

SCHOOL DISTRICT  
OF  
HANOVER TOWNSHIP

Hanover Township School District  
Hanover, New Jersey

Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2020

Comprehensive Annual  
Financial Report

of the

Hanover Township School District

Hanover, New Jersey

For the Fiscal Year Ended June 30, 2020

Prepared by

Hanover Township Board of Education

Finance Department

HANOVER TOWNSHIP SCHOOL DISTRICT  
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INTRODUCTORY SECTION  
(UNAUDITED)

# Hanover Township Public Schools

61 Highland Avenue  
Whippany, New Jersey 07981-1399

Vanessa M. Wolsky  
School Business Administrator/Board Secretary

973-515-2407  
FAX 973-540-1023

December 16, 2020

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

Dear Board Members:

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

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

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

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

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

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

The District provides a full range of educational services appropriate to grade levels K through 8 for the students residing in Hanover Township. These include programs for regular, gifted and talented and special education students. The District completed the 2019-20 fiscal year with an average daily enrollment of 1,357 students, which is a decrease of 20 students from the previous year's enrollment.

#### Elementary School (K-5)

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

#### Middle School (6-8)

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

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

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

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

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



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

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

**3) MAJOR INITIATIVES:** During the 2019-2020 school year the Board of Education and administration in consultation with parents and faculty established and accomplished or made significant progress towards four district wide goals.

#### **DISTRICT GOALS FOR THE 2019-2020 SCHOOL YEAR**

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

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

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

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

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

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

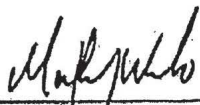
**8) RISK MANAGEMENT:** The Board carries various forms of insurance, including, but not limited to, general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. A schedule of insurance coverage is found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

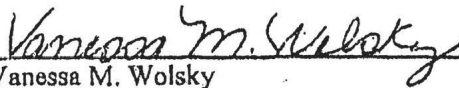
**9) OTHER INFORMATION:** Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board. In addition to meeting the requirements set forth in state statutes,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

The Honorable President and Members of the Board of Education  
Hanover Township School District  
Page 5  
December 16, 2020

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

Respectfully submitted,

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

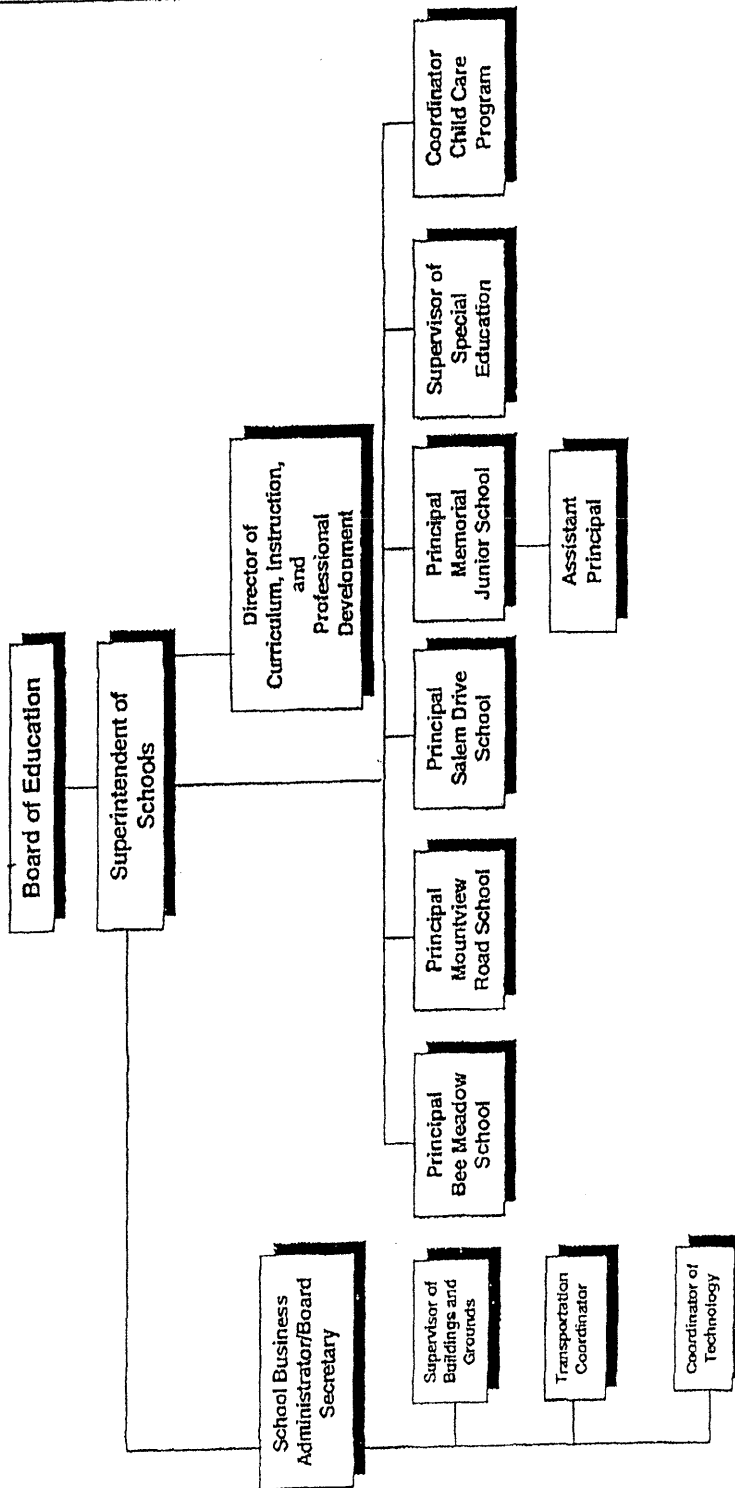
  
\_\_\_\_\_  
Vanessa M. Wolsky  
School Business Administrator/Board Secretary

# POLICY

## HANOVER TOWNSHIP BOARD OF EDUCATION

ADMINISTRATION  
1110/Page 1 of 1  
Organizational Chart

### 1110 ORGANIZATIONAL CHART



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

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

Revised: 11/15/94  
 Revised: 03/18/97  
 Revised: 12/15/98  
 Revised: 11/15/01  
 Revised: 11/20/01  
 Revised: 8/26/03  
 Revised: 9/23/08  
 Revised: 10/29/13

**HANOVER TOWNSHIP SCHOOL DISTRICT  
ROSTER OF OFFICIALS  
JUNE 30, 2020**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Carol Tognetti , President	2021
Salvatore A. Azzarello, Vice President	2020
Daniel J. Breen	2022
Stephen E. Furda	2022
Patricia Mattia	2022
Douglas J. Petty	2021
Susan Shannon	2021
Gina Marie Winkler	2020
Glenn P. Yannotta	2020

Other Officers

Title

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

# **HANOVER TOWNSHIP SCHOOL DISTRICT**

## **Consultants and Advisors**

### **Architect**

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

### **Audit Firm**

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

### **Attorneys**

Nathanya Simon  
Scarinci & Hollenbeck LLC  
1100 Valley Brook Ave.  
P.O. Box 790  
Lyndhurst, NJ 07071

### **Insurance Advisors**

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

### **Official Depository**

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

FINANCIAL SECTION

## Independent Auditors' Report

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

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

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

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

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

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

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

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

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



***Opinions***

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

***Other Information***

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2020 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance

December 16, 2020  
Mount Arlington, New Jersey

NISIVOCCIA LLP

*Raymond Sarinelli*  
Raymond A. Sarinelli  
Licensed Public School Accountant #2549  
Certified Public Accountant

REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS

## Management Discussion and Analysis

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

### Overview of the Financial Statements

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

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

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

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

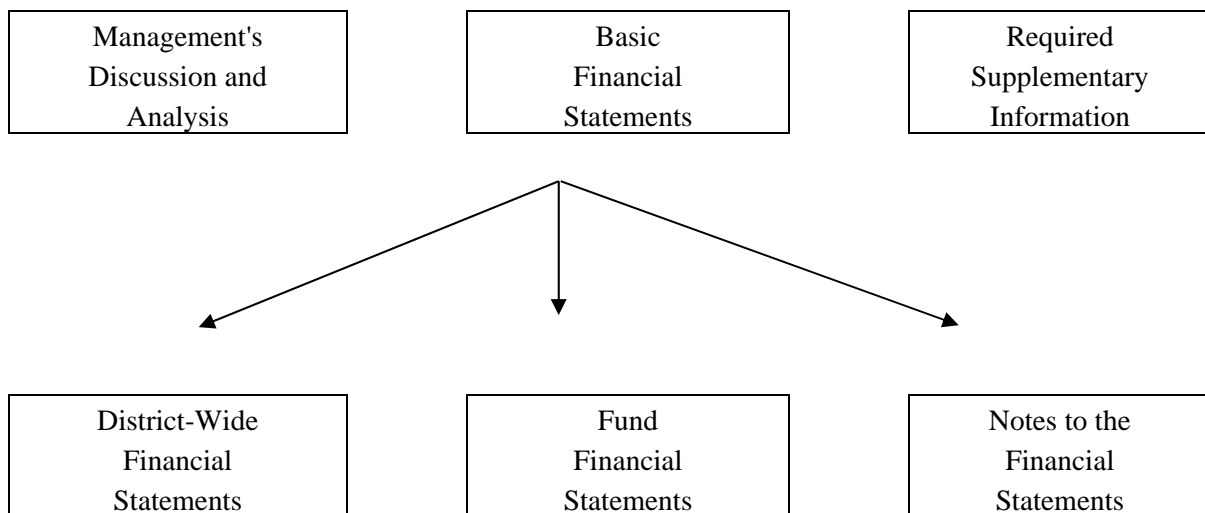


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights that structure and contents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

**Figure A-2**

*Major Features of the District-Wide and Fund Financial Statements*

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

## ***District-wide Statements***

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

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

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

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

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

## ***Fund Financial Statements***

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

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

The District has three kinds of funds:

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

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

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

### Financial Analysis of the District as a Whole

*Net Position.* The Statement of Net Position provides one perspective of the District as a whole. Figure A-3 provides a summary of the District's net position as of June 30, 2019 and 2020. The District's *combined* net position increased by \$387,170. Net position from governmental activities increased by \$639,360 and net position from business-type activities decreased by \$252,190. Net investment in capital assets decreased by \$74,997, restricted net position increased by \$785,288, and unrestricted net position decreased by \$323,121.

Figure A-3

	Condensed Statement of Net Position						Percentage Change 2019/20
	Government Activities		Business-Type Activities		Total School District		
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	
Current and							
Other Assets	\$ 3,073,163	\$ 3,419,591	\$1,051,210	\$ 593,102	\$ 4,124,373	\$ 4,012,693	
Capital Assets, Net	16,351,677	15,765,087			16,351,677	15,765,087	
Total Assets	<u>19,424,840</u>	<u>19,184,678</u>	<u>1,051,210</u>	<u>593,102</u>	<u>20,476,050</u>	<u>19,777,780</u>	-3.41%
Deferred Outflows of Resources	<u>2,400,193</u>	<u>1,566,761</u>			<u>2,400,193</u>	<u>1,566,761</u>	-34.72%
Other Liabilities	1,509,784	1,281,455	210,780	4,862	1,720,564	1,286,317	
Long-Term Liabilities							
Outstanding	<u>13,421,882</u>	<u>11,992,773</u>			<u>13,421,882</u>	<u>11,992,773</u>	
Total Liabilities	<u>14,931,666</u>	<u>13,274,228</u>	<u>210,780</u>	<u>4,862</u>	<u>15,142,446</u>	<u>13,279,090</u>	-12.31%
Deferred Inflows of Resources	<u>3,609,552</u>	<u>3,554,036</u>			<u>3,609,552</u>	<u>3,554,036</u>	-1.54%
Net Position:							
Net Investment in							
Capital Assets	13,724,882	13,649,885			13,724,882	13,649,885	
Restricted	787,552	1,572,840			787,552	1,572,840	
Unrestricted/(Deficit)	<u>(11,228,619)</u>	<u>(11,299,550)</u>	<u>840,430</u>	<u>588,240</u>	<u>(10,388,189)</u>	<u>(10,711,310)</u>	
Total Net Position	<u>\$ 3,283,815</u>	<u>\$ 3,923,175</u>	<u>\$ 840,430</u>	<u>\$ 588,240</u>	<u>\$ 4,124,245</u>	<u>\$ 4,511,415</u>	9.39%

*Changes in Net Position.* The District's *combined* net position was \$4,511,415 on June 30, 2020, \$387,170 or 9.39% more than it was the year before. (See Figure A-3). Net investment in capital assets decreased by \$74,997 due to depreciation expense offset by reductions in bond and lease debt and capital additions. Restricted net position increased by \$785,288 due to the increase in the Capital Reserve account, establishing an Emergency Reserve account and excess surplus. Unrestricted net position decreased by \$323,121 due primarily to the net decrease in year-end encumbrances and the decrease in the net positions of the business-type activities offset by the decrease in net pension liability.

**Figure A-4**

**Changes in Net Position from Operating Results**

	Governmental Activities		Business-Type Activities		Total School District		Percentage
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	Change
Revenue:							
Program Revenue:							
Charges for Services	\$ 32,900	\$ 23,300	\$ 1,062,151	\$ 754,770	\$ 1,095,051	\$ 778,070	
Operating Grants and Contributions	8,858,968	7,614,121	8,871	5,547	8,867,839	7,619,668	
General Revenue:							
Property Taxes	26,514,564	27,025,587			26,514,564	27,025,587	
Unrestricted State Aid	404,763	339,882			404,763	339,882	
Other	243,925	187,937	2,650	3,516	246,575	191,453	
Total Revenue	<u>36,055,120</u>	<u>35,190,827</u>	<u>1,073,672</u>	<u>763,833</u>	<u>37,128,792</u>	<u>35,954,660</u>	-3.16%
Expenses:							
Instruction	22,324,581	21,082,589			22,324,581	21,082,589	
Pupil and Instruction Services	5,462,181	5,628,405			5,462,181	5,628,405	
Administrative and Business	3,433,234	3,354,060			3,433,234	3,354,060	
Maintenance and Operations	3,003,094	2,903,290			3,003,094	2,903,290	
Transportation	1,493,196	1,457,769			1,493,196	1,457,769	
Other	177,023	111,972	998,414	1,029,405	1,175,437	1,141,377	
Total Expenses	<u>35,893,309</u>	<u>34,538,085</u>	<u>998,414</u>	<u>1,029,405</u>	<u>36,891,723</u>	<u>35,567,490</u>	-3.59%
Transfers		(13,382)		13,382			
Increase/(Decrease) in Net Position	<u>\$ 161,811</u>	<u>\$ 639,360</u>	<u>\$ 75,258</u>	<u>\$ (252,190)</u>	<u>\$ 237,069</u>	<u>\$ 387,170</u>	63.32%

**Governmental Activities**

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

As discussed elsewhere in this commentary, the financial position of the District remains more or less stable with a larger increase in 2020. However, maintaining existing programs and the provision of a multitude of special programs and services for disabled pupils place great demands on the District’s resources.

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



**Figure A-5**

**Net Cost of Governmental Activities**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2018/2019</u>	<u>2019/2020</u>	<u>2018/2019</u>	<u>2019/2020</u>
Instruction	\$ 22,324,581	\$ 21,082,589	\$ 14,365,661	\$ 14,239,905
Pupil and Instruction Services	5,462,181	5,628,405	5,429,281	5,605,105
Administrative and Business	3,433,234	3,354,060	2,746,209	2,798,502
Maintenance and Operations	3,003,094	2,903,290	3,003,094	2,903,290
Transportation	1,493,196	1,457,769	1,280,173	1,241,890
Other	177,023	111,972	177,023	111,972
	<u>\$ 35,893,309</u>	<u>\$ 34,538,085</u>	<u>\$ 27,001,441</u>	<u>\$ 26,900,664</u>

**Business-Type Activities**

Net position from the District's business-type activities decreased \$252,190, due to the Covid-19 shutdown and resulting drop in revenue. (Refer to Figure A-4).

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

The District's General Fund experienced a net increase in fund balance of \$549,637 on the budgetary basis of accounting. However, due to regulations regarding the reporting of state aid receivables, this balance must be adjusted to \$541,159. This difference of (\$8,478) is the difference between Hanover Township's final 18/19 and 19/20 General Fund state aid payments.

**General Fund Budgetary Highlights**

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

## Capital Asset and Long-Term Liabilities Administration

Figure A-6

	Capital Assets (Net of Depreciation)						Percentage Change
	Government Activities		Business-Type Activities		Total School District		
	2018-2019	2019-2020	2018-2019	2019-2020	2018-2019	2019-2020	
Land	\$ 288,109	\$ 288,109			\$ 288,109	\$ 288,109	
Site Improvements	275,003	243,894			275,003	243,894	
Buildings and Improvements	15,021,740	14,304,501			15,021,740	14,304,501	
Machinery and Equipment	766,825	928,583			766,825	928,583	
Total Capital Assets (Net of Depreciation)	<u>\$ 16,351,677</u>	<u>\$ 15,765,087</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 16,351,677</u>	<u>\$ 15,765,087</u>	-3.59%

Overall capital assets decreased \$586,590 from fiscal year 2019 to fiscal year 2020. Capital additions of \$414,607 were offset by net deletions of \$780 and depreciation expenses of \$1,000,417 for the year.

The capital asset additions during fiscal year 2020 were mainly for equipment.

### Long-term Liabilities

At June 30, 2020, the School District had \$11,992,773 of outstanding long-term liabilities – a decrease of \$1,429,109 from last year – as shown in Figure A-7.

Figure A-7

	Total School District		Percentage Change
	2018/19	2019/20	
General Obligation Bonds (Financed with Property Taxes)	\$ 905,000	\$ 600,000	
Net Pension Liability	9,733,950	8,854,589	
Unamortized Bond Premium	56,743	37,829	
Capital Leases	1,770,132	1,547,426	
Other Long- Term Liabilities	956,057	952,929	
	<u>\$ 13,421,882</u>	<u>\$ 11,992,773</u>	-10.65%

- The District continued to pay down its debt, retiring \$305,000 of outstanding bonds.
- The Net Pension Liability decreased \$879,361.

