OFFICIAL STATEMENT DATED DECEMBER 6, 2022

New Issue | **Rating: S&P: "AA"**
See "RATING" herein

In the opinion of McManimon, Scotland & Baumann, LLC, Bond Counsel, assuming compliance by the School District (as defined herein) with certain tax covenants described herein, under existing law, interest on the Bonds (as defined herein) is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax; however, for tax years beginning after December 31, 2022, interest on the Bonds is included in the "adjusted financial statement income" of certain corporations that are subject to alternative minimum tax under Section 55 of the Code. Based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

THE BOARD OF EDUCATION OF
THE TOWNSHIP OF EAST HANOVER
COUNTY OF MORRIS, NEW JERSEY
$12,013,000 SCHOOL BONDS
(Book-Entry-Only) (Callable)

Dated: Date of Delivery | **Due:** July 15, as shown below

The $12,013,000 School Bonds (the "Bonds") of The Board of Education of the Township of East Hanover, in the County of Morris, New Jersey (the "Board" when referring to the governing body and the "School District" when referring to the legal entity and the territorial boundaries governed by the Board) will be issued in the form of one certificate for the aggregate principal amount of the Bonds maturing in each year and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository. *See* "BOOK-ENTRY-ONLY SYSTEM" herein.

Interest on the Bonds will be payable semiannually on January 15 and July 15 in each year until maturity, or earlier redemption, commencing on July 15, 2023. Principal of and interest on the Bonds will be paid to DTC by the Board or its designated paying agent. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding January 1 and July 1 (the "Record Dates" for the payment of interest on the Bonds). The Bonds shall be subject to optional redemption prior to their stated maturities. See "DESCRIPTION OF THE BONDS - Redemption" herein.

The Bonds are valid and legally binding obligations of the School District and, unless paid from other sources, are payable from *ad valorem* taxes levied upon all the taxable property within the School District for the payment of the Bonds and the interest thereon without limitation as to rate or amount.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIPS*

Maturity (July 15)	Principal Amount	Interest Rate	Yield	CUSIP*	Maturity (July 15)	Principal Amount	Interest Rate	Yield	CUSIP*
2023	$403,000	3.00%	2.45%	272803EL7	2033	$605,000	3.50%	3.20%	272803EW3
2024	405,000	3.50	2.50	272803EM5	2034	630,000	3.50	3.35	272803EX1
2025	420,000	3.50	2.65	272803EN3	2035	660,000	3.50	3.50	272803EY9
2026	440,000	3.50	2.56	272803EP8	2036	690,000	3.50	3.65	272803EZ6
2027	460,000	3.50	2.60	272803EQ6	2037	720,000	4.00	3.70	272803FA0
2028	485,000	3.50	2.70	272803ER4	2038	750,000	4.00	3.80	272803FB8
2029	505,000	3.50	2.80	272803ES2	2039	785,000	4.00	3.87	272803FC6
2030	530,000	3.50	2.90	272803ET0	2040	800,000	4.00	3.92	272803FD4
2031	550,000	3.50	3.00	272803EU7	2041	800,000	4.00	3.98	272803FE2
2032	575,000	3.50	3.10	272803EV5	2042	800,000	4.00	4.00	272803FF9

The Bonds are offered when, as and if issued and delivered to the Underwriter (as defined herein), subject to prior sale, to withdrawal or modification of the offer without notice and to the approval of legality by the law firm of McManimon, Scotland & Baumann, LLC, Roseland, New Jersey and certain other conditions described herein. Phoenix Advisors, LLC, Bordentown, New Jersey has served as Municipal Advisor in connection with the issuance of the Bonds. Delivery is anticipated to be via DTC in New York, New York on or about December 21, 2022.

ROOSEVELT & CROSS, INC. AND ASSOCIATES

* Registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds, and the Board does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

THE BOARD OF EDUCATION OF
THE TOWNSHIP OF EAST HANOVER
IN THE COUNTY OF MORRIS, NEW JERSEY

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BOARD ATTORNEY

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Morristown, New Jersey

MUNICIPAL ADVISOR

Phoenix Advisors, LLC
Bordentown, New Jersey

BOND COUNSEL

McManimon, Scotland & Baumann, LLC
Roseland, New Jersey

No broker, dealer, salesperson or other person has been authorized by the Board to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the foregoing. The information contained herein has been provided by the Board and other sources deemed reliable; however, no representation is made as to the accuracy or completeness of information from sources other than the Board. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and the expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder under any circumstances shall create any implication that there has been no change in any of the information herein since the date hereof or since the date as of which such information is given, if earlier.

References in this Official Statement to laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein, and copies of which may be inspected at the offices of the Board during normal business hours.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale.

The order and placement of materials in this Official Statement, including the appendices, are not to be deemed to be a determination of relevance, materiality or importance, and this Official Statement, including the appendices, must be considered in its entirety.

In order to facilitate the distribution of the Bonds, the Underwriter may engage in transactions intended to stabilize the price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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OFFICIAL STATEMENT
OF
THE BOARD OF EDUCATION OF
THE TOWNSHIP OF EAST HANOVER IN THE
COUNTY OF MORRIS, NEW JERSEY

$12,013,000
SCHOOL BONDS
(BOOK-ENTRY-ONLY) (CALLABLE)

INTRODUCTION

This Official Statement, which includes the front cover page and the appendices attached hereto, has been prepared by The Board of Education of the Township of East Hanover in the County of Morris, New Jersey (the "Board" when referring to the governing body and the "School District" when referring to the legal entity and the territorial boundaries governed by the Board) in connection with the sale and issuance of its $12,013,000 School Bonds (the "Bonds"). This Official Statement has been executed by and on behalf of the School District by the Business Administrator/Board Secretary, and its distribution and use in connection with the sale of the Bonds have been authorized by the School District.

This Official Statement contains specific information relating to the Bonds including their general description, certain matters affecting the financing, certain legal matters, historical financial information, and other information pertinent to this issue. This Official Statement should be read in its entirety.

All financial and other information presented herein has been provided by the Board from its records, except for information expressly attributed to other sources. The presentation of information is intended to show recent historic information and, but only to the extent specifically provided herein, certain projections into the immediate future and is not necessarily indicative of future or continuing trends in the financial position of the School District.

DESCRIPTION OF THE BONDS

The following is a summary of certain provisions of the Bonds. Reference is made to the Bonds themselves for the complete text thereof, and the discussion herein is qualified in its entirety by such reference.

Terms and Interest Payment Dates

The Bonds shall be dated the date of delivery and shall mature on July 15 in each of the years and in the amounts set forth on the front cover page hereof. The Bonds shall bear interest from the date of delivery, which interest shall be payable semi-annually on the fifteenth day of January and July, commencing on July 15, 2023 (each an "Interest Payment Date"), in each of the years and at the interest rates set forth on the front cover page hereof until maturity, or earlier redemption, by the Board or a duly appointed paying agent to the registered owners of the Bonds as of each January 1 and July 1 immediately preceding the respective Interest Payment Dates (the "Record Dates"). Interest on the Bonds shall be calculated on the basis of a 360-day year of twelve 30-day calendar months. So long as The Depository Trust Company, New York, New York ("DTC") or its nominee, Cede & Co. (or any successor or assign), is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Board or a designated paying agent directly to DTC or its nominee, Cede & Co., which will in turn remit such payments to DTC Participants, which will in turn remit such payments to the beneficial owners of the Bonds. *See* "BOOK-ENTRY-ONLY SYSTEM" herein.

The Bonds will be issued in fully registered book-entry-only form without certificates. One certificate shall be issued for the aggregate principal amount of Bonds maturing in each year and, when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Bonds. The certificates will be on deposit with DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its participants and transfers of the interests among its participants. The participants will be responsible for maintaining records regarding the beneficial ownership interests in the Bonds on behalf of the individual purchasers. Individual purchases may be made in the principal amount of any multiple of $5,000 (except that bonds maturing in any year in an amount that is not a multiple of $5,000 shall be purchased in an amount that is a multiple of $1,000) through book entries made on the books and the records of DTC and its participants. Individual purchasers of the Bonds will not receive certificates representing their beneficial ownership interests in the Bonds, but each book-entry owner will receive a credit balance on the books of its nominee, and this credit balance will be confirmed by an initial transaction statement stating the details of the Bonds purchased. *See* "BOOK-ENTRY-ONLY SYSTEM" herein.

Redemption

The Bonds maturing prior to July 15, 2030 are not subject to redemption prior to maturity. The Bonds maturing on or after July 15, 2030 shall be subject to redemption at the option of the Board, in whole or in part, on any date on or after July 15, 2029 at a price of 100% of the Bonds to be redeemed (the "Redemption Price"), plus unpaid accrued interest to the date fixed for redemption.

Notice of redemption shall be given by mailing by first class mail in a sealed envelope with postage prepaid to the registered owners of the Bonds not less than thirty (30) days, nor more than sixty (60) days prior to the date fixed for redemption. Such mailing shall be to the Owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Board or a duly appointed bond registrar. However, as long as The Depository Trust Company (or any successor thereto) acts as Securities Depository for the Bonds, notice of redemption may be sent to such Securities Depository by email or as otherwise permitted by the Securities Depository regulations. Any failure of the depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any notice of redemption shall not affect the validity of the redemption proceedings. If the Board determines to redeem a portion of the Bonds prior to maturity, the Bonds to be redeemed shall be selected by the Board; the Bonds to be redeemed having the same maturity shall be selected by the securities depository in accordance with its regulations.

If notice of redemption has been given as provided herein, the Bonds or the portion thereof called for redemption shall be due and payable on the date fixed for redemption at the Redemption Price, together with accrued interest to the date fixed for redemption. Interest shall cease to accrue on and after such redemption date.

Security for the Bonds

The Bonds are valid and legally binding general obligations of the School District, and the School District has irrevocably pledged its full faith and credit for the payment of the principal of and interest on the Bonds. Unless paid from other sources, the principal of and interest on the Bonds are payable from *ad valorem* taxes levied upon all the taxable property within the School District without limitation as to rate or amount except to the extent that enforcement of such payment may be limited by bankruptcy, insolvency or other similar laws on equitable principles effecting the enforcement of creditors' rights generally.

New Jersey School Bond Reserve Act (N.J.S.A. 18A:56-17 et seq.)

All school bonds are secured by the School Bond Reserve (the "School Bond Reserve") established in the Fund for the Support of Free Public Schools of the State of New Jersey (the "Fund") in accordance with the New Jersey School Bond Reserve Act, N.J.S.A. 18A:56-17 et seq. (P.L. 1980, c. 72, approved July 16, 1980, as amended by P.L. 2003, c. 118, approved July 1, 2003 (the "Act")). Amendments to the Act provide that the Fund will be divided into two (2) School Bond Reserve accounts. All bonds issued prior to July 1, 2003 shall be benefited by a School Bond Reserve account funded in an amount equal to 1-1/2% of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes issued prior to July 1, 2003 (the "Old

School Bond Reserve Account") and all bonds, including the Bonds, issued on or after July 1, 2003 shall be benefited by a School Bond Reserve account equal to 1% of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes issued on or after July 1, 2003 (the "New School Bond Reserve Account"), provided such amounts do not exceed the moneys available in the Fund. If a municipality, county or school district is unable to make payment of principal of or interest on any of its bonds issued for school purposes, the trustees of the Fund will purchase such bonds at par value and will pay to the bondholders the interest due or to become due within the limits of funds available in the applicable School Bond Reserve account in accordance with the provisions of the Act.

The Act provides that the School Bond Reserve shall be composed entirely of direct obligations of the United States government or obligations guaranteed by the full faith and credit of the United States government. Securities representing at least one-third of the minimal market value to be held in the School Bond Reserve shall be due to mature within one year of issuance or purchase. Beginning with the fiscal year ending on June 30, 2003 and continuing on each June 30 thereafter, the State Treasurer shall calculate the amount necessary to fully fund the Old School Bond Reserve Account and the New School Bond Reserve Account as required pursuant to the Act. To the extent moneys are insufficient to maintain each account in the School Bond Reserve at the required levels, the State of New Jersey (the "State") agrees that the State Treasurer shall, no later than September 15 of the fiscal year following the June 30 calculation date, pay to the trustees for deposit in the School Bond Reserve such amounts as may be necessary to maintain the Old School Bond Reserve Account and the New School Bond Reserve Account at the levels required by the Act. No moneys may be borrowed from the Fund to provide liquidity to the State unless the Old School Bond Reserve Account and the New School Bond Reserve Account each are at the levels certified as full funding on the most recent June 30 calculation date. The amount of the School Bond Reserve in each account is pledged as security for the prompt payment to holders of bonds benefited by such account of the principal of and the interest on such bonds in the event of the inability of the issuer to make such payments. In the event the amounts in either the Old School Bond Reserve Account or the New School Bond Reserve Account fall below the amount required to make payments on bonds, the amounts in both accounts are available to make payments for bonds secured by the School Bond Reserve.

The Act further provides that the amount of any payment of interest or purchase price of school bonds paid pursuant to the Act shall be deducted from the appropriation or apportionment of State aid, other than certain State aid which may be otherwise restricted pursuant to law, payable to the school district, county or municipality and shall not obligate the State to make, nor entitle the school district, county or municipality to receive any additional appropriation or apportionment. Any amount so deducted shall be applied by the State Treasurer to satisfy the obligation of the school district, county or municipality arising as a result of the payment of interest or purchase price of bonds pursuant to the Act.

AUTHORIZATION AND PURPOSE

The Board is issuing the Bonds pursuant to: (i) Chapter 24 of Title 18A of the New Jersey Statutes, as amended and supplemented; (ii) a resolution duly adopted by the Board on November 14, 2022 (the "Resolution"); and (iii) a proposal adopted by the Board on July 18, 2022 and approved by a majority of the legal voters present and voting at the School District election held on October 6, 2022.

The Bonds are being issued to permanently finance an addition, renovations, alterations and improvements at the East Hanover Middle School, Central Elementary School, Frank J. Smith School and the East Hanover Township Board Office, including the acquisition and installation of fixtures, furnishings and equipment, site work and related costs (the "Project"). The Board is authorized to appropriate $12,013,163 for such purposes and to issue bonds in the principal amount of $12,013,163 for the Project. The Board expects to receive State Debt Service Aid to help support the costs of the Project. See "SUMMARY OF STATE AID TO SCHOOL DISTRICTS" herein.

INFECTIOUS DISEASE OUTBREAK – COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and has been affecting many parts of the world, including the United States and the State. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States. As governments have been monitoring the outbreaks, they have taken various steps to control them through requiring social distancing, masks and business closures and limited openings. As the virus appears to be under control in many areas, many of these restrictions have been lifted. As the situation is monitored, restrictions could be reinstated. Several vaccines have been developed and have been administered. Mutant variants have emerged in various places around the world and now are prevalent in the United States. Companies have developed booster shots, and current vaccines have proven substantially effective against all currently known variants. New treatments are also being developed to avert the worst outcomes. The assessment of the impact of the virus and the ability to control it and its mutant strains is ongoing.

In the State, Governor Phil Murphy declared a state of emergency and a public health emergency on March 9, 2020 due to the outbreak of COVID-19, which spread throughout the State and to all counties within the State. The Governor also instituted mandatory measures via various executive orders to control the spread of the virus. These measures, which altered the behavior of businesses and people, had a negative impact on regional, state and local economies. The public health emergency was terminated on June 4, 2021, and the state of emergency was terminated on March 7, 2022. The State enacted legislation to address impacts of the Pandemic. Further actions could be taken by State, federal and local governments and private entities to mitigate the spread and impacts of COVID-19 if warranted. The Pandemic has negatively affected travel, commerce, and financial markets globally and may continue to negatively affect economic growth and financial markets worldwide. These negative impacts could reduce or negatively affect property values and finances within the School District.

Since the Pandemic began, the federal government has enacted rescue legislation to address the Pandemic and alleviate its economic and health effects, including significant support for education. The legislation includes various forms of financial relief including direct stimulus payments and various other forms of economic relief, including extended unemployment benefits, eviction and foreclosure moratoriums, an increase in the child tax credit, an increase in food and housing aid, assistance grants to restaurants and bars, and other small business grants and loans. The relief provided funding for state and local governments to offset costs to safely reopen schools during the COVID-19 Pandemic and to subsidize COVID-19 testing and vaccination programs. Federal aid for public education has been provided under several separate laws including The Coronavirus Aid, Relief, and Economic Security Act in March 2020 (CARES Act), and the Coronavirus Response and Relief Supplemental Appropriations Act in December 2020 (CRRSA) and the American Rescue Plan Act in March 2021 (ARP). The Elementary and Secondary School Emergency Relief (ESSER) Fund is the main source of funding for public elementary and secondary education under each law. The School District has been awarded up to $1,552,729 to address certain expenses incurred as a result of the Pandemic.

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

To date the School District has not been materially and adversely affected financially due to the virus. School districts are facing a need to address learning delays resulting from the disruption.

BOOK-ENTRY-ONLY SYSTEM[1]

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal and interest, and other payments on the Bonds to DTC Participants or Beneficial Owners (as defined below), confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, DTC Participants and Beneficial Owners, is based on certain information furnished by DTC to the Board. Accordingly, the Board does not make any representations concerning these matters.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks and trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P Global Ratings, acting through Standard & Poor's Financial Services LLC, rating of AA+. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Bonds are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts

[1] Source: The Depository Trust Company

such Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants or Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Board as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Board or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Board may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the Board believes to be reliable, but the Board takes no responsibility for the accuracy thereof.

THE SCHOOL DISTRICT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, OR THE INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE BONDS (OTHER THAN UNDER THE CAPTION "TAX MATTERS") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

Discontinuance of Book-Entry-Only System

If the Board, in its sole discretion, determines that DTC is not capable of discharging its duties, or if DTC discontinues providing its services with respect to the Bonds at any time, the Board will attempt to locate another qualified securities depository. If the Board fails to find such a securities depository, or if the Board determines, in its sole discretion, that it is in the best interest of the Board or that the interest of the Beneficial Owners might be adversely affected if the book-entry-only system of transfer is continued (the Board undertakes no obligation to make an investigation to determine the occurrence of any events that would permit it to make such determination), the Board shall notify DTC of the termination of the book-entry-only system.

THE SCHOOL DISTRICT AND THE BOARD

The School District is a Type II school district that is coterminous with the borders of the Township of East Hanover (the "Township") located in the County of Morris (the "County") in the State. The School District provides a full range of educational services appropriate to students in Prekindergarten (PreK) through grade eight (8).

The Board consists of seven (7) elected members. Pursuant to State statute, the Board appoints a Superintendent and a Business Administrator/Board Secretary. See "APPENDIX A – Certain Economic and Demographic Information About the School District and the Township of East Hanover."

THE STATE'S ROLE IN PUBLIC EDUCATION

The Constitution of the State provides that the legislature of the State shall provide for the maintenance and support of a thorough and efficient system of free public schools for the instruction of all children in the State between the ages of 5 and 18 years. Federal law has expanded the responsibility to include children between the ages of 3 and 21.

The responsibilities of the State with respect to the general supervision and control of public education have been delegated to the New Jersey Department of Education (the "Department"), which is a part of the executive branch of the State government and was created by the State Legislature. The Department is governed and guided by the policies set forth by the New Jersey State Board of Education (the "State Board"). The State Board is responsible for the general supervision and control of public education and is obligated to formulate plans and to make recommendations for the unified, continuous and efficient development of public education of all people of all ages within the State. To fulfill these responsibilities, the State Board has the power, inter alia, to adopt rules and regulations that have the effect of law and that are binding upon school districts.

The Commissioner of Education (the "Commissioner") is the chief executive and administrative officer of the Department. The Commissioner is appointed by the Governor of the State with the advice and consent of the State Senate and serves at the pleasure of the Governor during the Governor's term of office. The Commissioner is Secretary and Chief Executive Officer of the State Board and is responsible for the supervision of all school districts in the State and is obligated to enforce the rules and regulations of the State Board. The Commissioner has the authority to recommend the withholding of State financial aid and the Commissioner's consent is required for authorization to sell school bonds that exceed the debt limit of the municipality in which the school district is located and may also set the amount to be raised by taxation for a school district if a school budget has not been adopted by a board of school estimate or by the voters.

An Executive County Superintendent of Schools (the "County Superintendent") is appointed for each county in the State by the Governor, upon the recommendation of the Commissioner and with the advice and consent of the State Senate. The County Superintendent reports to the Commissioner or a person designated by the Commissioner. The County Superintendent is responsible for the supervision of the school districts in the county and is charged with the enforcement of rules pertaining to the certification of teachers, pupil registers and financial reports and the review of budgets. Under the Uniform Shared Services and Consolidation Act, P.L. 2007, c. 63 approved April 3, 2007 (A4), the role of the County Superintendent was changed to create the post of the Executive County Superintendent with expanded powers for the operation and management of school districts to, among other things, promote administrative and operational efficiencies, eliminate non-operating school districts and recommend a school district consolidation plan to eliminate school districts through the establishment or enlargement of regional school districts, subject to voter approval.

