

Audited  
Financial  
Statements

June 30,  
2020

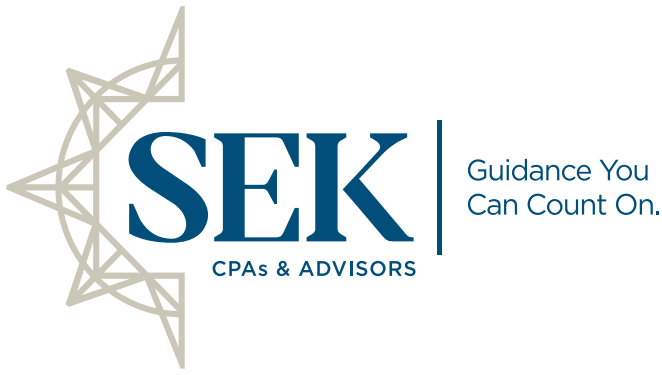
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# Hanover Public School District



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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Hanover Public School District  
Hanover, Pennsylvania

### ***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 Hanover Public School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

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

### ***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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## ***Opinions***

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

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 13, the budgetary comparison schedule for the general fund on page 60, and the schedules related to the pension and OPEB liabilities on pages 61 - 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hanover Public School District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2021, on our consideration of the Hanover Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hanover Public School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Smith & Elliott Keams & Company, LLC". The signature is written in a cursive, flowing style.

Hanover, Pennsylvania  
February 10, 2021

# HANOVER PUBLIC SCHOOL DISTRICT

## Management's Discussion and Analysis (MD&A)

### Required Supplementary Information

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The discussion and analysis of Hanover Public School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

### **FINANCIAL HIGHLIGHTS**

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- The School District's overall financial status improved during the 2019-2020 fiscal year. Total net position increased 4.1% over the course of the year.
- Overall general revenues and net transfers for governmental activities were \$ 28,753,007, which represents \$ 1,158,537 more than overall net program expenses.
- The net position of business-type activities – food services – decreased 0.5% this year. Revenues decreased 2.0% to \$ 969,524, while expenses increased 0.4% to \$ 973,603.
- At the end of the current fiscal year, the fund balance of the General Fund was \$ 5,627,134 compared to \$ 4,329,582 in the prior year. A balanced budget was anticipated in the budget process as revenues were anticipated to equal expenses, however, largely due to revenues exceeding budget projections, the general fund had a greater positive change in fund balance during the year.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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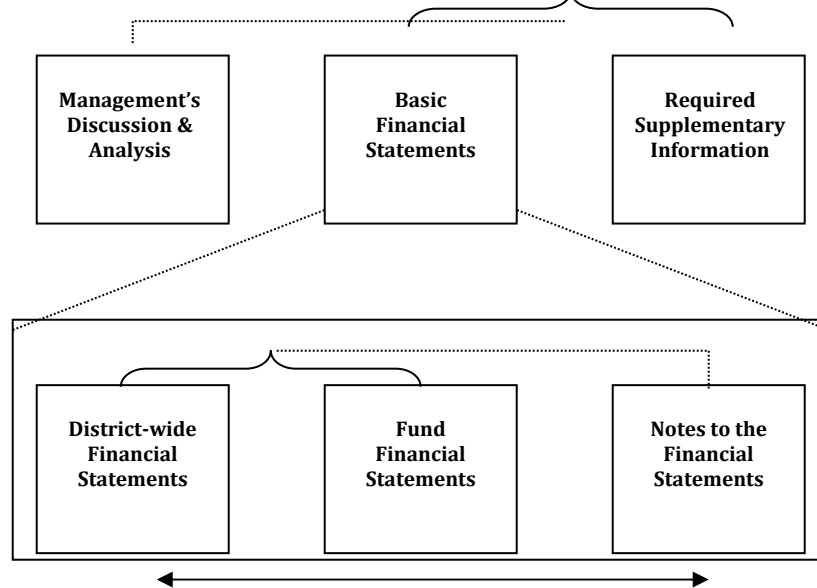
This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements, which present different views of the School District. The first two statements are **Government-wide financial statements** that provide both *short-term* and *long-term* information about the School District's overall financial status. The remaining statements are **fund financial statements** that focus on *individual parts* of the School District, reporting the School District's operations in *more detail* than the government-wide statements. The *governmental funds* statements indicate how basic services such as regular and special education were financed in the *short term* as well as indicate future spending plans. *Proprietary funds* statements offer *short-term* and *long-term* financial information about the activities the School District operates *like a business*, such as food services. *Fiduciary funds* statements provide information about the financial relationships in which the School District acts solely as a *trustee* or *agent* for the benefit of others, such as student activity funds and scholarship funds. The fund financial statements also include the budget/actual comparison of the general fund, which is reported as part of the basic financial statements rather than as required supplementary information in accordance with requirements of the Pennsylvania Department of Education.

**HANOVER PUBLIC SCHOOL DISTRICT**  
**Management's Discussion and Analysis (MD&A)**  
**Required Supplementary Information**

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

**Figure A-1**  
**Required Components of**  
**Hanover Public School District's**  
**Financial Report**



**HANOVER PUBLIC SCHOOL DISTRICT**  
**Management's Discussion and Analysis (MD&A)**  
**Required Supplementary Information**

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

**Figure A-2**  
**Major Features of Hanover Public School District's**  
**Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School District (except fiduciary funds)	Activities of the School District that is not proprietary or fiduciary, such as general operating and capital projects.	Activities the School District operates similar to private businesses, such as food service.	Instances in which the School District administers resources on behalf of someone else, such as scholarship and student activities programs.
Required Financial Statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenditures, and Changes in Net Position</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> <li>• Statement of Changes in Fiduciary Net Position</li> </ul>
Accounting Basis & 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
Types of assets/liability information	All assets and liabilities, both financial and capital, and short-term and long-term.	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can.
Types of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during year, regardless of when cash is received or paid.	All additions and deductions during year, regardless of when cash is received or paid.



# HANOVER PUBLIC SCHOOL DISTRICT

## Management's Discussion and Analysis (MD&A)

### Required Supplementary Information

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#### ***GOVERNMENT-WIDE STATEMENTS***

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The government-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The *Statement of Net Position* includes all of the School District's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the *Statement of Activities* regardless of when cash is received or paid.

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

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

The government-wide financial statements of the School District are divided into two categories:

- ***Governmental activities*** – Most of the School District's basic services are included here, such as instruction, administration, and community services. Property taxes, state and federal subsidies, and grants finance most of these activities.
- ***Business-type activities*** – The School District operates a food service operation and charges fees to students, staff, and visitors to help it cover the costs of the food service operation.

#### ***FUND FINANCIAL STATEMENTS***

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The fund financial statements provide more detailed information about the School District's funds. These statements focus on the School District's most significant or "major" funds – not on the School District as a whole. Funds are accounting components that the School 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 requirements. The School District may establish other funds to control and manage money for particular purposes, such as repaying its long-term debts.

The School District has three types of funds as follows:

***Governmental funds*** – Most of the School District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the *Statement of Net Position* and the *Statement of Activities*) and governmental funds is reconciled in the financial statements.

**HANOVER PUBLIC SCHOOL DISTRICT**  
**Management's Discussion and Analysis (MD&A)**  
**Required Supplementary Information**

**Proprietary funds** – These funds are used to account for the School District's activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the School District charges customers for services it provides – whether to outside customers or to other units in the School District – these services are generally reported in proprietary funds. The Food Service Fund is the School District's proprietary fund and is the same as the business-type activities we report in the government-wide statements, but provides more detail and additional information, such as cash flows.

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

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE**

The School District's combined net position increased on June 30, 2020 when compared to the prior fiscal year. Total net position increased 4.1% during the year. (See Figure A-1) The upturn in the School District's financial position came from its governmental activities. Governmental net position increased 4.2% from prior year.

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

	Governmental Activities		Business-type Activities		Total	
	2019	2020	2019	2020	2019	2020
Current and other assets	\$ 13,909,673	\$ 11,594,846	\$ 179,534	\$ 235,893	\$ 14,089,207	\$ 11,830,739
Capital assets	31,301,824	32,276,288	32,551	28,464	31,334,375	32,304,752
<b>Total Assets</b>	<b>45,211,497</b>	<b>43,871,134</b>	<b>212,085</b>	<b>264,357</b>	<b>45,423,582</b>	<b>44,135,491</b>
Deferred outflows of resources	7,012,718	6,159,436	174,446	192,622	7,187,164	6,352,058
<b>Total deferred outflows of resources</b>	<b>7,012,718</b>	<b>6,159,436</b>	<b>174,446</b>	<b>192,622</b>	<b>7,187,164</b>	<b>6,352,058</b>
Current and other liabilities	7,321,493	6,595,801	21,482	32,203	7,342,975	6,628,004
Long-term liabilities	70,272,912	66,704,398	1,035,022	1,081,786	71,307,934	67,786,184
<b>Total liabilities</b>	<b>77,594,405</b>	<b>73,300,199</b>	<b>1,056,504</b>	<b>1,113,989</b>	<b>78,650,909</b>	<b>74,414,188</b>
Deferred inflows of resources	2,352,818	3,294,842	56,948	73,990	2,409,766	3,368,832
<b>Total deferred inflows of resources</b>	<b>2,352,818</b>	<b>3,294,842</b>	<b>56,948</b>	<b>73,990</b>	<b>2,409,766</b>	<b>3,368,832</b>
Net Position						
Net investment in capital assets	14,886,130	15,341,321	32,551	28,464	14,918,681	15,369,785
Restricted	1,295,949	931,565	-	-	1,295,949	931,565
Unrestricted	(43,905,087)	(42,837,357)	(759,472)	(759,464)	(44,664,559)	(43,596,821)
<b>Total net position</b>	<b>\$ (27,723,008)</b>	<b>\$ (26,564,471)</b>	<b>\$ (726,921)</b>	<b>\$ (731,000)</b>	<b>\$ (28,449,929)</b>	<b>\$ (27,295,471)</b>

Most of the School District's net position are invested in capital assets (buildings, land, and equipment). The remaining net position consist of restricted and unrestricted amounts.

