And Contributions	2,306,293	2,743,373	3,101,787	2,869,549	5,076,324	5,784,143	7,492,737	8,280,886	6,563,686	5,656,817
Capital Grants And Contributions	153,710	27,269	13,020	4,284	82,600	4,195	693,423	12,155	-	-
<b>Total Governmental Activities Program Revenues</b>	<b>2,501,576</b>	<b>2,831,091</b>	<b>3,170,517</b>	<b>2,978,177</b>	<b>5,244,179</b>	<b>5,845,688</b>	<b>8,257,960</b>	<b>8,373,879</b>	<b>6,622,586</b>	<b>5,725,251</b>
<b>Business-Type Activities:</b>										
Charges For Services										
Food Service	\$ 15,160	\$ 13,817	\$ 12,911	\$ 11,321	\$ 10,610	\$ 10,427	\$ 10,958	\$ 10,020	\$ 9,978	\$ 6,928
After School Child Care Program	469,593	557,055	622,549	577,605	706,399	737,155	694,382	837,861	700,226	508,378
Operating Grants And Contributions	2,976	-	-	-	-	-	-	-	-	-
<b>Total Business Type Activities Program Revenues</b>	<b>487,729</b>	<b>570,872</b>	<b>635,460</b>	<b>588,926</b>	<b>717,009</b>	<b>747,582</b>	<b>705,340</b>	<b>847,881</b>	<b>710,204</b>	<b>515,306</b>
<b>Total District Program Revenues</b>	<b>\$ 2,989,305</b>	<b>\$ 3,401,963</b>	<b>\$ 3,805,977</b>	<b>\$ 3,567,103</b>	<b>\$ 5,961,188</b>	<b>\$ 6,593,270</b>	<b>\$ 8,963,300</b>	<b>\$ 9,221,760</b>	<b>\$ 7,332,790</b>	<b>\$ 6,240,557</b>

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

	Fiscal Year Ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Net (Expense)/Revenue</b>										
Governmental Activities	\$ (16,362,480)	\$ (16,274,655)	\$ (16,680,013)	\$ (16,823,053)	\$ (18,080,314)	\$ (18,008,814)	\$ (17,965,380)	\$ (19,125,743)	\$ (19,918,924)	\$ (19,667,873)
Business-Type Activities	216,138	210,827	191,870	81,709	89,880	(19,936)	(89,612)	103,048	32,404	(55,496)
<b>Total District-Wide Net Expense</b>	<b>\$ (16,146,342)</b>	<b>\$ (16,063,828)</b>	<b>\$ (16,488,143)</b>	<b>\$ (16,741,344)</b>	<b>\$ (17,990,434)</b>	<b>\$ (18,028,750)</b>	<b>\$ (18,054,992)</b>	<b>\$ (19,022,695)</b>	<b>\$ (19,886,520)</b>	<b>\$ (19,723,369)</b>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities:										
Property Taxes Levied For General Purposes, Net	\$ 17,013,656	\$ 16,670,904	\$ 16,523,260	\$ 16,762,710	\$ 17,089,582	\$ 17,422,828	\$ 18,214,980	\$ 18,779,280	\$ 19,470,149	\$ 20,014,879
Taxes Levied For Debt Service	865,413	796,570	856,272	516,463	516,191	616,762	621,662	631,262	639,112	635,813
Unrestricted Grants And Contributions				368	17,854	19,108	27,322	27,841	1,947	
Miscellaneous Income	30,009	68,514	55,707	118,077	237,690	56,710	65,762	170,990	84,974	37,907
Loss on Disposal of Capital Assets				(3,540)	-	-	(1,398)		(20,848)	
Transfers	-	-	-	476,950	54,454	-	(3,000)	(6,000)	(7,699)	(2,310)
<b>Total Governmental Activities</b>	<b>17,909,078</b>	<b>17,535,988</b>	<b>17,435,239</b>	<b>17,871,028</b>	<b>17,915,771</b>	<b>18,115,408</b>	<b>18,925,328</b>	<b>19,603,373</b>	<b>20,167,635</b>	<b>20,686,289</b>
Business-Type Activities:										
Miscellaneous Income	195	62	12	-	-	-	-	-	-	-
Transfers	-	-	-	(476,950)	(54,454)	-	3,000	6,000	7,699	2,310
<b>Total Business-Type Activities</b>	<b>195</b>	<b>62</b>	<b>12</b>	<b>(476,950)</b>	<b>(54,454)</b>	<b>-</b>	<b>3,000</b>	<b>6,000</b>	<b>7,699</b>	<b>2,310</b>
<b>Total District-Wide</b>	<b>\$ 17,909,273</b>	<b>\$ 17,536,050</b>	<b>\$ 17,435,251</b>	<b>\$ 17,394,078</b>	<b>\$ 17,861,317</b>	<b>\$ 18,115,408</b>	<b>\$ 18,928,328</b>	<b>\$ 19,609,373</b>	<b>\$ 20,175,334</b>	<b>\$ 20,688,599</b>
<b>Change in Net Position</b>										
Governmental Activities	\$ 1,546,598	\$ 1,261,333	\$ 755,226	\$ 1,047,975	\$ (164,543)	\$ 106,594	\$ 959,948	\$ 477,630	\$ 248,711	\$ 1,018,416
Business-Type Activities	216,333	210,889	191,882	(395,241)	35,426	(19,936)	(86,612)	109,048	40,103	(53,186)
<b>Total District</b>	<b>\$ 1,762,931</b>	<b>\$ 1,472,222</b>	<b>\$ 947,108</b>	<b>\$ 652,734</b>	<b>\$ (129,117)</b>	<b>\$ 86,658</b>	<b>\$ 873,336</b>	<b>\$ 586,678</b>	<b>\$ 288,814</b>	<b>\$ 965,230</b>