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

The Hanover Township Public School District is in good financial condition at present. The ongoing COVID-19 pandemic has impacted the 2020-2021 budget due to the significant amount of unbudgeted funds that have been invested in order to safely open schools and remain open. The Township of Hanover currently has several proposed residential developments that may impact the District's enrollment and future budgets.

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

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

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

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

HANOVER TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2020

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 1,695,747	\$ 585,648	\$ 2,281,395
Internal Balances	(4,156)	4,156	
Receivables:			
Other Governments	394,024		394,024
Other	10,128	3,298	13,426
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	1,123,848		1,123,848
Emergency Reserve Account - Cash and Cash Equivalents	200,000		200,000
Capital Assets, Net:			
Sites (Land)	288,109		288,109
Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment	<u>15,476,978</u>		<u>15,476,978</u>
Total Assets	<u>19,184,678</u>	<u>593,102</u>	<u>19,777,780</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred Amount on Refunding	32,224		32,224
Deferred Outflows Related to Pensions	<u>1,534,537</u>		<u>1,534,537</u>
Total Deferred Outflows of Resources	<u>1,566,761</u>		<u>1,566,761</u>
<b>LIABILITIES:</b>			
Accrued Interest Payable	11,000		11,000
Accounts Payable - Vendors	54,087	4,862	58,949
Interfund Payable	749,991		749,991
Payable to State Government	465,877		465,877
Unearned Revenue	500		500
Noncurrent Liabilities:			
Due Within One Year	555,342		555,342
Due Beyond One Year	<u>11,437,431</u>		<u>11,437,431</u>
Total Liabilities	<u>13,274,228</u>	<u>4,862</u>	<u>13,279,090</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred Inflows Related to Pensions	<u>3,554,036</u>		<u>3,554,036</u>
Total Deferred Inflows of Resources	<u>3,554,036</u>		<u>3,554,036</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	13,649,885		13,649,885
Restricted for:			
Capital Projects	1,123,848		1,123,848
Emergency Reserve	200,000		200,000
Excess Surplus	248,992		248,992
Unrestricted/(Deficit)	<u>(11,299,550)</u>	<u>588,240</u>	<u>(10,711,310)</u>
Total Net Position	<u>\$ 3,923,175</u>	<u>\$ 588,240</u>	<u>\$ 4,511,415</u>

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$ 15,421,283		\$ 4,213,217	\$ (11,208,066)		\$ (11,208,066)
Special Education	4,463,397		2,292,707	(2,170,690)		(2,170,690)
Other Special Instruction	929,988		270,479	(659,509)		(659,509)
Other Instruction	267,921		66,281	(201,640)		(201,640)
Support Services:						
Tuition	744,134	\$ 23,300		(720,834)		(720,834)
Student & Instruction Related Services	4,884,271			(4,884,271)		(4,884,271)
General Administrative Services	677,838		172,254	(505,584)		(505,584)
School Administrative Services	1,912,340		383,304	(1,529,036)		(1,529,036)
Plant Operations and Maintenance	2,903,290			(2,903,290)		(2,903,290)
Pupil Transportation	1,457,769		215,879	(1,241,890)		(1,241,890)
Central Services and Admin Info Tech	763,882			(763,882)		(763,882)
Transfer to Charter School	52,746			(52,746)		(52,746)
Capital Outlay	28,618			(28,618)		(28,618)
Interest on Long-Term Debt	30,608			(30,608)		(30,608)
Total Governmental Activities	34,538,085	23,300	7,614,121	(26,900,664)		(26,900,664)

HANOVER TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Program Revenue		Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Business-Type Activities:					
Enterprise Funds	\$ 1,029,405	\$ 5,547		\$ (269,088)	\$ (269,088)
Total Business-Type Activities	<u>1,029,405</u>	<u>5,547</u>		<u>(269,088)</u>	<u>(269,088)</u>
Total Primary Government	<u>\$ 35,567,490</u>	<u>\$ 7,619,668</u>	<u>\$ (26,900,664)</u>	<u>\$ (269,088)</u>	<u>\$ (27,169,752)</u>
General Revenues and Transfers:					
Taxes:					
Property Taxes, Levied for General Purposes, Net			\$ 26,684,387		\$ 26,684,387
Taxes, Levied for Debt Service			341,200		341,200
Federal and State Aid not Restricted			339,882		339,882
Investment Earnings			30,975	\$ 3,516	34,491
Miscellaneous Income			156,962		156,962
Transfers			(13,382)	13,382	
Total General Revenues and Transfers			<u>27,540,024</u>	<u>16,898</u>	<u>27,556,922</u>
Change in Net Position			639,360	(252,190)	387,170
Net Position - Beginning			3,283,815	840,430	4,124,245
Net Position - Ending			<u>\$ 3,923,175</u>	<u>\$ 588,240</u>	<u>\$ 4,511,415</u>

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



FUND FINANCIAL STATEMENTS

HANOVER TOWNSHIP SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 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	\$ 1,695,747			\$ 1,695,747
Receivables:				
Other Governments	358,807	\$ 35,217		394,024
Interfund Receivable	19,609			19,609
Other	9,859	269		10,128
Restricted Cash and Cash Equivalents	<u>1,323,848</u>			<u>1,323,848</u>
Total Assets	<u>\$ 3,407,870</u>	<u>\$ 35,486</u>		<u>\$ 3,443,356</u>
<b>LIABILITIES AND FUND BALANCES:</b>				
Liabilities:				
Accounts Payable - Vendors	\$ 54,087			\$ 54,087
Interfund Payable	754,147	\$ 19,609		773,756
Unearned Revenue	500			500
Payable to State Government		<u>15,877</u>		<u>15,877</u>
Total Liabilities	<u>808,734</u>	<u>35,486</u>		<u>844,220</u>
Fund Balances:				
Restricted for:				
Capital Reserve Account	1,123,848			1,123,848
Emergency Reserve Account	200,000			200,000
Excess Surplus	248,992			248,992
Assigned:				
For Subsequent				
Year's Expenditures	400,000			400,000
Year End Encumbrances	114,748			114,748
Unassigned	<u>511,548</u>			<u>511,548</u>
Total Fund Balances	<u>2,599,136</u>			<u>2,599,136</u>
Total Liabilities and Fund Balances	<u>\$ 3,407,870</u>	<u>\$ 35,486</u>	<u>\$ -0-</u>	

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

Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$34,297,196 and the accumulated depreciation is \$18,532,109.	15,765,087
Long-term liabilities, including bonds payable and other long-term liabilities, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(3,100,355)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(11,000)
Bond issuance premiums are reported as revenue in the governmental funds in the year the bonds are sold. The amount is \$226,969 and the accumulated amortization is \$189,140.	(37,829)
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(8,854,589)
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds:	
Changes in Assumptions - Pensions - 2014, 2015 and 2016	884,163
Changes in Assumptions - Pensions - 2017, 2018 and 2019	(3,073,400)
Difference Between Expected and Actual Experience - Pensions - 2015, 2016, 2017 and 2019	158,928
Difference Between Expected and Actual Experience - Pensions - 2018	(39,116)
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - Pensions - 2015, 2016, 2017 and 2019	(139,773)
Changes in Proportions - Pensions - 2014 and 2016	41,446
Changes in Proportions - Pensions - 2015, 2017, 2018 and 2019	(301,747)

Deferred amounts on refunding are not reported as expenditures in the governmental funds in the year of the expenditure.	32,224
Net Position of Governmental Activities	<u>\$ 3,923,175</u>

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>				
Local Sources:				
Local Tax Levy	\$ 26,684,387		\$ 341,200	\$ 27,025,587
Tuition Charges	23,300			23,300
Interest Earned on Capital Reserve Funds	5,016			5,016
Miscellaneous	182,921			182,921
Total - Local Sources	<u>26,895,624</u>		<u>341,200</u>	<u>27,236,824</u>
State Sources	\$ 5,618,478	\$ 37,423		5,655,901
Federal Sources		412,680		412,680
Total Revenues	<u>32,514,102</u>	<u>450,103</u>	<u>341,200</u>	<u>33,305,405</u>
<b>EXPENDITURES:</b>				
Current:				
Regular Instruction	8,344,734	4,536		8,349,270
Special Education Instruction	2,425,520	367,730		2,793,250
Other Special Instruction	508,311			508,311
Other Instruction	141,372			141,372
Support Services and Undistributed Costs:				
Tuition	744,134			744,134
Student & Instruction Related Services	3,693,124	69,753		3,762,877
General Administration Services	585,451			585,451
School Administration Services	1,042,251			1,042,251
Central Services	456,973			456,973
Administrative Information Technology Services	118,123			118,123
Plant Operations and Maintenance	2,628,072			2,628,072
Pupil Transportation	972,066			972,066

HANOVER TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b>EXPENDITURES (Cont'd):</b>				
Current:				
Allocated and Unallocated Benefits	\$ 9,812,323			\$ 9,812,323
Transfer to Charter School	52,746			52,746
Debt Service:				
Principal			\$ 305,000	305,000
Interest and Other Charges			36,200	36,200
Capital Outlay	434,361	\$ 8,084		442,445
Total Expenditures	<u>31,959,561</u>	<u>450,103</u>	<u>341,200</u>	<u>32,750,864</u>
Excess (Deficiency) of Revenues over/(under) Expenditures	554,541			554,541
<b>OTHER FINANCING SOURCES/(USES):</b>				
Transfers:				
Food Service Enterprise Fund	(13,382)			(13,382)
Total Other Financing Sources/(Uses)	<u>(13,382)</u>			<u>(13,382)</u>
Net Change in Fund Balances	541,159			541,159
Fund Balances - July 1	2,057,977			2,057,977
Fund Balances - June 30	<u>\$ 2,599,136</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 2,599,136</u>

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2) \$ 541,159

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

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

Depreciation expense	\$	(1,000,417)
Capital outlays		414,607
Disposals		(780)
		(586,590)

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

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

Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities. 3,128

Repayment of long-term liabilities in the statement of net position and is not reported in the statement of activities. 305,000

Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities. 222,706

HANOVER TOWNSHIP SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

<p>In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation. (+)</p> <p>The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:</p> <p>Change in Net Pension Liability</p> <p>Deferred Outflows:</p> <ul style="list-style-type: none"> <li>Changes in Assumptions - 2014, 2015, and 2016</li> <li>Changes in Proportion - 2014 and 2016</li> <li>Difference Between Expected and Actual Experience - Pensions - 2015, 2016, 2017 and 2019</li> </ul> <p>Deferred Inflows:</p> <ul style="list-style-type: none"> <li>Changes in Assumptions - Pensions - 2017, 2018 and 2019</li> <li>Changes in Proportion - 2015 2017, 2018 and 2019</li> <li>Difference Between Expected and Actual Experience - Pensions - 2018</li> <li>Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments</li> </ul> <p>The governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. (+)</p> <p>The governmental funds report the effect of deferred amounts on refunding when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p> <p>Change in Net Position of Governmental Activities (Exhibit A-2)</p>	<p>\$ 5,592</p> <p>879,361</p> <p>(719,831)</p> <p>(42,782)</p> <p>(26,700)</p> <p>39,000</p> <p>53,909</p> <p>11,075</p> <p>(48,468)</p> <p>18,914</p> <hr style="border: 0.5px solid black;"/> <p>(16,113)</p> <hr style="border: 0.5px solid black;"/> <p>\$ 639,360</p> <hr style="border: 0.5px solid black;"/>
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THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

HANOVER TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2020

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Non-Major Fund</u>	<u>Major Fund School Age Child Care</u>	<u>Total Funds</u>
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 3,445	\$ 582,203	\$ 585,648
Accounts Receivable:			
Other		3,298	3,298
Interfund Receivable	4,156		4,156
Total Current Assets	<u>7,601</u>	<u>585,501</u>	<u>593,102</u>
Total Assets	<u>7,601</u>	<u>585,501</u>	<u>593,102</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts Payable - Vendors	<u>4,862</u>		<u>4,862</u>
Total Current Liabilities	<u>4,862</u>		<u>4,862</u>
<b>NET POSITION:</b>			
Unrestricted	<u>2,739</u>	<u>585,501</u>	<u>588,240</u>
Total Net Position	<u>\$ 2,739</u>	<u>\$ 585,501</u>	<u>\$ 588,240</u>

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Non-Major Fund</u>	<u>Major Fund</u>	
		<u>School Age Child Care</u>	<u>Total Funds</u>
Operating Revenue:			
Local Sources:			
Daily Sales - Reimbursable Programs:			
Special Milk Program	\$ 8,787		\$ 8,787
Child Care Fees		\$ 745,983	745,983
Total Operating Revenue	<u>8,787</u>	<u>745,983</u>	<u>754,770</u>
Operating Expenses:			
Cost of Sales - Reimbursable Programs	30,435		30,435
Salaries		523,921	523,921
Benefits and Taxes		207,171	207,171
Purchased Services		132,814	132,814
Supplies/Field Trips/Travel		44,329	44,329
Memberships		64,514	64,514
Other		26,221	26,221
Total Operating Expenses	<u>30,435</u>	<u>998,970</u>	<u>1,029,405</u>
Operating (Loss)	<u>(21,648)</u>	<u>(252,987)</u>	<u>(274,635)</u>
Non-Operating Revenue:			
Local Sources:			
Interest Revenue		# 3,516	3,516
Federal Sources:			
Special Milk Program	5,547		5,547
Total Non-Operating Revenue	<u>5,547</u>	<u>3,516</u>	<u>9,063</u>
Change in Net Position Before Transfers	(16,101)	(249,471)	(265,572)
Transfer in - General Fund	<u>13,382</u>		<u>13,382</u>
Change in Net Position	(2,719)	(249,471)	(252,190)
Net Position - Beginning of Year	<u>5,458</u>	<u>834,972</u>	<u>840,430</u>
Net Position - End of Year	<u>\$ 2,739</u>	<u>\$ 585,501</u>	<u>\$ 588,240</u>

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



HANOVER TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Non-Major Fund</u>	<u>Major Fund School Age Child Care</u>	<u>Total Funds</u>
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 8,787	\$ 742,851	\$ 751,638
Payments to Employees	(6,200)	(523,921)	(530,121)
Payments for Employee Benefits		(207,171)	(207,171)
Payments to Suppliers	(27,303)	(476,928)	(504,231)
Net Cash Provided by/(Used for) Operating Activities	<u>(24,716)</u>	<u>(465,169)</u>	<u>(489,885)</u>
Cash Flows from Noncapital Financing Activities:			
Cash Received from General Fund	9,226		9,226
Cash Received from Federal Reimbursements	6,264		6,264
Net Cash Provided by Noncapital Financing Activities	<u>15,490</u>		<u>15,490</u>
Cash Flows from Investing Activities:			
Interest on Investments		3,516	3,516
Net Cash Provided by Investing Activities		<u>3,516</u>	<u>3,516</u>
Net Decrease in Cash and Cash Equivalents	(9,226)	(461,653)	(470,879)
Cash and Cash Equivalents, July 1	<u>12,671</u>	<u>1,043,856</u>	<u>1,056,527</u>
Cash and Cash Equivalents, June 30	<u>\$ 3,445</u>	<u>\$ 582,203</u>	<u>\$ 585,648</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by/(Used for) Operating Activities:			
Operating Income (Loss)	\$ (21,648)	\$ (252,987)	\$ (274,635)
Adjustment to Reconcile Operating Income (Loss) to Cash Provided by/(Used for) Operating Activities:			
Changes in Assets and Liabilities:			
(Increase) in Other Accounts Receivable		(3,132)	(3,132)
(Decrease) in Interfunds Payable	(6,200)		(6,200)
Increase/(Decrease) in Accounts Payable	3,132	(318)	2,814
(Decrease) in Unearned Revenue		(208,732)	(208,732)
Net Cash Provided by/(Used for) Operating Activities	<u>\$ (24,716)</u>	<u>\$ (465,169)</u>	<u>\$ (489,885)</u>

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2020

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>	<u>Flexible Spending Trust</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 124,467	\$ 185,858	\$ 9,346	\$ 2,517
Interfund Receivable	749,991			
<b>Total Assets</b>	<b><u>\$ 874,458</u></b>	<b><u>\$ 185,858</u></b>	<b><u>\$ 9,346</u></b>	<b><u>\$ 2,517</u></b>
<b>LIABILITIES:</b>				
Due to Student Groups	85,121			
Accrued Salaries and Wages	749,991			
Payroll Deductions and Withholdings	39,346			
<b>Total Liabilities</b>	<b><u>874,458</u></b>			
<b>NET POSITION:</b>				
Restricted for Scholarships			9,346	
Held in Trust for:				
Unemployment Claims		185,858		
Flexible Spending Claims				2,517
<b>Total Net Position</b>	<b><u>\$ -0-</u></b>	<b><u>\$ 185,858</u></b>	<b><u>\$ 9,346</u></b>	<b><u>\$ 2,517</u></b>

HANOVER TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Unemployment Compensation Trust	Private Purpose Scholarship Trust	Flexible Spending Trust
ADDITIONS:			
Contributions:			
Plan Members	\$ 41,123		\$ 30,289
Total Contributions	41,123		30,289
Investment Earnings:			
Interest	1,261	\$ 61	
Net Investment Earnings	1,261	61	
Total Additions	42,384	61	30,289
DEDUCTIONS:			
Quarterly Contribution Reports	47,330		
Scholarships Awarded		200	
Flexible Spending Claims			41,823
Total Deductions	47,330	200	41,823
Change in Net Position	(4,946)	(139)	(11,534)
Net Position - Beginning of the Year	190,804	9,485	14,051
Net Position - End of the Year	\$ 185,858	\$ 9,346	\$ 2,517

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

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

B. Basis of Presentation:

District-Wide Financial Statements:

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

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

B. Basis of Presentation: (Cont'd)

District-Wide Financial Statements (Cont'd):

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

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

The District reports the following governmental funds:

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

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

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

B. Basis of Presentation: (Cont'd)

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

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

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

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

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

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

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

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ended June 30, 2020 was submitted to the County office and approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by School Board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue"		
from the Budgetary Comparison Schedule	\$ 32,522,580	\$ 454,075
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		(3,972)
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	100,893	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(109,371)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 32,514,102	\$ 450,103
	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 31,959,561	\$ 454,075
Differences - Budget to GAAP		
Encumbrances for Supplies and Equipment Ordered but Not Received are Reported in the Year the Order is Placed for Budgetary Purposes, but in the Year the Supplies are Received for Financial Reporting Purposes.		(3,972)
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 31,959,561	\$ 450,103

E. Cash and Cash Equivalents:

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

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



HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

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

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

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

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

F. Interfund Transactions

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

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

G. Allowance for Uncollectible Accounts

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

H. Encumbrances:

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

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

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

I. Short-term Interfund Receivables/Payables:

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2020.