STRUCTURE OF SCHOOL DISTRICTS IN NEW JERSEY

Categories of School Districts

State school districts are characterized by the manner in which the board of education or the governing body takes office. School districts are principally categorized in the following categories:

(1) Type I, in which the mayor or chief executive officer ("CEO") of a municipality appoints the members of a board of education and a board of school estimate, which board of school estimate consists of two (2) members of the board of education, two (2) members of the governing body of the municipality and the mayor or CEO of the municipality comprising the school district, approves fiscal matters;

(2) Type II, in which the registered voters in a school district elect the members of a board of education and either (a) the registered voters may also vote upon fiscal matters, or (b) a board of school estimate, consisting of two (2) members of the governing body of and the CEO of each municipality within the school district and the president of and one member of the board of education, approves all fiscal matters;

(3) Regional and consolidated school districts comprising the territorial boundaries of more than one municipality in which the registered voters in the school district elect members of the board of education and may vote upon fiscal matters. Regional school districts may be "All Purpose Regional School Districts" or "Limited Purpose Regional School Districts";

(4) State operated school districts created by the State Board, pursuant to State law, when a local board of education cannot or will not correct severe educational deficiencies;

(5) County vocational school districts have boards of education consisting of the County Superintendent and four (4) members unless it is a county of the first class, which adopted an ordinance, in which case it can have a board consisting of seven (7) appointed members which the board of chosen freeholders of the county appoints. Such vocational school districts shall also have a board of school estimate, consisting of two (2) members appointed by the board of education of the school district, two (2) members appointed by the board of chosen freeholders and a fifth member being the county executive or the director of the board of chosen freeholders of the county, which approves fiscal matters; and

(6) County special services school districts have boards of education consisting of the County Superintendent and six (6) persons appointed by the board of chosen freeholders of the county. Such special services school districts shall also have a board of school estimate, consisting of two (2) members appointed by the board of education of the school district, two (2) members appointed by the board of chosen freeholders and a fifth member being the freeholder-director of the board of chosen freeholders, which approves all fiscal matters.

There is a procedure whereby a Type I school district or a Type II school district may change from one type to the other after an approving public referendum. Such a public referendum must be held whenever directed by the municipal governing body or board of education in a Type I school district, or the board of education in a Type II school district, or when petitioned for by fifteen percent (15%) of the voters of any school district. The School District is a Type II school district.

Under the Uniform Services and Consolidation Act, the Executive County Superintendent is required to eliminate non-operating school districts and to recommend consolidation to eliminate school districts through the establishment or enlargement of regional school districts, subject to voter approval.

School Budgetary Process (N.J.S.A. 18A:22-1 et seq.)

In a Type I school district, a separate body from the school district, known as the board of school estimate, examines the budget requests and fixes the appropriation amounts for the next year's operating budget at or after a public hearing. This board, whose composition is fixed by statute, certifies the budget to the municipal governing body or board of education. If the board of education disagrees with the certified budget of the board of school estimate, then it can appeal to the Commissioner to request changes.

In a Type II school district, the elected board of education develops the budget proposal and, at or after a public hearing, submits it for voter approval unless the board has moved its annual election to November as discussed below. Debt service provisions are not subject to public referendum. If approved, the budget goes into effect. If defeated, the governing body of the municipality must develop the school budget by May 19 of each year. Should the governing body be unable to do so, the Commissioner establishes the local school budget.

The Budget Election Law (P.L. 2011, c.202, effective January 17, 2012) established procedures that allow the date of the annual school election of a Type II school district, without a board of school estimate, to be moved from April to the first Tuesday after the first Monday in November, to be held simultaneously with the general election. Such change in the annual school election date must be authorized by resolution of either the board of education or the governing body of the municipality, or by an affirmative vote of a majority of the voters whenever a petition, signed by at least 15% of the legally qualified voters, is filed with the board of education. Once the annual school election is moved to November, such election may not be changed back to an April annual school election for four (4) years.

School districts that opt to move the annual school election to November are no longer required to submit the budget to the voters for approval if the budget is at or below the 2% property tax levy cap as provided for by the 2% Tax Levy Cap Law. For school districts that opt to change the annual school election date to November, proposals to spend above the 2% property tax levy cap would be presented to voters at the annual school election in November.

The Board conducts its annual election in April.

Spending Growth Limitation

CEIFA (as hereinafter defined) places limits on the amount school districts can increase their annual current expenses and capital outlay budgets, and such limits are known as a school district's spending growth limitation amount (the "Spending Growth Limitation"). *See* "SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT" herein.

SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT

Levy and Collection of Taxes

School districts in the State do not levy or collect taxes to pay those budgeted amounts that are not provided by the State. The municipality within which a school district is situated levies or collects the required taxes and must remit them in full to the school district.

Budgets and Appropriations

School districts in the State must operate on an annual cash basis budget. Each school district must adopt an annual budget in such detail and upon forms as prescribed by the Commissioner, to which must be attached an itemized statement showing revenues, including State and federal aid, and expenditures. The Commissioner must approve a budget prior to its final adoption and has the power to increase or decrease individual line items in a budget. Any amendments to a school district's budget must be approved by the board of education or the board of school estimate, as the case may be. Every budget submitted must provide no less than the minimum permissible amount deemed necessary under State law to provide for a thorough and efficient education as mandated by the State constitution. The Commissioner may not approve any budget unless the Commissioner is satisfied that the school district has adequately implemented within the budget the Core Curriculum Content Standards required by State law. If necessary, the Commissioner is authorized to order changes in the local school district's budget. The Commissioner will also ensure that other provisions of law are met including the limitations on taxes and spending explained below.

Tax and Spending Limitations

The Public School Education Act of 1975, N.J.S.A. 18A:7A-1 et seq., P.L. 1975, c. 212 (as amended and partially repealed) first limited the amount of funds that could be raised by a local school district. It limited the annual increase of any school district's net current expense budget. The budgetary limitation was known as a "CAP" on expenditures. The "CAP" was intended to control the growth in local property taxes. Subsequently there have been numerous legislative changes as to how the spending limitations would be applied.

The Quality Education Act of 1990, N.J.S.A. 18A:7D-1 et seq., P.L. 1990, c. 52 ("QEA") (now repealed) also limited the annual increase in the school district's current expense and capital outlay budgets by a statutory formula linked to the annual percentage increase in per capita income. The QEA was amended and revised by Chapter 62 of the Laws of New Jersey of 1991, and further amended by Chapter 7 of the Laws of New Jersey of 1993.

The Comprehensive Educational Improvement and Financing Act of 1996, N.J.S.A. 18A:7F-1 et seq., P.L. 1996, c. 138 ("CEIFA") (as amended by P.L. 2004, c.73, effective July 1, 2004), which followed QEA, also limited the annual increase in a school district's net budget by a spending growth limitation. CEIFA limited the amount school districts could increase their annual current expenses and capital outlay budgets, defined as a school district's "Spending Growth Limitation". Generally, budgets could increase by either a set percent or the consumer price index, whichever was greater. Amendments to CEIFA lowered the budget cap to 2.5% from 3%. Budgets could also increase because of certain adjustments for enrollment increases, certain capital outlay expenditures, pupil transportation costs, and special education costs that exceeded $40,000 per pupil. Waivers were available from the Commissioner based on increasing enrollments and other fairly narrow grounds and increases higher than the cap could be approved by a vote of 60% at the annual school election.

P.L. 2007, c. 62, effective April 3, 2007 (Assembly Bill A1), provided additional limitations on school district spending by limiting the amount a school district could raise for school district purposes through the property tax levy by 4% over the prior budget year's tax levy. P.L. 2007, c. 62 provided for adjustments to the cap for increases in enrollment, reductions in State aid and increased health care costs and for certain other extraordinary cost increases that required approval by the Commissioner. The bill granted discretion to the Commissioner to grant other waivers from the cap for increases in special education costs, capital outlay, and tuition charges. The Commissioner also had the ability to grant extraordinary waivers to the tax levy cap for certain other cost increases beginning in fiscal year 2009 through 2012.

P.L. 2007, c. 62 was deemed to supersede the prior limitations on the amount school districts could increase their annual current expenses and capital outlay budgets, created by CEIFA (as amended by P.L. 2004, c.73, effective July 1, 2004). However, Chapter 62 was in effect only through fiscal year 2012. Without an extension of Chapter 62 by the legislature, the Spending Growth Limitations on the general fund and capital outlay budget would be in effect.

Debt service was not limited either by the Spending Growth Limitations or the 4% cap on the tax levy increase imposed by Chapter 62.

The previous legislation was amended by P.L. 2010, c. 44, approved July 13, 2010, and became applicable to the next local budget year following enactment. This law limits the school district tax levy for the general fund budget to increases of 2% over the prior budget year with exceptions only for enrollment increases, increases for certain normal and accrued liability for pension contributions in excess of 2%, certain healthcare increases, and amounts approved by a simple majority of voters voting at a special election (the "Tax Levy Cap Law"). Additionally, also becoming effective in the 2011-2012 fiscal year, a school district that has not been granted approval to exceed the tax levy CAP by a separate proposal to bank the unused tax levy for use in any of the next three (3) succeeding budget years. A school district can request a use of "banked CAP" only after it has fully exhausted all eligible statute spending authority in the budget year. The process for obtaining waivers from the Commissioner for additional increases over the tax levy cap or Spending Growth Limitations was eliminated under Chapter 44. Notwithstanding the foregoing, under P.L. 2018, c. 67, approved July 24, 2018, which increases State school aid to underfunded school districts and decreases State school aid to over funded school districts, during the 2018-2019 through 2024-2025 fiscal years, SDA Districts, which are certain urban school districts formerly referred to as Abbott Districts referred to herein under "SUMMARY OF STATE AID TO SCHOOL DISTRICTS", are permitted increases in the tax levy over the 2% limit to raise a general fund tax levy to an amount that does not exceed its local share of the adequacy budget.

The restrictions are solely on the tax levy for the general fund and are not applicable to the debt service fund. There are no restrictions on a local school district's ability to raise funds for debt service, and nothing would limit the obligation of a school district to levy *ad valorem* taxes upon all taxable property within the school district to pay debt service on its bonds or notes with one exception. School districts are subject to GAAP accounting, and under GAAP interest on obligations maturing within one year must be treated as operating expenses. Accordingly, under the Department of Education's Chart of Accounts, interest on notes is raised in the General Fund of a school district and therefore is counted within its 2% tax levy cap on spending.

Issuance of Debt

Among the provisions for the issuance of school debt are the following requirements: (i) bonds must mature in serial installments within the statutory period of usefulness of the projects being financed but not exceeding forty (40) years; (ii) bonds shall be issued pursuant to an ordinance adopted by the governing body of the municipality comprised within the school district for a Type I school district; (iii) for Type II school districts (without boards of school estimate) bonds shall be issued by board of education resolution approving the bond proposal and by approval of the legally qualified voters of the school district; (iv) debt must be authorized by a resolution of a board of education (and approved by a board of school estimate in a Type I school district); and (v) there must be filed with the State by each municipality comprising a school district a supplemental debt statement and a school debt statement setting forth the amount of bonds and notes authorized but unissued and outstanding for such school district.

Annual Audit (N.J.S.A. 18A:23-1 et seq.)

Every board of education is required to provide an annual audit of the school district's accounts and financial transactions. Beginning with the fiscal year ended June 30, 2010, a licensed public school accountant must complete the annual audit no later than five (5) months after the end of the fiscal year. P.L. 2010, c. 49 amended N.J.S.A. 18A:23-1 to provide an additional month for the completion of a school district's audit. Previously the audit was required to be completed within four (4) months. The audit, in conformity with statutory requirements, must be filed with the board of education and the Commissioner. Additionally, the audit must be summarized and discussed at a regular public meeting of the local board of education within thirty (30) days following receipt of the annual audit by such board of education.

Temporary Financing (N.J.S.A. 18A:24-3)

Temporary notes may be issued in anticipation of the issuance of permanent bonds for a capital improvement or capital project. Such temporary notes may not exceed in the aggregate the amount of bonds authorized for such improvement or project. A school district's temporary notes may be issued for one (1) year periods, with the final maturity not exceeding five (5) years from the date of original issuance; provided, however, that no such notes shall be renewed beyond the third and fourth anniversary date of the original notes unless an amount of such notes, at least equal to the first legally payable installment of the bonds in anticipation of which said notes are issued, is paid and retired subsequent to such third anniversary date from funds other than the proceeds of obligations.

Refunding Bonds

Notwithstanding limitations regarding the issuance of debt, including debt limits and voter referendums, school districts may authorize and issue refunding bonds for the purpose of paying any refunded bonds, together with the costs of issuing the refunding bonds.

Debt Limitation (N.J.S.A. 18A:24-19)

Except as provided below, no additional debt shall be authorized if the principal amount, when added to the net debt previously authorized, exceeds a statutory percentage of the average equalized valuation of taxable property in a school district. As a prekindergarten (Pre-K) through grade eight (8) school district, the School District can borrow up to 3% of the average equalized valuation of taxable property in the School District. The Board has not exceeded its 3% debt limit. *See* "APPENDIX A – Debt Limit of the Board."

Exceptions to Debt Limitation

A Type II school district (other than a regional school district) may also utilize its constituent municipality's remaining statutory borrowing power (i.e., the excess of 3.5% of the average equalized valuation of taxable property within the constituent municipality over the constituent municipality's net debt). A school district may also authorize debt in excess of this limit with the consent of the Commissioner and the Local Finance Board (as hereinafter defined).

Capital Lease Financing

School districts are permitted to enter into lease purchase agreements for the acquisition of equipment or for the improvement of school buildings. Generally, lease purchase financings must mature within five (5) years except for certain lease purchase financings of energy savings equipment and other energy conservation measures, which may mature within fifteen (15) years and in certain cases twenty (20) years from the date the project is placed in service, if paid from energy savings (see "Energy Savings Obligations" below). Facilities lease purchase agreements, which may only be financed for a term of five (5) years or less, must be approved by the Commissioner. The Educational Facilities Construction and Financing Act, P.L. 2000, c. 72, effective July 18, 2000, as amended ("EFCFA") repealed the authorization to enter into facilities leases for a term in excess of five (5) years. The payment of rent is treated as a current expense and within the school district's Spending Growth Limitation and tax levy cap, and the payment of rent on an ordinary equipment lease and on a five (5) year and under facilities lease is subject to annual appropriation. Lease purchase payments on leases in excess of five (5) years entered into under prior law (CEIFA) are treated as debt service payments and, therefore, will receive debt service aid if the school district is entitled and are outside the school district's Spending Growth Limitation and tax levy cap.

Energy Saving Obligations

Under N.J.S.A. 18A:18A-4.6 (P.L. 2009, c. 4, effective March 23, 2009, as amended by P.L. 2012, c. 55, effective September 19, 2013), the Energy Savings Improvement Program Law or the "ESIP Law," school districts may issue energy savings obligations as refunding bonds without voter approval or lease purchase agreements to fund certain improvements that result in reduced energy use, facilities for production of renewable energy or water conservation improvements, provided that the value of the savings will cover the cost of the measures. The lease purchase financings for such measures must mature within 15 years, or in certain instances 20 years, from the date the projects are placed in service. These energy savings refunding bonds or leases are payable from the general fund. Such payments are within the school district's Spending Growth Limitation and tax levy cap but are not necessarily subject to annual appropriation.

Promissory Notes for Cash Flow Purposes

N.J.S.A. 18A:22-44.1 permits school districts to issue promissory notes in an amount not exceeding ½ the amount appropriated for current general fund expenses. These promissory notes are not considered debt and are used for cash flow purposes including funding in anticipation of the receipt of taxes, other revenues or grants.

N.J.S.A. 18A:20-44.2 permits borrowing in anticipation of State aid payments deferred by the State until the next fiscal year when needed upon application of the school district and with approval of the Commissioner.

Investment of School Funds

Investment of funds by State school districts is governed by State statute. Pursuant to N.J.S.A. 18A:20-37, school districts are limited to purchasing the following 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 invested in U.S. Government securities or obligations of New Jersey school districts, municipalities, counties and entities subject to State regulation ("local obligations"); (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 obligations bear 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 of not more than 397 days from the date of purchase constituting local obligations or approved by the Division of Investment in the Department of the Treasury for investment by school districts; (6) local government investment pools, rated in the highest rating category, investing in U.S. government securities, local obligations and repurchase agreements fully collateralized by securities set forth in (1), (3) and (5) above; (7) deposits with the State of New Jersey Cash Management Fund (created pursuant to N.J.S.A. 52:18A-90.4; the "Cash Management Fund"); and (8) repurchase agreements with a maximum 30 day maturity fully collateralized by securities set forth in (1) and (3) above or local obligations. School districts are required to deposit their funds in interest-bearing bank accounts in banks satisfying certain security requirements set forth in N.J.S.A. 17:9-41 et seq. or invest in permitted investments to the extent practicable, and may invest in bank certificates of deposit.

The Cash Management Fund is governed by regulations of the State Investment Council, a nonpartisan oversight body, and is not permitted to invest in derivatives. The Cash Management Fund is permitted to invest in Government Obligations, Federal Government Agency obligations, certain short term investment-grade corporate obligations, commercial paper rated "prime", certificates of deposit, repurchase agreements involving Government Obligations and Federal Government Agency obligations and certain other types of instruments. The average maturity of these securities in the Cash Management Fund must be one year or less, and only a quarter of the securities are permitted to mature in as much as two years.

The School District has no investments in derivatives.

SUMMARY OF STATE AID TO SCHOOL DISTRICTS

In 1973, the Supreme Court of the State (the "Court") first ruled in Robinson v. Cahill that the method then used to finance public education principally through property taxation was unconstitutional. Pursuant to the Court's ruling, the State Legislature enacted the Public School Education Act of 1975, N.J.S.A. 18A:7A-1 et seq. (P.L. 1975, c. 212) (the "Public School Education Act") (since amended and partially repealed), which required funding of the State's school aid through the New Jersey Gross Income Tax Act, P.L. 1976, c. 47, since amended and supplemented, enacted for the purpose of providing property tax relief.

On June 5, 1990, the Court ruled in Abbott v. Burke that the school aid formula enacted under the Public School Education Act was unconstitutional as applied. The Court found that poorer urban school districts were significantly disadvantaged under that school funding formula because school revenues were derived primarily from property taxes. The Court found that wealthy school districts were able to spend more, yet tax less for educational purposes.

Since that time there has been much litigation and many cases affecting the State's responsibilities to fund public education and many legislative attempts to distribute State aid in accordance with the court cases and the constitutional requirement. The cases addressed not only current operating fund aid but also addressed the requirement to provide facilities aid as well. The legislation has included the QEA (now repealed), CEIFA and EFCFA, which became law on July 18, 2000. For many years, aid has simply been determined in the State Budget, which itself is an act of the legislature, based upon amounts provided in prior years. The school funding formula provided in the School Funding Reform Act of 2008, P.L. 2007, c. 260, approved January 1, 2008 (A500), removed the special status given to certain school districts known as Abbott Districts after the school funding cases and instead has funding follow students with certain needs and provides aid in a way that takes into account the ability of the local school district to raise local funds to support the budget in amounts deemed adequate to provide for a thorough and efficient education as required by the State constitution. This legislation was challenged in the Court, and the Court held that the State's then current plan for school aid was a "constitutionally adequate scheme". However, the State continued to underfund certain school districts and to overfund other school districts in its budgets based on the statutory scheme. In its budget process for FY 2019 and with the enactment of P.L. 2018, c. 67, approved July 24, 2018, the State is moving the school districts toward the intent of the statutory scheme by increasing funding for underfunded school districts and decreasing funding for overfunded school districts over the next six (6) years.

Pursuant to Public Law 2018, c.67, signed into law by the Governor of the State on July 24, 2018, the School Funding Reform Act has been modified to adjust the distribution of State aid to school districts in the State ("SFRA Modification Law"). In particular, the SFRA Modification Law revises the School Funding Reform Act so that, after calculating the amount of State aid available per pupil, State aid will be distributed to each school district based on student enrollment. The SFRA Modification Law also eliminates the application of the State aid growth limit and adjustment aid, but includes a transition period for school districts that will receive less State aid. Under the SFRA Modification Law, most school districts that will receive reduced State aid resulting from the revised funding formula will be provided a transition period from the 2019-2020 school year through the 2024-2025 school year during which funding will be reduced. For those school districts where State aid will increase under the SFRA Modification Law, the transition period to increase funding will be one-year.

After over 35 years of litigation, the State provides State aid to school districts of the State in amounts provided in the State Budget each year. These now include equalization aid, educational adequacy aid, special education categorical aid, transportation aid, preschool education aid, school choice aid, security aid, adjustment aid and other aid determined in the discretion of the Commissioner.

State law requires that the State will provide aid for the construction of school facilities in an amount equal to the greater of the district aid percentage or 40% times the eligible costs determined by the Commissioner either in the form of a grant or debt service aid as determined under the EFCFA. The amount of the aid to which a school district is entitled is established prior to the authorization of the project. Grant funding is provided by the State up front and debt service aid must be appropriated annually by the State. The Commissioner of Education has determined the final eligible costs of the Projects being financed by the Bonds are $2,968,811, and the district aid percentage for the School District does not exceed 40.00%.

The State reduced debt service aid by fifteen percent (15%) for the fiscal years 2011 through 2021. As a result of the debt service aid reduction for those fiscal years, school districts received eighty-five percent (85%) of the debt service aid that they would have otherwise received. In addition, school districts which received grants under the EFCFA, which grants were financed through the New Jersey Economic Development Authority (the "EDA"), were assessed an amount in their fiscal years 2011 through 2021 budgets representing 15% of the school district's proportionate share of the principal and interest payments on the outstanding EDA bonds issued to fund such grants.

From time to time, including the present, the State has deferred one or more State Aid payments to school districts in the last month of its fiscal year until the following fiscal year and permitted borrowing in anticipation of such amounts for any cash flow deficit caused by such deferral.