**HANOVER PUBLIC SCHOOL DISTRICT**  
**Management's Discussion and Analysis (MD&A)**  
**Required Supplementary Information**

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues, and subsidies that directly relate to specific expense categories are represented to determine the final amount of the School District's activities that are supported by other general revenues. The two largest general revenues are the local taxes assessed to community taxpayers and the Basic Education Subsidy provided by the State of Pennsylvania.

Table A-2 takes the information from that Statement, rearranges it slightly, so you can see our total revenues for the year. The table also presents the expenses of both the Governmental Activities and the Business-type Activities of the School District.

**Table A-2**  
**Fiscal Years ended June 30, 2019 and 2020**  
**Changes in Net position**

	Governmental Activities		Business-type Activities		Total	
	2019	2020	2019	2020	2019	2020
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 121,158	\$ 167,921	\$ 184,193	\$ 154,968	\$ 305,351	\$ 322,889
Operating grants and contributions	6,332,844	6,109,429	804,710	753,779	7,137,554	6,863,208
Capital grants and contributions	397,379	412,598	-	-	397,379	412,598
General revenues						
Property and wage taxes	23,726,104	24,307,450	-	-	23,726,104	24,307,450
Unrestricted grants, subsidies and contributions	3,893,803	4,174,782	-	-	3,893,803	4,174,782
Other	543,619	328,539	65	3,013	543,684	331,552
<b>Total Revenues</b>	<b>\$ 35,014,907</b>	<b>\$ 35,500,719</b>	<b>\$ 988,968</b>	<b>\$ 911,760</b>	<b>\$ 36,003,875</b>	<b>\$ 36,412,479</b>
<b>Expenses</b>						
Instruction	\$ 21,953,282	\$ 22,720,678	\$ -	\$ -	\$ 21,953,282	\$ 22,720,678
Instructional student support	2,728,239	2,875,045	-	-	2,728,239	2,875,045
Administrative and financial support	3,225,196	3,311,221	-	-	3,225,196	3,311,221
Operation and maintenance of plant	2,381,517	2,728,934	-	-	2,381,517	2,728,934
Pupil transportation	1,414,434	1,484,179	-	-	1,414,434	1,484,179
Student activities	592,800	603,203	-	-	592,800	603,203
Community services	34,738	29,618	-	-	34,738	29,618
Interest on long-term debt	602,001	531,540	-	-	602,001	531,540
Food services	-	-	966,336	973,603	966,336	973,603
<b>Total Expenses</b>	<b>\$ 32,932,207</b>	<b>\$ 34,284,418</b>	<b>\$ 966,336</b>	<b>\$ 973,603</b>	<b>\$ 33,898,543</b>	<b>\$ 35,258,021</b>
Transfers (out) in	-	(57,764)	-	57,764	-	-
<b>Increase (Decrease) in Net Position</b>	<b>\$ 2,082,700</b>	<b>\$ 1,158,537</b>	<b>\$ 22,632</b>	<b>\$ (4,079)</b>	<b>\$ 2,105,332</b>	<b>\$ 1,154,458</b>

Table A-3 shows the School District's largest functions - instructional programs, instructional student support, administrative, operation and maintenance of plant, pupil transportation, student activities, community services, facilities acquisition, and interest on long-term debt. This table also shows each activity's net cost (total cost less fees generated by the activities and governmental aid provided for specific programs). The net cost shows the financial burden placed on the School District's taxpayers by each of these functions.

**HANOVER PUBLIC SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**Required Supplementary Information**

**Table A-3**  
**Fiscal Years ended June 30, 2019 and 2020**  
**Governmental Activities**

	Total Cost		Percentage Change	Net Cost		Percentage Change
	Of Services			Of Services		
	2019	2020	2019-2020	2019	2020	2019-2020
Instruction	\$ 21,953,282	\$ 22,720,678	3.50%	\$ 16,989,172	\$ 17,982,263	5.85%
Instructional student support	2,728,239	2,875,045	5.38%	2,319,264	2,459,179	6.03%
Administrative and financial support	3,225,196	3,311,221	2.67%	2,873,983	2,949,145	2.62%
Operation and maintenance of plant	2,381,517	2,728,934	14.59%	2,210,833	2,557,094	15.66%
Pupil transportation	1,414,434	1,484,179	4.93%	984,815	1,023,915	3.97%
Student activities	592,800	603,203	1.75%	482,260	494,407	2.52%
Facilities acquisition	34,738	29,618	(14.74%)	15,877	9,525	(40.01%)
Interest on long-term debt	602,001	531,540	(11.70%)	204,622	118,942	(41.87%)
<b>Total governmental activities</b>	<u>\$ 32,932,207</u>	<u>\$ 34,284,418</u>	<u>4.11%</u>	<u>\$ 26,080,826</u>	<u>\$ 27,594,470</u>	<u>5.80%</u>

Table A-4 reflects the activities of the Food Service program, the only Business-type activity of the School District.

**Table A-4**  
**Fiscal Years ended June 30, 2019 and 2020**  
**Business-type Activities**

Functions/Programs	Total Cost		Percentage Change	Net Cost		Percentage Change
	Of Services			Of Services		
	2019	2020	2019-2020	2019	2020	2019-2020
Food services	<u>\$ 966,336</u>	<u>\$ 973,603</u>	<u>0.75%</u>	<u>\$ 22,567</u>	<u>\$ 64,856</u>	<u>187.39%</u>

The Statement of Revenues, Expenses, and Changes in Fund Net Position for this proprietary fund will further detail the actual results of operation.

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

At June 30, 2020, the School District's governmental funds reported a combined fund balance of \$ 7,271,358, which is a decrease of \$ 1,640,843. The major changes in fund balance occurred in three funds:

**General Fund**

The General Fund had an increase in fund balance of \$ 1,297,552, despite the anticipated budgeted revenue over expenses equaling. This was the result of the following actual revenues higher than budget: Interim Real Estate Taxes of \$ 77,000, Earned Income Taxes of \$ 132,000, Real Estate Transfer Taxes of \$ 27,000, Delinquent Real Estate and Per Capita Taxes of \$ 125,000, Interest Earnings of \$ 74,000, Donations (one time revenue source) of \$ 50,000, Access Funding of \$ 108,000, State Basic Education Subsidy of \$ 176,000, State Vocational Education Subsidy of \$ 76,000, State Special Education Subsidy of \$ 90,000, State Transportation funding of \$ 111,000, and State Share of Retirement Costs of \$ 151,000. In addition, the actual expenses and other financing source uses were \$ 155,936 lower than budget, which equates to less than 1% of the total expenditure amount.

**HANOVER PUBLIC SCHOOL DISTRICT  
Management's Discussion and Analysis (Unaudited)  
Required Supplementary Information**

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***Capital Reserve Fund***

The \$ 364,384 decrease in fund balance was due to the normal utilization of capital reserve monies to make payments on maintenance projects throughout the School District.

***Capital Project Fund***

The decrease in fund balance of \$ 2,574,011 of the Capital Project Fund was due to utilization of the monies for planned capital projects throughout the School District to enhance School District facilities. These projects include heating/air conditioning controls, Phys ed/field hockey/soccer field, metal lab additions, roof restoration, gymnasium HVAC units, stage lighting, middle school food court, fiber optics, roof replacement and classroom addition.

***GENERAL FUND BUDGETARY HIGHLIGHTS***

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During the fiscal year, the Board of School Directors (The Board), through the Budget and Finance Committee, authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the School District. All adjustments are again confirmed at the time the annual audit is accepted, which is after the end of the fiscal year, which is not prohibited by state law. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is shown in the financial statements.

The School District's 2019-2020 budget for the general fund projected that revenues would equal expenditures. The actual results for the year showed revenues exceeding expenditures and other financing sources (uses) by \$ 1,297,552.