K. Capital Assets:

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

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

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

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

L. Long-Term Liabilities

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

M. Accrued Salaries and Wages:

Certain District employees, who provide services to the District over the ten-month academic year, have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2020, the amount earned by these employees but not disbursed was \$749,991.

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

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

N. Compensated Absences:

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

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

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

O. Unearned Revenue:

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

P. Fund Balance Appropriated:

General Fund: Of the \$2,599,136 General Fund fund balance at June 30, 2020, \$514,748 is assigned fund balance of which \$114,748 is for year- end encumbrances and \$400,000 has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2021; \$1,123,848 is restricted in the capital reserve account; \$200,000 is restricted in the emergency reserve account; \$248,992 is restricted for current year excess surplus in accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, C.73 (S1701) and will be appropriated and included as anticipated revenue for the fiscal year ending June 30, 2022; and there is \$511,548 in unassigned fund balance which is \$109,371 less than the calculated maximum unassigned fund balance, on a GAAP basis, due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2021.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, C.73 (S1701), the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school Districts are required to restrict General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District has excess surplus at June 30, 2020 as indicated above.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$109,371 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, Districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school Districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the school District cannot recognize the June state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the June state aid payments and not the fund balance reported on the fund statement which excludes the June state aid payments.

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

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

Q. Deficit Net Position

The \$11,299,550 deficit in the Unrestricted Net Position of the District's Governmental Activities is primarily due to the net pension liability and changes in pensions proportions and changes in pensions assumptions. The deficit does not indicate that the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

R. Net Position

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

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources for the Deferred Amount on Refunding at June 30, 2020, changes in assumptions of pensions, changes in proportions of pensions, District contribution subsequent to the measurement date – pensions and difference between pension expected and actual experience.

The district had deferred inflows of resources at June 30, 2020 for changes in pension proportions, changes in assumptions in pensions, net difference between projected and actual investment earnings on pension plan investments and difference between pension expected and actual experience.

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

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

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

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

S. Fund Balance Restrictions, Commitments and Assignments

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

Fund balance restrictions have been established for excess surplus, a capital reserve and an emergency reserve.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District had no committed resources at June 30, 2020.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for year-end encumbrances and for amounts designated for subsequent year's expenditures in the General Fund at June 30, 2020.

T. Revenue - Exchange and Nonexchange Transactions

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

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

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

U. Operating Revenue and Expenses

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

V. Management Estimates

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

W. Pensions

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

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

GASB requires disclosure of the level of custodial credit risk assumed by the District in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned.

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

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

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

Deposits:

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

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

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

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

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

Investments:

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

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

Investments (Cont'd):

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



HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

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

As of June 30, 2020, cash and cash equivalents of the District consisted of the following:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents		Total
		Capital Reserve	Emergency Reserve	
Checking and Savings Accounts	\$ 2,603,583	\$ 1,123,848	\$ 200,000	\$ 3,927,431

During the period ended June 30, 2020, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2020, was \$3,927,431 and the bank balance was \$4,525,531.

NOTE 4. CAPITAL RESERVE ACCOUNT

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

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

The activity of the capital reserve for the July 1, 2019 to June 30, 2020 fiscal year is as follows:

Beginning balance, July 1, 2019		\$ 787,552
Interest Earnings	\$ 5,016	
Deposits:		
Transfer by Board Resolution (June 2020)	500,000	
		505,016
		1,292,568
Withdrawals:		
Budgeted Withdrawal		(168,720)
Ending balance, June 30, 2020		\$ 1,123,848

The June 30, 2020 LRFP balance of local support costs exceeds the balance in the capital reserve account at June 30, 2020. Withdrawals from the capital reserve were for use in DOE approved facilities projects, consistent with the District's LRFP.

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

NOTE 5. EMERGENCY RESERVE ACCOUNT

An emergency reserve account was established by the Hanover Township Board of Education. The emergency reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

The emergency reserve is restricted to be used to accumulate funds in accordance with N.J.S.A. 18A:7F-41c(1) to finance unanticipated general fund expenditures required for a thorough and efficient education. Unanticipated means reasonably unforeseeable and shall not include additional costs caused by poor planning. The maximum balance permitted at any time in this reserve is the greater of \$250,000 or 1% of the general fund budget not to exceed one million dollars. Deposits may be made to the emergency reserve account by board resolution at year end of any unanticipated revenue or unexpended line item appropriation or both. The Department has defined year end for the purpose of depositing surplus into reserve accounts as an amount approved by the district board of education between June 1<sup>st</sup> and June 30<sup>th</sup>. Withdrawals from the reserve require the approval of the Commissioner unless the withdrawal is necessary to meet an increase in total health care costs in excess of four percent or for a withdrawal that was included in the original budget certified for taxes to finance school security improvements, including improvements to school facilities.

The activity of the emergency reserve for the July 1, 2019 to June 30, 2020 fiscal year is as follows:

Beginning balance, July 1, 2019	\$ -0-
Deposit - Transfer by Board Resolution (June 2020)	<u>200,000</u>
Ending balance, June 30, 2020	<u>\$ 200,000</u>

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2020 were as follows:

	Beginning Balance	Increases	Adjustments/ (Decreases)	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 288,109			\$ 288,109
Total Capital Assets Not Being Depreciated	<u>288,109</u>			<u>288,109</u>
Capital Assets Being Depreciated:				
Site Improvements	1,732,145			1,732,145
Buildings and Building Improvements	28,703,250	\$ 17,314		28,720,564
Machinery and Equipment	<u>3,161,625</u>	<u>397,293</u>	\$ (2,540)	<u>3,556,378</u>
Total Capital Assets Being Depreciated	<u>33,597,020</u>	<u>414,607</u>	<u>(2,540)</u>	<u>34,009,087</u>
Governmental Activities Capital Assets	<u>33,885,129</u>	<u>414,607</u>	<u>(2,540)</u>	<u>34,297,196</u>
Less Accumulated Depreciation for:				
Site Improvements	1,457,142	31,109		1,488,251
Buildings and Building Improvements	13,681,510	734,553		14,416,063
Machinery and Equipment	<u>2,394,800</u>	<u>234,755</u>	(1,760)	<u>2,627,795</u>
	<u>17,533,452</u>	<u>1,000,417</u>	<u>(1,760)</u>	<u>18,532,109</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$16,351,677</u>	<u>\$ (585,810)</u>	<u>\$ (780)</u>	<u>\$15,765,087</u>

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

NOTE 6. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 675,065
Special Education Instruction	33,116
Other Special Instruction	25,084
Other Instruction	7,032
Student and Instruction Related Services	68,519
General Administrative Services	4,722
School Administrative Services	22,307
Operations and Maintenance of Plant	56,819
Pupil Transportation	96,517
Central Services	11,236
	<u>\$ 1,000,417</u>

NOTE 7. TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2020, the District transferred \$6,594 to the equipment line items and therefore did not require approval from the County Superintendent.

NOTE 8. OPERATING LEASES

The District has commitments to lease copiers which expire March 2024. Total operating lease payments made during the year ended June 30, 2020 were \$36,409. Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 20,857
2022	12,811
2023	5,587
2024	2,396
	<u>\$ 41,651</u>

NOTE 9. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2020, the following changes occurred in liabilities reported in the District-wide financial statements:

	<u>Balance 6/30/2019</u>	<u>Accrued</u>	<u>Retired</u>	<u>Balance 6/30/2020</u>
Serial Bonds Payable	\$ 905,000		\$ 305,000	\$ 600,000
Net Pension Liability	9,733,950		879,361	8,854,589
Compensated Absences Payable	956,057	\$ 19,123	22,251	952,929
Capital Leases Payable	1,770,132		222,706	1,547,426
Unamortized Bond Issuance Premium	56,743		18,914	37,829
	<u>\$ 13,421,882</u>	<u>\$ 19,123</u>	<u>\$ 1,448,232</u>	<u>\$ 11,992,773</u>

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

NOTE 9. LONG-TERM LIABILITIES

A. Unamortized Bond Premium

The unamortized bond issuance premium of the governmental fund types is recorded in the noncurrent liabilities. The current portion of the unamortized bond issuance premium balance of the governmental funds is \$18,914 and is separated from long term liability balance of \$18,915.

B. Bonds Payable:

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

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

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

	<u>Serial Bonds</u>			
<u>Purpose</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
School Refunding Bonds	11/2/2010	4.00%	1/15/2022	<u>\$ 600,000</u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 300,000	\$ 24,000	\$ 324,000
2022	<u>300,000</u>	<u>12,000</u>	<u>312,000</u>
	<u>\$ 600,000</u>	<u>\$ 36,000</u>	<u>\$ 636,000</u>

C. Bonds Authorized But Not Issued:

As of June 30, 2020, the Board had no bonds authorized but not issued.

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

NOTE 9. LONG-TERM LIABILITIES (Cont'd)

D. Capital Leases Payable:

The District is leasing technology equipment and an energy savings improvement program totaling \$3,097,043 of which \$1,549,617 has been liquidated as of June 30, 2020. The capital leases are for terms ranging from three to fifteen years. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2020.

Year	Amount
2021	\$ 239,118
2022	239,118
2023	239,118
2024	239,118
2025	239,118
2026-2027	478,236
Total Minimum Lease Payables	1,673,826
Less: Amount representing interest	126,400
Present value of net minimum lease payments	\$ 1,547,426

The General Fund will be used to liquidate the capital leases. The current portion of capital lease payable at June 30, 2020 is \$207,265 and the long-term portion is \$1,340,161.

E. Compensated Absences:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The current portion of the compensated absences balance of the governmental funds is \$29,163 and the long-term portion of compensated absences is \$923,766. The General Fund will be used to liquidate the compensated absences payable.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2020, no liability existed for compensated absences in the Enterprise Funds.

F. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2020 is \$-0- and the long-term portion is \$8,854,589. See Note 10 for further information on the PERS.

NOTE 10. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

NOTE 10. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

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

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years, beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$479,512 for fiscal year 2020.

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

NOTE 10. PENSION PLANS (Cont'd)

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

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

At June 30, 2020, the District reported a liability of \$8,854,589 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2019, the District's proportion was 0.0491%, which was a decrease of 0.003% from its proportion measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the District recognized pension expense of \$332,440. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	6.44	\$ 23,401	
	2015	5.72	144,693	
	2016	5.57	716,069	
	2017	5.48		\$ (1,271,109)
	2018	5.63		(1,027,172)
	2019	5.21		(775,119)
				<u>884,163</u>
Difference Between Expected and Actual Experience	2015	5.72	40,145	
	2016	5.57	21,730	
	2017	5.48	37,802	
	2018	5.63		(39,116)
	2019	5.21	59,251	
			<u>158,928</u>	<u>(39,116)</u>
Changes in Proportion	2014	6.44	10,014	
	2015	5.72		(27,403)
	2016	5.57	31,432	
	2017	5.48		(72,635)
	2018	5.63		(147,616)
	2019	5.21		(54,093)
			<u>41,446</u>	<u>(301,747)</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2016	5.00		163,431
	2017	5.00		(196,128)
	2018	5.63		(136,422)
	2019	5.21		29,346
				<u>(139,773)</u>
District Contribution Subsequent to the Measurement Date	2019	1.00	450,000	
			<u>\$ 1,534,537</u>	<u>\$ (3,554,036)</u>

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

NOTE 10. PENSION PLANS (Cont'd)

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

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

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

Fiscal Year Ending June 30,	Total
2020	\$ (255,680)
2021	(829,422)
2022	(740,625)
2023	(347,762)
2024	(35,709)
	\$ (2,209,198)

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.

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%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and a 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on 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.



HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

NOTE 10. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected\_returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 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 Management 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%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Market Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

Discount Rate

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.50% as of June 30, 2019 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

NOTE 10. PENSION PLANS (Cont'd)

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

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

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2019 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2019		
	At 1% Decrease (5.28%)	At Current Discount Rate (6.28%)	At 1% Increase (7.28%)
District's proportionate share of the Net Pension Liability	\$ 11,184,785	\$ 8,854,589	\$ 6,891,069

Pension plan Fiduciary Net Position

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

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

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

Benefits Provided

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

The following represents the membership tiers for TPAF:

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

NOTE 10. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

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

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. For fiscal year 2020, the State's pension contribution was less than the actuarially determined amount.

Special Funding Situation

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2020, the State of New Jersey contributed \$2,386,916 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$3,985,767.

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

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

At June 30, 2020, the State's proportionate share of the net pension liability associated with the District was \$67,575,225. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2019, the District's proportion was 0.110%, which was an increase of 0.001% from its proportion measured as of June 30, 2018.

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

NOTE 10. PENSION PLANS (Cont'd)

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

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

District's Proportionate Share of the Net Pension Liability	\$	-0-
State's Proportionate Share of the Net Pension Liability Associated with the District		<u>67,575,225</u>
Total	\$	<u>67,575,225</u>

For the fiscal year ended June 30, 2020, the State recognized pension expense on behalf of the District in the amount of \$3,985,767 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2020 financial statements.

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

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	8.5	\$ 768,874,621	
	2015	8.3	2,351,172,865	
	2016	8.3	5,609,216,856	
	2017	8.3		\$ 8,483,527,374
	2018	8.29		5,172,258,445
	2019	8.04		3,507,345,617
			<u>8,729,264,342</u>	<u>17,163,131,436</u>
Difference Between Expected and Actual Experience	2014	8.5		7,323,009
	2015	8.3	145,211,243	
	2016	8.3		69,755,412
	2017	8.3	150,939,884	
	2018	8.29	907,352,137	
	2019	8.04		136,265,890
			<u>1,203,503,264</u>	<u>213,344,311</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2016	5		(431,855,192)
	2017	5		452,016,524
	2018	5		288,091,115
	2019	5		(144,882,771)
			<u>163,369,676</u>	
			<u>\$ 9,932,767,606</u>	<u>\$ 17,539,845,423</u>

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

NOTE 10. PENSION PLANS (Cont'd)

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

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

Fiscal Year Ending June 30,	Total
2020	\$ (272,405,510)
2021	(704,260,700)
2022	(630,562,767)
2023	(1,216,378,743)
2024	(2,381,316,232)
Thereafter	(2,402,153,865)
	\$ (7,607,077,817)

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.

Inflation Rate	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	1.55 – 4.45% based on years of service
Thereafter	2.75 – 5.65% based on years of service
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and a 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on 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.

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

NOTE 10. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF target asset allocation as of June 30, 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%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Market Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

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

NOTE 10. PENSION PLANS (Cont'd)

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

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 5.60% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.50% as of June 30, 2019 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on 70% of the actuarially determined contributions for the State. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2054. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2054, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the State's proportionate share of the net pension liability associated with the District as of June 30, 2019 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2019		
	At 1% Decrease (4.60%)	At Current Discount Rate (5.60%)	At 1% Increase (6.60%)
State's Proportionate Share of the Net			
Pension Liability Associated with the District	\$ 79,686,148	\$ 67,575,225	\$ 57,526,984

Pension Plan Fiduciary Net Position - TPAF

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

C. Defined Contribution Retirement Program (DCRP)

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

NOTE 10. PENSION PLANS (Cont'd)

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

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

For DCRP, the District recognized pension expense of \$21,535 for the fiscal year ended June 30, 2020. Employee contributions to DCRP amounted to \$39,480 for the fiscal year ended June 30, 2020.

NOTE 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

General Information about the OPEB Plan

Plan Description and Benefits Provided

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

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

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

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

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



HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

NOTE 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

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

Employees Covered by Benefit Terms

At June 30, 2018, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	148,051
Active Plan Members	216,892
Total	364,943

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The total nonemployer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2017 which was rolled forward to June 30, 2018.

Actuarial Assumptions and Other Inputs

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

Inflation Rate	2.50%	
	TPAF/ABP	PERS
Salary Increases:		
Through 2026	1.55 - 3.05% based on service years	2.00 - 6.00% based on service years
Thereafter	1.55 - 3.05% based on service years	3.00 - 7.00% based on service years

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

NOTE 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

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

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 Healthy “Teachers” (TPAF/ABP), “General” (PERS), and “Safety” (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Post-retirement mortality rates were based on the Pub-2010 “General” classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Disability mortality was based on the Pub-2010 “General” classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate 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 rate for fiscal year 2020 is reflected. The assumed post-65 medical trend rate 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 rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

Discount Rate

The discount rate for June 30, 2019 was 3.50%. The discount rate for June 30, 2018 was 3.87%, a change of -.37%. This represents the municipal bond rate as chosen by the State of New Jersey Division of Pensions and Benefits. The source is the Bond Buyer Go 20-Bond Municipal bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

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

	Total OPEB Liability
Balance at June 30, 2018	\$ 57,258,057
Changes for Year:	
Service Cost	1,969,546
Interest on the Total OPEB Liability	2,262,688
Changes of Assumptions	768,347
Differences between Expected and Actual Experience	(9,191,603)
Gross Benefit Payments by the State	(1,581,880)
Contributions from Members	46,891
Net Changes	(5,726,011)
Balance at June 30, 2019	\$ 51,532,046

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

NOTE 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

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

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

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2019, calculated using the discount rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2019		
	At 1% Decrease (2.50%)	At Discount Rate (3.50%)	At 1% Increase (4.50%)
Total OPEB Liability Attributable to the District	\$ 60,879,710	\$ 51,532,046	\$ 44,106,774

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

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2019, calculated using the healthcare trend rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2019		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 42,460,109	\$ 51,532,046	\$ 63,541,428

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

NOTE 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

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

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

For the fiscal year ended June 30, 2020 the District recognized OPEB expense of \$1,187,943 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Codification Section P50, in which there is a special funding situation.