Source: District's Financial Records



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

Fiscal Year Ended June 30,

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Restricted	\$ 780,137	\$ 1,247,812	\$ 1,879,339	\$ 1,850,831	\$ 2,366,212	\$ 2,339,551	\$ 2,484,350	\$ 2,902,082	\$ 2,854,399	\$ 3,367,073
Assigned	201,326	511,038	62,316	638,725	78,522	54,097	182,895	106,998	58,588	105,113
Unassigned	<u>358,870</u>	<u>315,420</u>	<u>301,886</u>	<u>309,642</u>	<u>177,631</u>	<u>315,595</u>	<u>340,463</u>	<u>352,094</u>	<u>363,951</u>	<u>218,951</u>
Total General Fund	<u>\$ 1,340,333</u>	<u>\$ 2,074,270</u>	<u>\$ 2,243,541</u>	<u>\$ 2,799,198</u>	<u>\$ 2,622,365</u>	<u>\$ 2,709,243</u>	<u>\$ 3,007,708</u>	<u>\$ 3,361,174</u>	<u>\$ 3,276,938</u>	<u>\$ 3,691,137</u>
All Other Governmental Funds										
Reserved										
Unreserved										
Restricted	\$ 527,067	\$ 395,582	\$ 205,571	\$ 105,572	\$ 1	\$ 1,449,548	\$ 238,240	\$ 68,753		
Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total All Other Governmental Funds	<u>\$ 527,067</u>	<u>\$ 395,582</u>	<u>\$ 205,571</u>	<u>\$ 105,572</u>	<u>\$ 1</u>	<u>\$ 1,449,548</u>	<u>\$ 238,240</u>	<u>\$ 68,753</u>	<u>\$ -</u>	<u>\$ -</u>

Source: District's Financial Records

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

	Fiscal Year Ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Revenues</b>										
Tax Levy	\$ 17,879,069	\$ 17,467,474	\$ 17,379,532	\$ 17,279,173	\$ 17,605,773	\$ 18,039,590	\$ 18,836,642	\$ 19,410,542	\$ 20,109,261	\$ 20,650,692
Tuition Charges		60,449	55,710	80,660	68,300	57,350	71,800	80,838	58,900	68,434
Miscellaneous	151,414	124,034	102,333	149,275	399,814	81,410	125,562	180,627	119,743	95,878
State Sources	2,067,982	2,346,441	2,773,110	2,581,464	2,728,931	2,955,485	3,218,064	3,523,594	3,997,234	4,176,180
Federal Sources	312,189	344,012	295,071	285,223	289,775	311,940	384,803	361,261	384,371	370,704
<b>Total Revenue</b>	<b>20,410,654</b>	<b>20,342,410</b>	<b>20,605,756</b>	<b>20,375,795</b>	<b>21,092,593</b>	<b>21,445,775</b>	<b>22,636,871</b>	<b>23,556,862</b>	<b>24,669,509</b>	<b>25,361,888</b>
<b>Expenditures</b>										
<b>Instruction</b>										
Regular Instruction	7,221,167	7,176,330	7,521,613	7,280,961	7,557,356	7,270,858	7,642,298	8,304,763	8,324,111	8,748,504
Special Education Instruction	3,950,105	3,941,165	4,119,061	3,630,579	3,610,983	3,285,328	3,430,341	3,533,748	3,703,499	3,839,023
Other Instruction	685,326	648,958	513,508	714,168	715,642	807,384	983,824	1,042,562	1,362,673	1,279,573
School Sponsored Activities and Athletics	164,070	141,143	219,783	159,881	296,814	293,581	179,814	202,943	213,548	206,248
<b>Support Services:</b>										
Student and Inst. Related Services	1,976,767	2,036,949	2,250,534	2,419,480	2,828,558	3,556,406	3,439,956	3,238,844	3,329,225	3,636,335
General Administration	456,881	444,392	563,071	477,441	550,189	574,400	570,290	551,572	572,461	543,918
School Administrative Services	1,102,669	1,218,594	1,299,835	1,309,814	1,361,043	1,392,146	1,407,316	1,536,950	1,542,925	1,501,879
Central Services	437,197	392,091	349,967	341,037	397,838	384,379	385,078	401,887	413,966	435,856
Plant Operations And Maintenance	1,521,005	1,579,941	1,448,662	1,719,300	1,615,423	1,667,048	1,717,250	1,857,241	2,651,294	1,932,940
Pupil Transportation	1,037,967	1,028,368	1,124,733	1,065,476	1,121,141	1,143,650	1,160,734	1,332,420	1,315,997	1,246,997
Employee Benefits										
Capital Outlay	597,022	260,333	302,127	623,034	713,248	701,517	1,769,935	437,545	603,924	792,341
<b>Debt Service</b>										
Principal	620,000	680,000	728,000	485,000	500,000	587,462	728,152	794,656	758,750	689,187
Cost of Issuance	106,225									
Advance Refunding Escrow	124,310									
Interest and Other Charges	248,672	191,494	185,602	170,916	161,216	154,012	188,557	175,095	160,396	144,119
<b>Total Expenditures</b>	<b>20,249,383</b>	<b>19,739,758</b>	<b>20,626,496</b>	<b>20,397,087</b>	<b>21,429,451</b>	<b>21,818,171</b>	<b>23,603,545</b>	<b>23,410,226</b>	<b>24,952,769</b>	<b>24,996,920</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>161,271</b>	<b>602,652</b>	<b>(20,740)</b>	<b>(21,292)</b>	<b>(336,858)</b>	<b>(372,396)</b>	<b>(966,674)</b>	<b>146,636</b>	<b>(283,260)</b>	<b>364,968</b>