SUMMARY OF FEDERAL AID TO SCHOOL DISTRICTS

Federal funds are available for certain programs approved by the federal government with allocation decided by the State, which assigns a proportion to each local school district. The Every Student Succeeds Act of 2015, enacted December 10, 2015, is a federal assistance program for which a school district qualifies to receive aid. A remedial enrichment program for children of low income families is available under Chapter 1 Aid. Such federal aid is generally received in the form of block grants. Aid is also provided under the Individuals with Disabilities Education Act although never in the amounts federal law required.

MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

Local Bond Law (N. J. S. A. 40A:2-1 et seq.)

The Local Bond Law governs the issuance of bonds and notes to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes subject to a number of exceptions. All bonds and notes issued by the Township are general full faith and credit obligations.

The authorized bonded indebtedness of a municipality for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3.5% of its average equalized valuation basis. See "SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT – Debt Limitation (N.J.S.A. 18A:24-19) and Exception to Debt Limitation."

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit, including school bonds that do not exceed the school bond borrowing margin and certain debt that may be deemed self-liquidating.

A municipality may exceed its debt limit with the approval of the Local Finance Board, a State regulatory agency (the "Local Finance Board), and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the municipality may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the municipality or substantially reduce the ability of the municipality to meet its obligations or to provide essential public improvements and services, or if it makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by a municipality to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, to provide for purposes in an amount not exceeding 2/3 of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

A municipality may sell short-term “bond anticipation notes” to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or a subsequent resolution so provides. A local unit’s bond anticipation notes must mature within one year, but may be renewed or rolled over. Bond anticipation notes, including renewals, must mature and be paid no later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original notes. For bond ordinances adopted on or after February 3, 2003, notes may only be renewed beyond the third anniversary date of the original notes if a minimum payment equal to the first year’s required principal payment on the bonds is paid to retire a portion of the notes on or before each subsequent anniversary date from funds other than the proceeds of bonds or notes. For bond ordinances adopted prior to February 3, 2003, the governing body may elect to make such minimum principal payment only when the notes are renewed beyond the third and fourth anniversary dates. Generally, bond anticipation notes may not be outstanding for longer than ten (10) years. An additional period may be available following the tenth anniversary date equal to the period from the notes’ maturity to the end of the tenth fiscal year in which the notes mature plus four (4) months in the next following fiscal year from the date of original issuance. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum required for the first year’s principal payment for a bond issue.

Local Budget Law (N. J. S. A. 40A:4-1 et seq.)

The foundation of the State local finance system is the annual cash basis budget. The Township, which operates on a calendar year (January 1 to December 31), must adopt a budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”). Certain items of revenue and appropriation are regulated by law and the proposed budget must be certified by the director of the Division (the “Director”) prior to final adoption. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations, among others, for certification.

Tax Anticipation Notes are limited in amount by law and must be paid off in full within 120 days of the close of the fiscal year.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review functions focusing on anticipated revenues serve to protect the solvency of all local units.

The cash basis budgets of local units must be in balance, i.e., the total of anticipated revenues must equal the total of appropriations (N.J.S.A. 40A:4-22). If in any year a local unit’s expenditures exceed its realized revenues for that year, then such excess must be raised in the succeeding year’s budget.

The Local Budget Law (N.J.S.A. 40A:4-26) provides that no miscellaneous revenues from any source may be included as an anticipated revenue in the budget in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director determines that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and certifies that determination to the local unit.

No budget or budget amendment may be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality’s calendar year. However, grant revenue is generally not realized until received in cash.

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. The maximum amount of delinquent taxes that may be anticipated is limited by a statutory formula, which allows the local unit to anticipate collection at the same rate realized for the collection of delinquent taxes in the previous year. Also, the local unit is required to make an appropriation for a "reserve for uncollected taxes" in accordance with a statutory formula to provide for a tax collection in an amount that does not exceed the percentage of taxes levied and payable in the preceding fiscal year that was received in cash by the last day of that fiscal year. The budget also must provide for any cash deficits of the prior year.

Emergency appropriations (those made after the adoption of the budget and the determination of the tax rate) may be authorized by the governing body of the local unit. However, with minor exceptions, such appropriations must be included in full in the following year's budget. When such appropriations exceed 3% of the adopted operating budget, consent of the Director must be obtained.

Under legislation recently enacted to address the COVID-19 emergency, P.L. 2020, c. 60 (A4175) (the "New Jersey COVID-19 Emergency Bond Act"), a municipality may adopt an emergency appropriation to fund certain deficits resulting from COVID-19 with approval of the Director and may either fund it as a deferred charge or issue special emergency notes to fund it payable by 1/5 each year beginning in the year after the year in which the deferred charge appears in the financial statements so it is paid off no later than the last day of the sixth fiscal year following the end of the fiscal year in which the application is made. If there is a showing of fiscal distress, that may be extended to ten years. The Director may also promulgate guidelines modifying the standard for anticipated revenues when the amount realized in cash from the same source during the next preceding fiscal year experienced reductions due to COVID-19. Also, local units may be able to issue refunding bonds with Local Finance Board approval to repay a Federal Management Agency Community Disaster Loan for which it executed a promissory note in 2013.

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as ice, snow and flood damage to streets, roads and bridges, which may be amortized over three (3) years, and tax map preparation, revaluation programs, revision and codification of ordinances, master plan preparations, and drainage map preparation for flood control purposes, which may be amortized over five (5) years. Emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between appropriation accounts may be made only during the last two (2) months of the year. Appropriation reserves may also be transferred during the first three (3) months of the year, to the previous year's budget. Both types of transfers require a 2/3 vote of the full membership of the governing body; however, transfers cannot be made from either the down payment account or the capital improvement fund. Transfers may be made between sub-account line items within the same account at any time during the year, subject to internal review and approval. In a "CAP" budget, no transfers may be made from excluded from "CAP" appropriations to within "CAP" appropriations nor can transfers be made between excluded from "CAP" appropriations.

A provision of law known as the New Jersey "Cap Law" (N.J.S.A. 40A:4-45.1 et seq.*)* imposes limitations on increases in municipal appropriations subject to various exceptions. The payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the "Index Rate". The "Index Rate" is the rate of annual percentage increase, rounded to the nearest one-half percent, in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other things including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year's appropriation, and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior year's tax levy in years when the Index Rate is 2.5% or less.

Additionally, legislation constituting P.L. 2007, c. 62, effective April 3, 2007, imposed a 4% cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit included increases required to be raised for debt service and certain lease payments to county improvement authorities, increases to replace certain lost State aid, increases in certain pension contributions, increases in the reserve for uncollected taxes required for municipalities, and certain increases in health care costs over 4%. The Local Finance Board was able to approve waivers for certain extraordinary costs identified by the statute, and voters could approve increases above 4% not otherwise permitted by a vote of 60% of the voters voting on a public question.

This legislation has now been amended by P.L. 2010, c. 44, approved July 13, 2010 and applicable to the next local budget year following enactment to limit tax levy increases for those local units to two percent (2%) with exceptions only for capital expenditures including debt service, increases in pension contributions and accrued liability for pension contributions in excess of two percent (2%), certain healthcare increases, extraordinary costs directly related to a declared emergency and amounts approved by a simple majority of voters voting at a special election. Chapter 44 eliminates the process for obtaining waivers for additional spending under the tax levy limitation.

Neither the tax levy limitation nor the "Cap Law" limits, including the provisions of the recent legislation, would limit the obligation of a municipality to levy *ad valorem* taxes upon all taxable property within a municipality to pay debt service on its bonds or notes.

In accordance with the Local Budget Law, each local unit must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing six (6) years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may contemplate over the next six (6) years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the terms were detailed.

Tax Assessment and Collection Procedure

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income, where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners, but it often results in a divergence of the assessment ratio to true value. Because of the changes in property resale values, annual adjustments could not keep pace with the changing values.

Upon the filing of certified adopted budgets by the local unit and the county, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, the levying of taxes and the collection thereof are set forth in N.J.S.A. 54:4-1 et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

Tax bills are mailed annually in June by the Tax Collector. The taxes are due August 1 and November 1, respectively, and are adjusted to reflect the current calendar year's total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding year are based upon one-half of the current year's total tax.

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first $1,500.00 of the delinquency and 18% per annum on any amount in excess of $1,500.00. These interest penalties are the highest permitted under State statutes. If a delinquency is in excess of $10,000.00 and remains in arrears after December 31st, an additional penalty of 6% shall be charged. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with New Jersey Statutes.

Tax Appeals

The State Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 in each year, the municipality must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Board of Taxation on or before April 1 for review. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the Tax Court of New Jersey for further hearing. Some State Tax Court appeals may take several years prior to settlement, and any losses in tax collections from prior years are charged directly to operations.

Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 et seq.)

This law regulates the non-budgetary financial activities of local governments. The chief financial officer of every local unit must file annually, with the Director, a verified statement of the financial condition of the local unit and all constituent boards, agencies or commissions.

An independent examination of each local unit's accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local unit's financial procedures and must be filed with the Director. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within thirty (30) days of its submission.

FINANCIAL STATEMENTS

Excerpts from the financial statements of the School District for the fiscal year ended June 30, 2021 are presented in Appendix B to this Official Statement (the "Financial Statements"). The Financial Statements have been audited by Lerch, Vinci & Bliss, LLP, Fair Lawn, New Jersey, formerly Lerch, Vinci & Higgins, LLP, an independent auditor (the "Board Auditor"), as stated in its report appearing in Appendix B to this Official Statement. See "APPENDIX B – Excerpts from Financial Statements of the School District". Such Financial Statements are included herein for informational purposes only, and the information contained in the Financial Statements should not be used to modify the description of the Bonds contained herein.

LITIGATION

To the knowledge of the Board Attorney, Porzio, Bromberg & Newman, P.C., Morristown, New Jersey (the "Board Attorney") there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the School District or the title of any of the present officers. To the knowledge of the Board Attorney and confirmed by the Business Administrator/Board Secretary, no litigation is presently pending or threatened that, in the opinion of the Board Attorney, would have a material adverse impact on the financial condition of the School District if adversely decided. A certificate to such effect will be executed by the Board Attorney and delivered to the Underwriter (as hereinafter defined) of the Bonds at the closing.

In connection with the representations set forth in this section, the words “to the knowledge of the Board Attorney” signify that, in the course of the Board Attorney’s representation of the Board as its General Counsel, no facts have come to the Board Attorney’s attention that would give actual knowledge or actual notice that any such representations are not accurate. This representation is given solely for the benefit of the Underwriter (as hereinafter defined) in connection with the offering, sale and issuance of the Bonds. The foregoing representation is given on the date hereof and only with respect to facts existing on the date hereof.

TAX MATTERS

Exclusion of Interest on the Bonds From Gross Income for Federal Tax Purposes

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the Bonds in order to assure that interest on the Bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Code. Failure of the Board to comply with such requirements may cause interest on the Bonds to lose the exclusion from gross income for federal income tax purposes, retroactive to the date of issuance of the Bonds. The Board will make certain representations in its Arbitrage and Tax Certificate, which will be executed on the date of issuance of the Bonds, as to various tax requirements. The Board has covenanted to comply with the provisions of the Code applicable to the Bonds and has covenanted not to take any action or fail to take any action that would cause interest on the Bonds to lose the exclusion from gross income under Section 103 of the Code. Bond Counsel (as defined herein) will rely upon the representations made in the Arbitrage and Tax Certificate and will assume continuing compliance by the Board with the above covenants in rendering its federal income tax opinions with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes and with respect to the treatment of interest on the Bonds for the purposes of alternative minimum tax.

Assuming the Board observes its covenants with respect to compliance with the Code, McManimon, Scotland & Baumann, LLC, Bond Counsel to the School District ("Bond Counsel"), is of the opinion that, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code, and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax; however, for tax years beginning after December 31, 2022, interest on the Bonds is included in the "adjusted financial statement income" of certain corporations that are subject to alternative minimum tax under Section 55 of the Code.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and enforcement of the Code or those regulations by the IRS.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the School District or the owners of the Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat the School District as the taxpayer and the beneficial owners of the Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including, but not limited to, selection of the Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Bonds.

Payments of interest on tax-exempt obligations, including the Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Original Issue Discount

Certain maturities of the Bonds may be sold at an initial offering price less than the principal amount payable on such Bonds at maturity (the "Discount Bonds"). The difference between the initial public offering price of the Discount Bonds at which a substantial amount of each of the Discount Bonds was sold and the principal amount payable at maturity of each of the Discount Bonds constitutes the original issue discount. Bond Counsel is of the opinion that the appropriate portion of the original issue discount allocable to the original and each subsequent owner of the Discount Bonds will be treated for federal income tax purposes as interest not includable in gross income under Section 103 of the Code to the same extent as stated interest on the Discount Bonds. Under Section 1288 of the Code, the original issue discount on the Discount Bonds accrues on the basis of economic accrual. The basis of an initial purchaser of a Discount Bond acquired at the initial public offering price of the Discount Bonds will be increased by the amount of such accrued discount. Owners of the Discount Bonds should consult their own tax advisors with respect to the determination for federal income tax purposes of the original issue discount properly accruable with respect to the Discount Bonds and the tax accounting treatment of accrued interest.

Original Issue Premium

Certain maturities of the Bonds may be sold at an initial offering price in excess of the amount payable at the maturity date (the "Premium Bonds"). The excess, if any, of the tax basis of the Premium Bonds to a purchaser (other than a purchaser who holds such Premium Bonds as inventory, as stock-in-trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is amortizable bond premium, which is not deductible from gross income for federal income tax purposes. Amortizable bond premium, as it amortizes, will reduce the owner's tax cost of the Premium Bonds used to determine, for federal income tax purposes, the amount of gain or loss upon the sale, redemption at maturity or other disposition of the Premium Bonds. Accordingly, an owner of a Premium Bond may have taxable gain from the disposition of the Premium Bond, even though the Premium Bond is sold, or disposed of, for a price equal to the owner's original cost of acquiring the Premium Bond. Bond premium amortizes over the term of the Premium Bonds under the "constant yield method" described in regulations interpreting Section 1272 of the Code. Owners of the Premium Bonds should consult their own tax advisors with respect to the calculation of the amount of bond premium that will be treated for federal income tax purposes as having amortized for any taxable year (or portion thereof) of the owner and with respect to other federal, state and local tax consequences of owning and disposing of the Premium Bonds.

Bank-Qualification

The Bonds <u>will not be</u> designated as qualified under Section 265 of the Code by the Board for an exemption from the denial of deduction for interest paid by financial institutions to purchase or to carry tax-exempt obligations.

The Code denies the interest deduction for certain indebtedness incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations. The denial to such institutions of 100% of the deduction for interest paid on funds allocable to tax-exempt obligations applies to those tax-exempt obligations acquired by such institutions after August 7, 1986. For certain issues that are eligible to be designated, and that are designated, by the issuer as qualified under Section 265 of the Code, 80% of such interest may be deducted as a business expense by such institutions.

Additional Federal Income Tax Consequences of Holding the Bonds

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Bonds, may have additional federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty companies, foreign corporations and certain S corporations.

Bond Counsel expresses no opinion regarding any federal tax consequences other than its opinion with regard to the exclusion of interest on the Bonds from gross income pursuant to Section 103 of the Code and interest on the Bonds not constituting an item of tax preference under Section 57 of the Code. Prospective purchasers of the Bonds should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the Bonds.

Changes in Federal Tax Law Regarding the Bonds

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest on the Bonds or the market value or marketability of the Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax) or repeal (or reduction in the benefit) of the exclusion of interest on the Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

State Taxation

Bond Counsel is of the opinion that, based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act.

THE OPINIONS EXPRESSED BY BOND COUNSEL WITH RESPECT TO THE BONDS ARE BASED UPON EXISTING LAWS AND REGULATIONS AS INTERPRETED BY RELEVANT JUDICIAL AND REGULATORY CHANGES AS OF THE DATE OF ISSUANCE OF THE BONDS, AND BOND COUNSEL HAS EXPRESSED NO OPINION WITH RESPECT TO ANY LEGISLATION, REGULATORY CHANGES OR LITIGATION ENACTED, ADOPTED OR DECIDED SUBSEQUENT THERETO. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE POTENTIAL IMPACT OF ANY PENDING OR PROPOSED FEDERAL OR STATE TAX LEGISLATION, REGULATIONS OR LITIGATION.

MUNICIPAL BANKRUPTCY

The undertakings of the School District should be considered with reference to 11 U.S.C. 401 et seq., as amended and supplemented (the "Bankruptcy Code"), and other bankruptcy laws affecting creditors' rights and municipalities in general. The Bankruptcy Code permits the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to commence a voluntary bankruptcy case by filing a petition with a bankruptcy court for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants certain priority to debt owed for services or material; and provides that the plan must be accepted in writing by or on behalf of classes of creditors holding at least two-thirds in amount and more than one-half in number of the allowed claims of such class. The Bankruptcy Code specifically does not limit or impair the power of a state to control, by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Code.

The Bankruptcy Code provides that special revenue acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by such debtor before the commencement of such bankruptcy case. However, any such lien, other than municipal betterment assessments, shall be subject to the necessary operating expenses of such project or system. Furthermore, the Bankruptcy Code provides that a transfer of property of a debtor to or for the benefit of any holder of a bond or note, on account of such bond or note, may not be avoided pursuant to certain preferential transfer provisions set forth in such Bankruptcy Code.

Reference should also be made to N.J.S.A. 52:27-40 et seq., which provides that a local unit has the power to file a petition in bankruptcy with any United States Court or court in bankruptcy under the provisions of the Bankruptcy Code, for the purpose of effecting a plan of readjustment of its debts or for the composition of its debts; provided, however, the approval of the Municipal Finance Commission must be obtained. The powers of the Municipal Finance Commission have been vested in the Local Finance Board.

REFERENCE TO THE BANKRUPTCY CODE OR THE STATE STATUTE SHOULD NOT CREATE ANY IMPLICATION THAT THE SCHOOL DISTRICT EXPECTS TO UTILIZE THE BENEFITS OF THEIR PROVISIONS.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Bonds are subject to the approval of Bond Counsel to the School District, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as Appendix C hereto. Certain legal matters may be passed on to the School District for review by the Board Attorney.

PREPARATION OF OFFICIAL STATEMENT

The Board hereby states that the descriptions and statements herein, including the Financial Statements, are true and correct in all material respects, and it will confirm same to the Underwriter (as hereinafter defined) by a certificate signed by the Board President and the Business Administrator/Board Secretary, that, to their knowledge, such descriptions and statements, as of the date of this Official Statement and as of the date of delivery of the Bonds, are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

The Board Auditor takes responsibility for the Audited Financial Statements to the extent specified in their Independent Auditor's Report and has not participated in the preparation of this Official Statement.

The Municipal Advisor has participated in the preparation and review of this Official Statement, however, it has not verified the accuracy, completeness or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto.

Bond Counsel has participated in the review of this Official Statement but has not participated in the preparation of this Official Statement or in the collection of financial, statistical or demographic information contained in this Official Statement, nor have they verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

All other information has been obtained from sources that the Board considers to be reliable, and it makes no warranty, guaranty or other representation with respect to the accuracy and the completeness of such information.

RATING

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC (the "Rating Agency"), has assigned an underlying rating of "AA" to the Bonds based upon the underlying credit of the School District. The Bonds also receive a program rating based upon the additional security provided by the Act.

The rating reflects only the views of the Rating Agency and an explanation of the significance of such rating may only be obtained from the Rating Agency. The Board furnished to the Rating Agency certain information and materials concerning the Bonds and the School District. There can be no assurance that the rating will be maintained for any given period of time or that the rating may not be raised, lowered or withdrawn entirely, if in the Rating Agency's judgment, circumstances so warrant. Any downward change in, or withdrawal of, such rating may have an adverse effect on the marketability or market price of the Bonds.

UNDERWRITING

The Bonds have been purchased from the School District at a public sale by Roosevelt & Cross, Inc., and Associates (the "Underwriter") at a price of $12,013,442.01.

The Underwriter intends to offer the Bonds to the public initially at the offering yields set forth on the front cover of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investments trusts) at yields higher than the public offering yields set forth on the front cover of this Official Statement, and such yields may be changed, from time to time, by the Underwriter without prior notice.

MUNICIPAL ADVISOR

Phoenix Advisors, LLC, Bordentown, New Jersey has served as Municipal Advisor to the School District (the "Municipal Advisor") with respect to the issuance of the Bonds. This Official Statement has been prepared with the assistance of the Municipal Advisor. Certain information set forth herein has been obtained from the School District and other sources, which are deemed reliable, but no warranty, guaranty or other representation as to the accuracy or completeness is made as to such information contained herein. There is no assurance that any of the assumptions or estimates contained herein will be realized. The Municipal Advisor is an independent Municipal Advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

SECONDARY MARKET DISCLOSURE

Solely for purposes of complying with Rule 15c2-12 of the Securities and Exchange Commission, as amended and interpreted from time to time (the "Rule"), and provided that the Bonds are not exempt from the Rule and provided that the Bonds are not exempt from the following requirements in accordance with paragraph (d) of the Rule, for so long as the Bonds remain outstanding (unless the Bonds have been wholly defeased), the School District shall provide for the benefit of the holders of the Bonds and the beneficial owners thereof:

(a) On or prior to February 1 of each year, beginning February 1, 2023, electronically to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system or such other repository designated by the SEC to be an authorized repository for filing secondary market disclosure information, if any, annual financial information with respect to the School District consisting of the audited financial statements (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available) of the School District and certain financial information and operating data consisting of (1) School District indebtedness; (2) property valuation information; and (3) tax rate, levy and collection data. The audited financial statements will be prepared in accordance with generally accepted accounting principles as modified by governmental accounting standards as may be required by New Jersey law.