In accordance with GASB Codification Section P50, as the District's proportionate share of the OPEB liability is \$-0-, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2019 the State had deferred outflows of resources and deferred inflows of resources related to OPEB associated with the District from the following sources:

	<u>Deferral Year</u>	<u>Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2017	9.54		\$ 5,999,372
	2018	9.51		5,160,271
	2019	9.29	<u>\$ 685,639</u>	
			<u>\$ 685,639</u>	<u>\$ 11,159,643</u>
Differences Between Expected and Actual Experience	2018	9.51		4,878,063
	2019	9.29		8,070,023
				<u>12,948,086</u>
Changes in Proportion	N/A	N/A	<u>\$ 1,191,764</u>	423,084
			<u>\$ 1,877,403</u>	<u>\$ 37,478,899</u>

N/A - Not Available

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

NOTE 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

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

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

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

Fiscal Year Ending June 30,	Total
2020	\$ (3,144,756)
2021	(3,144,756)
2022	(3,144,756)
2023	(3,144,755)
2024	(3,144,755)
Thereafter	(7,698,312)
	\$ (23,422,090)

NOTE 12. RISK MANAGEMENT

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

Property, Liability and Health Benefits

The District provides health benefit coverage through Horizon Blue Cross/Blue Shield of NJ. The District provides vision and dental coverage via a direct contract with VSP and Delta Dental.

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

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

NOTE 12. RISK MANAGEMENT (Cont'd)

Property, Liability and Health Benefits (Cont'd)

The audit for the year ended June 30, 2020 was not available as of the date of this report.

Selected financial information for the Group as of June 30, 2019 is as follows:

	Morris Essex Insurance Group
Total Assets	\$ 11,171,182
Net Position	\$ 7,785,886
Total Revenue	\$ 3,977,325
Total Expenses and Adjustments	\$ 2,961,545
Change in Net Position	\$ (10,951)
Members Dividends	\$ 1,026,731

Financial statements are available at the Administrators' Office.

Morris Essex Insurance Group

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

New Jersey Unemployment Compensation Insurance

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

Fiscal Year	Employee/ District Contributions	Interest Earned	Amount Reimbursed	Ending Balance
2019-2020	\$ 41,123	\$ 1,261	\$ 47,330	\$ 185,858
2018-2019	41,933	373	27,331	190,804
2017-2018	40,187	344	13,198	175,829

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

NOTE 13. ECONOMIC DEPENDENCY

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

NOTE 14. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The following interfund balances remained on the balance sheet at June 30, 2020:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 19,609	\$ 754,147
Special Revenue Fund		19,609
Milk Service Fund	4,156	
Fiduciary Fund - Payroll Agency	749,991	
	\$ 773,756	\$ 773,756

The interfund payable from the Special Revenue Fund due to the General Fund is for an interfund loan due to the timing lag between requests for reimbursement and actual receipt of federal grant funds. The interfund between the General Fund and the Milk Service Fund represents a portion of the Board contribution still to be paid by the General Fund to the Milk Service Fund. The interfund between General Fund and Fiduciary Fund is the amount of salary for ten-month employees earned which will be disbursed during the summer months and retirement payouts.

NOTE 15. DEFERRED COMPENSATION

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

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

NOTE 16. TAX CALENDAR

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

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

NOTE 17. COMMITMENTS AND CONTINGENCIES

Grant Programs

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

Litigation

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

Encumbrances

At June 30, 2020, there were encumbrances as detailed below in the governmental funds. All of the governmental funds are considered to be major funds:

General Fund	Total Governmental Funds
\$ 114,748	\$ 114,748



HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

NOTE 18. ACCOUNTS PAYABLE

Accounts payable recorded in the District's Governmental Funds, Governmental Activities, and Business-Type Activities as of June 30, 2020 consisted of the following:

	<u>Governmental Funds</u>		<u>District Contribution Subsequent to the Measurement Date</u>	<u>Total Governmental Activities</u>	<u>Business- Type Activities Proprietary Funds</u>
	<u>General Fund</u>	<u>Special Revenue</u>			
Vendors	\$ 54,087			\$ 54,087	\$ 4,862
State of New Jersey		\$ 15,877	\$ 450,000	465,877	
	<u>\$ 54,087</u>	<u>\$ 15,877</u>	<u>\$ 450,000</u>	<u>\$ 519,964</u>	<u>\$ 4,862</u>

NOTE 19. SUBSEQUENT EVENT

The COVID-19 outbreak in the United States and specifically in New Jersey has caused disruption of the District's normal financial operations. Though the impact on the District's operations cannot be reasonably estimated at this date, it is likely that there will be an impact on certain revenue in the General Fund other than state aid and the local tax levy. The District's state aid in the General Fund was reduced after their budget was adopted due to the reduction of state aid provided to certain school districts by the State of New Jersey. Also, there have been additional operating expenses in the General Fund not planned for or expected at the time of the adoption of the District's 2020-21 budget related to COVID-19.

Additionally, the District's cash flow in the Governmental Funds may be affected by the timing of the collection of the District's tax levy as well as certain State aid payments.

The District's Enterprise Funds likely will be impacted by COVID-19 for the fiscal year ending June 30, 2021, due to loss of revenue.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Fiscal Year Ending June 30,					
	2015	2016	2017	2018	2019	2020
District's proportion of the net pension liability	0.0517578196%	0.0506270674%	0.0511884638%	0.0504523354%	0.0494372585%	0.0491417013%
District's proportionate share of the net pension liability	\$ 9,690,479	\$ 11,364,762	\$ 15,160,555	\$ 11,744,497	\$ 9,733,950	\$ 8,854,589
District's covered employee payroll	\$ 3,485,838	\$ 3,487,396	\$ 3,441,428	\$ 3,506,581	\$ 3,424,800	\$ 3,485,511.00
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	278.00%	325.88%	440.53%	334.93%	284.22%	254.04%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%	48.10%	53.60%	56.27%

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

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

	Fiscal Year Ending June 30,					
	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 396,368	\$ 390,257	\$ 411,548	\$ 425,897	\$ 447,479	\$ 479,512
Contributions in relation to the contractually required contribution	(396,368)	(390,257)	(411,548)	(425,897)	(447,479)	(479,512)
Contribution deficiency/(excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's covered employee payroll	\$ 3,487,396	\$ 3,441,428	\$ 3,506,581	\$ 3,424,800	\$ 3,485,511	\$ 3,415,943
Contributions as a percentage of covered employee payroll	16.52%	15.94%	11.74%	12.44%	12.84%	14.04%

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

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

	Fiscal Year Ending June 30,					
	2015	2016	2017	2018	2019	2020
State's proportion of the net pension liability attributable to the District	0.1082879663%	0.1049605154%	0.1056243150%	0.1075573721%	0.1090771087%	0.1101094773%
State's proportionate share of the net pension liability attributable to the District	\$ 57,876,394	\$ 66,339,528	\$ 83,090,811	\$ 72,519,059	\$ 69,392,514	\$ 67,575,225
District's covered employee payroll	\$ 10,725,495	\$ 10,856,307	\$ 11,364,760	\$ 11,393,594	\$ 11,590,604	\$ 12,224,184
State's proportionate share of the net pension liability attributable to the District as a percentage of its covered employee payroll	533.11%	583.73%	731.13%	636.49%	598.70%	552.80%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%	25.41%	26.49%	26.95%

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

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

	Fiscal Year Ending June 30,					
	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 3,114,293	\$ 4,050,625	\$ 6,243,118	\$ 5,023,753	\$ 4,045,341	\$ 3,985,767
Contributions in relation to the contractually required contribution	(567,455)	(845,670)	(1,167,507)	(1,606,321)	(2,165,587)	(2,386,916)
Contribution deficiency/(excess)	<u>\$ 2,546,838</u>	<u>\$ 3,204,955</u>	<u>\$ 5,075,611</u>	<u>\$ 3,417,432</u>	<u>\$ 1,879,754</u>	<u>\$ 1,598,851</u>
District's covered employee payroll	\$ 10,856,307	\$ 11,364,760	\$ 11,393,594	\$ 11,590,604	\$ 12,224,184	\$ 12,236,946
Contributions as a percentage of covered employee payroll	5.23%	7.44%	10.25%	13.86%	17.72%	19.51%

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

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

	Fiscal Year Ending June 30,		
	2017	2018	2019
Service Cost	\$ 2,677,543	\$ 2,223,493	\$ 1,969,546
Interest Cost	2,063,340	2,389,599	2,262,688
Changes in Assumptions	(8,470,530)	(6,570,649)	768,347
Differences between Expected and Actual Experience		(4,563,894)	(9,191,603)
Member Contributions	55,657	52,916	46,891
Gross Benefit Payments	(1,511,506)	(1,531,060)	(1,581,880)
Net Change in Total OPEB Liability	(5,185,496)	(7,999,595)	(5,726,011)
Total OPEB Liability - Beginning	70,443,148	65,257,652	57,258,057
Total OPEB Liability - Ending	<u>\$ 65,257,652</u>	<u>\$ 57,258,057</u>	<u>\$ 51,532,046</u>
District's Covered Employee Payroll*	\$ 6,900,935	\$ 15,015,404	\$ 15,709,695
Total OPEB Liability as a Percentage of Covered Employee Payroll	946%	381%	328%

\* - Covered payroll for the fiscal years ending June 30, 2017, 2018 and 2019 are based on the payroll on the June 30, 2016, 2017 and 2018 census data.

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 5.66% as of June 30, 2018 to 6.28% as of June 30, 2019. The municipal bond rate changed from 3.87% to 3.50%.

The inflation rate was 2.25% as of June 30, 2018. As of June 30, 2019, the inflation rate was as follows – Price – 2.75% and Wage – 3.25%. The salary increases as of June 30, 2018 were as follows: Through 2026 – 1.65% - 4.15% based on age and Thereafter – 2.65% - 5.15% based on age. The salary increases as of June 30, 2019 are as follows: Through 2026 – 2.00% - 6.00% based on years of service and Thereafter – 3.00% - 7.00% based on years of service.

The July 1, 2017 actuarial valuation utilized the following mortality rate assumptions:

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

The July 1, 2018 actuarial valuation utilized the following mortality rate assumptions:

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and a 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.



HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

B.TEACHERS' PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 4.86% as of June 30, 2018 to 5.60% as of June 30, 2019. The municipal bond rate changed from 3.87% to 3.50%. The inflation rate as of June 30, 2018 was 2.25%. The inflation rate as of June 30, 2019 was as follows: Price – 2.75% and Wage – 3.25%.

The salary increases in the July 1, 2018 valuation were as follows: Through 2026 - 1.55 – 4.45% based on years of service and thereafter - 2.75 – 5.65% based on years of service. The salary increases in the July 1, 2017 valuation were as follows: 2011-2026 – 1.55% - 4.55% and thereafter – 2% - 5.45%.

The mortality rates utilized in the July 1, 2018 valuation were as follows: Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and a 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

C. STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEB PLAN

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate for June 30, 2019 was 3.50%. The discount rate for June 30, 2018 was 3.87%, a change of -.37%.

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

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

The mortality rates in the valuation as of June 30, 2019 were based on the following:

Pre-retirement mortality rates were based on the Pub-2010 Healthy "Teachers" (TPAF/ABP), "General" (PERS), and "Safety" (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Post-retirement mortality rates were based on the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Disability mortality was based on the Pub-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019.

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

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

The health care trend rates in the valuation as of June 30, 2019 were based on the following:

For pre-Medicare medical benefits, the trend rate 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 rate for fiscal year 2020 is reflected. The assumed post-65 medical trend rate 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 rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

BUDGETARY COMPARISON SCHEDULES

HANOVER TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 26,684,387		\$ 26,684,387	\$ 26,684,387	
Tuition From Individuals	45,000		45,000	23,300	\$ (21,700)
Interest Earned on Capital Reserve Funds	10		10	5,016	5,006
Miscellaneous	175,000		175,000	182,921	7,921
<b>Total - Local Sources</b>	<b>26,904,397</b>		<b>26,904,397</b>	<b>26,895,624</b>	<b>(8,773)</b>
State Sources:					
Categorical Special Education Aid	875,677		875,677	875,677	
Categorical Transportation Aid	214,496		214,496	214,496	
Extraordinary Special Education Costs Aid	250,000		250,000	314,219	64,219
Security Aid	25,667		25,667	25,667	
Nonpublic School Transportation Costs				1,418	1,418
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				2,386,916	2,386,916
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)				42,783	42,783
TPAF Long-Term Disability Insurance (On-Behalf - Non-Budgeted)				2,034	2,034
TPAF Post Retirement (On-Behalf - Non-Budgeted)				901,374	901,374
TPAF Social Security (Reimbursed - Non-Budgeted)				862,372	862,372
<b>Total State Sources</b>	<b>1,365,840</b>		<b>1,365,840</b>	<b>5,626,956</b>	<b>4,261,116</b>
<b>TOTAL REVENUES</b>	<b>28,270,237</b>		<b>28,270,237</b>	<b>32,522,580</b>	<b>4,252,343</b>

HANOVER TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 482,142	\$ 85,381	\$ 567,523	\$ 565,353	\$ 2,170
Grades 1-5 - Salaries of Teachers	4,394,057	(111,534)	4,282,523	4,140,635	141,888
Grades 6-8 - Salaries of Teachers	2,995,748	(24,759)	2,970,989	2,963,045	7,944
Regular Programs - Home Instruction:					
Salaries of Teachers	6,000		6,000	560	5,440
Regular Programs - Undistributed Instruction:					
Purchased Professional-Educational Services	800		800	474	326
Other Purchased Services (400-500 series)	51,360		51,360	47,412	3,948
General Supplies	534,954	14,541	549,495	446,351	103,144
Textbooks	179,579	20,000	199,579	165,371	34,208
Other Objects	15,935	300	16,235	15,533	702
<b>Total Regular Programs - Instruction</b>	<b>8,660,575</b>	<b>(16,071)</b>	<b>8,644,504</b>	<b>8,344,734</b>	<b>299,770</b>
<b>Special Education - Instruction:</b>					
Multiple Disabilities:					
Salaries of Teachers	247,868	6,085	253,953	253,888	65
Other Salaries for Instruction	222,659	(18,839)	203,820	201,237	2,583
Purchased Professional-Educational Services	6,000		6,000	1,695	4,305
General Supplies	4,816		4,816	3,643	1,173
Textbooks	500		500	455	45
Other Objects	4,307		4,307	2,089	2,218
<b>Total Multiple Disabilities</b>	<b>486,150</b>	<b>(12,754)</b>	<b>473,396</b>	<b>463,007</b>	<b>10,389</b>

HANOVER TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Resource Room/Resource Center:					
Salaries of Teachers	\$ 1,290,690	\$ (3,245)	\$ 1,287,445	\$ 1,278,768	\$ 8,677
Other Salaries for Instruction	4,800		4,800	680	4,120
General Supplies	7,936		7,936	6,299	1,637
<b>Total Resource Room/Resource Center</b>	<b>1,303,426</b>	<b>(3,245)</b>	<b>1,300,181</b>	<b>1,285,747</b>	<b>14,434</b>
Autism:					
Purchased Professional-Educational Services	467,780		467,780	444,795	22,985
<b>Total Autism</b>	<b>467,780</b>		<b>467,780</b>	<b>444,795</b>	<b>22,985</b>
Preschool Disabilities - Part-Time:					
Salaries of Teachers	174,662	(800)	173,862	169,117	4,745
Other Salaries for Instruction	63,798		63,798	60,176	3,622
General Supplies	3,042		3,042	2,358	684
Other Objects	1,000		1,000	320	680
<b>Total Preschool Disabilities - Part-Time</b>	<b>242,502</b>	<b>(800)</b>	<b>241,702</b>	<b>231,971</b>	<b>9,731</b>
<b>Total Special Education - Instruction</b>	<b>2,499,858</b>	<b>(16,799)</b>	<b>2,483,059</b>	<b>2,425,520</b>	<b>57,539</b>

HANOVER TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	\$ 324,892	\$ (2,000)	\$ 322,892	\$ 322,626	\$ 266
General Supplies	8,320		8,320	1,556	6,764
<b>Total Basic Skills/Remedial - Instruction</b>	<b>333,212</b>	<b>(2,000)</b>	<b>331,212</b>	<b>324,182</b>	<b>7,030</b>
Bilingual Education - Instruction:					
Salaries of Teachers	161,262	18,800	180,062	179,562	500
Other Purchased Services (400-500 series)	485		485	78	407
General Supplies	7,139		7,139	4,489	2,650
<b>Total Bilingual Education - Instruction</b>	<b>168,886</b>	<b>18,800</b>	<b>187,686</b>	<b>184,129</b>	<b>3,557</b>
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	62,000	14,118	76,118	72,821	3,297
Supplies and Materials	5,812	(50)	5,762	3,498	2,264
<b>Total School-Sponsored Cocurricular Activities - Instruction</b>	<b>67,812</b>	<b>14,068</b>	<b>81,880</b>	<b>76,319</b>	<b>5,561</b>
School-Sponsored Athletics - Instruction:					
Salaries	49,515	725	50,240	50,240	
Purchased Services (300-500 series)	8,000		8,000	4,234	3,766
Supplies and Materials	7,910		7,910	7,850	60
Other Objects	3,425		3,425	2,729	696
<b>Total School-Sponsored Athletics - Instruction</b>	<b>68,850</b>	<b>725</b>	<b>69,575</b>	<b>65,053</b>	<b>4,522</b>
<b>Total Instruction</b>	<b>11,799,193</b>	<b>(1,277)</b>	<b>11,797,916</b>	<b>11,419,937</b>	<b>377,979</b>