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

	Fiscal Year Ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Other Financing Sources (Uses)</b>										
Lease Proceeds						\$ 1,908,821	\$ 56,831	\$ 43,343	\$ 137,970	\$ 51,541
Bond Proceeds	\$ 6,355,000									
Premium on Bond Proceeds	22,412									
Payment to Refunded Bond Escrow Agent	(6,129,000)									
Capital Leases (Non-Budgeted)										
Transfers In	260,722		\$ 48,377	\$ 576,950	\$ 160,024	395,480	1,243,968		68,753	1,190
Transfers Out	(260,722)	-	(48,377)	(100,000)	(105,570)	(395,480)	(1,246,968)	(6,000)	(76,452)	(3,500)
<b>Total Other Financing Sources (Uses)</b>	<u>248,412</u>	<u>-</u>	<u>-</u>	<u>476,950</u>	<u>54,454</u>	<u>1,908,821</u>	<u>53,831</u>	<u>37,343</u>	<u>130,271</u>	<u>49,231</u>
<b>Net Change in Fund Balances</b>	<u>\$ 409,683</u>	<u>\$ 602,652</u>	<u>\$ (20,740)</u>	<u>\$ 455,658</u>	<u>\$ (282,404)</u>	<u>\$ 1,536,425</u>	<u>\$ (912,843)</u>	<u>\$ 183,979</u>	<u>\$ (152,989)</u>	<u>\$ 414,199</u>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	4.42%	4.47%	4.50%	3.32%	3.19%	3.51%	4.20%	4.22%	3.77%	3.44%

Source: District's Financial Records

\* Noncapital expenditures are total expenditures less capital outlay.

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

<u>Fiscal Year Ended June 30,</u>	<u>Interest on Investments</u>	<u>Sale of Assets</u>	<u>Tuition</u>	<u>Prior Year Refunds</u>	<u>Transportation Fees</u>	<u>Cancel Prior Year Accounts Payable</u>	<u>E-Rate</u>	<u>New Jersey Clean Energy</u>	<u>Miscellaneous</u>	<u>Total</u>
2011	\$ 2,333		\$ 41,573						\$ 26,954	\$ 70,860
2012		\$ 2,667	60,449	\$ 64,317					1,530	128,963
2013			55,710	27,792					27,915	111,417
2014			80,660	22,676	\$ 23,684		\$ 8,265		87,136	222,421
2015	3,879		68,300	19,268	16,253	\$ 126,830	4,978		82,735	322,243
2016	1,905		57,350	9,892	15,158		11,289		18,443	114,037
2017	2,294		71,800	9,774	6,668		13,020		33,948	137,504
2018	11,193	1,859	80,838	6,656			9,599	\$ 67,973	75,569	251,828
2019	21,916	11,238	58,900	14,392			9,599		39,067	143,874
2020	17,725	1,000	68,434	817	6,040		9,599	967	1,759	106,341

Source: District's Financial Records

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

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate <sup>a</sup>
2011	\$ 22,432,600	\$ 1,418,273,800			\$ 820,963,397	\$ 200,566,400		\$ 2,462,236,197	\$ 2,037,625	\$ 2,464,273,822	\$ 3,836,789,266	\$ 0.717
2012	21,921,200	1,418,233,400			821,059,097	200,816,300		2,462,029,997	2,045,837	2,464,075,834	3,412,374,787	0.708
2013	20,842,200	1,423,277,600			817,689,997	201,416,300		2,463,226,097	2,045,837	2,465,271,934	3,410,921,059	0.708
2014	20,748,400	1,424,081,700			884,469,197	202,322,900		2,531,622,197	2,045,837	2,533,668,034	3,538,256,041	0.689
2015	21,366,100	1,426,212,000			882,190,797	202,322,900		2,532,091,797	1,974,647	2,534,066,444	3,583,486,834	0.704
2016	20,188,000	1,434,708,400			880,470,597	202,072,900	\$ 320,900	2,537,760,797	1,974,647	2,539,735,444	3,381,426,778	0.726
2017	19,877,800	1,440,661,700			879,706,097	200,693,600	153,100	2,541,092,297	1,974,647	2,543,066,944	3,274,603,476	0.752
2018	20,196,800	1,444,642,100			875,268,277	199,799,700	153,100	2,540,059,977	7,669	2,540,067,646	3,312,113,675	0.778
2019	20,128,100	1,448,660,200			872,269,477	195,927,500	153,100	2,537,138,377	7,669	2,537,146,046	3,364,905,009	0.804
2020	20,798,600	1,452,283,400			867,249,677	192,928,500		2,533,260,177	7,669	2,533,267,846	3,281,161,384	0.830

Source: County Abstract of Ratables

N/A - Information is not available.