Actual revenues were \$ 1,141,616 higher than expected budget. This was the result of the following actual revenues higher than budget: Interim Real Estate Taxes of \$ 77,000, Earned Income Taxes of \$ 132,000, Real Estate Transfer Taxes of \$ 27,000, Delinquent Real Estate and Per Capita Taxes of \$ 125,000, Interest Earnings of \$ 74,000, Donations (one time revenue source) of \$ 50,000, Access Funding of \$ 108,000, State Basic Education Subsidy of \$ 176,000, State Vocational Education Subsidy of \$ 76,000, State Special Education Subsidy of \$ 90,000, State Transportation funding of \$ 111,000, and State Share of Retirement Costs of \$ 151,000.

Actual expenditures and other financing source uses were \$ 155,936 lower than expected budget, which is less than 1 percent of total expenditures and other financing source uses.

***CAPITAL ASSET AND DEBT ADMINISTRATION***

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***Capital Assets***

At June 30, 2020, the School District had \$ 32,304,752 (net) invested in a broad range of capital assets, including land, construction in progress, buildings, and furniture and equipment. This amount represents a net increase (including additions, deletions, and depreciation) of \$ 970,377, or 3.1% from last year due to the additions of capital assets as a result of the capital projects fund expenditures. Total depreciation expense for the year was \$ 1,943,288, while building and site improvements and additions to equipment and furniture totaled \$ 3,488,189.

**HANOVER PUBLIC SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**Required Supplementary Information**

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***DEBT ADMINISTRATION***

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As of July 1, 2019, the School District had total outstanding bond principal of \$ 19,540,000. The School District made payments against principal of \$ 1,995,000 resulting in ending outstanding bond principal as of June 30, 2020 of \$ 17,545,000:

**Table A-5**  
**Outstanding Debt**

	2019	2020
General Obligation Bonds and Notes		
Series 2012	\$ 3,760,000	\$ 3,320,000
Series 2013	5,795,000	4,250,000
Series of 2018A	8,665,000	8,660,000
Series of 2018B	1,320,000	1,315,000
Bond (discounts)/premium - net	<u>526,250</u>	<u>372,798</u>
<b>Total</b>	<b><u>\$ 20,066,250</u></b>	<b><u>\$ 17,917,798</u></b>

Other long-term obligations include accrued vacation pay and sick leave for specific employees of the School District, as well as certain other postemployment benefits (OPEB) and pension liabilities. More detailed information about our long-term liabilities is included in the notes to the financial statements.

***CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS***

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At the time these financial statements were prepared and audited, the School District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The current state Act 1 Index allowance on the amount of real estate tax millage that can be increased in any one year impacts the School District's ability to generate revenue.
- The School District is not using fund balance to balance the budget. For the past four years the budgeted use of fund balance was zero. The state requires the School District to adopt a budget that includes an estimated, ending unreserved undesignated fund balance (unassigned) less than or equal to 8% of the total budgeted expenditures. The School District included in the 2020-2021 General Fund budget total budgeted transfers of \$ 1,534,993 to be divided among the School District capital reserve fund and a health insurance expense trust to meet this requirement.
- The School District, through grants provided by federal, state and local government, has, or will be receiving approximately \$ 2,650,000 in funding to assist with School District costs associated with the global pandemic. The majority of these revenues and expenditures will be in the 2020-2021 and 2021-2022 fiscal years. While the use of expenditures are limited in some of these grants, the funds are assisting the School District with the added expenses related to the global pandemic. Future increases in state basic education and special education subsidies are unknown. The current largest impact to the School District, in relation to the pandemic, is in the Food Service Fund where lower revenues have occurred due to the periods of time when schools were in full remote instruction formats for students.

**HANOVER PUBLIC SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**Required Supplementary Information**

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***CONTACTING THE SCHOOL DISTRICT FINANCIAL MANAGEMENT***

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Our financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the School District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Troy S. Wentz, Business Manager/Board Secretary, at Hanover Public School District, 403 Moul Avenue, Hanover, PA 17331, (717) 637-9000.

**HANOVER PUBLIC SCHOOL DISTRICT**  
**Statement of Net Position**  
**June 30, 2020**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 7,467,930	\$ 467,124	\$ 7,935,054
Investments	850,005	-	850,005
Receivables			
Taxes - net	1,170,665	-	1,170,665
Intergovernmental	1,206,847	42,209	1,249,056
Accrued interest	10,345	-	10,345
Other	522,636	26,072	548,708
Internal balances	320,926	(320,926)	-
Inventories	-	21,414	21,414
Prepaid expenses	27,953	-	27,953
Total current assets	<u>11,577,307</u>	<u>235,893</u>	<u>11,813,200</u>
<b>Noncurrent Assets</b>			
Capital assets not being depreciated			
Land	410,600	-	410,600
Construction in progress	574,524	-	574,524
Capital assets, net			
Site improvements	5,266,206	-	5,266,206
Buildings and improvements	24,683,391	-	24,683,391
Furniture, fixtures and equipment	1,341,567	28,464	1,370,031
Total capital assets, net	<u>32,276,288</u>	<u>28,464</u>	<u>32,304,752</u>
Prepaid bond insurance, net	17,539	-	17,539
Total noncurrent assets	<u>32,293,827</u>	<u>28,464</u>	<u>32,322,291</u>
<b>Total Assets</b>	<u>43,871,134</u>	<u>264,357</u>	<u>44,135,491</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pension liability	5,606,356	187,351	5,793,707
Deferred outflows related to OPEB liability	282,908	5,271	288,179
Deferred charge on bond refunding	270,172	-	270,172
Total deferred outflows of resources	<u>6,159,436</u>	<u>192,622</u>	<u>6,352,058</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 50,030,570</u>	<u>\$ 456,979</u>	<u>\$ 50,487,549</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 918,465	\$ 21,785	\$ 940,250
Accrued salaries and benefits/withholdings	3,130,437	3,818	3,134,255
Accrued interest	88,447	-	88,447
Portion due or payable within one year			
General obligation bonds payable	2,218,452	-	2,218,452
Compensated absences	240,000	6,600	246,600
Total current liabilities	<u>6,595,801</u>	<u>32,203</u>	<u>6,628,004</u>
<b>Noncurrent Liabilities</b>			
Portion due or payable after one year			
General obligation bonds and notes payable	15,699,346	-	15,699,346
Compensated absences	359,880	6,344	366,224
Net pension liability	46,502,959	1,028,171	47,531,130
OPEB liability	4,142,213	47,271	4,189,484
Total noncurrent liabilities	<u>66,704,398</u>	<u>1,081,786</u>	<u>67,786,184</u>
<b>Total Liabilities</b>	<u>73,300,199</u>	<u>1,113,989</u>	<u>74,414,188</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pension liability	2,072,169	52,686	2,124,855
Deferred inflows related to OPEB liability	1,222,673	21,304	1,243,977
Total deferred inflows of resources	<u>3,294,842</u>	<u>73,990</u>	<u>3,368,832</u>
<b>NET POSITION</b>			
Net investment in capital assets	15,341,321	28,464	15,369,785
Restricted	931,565	-	931,565
Unrestricted	(42,837,357)	(759,464)	(43,596,821)
<b>Total Net Position</b>	<u>(26,564,471)</u>	<u>(731,000)</u>	<u>(27,295,471)</u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<u>\$ 50,030,570</u>	<u>\$ 456,979</u>	<u>\$ 50,487,549</u>



**HANOVER PUBLIC SCHOOL DISTRICT**  
**Statement of Activities**  
**Year Ended June 30, 2020**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
Instruction	\$ 22,720,678	\$ 57,567	\$ 4,680,848	\$ -	\$ (17,982,263)	\$ -	\$ (17,982,263)
Instructional student support	2,875,045	-	415,866	-	(2,459,179)	-	(2,459,179)
Administration and financial support services	3,311,221	-	362,076	-	(2,949,145)	-	(2,949,145)
Operation and maintenance of plant services	2,728,934	21,050	150,790	-	(2,557,094)	-	(2,557,094)
Pupil transportation	1,484,179	23,294	436,970	-	(1,023,915)	-	(1,023,915)
Student activities	603,203	51,579	57,217	-	(494,407)	-	(494,407)
Community services	29,618	14,431	5,662	-	(9,525)	-	(9,525)
Interest and amortization	531,540	-	-	412,598	(118,942)	-	(118,942)
Total governmental activities	<u>34,284,418</u>	<u>167,921</u>	<u>6,109,429</u>	<u>412,598</u>	<u>(27,594,470)</u>	<u>-</u>	<u>(27,594,470)</u>
<b>Business-type activities:</b>							
Food services	<u>973,603</u>	<u>154,968</u>	<u>753,779</u>	<u>-</u>	<u>-</u>	<u>(64,856)</u>	<u>(64,856)</u>
Total primary government	<u>\$ 35,258,021</u>	<u>\$ 322,889</u>	<u>\$ 6,863,208</u>	<u>\$ 412,598</u>	<u>\$ (27,594,470)</u>	<u>\$ (64,856)</u>	<u>\$ (27,659,326)</u>
<b>General revenues and transfers:</b>							
Property taxes, levied for general purposes, public utility realty tax, earned income tax					\$ 24,307,450	\$ -	\$ 24,307,450
Grants, subsidies and contributions not restricted					4,174,782	-	4,174,782
Investment earnings					281,150	1,642	282,792
Miscellaneous income					47,389	1,371	48,760
Transfers					(57,764)	57,764	-
Total general revenues and transfers					<u>28,753,007</u>	<u>60,777</u>	<u>28,813,784</u>
Change in net position					1,158,537	(4,079)	1,154,458
Net position - beginning					<u>(27,723,008)</u>	<u>(726,921)</u>	<u>(28,449,929)</u>
Net position - ending					<u>\$ (26,564,471)</u>	<u>\$ (731,000)</u>	<u>\$ (27,295,471)</u>