HANOVER TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAS Within the State - Regular		\$ 38,816	\$ 38,816	\$ 38,816	
Tuition to Private Schools for the Handicapped - Within State			801,263	705,318	\$ 95,945
Total Instruction	801,263	38,816	840,079	744,134	95,945
Attendance & Social Work:					
Salaries	9,580	75	9,655	9,655	
Total Attendance & Social Work	9,580	75	9,655	9,655	
Health Services:					
Salaries	418,902	5,828	424,730	424,660	70
Other Purchased Professional and Technical Services	21,000		21,000	19,925	1,075
Other Purchased Services (400-500 series)	13,500		13,500	5,965	7,535
Supplies and Materials	19,626	(1,828)	17,798	14,803	2,995
Other Objects	2,720		2,720	1,885	835
Total Health Services	475,748	4,000	479,748	467,238	12,510
Speech, OT, PT and Related Services:					
Salaries of Other Professional Staff	346,866		346,866	317,743	29,123
Purchased Professional - Educational Services	490,871	(4,982)	485,889	400,274	85,615
Supplies and Materials	1,924		1,924	1,497	427
Total Speech, OT, PT and Related Services	839,661	(4,982)	834,679	719,514	115,165
Other Support Services - Students - Extra Services:					
Salaries of Other Professional Staff	500,009		500,009	495,829	4,180
Purchased Professional - Educational Services	2,000		2,000	1,184	816
Total Other Support Services - Students - Extra Services	502,009		502,009	497,013	4,996



HANOVER TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Guidance:					
Salaries of Other Professional Staff	\$ 405,955		\$ 405,955	\$ 404,850	\$ 1,105
Salaries of Secretarial and Clerical Assistants	54,095		54,095	53,818	277
Other Purchased Professional and Technical Services	56,000		56,000	45,861	10,139
Other Purchased Services (400-500 series)	600	\$ (500)	100	5	95
Supplies and Materials	4,595	1,800	6,395	4,316	2,079
<b>Total Guidance</b>	<b>521,245</b>	<b>1,300</b>	<b>522,545</b>	<b>508,850</b>	<b>13,695</b>
Child Study Team:					
Salaries of Other Professional Staff	756,004	3,194	759,198	759,104	94
Salaries of Secretarial and Clerical Assistants	81,488	543	82,031	81,884	147
Other Purchased Professional and Technical Services	14,425	4,982	19,407	19,406	1
Misc Purchased Service (400-500 series/ O/than Resid Costs)	9,115		9,115	5,201	3,914
Supplies and Materials	8,000	(543)	7,457	4,008	3,449
Other Objects	1,630		1,630	1,180	450
<b>Total Child Study Team</b>	<b>870,662</b>	<b>8,176</b>	<b>878,838</b>	<b>870,783</b>	<b>8,055</b>
Improvement of Instructional Services:					
Salaries of Supervisor of Instruction	135,191	2,978	138,169	138,169	
Salaries of Other Professional Staff	27,000	6,683	33,683	33,683	
Salaries of Secretarial and Clerical Assistants	45,817	231	46,048	46,048	
Other Purchased Professional and Technical Services	9,000		9,000	9,000	
Other Purchased Services (400-500)	1,500	(1,053)	447	447	
Supplies and Materials	1,500	(692)	808	758	50
Other Objects	3,000	(91)	2,909	2,883	26
<b>Total Improvement of Instructional Services</b>	<b>223,008</b>	<b>8,056</b>	<b>231,064</b>	<b>230,988</b>	<b>76</b>

HANOVER TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Educational Media Services/School Library:					
Salaries	\$ 244,241	\$ (32,902)	\$ 211,339	\$ 211,338	\$ 1
Salaries of Technology Coordinators	66,067	16,519	82,586	82,268	318
Supplies and Materials	37,102	(1,983)	35,119	28,975	6,144
Other Objects	35,000	570	35,570	35,570	
Total Educational Media Services/School Library	382,410	(17,796)	364,614	358,151	6,463
Instructional Staff Training Services:					
Purchased Professional - Educational Services	28,000	(1,788)	26,212	15,600	10,612
Other Purchased Services (400-500 series)	25,000	(6,834)	18,166	14,149	4,017
Supplies and Materials	1,000	1,000	2,000	1,183	817
Total Instructional Staff Training Services	54,000	(7,622)	46,378	30,932	15,446
Support Services - General Administration:					
Salaries	278,094	10,000	288,094	287,778	316
Legal Services	27,000	5,528	32,528	32,528	
Audit Fees	41,000		41,000	41,000	
Other Purchased Professional Services	4,100	90	4,190	4,190	
Purchased Technical Services	105,000	23,301	128,301	22,301	1,000
Communications/Telephone	3,000	2,415	5,415	85,996	21,419
BOE Other Purchased Services	81,500	6	81,506	2,793	213
Misc Purchased Services	1,500	13,578	15,078	92,231	2,847
General Supplies	500	(123)	377	1,152	225
BOE In-House Training/Meeting Supplies	7,000	(200)	6,800	93	407
Miscellaneous Expenditures	11,000		11,000	4,587	2,213
BOE Membership Dues & Fees				10,802	198
Total Support Services - General Administration	559,694	54,595	614,289	585,451	28,838

HANOVER TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	\$ 628,908	\$ 15,000	\$ 628,908	\$ 613,236	\$ 15,672
Salaries of Secretarial and Clerical Assistants	421,171		436,171	418,250	17,921
Other Purchased Services (400-500 series)	5,500	16,235	21,735	2,874	18,861
Supplies and Materials	3,400	9,900	13,300	1,158	12,142
Other Objects	7,050	10,100	17,150	6,733	10,417
<b>Total Support Services - School Administration</b>	<b>1,066,029</b>	<b>51,235</b>	<b>1,117,264</b>	<b>1,042,251</b>	<b>75,013</b>
Support Services - Central Services:					
Salaries	395,606	1,720	397,326	397,326	
Purchased Technical Services	41,000	7,384	48,384	43,765	4,619
Misc. Purchased Services (400-500 series)	11,500	1,716	13,216	11,901	1,315
Supplies and Materials	2,500	2,404	4,904	2,062	2,842
Other Objects	2,000		2,000	1,919	81
<b>Total Support Services - Central Services</b>	<b>452,606</b>	<b>13,224</b>	<b>465,830</b>	<b>456,973</b>	<b>8,857</b>
Support Services - Administrative Information Technology Services:					
Salaries	117,264	859	118,123	118,123	
Supplies and Materials		10,000	10,000		10,000
<b>Total Support Services - Administrative IT Services</b>	<b>117,264</b>	<b>10,859</b>	<b>128,123</b>	<b>118,123</b>	<b>10,000</b>
Required Maintenance of School Facilities:					
Salaries	291,816	22,768	314,584	312,964	1,620
Cleaning, Repair and Maintenance Services	167,326	13,575	180,901	174,864	6,037
General Supplies	34,000	5,000	39,000	28,754	10,246
<b>Total Required Maintenance of School Facilities</b>	<b>493,142</b>	<b>41,343</b>	<b>534,485</b>	<b>516,582</b>	<b>17,903</b>

HANOVER TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Custodial Services:					
Salaries	\$ 953,996	\$ (73,973)	\$ 880,023	\$ 870,770	\$ 9,253
Salaries of Non-Instructional Aides	211,294		211,294	193,309	17,985
Cleaning, Repair and Maintenance Services	23,500	22,000	45,500	36,868	8,632
Rental of Land & Building Other Than Lease Purchase Agreements	1,600		1,600	1,406	194
Other Purchased Property Services	35,000		35,000	31,318	3,682
Insurance	89,000		89,000	89,000	
Miscellaneous Purchased Services	2,000		2,000	2,000	
General Supplies	133,850	10,000	143,850	120,406	23,444
Energy (Natural Gas)	125,000		125,000	105,941	19,059
Energy (Electricity)	263,059		263,059	217,090	45,969
Energy (Gasoline)	7,500		7,500	4,363	3,137
Other Objects	15,525		15,525	13,029	2,496
Interest - Energy Savings Impr Program Bonds	36,197		36,197	36,197	
Principal - Energy Savings Improvement Program	202,921		202,921	202,921	
Total Custodial Services	<u>2,100,442</u>	<u>(41,973)</u>	<u>2,058,469</u>	<u>1,924,618</u>	<u>133,851</u>
Care and Upkeep of Grounds:					
Salaries	103,799	8,900	112,699	110,947	1,752
Cleaning, Repair and Maintenance Services	8,000	2,730	10,730	8,930	1,800
Total Care and Upkeep of Grounds	<u>111,799</u>	<u>11,630</u>	<u>123,429</u>	<u>119,877</u>	<u>3,552</u>
Security:					
Purchased Professional. and Technical Services	90,000		90,000	66,995	23,005
Total Security	<u>90,000</u>		<u>90,000</u>	<u>66,995</u>	<u>23,005</u>

HANOVER TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Student Transportation Services:					
Salaries of Non-Instructional Aides	\$ 20,000		\$ 20,000	\$ 12,734	\$ 7,266
Salaries for Pupil Transportation (Between Home and School) - Regular	502,338	\$ 17,334	519,672	519,672	
Salaries for Pupil Transportation (Between Home and School) - Special Education	102,446	(23,256)	79,190	73,121	6,069
Salaries for Pupil Transportation (Other Than Between Home and School) - Other	80,000	(10,000)	70,000	56,578	13,422
Salaries for Pupil Transportation - Non-Public Schools	10,552	5,922	16,474	16,474	
Cleaning, Repair and Maintenance Services	10,000		10,000	5,864	4,136
Contract Services ( Between Home & School)- Vendors	8,262	(1,200)	7,062	7,062	
Contracted Services (Regular Students) - ESC's		1,200	1,200	731	469
Contracted Services - Aid in Lieu Payments - Non Public Schools Students	48,000		48,000	25,068	22,932
Contracted Services - Aid in Lieu Payments - Charter School Students	2,000		2,000		2,000
Contracted Services (Special Education Students) - ESC's	130,000	21,184	151,184	123,232	27,952
Miscellaneous Purchased Services - Transportation	52,500		52,500	48,424	4,076
General Supplies	162,550		162,550	90,168	72,382
<b>Total Student Transportation Services</b>	<b>1,128,648</b>	<b>11,184</b>	<b>1,139,832</b>	<b>972,066</b>	<b>167,766</b>
Allocated Benefits - Student Transportation Services:					
Social Security Contributions	55,000		55,000	50,890	4,110
Workers Compensation	37,214		37,214	36,539	675
Health Benefits	347,500	(33,195)	314,305	293,336	20,969
<b>Total Allocated Benefits - Student Transportation Services</b>	<b>439,714</b>	<b>(33,195)</b>	<b>406,519</b>	<b>380,765</b>	<b>25,754</b>

HANOVER TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Unallocated Benefits:					
Social Security Contributions	\$ 335,000	\$ 8,000	\$ 343,000	\$ 340,650	\$ 2,350
Other Retirement Contributions - PERS	450,000		450,000	431,512	18,488
Other Retirement Contributions - Regular	26,000	4,000	30,000	27,650	2,350
Workmen's Compensation	132,609	7,983	140,592	140,592	
Health Benefits	4,558,430	(238,017)	4,320,413	4,195,265	125,148
Tuition Reimbursement	50,000		50,000	50,000	
Other Employee Benefits		50,410	50,410	50,410	
<b>Total Unallocated Benefits</b>	<b>5,552,039</b>	<b>(167,624)</b>	<b>5,384,415</b>	<b>5,236,079</b>	<b>148,336</b>
On-Behalf Contributions:					
On-behalf TPAF Pension Contributions (non-budgeted)				2,386,916	(2,386,916)
On-behalf Non-Contributory Insurance (non-budgeted)				42,783	(42,783)
On-behalf Long-Term Disability Insurance (non-budgeted)				2,034	(2,034)
On-behalf TPAF Post Retirement Contributions (non-budgeted)				901,374	(901,374)
Reimbursed TPAF Social Security Contributions (non-budgeted)				862,372	(862,372)
<b>Total On-Behalf Contributions</b>				<b>4,195,479</b>	<b>(4,195,479)</b>
<b>Total Personal Services - Employee Benefits</b>	<b>5,991,753</b>	<b>(200,819)</b>	<b>5,790,934</b>	<b>9,812,323</b>	<b>(4,021,389)</b>
<b>Total Undistributed Expenses</b>	<b>16,790,963</b>	<b>(18,699)</b>	<b>16,772,264</b>	<b>20,052,517</b>	<b>(3,280,253)</b>
<b>TOTAL CURRENT EXPENSE</b>	<b>28,590,156</b>	<b>(19,976)</b>	<b>28,570,180</b>	<b>31,472,454</b>	<b>(2,902,274)</b>

HANOVER TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Original</u>	<u>Budget</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
	<u>Budget</u>	<u>Transfers</u>	<u>Budget</u>	<u>Budget</u>	<u>Final to Actual</u>
<b>CAPITAL OUTLAY</b>					
Equipment:					
Regular Programs - Instruction:					
Grades 6-8	\$ 3,920		\$ 3,920	\$ 3,277	\$ 643
Undistributed Expenditures - Required Maintenance for School Facilities		\$ 6,594	6,594	6,594	
School Buses - Special	<u>115,600</u>		<u>115,600</u>	<u>113,505</u>	<u>2,095</u>
Total Equipment	<u>119,520</u>	<u>6,594</u>	<u>126,114</u>	<u>123,376</u>	<u>2,738</u>
Facilities Acquisition and Construction Services:					
Other Purchased Professional and Technical Services	278,741		278,741	278,141	600
Construction Services	143,000		143,000	10,720	132,280
Assessment for Debt Service on SDA Funding	<u>22,124</u>		<u>22,124</u>	<u>22,124</u>	
Total Facilities Acquisition and Construction Services	<u>443,865</u>		<u>443,865</u>	<u>310,985</u>	<u>132,880</u>
<b>TOTAL CAPITAL OUTLAY</b>	<u>563,385</u>	<u>6,594</u>	<u>569,979</u>	<u>434,361</u>	<u>135,618</u>
Transfer of Funds to Charter Schools	<u>52,746</u>		<u>52,746</u>	<u>52,746</u>	
<b>TOTAL EXPENDITURES</b>	<u>29,206,287</u>	<u>(13,382)</u>	<u>29,192,905</u>	<u>31,959,561</u>	<u>(2,766,656)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(936,050)</u>	<u>13,382</u>	<u>(922,668)</u>	<u>563,019</u>	<u>1,485,687</u>

HANOVER TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Other Financing Uses:					
Transfer Out:					
Board Contribution:					
Food Service Enterprise Fund	\$	(13,382)	\$ (13,382)	\$ (13,382)	
Total Other Financing/Sources		(13,382)	(13,382)	(13,382)	
Excess/(Deficiency) of Revenues	\$ (936,050)		(936,050)	549,637	\$ 1,485,687
Over/(Under) Expenditures and Other Financing Uses					
Fund Balance, July 1	2,158,870		2,158,870	2,158,870	
Fund Balance, June 30	\$ 1,222,820	\$ -0-	\$ 1,222,820	\$ 2,708,507	\$ 1,485,687
<u>Recapitulation:</u>					
Restricted:				\$	
Capital Reserve				1,123,848	
Emergency Reserve				200,000	
Excess Surplus				248,992	
Assigned:					
Year-End Encumbrances				114,748	
Designated for Subsequent Year's Expenditures				400,000	
Unassigned				620,919	
				2,708,507	
Reconciliation to Governmental Funds Statements (GAAP):					
June State Aid Payments not recognized on GAAP Basis				(109,371)	
Fund Balance per Governmental Funds (GAAP)				\$ 2,599,136	



HANOVER TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
State Sources	\$ 55,422	\$ (2,122)	\$ 53,300	\$ 37,423	\$ (15,877)
Federal Sources	294,741	154,779	449,520	416,652	(32,868)
<b>Total Revenues</b>	<b>350,163</b>	<b>152,657</b>	<b>502,820</b>	<b>454,075</b>	<b>(48,745)</b>
<b>EXPENDITURES:</b>					
Instruction					
Other Purchased Services	270,418	71,283	341,701	341,701	
General Supplies	1,745	32,715	34,460	32,742	1,718
Textbooks	2,588	258	2,846	2,603	243
<b>Total Instruction</b>	<b>274,751</b>	<b>104,256</b>	<b>379,007</b>	<b>377,046</b>	<b>1,961</b>
Support Services					
Purchased Professional - Educational Services	4,700	19,467	24,167	16,742	7,425
Other Purchased Services	63,444	28,102	91,546	52,203	39,343
<b>Total Support Services</b>	<b>68,144</b>	<b>47,569</b>	<b>115,713</b>	<b>68,945</b>	<b>46,768</b>
Facilities Acquisition and Construction Services:					
Non Instructional Equipment	7,268	832	8,100	8,084	16
<b>Total Facilities Acquisition and Construction Services</b>	<b>7,268</b>	<b>832</b>	<b>8,100</b>	<b>8,084</b>	<b>16</b>
<b>Total Expenditures</b>	<b>350,163</b>	<b>152,657</b>	<b>502,820</b>	<b>454,075</b>	<b>48,745</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>

HANOVER TOWNSHIP SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 32,522,580	\$ 454,075
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not		(3,972)
Prior Year State Aid Payments Not Recognized for Budgetary Purposes, Recognized for GAAP Statements	100,893	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(109,371)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 32,514,102	\$ 450,103
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 31,959,561	\$ 454,075
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		(3,972)
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 31,959,561	\$ 450,103

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budget for the fiscal year ended June 30, 2020 was submitted to the County office and was approved by a vote by the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)l. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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

SCHOOL LEVEL SCHEDULES  
(NOT APPLICABLE)

SPECIAL REVENUE FUND

HANOVER TOWNSHIP SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Elementary and Secondary Education Act Title IA	CARES Act	IDEA Part B Basic Regular	IDEA Part B Preschool	Nonpublic Nursing	Nonpublic Security	Nonpublic Technology Initiative
REVENUE:							
State Sources	\$ 27,400	\$ 21,522	\$ 349,257	\$ 18,473	\$ 5,238	\$ 8,084	\$ 1,933
Federal Sources	27,400	21,522	349,257	18,473	5,238	8,084	1,933
Total Revenue							
EXPENDITURES:							
Instruction:							
Other Purchased Services			323,228	18,473			1,933
General Supplies		21,522	9,287				
Textbooks							
Total Instruction		21,522	332,515	18,473			1,933
Support Services:							
Purchased Professional - Educational Services	27,400		16,742		5,238		
Other Purchased Services							
Total Support Services	27,400		16,742		5,238		
Facilities Acquisition and Construction Services:							
Non Instructional Equipment						8,084	
Total Facilities Acquisition and Construction Services						8,084	
Total Expenditures	\$ 27,400	\$ 21,522	\$ 349,257	\$ 18,473	\$ 5,238	\$ 8,084	\$ 1,933