<sup>a</sup> Tax rates are per \$100

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

Assessment Year	Hanover Park Regional District	East Hanover School District	East Hanover Township	Morris County	<u>Total</u>
2011	\$ 0.372	\$ 0.717	\$ 0.463	\$ 0.576	\$ 2.129
2012	0.428	0.708	0.569	0.370	2.075
2013	0.431	0.708	0.595	0.352	2.086
2014	0.448	0.689	0.609	0.348	2.094
2015	0.472	0.704	0.608	0.356	2.140
2016	0.471	0.726	0.631	0.343	2.171
2017	0.464	0.752	0.647	0.338	2.201
2018	0.466	0.778	0.689	0.342	2.275
2019	0.488	0.804	0.708	0.346	2.346
2020	0.485	0.830	0.749	0.326	2.390

Source: County Abstract of Ratables

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

Taxpayer	2020		Taxpayer	2011	
	Taxable Assessed Value	% of Total District Net Assessed Value		Taxable Assessed Value	% of Total District Net Assessed Value
Novartis	\$ 415,030,700	16.38%	Novartis	353,910,100	14.36%
Mondelez Global LLC	61,987,600	2.45%	Kraft	71,962,600	2.92%
New Hanover LLC	23,900,000	0.94%	New Hanover LLC	24,917,000	1.01%
Givaudan Fragrances Corp	21,400,000	0.84%	Caste Ridge Plaza	22,000,000	0.89%
EH Route Ten Realty Corp	21,218,700	0.84%	Givaudan Fragrance	21,400,000	0.87%
Castle Ridge Plaza LLC	18,500,000	0.73%	Paradigm East Hanover LLC	21,303,497	0.86%
11 Mt. Pleasant Ave.	17,024,777	0.67%	Eagle Rock Executive	20,000,000	0.81%
Givaudan Flavors	16,000,000	0.63%	Givaudan Flavors	19,991,300	0.81%
Costco Wholesale Corp	13,920,000	0.55%	Eric Richard Company	15,500,000	0.63%
Eric Richard Company	13,880,000	0.55%	Costco Wholesale Corp	14,000,000	0.57%
	<u>\$ 622,861,777</u>	<u>24.59%</u>		<u>\$ 584,984,497</u>	<u>23.74%</u>

Source: Municipal Tax Assessor

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2011	\$ 17,879,069	\$ 17,879,069	100.00%	N/A
2012	17,467,474	17,467,474	100.00%	N/A
2013	17,379,532	17,379,532	100.00%	N/A
2014	17,279,173	17,279,173	100.00%	N/A
2015	17,605,773	17,605,773	100.00%	N/A
2016	18,039,590	18,039,590	100.00%	N/A
2017	18,836,642	18,836,642	100.00%	N/A
2018	19,410,542	19,410,542	100.00%	N/A
2019	20,109,261	20,109,261	100.00%	N/A
2020	20,650,692	20,650,692	100.00%	N/A

Source: District Financial Records



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

Fiscal Year Ended June 30,	<u>Governmental Activities</u>		Total District	Population	Per Capita
	General Obligation Bonds	Capital/Lease Agreements			
2011	\$ 6,783,000		\$ 6,783,000	11,162	\$ 608
2012	6,103,000		6,103,000	11,197	545
2013	5,375,000		5,375,000	11,200	480
2014	4,890,000		4,890,000	11,191	437
2015	4,390,000	\$ 74,045	4,464,045	11,159	400
2016	3,885,000	1,900,404	5,785,404	11,148	519
2017	3,365,000	1,749,083	5,114,083	11,123	460
2018	2,825,000	1,537,770	4,362,770	11,103	393
2019	2,265,000	1,476,990	3,741,990	11,028	339
2020	1,695,000	1,409,344	3,104,344	10,921	284

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

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

<u>General Bonded Debt Outstanding</u>					
Fiscal Year Ended June 30,	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
2011	\$ 6,783,000		\$ 6,783,000	0.28%	\$ 608
2012	6,103,000		6,103,000	0.25%	545
2013	5,375,000		5,375,000	0.22%	480
2014	4,890,000		4,890,000	0.19%	437
2015	4,390,000		4,390,000	0.17%	393
2016	3,885,000		3,885,000	0.15%	348
2017	3,365,000		3,365,000	0.13%	303
2018	2,825,000		2,825,000	0.11%	254
2019	2,265,000		2,265,000	0.09%	205
2020	1,695,000		1,695,000	0.07%	155