**HANOVER PUBLIC SCHOOL DISTRICT**  
**Balance Sheet - Governmental Funds**  
**June 30, 2020**

	General Fund	Capital Reserve Fund	Capital Project Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,486,344	\$ 160,163	\$ 821,423	\$ 7,467,930
Investments	-	850,005	-	850,005
Receivables:				
Taxes - net	1,170,665	-	-	1,170,665
Intergovernmental	1,206,847	-	-	1,206,847
Accrued interest	2,024	8,321	-	10,345
Other receivables	518,636	-	4,000	522,636
Due from other funds	319,605	-	1,321	320,926
Prepaid expenditures	27,953	-	-	27,953
Total assets	<u>\$ 9,732,074</u>	<u>\$ 1,018,489</u>	<u>\$ 826,744</u>	<u>\$ 11,577,307</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 457,718	\$ 86,924	\$ 114,085	\$ 658,727
Accrued salaries and benefits	3,130,437	-	-	3,130,437
Total liabilities	<u>3,588,155</u>	<u>86,924</u>	<u>114,085</u>	<u>3,789,164</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable tax revenue	516,785	-	-	516,785
Total deferred inflows of resources	<u>516,785</u>	<u>-</u>	<u>-</u>	<u>516,785</u>
<b>FUND BALANCES</b>				
Nonspendable	27,953	-	-	27,953
Restricted	-	931,565	712,659	1,644,224
Assigned	1,534,993	-	-	1,534,993
Unassigned	4,064,188	-	-	4,064,188
Total fund balances	<u>5,627,134</u>	<u>931,565</u>	<u>712,659</u>	<u>7,271,358</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,732,074</u>	<u>\$ 1,018,489</u>	<u>\$ 826,744</u>	<u>\$ 11,577,307</u>

**HANOVER PUBLIC SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Position**  
**June 30, 2020**

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**Total fund balances - governmental funds** \$ 7,271,358

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.

Cost of assets	66,488,802	
Accumulated depreciation	<u>(34,212,514)</u>	32,276,288

Taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the fund financial statements. 516,785

Deferred charges on bond refundings are reported as deferred outflows of resources in the statement of net position. 270,172

Claims and judgments that are not due and payable in the current period are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position (259,738)

Long-term liabilities are not due and payable in the current period and are therefore not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position. Long-term liabilities consist of:

Bonds and notes payable, net of discount and premium	(17,900,259)	
Accrued interest on bonds	(88,447)	
OPEB liability	(4,142,213)	
Deferred outflows related to OPEB liability	282,908	
Deferred inflows related to OPEB liability	(1,222,673)	
Net pension liability	(46,502,959)	
Deferred outflows related to pension liability	5,606,356	
Deferred inflows related to pension liability	(2,072,169)	
Compensated absences	<u>(599,880)</u>	<u>(66,639,336)</u>

**Net position of governmental activities in the Statement of Net Position** \$ (26,564,471)

**HANOVER PUBLIC SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balance -**  
**Governmental Funds**  
**Year Ended June 30, 2020**

	General Fund	Capital Reserve Fund	Capital Project Fund	Total Governmental Funds
<b>REVENUES</b>				
Local revenues				
Taxes	\$ 24,180,658	\$ -	\$ -	\$ 24,180,658
Investment income	224,454	20,156	36,540	281,150
Federal revenue from intermediate sources	346,477	-	-	346,477
Other	345,989	-	5,745	351,734
State sources	9,393,615	-	-	9,393,615
Federal sources	820,293	-	-	820,293
Total revenues	<u>35,311,486</u>	<u>20,156</u>	<u>42,285</u>	<u>35,373,927</u>
<b>EXPENDITURES</b>				
Instruction	21,248,326	13,890	-	21,262,216
Support services	9,494,796	-	-	9,494,796
Operation of noninstructional services	605,732	-	-	605,732
Facilities acquisition, construction and improvements	-	372,872	2,616,296	2,989,168
Debt service:				
Principal	1,995,000	-	-	1,995,000
Interest	610,094	-	-	610,094
Total expenditures	<u>33,953,948</u>	<u>386,762</u>	<u>2,616,296</u>	<u>36,957,006</u>
Excess (deficiency) of revenue over expenditures	<u>1,357,538</u>	<u>(366,606)</u>	<u>(2,574,011)</u>	<u>(1,583,079)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfers, net	<u>(59,986)</u>	<u>2,222</u>	<u>-</u>	<u>(57,764)</u>
Total other financing sources and uses	<u>(59,986)</u>	<u>2,222</u>	<u>-</u>	<u>(57,764)</u>
Net change in fund balances	<u>1,297,552</u>	<u>(364,384)</u>	<u>(2,574,011)</u>	<u>(1,640,843)</u>
Fund balances - beginning	<u>4,329,582</u>	<u>1,295,949</u>	<u>3,286,670</u>	<u>8,912,201</u>
Fund balances - ending	<u>\$ 5,627,134</u>	<u>\$ 931,565</u>	<u>\$ 712,659</u>	<u>\$ 7,271,358</u>

**HANOVER PUBLIC SCHOOL DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund**  
**Balance of Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2020**

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**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ (1,640,843)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense differs from capital outlays in the period.

Depreciation expense	(1,939,201)	
Capital outlays	<u>2,913,665</u>	974,464

Because some property taxes and state revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues in the governmental funds. Unavailable tax revenues changed by this amount this year. (8,508)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,995,000

Governmental funds report prepaid debt insurance, deferred charge on debt refunding, and bond discount/premium as expenditures and other financing uses or sources when the debt is issued. However in the Statement of Activities the cost of those items are amortized over the life of the debt. 57,522

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. This is the additional interest accrued in the statement of activities over the amount due. 21,032

In the statement of activities, the change in OPEB and pension liability is recorded as an expense. However, since this does not require the use of current financial resources, this is not reported as an expenditure in the governmental funds. (322,615)

In the statement of activities, claims and judgments are recorded as expense. However, since this does not require the use of current financial resources, they are not reported as expenditures in the governmental funds. 135,300

In the statement of activities, compensated absences represent contractually required obligations that do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (52,815)

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ 1,158,537

**HANOVER PUBLIC SCHOOL DISTRICT**  
**Statement of Net Position - Proprietary Fund**  
**June 30, 2020**

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	<b>Food Service</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 467,124
Due from other governments	42,209
Accounts receivable	26,072
Inventory	<u>21,414</u>
Total current assets	<u>556,819</u>
<b>Noncurrent Assets</b>	
Machinery and equipment - net	<u>28,464</u>
Total noncurrent assets	<u>28,464</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pension liability	187,351
Deferred outflows related to OPEB liability	<u>5,271</u>
Total deferred outflows of resources	<u>192,622</u>
Total assets and deferred outflows of resources	<u>\$ 777,905</u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 21,785
Accrued wages	3,818
Due to other funds	320,926
Current portion of compensated absences	<u>6,600</u>
Total current liabilities	<u>353,129</u>
<b>Noncurrent Liabilities</b>	
Compensated absences payable	6,344
Net pension liability	1,028,171
Net OPEB liability	<u>47,271</u>
Total noncurrent liabilities	<u>1,081,786</u>
Total liabilities	<u>1,434,915</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pension liability	52,686
Deferred inflows related to OPEB liability	<u>21,304</u>
Total deferred inflows of resources	<u>73,990</u>
<b>NET POSITION</b>	
Net investment in capital assets	28,464
Unrestricted	<u>(759,464)</u>
Total net position	<u>(731,000)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 777,905</u>

**HANOVER PUBLIC SCHOOL DISTRICT****Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund  
Year Ended June 30, 2020**

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	<b>Food Service</b>
<b>OPERATING REVENUE</b>	
Food service revenues	\$ 156,339
Total operating revenues	<u>156,339</u>
<b>OPERATING EXPENSES</b>	
Food and milk purchases	436,310
Salaries	314,350
Employee benefits	186,770
Supplies	26,977
Depreciation	4,087
Professional services	4,570
Travel	539
Total operating expenses	<u>973,603</u>
Operating (loss)	<u>(817,264)</u>
<b>NON-OPERATING REVENUES</b>	
State subsidies	91,841
Federal subsidies	661,938
Investment earnings	1,642
Total non-operating revenue	<u>755,421</u>
<b>TRANSFERS</b>	
Transfers in (out)	<u>57,764</u>
Change in net position	<u>(4,079)</u>
Total net position - beginning	<u>(726,921)</u>
Total net position - ending	<u>\$ (731,000)</u>