HANOVER TOWNSHIP SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

	Nonpublic Textbook	Nonpublic Auxiliary Services		Nonpublic Handicapped Services			Totals June 30, 2020
		Compensatory Education	English as a Second Language	Examination & Classification	Supplemental Instruction	Corrective Speech	
REVENUE:							
State Sources	\$ 2,603	\$ 10,224	\$ 497	\$ 4,644	\$ 2,833	\$ 1,367	\$ 37,423
Federal Sources							416,652
Total Revenue	2,603	10,224	497	4,644	2,833	1,367	454,075
EXPENDITURES:							
Instruction:							
Other Purchased Services							341,701
General Supplies	2,603						32,742
Textbooks							2,603
Total Instruction	2,603						377,046
Support Services:							
Purchased Professional - Educational Services		10,224	497	4,644	2,833	1,367	16,742
Other Purchased Services							52,203
Total Support Services		10,224	497	4,644	2,833	1,367	68,945
Facilities Acquisition and Construction Services:							
Non Instructional Equipment							8,084
Total Facilities Acquisition and Construction Services							8,084
Total Expenditures	\$ 2,603	\$ 10,224	\$ 497	\$ 4,644	\$ 2,833	\$ 1,367	\$ 454,075

CAPITAL PROJECTS FUND  
NOT APPLICABLE

PROPRIETARY FUNDS



HANOVER TOWNSHIP SCHOOL DISTRICT  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Non-Major Fund	Major Fund	Total
	Milk Service	School Age Child Care	
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 3,445	\$ 582,203	\$ 585,648
Accounts Receivable:			
Other		3,298	3,298
Interfund Receivable	4,156		4,156
Total Current Assets	7,601	585,501	593,102
Total Assets	7,601	585,501	593,102
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts Payable - Vendors	4,862		4,862
Total Current Liabilities	4,862		4,862
<b>NET POSITION:</b>			
Unrestricted	2,739	585,501	588,240
Total Net Position	\$ 2,739	\$ 585,501	\$ 588,240

HANOVER TOWNSHIP SCHOOL DISTRICT  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN FUND NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Non-Major Fund Milk Service</u>	<u>Major Fund School Age Child Care</u>	<u>Total</u>
Operating Revenue:			
Local Sources:			
Daily Sales - Reimbursable Programs:			
Special Milk Program	\$ 8,787		\$ 8,787
Child Care Fees		\$ 745,983	745,983
Total Operating Revenue	<u>8,787</u>	<u>745,983</u>	<u>754,770</u>
Operating Expenses:			
Cost of Sales - Reimbursable Programs	30,435		30,435
Salaries		523,921	523,921
Benefits and Taxes		207,171	207,171
Purchased Services		132,814	132,814
Supplies/Field Trips/Travel		44,329	44,329
Memberships		64,514	64,514
Other		26,221	26,221
Total Operating Expenses	<u>30,435</u>	<u>998,970</u>	<u>1,029,405</u>
Operating (Loss)	<u>(21,648)</u>	<u>(252,987)</u>	<u>(274,635)</u>
Non-Operating Revenue:			
Local Sources:			
Interest Revenue		3,516	3,516
Federal Sources:			
Special Milk Program	5,547		5,547
Total Non-Operating Revenue	<u>5,547</u>	<u>3,516</u>	<u>9,063</u>
Change in Net Position Before Transfers	(16,101)	(249,471)	(265,572)
Transfer in - General Fund	<u>13,382</u>		<u>13,382</u>
Change in Net Position	(2,719)	(249,471)	(252,190)
Net Position - Beginning of Year	<u>5,458</u>	<u>834,972</u>	<u>840,430</u>
Net Position - End of Year	<u>\$ 2,739</u>	<u>\$ 585,501</u>	<u>\$ 588,240</u>

HANOVER TOWNSHIP SCHOOL DISTRICT  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Non-Major Fund <u>Milk Service</u>	Major Fund <u>School Age Child Care</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 8,787	\$ 742,851	\$ 751,638
Payments to Employees	(6,200)	(523,921)	(530,121)
Payments for Employee Benefits		(207,171)	(207,171)
Payments to Suppliers	(27,303)	(476,928)	(504,231)
Net Cash Provided by/(Used for) Operating Activities	<u>(24,716)</u>	<u>(465,169)</u>	<u>(489,885)</u>
Cash Flows from Noncapital Financing Activities:			
Cash Received from General Fund	9,226		9,226
Cash Received from Federal Reimbursements	6,264		6,264
Net Cash Provided by Noncapital Financing Activities	<u>15,490</u>		<u>15,490</u>
Cash Flows from Investing Activities:			
Interest on Investments		3,516	3,516
Net Cash Provided by Investing Activities		<u>3,516</u>	<u>3,516</u>
Net Decrease in Cash and Cash Equivalents	(9,226)	(461,653)	(470,879)
Cash and Cash Equivalents, July 1	<u>12,671</u>	<u>1,043,856</u>	<u>1,056,527</u>
Cash and Cash Equivalents, June 30	<u>\$ 3,445</u>	<u>\$ 582,203</u>	<u>\$ 585,648</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by/(Used for) Operating Activities:			
Operating Income (Loss)	\$ (21,648)	\$ (252,987)	\$ (274,635)
Adjustment to Reconcile Operating Income (Loss) to Cash Provided by/(Used for) Operating Activities:			
Changes in Assets and Liabilities:			
(Increase) in Other Accounts Receivable		(3,132)	(3,132)
(Decrease) in Interfunds Payable	(6,200)		(6,200)
Increase/(Decrease) in Accounts Payable	3,132	(318)	2,814
(Decrease) in Unearned Revenue		(208,732)	(208,732)
Net Cash Provided by/(Used for) Operating Activities	<u>\$ (24,716)</u>	<u>\$ (465,169)</u>	<u>\$ (489,885)</u>

FIDUCIARY FUNDS

HANOVER TOWNSHIP SCHOOL DISTRICT  
FIDUCIARY FUND  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2020

	<u>Agency</u>			<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>	<u>Flexible Spending Trust</u>
	<u>Student Activity</u>	<u>Payroll</u>	<u>Totals</u>			
<b>ASSETS:</b>						
Cash and Cash Equivalents	\$ 85,121	\$ 39,346	\$ 124,467	\$ 185,858	\$ 9,346	\$ 2,517
Interfund Receivable		749,991	749,991			
<b>Total Assets</b>	<b><u>\$ 85,121</u></b>	<b><u>\$ 789,337</u></b>	<b><u>\$ 874,458</u></b>	<b><u>\$ 185,858</u></b>	<b><u>\$ 9,346</u></b>	<b><u>\$ 2,517</u></b>
<b>LIABILITIES:</b>						
Due to Student Groups	\$ 85,121		\$ 85,121			
Accrued Salaries and Wages		\$ 749,991	749,991			
Payroll Deductions and Withholdings		39,346	39,346			
<b>Total Liabilities</b>	<b><u>85,121</u></b>	<b><u>789,337</u></b>	<b><u>874,458</u></b>			
<b>NET POSITION:</b>						
Restricted for Scholarships					\$ 9,346	
Held in Trust for:						
Unemployment Claims				\$ 185,858		
Flexible Spending Claims						\$ 2,517
<b>Total Net Position</b>	<b><u>\$ -0-</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ 185,858</u></b>	<b><u>\$ 9,346</u></b>	<b><u>\$ 2,517</u></b>

HANOVER TOWNSHIP SCHOOL DISTRICT  
FIDUCIARY FUND  
COMBINING STATEMENT OF CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>	<u>Flexible Spending Trust</u>	<u>Totals</u>
ADDITIONS:				
Contributions:				
Plan members	\$ 41,123		\$ 30,289	\$ 71,412
Total Contributions	41,123		30,289	71,412
Investment Earnings:				
Interest	1,261	\$ 61		1,322
Net Investment Earnings	1,261	61		1,322
Total Additions	42,384	61	30,289	72,734
DEDUCTIONS:				
Quarterly Contribution Reports	47,330			47,330
Scholarships Awarded		200		200
Flexible Spending Claims			41,823	41,823
Total Deductions	47,330	200	41,823	89,353
Change in Net Position	(4,946)	(139)	(11,534)	(16,619)
Net Position - Beginning of the Year	190,804	9,485	14,051	214,340
Net Position - End of the Year	<u>\$ 185,858</u>	<u>\$ 9,346</u>	<u>\$ 2,517</u>	<u>\$ 197,721</u>

HANOVER TOWNSHIP SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 91,434	\$ 72,230	\$ 78,543	\$ 85,121
Total Assets	<u>\$ 91,434</u>	<u>\$ 72,230</u>	<u>\$ 78,543</u>	<u>\$ 85,121</u>
 <u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	\$ 91,434	\$ 72,230	78,543	\$ 85,121
Total Liabilities	<u>\$ 91,434</u>	<u>\$ 72,230</u>	<u>\$ 78,543</u>	<u>\$ 85,121</u>

HANOVER TOWNSHIP SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
STATEMENT OF ACTIVITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Balance</u> <u>July 1, 2019</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2020</u>
Elementary Schools:				
Bee Meadow	\$ 9,352	\$ 1,939	\$ 1,606	\$ 9,685
Mountview	31,307	3,531	3,132	31,706
Salem Drive	2,928	6,255	3,003	6,180
Total Elementary Schools	<u>43,587</u>	<u>11,725</u>	<u>7,741</u>	<u>47,571</u>
Middle School:				
Memorial	<u>47,847</u>	<u>60,505</u>	<u>70,802</u>	<u>37,550</u>
Total Middle School	<u>47,847</u>	<u>60,505</u>	<u>70,802</u>	<u>37,550</u>
Total All Schools	<u>\$ 91,434</u>	<u>\$ 72,230</u>	<u>\$ 78,543</u>	<u>\$ 85,121</u>



HANOVER TOWNSHIP SCHOOL DISTRICT  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 34,432	\$ 19,387,679	\$ 19,382,765	\$ 39,346
Interfund Receivable	750,472	749,991	750,472	749,991
Total Assets	<u>\$ 784,904</u>	<u>\$ 20,137,670</u>	<u>\$ 20,133,237</u>	<u>\$ 789,337</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 34,432	\$ 19,387,679	\$ 19,382,765	\$ 39,346
Accrued Salaries and Wages	750,472	749,991	750,472	749,991
Total Liabilities	<u>\$ 784,904</u>	<u>\$ 20,137,670</u>	<u>\$ 20,133,237</u>	<u>\$ 789,337</u>

LONG-TERM DEBT

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds			Interest Rate	Balance June 30, 2019	Matured	Balance June 30, 2020
			Date	June 30, 2020	Amount				
School Refunding Bonds	11/2/2010	\$ 2,970,000	01/15/21-22	\$ 300,000		4.00%	\$ 905,000	\$ 305,000	\$ 600,000
							\$ 905,000	\$ 305,000	\$ 600,000

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

<u>Item</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance June 30, 2019</u>	<u>Matured</u>	<u>Balance June 30, 2020</u>
Technology Upgrades	1.85%	\$ 231,491	\$ 19,785	\$ 19,785	
Energy Savings	2.12%	2,865,552	<u>1,750,347</u>	<u>202,921</u>	<u>\$ 1,547,426</u>
			<u>\$ 1,770,132</u>	<u>\$ 222,706</u>	<u>\$ 1,547,426</u>

HANOVER TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUE:					
Local Sources:					
Local Tax Levy	\$ 341,200		\$ 341,200	\$ 341,200	
Total Revenue	341,200		341,200	341,200	
EXPENDITURES:					
Regular Debt Service:					
Interest	36,200		36,200	36,200	
Redemption of Principal	305,000		305,000	305,000	
Total Regular Debt Service	341,200		341,200	341,200	
Total Expenditures	341,200		341,200	341,200	
Deficiency of Revenue Under Expenditures					
Fund Balance, July 1					
Fund Balance, June 30	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

**STATISTICAL SECTION**  
(UNAUDITED)

This part of the District’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the District’s overall financial health.

**Contents**

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

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

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

	June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental Activities:										
Net Investment in Capital Assets	\$ 12,430,565	\$ 12,783,499	\$ 11,146,934	\$ 13,346,166	\$ 14,081,901	\$ 14,012,558	\$ 14,096,888	\$ 13,888,447	\$ 13,724,882	\$ 13,649,885
Restricted	908,005	1,174,834	3,077,900	564,241	347,380	448,975	401,835	682,945	787,552	1,572,840
Unrestricted/(Deficit)	69,543	337,158	372,978	(9,371,663)	(10,192,430)	(10,060,799)	(11,090,460)	(11,449,388)	(11,228,619)	(11,299,550)
Total Governmental Activities Net Position	\$ 13,408,113	\$ 14,295,491	\$ 14,597,812	\$ 4,538,744	\$ 4,236,851	\$ 4,400,734	\$ 3,408,263	\$ 3,122,004	\$ 3,283,815	\$ 3,923,175
Business-Type Activities:										
Unrestricted	\$ 142,992	\$ 217,132	\$ 289,821	\$ 384,435	\$ 477,442	\$ 596,447	\$ 661,507	\$ 765,172	\$ 840,430	\$ 588,240
Total Business-Type Activities Net Position	\$ 142,992	\$ 217,132	\$ 289,821	\$ 384,435	\$ 477,442	\$ 596,447	\$ 661,507	\$ 765,172	\$ 840,430	\$ 588,240
District-Wide:										
Net Investment in Capital Assets	\$ 12,430,565	\$ 12,783,499	\$ 11,146,934	\$ 13,346,166	\$ 14,081,901	\$ 14,012,558	\$ 14,096,888	\$ 13,888,447	\$ 13,724,882	\$ 13,649,885
Restricted	908,005	1,174,834	3,077,900	564,241	347,380	448,975	401,835	682,945	787,552	1,572,840
Unrestricted/(Deficit)	212,535	554,290	662,799	(8,987,228)	(9,714,988)	(9,464,352)	(10,428,953)	(10,684,216)	(10,388,189)	(10,711,310)
Total District Net Position	\$ 13,551,105	\$ 14,512,623	\$ 14,887,633	\$ 4,923,179	\$ 4,714,293	\$ 4,997,181	\$ 4,069,770	\$ 3,887,176	\$ 4,124,245	\$ 4,511,415

Source: School District Financial Reports

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

	Fiscal Year Ending June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Expenses:</b>										
Governmental Activities:										
Instruction:										
Regular	\$ 11,625,678	\$ 11,732,694	\$ 12,358,797	\$ 12,285,458	\$ 13,653,591	\$ 14,777,730	\$ 16,387,022	\$ 17,960,884	\$ 16,605,303	\$ 15,421,283
Special Education	2,356,644	2,383,792	2,242,404	2,861,786	3,915,308	4,143,667	4,520,561	4,685,420	4,551,559	4,463,397
Other Special Instruction	294,577	299,431	350,893	390,574	608,597	725,467	849,600	974,242	897,287	929,988
Other Instruction	126,103	127,635	135,330	144,762	207,807	230,730	268,722	297,403	270,432	267,921
Support Services:										
Tuition	152,135	94,216	280,756	614,542	653,357	624,151	729,894	754,586	722,231	744,134
Student and Instruction Related Services	3,703,937	3,719,667	3,869,769	3,682,481	4,064,379	4,211,188	4,784,042	4,617,913	4,739,950	4,884,271
School Administrative Services	1,163,207	1,202,777	1,236,068	1,227,091	1,614,400	1,699,971	1,750,859	1,094,246	635,617	677,838
General Administrative Services	535,400	558,532	537,407	573,787	621,811	556,855	1,750,859	1,943,898	2,046,175	1,912,340
Plant Operations and Maintenance	2,435,686	2,461,558	2,463,388	2,582,194	2,922,902	2,833,742	3,099,103	2,827,410	3,003,094	2,903,290
Pupil Transportation	1,122,002	1,143,092	1,166,369	1,364,055	1,390,033	1,383,555	1,792,139	1,393,017	1,493,196	1,457,769
Central Services and Admin Info Tech	621,950	638,917	688,411	679,070	771,494	795,474	869,827	322,467	751,442	763,882
Charter Schools	40,748	45,600	51,574	120,605	125,235	142,452	97,287	63,299	94,593	52,746
Capital Outlay					22,330	25,892	22,124	22,124	39,621	28,618
Interest on Long-Term Debt	116,669	122,113	102,513	94,737	86,431	77,676	67,208	55,008	42,809	30,608
Unallocated Benefits								389,657		
Total Governmental Activities Expenses	24,294,736	24,530,024	25,483,679	26,621,142	30,659,675	32,228,550	35,880,020	37,401,574	35,893,309	34,538,085
Business-Type Activities:										
Enterprise Funds	832,740	863,854	890,818	942,290	995,976	948,571	1,092,843	999,798	998,414	1,029,405
Total Business-Type Activities Expense	832,740	863,854	890,818	942,290	995,976	948,571	1,092,843	999,798	998,414	1,029,405
Total District Expenses	\$ 25,127,476	\$ 25,393,878	\$ 26,374,497	\$ 27,563,432	\$ 31,655,651	\$ 33,177,121	\$ 36,972,863	\$ 38,401,372	\$ 36,891,723	\$ 35,567,490
<b>Program Revenues:</b>										
Governmental Activities:										
Charges for Services:										
Instruction (tuition)										
Operating Grants and Contributions	\$ 2,389,744	\$ 2,883,780	\$ 3,576,649	\$ 3,284,389	\$ 6,053,224	\$ 7,109,627	\$ 9,379,277	\$ 10,971,490	\$ 8,858,968	\$ 7,614,121
Capital Grants and Contributions	165,652	119,797								
Total Governmental Activities Program Revenues	2,555,396	3,003,577	3,576,649	3,284,389	6,053,224	7,109,627	9,379,277	10,971,490	8,891,868	7,637,421
Business-Type Activities:										
Charges for Services:										
Enterprise Funds	830,545	922,001	969,161	1,022,570	1,074,636	1,055,402	1,146,457	1,091,374	1,062,151	754,770
Operating Grants and Contributions	15,116	15,841	14,150	14,104	14,175	12,102	11,366	11,668	8,871	5,547
Total Business-Type Activities Program Revenues	845,661	937,842	983,311	1,036,674	1,088,811	1,067,504	1,157,823	1,103,042	1,071,022	760,317
Total District Program Revenues	\$ 3,401,057	\$ 3,941,419	\$ 4,559,960	\$ 4,321,063	\$ 7,142,035	\$ 8,177,131	\$ 10,537,100	\$ 12,074,532	\$ 9,962,890	\$ 8,397,738