(b) If any of the following events occur regarding the Bonds, a timely notice not in excess of ten (10) business days after the occurrence of the event sent to EMMA:

(1) Principal and interest payment delinquencies;
(2) Non-payment related defaults, if material;
(3) Unscheduled draws on debt service reserves reflecting financial difficulties;
(4) Unscheduled draws on credit enhancements reflecting financial difficulties;
(5) Substitution of credit or liquidity providers, or their failure to perform;
(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
(7) Modifications to the rights of holders of the Bonds, if material;
(8) Bond calls, if material, and tender offers;
(9) Defeasances;
(10) Release, substitution or sale of property securing repayment of the Bonds, if material;
(11) Rating changes;
(12) Bankruptcy, insolvency, receivership or similar event of the School District;
(13) The consummation of a merger, consolidation or acquisition involving the School District or the sale of all or substantially all of the assets of the School District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
(15) Incurrence of a Financial Obligation of the School District, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation, any of which affect holders of the Bonds, if material; and
(16) Default, event of acceleration, termination event, modification of terms or other similar events under a Financial Obligation of the School District, if any such event reflects financial difficulties.

For the purposes of the event identified in subparagraph (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the School District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the School District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the School District.

The term “Financial Obligation” as used in subparagraphs (b)(15) and (b)(16) above means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation or (iii) guarantee of (i) or (ii); provided, however, that the term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

Notice of failure of the School District to provide required annual financial information on or before the date specified in the Resolution shall be sent in a timely manner to EMMA.

If all or any part of the Rule ceases to be in effect for any reason, then the information required to be provided under the Resolution, insofar as the provisions of the Rule no longer in effect required the provision of such information, shall no longer be required to be provided.

The Business Administrator/Board Secretary shall determine, in consultation with Bond Counsel, the application of the Rule or the exemption from the Rule for each issue of obligations of the School District prior to their offering. Such officer is authorized to enter into additional written contracts or undertakings to implement the Rule and is further authorized to amend such contracts or undertakings or the undertakings set forth in the Resolution, provided such amendment is, in the opinion of nationally recognized bond counsel, in compliance with the Rule.

In the event that the School District fails to comply with the above-described undertaking and covenants, the School District shall not be liable for any monetary damages, remedy of the beneficial owners of the Bonds being specifically limited in the undertaking to specific performance of the covenants.

The Board has previously entered into continuing disclosure undertakings under the Rule. The Board appointed Phoenix Advisors, LLC, Bordentown, New Jersey in May of 2015 to act as Continuing Disclosure Agent to assist in the filing of certain information on EMMA as required under its obligations.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Carol Delsandro, Business Administrator/Board Secretary, at 20 School Avenue, East Hanover, NJ 07936, (973) 887-2112, or to the Municipal Advisor at 625 Farnsworth Avenue, Bordentown, New Jersey 08505, (609) 291-0130.

CERTIFICATE WITH RESPECT TO THE OFFICIAL STATEMENT

At the time of the original delivery of the Bonds, the School District will deliver a certificate of one of its authorized officials to the effect that such official has examined this Official Statement (including the appendices) and the financial and other data concerning the School District contained herein and that, to the best of such official's knowledge and belief, (i) this Official Statement, both as of its date and as of the date of delivery of the Bonds, does not contain any untrue statement of a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading and (ii) between the date of this Official Statement and the date of delivery of the Bonds there has been no material adverse change in the affairs (financial or otherwise), financial condition or results or operations of the School District except as set forth in or contemplated by this Official Statement.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement among the School District, the Underwriter and the holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the School District since the date hereof. The information contained in this Official Statement is not guaranteed as to accuracy or completeness.

THE BOARD OF EDUCATION OF THE TOWNSHIP OF EAST HANOVER, IN THE COUNTY OF MORRIS, NEW JERSEY

By: /s/ Carol Delsandro

Carol Delsandro,
Business Administrator/Board Secretary

Date: December 6, 2022

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APPENDIX A

CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT THE SCHOOL DISTRICT AND THE TOWNSHIP OF EAST HANOVER

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CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE SCHOOL DISTRICT AND THE TOWNSHIP OF EAST HANOVER, IN THE COUNTY OF MORRIS, STATE OF NEW JERSEY

Summary

The public school system in the Township of East Hanover, in the County of Morris, State of New Jersey (the "Township") is operated by The Board of Education of the Township of East Hanover in the County of Morris, New Jersey (the "Board" when referring to the governing body and the "School District" when referring to the territorial boundaries governed thereby), as a Type II School District. It functions independently through a seven (7) member board, elected by the voters in staggered three (3) year terms. The Board appoints a Superintendent who is responsible for budgeting, planning and operational functions of the School District. The Board operates a Kindergarten through grade eight (8) district which houses its students in two (2) elementary schools and one (1) middle school. These schools include class rooms with rooms for music, art, sciences, computer studies, a library, multi-purpose rooms, a cafeteria and gymnasium.

School District Enrollment

Fiscal Year	Total School District Enrollment [1]	Fiscal Year	Total School District Enrollment [1]
2022-2023*	957	2017-2018	931
2021-2022	916	2016-2017	973
2020-2021	895	2015-2016	969
2019-2020	934	2014-2015	997
2018-2019	901	2013-2014	1,021

* Projected

Staff[1]

The Superintendent is the chief administrative officer of the School District. The Business Administrator/Board Secretary oversees the business functions of the Board and reports through the Superintendent to the Board. The School District currently employs the following staff (Including part-time employees):

Description	
Teaching Staff (Instruction)	116
Administration/Support Services	49
Custodial/Maintenance/Transportation	19
Total	184

Labor Relations[2]

The Board's contract with the East Hanover Education Association expires on June 30, 2024 and its contract with the Administrators Association expires on June 30, 2025.

1 Source: Business Administrator/Board Secretary; Board records

2 Source: Business Administrator/Board Secretary; Board records

Comparison of General Fund Revenues and Appropriations (Budgetary Basis)

	(Budget) Fiscal Year 2022-2023	(Budget) Fiscal Year 2021-2022	(Actual) Fiscal Year 2020-2021	(Actual) Fiscal Year 2019-2020
GENERAL FUND				
REVENUES				
Budget Fund Balance	$ 717,878	$ 294,132		
Local Sources:				
Local Tax Levy	21,603,270	21,179,676	$ 20,764,389	$ 20,014,879
Tuition	56,000	56,000	35,000	68,434
Miscellaneous	11,500	19,000	62,377	37,907
State Sources	1,147,415	969,445	1,225,613	1,078,074
TOTAL REVENUES	$ 23,536,063	$ 22,518,253	22,087,379	21,199,294
APPROPRIATIONS/CURRENT EXPENDITURES				
Instruction:				
Regular Programs	$ 6,650,625	$ 6,286,689	5,901,634	5,854,954
Special Education	2,402,893	2,379,737	2,077,200	2,109,236
Basic Skills/Remedial	603,487	582,568	614,440	625,357
Bilingual Education	60,150	58,617	71,213	103,537
School-Sponsored Co-Curricular Activities	89,085	82,699	59,109	65,105
School-Sponsored Athletic Activities	77,095	74,930	23,066	70,641
Before & After School Programs	13,330	15,580	-	5,980
Summer School	88,074	72,242	30,966	36,823
Undistributed Expenditures:				
Tuition	386,653	378,566	248,113	285,979
Attendance and Social Work Services	22,000	22,346	21,670	75,475
Health Services	392,610	371,110	371,011	357,189
Speech, OT, PT, Related Services	630,742	591,128	515,773	491,891
Extra Services	396,607	277,559	290,671	273,561
Guidance	294,740	285,089	262,946	253,016
Child Study Teams	706,232	686,642	515,056	488,574
Improvement of Instructional Services	201,378	198,275	163,164	167,411
Educational Media Services - School Library	445,869	438,657	444,542	399,341
Instructional Staff Training	78,092	71,704	33,688	35,779
General Administration	494,267	490,794	458,838	401,596
School Administration	886,073	852,794	959,714	954,314
Central Services	437,593	362,125	344,486	317,171
Administration Info Tech.	27,170	26,480	22,311	32,056
Operation and Maintenance of Plant Services	1,948,866	1,872,472	1,849,344	1,758,342
Student Transportation	1,378,587	1,412,891	1,055,281	1,206,738
Personnel Services - Employee Benefits	4,711,791	4,560,105	3,737,739	3,686,242
Food Services	7,000	7,000	-	-
TOTAL CURRENT EXPENDITURES	23,431,009	22,458,799	20,071,975	20,056,308
Capital Outlay	105,054	59,454	197,116	799,526
TOTAL APPROPRIATIONS/EXPENDITURES	$ 23,536,063	$ 22,518,253	20,269,091	20,855,834
Excess (Deficiency) of Revenues Over (Under) Expenditures			1,818,288	343,460
Other Financing Sources (Uses), Net			155,732	49,231
Net Change in Fund Balance			1,974,020	392,691
Fund Balance, Beginning of Year (Restated for June 30, 2021)			4,241,447	3,610,304
Fund Balance, End of Year			$ 6,215,467	$ 4,002,995

* All years exclude TPAF Pension Post-Retirement Medical Benefits and Social Security on behalf payments

School District Debt Limit and Borrowing Margin[3]

The debt limitation of the School District is established pursuant to N.J.S.A. 18A:24-19. The School District is permitted to incur debt up to three percent (3.0%) of the average equalized valuation of taxable property in the School District before requiring an extension of credit from the Township and the Local Finance Board. The total equalized valuation of real property, including improvements, in the Township for the last three (3) years and the School District's available borrowing margin as of December 31, 2021 are summarized below:

Year	Amount
2019	$ 3,270,351,092
2020	3,427,493,136
2021	3,414,226,822
	$10,112,071,050

Average for the Three (3) Year Period		$ 3,370,690,350
School District Borrowing Margin (3.0% of $3,370,690,350)	$	101,120,711
School Debt as of December 31, 2021		1,120,000
Available School District Borrowing Margin	$	100,000,711

Computation of School and Overlapping Debt as of December 31, 2021[4]

Debt of School District as of December 31, 2021	$	1,120,000
Overlapping Debt of School District:		
Township of East Hanover		38,033,773
Hanover Park Regional High School		3,323,362
County of Morris		13,564,477
Total School and Overlapping Bonded Debt	$	56,041,612

3 Source: The Township of East Hanover 2021 Annual Debt Statement
4 Source: The Township of East Hanover 2021 Annual Debt Statement

GENERAL INFORMATION OF THE TOWNSHIP OF EAST HANOVER, IN THE COUNTY OF MORRIS, STATE OF NEW JERSEY

General

The Township comprises an area of 8.2 square miles and is located on the eastern border of Morris County abutting Essex County. It is 30 miles west of New York City, 15 miles west of Newark and six miles east of Morristown. State Highway 10 and Interstate Highway 280 traverse the Township and provide principal connections to Newark and New York City.

The Township has a strong and developed tax base which includes national and international businesses. Notably, Novartis has had its major US facility within the Township, and Mondelez Global LLC has been headquartered in the Township for more than 20 years. Givaudan also has a major presence in the Township with two locations, one for research and development and one for manufacturing.

Government Structure

The Township was incorporated under the Small Municipality Plan form of government. There is a Mayor and a four-member Council.

The Mayor is elected to serve a four-year term and may succeed that term by re-election. He is empowered, amongst his legal powers as head of the municipal government, to: (i) provide for the proper execution of local and State laws; (ii) recommend to the Township Council measures he deems in the best interest of the Township; (iii) nominate and, with the advice and consent of the Township Council, appoint most subordinate officers of the Township; and (iv) maintain peace and order. Although he presides over meetings of the Township Council, the Mayor votes only in case of a tie. The Mayor appoints a council person as a member to the East Hanover Public Library.

The four Council members are elected at-large, in staggered terms of three years. The Council exercises general legislative powers conferred upon it by State law to protect and promote the general welfare of the Township. Among these are: the right to enact ordinances, approve resolutions, approve mayoral appointments, adopt the annual budget and determine the tax levy. The Council, acting in committees, oversees the various departments and functions of the Township Government.

Transportation

Because of its close proximity to New York City, many residents are employed in the City of New York and commute via mass transportation. New Jersey transit bus service to Newark and New York City as well as Morristown are available, and New Jersey Transit rail service is available in neighboring towns. Residents have access to all parts of New York and New Jersey via nearby Routes 10, 24, 46, 80 280 and 287.

Population Trends[5]

Population trends for the Township, County of Morris and the State of New Jersey are shown below:

Area	1980	1990	2000	2010	2020
Township of East Hanover	9,319	9,926	11,393	11,157	11,105
County of Morris	407,630	421,535	470,212	492,276	509,285
State of New Jersey	7,364,158	7,730,180	8,432,116	8,791,894	9,288,994

Money Income as of 2020[6]

	Median Household Income	Median Family Income	Per Capita Income
Township of East Hanover	$127,977	$138,505	$54,115
County of Morris	117,298	143,166	58,981
State of New Jersey	85,245	104,804	44,153

Employment and Unemployment Data[7]

The New Jersey Department of Labor reported the following annual average employment information for the Township of East Hanover, the County of Morris and the State of New Jersey:

	Total Labor Force	Employed Labor Force	Total Unemployed	Unemployment Rate
Township of East Hanover				
2021	5,703	5,404	299	5.2%
2020	5,738	5,277	461	8.0%
2019	5,804	5,656	148	2.5%
2018	5,771	5,590	181	3.1%
2017	5,813	5,608	205	3.5%
County of Morris				
2021	262,719	249,661	13,058	5.0%
2020	261,110	241,500	19,610	7.5%
2019	267,542	260,411	7,131	2.7%
2018	263,758	255,505	8,253	3.1%
2017	264,364	254,986	9,378	3.5%
State of New Jersey				
2021	4,661,100	4,365,400	295,700	6.3%
2020	4,495,200	4,055,300	439,900	9.8%
2019	4,493,100	4,333,300	159,800	3.6%
2018	4,422,900	4,239,600	183,300	4.1%
2017	4,453,500	4,247,500	206,000	4.6%

5 Source: State of New Jersey, Data Center, Census Data

6 Source: U.S. Census Bureau, 2016-2020 American Community Survey

7 Source: State of New Jersey Data Center

STATEMENT OF STATUTORY NET DEBT FOR THE TOWNSHIP OF EAST HANOVER[8] AS OF DECEMBER 31, 2021

GENERAL PURPOSES		
Bonds Issued and Outstanding	$ 14,415,000	
Bond Anticipation Notes	15,579,708	
Bonds and Notes Authorized But Not Issued	3,726,265	
		$ 33,720,973
WATER AND SEWER UTILITY		
Bonds Issued and Outstanding	4,980,000	
Bond Anticipation Notes	1,652,000	
Bonds and Notes Authorized But Not Issued	1,067,750	
		7,699,750
REGIONAL SCHOOL		
Bonds Issued and Outstanding		3,323,362
LOCAL SCHOOL		
Bonds Issued and Outstanding		1,120,000
TOTAL GROSS DEBT		45,864,085
STATUTORY DEDUCTIONS		
Water and Sewer Utility	3,386,950	
Regional School	3,323,362	
Local School	1,120,000	
		7,830,312
TOTAL NET DEBT		$ 38,033,773
OVERLAPPING DEBT		
County of Morris (Note 1)	$ 13,564,477	
TOTAL OVERLAPPING DEBT		$ 13,564,477
GROSS DEBT		
Per Capita (2020 - 11,105)		$ 4,130
Percent of Net Valuation Taxable (2022 - $2,526,711,969)		1.82%
Percent of Estimated True Value of Real Property (2022 - $3,445,279,655)		1.33%
NET MUNICIPAL DEBT		
Per Capita (2020 - 11,105)		$ 3,425
Percent of Net Valuation Taxable (2022 - $2,526,711,969)		1.51%
Percent of Estimated True Value of Real Property (2022 - $3,445,279,655)		1.10%
OVERALL DEBT (Net and Overlapping Debt)		
Per Capita (2020 - 11,105)		$ 4,646
Percent of Net Valuation Taxable (2022 - $2,526,711,969)		2.04%
Percent of Estimated True Value of Real Property (2022 - $3,445,279,655)		1.50%

Note 1: Overlapping debt was computed based upon the real property ratio of equalized valuations of the Township to all municipalities within the County, as provided in the 2021 Morris County Abstract of Ratables published by the Morris County Board of Taxation.

[8] Source: The Township of East Hanover's 2021 Annual Debt Statement

Ten Largest Taxpayers[9]

The ten largest taxpayers in the Township and their 2022 assessed valuations are listed below:

Taxpayer	Assessment
Novartis Pharmaceuticals Corp.	$ 200,000,000
Mondelez Global, LLC	36,987,600
New Hanover, LLC	23,900,000
Givaudan Fragrances Corp.	21,400,000
EH Route 10 Realty Corp.	21,218,700
Castle Ridge Plaza, LLC	18,500,000
Givaudan Flavors Corp.	16,000,000
Mondelez Global, LLC	15,975,000
Costco Wholesale	13,920,000
Eric Richard D.R. Company, L.L.C.	13,880,000
	$ 381,781,300
Total as of a % of 2022 Assessed Value	15.11%

Assessed Valuations/Land and Improvements by Class[10]

Year	Vacant Land	Residential	Commercial	Industrial	Apartment	Total
2022	$ 40,920,100	$ 1,458,839,000	$ 822,001,700	$ 204,943,500	$ -	$ 2,526,704,300
2021	45,596,600	1,456,093,400	820,642,400	192,928,500	-	2,515,260,900
2020	20,798,600	1,452,283,400	867,249,677	192,928,500	-	2,533,260,177
2019	20,128,100	1,448,660,200	872,269,477	195,927,500	153,100	2,537,138,377
2018	20,196,800	1,444,642,100	875,268,277	199,799,700	153,100	2,540,059,977

Assessed Valuations/Net Valuation Taxable[11]

Year	Real Property	Business Personal Property	Net Valuation Taxable	Ratio of Assessed Value to True Value of Real Property	Total True Value of Assessed Property
2022	$ 2,526,704,300	$ 7,669	$ 2,526,711,969	73.67%	$ 3,445,279,655
2021	2,515,260,900	7,669	2,515,268,569	73.91%	3,418,222,673
2020	2,533,260,177	7,669	2,533,267,846	77.58%	3,281,161,384
2019	2,537,138,377	7,669	2,537,146,046	75.40%	3,380,933,325
2018	2,540,059,977	7,669	2,540,067,646	76.69%	3,326,488,435

9 Township of East Hanover Tax Assessor
10 Township of East Hanover Tax Duplicates
11 Morris County Abstract of Ratables

Components of Real Estate Tax Rate (per $100 of Assessment)[12]

Year	Total	Municipal	Local School	Regional School	County
2022	$2.446	$0.773	$0.870	$0.452	$0.351
2021	2.438	0.752	0.859	0.474	0.353
2020	2.390	0.739	0.830	0.485	0.336
2019	2.346	0.708	0.804	0.488	0.346
2018	2.275	0.689	0.778	0.466	0.342

Board Tax Collections[13]

Year Ended June 30,	Tax Levy	Collected Amount	Collected Percentage
2021	$ 21,390,239	$ 21,390,239	100.00%
2020	20,650,692	20,650,692	100.00%
2019	20,109,261	20,109,261	100.00%
2018	19,410,542	19,410,542	100.00%
2017	18,836,642	18,836,642	100.00%

12 Township of East Hanover Tax Collector
13 East Hanover Board of Education 2021 Comprehensive Annual Financial Report

APPENDIX B

EXCERPTS FROM FINANCIAL STATEMENTS OF THE SCHOOL DISTRICT

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LERCH, VINCI & HIGGINS, LLP
CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
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MARK SACO, CPA
ROBERT LERCH, CPA
CHRISTOPHER M. VINCI, CPA
CHRISTINA CUIFFO, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the East Hanover Township Board of Education, as of and for the fiscal year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, in the fiscal year ended June 30, 2021, the East Hanover Township Board of Education adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities which provided guidance on identifying fiduciary activities and how they should be reported. The adoption of this standard resulted in a change to how previously reported fiduciary fund activities are currently reported in the financial statements. Our opinion is not modified with respect to this matter.

By/s/ LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants

Fair Lawn, New Jersey
January 31, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis
Year Ended June 30, 2021

This section of East Hanover Township Board of Education's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2021. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2021 are as follows:

- District-Wide - Overall revenues were $29,518,599. General revenues accounted for $21,452,616 or 77 percent of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for $8,065,983 or 23 percent of total revenues of $29,518,599.

- District-Wide - The School District had $27,633,805 in expenses; only $8,065,983 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of $21,452,616 were adequate to provide for these programs.

- Fund Financials – As of the close of the current fiscal year, the East Hanover Township Board of Education's governmental funds reported combined ending fund balances of $5,809,191 an increase of $1,865,445 in comparison with the restated prior year balance of $3,943,746.

- Fund Financials - At the end of June 30, 2021, unassigned fund balance (budgetary basis) for the General Fund was $1,168,047 an increase of $637,238.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *district wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.

- The remaining statements are *fund financial statements* that focus on *individual* parts of the District, reporting the District's operations in *more detail* than the district-wide statements.

- The *governmental funds statements* tell how basic services were financed in the *short term* as well as what remains for future spending.

- *Proprietary funds* statements offer *short-term* and *long-term* financial information about the activities the district operated like *businesses.*

- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others to whom the resources belong.