**HANOVER PUBLIC SCHOOL DISTRICT**  
**Statement of Cash Flows - Proprietary Fund**  
**Year Ended June 30, 2020**

	<b>Food Service</b>
<b>Cash flows from operating activities:</b>	
Cash received from food sales	\$ 166,123
Cash payments to suppliers for goods	(398,436)
Cash payments to and on behalf of employees	(575,660)
Net cash (used) by operating activities	<u>(807,973)</u>
<b>Cash flows from noncapital financing activities:</b>	
Federal subsidies	538,401
State subsidies	91,841
Net cash provided by noncapital financing activities	<u>630,242</u>
<b>Cash flows from investing activities:</b>	
Earnings on investments	<u>1,642</u>
Net (decrease) in cash and cash equivalents	(176,089)
Cash and cash equivalents - beginning	<u>643,213</u>
Cash and cash equivalents - ending	<u>\$ 467,124</u>
<b>Reconciliation of income (loss) from operations to net cash provided (used) by operating activities</b>	
<b>Cash flows from operating activities:</b>	
Operating loss	\$ (817,264)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	4,087
Donated food used	81,328
(Increase) decrease in:	
Accounts receivable	4,220
Inventories	(11,455)
Increase (decrease) in:	
Due to other funds	(125,240)
Accrued wages	8,334
Compensated absences payable	4,155
Accounts payable	87
Net pension liability and related deferred inflows/outflows	43,194
OPEB liability and related deferred inflows/outflows	<u>581</u>
Total adjustments	<u>9,291</u>
Net cash (used) by operating activities	<u>\$ (807,973)</u>



**HANOVER PUBLIC SCHOOL DISTRICT**  
**Statement of Fiduciary Net Position**  
**June 30, 2020**

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	<b>Private Purpose Trust Fund</b>	<b>Agency Fund</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 560,186	\$ 60,668
Accounts receivable	16,500	1,469
Total assets	<u>\$ 576,686</u>	<u>\$ 62,137</u>
<b>LIABILITIES</b>		
Accounts payable and other liabilities	\$ 24,650	\$ 4,385
Due to student groups	-	57,752
Total liabilities	<u>24,650</u>	<u>62,137</u>
<b>NET POSITION</b>		
Net position held in trust for others	<u>552,036</u>	-
Total net position	<u>552,036</u>	-
Total liabilities and net position	<u>\$ 576,686</u>	<u>\$ 62,137</u>

**HANOVER PUBLIC SCHOOL DISTRICT**  
**Statement of Changes in Fiduciary Net Position**  
**Year Ended June 30, 2020**

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	<b>Private Purpose Trust Fund</b>
<hr/>	
<b>ADDITIONS</b>	
Interest income	\$ 6,886
Contributions	<u>23,827</u>
Total additions	<u>30,713</u>
<b>DEDUCTIONS</b>	
Scholarships and awards/grants	34,900
Other operating expenses	<u>500</u>
Total deductions	<u>35,400</u>
Change in net position	(4,687)
Net position - beginning	<u>556,723</u>
Net position - ending	<u>\$ 552,036</u>

# HANOVER PUBLIC SCHOOL DISTRICT

## Notes to Financial Statements

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### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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#### *Nature of Operations*

Hanover Public School District (School District) operates a public school system which is geographically comprised of the Borough of Hanover in York County, Pennsylvania.

The School District consists of Hanover High School, Hanover Middle School, Clearview, Hanover Street, and Washington Elementary Schools.

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

#### *Reporting Entity*

The Governmental Accounting Standards Board (GASB) Statements define the criteria used to determine the composition of the reporting entity. These standards require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable; and (3) organizations that are fiscally dependent on the primary government and a financial benefit or burden exists, and (4) other organizations for which the nature and significance of their relationship with the primary government are such that the exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The School District is not a component unit of any other entities. Based on the above criteria, the School District has no component units.

#### *Joint Ventures*

The following joint ventures are not component units of Hanover Public School District, and are not included in this report.

**York County School of Technology** – The School District is one of fourteen member school districts participating in the operation of the York County School of Technology. The School is operated, administered, and managed by a joint operating committee consisting of board members from the fourteen member school districts. These members are elected by their individual school district board of directors. The School District's share of annual operating and capital costs for York County School of Technology are reflected as intergovernmental expenditures of the General Fund.

**Lincoln Intermediate Unit #12** – This is a separate legal entity organized by constituent school districts in York, Adams and Franklin counties to provide services to the school districts. Each of the member school districts appoints one member to serve on the Board of Directors of the Intermediate Unit. The School District contracts with the Intermediate Unit primarily for special education services and training.

See Note 12 for additional information on joint ventures.

# HANOVER PUBLIC SCHOOL DISTRICT

## Notes to Financial Statements

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### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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#### ***Fund Accounting***

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories of governmental, proprietary, and fiduciary.

#### **1. Governmental Funds**

Governmental Funds are those through which most governmental functions of the School District are financed. The measurement focus is on the flow of expendable resources, rather than on net earnings determination.

The School District reports the following major governmental funds:

##### **General Fund**

The General Fund is used to account for all financial transactions not accounted for in another fund. Revenues are primarily derived from local property, earned income, per capita and occupation taxes, and state and federal subsidies. Many of the more important activities of the School District, including instruction, administration of the School District, and certain non-instructional services are accounted for in this fund. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use.

##### **Capital Reserve Fund**

This fund is authorized by P. L. 145, Act of April 30, 1943, known as 53 PS 1432, and accounts for monies transferred during any fiscal year from appropriations, or from surplus monies in the General Fund, to be used for future capital improvements.

##### **Capital Projects Fund**

The Capital Projects Fund of the School District is utilized to account for the proceeds and expenditures relating to bond issues and construction projects.

#### **2. Proprietary Funds**

Proprietary Funds are used to account for the School District's ongoing activities which are similar to those often found in the private sector. The focus of proprietary funds is on the determination of net earnings and capital maintenance. The following fund is utilized:

##### **Food Service Fund**

This fund accounts for all revenues and expenses pertaining to cafeteria operations as authorized under Section 504 of the Public School Code of 1949. It is the intent of the governing body that the cost of providing food or services to the students on a continuing basis be financed or recovered primarily through user charges or cost

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

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***Fund Accounting (Continued)***

reimbursement plans. The revenues from food sales and expenses to provide services are classified as "operating". Federal and state grants and earnings on investments are classified as "non-operating". Significant accounting policies for this fund include:

- Equipment utilized by the food service fund is recorded as capital assets of that fund (at cost) and is depreciated on a straight-line basis over the estimated useful life of 5 -15 years.
- Food and supplies inventories are valued at cost on a first-in, first-out basis.

The School District does not attempt to allocate "building-wide costs" to the food service fund. Thus, general fund expenditures, which partially benefit the food service fund (utilities, janitorial services, insurance, etc.), are not proportionately recognized within the food service fund; similarly, the food service fund does not recognize a cost for the building space it occupies (no rental-of-facilities expense).

**3. *Fiduciary Funds***

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**Agency Fund**

This fund accounts for the receipts and disbursements of monies from student activity organizations. These organizations exist with explicit approval and are subject to revocation of the School District's governing body. This accounting reflects the School District's agency relationship with student activity organizations.

**Private Purpose Trust Fund**

This fund accounts for scholarship monies that are maintained by the School District but are for the benefit of individual students within the School District.

***Basis of Presentation***

**Government-wide Financial Statements** - The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

# HANOVER PUBLIC SCHOOL DISTRICT

## Notes to Financial Statements

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### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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#### *Basis of Presentation (Continued)*

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District, and for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

**Fund Financial Statements** - Fund financial statements report detailed information about the School District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

**HANOVER PUBLIC SCHOOL DISTRICT**  
**Notes to Financial Statements**

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

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***Basis of Accounting***

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is 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. Net position (total assets plus total deferred outflows of resources less total liabilities plus deferred inflows of resources) is used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net position.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as 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 government considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state, and other related grants designated for payment of specific School District expenditures is recognized when the related expenditures are incurred and are available, which is generally 60 days; accordingly, when such funds are received, they are recorded as liabilities until earned. If time eligibility requirements are not met, a deferred inflow of resources would be recorded. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing food services, including charges for meals, and the costs of food, salaries and benefits, depreciation and other expenses. Federal and state subsidies are considered non-operating revenue as no exchange transaction occurs.

***Budgets and Budgetary Accounting***

An operating budget is adopted each year for the General Fund on a modified accrual basis of accounting.

1. The Pennsylvania School Code dictates specific procedures relative to adoption of the School District's budget and reporting of its financial statements, specifically:
2. The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.

**HANOVER PUBLIC SCHOOL DISTRICT**  
**Notes to Financial Statements**

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

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***Budgets and Budgetary Accounting (Continued)***

3. The Board of School Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action. An affirmative vote of two-thirds of all members of the Board is required. The final budget amounts shown in the financial statements are the final authorized amounts as revised during the year.
4. Fund balances in budgetary funds may be appropriated based on resolutions passed by the Board of Education, which authorize the School District to make expenditures. Appropriations lapse at the end of the fiscal period.
5. Included in the General Fund budget are program budgets as prescribed by the state and federal agencies funding the programs. These budgets are approved on a program-by-program basis by the state or federal funding agency. These programs frequently result in supplementary budget appropriations.