Source: District Financial Records and Abstract of Ratables

Notes:

a See Exhibit J-6 for property tax data.

b See Exhibit J-14 for population data.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
DECEMBER 31, 2019  
(Unaudited)**

	<u>Total Debt</u>
Municipal Debt: (1)	
East Hanover Township Board of Education	\$ 2,265,000
Regional High School - Township's Share	5,154,340
Township of East Hanover	<u>30,364,778</u>
	37,784,118
Overlapping Debt Apportioned to the Municipality:	
Morris County:	
County of Morris (A)	<u>12,800,121</u>
Total Direct and Overlapping Debt	<u>\$ 50,584,239</u>

Source:

(1) Township's 2019 Annual Debt Statement

(A) The debt for this entity was apportioned to East Hanover by dividing the municipality's 2019 equalized value by the total 2019 equalized value for Morris County.

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

**Legal Debt Margin Calculation for Calendar Year 2019**

Equalized Valuation Basis	
2019	\$ 3,270,351,092
2018	3,368,779,810
2017	<u>3,313,459,769</u>
	<u>\$ 9,952,590,671</u>
Average Equalized Valuation Of Taxable Property	<u>\$ 3,317,530,224</u>
Debt Limit (3% of Average	\$ 99,525,907
Total Net Debt Applicable to Limit	<u>2,265,000</u>
Legal Debt Margin	<u>\$ 97,260,907</u>

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Debt Limit	\$ 115,655,910	\$ 115,255,469	\$ 108,989,593	\$ 105,301,995	\$ 104,347,483	\$ 103,990,799	\$ 102,270,057	\$ 99,576,432	\$ 99,525,499	\$ 99,525,907
Total Net Debt Applicable To Limit	<u>6,783,000</u>	<u>6,103,000</u>	<u>5,375,000</u>	<u>4,890,000</u>	<u>4,390,000</u>	<u>4,390,000</u>	<u>3,885,000</u>	<u>3,365,000</u>	<u>2,825,000</u>	<u>2,265,000</u>
Legal Debt Margin	<u>\$ 108,872,910</u>	<u>\$ 109,152,469</u>	<u>\$ 103,614,593</u>	<u>\$ 100,411,995</u>	<u>\$ 99,957,483</u>	<u>\$ 99,600,799</u>	<u>\$ 98,385,057</u>	<u>\$ 96,211,432</u>	<u>\$ 96,700,499</u>	<u>\$ 97,260,907</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	5.86%	5.30%	4.93%	4.64%	4.21%	4.22%	3.80%	3.38%	2.84%	2.28%

Source: Annual Debt Statements

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

<u>Year</u>	<u>Population</u> *	<u>County Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2010	11,162	\$ 73,983	7.3%
2011	11,197	76,727	7.1%
2012	11,200	79,765	7.4%
2013	11,191	80,805	6.4%
2014	11,159	84,260	5.2%
2015	11,148	88,219	4.1%
2016	11,123	90,853	4.0%
2017	11,103	93,555	4.0%
2018	11,028	98,842	4.0%
2019	10,921	98,842 *	2.7%

Source: New Jersey State Department of Education

\*- Estimated

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

<u>Employer</u>	<u>2020</u>		<u>2011</u>	
	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>

INFORMATION NOT AVAILABLE

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

<u>Function/Program</u>	<u>2011 *</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Instruction										
Regular		66.0	64.8	65.5	64.0	63.5	67	71.5	71.7	72.8
Special Education		41.2	62.0	44.0	40.7	32.3	32	27.2	27.0	33.1
Other Special Education										
Vocational										
Other Instruction		4.8	5.0	5.0	6.9	7	7	6.2	10.3	9.5
Nonpublic School Programs										
Adult/Continuing Education Programs										
Support Services:										
Student and Instruction Related Services		17.6	15.9	17.0	28.3	38.6	32	28.3	25.3	23.9
General Administration		2.1	2.0	2.0	2.0	2.1	2	2.0	2.0	2.0
School Administrative Services		10.5	11.5	10.5	10.5	10.5	11	11.0	11.0	11.0
Other Administrative Services							-			
Central Services		3.0	3.0	3.5	3.5	3.5	4	3.5	3.5	3.5
Administrative Information Technology										
Plant Operations And Maintenance		17.7	27.5	25.5	26.5	18.6	19	19.0	19.0	18.5
Pupil Transportation		4.6	7.5	6.1	6.5	6.2	8	8.3	6.3	5.2
Other Support Services										
Special Schools										
Food Service										
Child Care	-	-	-	-	-	-	-	-	-	-
Total	-	<u>167.5</u>	<u>199.2</u>	<u>179.1</u>	<u>188.9</u>	<u>182.3</u>	<u>180.5</u>	<u>177.0</u>	<u>176.1</u>	<u>179.5</u>