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

Figure A-1

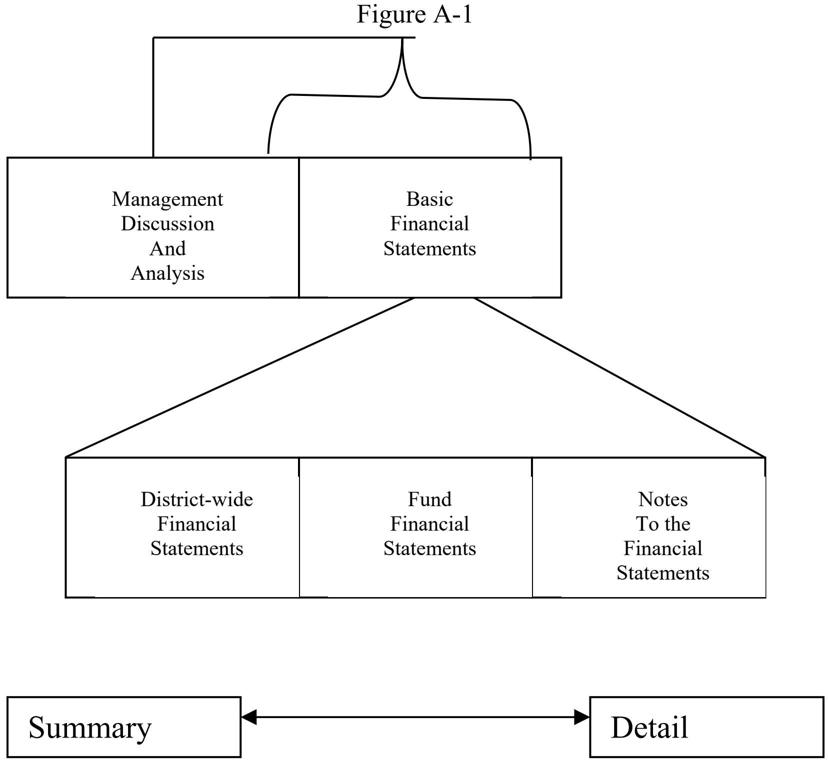

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents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

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

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

District-wide Statements

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

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

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

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

- *Governmental activities*- Most of the District's basic services are included here, such as regular and special education, transportation, maintenance and administration services. Property taxes and state aids finance most of these activities.

- *Business-type activities*- The District charges fees to customers to help it cover the costs of the District's Milk and After School Child Care Programs.

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.

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

Fund Financial Statements (Continued)

The District has two kinds of funds:

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

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

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

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

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

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

Table A-1 provides a summary of the school district's net position for fiscal years 2021 and 2020 which for 2021 and 2020 were $10,248,323 and $8,363,529, respectively (see Table A-1).

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

Table A-1
Statement of Net Position
as of June 30, 2021 and 2020

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets						
Current and Other Assets	$ 6,079,582	$ 3,970,353	$ 381,667	$ 310,275	$ 6,461,249	$ 4,280,628
Capital Assets	11,947,970	12,653,229	3,637	4,121	11,951,607	12,657,350
Total Assets	18,027,552	16,623,582	385,304	314,396	18,412,856	16,937,978
Deferred Outflows of Resources						
Deferred Amounts on Net Pension Liability	373,972	598,469			373,972	598,469
Deferred Amounts on Refunding of Debt	1,361	2,734	-	-	1,361	2,734
Total Deferred Outflows of Resources	375,333	601,203	-	-	375,333	601,203
Total Assets and Deferred Outflows of Resources	18,402,885	17,224,785	385,304	314,396	18,788,189	17,539,181
Liabilties						
Current Liabilities	289,593	58,384	166,333	25,265	455,926	83,649
Noncurrent Liabilities	6,397,739	7,337,449	-	-	6,397,739	7,337,449
Total Liabilities	6,687,332	7,395,833	166,333	25,265	6,853,665	7,421,098
Deferred Inflows of Resources						
Deferred Amounts of Net Pension Liability	1,686,201	1,754,554	-	-	1,686,201	1,754,554
Total Liabilities and Deferred Inflows of Resources	8,373,533	9,150,387	166,333	25,265	8,539,866	9,175,652
Net Position						
Net Investment in Capital Assets	9,417,450	9,683,384	3,637	4,121	9,421,087	9,687,505
Restricted	3,510,398	3,185,017			3,510,398	3,185,017
Unrestricted	(2,898,496)	(4,794,003)	215,334	285,010	(2,683,162)	(4,508,993)
Total Net Position	$ 10,029,352	$ 8,074,398	$ 218,971	$ 289,131	$ 10,248,323	$ 8,363,529

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

Governmental activities. Governmental activities increased the District's net position by $1,954,954. Key elements of this increase are as follows: (see Table A-2).

Table A-2
Change in Net Position
For The Fiscal Years Ended June 30, 2021 and 2020

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program Revenues						
Charges for Services	$ 35,000	$ 68,434	$ 156,271	$ 515,306	$ 191,271	$ 583,740
Grants and Contributions	7,874,712	5,656,817			7,874,712	5,656,817
General Revenues						
Property Taxes	21,390,239	20,650,692			21,390,239	20,650,692
Other	62,377	37,907	-	-	62,377	37,907
Total Revenues	29,362,328	26,413,850	156,271	515,306	29,518,599	26,929,156
Expenses						
Instruction						
Regular	10,386,524	9,577,100			10,386,524	9,577,100
Special Education	4,412,459	4,184,729			4,412,459	4,184,729
Other Instruction	1,333,203	1,405,316			1,333,203	1,405,316
School Sponsored Activities and Athletics	202,501	226,335			202,501	226,335
Support Services					-	
Student and Instruction Related Services	4,373,893	3,921,968			4,373,893	3,921,968
General Administrative Services	719,216	584,467			719,216	584,467
School Administrative Services	1,804,626	1,656,709			1,804,626	1,656,709
Central Services	547,680	453,648			547,680	453,648
Plant Operations and Maintenance	2,374,161	1,988,414			2,374,161	1,988,414
Pupil Transportation	1,129,202	1,255,265			1,129,202	1,255,265
Interest and Other Charges	116,909	139,173			116,909	139,173
Food Services			484	10,275	484	10,275
After School Child Care	-	-	232,947	560,527	232,947	560,527
Total Expenses	27,400,374	25,393,124	233,431	570,802	27,633,805	25,963,926
Change in Net Position Before Transfers	1,961,954	1,020,726	(77,160)	(55,496)	1,884,794	965,230
Transfers	(7,000)	(2,310)	7,000	2,310	-	-
Net Position, Beginning of Year	8,074,398	6,803,373	289,131	342,317	8,363,529	7,145,690
Prior Period Adjustment	-	252,609	-	-	-	252,609
Net Position, End of Year	$ 10,029,352	$ 8,074,398	$ 218,971	$ 289,131	$ 10,248,323	$ 8,363,529

Governmental activities. The District's total governmental revenues were $29,362,328. The local share of the revenues that included property taxes, unrestricted state aid, miscellaneous revenue amounted to $21,452,616 or 77% of total revenues. Funding from state sources and contributions amounted to $7,874,712 or 23% and charges for services were $35,000 (less than 1%). (see Table A-2)

The District's total governmental expenses were $27,400,374, which are predominantly related to instruction and support services. Instruction totaled $16,334,687 (60%); support services totaled $10,948,778 (39%). Interest Charges totaled $116,909 less than (1%).

Table A-3
Total and Net Cost of Governmental Activities
For the Fiscal Years Ended June 30, 2021 and 2020

Functions/Programs	Total Cost of Services 2021	Total Cost of Services 2020	Net Cost of Services 2021	Net Cost of Services 2020
Governmental Activities				
Instruction				
Regular	$ 10,386,524	$ 9,577,100	$ 7,466,464	$ 7,575,976
Special Education	4,412,459	4,184,729	2,128,479	2,270,700
Other Instruction	1,333,203	1,405,316	920,678	1,053,283
School Sponsored Activities and Athletics	202,501	226,335	141,955	180,192
Support Services				
Student and Instruction Related Services	4,373,893	3,921,968	3,214,286	2,195,891
General Administrative Services	719,216	584,467	556,997	491,317
School Administrative Services	1,804,626	1,656,709	1,278,233	1,301,036
Central Services	547,680	453,648	508,430	455,615
Plant Operations and Maintenance	2,374,161	1,988,414	2,236,899	1,977,413
Pupil Transportation	1,129,202	1,255,265	921,332	1,072,410
Interest and Other Charges	116,909	139,173	116,909	139,173
Total	$ 27,400,374	$ 25,393,124	$ 19,490,662	$ 18,713,006

Business-Type Activities – The District's total business-type activities revenues were $156,271 for the fiscal year ended June 30, 2021. Charges for services accounted for 100% of total revenues.

Total cost of all business-type activities programs and services was $233,431. The District's expenses are related to the milk and the after school child care program.

Total business-type activities revenues were less than their expenses before transfers resulting in a net loss after transfers in of $70,160.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

As the District completed the year, its governmental funds reported a combined fund balance of $5,809,191. At June 30, 2020, the restated fund balance was $3,943,746. The increase in fund balance is due to favorable budget results.

The District's Funds

All governmental funds (i.e., general fund, special revenue fund and debt service fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to $26,864,201 and expenditures were $25,154,488.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound fiscal management. The following schedule presents a summary of the governmental fund revenues for the fiscal years ended June 30, 2021 and 2020.

Governmental Funds Revenues

	Fiscal Year Ended 6/30/2021	Fiscal Year Ended 6/30/2020	Amount of Increase (Decrease)	Percent Change
Local Sources:				
Property Taxes	$ 21,390,239	$ 20,650,692	$ 739,547	4%
Other	97,377	164,312	(66,935)	-41%
Federal Sources	465,101	370,704	94,397	25%
State Sources	4,888,701	4,176,180	712,521	17%
Local Sources	22,783	-	22,783	100%
Total Revenues	$ 26,864,201	$ 25,361,888	$ 1,502,313	6%

The District's Funds (Continued)

The following schedule represents a summary of governmental Fund expenditures for the fiscal years ended June 30, 2021 and 2020.

Governmental Funds Expenditures

	Fiscal Year Ended 6/30/2021	Fiscal Year Ended 6/30/2020	Amount of Increase (Decrease)	Percent Change
Instruction	$ 14,208,547	$ 14,073,348	$ 135,199	1%
Support Services	9,876,538	9,297,925	578,613	6%
Capital Outlay	205,605	792,341	(586,736)	-74%
Debt Service	863,798	833,306	30,492	4%
Total Expenditures	$ 25,154,488	$ 24,996,920	$ 157,568	0.18%

General Fund Budgetary Highlights

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

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

- Increases in appropriations for significant unbudgeted costs.

Capital Assets. At the end of the fiscal years 2021 and 2020, the school district had invested in land, land improvements, construction in progress, buildings, furniture, machinery and equipment as stated in Table A-4 as follows:

Table A-4

	Governmental Activities 2021	Governmental Activities 2020
Land	$ 139,675	$ 139,675
Construction in Progress	31,250	26,750
Land Improvements	1,018,734	1,018,734
Building and Building Improvements	23,007,542	22,918,770
Machinery and Equipment	1,831,899	1,715,997
Total	26,029,100	25,819,926
Less: Accumulated Depreciation	(14,081,130)	(13,166,697)
Total	$ 11,947,970	$ 12,653,229

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

Debt Administration. As of June 30, 2021 and 2020, the School District had outstanding long-term liabilities as stated in Table A-5 as follows:

Long-Term Liabilities

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

	Governmental Activities 2021	Governmental Activities 2020
General Obligation Bonds, Net	$ 1,120,244	$ 1,695,492
Capital Lease/Lease Purchase Agreements	1,411,637	1,409,344
Compensated Absences Payable	417,090	400,442
Net Pension Liability	3,448,768	3,832,171
Total	$ 6,397,739	$ 7,337,449

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

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
STATEMENT OF NET POSITION
AS OF JUNE 30, 2021

		Governmental Activities		Business-Type Activities		Total
ASSETS:						
Cash and Cash Equivalents	$	5,995,561	$	351,212	$	6,346,773
Accounts Receivables, net		84,021				84,021
Prepaid Expense				30,455		30,455
Capital Assets, net						
Not Being Depreciated		170,925				170,925
Being Depreciated		11,777,045		3,637		11,780,682
Total Assets		18,027,552		385,304		18,412,856
DEFERRED OUTFLOWS OF RESOURCES:						
Deferred Amounts on Net Pension Liability		373,972				373,972
Deferred Amounts on Refunding of Debt		1,361		-		1,361
Total Deferred Outflows of Resources		375,333		-		375,333
Total Assets and Deferred Outflows of Resources		18,402,885		385,304		18,788,189
LIABILITIES:						
Accounts Payable:						
Intergovernments		32,599				32,599
Other		211,396		8		211,404
Unearned Revenue		26,396		166,325		192,721
Accrued Liabilities:						-
Interest Payable		19,202				19,202
Noncurrent Liabilities						-
Due Within One Year		754,585				754,585
Due Beyond One Year		5,643,154		-		5,643,154
Total Liabilities		6,687,332		166,333		6,853,665
DEFERRED INFLOWS OF RESOURCES:						
Deferred Amounts on Net Pension Liability		1,686,201		-		1,686,201
Total Liabilities and Deferred Inflows of Resources		8,373,533		166,333		8,539,866
NET POSITION:						
Net Investment in Capital Assets		9,417,450		3,637		9,421,087
Restricted for						
Capital Projects		2,645,957				2,645,957
Maintenance		600,000				600,000
Other Purposes		264,441				264,441
Unrestricted (Deficit)		(2,898,496)		215,334		(2,683,162)
Total Net Position	$	10,029,352	$	218,971	$	10,248,323

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

EXHIBIT A-2

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction:							
Regular	$ 10,386,524	$ 35,000	2,868,465	$ 16,595	$ (7,466,464)		$ (7,466,464)
Special Education	4,412,459		2,283,980		(2,128,479)		(2,128,479)
Other Instruction	1,333,203		412,525		(920,678)		(920,678)
School Sponsored Activities and Athletics	202,501		60,546		(141,955)		(141,955)
Support Services:							
Student and Instruction Related Services	4,373,893		1,159,607		(3,214,286)		(3,214,286)
General Administrative Services	719,216		162,219		(556,997)		(556,997)
School Administrative Services	1,804,626		526,393		(1,278,233)		(1,278,233)
Central Services	547,680		39,250		(508,430)		(508,430)
Plant Operations and Maintenance	2,374,161		137,262		(2,236,899)		(2,236,899)
Pupil Transportation	1,129,202		207,870		(921,332)		(921,332)
Interest on Long-Term Debt	116,909	-	-	-	(116,909)	-	(116,909)
Total Governmental Activities	27,400,374	35,000	7,858,117	16,595	(19,490,662)	-	(19,490,662)
Business-Type Activities:							
Food Service	484					$ (484)	(484)
After School Child Care Program	232,947	156,271	-	-	-	(76,676)	(76,676)
Total Business-Type Activities	233,431	156,271	-	-	-	(77,160)	(77,160)
Total Government	$ 27,633,805	$ 191,271	$ 7,858,117	$ 16,595	(19,490,662)	(77,160)	(19,567,822)
General Revenues:							
Property Taxes:							
Levied for General Purpose					20,764,389		20,764,389
Levied for Debt Service					625,850		625,850
Miscellaneous					62,377		62,377
Transfers					(7,000)	7,000	-
Total General Revenues					21,445,616	7,000	21,452,616
Change in Net Position					1,954,954	(70,160)	1,884,794
Net Position, July 1 (Restated)					8,074,398	289,131	8,363,529
Net Position, June 30					$ 10,029,352	$ 218,971	$ 10,248,323

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

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FUND FINANCIAL STATEMENTS

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2021

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
ASSETS:				
Cash and Cash Equivalents	$ 5,978,267	$ 17,294		$ 5,995,561
Interfunds Accounts Receivable:				
General Fund	40,683			40,683
Intergovernmental Accounts Receivable:				
Federal		69,521		69,521
State	14,500	-	-	14,500
Total Assets	$ 6,033,450	$ 86,815	$ -	$ 6,120,265
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Interfunds Accounts Payable:				
Special Revenue Fund		$ 40,683		$ 40,683
Intergovernment Accounts Payable:				
Federal		5,001		5,001
State	$ 27,598			27,598
Accounts Payable:				
Accrued Salaries and Wages	3,718			3,718
Payroll Deductions and Withholdings Payable	161,607			161,607
Other	42,265	3,806		46,071
Unearned Revenue	6,365	20,031	-	26,396
Total Liabilities	241,553	69,521	-	311,074
Fund Balances:				
Restricted:				
Capital Reserve	2,645,957			2,645,957
Maintenance Reserve	600,000			600,000
Excess Surplus	717,878			717,878
Excess Surplus - Designated for Subsequent Year's Expenditures	294,132			294,132
Unemployment Compensation	247,147			247,147
Student Activities		17,294		17,294
Assigned:				
Year-End Encumbrances	542,306			542,306
Unassigned (Deficit)	744,477	-	-	744,477
Total Fund Balances	5,791,897	17,294	-	5,809,191
Total Liabilities and Fund Balances	$ 6,033,450	$ 86,815	$ -	

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

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2021

Total Governmental Fund Balances (Exhibit B-1)			$	5,809,191
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 capital assets is $26,029,100 and the accumulated depreciation is $14,081,130.				11,947,970
Deferred outflows and deferred inflows related to pensions represent the consumption and acquisition, respectively, of resources that relate to future periods; therefore, such amounts are not reported in the fund financial statements				
Deferred Outflows of Resources	$	373,972		
Deferred Inflows of Resources		(1,686,201)		
				(1,312,229)
Accounts payable related to pensions are not liquidated with current financial resources; therefore, such amounts are not recorded in the fund financial statements				(3,448,768)
Accrued interest payable on long-term debt is not due and payable in the current period and therefore is not reported in the funds				(19,202)
Long-term liabilities, including bonds payable, capital lease payable, and compensated absences payable are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year end consist of:				
Bonds Payable, Including Premium		(1,120,244)		
Capital Leases Payable		(1,411,637)		
Compensated Absences		(417,090)		
Deferred Amounts on Refunding of Debt		1,361		
				(2,947,610)
Net Position of Governmental Activities (Exhibit A-1)			$	10,029,352

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

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
REVENUES:				
Local Property Tax Levy	$ 20,764,389		$ 625,850	$ 21,390,239
Tuition Charges	35,000			35,000
Unrestricted Miscellaneous Revenues	62,377			62,377
Federal Sources		$ 465,101		465,101
State Sources	4,888,701	-		4,888,701
Local Sources	-	22,783	-	22,783
Total Revenues	25,750,467	487,884	625,850	26,864,201
EXPENDITURES:				
Current:				
Regular Instruction	8,977,472	48,864		9,026,336
Special Education Instruction	3,623,705	233,181		3,856,886
Other Instruction	1,117,567	30,823		1,148,390
School-Sponsored Activities and Athletics	172,328	4,607		176,935
Support Services and Undistributed Costs:				
Student and Instruction Related Services	3,761,049	119,329		3,880,378
General Administrative Services	640,672			640,672
School Administrative Services	1,549,758			1,549,758
Central Services	509,015			509,015
Plant Operations and Maintenance	2,188,485			2,188,485
Pupil Transportation	1,108,230			1,108,230
Capital Outlay	157,662	47,943		205,605
Debt Service:				
Principal	160,439		575,000	735,439
Interest and Other Charges	77,509	-	50,850	128,359
Total Expenditures	24,043,891	484,747	625,850	25,154,488
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,706,576	3,137	-	1,709,713
OTHER FINANCING SOURCES (USES):				
Capital Lease Proceeds	162,732			162,732
Transfers Out	(7,000)	-	-	(7,000)
Total Other Financing Sources and Uses	155,732	-	-	155,732
Net Change in Fund Balances	1,862,308	3,137	-	1,865,445
Fund Balance, July 1 (Restated)	3,929,589	14,157	-	3,943,746
Fund Balance, June 30	$ 5,791,897	$ 17,294	$ -	$ 5,809,191

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

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

Net Change in Fund Balances - Governmental Funds (Exhibit B-2)		$ 1,865,445
Governmental funds report capital outlays 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 exceeded depreciation in the period		
Depreciation Expense	$ (915,031)	
Capital Outlays	205,605	
		(709,426)
Issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Principal Repayments		
Bond Principal	575,000	
Lease Principal	160,439	
Amortization of Bond Premium	248	
Lease Purchase Agreement Issues	(162,732)	
Amortization of Deferred Amounts on Refunding	(1,373)	
Accrued Interest	12,575	
		584,157
The net effect of various miscellaneous transaction involving capital asset (i.e. sales, disposal, donations) is to increase net position. These transactions are not reported in the governmental fund financial statements.		
Loss on Disposal of Capital Assets	(915)	
Abandonment of Capital Assets	(13,500)	
Donated Capital Assets	18,582	
		4,167
In the statement of activities, certain operating expenses, (e.g., pensions, compensated absence and interest on debt), are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). This amount is the net effect of these differences in the treatment of these items.		
Decrease in Net Pension Liability	227,259	
Increase Compensated Absences	(16,648)	
		210,611
Change in net position of governmental activities (Exhibit A-2)		$ 1,954,954