Capital budgets are not implemented for capital improvements in the Capital Reserve Fund. All transactions of the Capital Reserve Fund are approved by the Board prior to commitment, thereby constructively achieving budgetary control.

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Cash and Cash Equivalents***

Cash consists of cash on hand and checking, savings, and money market account balances.

Cash and cash equivalents are defined as short-term, highly liquid investments (certificates of deposit) that are readily convertible to known amounts of cash and include investments with original maturities of three months or less.

***Investments***

The School District has limited authority as to the types of allowable investments. The School District invests funds with an external investment pool, The Pennsylvania School District Liquid Asset Fund (PSDLAF). PSDLAF operates and is authorized under the Intergovernmental Cooperation Act of 1972. Investments in these funds are valued at amortized cost which approximates market value.

These funds invest in federal securities backed by the full faith and credit of the United States Government, in agencies, instrumentalities and subdivisions of the Commonwealth of Pennsylvania and backed by the full faith and credit of the Commonwealth, and certificates of deposit which are insured by the Federal Deposit Insurance Corporation or which are collateralized as provided by law of Act 72 of 1971.



**HANOVER PUBLIC SCHOOL DISTRICT**  
**Notes to Financial Statements**

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

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***Statement of Cash Flows***

For purposes of the statement of cash flows, the proprietary fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

***Prepaid Expenses***

In both government-wide and fund financial statements, prepaid items are recorded as assets in the specific fund in which future benefits will be derived.

***Inventories***

The Food Service Fund food inventory consists of expendable supplies held for consumption and federal government donated commodities that are valued at estimated fair market value. The expendable supplies are recorded as an expense when used. The cost of governmental fund inventories are recorded as expenditures when purchased rather than when consumed. The value of governmental fund inventories is not significant at June 30, 2020.

***Internal Balances/Activity***

Advances between funds are accounted for in the appropriate interfund receivable and payable accounts. Advances between funds which are not expected to be repaid are accounted for as transfers. Interfund balances and transactions are eliminated in the government-wide financial statements.

Exchange transactions, if any, between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and as non-operating revenues/expenses in proprietary funds.

***Capital Assets***

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary fund are reported both in the business-type activities column of the government-wide statement of net position and in the respective fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of \$ 1,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets is not capitalized.

**HANOVER PUBLIC SCHOOL DISTRICT**  
**Notes to Financial Statements**

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

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***Capital Assets (Continued)***

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

	<b>Governmental Activities Estimated Lives</b>	<b>Business-Type Activities Estimated Lives</b>
Site improvements	20 years	N/A
Buildings and improvements	20 - 50 years	N/A
Furniture and equipment	5 - 20 years	5 - 15 years
Vehicles	10 years	N/A

***Long-Term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type-activity columns in the statement of net position. This same treatment also applies to proprietary fund financial statements. Debt premiums and discounts, deferred charge on debt refunding, as well as prepaid debt insurance costs, are deferred and amortized over the life of the debts using the straight-line method, which approximates the effective interest method. Notes payable are reported net of the applicable debt premium or discount. The deferred charge on debt refunding is reported as a deferred outflow of resources and amortized over the life of the remaining debt. Prepaid debt insurance is reported as an asset and amortized over the term of the related debt. Other debt issuance costs are expensed at the time debt is issued.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued and original issue discounts or premiums are reported as other financing uses or sources. Issuance costs and underwriter's discount, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

In addition to assets, the statement of net 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) until then. The School District has several items that qualify for reporting in this category, including the deferred charge on debt refunding and various items related to pension and OPEB liabilities. These amounts will be recognized in future periods.

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

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***Deferred Outflows and Inflows of Resources***

In addition to liabilities, the statement of net position or balance sheet 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 or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District's deferred inflows of resources on the statement of net position consist of various items related to pension and OPEB liabilities (on the statement of net position). The School District also reports unavailable tax revenue on the governmental fund balance sheet as deferred inflows of resources. These amounts will be recognized in future periods.

***Retirement Plans***

The School District contributes to the Public School Employees Retirement System (PSERS), a cost-sharing multiple-employer defined benefit pension plan. The School District accounts for the plan under the provisions of GASB Statements, which establish standards for the measurement, recognition, and display of pension expense and related liabilities, assets, and note disclosures.

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 Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. 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.

***Compensated Absences***

Liability for compensated absences is accounted for in accordance with the provisions of GASB, which requires entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned and payment becomes probable.

The estimate of the liability for the accumulated unpaid sick leave has been calculated using the vesting method. Under that method, the School District has identified the accrued sick leave benefit earned to date by each employee, determined the cost of that benefit by reference to the benefit provisions and the current rates paid by the School District, and estimated the probability of the payment of that benefit to employees upon retirement or termination.

Liabilities for vested, unused vacation, sick pay, and personal leave are recorded in the proprietary funds and the government-wide financial statements and are expensed as incurred.

Payments for vacation, sick pay, and personal leave are expensed as paid in the governmental fund financial statements.

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

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***Other Postemployment Benefits Other Than Pensions***

*School District Plan*

The School District provides continuation of medical benefits, including prescription drug coverage, to eligible retired employees and qualified spouses/beneficiaries until the retired employee reaches Medicare age. Retired employees have the ability to participate in the employee health plan at the same premium rate, albeit 100% paid by the retirees, thus the School District is providing an implicit rate subsidy to its retirees. These benefits are detailed in Note 11 and are financed on a pay-as-you-go basis.

*PSERS*

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB expense, information about the fiduciary net position of the PSERS and additions/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Net Position***

In the government-wide financial statements and proprietary fund financial statements, net position is classified in the following category:

**Net Investment in Capital Assets:** This component consists of capital assets, net of accumulated depreciation and reduced by any outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those capital assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent bond proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of debt is included in the same net position component as the unspent proceeds. Deferred outflows of resources and deferred inflows of resources attributable to acquisition, construction, or improvement of assets or related debt also are included in this component of net position.

**Restricted Net Position:** This component consists of restricted assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets. These restrictions could include constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provision or enabling legislation.

As of June 30, 2020, restricted net position in government activities consist of the following:

Restricted for future capital projects	\$	931,565
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Net Position (Continued)***

**Unrestricted Net Position:** This component is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

**Net Position Flow Assumption:** Sometimes the School District will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

***Fund Balance – Governmental Funds***

Governmental funds classify fund balance based on the relative strength of the spending constraints placed on the purpose for which resources can be used. The classifications are as follows:

**Nonspendable:** This classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. This classification includes items such as prepaid amounts, inventories, and long-term amount of loans and notes receivable. This also includes the corpus (or principal) of permanent funds.

**Restricted:** This classification includes amounts where the constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, change or mandate payment and includes a legally enforceable requirement on the use of these funds.

**Committed:** This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision-making authority. This formal action is in the form of a resolution which is made by the School Board. Once an amount is committed, it cannot be used for any other purpose unless changed by the same type of formal action used to initially constrain the funds.

**Assigned:** This classification includes spendable amounts that are reported in governmental funds *other than in the General Fund* that are neither restricted nor committed and amounts in the General Fund that are intended to be used for a specific purpose. The intent of an assigned fund balance should be expressed by either the School Board, or a subordinate high-level body, such as the finance committee, superintendent, or business manager that is authorized to assign amounts to be used for specific purposes. As detailed in its Fund Balance Policy, the finance committee has the authority to make assignments of fund balance. Thus, these assignments can be made or changed without formal action of the full Board.

The assignment of fund balance cannot result in a negative unassigned fund balance.

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

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***Fund Balance – Governmental Funds (Continued)***

**Unassigned:** This classification represents the portion of a spendable fund balance that has not been categorized as restricted, committed, or assigned. The general fund is the only fund which would include a positive unassigned fund balance as all other fund types must categorize amounts within the other classifications. A negative unassigned fund balance may occur in any fund when there is an over expenditure of restricted or committed fund balance. In this case, any assigned fund balance (and assigned fund balance in the general fund) would be eliminated prior to reporting a negative unassigned fund balance.

***Minimum Fund Balance Policy***

The School District will strive to maintain an unassigned fund balance level in the general fund of not less than three percent (3%) and not more than eight percent (8%) of budgeted expenditures for that fiscal year.

The total fund balance, consisting of several portions including committed, assigned and unassigned, may exceed eight percent (8%). If the assigned and unassigned portion of fund balance exceeds twenty percent (20%) of budgeted expenditures, the Board may utilize a portion of fund balance by appropriating excess funds for nonrecurring expenditures only.

***Policy Regarding Order of Spending***

The School District currently does not have a formal policy in place regarding the order of spending residual fund balance. Therefore, the default order of spending is to use restricted resources first and then apply unrestricted resources in the following order: committed, assigned, and unassigned.