Source: District Personnel Records

\* Information is not available

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

Fiscal Year	Enrollment <sup>a</sup>	Operating Expenditures <sup>b</sup>	Cost Per Pupil <sup>c</sup>	Percentage Change	Pupil/Teacher Ratio			Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
					Teaching Staff	Elementary	Middle School				
2011	1,118	\$ 18,553,154	\$ 16,595	0.25%	N/A	N/A	N/A	1,118	1,008	-2.70%	90.16%
2012	1,114	18,607,931	16,704	0.66%	N/A	N/A	N/A	1,112	1,072	-0.54%	96.40%
2013	1,053	19,410,767	18,434	10.36%	01:10.7	01:12.3	01:08.8	1,082	1,036	-2.70%	95.75%
2014	1,015	19,118,137	18,836	2.18%	01:10.3	01:11.1	01:09.1	1,021	980	-5.64%	95.98%
2015	997	20,054,987	20,115	6.79%	01:10.2	01:11.0	01:09.1	997	956	-2.35%	95.89%
2016	968	20,375,180	21,049	4.64%	01:09.9	01:10.5	01:09.0	969	930	-2.81%	95.98%
2017	973	20,916,901	21,497	2.13%	01:09.9	01:10.6	01:08.9	973	932	0.41%	95.79%
2018	933	22,002,930	23,583	9.70%	01:09.7	01:10.4	01:08.6	931	890	-4.32%	95.60%
2019	900	23,429,699	26,033	10.39%	01:09.3	01:10.3	01:07.6	901	864	-3.22%	95.89%
2020	922	23,371,273	25,348	-2.63%	01:09.6	01:10.5	01:08.0	930	904	3.22%	97.20%

Sources: District Financial Records and Personnel Records

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



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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b><u>District Building</u></b>										
<b><u>Elementary</u></b>										
<b>Central School</b>										
Square Feet	58,328	58,328	58,328	58,328	58,328	58,328	58,328	58,328	43,726	43,726
Capacity (students)		374	374	374	374	374	374	374	374	374
Enrollment	394	364	364	329	316	302	297	284	290	290
<b>Frank J. Smith School</b>										
Square Feet	39,197	39,197	39,197	39,197	39,197	39,197	39,197	39,197	40,750	40,750
Capacity (students)		425	425	425	425	425	425	425	425	425
Enrollment	344	351	351	316	313	304	329	320	326	326
<b><u>Middle School</u></b>										
Square Feet	60,502	60,502	60,502	60,502	60,502	60,502	60,502	60,502	75,640	75,640
Capacity (students)		383	383	383	383	383	383	383	383	383
Enrollment	384	399	399	370	368	362	347	327	290	290
<b><u>Other</u></b>										
<b>Board of Education Offices</b>										
Square Feet	7,083	7,083	7,083	7,083	7,083	7,083	7,083	7,083	7,083	7,083

Number of Schools at June 30, 2020

Elementary = 2

Middle School = 1

Other = 1

Source: District Records

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

	<u>Project # (s)</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>School Facilities</b>											
Frank J. Smith School	N/A	\$ 55,823	\$ 74,073	\$ 66,961	\$ 117,630	\$ 93,918	\$ 120,734	\$ 98,274	\$ 114,180	\$ 163,269	\$ 139,110
Central School	N/A	97,692	110,167	100,720	140,030	139,756	167,192	141,361	169,909	175,193	149,269
Middle School	N/A	111,368	114,248	105,971	181,566	154,586	173,424	151,689	176,241	234,816	244,028
Administration Building	N/A	<u>13,964</u>	<u>15,379</u>	<u>14,060</u>	<u>21,256</u>	<u>16,971</u>	<u>20,303</u>	<u>17,758</u>	<u>20,633</u>	<u>28,379</u>	<u>24,180</u>
Total School Facilities		<u>\$ 278,847</u>	<u>\$ 313,867</u>	<u>\$ 287,712</u>	<u>\$ 460,482</u>	<u>\$ 405,231</u>	<u>\$ 481,653</u>	<u>\$ 409,082</u>	<u>\$ 480,963</u>	<u>\$ 601,657</u>	<u>\$ 556,587</u>

Source: District Records

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION**  
**INSURANCE SCHEDULE**  
**JUNE 30, 2020**  
**(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - NJSBAIG		
Property:		
Real & Personal Property	\$ 500,000,000	\$ 5,000
Extra Expense (Per Occurrence)	50,000,000	5,000
Valuable Papers and Records (Per Occurrence)	10,000,000	5,000
Demolition and Increased Construction (Per Occurrence)	25,000,000	
Equipment Breakdown	100,000,000	1,000
Accounts Receivable (Per Occurrence)	250,000	
Pollutant Cleanup and Removal (Per Occurrence)	250,000	
Arson Reward & Fire Department Service Charge (Per Occurrence)	10,000	
Limited Builders Risk	10,000,000	
Fire Dept. Service Charge	10,000	
<b>Per Occurrence/ Annual Aggregate:</b>		
All Flood Zones	75,000,000	10,000
Special Flood Zones	25,000,000	500,000
Earthquakes	50,000,000	
Terrorism	1,000,000	
Comprehensive General Liability	16,000,000	1,000
Comprehensive Automotive Liability	16,000,000	1,000
Workers' Compensation - NJSIG		
Professional & Clerical	11,485,448	
No-Professional	879,227	
School Board Legal Liability - NJSIG		
Director's and Officer's Policy	15,000,000	5,000
Public Employees' Faithful Performance Blanket		
Position Bond:		
NJSIG		
Board Secretary/School Business Administrator	250,000	1,000
Treasurer	225,000	1,000
General Employees	250,000	1,000
Theft, Forgery, Computer Fraud	25,000 Ea	500
Electric Data Processing		
Data Processing Equipment	315,126	1000
Computer Virus	250,000	1000