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

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
AS OF JUNE 30, 2021

	Business-Type Activities - Enterprise Funds		
	Non-Major Food Service	After School Child Care Program	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	$ 10,055	$ 341,157	$ 351,212
Prepaid Expense	-	30,455	30,455
Total Current Assets	10,055	371,612	381,667
Noncurrent Assets:			
Capital Assets	74,665		74,665
Less: Accumulated Depreciation	(71,028)	-	(71,028)
Total Capital Assets (Net of Accumulated Depreciation)	3,637	-	3,637
Total Noncurrent Assets	3,637	-	3,637
Total Assets	13,692	371,612	385,304
LIABILITIES:			
Current Liabilities			
Accounts Payable		8	8
Unearned Revenue	-	166,325	166,325
Total Current Liabilities	-	166,333	166,333
Total Liabilities	-	166,333	166,333
NET POSITION:			
Net Investment in Capital Assets	3,637		3,637
Unrestricted	10,055	205,279	215,334
Total Net Position	$ 13,692	$ 205,279	$ 218,971

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

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Business-Type Activities - Enterprise Funds		
	Non-Major Food Service	After School Child Care Program	Total
OPERATING REVENUES:			
Charges for Services			
Program Fee	-	$ 156,271	$ 156,271
Total Operating Revenues	-	156,271	156,271
OPERATING EXPENSES:			
Employee Salaries		170,578	170,578
Employee Benefits		42,460	42,460
Other Purchased Services		2,790	2,790
Supplies and Materials		11,832	11,832
Depreciation	$ 484		484
Miscellaneous	-	5,287	5,287
Total Operating Expenses	484	232,947	233,431
Operating Income (Loss)	(484)	(76,676)	(77,160)
Other Financing Sources (Uses):			
Transfer from General Fund	7,000	-	7,000
Change in Net Position	6,516	(76,676)	(70,160)
Net Position, July 1	7,176	281,955	289,131
Net Position, June 30	$ 13,692	$ 205,279	$ 218,971

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

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Business-Type Activities - Enterprise Funds		
	Non-Major Food Service	After School Child Care Program	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers and Other Funds		$ 298,091	$ 298,091
Payments to employees		(170,570)	(170,570)
Payments for employee benefits		(42,460)	(42,460)
Payments to Suppliers	-	(47,703)	(47,703)
Net Cash Provided by (Used for) Operating Activities	-	37,358	37,358
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES			
Transfer from General Fund	$ 7,000	-	7,000
Net Cash Provided by (Used for) Noncapital and Related Financing Activities	7,000	-	7,000
Net Increase (Decrease) in Cash and Cash Equivalents	7,000	37,358	44,358
Cash and Cash Equivalents, Beginning of Year	3,055	303,799	306,854
Cash and Cash Equivalents, End of Year	$ 10,055	$ 341,157	$ 351,212
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	$ (484)	$ (76,676)	$ (77,160)
Adjustments to Reconcile Operating Income (Losee) to Net Cash Provided by (Used for) Operating Activities			
Depreciation and Net Amortization	484		484
(Increase) Decrease in Accounts Receivable, net		760	760
(Increase) Decrease in Prepaid Expense		(27,794)	(27,794)
Increase (Decrease) in Accounts Payable		8	8
Increase (Decrease) in Unearned Revenue	-	141,060	141,060
Total Adjustments	484	114,034	114,518
Net Cash Provided by (Used for) Operating Activities	$ -	$ 37,358	$ 37,358

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

B. New Accounting Standards

During fiscal year 2021, the District adopted the following GASB statement:

- GASB No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

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

- GASB No. 87, *Leases,* implementation postponed will be effective beginning with the fiscal year ending June 30, 2022. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

- GASB No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period,* implementation postponed will be effective beginning with the fiscal year ending June 30, 2022. The objectives of this Statement is to improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities.

- GASB No. 92, *Omnibus 2020,* implementation postponed will be effective beginning with the fiscal year ending June 30, 2022 except requirements related to GASB No. 87 and Implementation Guide No. 2019-3 are effective upon issuance. The objective of this Statement is to enhance comparability in the application of accounting and financial reporting requirements and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics.

- GASB No. 96, *Subscription – Based Information Technology Arrangements,* will be effective beginning with the fiscal year ending June 30, 2023. The objective of this Statement will be to improve financial reporting by establishing a definition for subscription-based information technology arrangements (SBITAs) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability or a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

- GASB No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No.84, and a Supersession of GASB Statement No. 32,* the section that maybe applicable to the District will be effective beginning with the fiscal year ending June 30, 2022. The objective of this Statement is to provide more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The requirements also will enhance the relevance, consistency, and comparability of (1) the information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements

The financial statements include both district-wide financial statements (based on the District as a whole) and fund financial statements (based on specific District activities or objectives). Both the district-wide and fund financial statements categorize activities as either governmental activities or business-type activities. While separate district-wide and fund financial statements are presented, they are interrelated. In the district-wide financial statements, the governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the District's enterprise funds. Fiduciary funds are excluded from the district-wide financial statements. Currently the District does not have any fiduciary funds.

District-Wide Financial Statements

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

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

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

Fund Financial Statements

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

The District reports the following major governmental funds:

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (Continued)

The *special revenue fund* accounts for the proceeds of specific revenue sources legally restricted to expenditures for specified purposes. This fund accounts for federal, state and local financial programs, with the exception of grants for major capital projects and the child nutrition programs, student activity funds derived from athletic events or other activities of pupil organizations and private donations for scholarship awards.

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

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

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

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

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

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

Reclassifications

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

D. Measurement Focus and Basis of Accounting

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

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. All assets, all liabilities and all deferred outflows/inflows of resources associated with these operations are included on the Statement of Net Position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

1. Cash, Cash Equivalents and Investments

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

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

2. Receivables

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

3. Prepaid Items

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

4. Capital Assets

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Assets	Years
Land Improvements	20
Buildings and Building Improvements	50
Machinery and Equipment	5-10

5. Deferred Outflows/Inflows of Resources

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

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

6. Compensated Absences

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

7. *Pensions*

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

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

8. Long-Term Obligations

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

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

9. Net Position/Fund Balance

District-Wide Statements

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. Net Position/Fund Balance (Continued)

Governmental Fund Statements

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

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

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

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

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

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

Unemployment Compensation – This restriction was created in accordance with R.S. 43:21-7.3 to reserve funds for unemployment compensation claims reimbursable to the State under the District's election for payment in lieu of contributions (benefit reimbursement method). (See Note 4).

Student Activities – This restriction was created in accordance with NJAC 6A:23A-16.12 to represent the accumulation of funds derived from athletic events and other student organizations reserved for the payment of student group activities.

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

10. Fund Balance Policies

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

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

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

F. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Property Taxes

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

3. Tuition Revenues and Expenditures

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

Tuition Expenditures - Tuition charges for the fiscal years 2019-2020 and 2020-2021 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

4. Proprietary Funds, Operating and Nonoperating Revenues and Expenses

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Board approved several budget transfers during 2020/2021. Also, during 2020/2021 the Board increased the original budget by $936,580. The increase was funded by the additional appropriation of capital reserve, grant awards, student activity revenues and the reappropriation of prior year general fund encumbrances.

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

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Capital Reserve

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

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

The activity of the capital reserve for the fiscal year ended June 30, 2021 is as follows:

Balance, July 1, 2020		$ 2,300,257
Increased By:		
Unexpended Withdrawals	$ 181,820	
Deposits Approved by Board Resolution	895,800	
Total Increases		1,077,620
Withdrawals:		
Withdrawals Approved in District Budget	248,500	
Withdrawals Approved by Board Resolution	483,420	
		731,920
Balance, June 30, 2021		$ 2,645,957

The June 30, 2021 LRFP balance of local support costs of uncompleted capital projects is $7,225,000. The withdrawals from the capital reserve were for use in a department approved facilities project, consistent with the district's Long Range Facilities Plan.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Maintenance Reserve

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

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

The activity of the maintenance reserve for the fiscal year ended June 30, 2021 is as follows:

Balance, July 1, 2020	$ 632,151
Increased by	
Deposits Approved by Board Resolution	300,000
Withdrawals:	932,151
Withdrawals Approved in District Budget	332,151
Balance, June 30, 2021	$ 600,000

The June 30, 2021 comprehensive maintenance plan indicated a maximum maintenance reserve amount of $914,834. The withdrawals from the maintenance reserve were for use in required maintenance activities for school facilities.

D. Transfers to Capital Outlay

During the 2020/2021 school year, the district transferred $483,420 to the non-equipment capital outlay accounts. The transfer was made from the capital reserve account to supplement a capital project previously approved for costs related to various project for the 2020/21 and 2021/22 school years.

E. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended, the restricted fund balance for Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance in excess of 4% of budget expenditures at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess fund balance at June 30, 2021 is $1,012,010. Of this amount, $294,132 was designated and appropriated in the 2021/2022 original budget certified for taxes and the remaining amount of $717,878 will be appropriated in the 2022/2023 original budget certified for taxes.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Cash Deposits and Investments

Cash Deposits

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

Bank balances are insured up to $250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to $250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of $250,000 for each failed brokerage firm. At June 30, 2021, the book value of the Board's deposits were $6,346,773 and bank and brokerage firm balances of the Board's deposits amounted to $6,753,167. The Board's deposits which are displayed on the various fund balance sheets as "cash and cash equivalents" are categorized as:

Depository Account	
Insured	$ 6,753,167

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Board does not have a policy for custodial credit risk. As of June 30, 2021 none of the Board's bank balances were exposed to custodial credit risk.

Investments

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

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash Deposits and Investments (Continued)

Investments (Continued)

Interest Rate Risk – Interest rate risk is the risk that changes in the market interest rate will adversely affect the fair value of an investment. The Board does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increase interest rates.

Credit Risk - Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits investments as noted above (N.J.S.A. 18A20-37). The District does not have an investment policy that would further limit its investment choices.

Concentration of Credit Risk – The concentration of credit risk is the risk of loss that may be caused by the Board's investment in a single issuer. The Board places no limit in the amount the District may invest in any on issuer.

As of June 30, 2021, the Board had no outstanding investments.

B. Receivables

Receivables as of June 30, 2021 for the district's individual major funds are as follows:

	General	Special Revenue	Total
Receivables:			
Intergovernmental			
Federal		$ 69,521	$ 69,521
State	$ 14,500	-	14,500
Total Net Receivables	$ 14,500	$ 69,521	$ 84,021

C. Unearned Revenue

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

General Fund	
Preschool Tuition	$ 6,365
Special Revenue Fund	
Unencumbered Grant Draw Downs	20,031
Total Unearned Revenue for Governmental Funds	$ 26,396

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2021 was as follows:

	Balance, July 1, 2020	Increases	Decreases	Adjustments	Balance June 30, 2021
Governmental Activities:					
Capital Assets, Not Being Depreciated:					
Land	$ 139,675				$ 139,675
Construction in Progress	26,750	$ 67,422	-	$ (62,922)	31,250
Total Capital Assets, Not Being Depreciated	166,425	67,422	-	(62,922)	170,925
Capital Assets, Being Depreciated:					
Land Improvements	1,018,734				1,018,734
Building and Building Improvements	22,918,770	39,350		49,422	23,007,542
Machinery and Equipment	1,715,997	98,833	$ (2,288)	19,357	1,831,899
Total Capital Assets Being Depreciated	25,653,501	138,183	(2,288)	68,779	25,858,175
Less Accumulated Depreciation for:					
Land Improvements	(238,205)	(48,639)			(286,844)
Building and Building Improvements	(11,623,251)	(782,269)		(583)	(12,406,103)
Machinery and Equipment	(1,305,241)	(84,123)	1,373	(192)	(1,388,183)
Total Accumulated Depreciation	(13,166,697)	(915,031)	1,373	-	(14,081,130)
Total Capital Assets, Being Depreciated, Net	12,486,804	(776,848)	(915)	68,779	11,777,045
Government Activities Capital Assets, Net	$ 12,653,229	$ (709,426)	$ (915)	$ 5,857	$ 11,947,970

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

	Balance, July 1, 2020	Increases	Decreases/ Adjustments	Balance June 30, 2021
Business-Type Activities:				
Capital Assets, Being Depreciated:				
Machinery and Equipment	$ 74,665	-	-	$ 74,665
Total Capital Assets Being Depreciated	74,665	-	-	74,665
Less Accumulated Depreciation for:				
Machinery and Equipment	(70,544)	$ (484)	-	(71,028)
Total Accumulated Depreciation	(70,544)	(484)	-	(71,028)
Total Capital Assets, Being Depreciated, Net	-	-	-	-
Business-Type Activities Capital Assets, Net	$ 4,121	$ (484)	$ -	$ 3,637

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

Governmental Activities:	
Instruction	
Regular	$ 376,202
Special Education	153,661
Other Instruction	51,116
School-Sponsored Activities and Athletics	7,071
Total Instruction	588,050
Support Services	
Student and Instruction Related Services	136,497
General Administration Services	21,724
School Administration Services	70,492
Central Services	22,189
Operations and Maintenance of Plant	67,818
Student Transportation	8,261
Total Support Services	326,981
Total Depreciation Expense - Governmental Activities	$ 915,031
Business Type Activities:	
Food Service Fund	$ 484
Total Depreciation Expense - Business Type Activities	$ 484

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

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

There were no interfund balance as of June 30, 2021.

Interfund transfers

	Transfer In: Enterprise Fund - Food Service
Transfer Out:	
General Fund	$ 7,000
Total Transfers	$ 7,000

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

F. Leases

Capital Leases

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

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2021 were as follows:

Fiscal Year Ending June 30,	Governmental Activities
2022	$ 83,232
2023	85,359
2024	87,541
2025	89,780
2026	92,079
2027-2031	497,037
2032-2036	564,257
Total minimum lease payments	1,499,285
Less: amount representing interest	(284,263)
Present value of minimum lease payments	$ 1,215,022

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

F. Leases (Continued)

Lease Purchase Agreements

The District leases technology equipment under non-cancelable leases. Lease payments for the fiscal year ended June 30, 2021 were $102,954. The future minimum lease payments for these operating leases are as follows:

Governmental Activities:

Year Ending June 30	Amount
2022	$ 91,225
2023	55,184
2024	55,184
Total Lease Payments	201,593
Less: Amount Representing Interest	(4,978)
Present Value of Remaining Lease Payments	$ 196,615

G. Long-Term Debt

General Obligation Bonds

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

Bonds payable at June 30, 2021 are comprised of the following issues:

$6,355,000, 2012 Refunding Bonds, due in annual installments of $555,000 to $565,000 through January 15, 2023, interest at 3.00%	$ 1,120,000
	$ 1,120,000

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Debt (Continued)

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

Governmental Activities:

Fiscal Year Ending June 30,	Serial Bonds Principal	Serial Bonds Interest	Total
2022	$ 565,000	$ 33,600	$ 598,600
2023	555,000	16,650	571,650
	$ 1,120,000	$ 50,250	$ 1,170,250

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2021 was as follows:

3% of Equalized Valuation Basis (Municipal)	$ 100,666,240
Less: Net Debt	1,120,000
Remaining Borrowing Power	$ 99,546,240

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

H. Other Long-Term Liabilities

Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2021, was as follows:

	Balance, July 1, 2020	Additions	Reductions	Balance, June 30, 2021	Due Within One Year
Governmental Activities:					
Bonds Payable	$1,695,000		$ 575,000	$ 1,120,000	$565,000
Deferred Amounts					
Add: Original Issue Premium	492	-	248	244	-
Total Bonds Payable	1,695,492	-	575,248	1,120,244	565,000
Capital Lease/Lease Purchase Agreements	1,409,344	$162,732	160,439	1,411,637	139,585
Compensated Absences	400,442	92,643	75,995	417,090	50,000
Net Pension Liability	3,832,171	-	383,403	3,448,768	-
Governmental Activity Long-Term Liabilities	$ 7,337,449	$ 255,375	$ 1,195,085	$ 6,397,739	$ 754,585

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

NOTE 4 OTHER INFORMATION

A. Risk Management

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

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

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

NOTE 4 OTHER INFORMATION (Continued)

A. Risk Management (Continued)

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

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

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

Fiscal Year Ended June 30,	District Contributions	Employee Contributions	Interest Earnings	Amount Reimbursed	Ending Balance
2021		$ 19,993		$ 28,968	$ 247,147
2020		20,554		43,379	238,452
2019		20,552		2,808	261,277

B. Contingent Liabilities

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

Federal and State Awards – The Board participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor government. As of June 30, 2021, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

C. Federal Arbitrage Regulations

The District is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At June 30, 2021, the District has not estimated its arbitrage earnings due to the IRS, if any.

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans

Plan Descriptions and Benefits Provided

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

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

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

The following represents the membership tiers for PERS:

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

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

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

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

The following represent the membership tiers for TPAF:

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

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

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

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

Other Pension Funds

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

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

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

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Plan Amendments

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

Measurement Focus and Basis of Accounting

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

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

Investment Valuation

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

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Collective Net Pension Liability

The collective net pension liability of the participating employers for local PERS at June 30, 2020 is $16.4 billion and the plan fiduciary net position as a percentage of the total pension liability is 58.32%. The collective net pension liability of the State funded TPAF at June 30, 2020 is $66.0 billion and the plan fiduciary net position as a percentage of total pension liability is 24.60%.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2019 which were rolled forward to June 30, 2020.

Actuarial Methods and Assumptions

In the July 1, 2019 PERS and TPAF actuarial valuation, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The pension systems selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 68. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 7.50% for PERS, 7.50% for TPAF and 5.50% for DCRP of the employee's annual compensation for fiscal year 2021.

PERS employers' and TPAF State's nonemployer contributions are based on actuarially determined amounts, which include the normal cost and unfunded accrued liability. For the fiscal year ended June 30, 2021 for TPAF, which is a cost sharing multiple employer defined benefit pension plan with a special funding situation, the State's annual pension contribution was less than the actuarial determined amount. For local PERS, which is a cost sharing multiple employer defined benefit pension plan, the annual pension contributions were equal to the actuarial determined amounts. TPAF nonemployer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution. All PERS and DCRP contributions made by the Board for fiscal years 2021, 2020 and 2019 were equal to the required contributions.

During the fiscal years ended June 30, 2021, 2020 and 2019 the Board was required to contribute for PERS and DCRP and the State of New Jersey, as a nonemployer contributing entity, contributed for TPAF, respectively for normal cost pension and unfunded accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Fiscal Year Ended June 30,	PERS	On-behalf TPAF	DCRP
2021	$ 231,355	$ 2,375,684	$ 30,121
2020	206,876	1,774,897	31,056
2019	210,097	1,613,938	27,940

NOTE 4 OTHER INFORMATION (Continued)

D. <u>Employee Retirement Systems and Pension Plans</u> (Continued)

Employer and Employee Pension Contributions (Continued)

In addition for fiscal years 2021, 2020 and 2019 the District contributed $0, $586 and $610, respectively for PERS and the State contributed $1,644, $1,854 and $2,341, respectively for TPAF for Long Term Disability Insurance Premium (LTDI).

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

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board $652,970 during the fiscal year ended June 30, 2021 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been recognized in the district-wide financial statements (accrual basis) and the governmental fund financial statements (modified accrual basis) as both a revenue and expense/expenditure in accordance with GASB No. 85.

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

Public Employees Retirement System (PERS)

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* (GASB No. 68) requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense. The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the measurement period July 1, 2019 through June 30, 2020. Employer allocation percentages have been rounded for presentation purposes.

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

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages are presented for each group. The allocation percentages for each group as of June 30, 2020 are based on the ratio of each employer's contribution to total employer contributions of the group for the fiscal year ended June 30, 2020.

At June 30, 2021, the District reported in the statement of net position (accrual basis) a liability of $3,448,768 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2020 and was determined by an actuarial valuation as of July 1, 2019. The District's proportionate share of the net pension liability was based on the ratio of the District's share of contributions to the pension plan relative to the total contributions of all participating governmental entities, for the year ended June 30, 2020. At June 30, 2020, the District's proportionate share was .02115 percent, which was a decrease of .00012 percent from its proportionate share measured as of June 30, 2019 of .02127 percent.

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

For the fiscal year ended June 30, 2021, the District recognized in the district-wide statement of activities (accrual basis) pension expense of $4,096 for PERS. The pension contribution made by the District during the current 2020/2021 fiscal year is the contribution that is applied to the net pension liability reported at the end of the current fiscal year of June 30, 2021 with a measurement date of the prior fiscal year end of June 30, 2020. Since the State of New Jersey applies the current year pension contribution towards the calculation of the net pension liability reported at the end of the current fiscal year, which has a measurement date of the preceding fiscal year end, there is no deferred outflows of resources reported as of June 30, 2021 for contributions made subsequent to the measurement date. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 62,796	$ 12,196
Changes of Assumptions	111,882	1,444,032
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	117,882	
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	81,412	229,973
Total	$ 373,972	$ 1,686,201

At June 30, 2021, the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense/(benefit) as follows:

Year Ending June 30,	Total
2022	$ (534,775)
2023	(457,289)
2024	(213,917)
2025	(86,521)
2026	(19,727)
Thereafter	-
	$ (1,312,229)

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The District's total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

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

Assumptions for mortality improvements are based on Society of Actuaries Scale MP-2020.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2020) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and actuaries. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the PERS's target asset allocation as of June 30, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk Mitigation Strategies	3.00%	3.40%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Investment Grade Credit	8.00%	2.67%
US Equity	27.00%	7.71%
Non-US Developed Markets Equity	13.50%	8.57%
Emerging Markets Equity	5.50%	10.23%
High Yield	2.00%	5.95%
Real Assets	3.00%	9.73%
Private Credit	8.00%	7.59%
Real Estate	8.00%	9.56%
Private Equity	13.00%	11.42%

Discount Rate

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

Fiscal Year	Measurement Date	Discount Rate
2021	June 30, 2020	7.00%
2020	June 30, 2019	6.28%

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

There was no crossover period for the PERS defined benefit plan. Therefore the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

Sensitivity of Net Pension Liability

The following presents the District's proportionate share of the PERS net pension liability calculated using the discount rate of 7.00%, as well as what the District's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
District's Proportionate Share of the PERS Net Pension Liability	$ 4,341,424	$ 3,448,768	$ 2,691,325

The sensitivity analysis was based on the proportionate share of the District's net pension liability as of the measurement date of June 30, 2020. A sensitivity analysis specific to the District's net pension liability at June 30, 2020 was not provided by the pension system.