***Risks and Uncertainties***

Recent economic and government reactions to the COVID-19 pandemic have resulted in temporary reductions or shutdowns of operations for some businesses and created many economic uncertainties. The financial impact and duration cannot be reasonably estimated at this time.

# HANOVER PUBLIC SCHOOL DISTRICT

## Notes to Financial Statements

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### NOTE 2 CASH AND INVESTMENTS

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Section 440.1 of the Pennsylvania School Code and Act 10 of 2016 defines allowable investments for school districts, which are summarized as follows:

- U.S. Treasury Bills
- Short term obligations of the U.S. Government or its agencies
- Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Share Insurance Fund to the extent that such accounts are so insured, and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.
- Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the respective government entity.
- Shares of an investment company restricted under the Investment Company Act of 1940.
- Obligations, participations or other instruments of any Federal agency, instrumentality, or United States government-sponsored enterprise if the debt obligations are rated at least "A" or its equivalent.
- Commercial paper issued by corporations or other business entities organized in accordance with federal or state law, with a maturity not to exceed 270 days.
- Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the bankers' acceptances do not exceed 180 days maturity.
- Negotiable certificates of deposit or other evidence of deposit, with a remaining maturity of three years or less.

#### ***Custodial Credit Risk – Deposits***

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk.

As of June 30, 2020, \$ 7,835,259 of the School District's bank balance of \$ 8,477,228 was exposed to credit risk. All of the \$ 7,835,259 was uninsured and collateralized with securities held by the pledging bank's trust department, but not in the School District's name.

Pennsylvania Act 72 of 1971, as amended, is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis and authorizing the appointment of custodians to act as the pledger of the assets. Based on the standards outlined in Act 72, the various banks utilized by the School District have pledged collateral on a pooled basis on behalf of the School District and all other governmental depositors in the respective financial institutions.

**HANOVER PUBLIC SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

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***Custodial Credit Risk – Investments***

Included in cash and cash equivalents on the statement of net position are pooled investments in the Pennsylvania School District Liquid Asset Fund (PSDLAF) of \$ 1,341,143. All these funds are basically mutual funds that consist of short-term money market instruments and seek to maintain a constant net asset value of \$ 1 per share. PSDLAF deposits are invested by PSDLAF directly in portfolios of securities held by a third-party custodian and are collateralized with securities held by the PSDLAF agent in a collateral pool.

Included in cash and cash equivalents on the statement of net position is \$ 12,000 the School District has invested in PSDLAF's full flex investment pool which have weekly liquidity and are collateralized at 102% of the principal deposit.

***Credit Risk – Investments***

Investments in PSDLAF are subject to income, market and credit risk related to the potential for (1) decline in current income, (2) decline in market value and (3) that an issuer of securities held in the investment portfolios of the fund would fail to make timely payments of principal and interest.

The School District does not have a formal written investment policy that limits its investment choices to certain credit ratings. As of June 30, 2020, the School District's investments were rated as:

<b>Investment</b>	<b>Standard &amp; Poor's</b>
PA School District Liquid Asset Fund	AAAm

***Policies Followed at PSDLAF***

**Regulatory Oversight**

PSDLAF is not registered with the Securities and Exchange Commission (SEC); however, PSDLAF follows investment procedures similar to those followed by SEC registered money market funds. There is no regulatory oversight for the pools which are governed by the Board of Trustees. The School District's investments in PSDLAF are valued at amortized cost, which approximates fair value and is determined by the pool's share price.

The School District has no limitations or restrictions on withdrawals on accounts held at PSDLAF.



**HANOVER PUBLIC SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**NOTE 3 TAXES**

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Real estate taxes are considered fully collectible since liens can be filed on properties. The uncollectible portion of per capita taxes was estimated based on previous collection experience.

Property taxes for the fiscal year are levied as of July 1 on assessed property values. The tax bills are mailed by the Tax Collectors in mid-July and are payable as follows:

Discount	July 1 – September 1
Face	September 2 – November 1
Penalty	November 2 - December 31

Installment payments are available, with one-third of the face value due at September 1, October 1 and November 1. After December 31, the bills are considered delinquent and turned over to York County for real estate tax bill collection and the York Adams Tax Bureau for per capita taxes collection.

**NOTE 4 TAXES RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES**

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Taxes receivable and deferred inflows of resources in the fund financial statements consist of the following as of June 30, 2020:

Real estate	\$ 721,973
Per capita	10,458
Earned income	425,468
Realty transfer	<u>28,453</u>
	1,186,352
Reserve for uncollectible accounts	<u>(15,687)</u>
Taxes receivable, net	1,170,665
Taxes collected within sixty days, recorded as revenues in governmental funds	<u>(653,880)</u>
Taxes estimated to be collected after sixty days, recorded as deferred inflows of resources in governmental funds	<u>\$ 516,785</u>

**HANOVER PUBLIC SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**NOTE 5 INTERFUND RECEIVABLE AND PAYABLES AND TRANSFERS**

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Due from/to other funds consist of the following as June 30, 2020:

<u>Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Governmental Funds:		
General Fund	\$ 319,605	\$ -
Enterprise Funds:		
Food Service Fund	-	320,926
Special Project Funds:		
Capital Projects Fund	1,321	-
	<u>\$ 320,926</u>	<u>\$ 320,926</u>

The interfund receivable/payable results from the general fund paying for food service fund expenses, mainly payroll, which the food service fund expects to reimburse in the next fiscal year.

Interfund transfers consist of the following for the year ended June 30, 2020:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 59,986
Capital Reserve Fund	2,222	-
Cafeteria Fund	57,764	-
	<u>\$ 59,986</u>	<u>\$ 59,986</u>

The transfers from the general fund to the capital reserve fund were related to donations originally recorded in the general fund.

The transfer from the general fund to the cafeteria fund was related to the cafeteria fund's operating loss.

**NOTE 6 INTERGOVERNMENTAL RECEIVABLES**

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Intergovernmental receivables at June 30, 2020 consist of the following:

State:	Social Security subsidy	\$ 137,009
	Retirement subsidy	647,978
	Rentals - debt service reimbursement	72,008
	Various	228,770
Federal:	Various	121,082
Total - Governmental Funds		<u>\$ 1,206,847</u>

**HANOVER PUBLIC SCHOOL DISTRICT**  
**Notes to Financial Statements**

**NOTE 7 CAPITAL ASSETS**

Capital asset activity for the School District consists of the following as of and for the year ended June 30, 2020:

	Beginning Balance	Additions	Retirements	Ending Balance
<b>Governmental Activities</b>				
Cost				
Land	\$ 410,600	\$ -	\$ -	\$ 410,600
Construction in progress	4,241,519	574,524	(4,241,519)	574,524
Site improvements	5,807,961	2,564,851	-	8,372,812
Buildings and improvements	46,470,830	3,635,144	-	50,105,974
Furniture, equipment and vehicles	<u>6,644,227</u>	<u>380,665</u>	<u>-</u>	<u>7,024,892</u>
Total cost	<u>63,575,137</u>	<u>7,155,184</u>	<u>(4,241,519)</u>	<u>66,488,802</u>
Less accumulated depreciation				
Site improvements	(2,805,898)	(300,708)	-	(3,106,606)
Buildings and improvements	(24,010,494)	(1,412,089)	-	(25,422,583)
Furniture, equipment and vehicles	<u>(5,456,921)</u>	<u>(226,404)</u>	<u>-</u>	<u>(5,683,325)</u>
Total accumulated depreciation	<u>(32,273,313)</u>	<u>(1,939,201)</u>	<u>-</u>	<u>(34,212,514)</u>
<b>Capital assets, net</b>	<u>\$ 31,301,824</u>	<u>\$ 5,215,983</u>	<u>\$ (4,241,519)</u>	<u>\$ 32,276,288</u>
<b>Business-Type Activities</b>				
Cost				
Machinery and equipment	\$ 508,537	\$ -	\$ -	\$ 508,537
Less accumulated depreciation				
Machinery and equipment	<u>(475,986)</u>	<u>(4,087)</u>	<u>-</u>	<u>(480,073)</u>
<b>Capital assets, net</b>	<u>\$ 32,551</u>	<u>\$ (4,087)</u>	<u>\$ -</u>	<u>\$ 28,464</u>

Depreciation expense for the year ended June 30, 2020 was charged to governmental functions as follows:

Instruction	\$ 1,323,745
Instructional student support	46,642
Administration and financial support services	8,467
Operation and maintenance of plant services	524,408
Student activities	<u>35,939</u>
	<u>\$ 1,939,201</u>

See Note 13 for commitments related to construction in progress as of June 30, 2020.