Source: District records

**SINGLE AUDIT SECTION**



# LERCH, VINCI & HIGGINS, LLP EXHIBIT K-1

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

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

ELIZABETH A. SHICK, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
RALPH M. PICONE, III, CPA, RMA, PSA  
DONNA L. JAPHET, CPA, PSA  
DEBRA GOLLE, CPA  
MARK SACO, CPA  
ROBERT LERCH, CPA  
CHRIS SOHN, CPA  
CHRISTOPHER M. VINCI, CPA

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

### INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the East Hanover Township Board of Education as of and for the fiscal year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the East Hanover Township Board of Education's basic financial statements and have issued our report thereon dated January 11, 2021.

#### **Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

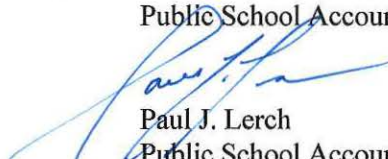
However, we noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the East Hanover Township Board of Education in a separate report entitled, “Auditor’s Management Report on Administrative Findings – Financial, Compliance and Performance” dated January 11, 2021.

### **Purpose of this Report**

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



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



Paul J. Lerch  
Public School Accountant  
PSA Number CS01118

Fair Lawn, New Jersey  
January 11, 2021



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-2

DIETER P. LERCH, CPA, RMA, PSA  
GARY J. VINCI, CPA, RMA, PSA  
GARY W. HIGGINS, CPA, RMA, PSA  
JEFFREY C. BLISS, CPA, RMA, PSA  
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CHRIS SOHN, CPA  
CHRISTOPHER M. VINCI, CPA

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

**INDEPENDENT AUDITOR'S REPORT**

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

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

We have audited the East Hanover Township Board of Education's compliance with the types of compliance requirements described in the New Jersey OMB Circular 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the East Hanover Township Board of Education's major state programs for the fiscal year ended June 30, 2020. The East Hanover Township Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the East Hanover Township Board of Education's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards and New Jersey Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the East Hanover Township Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the East Hanover Township Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2020.

### **Report on Internal Control Over Compliance**

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

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


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


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



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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the East Hanover Township Board of Education, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements. We have issued our report thereon dated January 11, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

  
Paul J. Lerch  
Public School Accountant  
PSA Number CS01118

Fair Lawn, New Jersey  
January 11, 2021

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Federal/Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal FAIN Number	Grant Period	Award Amount	Balance July 1, 2019	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustment	Refund of Prior Years' Balances	Balance, June 30, 2020			Memo Only GAAP Receivable
											(Account Receivable)	Unearned Revenue	Due to Grantor	
<b>Special Revenue Fund:</b>														
<b>U.S. Department of Education</b>														
<b>Passed-through State Department of Education</b>														
<b>ESEA</b>														
Title I	84.010A	S010A180030	7/1/19-9/30/20	\$ 114,879		\$ 17,633	\$ 91,675	\$ 115,493				\$ (23,204)	\$ 17,019	\$ (6,185)
Title I, Carryover	84.010A	S010A180030	7/1/18-6/30/19	117,554	\$ 3,119	(17,633)	14,514							
Title I, Carryover	84.010A	S010A170030	7/1/17-6/30/18	117,279	(13,306)		13,306							
Title II A	84.367A	S367A180029	7/1/19-9/30/20	20,697		8,830	4,598	13,428				(16,099)	16,099	
Title II A, Carryover	84.367A	S367A170029	7/1/18-6/30/19	18,255		(8,830)	8,830							
Title IV	84.424	S424A180031	7/1/19-9/30/20	7,500		7,808	6,610	6,610				(8,698)	8,698	
Title IV Carryover	84.424	S424A180031	7/1/18-6/30/19	10,000	(290)	(7,808)	290							
Title IV Carryover	84.424	S424A180031	7/1/17-6/30/18	10,000	(1,324)		1,324							
CARES Emergency Relief	84.425D	N/A	3/13/20-9/30/22	89,154								(89,154)	89,154	
I.D.E.I.A Part B, Basic	84.027	H027A180100	7/1/19-9/30/20	221,196			221,196	221,196						
I.D.E.I.A Part B, Basic, Carryover	84.027	H027A180100	7/1/18-6/30/19	223,929	5,001		6,152						\$ 11,153	
I.D.E.I.A Preschool	84-173	H173A180114	7/1/19-9/30/20	13,977			13,977	13,977						
I.D.E.I.A Preschool, Carryover	84-173	H173A180114	7/1/18-6/30/19	13,937	(1,865)	-	1,865	-	-	-	-	-	-	-
<b>Total IDEA Cluster</b>								<u>235,173</u>						
<b>Total Special Revenue Fund</b>					<u>(8,665)</u>	<u>-</u>	<u>384,337</u>	<u>370,704</u>	<u>-</u>	<u>-</u>	<u>(137,155)</u>	<u>130,970</u>	<u>11,153</u>	<u>(6,185)</u>
<b>Total Federal Awards</b>					<u>\$ (8,665)</u>	<u>\$ -</u>	<u>\$ 384,337</u>	<u>\$ 370,704</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (137,155)</u>	<u>\$ 130,970</u>	<u>\$ 11,153</u>	<u>\$ (6,185)</u>