Pension Plan Fiduciary Net Position

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF)

GASB No. 68, requires participating employers in TPAF to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense. The non-employer allocation percentages presented are based on the ratio of the State's contributions made as an employee and non-employer adjusted for unpaid early retirement incentives to total contributions to TPAF during the measurement period July 1, 2019 through June 30, 2020. Non-employer allocation percentages have been rounded for presentation purposes.

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and non-employer contributions by the State. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. For the fiscal year ended June 30, 2020, the State's pension contribution was less than the actuarial determined amount.

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

For the fiscal year ended June 30, 2021, the District recognized in the district-wide statement of activities (accrual basis) pension expense of $3,255,156 for TPAF. This amount has been included in the district-wide statement of activities (accrual basis) as both a revenue and expense in accordance with GASB No. 85.

At June 30, 2021 the State's proportionate share of the net pension liability attributable to the District is $52,346,951. The net pension liability was measured as of June 30, 2020 and was determined by an actuarial valuation as of July 1, 2019. The nonemployer allocation percentages are based on the ratio of the State's contributions made as a nonemployer attributable to the District adjusted for unpaid early retirement incentives relative to total contributions to TPAF during the year ended June 30, 2020. At June 30, 2020, the State's share of the net pension liability attributable to the District was .07950 percent, which was a decrease of .00088 percent from its proportionate share measured as of June 30, 2019 of .08038 percent.

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

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

Assumptions for mortality improvements are based on Society of Actuaries Scale MP-2020.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018.

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2020) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and actuaries. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the TPAF's target asset allocation as of June 30, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk Mitigation Strategies	3.00%	3.40%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Investment Grade Credit	8.00%	2.67%
US Equity	27.00%	7.71%
Non-US Developed Markets Equity	13.50%	8.57%
Emerging Markets Equity	5.50%	10.23%
High Yield	2.00%	5.95%
Real Assets	3.00%	9.73%
Private Credit	8.00%	7.59%
Real Estate	8.00%	9.56%
Private Equity	13.00%	11.42%

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Discount Rate

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

Fiscal Year	Measurement Date	Discount Rate
2021	June 30, 2020	5.40%
2020	June 30, 2019	5.60%

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

Period of Projected Benefit Payments for which the Following Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2062
Municipal Bond Rate *	From July 1, 2062 and Thereafter

* The municipal bond return rate used is 2.21% as of the measurement date of June 30, 2020. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the State's proportionate share of the TPAF net pension liability attributable to the District calculated using the discount rate of 5.40%, as well as what the State's proportionate share of the TPAF net pension liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (4.40 percent) or 1-percentage-point higher (6.40 percent) than the current rate:

	1% Decrease (4.40%)	Current Discount Rate (5.40%)	1% Increase (6.40%)
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	$ 61,487,625	$ 52,346,951	$ 44,757,156

The sensitivity analysis was based on the State's proportionate share of the net pension liability attributable to the District as of the measurement date of June 30, 2020. A sensitivity analysis specific to the State's proportionate share of the net pension liability attributable to the District at June 30, 2020 was not provided by the pension system.

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Pension Plan Fiduciary Net Position

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

E. Post-Retirement Medical Benefits

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

As a result of implementing GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans,* the post-retirement health benefit program plan is reported in an Agency Fund in the New Jersey Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020. In addition, the plan is administered on a pay-as-you-go basis. Therefore, the plan has no assets accumulated in a trust. In accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension* (GASB No. 75), the plan is classified as a single employer defined benefit OPEB plan with a special funding situation that is not administered through a trust that meets the criteria in paragraph 4 of GASB No. 75.

Plan Description and Benefits Provided

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

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

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

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

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

Plan Membership

Membership of the defined benefit OPEB plan consisted of the following at June 30, 2019:

Active Plan Members	216,804
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	149,304
Inactive Plan Members Entitled to but not yet Receiving Benefits	-
Total	366,108

Measurement Focus and Basis of Accounting

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

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

Investment Valuation

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

Collective Net OPEB Liability

The collective net OPEB liability of the State, as the non-employer contributing entity, of the plan at June 30, 2020 is $67.8_ billion, and the plan fiduciary net position as a percentage of the total OPEB liability is zero percent.

The total OPEB liabilities were determined based on actuarial valuations as of June 30, 2019 which were rolled forward to June 30, 2020.

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Actuarial Methods and Assumptions

In the June 30, 2019 OPEB actuarial valuation, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The Plan selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 75. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

Post-Retirement Medical Benefits Contributions

The funding policy of the OPEB plan is pay as you go basis; therefore, there is no prefunding of the liability. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are made by the State, as a non-employer contributing entity, under a special funding situation in accordance with State statutes as previously disclosed. The State as a non-employer contributing entity made contributions of $1.18 billion to the OPEB plan in fiscal year 2020.

The State sets the contribution rate based on a pay as you go basis rather than the actuarial determined contribution an amount actuarially determined in accordance with the parameters of GASB Statement 75. The actuarial determined contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any unfunded actuarial liabilities (or funding excess) of the plan using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan. The State's contributions, as a nonemployer contributing entity, to the State Health Benefits Program Fund – Local Education Retired Employees Plan for retirees' post-retirement benefits on behalf of the School District for the fiscal years ended June 30, 2021, 2020 and 2019 were $744,502, $658,454 and $732,780, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund – Local Education Retired Employees Plan for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey. The on-behalf OPEB contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 85.

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

GASB Statement No. 75 requires participating employers in the State Health Benefit Program Fund – Local Education Retired Employees Plan to recognize their proportionate share of the collective OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense. The nonemployer allocation percentages presented are based on the ratio of the State's contributions made as a nonemployer toward the actuarially determined contribution amount to total contributions to the plan during the measurement period July 1, 2019 through June 30, 2020. Nonemployer allocation percentages have been rounded for presentation purposes.

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

For the fiscal year ended June 30, 2021, the District recognized in the district-wide statement of activities (accrual basis) OPEB expense of $2,363,157. This amount has been included in the district-wide statement of activities (accrual basis) as both a revenue and expense in accordance with GASB No. 85.

At June 30, 2021 the State's proportionate share of the OPEB liability attributable to the District is $53,255,459. The nonemployer allocation percentages are based on the ratio of the State's proportionate share of the OPEB liability attributable to the District at June 30, 2020 to the total OPEB liability of the State Health Benefit Program Fund – Local Education Retired Employees Plan at June 30, 2020. At June 30, 2020, the state's share of the OPEB liability attributable to the District was .08 percent, which was no change its proportionate share measured as of June 30, 2019 of .08 percent.

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

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

Actuarial Assumptions

The OPEB liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of June 30, 2019, which was rolled forward to June 30, 2020. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases*	
PERS:	
Initial Fiscal Year Applied Through	2026
Rate	2.00% to 6.00%
Rate Thereafter	3.00% to 7.00%
TPAF:	
Initial Fiscal Year Applied Through	2026
Rate	1.55% to 4.45%
Rate Thereafter	1.55% to 4.45%
Mortality:	
PERS	Pre-retirement and Post-retirement based on Pub-2010 Healthy "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020.
TPAF	Pre-retirement and Post-retirement based on Pub-2010 Healthy "Teachers" and "General" classifications respectively, headcount-weighted mortality tables with fully generational mortality improvement projections from the central year using Scale MP-2020.

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

For the June 30, 2020 measurement date healthcare cost trend rates for pre-Medicare medical benefits, the trend is initially 5.6% and decreases to a 4.5% long-term trend rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2021 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.0% and decreases to a 4.5% long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

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

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of the TPAF and PERS actuarial experience studies for the period July 1, 2015 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively.

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

Discount Rate

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

Fiscal Year	Measurement Date	Discount Rate
2021	June 30, 2020	2.21%
2020	June 30, 2019	3.50%

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

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

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

Changes in the Total OPEB Liability

The change in the State's proportionate share of the OPEB liability attributable to the District for the fiscal year ended June 30, 2021 (measurement date June 30, 2020) is as follows:

	Total OPEB Liability (State Share 100%)
Balance, June 30, 2019 Measurement Date	$ 33,273,099
Changes Recognized for the Fiscal Year:	
Service Cost	1,396,310
Interest on the Total OPEB Liability	1,197,832
Differences Between Expected and Actual Experience	8,559,309
Changes of Assumptions	9,727,942
Gross Benefit Payments	(927,134)
Contributions from the Member	28,101
Net Changes	$ 19,982,360
Balance, June 30, 2020 Measurement Date	$ 53,255,459

Changes of assumptions and other inputs reflect a change in the discount rate from 3.50 % percent in 2019 to 2.21% percent in 2020.

The change in the total OPEB liability was based on the State's proportionate share of the OPEB liability attributable to the District at June 30, 2020.

NOTE 4 OTHER INFORMATION (Continued)

E. <u>Post-Retirement Medical Benefits</u> (Continued)

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

Sensitivity of OPEB Liability

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the State's proportionate share of the OPEB liability attributable to the District calculated using the discount rate of 2.21%, as well as what the State's proportionate share of the OPEB liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current rate:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
State's Proportionate Share of the OPEB Liability Attributable to the District	$ 64,202,205	$ 53,255,459	$ 44,696,158

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

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability (School Retirees)	$ 43,880,124	$ 53,255,459	$ 65,666,477

The sensitivity analyses were based on the State's proportionate share of the OPEB liability attributable to the District at June 30, 2020. Sensitivity analyses specific to the State's proportionate share of the OPEB liability attributable to the District at June 30, 2020 were not provided by the pension system.

NOTE 5 RESTATEMENT

On July 1, 2020, the East Hanover Township Board of Education implemented GASB Statement No. 84 "Fiduciary Activities". The East Hanover Township Board of Education has determined that the effect of implementing this accounting change on the financial statements previously reported as of and for the fiscal year ended June 30, 2020 are as follows:

Governmental Activities

The financial statements of the governmental activities as of June 30, 2020 have been restated to reflect the reclassification of certain activities related to unemployment compensation, student activities and payroll related activities which were previously reported as fiduciary activities to governmental activities. The effect of this restatement is to increase net position of governmental activities by $252,609 from $7,821,787 as previously reported to $8,074,398 as of June 30, 2020.

Governmental Funds

The financial statements of the governmental funds as of June 30, 2020 have been restated to reflect the reclassification of certain activities related to unemployment compensation, student activities and payroll activities previously reported as fiduciary funds to governmental funds. The effect of this restatement is to increase fund balances of governmental funds by $252,609 from $3,691,137 as previously reported to $3,943,746 as of June 30, 2020. General Fund fund balance increased $238,452 from $3,691,137 as previously reported to $3,929,589 as of June 30, 2020. Special Revenue Fund fund balance increased $14,157 from $0 as previously reported to $14,157 as of June 30, 2020.

Fiduciary Funds

The financial statements of the fiduciary funds as of June 30, 2020 have been restated to reflect the reclassification of certain activities to governmental funds as noted above. The effect of this restatement is to decrease total fiduciary net position by $238,452 from $238,452 as previously reported to $0 as of June 30, 2020.

NOTE 6 INFECTIOUS DISEASE OUTBREAK – COVID-19 PANDEMIC

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

Governor Phil Murphy (the "Governor") of the State of New Jersey (the "State") declared a state of emergency and a public health emergency on March 9, 2020 due to the outbreak of COVID-19, which spread to the State and to all counties within the State. The Governor also instituted mandatory measures via various executive orders to contain the spread of the virus. These measures, which altered the behaviors of businesses and people, had negative impacts on regional, state and local economies. The Governor, pursuant to various executive orders, then implemented a multi-stage approach to restarting New Jersey's economy. The declaration of the state of emergency and of a public health emergency was terminated by the Governor, by executive order, on June 4, 2021. Also, on June 4, 2021, the Governor signed into law Assembly Bill No. 5820 which terminates most of the governor's pandemic-related executive orders in early July. The remaining executive orders (dealing with coronavirus testing and vaccinations, moratoriums on evictions and utility shutoffs and various other matters) will terminate on January 1, 2022. In the event of substantial increases in COVID-19 hospitalizations, spot positivity or rates of transmission, the Governor is empowered to impose more restrictive measures than currently in place.

NOTE 6 INFECTIOUS DISEASE OUTBREAK – COVID-19 PANDEMIC (Continued)

Recently, the United States Congress has passed relief and stimulus legislations including the American Rescue Plan Act signed into law by President Biden on March 12, 2021, comprising of $1.9 trillion in funding to address the COVID-19 Pandemic. This legislation is intended to address the financial impact of the pandemic on the U.S. economy and alleviate the health effects of the COVID-19 pandemic. The Plan provides funding for state and local governments to offset costs to safely reopen schools during the COVID-19 pandemic and to subsidize COVID-19 testing and vaccination programs. In addition, the Plan includes $350 billion in relief funds to public entities, such as the School District. It is too early to predict if the legislation will have its intended affect.

The largest portion of the School District's revenues is derived from local tax revenues levied by the Borough. In that regard, under applicable State statutes, the Borough annually is required to pay 100% of the amount levied for operations and debt service to the School District regardless of delinquencies in applicable property tax collections. The ability of the Borough to fully collect property taxes on a timely basis may be affected by the economic impact of the Pandemic; however, the District does not anticipate an interruption in the timely collection of property taxes from the Borough.

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

BUDGETARY COMPARISON SCHEDULES

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Original Budget	Budget Modification / Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	$ 20,764,389		$ 20,764,389	$ 20,764,389	
Tuition from Individuals	56,000		56,000	35,000	$ (21,000)
Unrestricted Miscellaneous Revenues	29,100	-	29,100	62,377	33,277
Total - Local Sources	20,849,489	-	20,849,489	20,861,766	12,277
State Sources:					
Categorical Special Education Aid	733,740	$ (61,373)	672,367	672,367	
Categorical Security Aid	17,287		17,287	17,287	
Categorical Transportation Aid	178,676		178,676	178,676	
Extraordinary Aid				342,783	342,783
Additional Nonpublic Transportation Aid				14,500	14,500
On-Behalf T.P.A.F. Pension Contribution - Normal Cost (non-budgeted)				2,331,327	2,331,327
On-Behalf T.P.A.F. Pension Contribution - Non-Contributory Group Insurance (non-budgeted)				44,357	44,357
On-Behalf T.P.A.F. Pension Contribution - Post-Retirement Medical (non-budgeted)				744,502	744,502
On-Behalf T.P.A.F. Pension Contribution - Long-Term Disability Insurance (non-budgeted)				1,644	1,644
Reimbursed TPAF Social Security Contributions (non-budgeted)	-	-	-	652,970	652,970
Total - State Sources	929,703	(61,373)	868,330	5,000,413	4,132,083
Total Revenues	21,779,192	(61,373)	21,717,819	25,862,179	4,144,360
EXPENDITURES:					
Current Expense:					
Regular Programs:					
Instruction:					
Salaries of Teachers					
Preschool	132,145	(47,069)	85,076	70,910	14,166
Kindergarten	449,500	(57,399)	392,101	387,418	4,683
Grades 1-5	2,321,936	61,043	2,382,979	2,373,166	9,813
Grades 6-8	2,167,689	(62,867)	2,104,822	2,074,820	30,002
Home Instruction:					
Salaries of Teachers	4,500		4,500		4,500
Purchased Professional - Educational Services	6,000		6,000	2,368	3,632
Undistributed Instruction:					
Other Salaries for Instruction	164,870	2,927	167,797	139,940	27,857
Purchased Professional - Educational Services	10,850	(1,062)	9,788	1,559	8,229
Purchased Technical Services	167,830	11,273	179,103	166,523	12,580
Other Purchased Services	112,007	29,462	141,469	134,939	6,530
General Supplies	498,328	(38,594)	459,734	310,715	149,019
Lease Purchase - Chromebook		162,732	162,732	162,732	
Textbooks	73,900	(110)	73,790	69,459	4,331
Other Objects	9,248	(184)	9,064	7,085	1,979
Total Regular Programs	6,118,803	60,152	6,178,955	5,901,634	277,321
Special Education - Instruction:					
Learning and/or Language Disabilities					
Salaries of Teachers	190,305	(26,250)	164,055	164,055	
Other Salaries for Instruction	33,037	(18,188)	14,849	14,849	
General Supplies	3,360	(3,360)	-	-	-
Total Learning and/or Language Disabilities	226,702	(47,798)	178,904	178,904	-

(Continued)

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Original Budget	Budget Modification / Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES					
Curent Expense					
Special Education - Instruction (Continued)					
Resource Room:					
Salaries of Teachers	$ 1,619,790	$ 96,561	$ 1,716,351	$ 1,640,234	$ 76,117
Other Salaries for Instruction	266,301	(37,891)	228,410	110,229	118,181
General Supplies	15,050	138	15,188	14,548	640
Total Resource Room	1,901,141	58,808	1,959,949	1,765,011	194,938
Preschool Disabilities - Part - Time:					
Salaries of Teachers	98,485	11,104	109,589	109,589	
Other Salaries for Instruction	21,204	3,117	24,321	22,209	2,112
General Supplies	1,500	(863)	637	637	
General Supplies	-	850	850	850	-
Total Preschool Disabilities - Part - Time	121,189	14,208	135,397	133,285	2,112
Home Instruction:					
Purchased Professional-Educational Services	6,000	(6,000)	-	-	-
Total Home Instruction	6,000	(6,000)	-	-	-
Total Special Education - Instruction	2,255,032	19,218	2,274,250	2,077,200	197,050
Basic Skills/Remedial:					
Salaries of Teachers	591,673	51,463	643,136	614,440	28,696
General Supplies	6,600	(6,600)	-	-	-
Total Basic Skills/Remedial	598,273	44,863	643,136	614,440	28,696
Bilingual Education:					
Salaries of Teachers	104,170		104,170	71,213	32,957
General Supplies	-	-	-	-	-
Total Bilingual Education	104,170	-	104,170	71,213	32,957
School Sponsored Co-Curricular Activities:					
Salaries	82,699	-	82,699	59,109	23,590
Total School Sponsored Co-Curricular Activities	82,699	-	82,699	59,109	23,590
School Sponsored Athletics - Instruction:					
Salaries	57,750		57,750	13,782	43,968
Purchased Services	10,525		10,525	5,784	4,741
General Supplies	4,800		4,800	3,500	1,300
Other Objects	1,855	-	1,855	-	1,855
Total School Sponsored Athletics - Instruction	74,930	-	74,930	23,066	51,864
After School Program "Best" - Instruction:					
Salaries of Teachers	13,030		13,030		13,030
General Supplies	2,250	-	2,250	-	2,250
Total After School Program "Best" - Instruction	15,280	-	15,280	-	15,280
Summer School Program - Instruction:					
Salaries of Teachers	20,425		20,425	18,918	1,507
Other Salaries for Instrution	18,240		18,240	3,040	15,200
Purchased Services	11,550	(402)	11,148	8,908	2,240
General Supplies	300	-	300	100	200
Total Summer School Program - Instruction	50,515	(402)	50,113	30,966	19,147
Total - Instruction	9,299,702	$ 123,831	9,423,533	8,777,628	$ 645,905

(Continued)

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Original Budget	Budget Modification / Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES					
Curent Expense					
Undistributed Expenditures:					
Tuition:					
Tuition to Other LEA's Within the State - Special	$ 40,000		$ 40,000		$ 40,000
Tuition to Private Schools for the Disabled - Within State	589,105	-	589,105	$ 248,113	340,992
Total Tuition	629,105	-	629,105	248,113	380,992
Attendance and Social Work:					
Salaries	21,670	-	21,670	21,670	-
Total Attendance and Social Work	21,670	-	21,670	21,670	-
Health Services:					
Salaries	243,115		243,115	243,115	
Purchased Professional and Technical Services	113,750		113,750	109,126	4,624
Supplies and Materials	2,400	$ 16,274	18,674	18,571	103
Other Objects	600	-	600	199	401
Total Health Services	359,865	16,274	376,139	371,011	5,128
Speech, OT, PT and Related Services:					
Salaries	210,238		210,238	207,813	2,425
Purchased Professional -Educational Services	372,842	19,210	392,052	303,460	88,592
Supplies and Materials	17,000	(12,500)	4,500	4,500	
Other Objects	1,000	(550)	450	-	450
Total Speech, OT, PT and Related Services	601,080	6,160	607,240	515,773	91,467
Other Support Services Students - Related Services:					
Salaries	196,513	56,922	253,435	201,660	51,775
Purchased Professional -Educational Services	87,839	1,172	89,011	89,011	-
Total Other Support Services Students - Related Services:	284,352	58,094	342,446	290,671	51,775
Guidance:					
Salaries of Other Professional Staff	200,005		200,005	186,509	13,496
Other Salaries	75,302		75,302	75,302	
Other Purchased Professional -Technical Services	1,026		1,026	1,000	26
Supplies and Materials	600	-	600	135	465
Total Guidance	276,933	-	276,933	262,946	13,987
Child Study Teams:					
Salaries of Other Professional Staff	469,618		469,618	424,002	45,616
Salaries of Secretarial and Clerical Assistants	61,073		61,073	61,073	
Other Salaries	23,761		23,761	14,436	9,325
Purchased Professional-Educational Services	12,000	1,074	13,074	7,433	5,641
Other Purchased Professional -Technical Services	12,500	(1,361)	11,139	1,604	9,535
Supplies and Materials	6,500	1,361	7,861	6,284	1,577
Other Objects	450	-	450	224	226
Total Child Study Teams	585,902	1,074	586,976	515,056	71,920
Improvement of Instruction Services:					
Salaries of Supervisor of Instruction	104,929	-	104,929	104,229	700
Other Salaries	25,500	4,318	29,818	23,712	6,106
Other Purchased Professional -Technical Services	37,818	(3,693)	34,125	33,557	568
Other Purchased Services	1,400	(175)	1,225	520	705
Supplies and Materials	1,000	-	1,000	301	699
Other Objects	1,500	(450)	1,050	845	205
Total Improvement of Instruction Services:	172,147	-	172,147	163,164	8,983