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

	Fiscal Year Ending June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net (Expense)/Revenue:										
Governmental Activities	\$ (21,739,340)	\$ (21,526,447)	\$ (21,907,030)	\$ (23,336,753)	\$ (24,606,451)	\$ (25,118,923)	\$ (26,500,743)	\$ (26,430,084)	\$ (27,001,441)	\$ (26,900,664)
Business-Type Activities	12,921	73,988	92,493	94,384	92,835	118,933	64,980	103,244	72,608	(269,088)
Total District-Wide Net Expense	\$ (21,726,419)	\$ (21,452,459)	\$ (21,814,537)	\$ (23,242,369)	\$ (24,513,616)	\$ (24,999,990)	\$ (26,435,763)	\$ (26,326,840)	\$ (26,928,833)	\$ (27,169,752)
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 21,155,846	\$ 21,265,275	\$ 21,415,620	\$ 21,943,932	\$ 23,216,270	\$ 23,973,068	\$ 24,452,429	\$ 25,189,021	\$ 26,161,164	\$ 26,684,387
Taxes Levied for Debt Service	760,708	730,685	325,968	368,450	375,094	381,701	377,792	365,600	353,400	341,200
Federal and State Aid Not Restricted	133,427	206,995	222,668	332,392	371,656	480,397	362,255	364,902	404,763	339,882
Investment Earnings	6,912	6,647	7,419	6,910	4,339	2,821	20	636	35,104	30,975
Miscellaneous Income	243,025	204,223	276,637	316,480	337,199	444,818	315,676	223,666	208,821	156,962
Transfers	24,511		20,000							(13,382)
Total Governmental Activities	22,324,429	22,413,825	22,268,312	22,968,164	24,304,558	25,282,805	25,508,172	26,143,825	27,163,252	27,540,024
Business-Type Activities:										
Investment Earnings	163	152	196	230	172	72	80	421	2,650	3,516
Transfers	(24,511)		(20,000)							13,382
Total Business-Type Activities	(24,348)	152	(19,804)	230	172	72	80	421	2,650	16,898
Total District-Wide	\$ 22,300,081	\$ 22,413,977	\$ 22,248,508	\$ 22,968,394	\$ 24,304,730	\$ 25,282,877	\$ 25,508,252	\$ 26,144,246	\$ 27,165,902	\$ 27,556,922
Change in Net Position:										
Governmental Activities	\$ 585,089	\$ 887,378	\$ 361,282	\$ (368,589)	\$ (301,893)	\$ 163,882	\$ (992,571)	\$ (286,259)	\$ 161,811	\$ 639,360
Business-Type Activities	(11,427)	74,140	72,689	94,614	93,007	119,005	65,060	103,665	75,258	(252,190)
Total District	\$ 573,662	\$ 961,518	\$ 433,971	\$ (273,975)	\$ (208,886)	\$ 282,887	\$ (927,511)	\$ (182,594)	\$ 237,069	\$ 387,170

Source: School District Financial Reports

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

	June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>General Fund:</b>										
Restricted	\$ 703,967	\$ 1,144,852	\$ 763,891	\$ 563,886	\$ 347,273	\$ 441,050	\$ 401,835	\$ 682,945	\$ 787,552	\$ 1,572,840
Assigned	495,943	660,608	751,703	846,666	442,492	576,774	569,697	567,869	683,060	514,748
Unassigned	459,189	500,527	512,168	418,896	425,728	430,612	440,929	481,938	587,365	511,548
<b>Total General Fund</b>	<b>\$ 1,659,099</b>	<b>\$ 2,305,987</b>	<b>\$ 2,027,762</b>	<b>\$ 1,829,448</b>	<b>\$ 1,215,493</b>	<b>\$ 1,448,436</b>	<b>\$ 1,412,461</b>	<b>\$ 1,732,752</b>	<b>\$ 2,057,977</b>	<b>\$ 2,599,136</b>
<b>All Other Governmental Funds:</b>										
Restricted for:										
Debt Service Fund	\$ 30,087	\$ 29,982	\$ 256	\$ 355	\$ 107	\$ 8				
Committed for:										
Capital Projects Fund	289,920		2,313,753							
Unassigned for/(Deficit):										
Capital Projects Fund	(115,969)				(125,469)	7,917				
<b>Total All Other Governmental Funds/(Deficit)</b>	<b>\$ 204,038</b>	<b>\$ 29,982</b>	<b>\$ 2,314,009</b>	<b>\$ 355</b>	<b>\$ (125,362)</b>	<b>\$ 7,925</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>

Source: School District Financial Reports

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

	Fiscal Year Ending June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Revenues:</b>										
Tax Levy	\$21,916,554	\$ 21,995,960	\$21,741,588	\$22,312,382	\$23,591,364	\$24,354,769	\$24,830,321	\$25,554,621	\$26,514,564	\$ 27,025,587
Tuition Charges									32,900	23,300
Interest Earned on Investments	6,303	6,315	6,999	6,548	4,251	2,805			5,444	29,959
Interest Earned on Capital Reserve Funds	609	332	420	362	88	16	20	636		5,016
Miscellaneous	243,025	204,223	276,637	328,938	337,241	444,818	315,676	223,666	238,481	152,962
State Sources	2,249,970	2,835,511	3,415,498	3,237,489	3,516,719	4,032,232	4,306,060	4,794,370	5,520,336	5,655,901
Federal Sources	438,853	375,061	383,819	366,834	361,282	352,837	359,861	353,832	312,175	412,680
<b>Total Revenue</b>	<b>24,855,314</b>	<b>25,417,402</b>	<b>25,824,961</b>	<b>26,252,553</b>	<b>27,810,945</b>	<b>29,187,477</b>	<b>29,811,938</b>	<b>30,927,125</b>	<b>32,623,900</b>	<b>33,305,405</b>
<b>Expenditures:</b>										
<b>Instruction:</b>										
Regular Instruction	7,617,349	7,360,487	7,477,493	7,569,926	7,714,690	7,966,561	7,870,668	8,451,877	8,551,246	8,349,270
Special Education Instruction	1,928,497	1,959,809	1,819,485	2,400,176	2,608,191	2,660,979	2,695,772	2,297,164	2,670,948	2,793,250
Other Special Instruction	233,231	238,117	276,104	307,438	344,732	390,087	406,425	433,129	456,644	508,311
Other Instruction	92,864	95,343	101,032	104,405	112,784	121,112	126,226	130,149	135,749	141,372
Support Services:							729,894			
Tuition	152,135	94,216	280,756	614,542	655,357	624,151	3,351,768	714,898	722,231	744,134
Student and Instruction Related Services	3,017,996	3,059,956	3,240,573	2,970,649	3,094,123	3,175,946	4,979,920	3,441,030	3,580,429	3,762,877
General Administrative Services	473,656	490,708	466,590	500,365	509,210	501,060	967,669	530,061	533,914	585,451
School Administrative Services	912,185	951,970	963,973	951,456	1,004,475	1,019,700	1,427,289	1,008,933	1,037,248	1,042,251
Central Services	382,365	383,523	399,650	397,930	405,274	434,803	167,525	445,724	437,151	456,973
Administrative Information Technology Services	123,566	128,776	144,391	147,741	157,146	161,860	2,620,524	1,111,614	114,683	118,123
Plant Operations and Maintenance	2,091,263	2,073,443	2,109,201	2,361,938	2,527,468	2,447,138	1,001,170	2,507,557	2,670,425	2,628,072
Pupil Transportation	1,077,072	1,096,727	1,106,603	1,294,064	1,308,861	1,277,644	8,035,817	1,009,986	1,014,839	972,066
Unallocated Benefits	5,407,400	5,773,954	6,334,308	6,110,250	6,528,885	7,138,111	97,287	8,871,362	9,619,380	9,812,323
Charter Schools	40,748	45,600	51,574	120,605	125,235	142,452	142,452	63,299	94,593	52,746
Debt Service:										
Principal	595,000	595,000	250,000	270,000	285,000	300,000	305,000	305,000	305,000	305,000
Interest and Other Charges	142,783	135,790	105,950	98,450	90,350	81,800	72,800	60,600	48,400	36,200
Capital Outlay	552,089	530,020	1,577,028	2,544,566	1,078,836	581,099	713,575	224,451	305,795	442,445
<b>Total Expenditures</b>	<b>24,840,199</b>	<b>25,013,439</b>	<b>26,704,711</b>	<b>28,764,521</b>	<b>28,550,617</b>	<b>29,024,503</b>	<b>30,229,781</b>	<b>30,606,834</b>	<b>32,298,675</b>	<b>32,750,864</b>

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

	Fiscal Year Ending June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 15,115	\$ 403,963	\$ (879,750)	\$ (2,511,968)	\$ (739,672)	\$ 162,974	\$ (417,843)	\$ 320,291	\$ 325,225	\$ 554,541
Other Financing Sources (Uses)			2,865,552			203,256	231,491			
Lease Purchase Proceeds	93,702	68,869								
Capital Leases (Non-budgeted)	422,431	5,741	739,031	77,701	310,998		7,917			
Transfers In	(397,920)	(5,741)	(719,031)	(77,701)	(310,998)		(7,917)			(13,382)
Transfers Out	118,213	68,869	2,885,552			203,256	231,491			(13,382)
Total Other Financing Sources (Uses)	\$ 133,328	\$ 472,832	\$ 2,005,802	\$ (2,511,968)	\$ (739,672)	\$ 366,230	\$ (186,352)	\$ 320,291	\$ 325,225	\$ 541,159
Net Change in Fund Balances	3.04%	2.98%	1.42%	1.41%	1.37%	1.34%	1.28%	1.20%	1.10%	1.06%
Debt Service as a Percentage of Noncapital Expenditures										

Source: School District Financial Reports

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

<u>Fiscal Year Ending June 30,</u>	<u>Interest on Investments</u>	<u>Tuition</u>	<u>Rentals - Use of Facilities</u>	<u>Prior Year Refunds</u>	<u>Miscellaneous</u>	<u>Total</u>
2011	\$ 6,912		\$ 50	\$ 73,705	\$ 169,270	\$ 249,937
2012	6,647			52,083	152,140	210,870
2013	7,060			58,790	162,847	228,697
2014	6,811			146,921	157,559	311,291
2015	4,331			132,867	204,332	341,530
2016	2,821			155,279	286,718	444,818
2017	2,496			14,407	298,793	315,696
2018	6,940			80,529	136,197	223,666
2019	35,104	\$ 32,900		100,025	108,796	276,825
2020	30,975	23,300		86,489	70,473	211,237

Source: School District Records

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

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Tax-Exempt Property	Public Utilities <sup>a</sup>	Net Valuation Taxable	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
2010	\$ 65,676,800	\$ 1,153,279,300	\$ 368,300	\$ 7,600	\$ 524,527,300	\$ 214,138,200	\$ 28,868,800	\$ 1,986,866,300	\$ 271,947,500	\$ 11,175,509	\$ 1,998,041,809	\$ 1.06	\$ 4,166,464,286
2011	47,974,300	1,176,198,450	368,300	7,600	489,126,600	221,082,600	28,868,800	1,963,626,650	271,672,800	10,542,510	1,974,169,160	1.63	4,115,149,057
2012 <sup>c</sup>	78,048,900	2,054,726,800	433,000	5,900	871,536,400	412,981,600	56,721,600	3,474,454,200	376,741,000	21,415,187	3,495,869,387	0.63	3,957,980,829
2013	94,503,500	2,055,323,600	433,000	5,900	873,200,300	408,758,900	56,721,600	3,488,946,800	366,341,800		3,488,946,800	0.64	3,889,698,033
2014	80,697,600	2,080,627,400	433,000	5,900	996,669,100	433,662,200	57,634,600	3,649,729,800	375,167,100		3,649,729,800	0.65	3,841,012,208
2015	73,645,700	2,101,021,300	433,000	5,900	1,016,994,300	429,302,700	75,960,100	3,697,363,000	375,229,600		3,697,363,000	0.66	3,891,141,865
2016	75,035,800	2,106,119,300	433,000	5,900	983,192,400	425,684,100	84,700,100	3,675,170,600	372,465,700		3,675,170,600	0.68	4,093,380,765
2017	74,177,300	2,124,601,600	441,800	5,900	1,034,213,600	422,412,500	84,734,600	3,740,587,300	372,788,000		3,740,587,300	0.68	4,226,174,783
2018	58,906,700	2,121,024,700	441,800	5,900	1,081,238,100	410,507,800	91,543,400	3,763,668,400	373,380,000		3,773,668,400	0.69	4,338,309,152
2019	56,232,200	2,143,494,800	441,800	5,900	1,073,553,300	405,775,400	91,510,400	3,771,013,800	374,390,800		3,771,013,800	0.71	4,225,423,719

Source: Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

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

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

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

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

Year Ended December 31,	Hanover Township School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	Total Direct	Hanover Township	Hanover Park Regional High School	Morris County	
2010	\$ 1.02	\$ 0.04	\$ 1.06	\$ 0.72	\$ 0.50	\$ 0.48	\$ 2.76
2011	1.58	0.05	1.63	0.75	0.52	0.49	3.39
2012 <sup>c</sup>	0.62	0.01	0.63	0.43	0.30	0.27	1.63
2013	0.63	0.01	0.64	0.44	0.30	0.28	1.66
2014	0.64	0.01	0.65	0.43	0.30	0.26	1.64
2015	0.65	0.01	0.66	0.44	0.32	0.26	1.68
2016	0.67	0.01	0.68	0.43	0.33	0.44	1.88
2017	0.67	0.01	0.68	0.44	0.36	0.28	1.77
2018	0.68	0.01	0.69	0.45	0.36	0.29	1.80
2019	0.70	0.01	0.71	0.46	0.36	0.29	1.82

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

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

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

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

Source: Municipal Tax Collector and School Business Administrator

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

Taxpayer	2020	
	Taxable Assessed Value	% of Total District Net Assessed Value
Bayer Healthcare LLC	\$ 155,670,300	4.02%
US Real Estate Holdings	102,459,700	2.65%
SFP ML I LLC (Metlife)	60,000,000	1.55%
TR Sterling Hanover LLC	57,261,000	1.48%
Interstate Realty Company LLC	50,290,300	1.30%
AVR Hanover Hotel LLC	45,000,000	1.16%
LSAC Morris County LP	42,954,600	1.11%
Hanover 3201 Realty LLC (Wegmans)	40,142,600	1.04%
Kraft Foods Global Inc	32,000,000	0.83%
Novartis Pharmaceuticals Corp	30,000,000	0.78%
<b>Total</b>	<b>\$ 615,778,500</b>	<b>15.92%</b>

Taxpayer	2011	
	Taxable Assessed Value	% of Total District Net Assessed Value
67 Whippany Investors	\$ 64,962,500	1.86%
BREOF BNIGA Whippany	56,000,000	1.60%
Sterling Apartments LLC	55,101,100	1.58%
Interstate Realty Company	50,290,300	1.24%
Kraft Foods Global Inc	43,400,000	1.44%
LSAC Morris County LP/CAE	42,954,600	1.23%
Ravine Development Company LLC	38,945,800	1.11%
Fan Pier Land Company	38,158,600	1.09%
HEI Hanover, LLC	35,950,000	1.03%
River Park Business Center LLC	34,590,400	0.99%
<b>Total</b>	<b>\$ 460,353,300</b>	<b>13.17%</b>

Note - A revaluation was effective in 2012

Source: Municipal Tax Assessor



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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
2011	\$ 21,916,554	\$ 21,916,554	100.00%	-0-
2012	21,995,960	21,995,960	100.00%	-0-
2013	21,741,588	21,741,588	100.00%	-0-
2014	22,312,382	22,312,382	100.00%	-0-
2015	23,591,364	23,591,364	100.00%	-0-
2016	24,354,769	24,354,769	100.00%	-0-
2017	24,830,321	24,830,321	100.00%	-0-
2018	25,554,621	25,554,621	100.00%	-0-
2019	26,514,564	26,514,564	100.00%	-0-
2020	27,025,587	27,025,587	100.00%	-0-

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

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

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

Fiscal Year Ended June 30,	Governmental Activities			Total District	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds	Capital Leases				
2011	\$ 3,520,000	\$ 72,896	\$	3,592,896	0.34%	257
2012	2,925,000	86,750		3,011,750	0.27%	215
2013	2,675,000	2,897,409		5,572,409	0.49%	398
2014	2,405,000	2,702,911		5,107,911	0.43%	359
2015	2,120,000	2,520,382		4,640,382	0.37%	325
2016	1,820,000	2,487,553		4,307,553	0.33%	296
2017	1,515,000	2,404,546		3,919,546	0.29%	271
2018	1,210,000	2,047,032		3,257,032	0.23%	226
2019	905,000	1,770,132		2,675,132	0.19%	188
2020	600,000	1,547,426		2,147,426	0.15%	151

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

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

Source: School District Financial Reports

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

<u>General Bonded Debt Outstanding</u>					
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	\$ 3,520,000	-0-	\$ 3,520,000	0.18%	252
2012	2,925,000	-0-	2,925,000	0.15%	209
2013	2,675,000	-0-	2,675,000	0.08%	191
2014	2,405,000	-0-	2,405,000	0.07%	169
2015	2,120,000	-0-	2,120,000	0.06%	149
2016	1,820,000	-0-	1,820,000	0.05%	128
2017	1,515,000	-0-	1,515,000	0.04%	105
2018	1,210,000	-0-	1,210,000	0.03%	84
2019	905,000	-0-	905,000	0.02%	63
2020	600,000	-0-	600,000	0.02%	42

Source: School District Financial Reports

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

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2019  
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes			
Hanover Township	\$ -0-	100.00%	\$ -0-
County of Morris General Obligation Debt	216,220,009	4.40%	<u>9,507,897</u>
Subtotal, Overlapping Debt			9,507,897
Hanover Township School District Direct Debt			<u>905,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 10,412,897</u></u>

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

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

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

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

Legal Debt Margin Calculation for Fiscal Year 2020		Equalized Valuation Basis		
		2019	2018	2017
		\$ 3,998,954,189	\$ 4,171,182,049	\$ 4,242,471,702
				\$ 12,412,607,940
Average Equalized Valuation of Taxable Property				
		4,137,535,980		
Debt Limit (3% of Average Equalization Value) <sup>a</sup>				
		124,126,079		
Net Bonded School Debt as of June 30, 2020				
		600,000		
		\$ 123,526,079		

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt Limit	\$ 123,117,899	\$ 120,650,991	\$ 117,590,042	\$ 111,547,573	\$ 111,334,039	\$ 112,127,474	\$ 120,536,373	\$ 123,643,240	\$ 125,659,197	\$ 124,126,079
Total Net Debt Applicable to Limit	3,520,000	2,925,000	2,675,000	2,405,000	2,120,000	1,820,000	1,515,000	1,210,000	905,000	600,000
Legal Debt Margin	\$ 119,597,899	\$ 117,725,991	\$ 114,915,042	\$ 109,142,573	\$ 109,214,039	\$ 110,307,474	\$ 119,021,373	\$ 122,433,240	\$ 124,754,197	\$ 123,526,079
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	2.86%	2.42%	2.27%	2.16%	1.90%	1.62%	1.26%	0.98%	0.72%	0.48%

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

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

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

<u>Year</u>	<u>Population<sup>a</sup></u>	<u>Personal Income<sup>b</sup></u>	<u>Morris County Per Capita Personal Income<sup>c</sup></u>	<u>Unemployment Rate<sup>d</sup></u>
2011	13,953	\$ 1,070,571,831	\$ 76,727	3.80%
2012	13,985	1,115,513,525	79,765	3.90%
2013	14,017	1,132,643,685	80,805	5.20%
2014	14,220	1,198,177,200	84,260	5.20%
2015	14,260	1,258,002,940	88,219	4.70%
2016	14,546	1,321,547,738	90,853	3.50%
2017	14,486	1,355,237,730	93,555	3.40%
2018	14,395	1,422,830,590	98,842	3.00%
2019	14,252	1,408,696,184	98,842 *	2.80%
2020	14,252 **	1,408,696,184 ***	98,842 *	N/A

\* - Latest Morris County per capita personal income available (2018) was used for calculation purposes.