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance, July 1, 2019	Cash Received	Budgetary Expenditures	Balance, June 30, 2020			Memo	
							(Accounts Receivable)	Unearned Revenue	Due to Grantor	GAAP Receivable	Cumulative Total Expenditures
<b>State Department of Education</b>											
General Fund:											
Special Education Aid	20-495-034-5120-089	7/1/19-6/30/20	\$ 643,777		\$ 583,589	\$ 643,777	\$ (60,188)			\$	643,777
Special Education Aid	19-495-034-5120-089	7/1/18-6/30/19	593,490	\$ (54,824)	54,824						
Security Aid	20-495-034-5120-084	7/1/19-6/30/20	17,287		15,671	17,287	(1,616)				17,287
Security Aid	19-495-034-5120-084	7/1/18-6/30/19	17,287	(1,462)	1,462	-					
<b>Total State Aid Public Cluster</b>						<b>661,064</b>					
Transportation Aid	20-495-034-5120-014	7/1/19-6/30/20	178,676		161,971	178,676	(16,705)				178,676
Transportation Aid	19-495-034-5120-014	7/1/18-6/30/19	178,676	(16,813)	16,813						
Nonpublic School Transportation Aid	20-495-034-5120-014	7/1/19-6/30/20	4,985			4,985	(4,985)			\$	(4,985) 4,985
Nonpublic School Transportation Aid	19-495-034-5120-014	7/1/18-6/30/19	18,546	(18,546)	18,546	-					
<b>Total Transportation Aid Cluster</b>						<b>183,661</b>					
Extraordinary Aid	20-100-034-5120-044	7/1/19-6/30/20	233,349			233,349	(233,349)				233,349
Extraordinary Aid	19-100-034-5120-044	7/1/18-6/30/19	260,267	(260,267)	260,267						
Reimbursed TPAF Social Security Contribution	20-495-034-5094-003	7/1/19-6/30/20	641,393		641,393	641,393					641,393
On-Behalf TPAF Pension Contribution	20-495-034-5094-002	7/1/19-6/30/20	1,743,644		1,743,644	1,743,644					1,743,644
On-Behalf TPAF Pension Contribution - NCGI	20-495-034-5094-004	7/1/19-6/30/20	31,253		31,253	31,253					31,253
On-Behalf TPAF Post Retirement Medical Contribution	20-495-034-5094-001	7/1/19-6/30/20	658,454		658,454	658,454					658,454
On-Behalf Long-Term Disability	20-495-034-5094-004	7/1/19-6/30/20	1,854	-	1,854	1,854	-	-	-	-	1,854
<b>Total On-Behalf Contributions</b>						<b>2,435,205</b>					
<b>Total General Fund</b>				<b>(351,912)</b>	<b>4,189,741</b>	<b>3,513,279</b>	<b>(316,843)</b>	<b>-</b>	<b>-</b>	<b>(4,985)</b>	<b>4,154,672</b>
<b>Total State Financial Assistance Subject to Single Audit</b>				<b>\$ (351,912)</b>	<b>\$ 4,189,741</b>	<b>\$ 3,513,279</b>	<b>\$ (316,843)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (4,985)</b>	<b>\$ 4,154,672</b>
Less: Amounts not Utilized in Single Audit and Major Program Determination On-Behalf TPAF Pension						<b>2,435,205</b>					
<b>Total State Financial Assistance Subject to Major Program Determination</b>						<b>\$ 1,078,074</b>					

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
NOTES TO THE SCHEDULES OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 1 GENERAL**

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

**NOTE 2 BASIS OF ACCOUNTING**

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

**NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS**

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is an increase of \$21,508 for the general fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 4,176,180	\$ 4,176,180
Special Revenue Fund	\$ 370,704	-	370,704
Total Financial Assistance	<u>\$ 370,704</u>	<u>\$ 4,176,180</u>	<u>\$ 4,546,884</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
NOTES TO THE SCHEDULES OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

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

**NOTE 5 OTHER INFORMATION**

TPAF Social Security contributions in the amount of \$641,393 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2020. The amount reported as TPAF Pension System Contributions in the amount of \$1,774,897, TPAF Post-Retirement Medical Benefits Contributions in the amount of \$658,454 and TPAF Long-Term Disability Insurance in the amount of \$1,854 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2020.

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

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

EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Part I – Summary of Auditor’s Results

Financial Statement Section

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

Federal Awards Section- Not Applicable



**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

*Part 2 - Schedule of Financial Statement Findings*

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

THERE ARE NONE.



**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

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

**CURRENT YEAR FEDERAL AWARDS**

NOT APPLICABLE

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

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

**CURRENT YEAR STATE AWARDS**

THERE ARE NONE.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS  
AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

**STATUS OF PRIOR YEAR FINDINGS**

There were none.