(Continued)

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Original Budget	Budget Modification / Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES					
Curent Expense					
Undistributed Expenditures (Continued)					
Educational Media Services / School Library:					
Salaries	$ 171,305	$ 1	$ 171,306	$ 171,305	$ 1
Salaries of Technology Coordinators	102,871	(1)	102,870	96,107	6,763
Unused Vacation Payment to Terminated / Retired Staff		4,898	4,898	4,898	
Purchased Professional and Technical Services	149,311		149,311	149,311	
Other Purchased Services	1,000		1,000	485	515
Supplies and Materials	25,482		25,482	19,012	6,470
Other Objects	4,220	-	4,220	3,424	796
Total Educational Media Services / School Library	454,189	4,898	459,087	444,542	14,545
Instructional Staff Training Services:					
Purchased Professional and Technical Services	44,304		44,304	32,411	11,893
Other Purchased Services	14,501	-	14,501	1,277	13,224
Total Instructional Staff Training Services	58,805	-	58,805	33,688	25,117
Support Services - General Administration:					
Salaries	291,318	76	291,394	291,394	
Legal Services	30,000	(1,108)	28,892	23,619	5,273
Audit Fees	36,000	33,752	69,752	32,635	37,117
Other Purchased Professional Services	10,130	(2,703)	7,427	7,427	
Purchased Technical Services	9,204	4,186	13,390	13,390	
Communications / Telephone	20,100	3,051	23,151	23,151	
BOE Other Purchased Services	2,250	(602)	1,648	50	1,598
Miscellaneous Purchased Services	25,962	31,056	57,018	46,144	10,874
General Supplies	2,800	14,830	17,630	6,600	11,030
Miscellaneous Expenditures	7,380	(2,000)	5,380	5,141	239
BOE Membership Dues and Fees	9,800	-	9,800	9,287	513
Total Support Services - General Administration	444,944	80,538	525,482	458,838	66,644
Support Services - School Administration:					
Salaries of Principals/Asst. Principals	512,690		512,690	512,688	2
Salaries of Other Professional Staff	106,170		106,170	106,170	
Salaries of Secretarial and Clerical Assistants	329,544	(451)	329,093	326,703	2,390
Other Purchased Services	8,440	538	8,978	3,022	5,956
Supplies and Materials	13,700	296	13,996	5,456	8,540
Other Objects	6,530	12	6,542	5,675	867
Total Support Services School Administration	977,074	395	977,469	959,714	17,755
Central Services:					
Salaries	300,520		300,520	297,629	2,891
Unused Vacation Payment to Terminated / Retired Staff		12,419	12,419	12,419	
Purchased Professional Services	16,343	1	16,344	16,344	
Purchased Technical Services	6,732	(1,479)	5,253	5,174	79
Supplies and Materials	6,150	24,772	30,922	11,425	19,497
Interest on Capital Lease Agreement	1,575	-	1,575	1,495	80
Total Central Services	331,320	35,713	367,033	344,486	22,547
Administration Information Technology:					
Purchased Professional Services	22,311		22,311	22,311	
Supplies and Materials	3,500	-	3,500	-	3,500
Total Administration Information Technology	25,811	-	25,811	22,311	3,500

(Continued)

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Original Budget	Budget Modification / Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES					
Curent Expense					
Undistributed Expenditures (Continued)					
Required Maintenance for School Facilities:					
Salaries	$ 297,583	$ 10,826	$ 308,409	$ 259,999	$ 48,410
Cleaning, Repair and Maintenance	342,780	(71,199)	271,581	198,678	72,903
Travel	700		700		700
General Supplies	42,080	42,459	84,539	79,200	5,339
Other Objects	3,100	(66)	3,034	2,575	459
Total Required Maintenance for School Facilities	686,243	(17,980)	668,263	540,452	127,811
Custodial Services:					
Salaries	539,620	17,465	557,085	551,498	5,587
Salaries for Non-Instructional Aides	115,836	(17,465)	98,371	98,190	181
Purchased Professional & Technical Services	4,000	11,880	15,880	15,052	828
Cleaning, Repair and Maintenance Services	26,970	(5,400)	21,570	20,576	994
Lease Purchase Payments - Energy Savings Improvement	95,506	34	95,540	95,540	-
Other Purchased Property Services		36,517	36,517	31,816	4,701
Insurance	106,675	(17,567)	89,108	86,481	2,627
General Supplies	38,600	9,150	47,750	45,611	2,139
Energy (Natural Gas)	120,000		120,000	99,673	20,327
Energy (Electricity)	140,000		140,000	108,832	31,168
Energy (Gasoline)	4,000		4,000	3,623	377
Other Objects	1,745	-	1,745	1,697	48
Total Custodial Services	1,192,952	34,614	1,227,566	1,158,589	68,977
Care and Upkeep of Grounds:					
Cleaning, Repair & Maintenance	18,000		18,000	9,545	8,455
General Supplies	1,000	-	1,000	-	1,000
Total Care and Upkeep of Grounds	19,000	-	19,000	9,545	9,455
Security					
Salaries	57,485		57,485	57,485	
General Supplies	84,600	-	84,600	83,273	1,327
Total Security	142,085	-	142,085	140,758	1,327
Total Operation and Maintenance of Plant Services	2,040,280	16,634	2,056,914	1,849,344	207,570

(Continued)

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Original Budget	Budget Modification / Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES					
Curent Expense					
Undistributed Expenditures (Continued)					
Student Transportation Services:					
Salaries for Pupil Transportation (Between Home and School) - Regular	$ 169,507		$ 169,507	$ 110,809	$ 58,698
Contracted Services (Between Home and School) - Joint Agreement	761,215	$ 13,810	775,025	775,025	
Contracted Services (Other Than Between Home and School) - Vendors	42,000		42,000	3,185	38,815
Contracted Services (Special Education Students) - Joint Agreement	216,600	(14,087)	202,513	86,375	116,138
Contracted Services (Special Education Students) - ESCs & CTSAs	84,100	277	84,377	46,687	37,690
Contracted Services - Aid in Lieu of Payments - Non-Public	53,000		53,000	33,200	19,800
Supplies and Materials	750		750		750
Other Objects	100	-	100	-	100
Total Student Transportation Services	1,327,272	-	1,327,272	1,055,281	271,991
Unallocated Benefits - Employee Benefits:					
Social Security Contributions	289,500		289,500	250,583	38,917
Other Retirement Contributions - PERS	221,000	10,355	231,355	231,355	
Other Retirement Contributions - DCRP	30,530		30,530	30,121	409
Workmen's Compensation	136,525	(20,353)	116,172	115,156	1,016
Health Benefits	3,321,286	(229,689)	3,091,597	2,792,253	299,344
Tuition Reimbursement	64,680		64,680	46,110	18,570
Other Employee Benefits	187,900		187,900	175,089	12,811
Unused Vacation Payment to Terminated / Retired Staff		21,077	21,077	21,077	
Unused Sick Payment to Terminated / Retired Staff	55,000	20,995	75,995	75,995	-
Total Unallocated Benefits - Employee Benefits	4,306,421	(197,615)	4,108,806	3,737,739	371,067
On-Behalf T.P.A.F. Pension Contribution - Normal Cost (non-budgeted)				2,331,327	(2,331,327)
On-Behalf T.P.A.F. Pension Contribution - Non-Contributory Group Insurance (non-budgeted)				44,357	(44,357)
On-Behalf T.P.A.F. Pension Contribution - Post-Retirement Medical (non-budgeted)				744,502	(744,502)
On-Behalf T.P.A.F. Pension Contribution - Long-Term Disability Insurance (non-budgeted)				1,644	(1,644)
Reimbursed TPAF Social Security Contributions (non-budgeted)	-	-	-	652,970	(652,970)
Total On-Behalf Contributions	-	-	-	3,774,800	(3,774,800)
Total Personal Services - Employee Benefits	4,306,421	(197,615)	4,108,806	7,512,539	(3,403,733)
Total Undistributed Expenditures	12,897,170	22,165	12,919,335	15,069,147	(2,149,812)
Total General Current Expense	22,196,872	145,996	22,342,868	23,846,775	(1,503,907)

(Continued)

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Original Budget	Budget Modification / Transfers	Final Budget	Actual	Variance Final to Actual
Capital Outlay:					
Equipment:					
Undistributed Expenditures:					
Instruction	$ 4,000	$ 2,458	$ 6,458	$ 4,614	$ 1,844
Custodial Services	4,450	52,276	56,726	56,626	100
Total Equipment	8,450	54,734	63,184	61,240	1,944
Facilities Acquisition and Construction Services:					
Architectural / Engineering Services	52,500	8,200	60,700	31,250	29,450
Construction Services	196,000	480,962	676,962	65,172	611,790
Assessment for Debt Service on SDA Funding	39,454	-	39,454	39,454	-
Total Facilities Acquisition and Construction Services	287,954	489,162	777,116	135,876	641,240
Interest Deposit to Capital Reserve	100	-	100	-	100
Total Capital Outlay	296,504	543,896	840,400	197,116	643,284
Total Expenditures	22,493,376	689,892	23,183,268	24,043,891	(860,623)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(714,184)	(751,265)	(1,465,449)	1,818,288	3,283,737
Other Financing Sources (Uses):					
Transfer to Food Service Fund	(7,000)		(7,000)	(7,000)	
Lease Proceeds	-	162,732	162,732	162,732	-
Total Other Financing Sources (Uses)	(7,000)	162,732	155,732	155,732	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources	(721,184)	(588,533)	(1,309,717)	1,974,020	3,283,737
Fund Balance, July 1 (Restated)	4,241,447	-	4,241,447	4,241,447	-
Fund Balance, June 30	$ 3,520,263	$ (588,533)	$ 2,931,730	$ 6,215,467	$ 3,283,737
RECAPITULATION:					
Restricted:					
Capital Reserve				$ 2,645,957	
Maintenance Reserve				600,000	
Excess Surplus:					
Prior Year - Designated for Subsequent Year's Expenditures				294,132	
Current Year				717,878	
Unemployment Compensation				247,147	
Assigned:					
Year-End Encumbrances				542,306	
Unassigned:				1,168,047	
Reconciliation to Governmental Funds Statements (GAAP):				6,215,467	
Less: Fiscal Year 2021 Extraordinary Aid Payment Not Recognized on GAAP Basis			$ 342,783		
Fiscal Year 2021 Last State Aid Payments Not Recognized on GAAP Basis			80,787		
				423,570	
Fund Balance Per Governmental Funds (GAAP)				$ 5,791,897	

(Continued)

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
BUDGET (NON-GAAP) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Original Budget	Budget Transfers / Modification	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Federal Sources	$ 302,600	$ 232,511	$ 535,111	$ 465,101	$ (70,010)
Local Sources	10,000	14,177	31,921	22,783	(9,138)
Total Revenues	312,600	246,688	567,032	487,884	(79,148)
EXPENDITURES:					
Instruction:					
Salaries of Teachers		66,320	66,320	30,823	35,497
Tuition	176,957	56,224	233,181	233,181	
Instructional Supplies	6,000	67,994	73,994	48,864	25,130
Student Activities-Non Budget	-	-	-	4,607	(4,607)
Total Instruction	182,957	190,538	373,495	317,475	56,020
Support Services:					
Salaries	-	4,652	4,652	2,358	2,294
Purchased Professional Technical Service	113,085	(21,717)	91,368	76,003	15,365
Other Purchased Services	16,558	(3,476)	13,082	6,780	6,302
Supplies and Materials	-	60,096	60,096	34,188	25,908
Total Support Services	129,643	39,555	169,198	119,329	49,869
Facilities Acquisition and Constructions Services:					
Non-Instructional Equipment	-	16,595	16,595	47,943	(31,348)
Total Facilities Acquisition and Construction Services	-	16,595	16,595	47,943	(31,348)
Total Expenditures	312,600	246,688	559,288	484,747	74,541
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	3,137	3,137
Fund Balance, July 1 (Restated)	14,157	-	14,157	14,157	14,157
Fund Balance, June 30	$ 14,157	$ -	$ 14,157	$ 17,294	$ 17,294

Restricted Fund Balances:	
Restricted Fund Balance	
Student Activities and Athletics	$ 17,294

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

The accounting records of the Special Revenue 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 revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

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

		General Fund		Special Revenue Fund
Sources / Inflows of Resources:				
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule (C-series)	(C-1)	$ 25,862,179	(C-2)	$ 487,884
State Aid payments and Extraordinary Aid (2019/2020) recognized for GAAP purposes, not recognized for budgetary statements.		311,858		
State Aid payments and Extraordinary Aid (2020/2021) not recognized for GAAP purposes, recognized for budgetary statements.		(423,570)		-
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	(B-2)	$ 25,750,467	(B-2)	$ 487,884
Uses / Outflows of Resources:				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule (C-series)	(C-1)	$ 24,043,891	(C-2)	$ 484,747
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	(B-2)	$ 24,043,891	(B-2)	$ 484,747

PENSION AND POST-EMPLOYMENT BENEFITS INFORMATION

EXHIBIT L-1

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

Public Employees Retirement System

Last Eight Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015	2014
District's Proportion of the Net Position Liability (Asset)	0.02115%	0.02127%	0.02085%	0.02127%	0.02406%	0.02291%	0.02336%	0.02287%
District's Proportionate Share of the Net Pension Liability (Asset)	$ 3,448,768	$ 3,832,171	$ 4,105,773	$ 4,952,627	$ 7,124,695	$ 5,141,255	$ 4,374,279	$ 4,370,892
District's Covered-Employee Payroll	$ 1,453,022	$ 1,466,724	$ 1,510,695	$ 1,425,126	$ 1,495,957	$ 1,620,572	$ 1,600,512	$ 1,640,479
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	237.35%	261.27%	271.78%	347.52%	476.26%	317.25%	273.30%	266.44%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	58.32%	56.27%	53.59%	48.10%	40.14%	47.92%	52.08%	48.72%

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

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

EXHIBIT L-2

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

Public Employees Retirement System

Last Eight Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	$ 231,355	$ 206,876	$ 207,416	$ 197,879	$ 213,710	$ 196,604	$ 192,605	$ 173,968
Contributions in Relation to the Contractually Required Contribution	231,355	206,876	207,416	197,879	213,710	196,604	192,605	173,968
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's Covered-Employee Payroll	$ 1,488,712	$ 1,453,022	$ 1,466,724	$ 1,510,695	$ 1,425,126	$ 1,495,957	$ 1,620,572	$ 1,600,512
Contributions as a Percentage of Covered-Employee Payroll	15.54%	14.24%	14.14%	13.10%	15.00%	13.14%	11.89%	10.87%

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

EXHIBIT L-3

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

Teachers Pension and Annuity Fund

Last Eight Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015	2014
District's Proportion of the Net Position Liability (Asset)	0%	0%	0%	0%	0%	0%	0%	0%
District's Proportionate Share of the Net Pension Liability (Asset)	0%	0%	0%	0%	0%	0%	0%	0%
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	$ 52,346,951	$ 49,328,934	$ 50,897,573	$ 55,908,567	$ 63,752,247	$ 51,752,796	$ 45,634,900	$ 41,792,527
Total	$ 52,346,951	$ 49,328,934	$ 50,897,573	$ 55,908,567	$ 63,752,247	$ 51,752,796	$ 45,634,900	$ 41,792,527
District's Covered-Employee Payroll	$ 9,017,956	$ 8,670,880	$ 8,345,460	$ 8,644,850	$ 8,059,613	$ 8,210,419	$ 7,961,442	$ 8,013,750
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	0%	0%	0%	0%	0%	0%	0%	0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	24.60%	26.95%	26.48%	25.41%	22.33%	28.74%	33.64%	33.76%

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

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

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND SCHEDULE OF DISTRICT CONTRIBUTIONS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Change of Benefit Terms: None.

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

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

POSTEMPLOYMENT HEALTH BENEFIT PLAN

Last Four Fiscal Years*

	2021	2020	2019	2018
Total OPEB Liability				
Service Cost	$ 1,396,310	$ 1,318,417	$ (773,501)	$ 1,745,921
Interest on Total OPEB Liability	1,197,832	1,486,521	1,293,980	1,400,353
Changes of Benefit Terms				
Differences Between Expected and Actual Experience	8,559,309	(6,620,657)		
Changes of Assumptions	9,727,942	496,105	(4,965,366)	(5,817,524)
Gross Benefit Payments	(927,134)	(1,021,385)	(2,081,918)	(984,877)
Contributions from the Member	28,101	30,277	76,661	36,266
Net Change in Total OPEB Liability	19,982,360	(4,310,722)	(6,450,144)	(3,619,861)
Total OPEB Liability - Beginning	33,273,099	37,583,821	44,033,965	47,653,826
Total OPEB Liability - Ending	53,255,459	33,273,099	37,583,821	44,033,965
District's Proportionate Share of OPEB Liability	$0	$0	$0	$0
State's Proportionate Share of OPEB Liability	53,255,459	33,273,099	37,583,821	44,033,965
Total OPEB Liability - Ending	53,255,459	33,273,099	37,583,821	44,033,965
District's Covered-Employee Payroll	$ 10,470,978	$ 10,137,604	$ 9,856,155	$ 10,069,976
District's Proportionate Share of the Total OPEB Liability as a Percentage of its Covered Employee Payroll	0%	0%	0%	0%

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

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

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

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S PROPORTIONATE SHARE OF THE OPEB LIABILITY
AND SCHEDULE OF DISTRICT PROPORTIONATE SHARE OF THE OPEB LIABILITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Changes in Benefit Terms:	None.
Changes of Assumptions	Assumptions used in calculating the OPEB liability are presented in Note 4E.

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APPENDIX C

FORM OF APPROVING LEGAL OPINION

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MS&B McMANIMON • SCOTLAND • BAUMANN

75 Livingston Avenue, Roseland, NJ 07068 (973) 622-1800

_________, 2022

The Board of Education of the
Township of East Hanover in the
County of Morris, New Jersey

Dear Board Members:

We have acted as bond counsel to the Township of East Hanover in the County of Morris, New Jersey (the "Board of Education"), in connection with the issuance by the Board of Education of $12,013,000 School Bonds, dated the date hereof (the "Bonds"). In order to render the opinions herein, we have examined laws, documents and records of proceedings, or copies thereof, certified or otherwise identified to us as we have deemed necessary.

The Bonds are issued pursuant to (i) Title 18A, Education, Chapter 24 of the New Jersey Statutes, (ii) a proposal adopted by the Board of Education on July 18, 2022 and approved by the affirmative vote of a majority of the legal voters present and voting at the school district election held on October 6, 2022, and (iii) a resolution duly adopted by the Board of Education on November 14, 2022. The Bonds are secured under the provisions of the New Jersey School Bond Reserve Act, N.J.S.A. 18A:56-17 et seq. (P.L. 1980, c. 72, approved July 16, 1980, as amended by P.L. 2003, c. 118, approved July 1, 2003).

In our opinion, except insofar as the enforcement thereof may be limited by any applicable bankruptcy, moratorium or similar laws or application by a court of competent jurisdiction of legal or equitable principles relating to the enforcement of creditors' rights, the Bonds are valid and legally binding general obligations of the Board of Education, and the Board of Education has the power and is obligated to levy *ad valorem* taxes upon all the taxable property within the school district for the payment of the Bonds and the interest thereon without limitation as to rate or amount.

On the date hereof, the Board of Education has covenanted in its Arbitrage and Tax Certificate (the "Certificate") to comply with certain continuing requirements that must be satisfied subsequent to the issuance of the Bonds in order to preserve the tax-exempt status of the Bonds pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Pursuant to Section 103 of the Code, failure to comply with these requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In the event that the Board of Education continuously complies with its covenants and in reliance on representations, certifications of fact and statements of reasonable expectations made by the Board of Education in the Certificate, it is our opinion that, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code, and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax; however, for tax years beginning after December 31, 2022, interest on the Bonds is included in the "adjusted financial statement income" of certain corporations that are subject to alternative minimum tax under Section 55 of the Code. We express no opinion regarding other federal tax consequences arising with respect to the Bonds. Further, in our opinion, based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. These opinions are based on existing statutes, regulations, administrative pronouncements and judicial decisions.

This opinion is issued as of the date hereof. We assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law or interpretations thereof that may occur after the date of this opinion or for any reason whatsoever.

Very truly yours,