\*\* - Latest population data available (2019) was used for calculation purposes.

\*\*\* - Latest available population data (2019) and latest available Morris County per capita personal income (2018) was used for calculation purposes.

Sources:

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

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

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

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

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

	2020		2011	
	Employer	Employees	Employer	Employees
				Percentage of Total Employment
U.S. Army Armament Research and Development		6,000	Novartis	4,990
Atlantic Health System		6,140	Atlantic Health System	4,933
Novartis		4,900	U.S. Army Armament Research and Development	4,442
Bayer Healthcare, LLC		2,400	United Parcel Service	2,332
Automatic Data Processing, Inc.		2,690	County of Morris	1,959
Barclays		1,800	Automatic Data Processing, Inc.	1,924
Accenture		1,865	AT&T	1,550
Honeywell		1,704	Saint Clare's	1,531
Allergan		1,627	BASF Corporation	1,400
St. Clare's		1,565	Avis Budget Group	1,378
Total		<u>30,691</u>	Total	<u>26,439</u>
		N/A		N/A

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

Note - Information is for Morris County

Source: Morris County Economic Development Corporation

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

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Instruction	98.76	99.10	97.78	100.32	100.72	102.28	102.24	102.64	102.64	102.07
Regular	32.35	33.76	28.90	30.69	33.86	34.85	36.22	35.22	35.56	35.40
Special education										
Support Services:										
Student & instruction related services	42.78	43.19	42.29	43.51	43.91	45.14	47.19	50.29	50.98	51.82
School administrative services	11.58	11.68	11.79	11.79	12.03	12.23	12.23	11.78	12.34	12.34
General and business administrative services	8.67	8.67	8.85	8.85	8.85	8.85	8.85	7.85	7.85	7.85
Plant operations and maintenance	29.00	29.01	29.01	30.51	31.29	31.92	32.53	33.83	31.59	32.29
Pupil transportation	15.37	15.37	16.27	17.27	16.74	17.27	16.67	16.87	15.67	15.67
Total	<u>238.51</u>	<u>240.78</u>	<u>234.89</u>	<u>242.94</u>	<u>247.40</u>	<u>252.54</u>	<u>255.93</u>	<u>258.48</u>	<u>256.63</u>	<u>257.44</u>

Source: District Personnel Records



HANOVER TOWNSHIP SCHOOL DISTRICT  
OPERATING STATISTICS  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil <sup>d</sup>	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle				
2011	1,517	\$ 23,550,327	15,524	1.79%	162	1:18	1:19	1,517	1,460	-1.69%	96.24%
2012	1,500	23,752,629	15,835	2.00%	152	1:18	1:19	1,500	1,450	-1.12%	96.67%
2013	1,476	24,771,733	16,783	5.99%	152	1:18	1:19	1,476	1,415	-1.60%	95.87%
2014	1,483	25,851,505	17,432	3.87%	152	1:18	1:19	1,483	1,428	2.03%	96.29%
2015	1,464	27,096,431	18,508	6.18%	152	1:18	1:19	1,464	1,411	2.03%	96.38%
2016	1,464	27,096,431	18,508	6.18%	152	1:18	1:19	1,464	1,411	2.03%	96.38%
2017	1,458	28,995,954	19,887	7.45%	152	1:18	1:19	1,458	1,451	2.83%	99.52%
2018	1,447	30,216,783	20,882	5.00%	152	1:18	1:19	1,450	1,391	-4.14%	95.93%
2019	1,390	31,639,880	22,763	9.00%	152	1:18	1:19	1,377	1,320	-5.10%	95.86%
2020	1,368	31,967,219	23,368	2.66%	152	1:18	1:19	1,357	1,321	0.08%	97.34%

Source: Hanover Township School District records

Note: Enrollment based on annual October district count.

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

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

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

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

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

<u>District Buildings</u>	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Bee Meadow School	65,467	65,467	65,467	65,467	65,467	65,467	65,467	65,467	65,467	65,467
Square Feet	603	603	603	603	603	603	603	603	603	603
Capacity (students)	362	352	344	333	333	333	328	327	326	320
Enrollment	45,707	45,707	45,707	45,707	45,707	45,707	45,707	45,707	45,707	45,707
Salem Drive School	499	499	499	499	499	499	499	499	499	499
Square Feet	299	280	273	277	277	277	344	257	248	244
Capacity (students)	46,679	46,679	46,679	46,679	46,679	46,679	46,679	46,679	46,679	46,679
Enrollment	439	439	439	439	439	439	439	439	439	439
Mountview Road School	295	308	312	333	333	333	269	335	324	326
Square Feet	113,950	113,950	113,950	113,950	113,950	113,950	113,950	113,950	113,950	113,950
Capacity (students)	617	617	617	617	617	617	617	617	617	617
Enrollment	557	560	547	540	540	540	503	515	478	478

Number of Schools at June 30, 2020  
 Elementary = 3  
 Middle School = 1

Source: Hanover Township School District Facilities Office

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

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

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

School Facilities	Project #	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Bee Meadow School	N/A	\$ 83,473	\$ 92,109	\$ 108,085	\$ 100,560	\$ 128,091	\$ 113,802	\$ 134,656	\$ 98,851	\$ 152,418	\$ 119,944
Salem Drive School	N/A	58,278	64,308	74,548	60,812	77,461	68,820	94,013	75,877	99,550	85,866
Mountview School	N/A	59,517	65,675	83,169	75,877	96,650	85,869	96,012	81,384	101,897	100,557
Memorial Junior School	N/A	145,290	160,322	212,040	158,973	202,495	179,906	234,378	189,452	220,969	210,215
		<u>\$ 346,558</u>	<u>\$ 382,414</u>	<u>\$ 477,842</u>	<u>\$ 396,222</u>	<u>\$ 504,697</u>	<u>\$ 448,397</u>	<u>\$ 559,059</u>	<u>\$ 445,565</u>	<u>\$ 574,834</u>	<u>\$ 516,582</u>

Source: Hanover Township School District records.

HANOVER TOWNSHIP SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2020  
UNAUDITED

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2020  
UNAUDITED

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

Source: School District records.

SINGLE AUDIT SECTION



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Independent Member  
BKR International

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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hanover Township School District, in the County of Morris (the "District") as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 16, 2020.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**


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

### **Purpose of this Report**

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

December 16, 2020  
Mount Arlington, New Jersey

NISIVOCCIA LLP

  
\_\_\_\_\_  
Raymond A. Sarinelli  
Licensed Public School Accountant #2549  
Certified Public Accountant





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Independent Member  
BKR International

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

Independent Auditors' Report

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

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

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

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

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

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

## Report on Internal Control Over Compliance

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

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

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

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

December 16, 2020  
Mount Arlington, New Jersey

NISIVOCCIA LLP

*Raymond Sarinelli*

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Raymond A. Sarinelli  
Licensed Public School Accountant #2549  
Certified Public Accountant

HANOVER TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Unearned Revenue June 30, 2020	(Accounts Receivable) June 30, 2020	Due to Grantor June 30, 2020
U.S. Department of Education										
Passed-through State Department of Education:										
Special Revenue Fund:										
Elementary and Secondary Education Grant:										
Title I - Part A										
	84.010	ESEA2000-20	7/1/19-9/30/20	\$ 28,063	\$ 27,400	\$ (27,400)				
	84.425D	CARES2000-20	3/18/20-9/30/20	22,857		(21,522)			\$ (21,522)	
						(21,522)			\$ (21,522)	
CARES Emergency Relief Grant										
Total CARES Emergency Relief										
Special Education Cluster:										
	84.027	IDEA-2000-19	7/1/18-9/30/19	321,212	15,262					
	84.027	IDEA-2000-20	7/1/19-9/30/20	349,437	335,327	(349,257)			(13,930)	
	84.173	IDEA-2000-20	7/1/19-9/30/20	18,473	18,473	(18,473)			(13,930)	
					369,062	(367,730)			(13,930)	
					396,462	(416,652)			(35,452)	
Total Special Revenue Fund										
U.S. Department of Agriculture										
Passed-through the State Department of Agriculture:										
Child Nutrition Cluster:										
	10.556	N/A	7/1/19-6/30/20	5,547	5,547	(5,547)				
	10.556	N/A	7/1/18-6/30/19	8,871	717					
					6,264	(5,547)				
					6,264	(5,547)				
					\$ 402,726	\$ (422,199)	\$ -0-	\$ -0-	\$ (35,452)	\$ -0-
Total U.S. Department of Agriculture										
Total Federal Awards										

N/A - Not Available/Applicable

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance Due to Grantor/ (Accounts Receivable) June 30, 2019	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2020		MEMO	
								GAAP (Accounts Receivable)	Unearned Revenue	Due to Grantor	Budgetary (Account Receivable)
State Department of Education:											
Transportation Aid	20-495-034-5120-014	7/1/19-6/30/20	\$ 214,496	\$ 193,472	\$ (214,496)					\$ (21,024)	\$ 214,496
Special Education Aid	19-495-034-5120-014	7/1/18-6/30/19	214,496	20,989	20,989						214,496
Special Education Aid	20-495-034-5120-089	7/1/19-6/30/20	875,677	789,846	(875,677)						875,677
Special Education Aid	19-495-034-5120-089	7/1/18-6/30/19	790,889	77,392							790,889
Security Aid	20-495-034-5120-084	7/1/19-6/30/20	25,667	23,151	(25,667)						25,667
Security Aid	19-495-034-5120-084	7/1/18-6/30/19	25,667	2,512							25,667
District Reimbursement for Extraordinary Costs	19-495-034-5120-044	7/1/18-6/30/19	373,670	(373,670)							373,670
District Reimbursement for Extraordinary Costs	20-495-034-5120-044	7/1/19-6/30/20	314,219								314,219
Nonpublic School Transportation Costs	20-495-034-5120-014	7/1/19-6/30/20	1,418								1,418
Nonpublic School Transportation Costs	19-495-034-5120-014	7/1/18-6/30/19	13,063	(13,063)							13,063
Reimbursed TPAF Social Security Contributions	20-495-034-5094-003	7/1/19-6/30/20	862,372	819,202	(862,372)						862,372
Reimbursed TPAF Social Security Contributions	19-495-034-5094-003	7/1/18-6/30/19	863,455	42,011							863,455
On-Behalf TPAF Post Retirement Contribution	20-495-034-5094-001	7/1/19-6/30/20	901,374	901,374	(901,374)						901,374
On-Behalf TPAF Pension Contribution	20-495-034-5094-002	7/1/19-6/30/20	2,386,916	2,386,916	(2,386,916)						2,386,916
On-Behalf TPAF Non-Contributory Insurance	20-495-034-5094-004	7/1/19-6/30/20	42,783	42,783	(42,783)						42,783
On-Behalf TPAF Long-Term Disability Insurance	20-495-034-5094-004	7/1/19-6/30/20	2,034	2,034	(2,034)						2,034
Total General Fund State Aid				(529,637)	5,688,415	(5,626,956)				(468,178)	7,908,196
N.J. Nonpublic Aid:											
Textbook Aid	20-100-034-5120-064	9/1/19 - 6/30/20	2,846								2,846
Security Aid	20-100-034-5120-509	9/1/19 - 6/30/20	8,100								8,100
Nursing Aid	20-100-034-5120-070	9/1/19 - 6/30/20	5,238								5,238
Technology Initiative Aid	20-100-034-5120-373	9/1/19 - 6/30/20	1,944								1,944
Security Aid	19-100-034-5120-509	9/1/18 - 6/30/19	8,550	4,500							13,050
											4,500
											243
											16
											11
											\$ 4,500

HANOVER TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance Due to Grantor/ (Accounts Receivable) June 30, 2019	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2020		MEMO		
								GAAP (Accounts Receivable)	Unearned Revenue	Due to Grantor	Budgetary (Account Receivable)	Cumulative Total Expenditures
<b>Auxiliary Services:</b>												
English as a Second Language	19-100-034-5120-067	9/1/18 - 6/30/19	\$ 1,726	\$ 1,726	\$ 592	\$ (497)	\$ (1,726)	\$ (70)	\$ 165	\$ (70)	\$ 497	
English as a Second Language	20-100-034-5120-067	9/1/19 - 6/30/20	662								5,922	
Compensatory Education	18-100-034-5120-067	9/1/17 - 6/30/18	28,934	23,012		(10,224)	(23,012)	(2,414)	12,489	(2,414)	10,224	
Compensatory Education	20-100-034-5120-067	9/1/19 - 6/30/20	22,713		20,299							
<b>Handicapped Services:</b>												
Supplemental Instruction	19-100-034-5120-066	9/1/18 - 6/30/19	6,027	4,124	3,617	(2,833)	(4,124)	(430)	1,214	(430)	1,903	
Supplemental Instruction	20-100-034-5120-066	9/1/19 - 6/30/20	4,047								2,833	
Examination and Classification	19-100-034-5120-066	9/1/18 - 6/30/19	12,738	5,643	4,483	(4,644)	(5,643)	(533)	372	(533)	7,095	
Examination and Classification	20-100-034-5120-066	9/1/19 - 6/30/20	5,016	6,517			(6,517)				4,644	
Corrective Speech	19-100-034-5120-066	9/1/18 - 6/30/19	9,106		2,444	(1,367)	(6,517)	(290)	1,367	(290)	2,589	
Corrective Speech	20-100-034-5120-066	9/1/19 - 6/30/20	2,734	45,522	49,563	(37,423)	(36,522)	(3,737)	15,877	(3,737)	1,367	
Total Special Revenue Fund				\$ (484,115)	\$ 5,737,978	\$ (5,664,379)	\$ (36,522)	\$ (362,544)	\$ 15,877	\$ (471,915)	\$ 8,149,043	
Total State Awards Subject to Single Audit Determination												
Less: State Awards Not Subject to Single Audit Major Program Determination												
On-Behalf TPAF Post Retirement Contribution	20-495-034-5094-001	7/1/19-6/30/20	901,374			901,374						
On-Behalf TPAF Pension Contribution	20-495-034-5094-002	7/1/19-6/30/20	2,386,916			2,386,916						
On-Behalf TPAF Non-Contributory Insurance	20-495-034-5094-004	7/1/19-6/30/20	42,783			42,783						
On-Behalf TPAF Long-Term Disability Insurance	20-495-034-5094-004	7/1/19-6/30/20	2,034			2,034						
Subtotal - On-Behalf TPAF Contributions						3,333,107						
Total State Awards Subject to Single Audit Major Program Determination												
N/A - Not Available/Applicable												

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the “Schedules”) include the federal and state grant activity of the Hanover Township School District under programs of the federal and state governments for the fiscal year ended June 30, 2020. The information in these schedules is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and New Jersey’s OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. INDIRECT COST RATE

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

NOTE 4. RELATIONSHIP TO THE BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$8,478) for the general fund and (\$3,972) for the special revenue fund. See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds.

HANOVER TOWNSHIP SCHOOL DISTRICT  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 5,618,478	\$ 5,618,478
Special Revenue Fund	\$ 412,680	37,423	450,103
Enterprise Fund	<u>5,547</u>		<u>5,547</u>
Total Awards	<u>\$ 418,227</u>	<u>\$ 5,655,901</u>	<u>\$ 6,074,128</u>

NOTE 5. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 6. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2020.

HANOVER TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over the major state program disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance*.
- The auditor's report on compliance for each of the major state programs for the District expresses an unmodified opinion on the major state programs.
- The District was not subject to the single audit provisions of the Uniform Guidance for the fiscal year ended June 30, 2020 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Uniform Guidance.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The District's program tested as major state programs for the current fiscal year consisted of the following awards:

	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
State:				
Special Education Aid	20-495-034-5120-089	7/1/19-6/30/20	\$ 875,677	\$ 875,677
Security Aid	20-495-034-5120-084	7/1/19-6/30/20	25,667	25,667

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

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

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



HANOVER TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

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

HANOVER TOWNSHIP SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Status of Prior Year Findings:

The District had no prior year audit findings.