**HANOVER PUBLIC SCHOOL DISTRICT**  
**Notes to Financial Statements**

**NOTE 8 ACCRUED SALARIES AND BENEFITS/WITHHOLDINGS**

Accrued salaries and benefits/withholdings consist of the following as of June 30, 2020:

	<b>General Fund</b>	<b>Food Service Fund</b>
Salaries	\$ 934,997	\$ 2,819
Social Security	70,558	216
Retirement	1,554,819	783
Payroll withholdings	<u>570,063</u>	<u>-</u>
	<u>\$ 3,130,437</u>	<u>\$ 3,818</u>

**NOTE 9 LONG-TERM LIABILITIES**

The changes in long-term liabilities during the year ended June 30, 2020 were as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>	<b>Long-term Portion</b>
<b>Governmental Activities:</b>						
General obligation bonds						
(A) Series of 2012	\$ 3,760,000	\$ -	\$ (440,000)	\$ 3,320,000	\$ 440,000	\$ 2,880,000
(B) Series of 2013	5,795,000	-	(1,545,000)	4,250,000	1,615,000	2,635,000
Debt (discounts)/premium - net	<u>599,219</u>	<u>-</u>	<u>(161,693)</u>	<u>437,526</u>	<u>161,693</u>	<u>275,833</u>
Subtotal - bonds	<u>10,154,219</u>	<u>-</u>	<u>(2,146,693)</u>	<u>8,007,526</u>	<u>2,216,693</u>	<u>5,790,833</u>
General obligation notes						
(C) Series of 2018A	8,665,000	-	(5,000)	8,660,000	5,000	8,655,000
(D) Series of 2018B	1,320,000	-	(5,000)	1,315,000	5,000	1,310,000
Debt (discounts)/premium - net	<u>(72,969)</u>	<u>-</u>	<u>8,241</u>	<u>(64,728)</u>	<u>(8,241)</u>	<u>(56,487)</u>
Subtotal - notes	<u>9,912,031</u>	<u>-</u>	<u>(1,759)</u>	<u>9,910,272</u>	<u>1,759</u>	<u>9,908,513</u>
Subtotal - bonds and notes payable	<u>20,066,250</u>	<u>-</u>	<u>(2,148,452)</u>	<u>17,917,798</u>	<u>2,218,452</u>	<u>15,699,346</u>
Compensated absences:						
Sick leave	282,152	100,420	(95,994)	286,578	100,000	186,578
Personal leave	55,599	104,906	(81,260)	79,245	40,000	39,245
Vacation pay	<u>209,314</u>	<u>199,541</u>	<u>(174,798)</u>	<u>234,057</u>	<u>100,000</u>	<u>134,057</u>
Subtotal - compensated absences	<u>547,065</u>	<u>404,867</u>	<u>(352,052)</u>	<u>599,880</u>	<u>240,000</u>	<u>359,880</u>
<b>Total long-term liabilities</b>	<u>\$ 20,613,315</u>	<u>\$ 404,867</u>	<u>\$ (2,500,504)</u>	<u>\$ 18,517,678</u>	<u>\$ 2,458,452</u>	<u>\$ 16,059,226</u>
<b>Business-Type Activities:</b>						
Compensated absences:						
Sick leave	\$ 2,117	\$ 1,756	\$ (1,409)	\$ 2,464	\$ 900	\$ 1,564
Personal leave	2,921	3,575	(3,010)	3,486	1,200	2,286
Vacation pay	<u>3,751</u>	<u>5,533</u>	<u>(2,290)</u>	<u>6,994</u>	<u>4,500</u>	<u>2,494</u>
<b>Total long-term liabilities</b>	<u>\$ 8,789</u>	<u>\$ 10,864</u>	<u>\$ (6,709)</u>	<u>\$ 12,944</u>	<u>\$ 6,600</u>	<u>\$ 6,344</u>

**HANOVER PUBLIC SCHOOL DISTRICT**  
**Notes to Financial Statements**

**NOTE 9 LONG-TERM LIABILITIES (CONTINUED)**

***Bonds and Notes***

The bonds and notes are secured by a pledge of the full faith, credit, and taxing power of the School District and include the following:

- (A) The Refunding Series of 2012 bonds were issued in the amount of \$ 9,365,000. Interest rates range from 1.00% to 3.00%. These bonds were issued to provide funds to refund the School District's Series 2011 bonds and to pay all costs and expenses incident to the issuance and sale of the Refunding Series of 2012 bonds. Payments are made in annual installments through December 2025. These bonds were partially refunded during the fiscal year 2017-2018.
- (B) The Refunding Series of 2013 bonds were issued in the amount of \$ 14,085,000. Interest rates range from 0.35% to 4.50%. These bonds were issued to provide funds to refund the School District's Series 2004 and 2005A bonds and to pay all costs and expenses incident to the issuance and sale of the Refunding Series of 2013 bonds. The School District used \$ 750,000 of cash reserves towards the payoff of the Series of 2004 and 2005A bonds in order to reduce the amount of funds necessary to borrow with Series of 2013 bonds and subsequently reduce future interest expense. Payments are made in annual installments through September 2023.
- (C) The Series of 2018A note was issued in the amount of \$ 8,670,000. Interest rates range from 1.65% to 3.00%. This note was issued to provide funds to pay all costs and expenses associated with various capital expenses. Payments are made in annual installments through June 2029.
- (D) The Refunding Series of 2018B note was issued in the amount of \$ 1,325,000. Interest rates range from 1.650% to 2.25%. This note was issued to provide funds to partially refund the School District's Series 2012 bonds. Payments are made in annual installments through June 2024.

The annual principal and interest requirements for future general obligation bonds and notes as of June 30, 2020 are as follows:

	General Obligation Bonds				General Obligation Notes				Totals		
	Series of 2012		Series of 2013		Series of 2018A		Series of 2018B		Principal	Interest	Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest			
2021	440,000	85,421	1,615,000	183,175	5,000	241,144	5,000	29,569	2,065,000	539,309	2,604,309
2022	460,000	75,081	1,670,000	118,575	5,000	241,044	5,000	29,469	2,140,000	464,169	2,604,169
2023	785,000	63,581	965,000	43,425	5,000	240,938	445,000	29,363	2,200,000	377,307	2,577,307
2024	805,000	43,956	-	-	500,000	240,825	860,000	19,350	2,165,000	304,131	2,469,131
2025	830,000	22,825	-	-	1,285,000	228,950	-	-	2,115,000	251,775	2,366,775
2026-2029	-	-	-	-	6,860,000	435,425	-	-	6,860,000	435,425	7,295,425
	<u>\$ 3,320,000</u>	<u>\$ 290,864</u>	<u>\$ 4,250,000</u>	<u>\$ 345,175</u>	<u>\$ 8,660,000</u>	<u>\$ 1,628,326</u>	<u>\$ 1,315,000</u>	<u>\$ 107,751</u>	<u>\$ 17,545,000</u>	<u>\$ 2,372,116</u>	<u>\$ 19,917,116</u>

The School District's general obligation bonds and notes contain a provision that in the event of default for non-payment of principal and interest, the School Code allows for the Commonwealth of Pennsylvania to withhold monies from the School District subsidies and pay any past due amounts directly to the paying agent for payment to the bond holders.

**HANOVER PUBLIC SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**NOTE 9 LONG-TERM LIABILITIES (CONTINUED)**

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***Subsequent Event***

On January 14, 2021 the School District issued General Obligation Note series of 2021 in the amount of \$ 3,400,000 to refund the outstanding balance of the General Obligation Bonds, Series of 2012.

***Leases***

**Operating Leases:**

The School District has entered into noncancelable operating leases for copiers. Minimum lease payments in future years are as follows:

2021	35,358
2022	35,358
2023	35,358
2024	<u>17,679</u>
Total minimum lease payments	<u>\$ 123,753</u>

The total rent for all operating leases for the year ended June 30, 2020 was \$ 59,755.

**NOTE 10 PENSION PLAN**

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***General Information About the Pension Plan***

**Plan Description**

PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at [www.psers.state.pa.us](http://www.psers.state.pa.us).

**Benefits Provided**

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (C) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service.

**NOTE 10 PENSION PLAN**

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***General Information About the Pension Plan (Continued)***

**Benefits Provided (Continued)**

Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined by the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the rights to benefits is vested after ten years of service.

Act 5 of 2017 (Act 5) introduced a hybrid benefit plan with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC)

Class T-G and Class T-H memberships qualify for a defined benefit normal retirement benefit must work until age 67 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 97 with a minimum 35 years of service.

Defined benefits for T-G and T-H are 1.25% of 1.00%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. A members' right to a defined benefit is vested in 10 years.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined by the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefits the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

**Contributions**

*Member contributions:*

Active members who joined the System prior to July 22, 1983 contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.

**NOTE 10 PENSION PLAN**

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***General Information About the Pension Plan (Continued)***

**Contributions (Continued)**

Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001 contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Members who joined the System after June 30, 2019, are defaulted into Membership Class T-G rate of 8.25% (base rate) of the member's qualifying compensation. Members may elect Class T-H which as a rate of 7.50%. Each of these classes are a hybrid of defined benefit and defined contribution plans. Members may also elect Class DC, which is a defined contribution plan with a rate of 7.50%

*Employer Contributions:*

The School District's contractually required contribution rate for fiscal year ended June 30, 2020 was 33.45%. This is actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions recognized as revenue by the pension plan from the School District were \$ 4,727,162 for the year ended June 30, 2020. In addition, the School's contribution related to the defined contribution plan was \$ 13,309 for the year ended June 30, 2020.

*State Funding:*

The Commonwealth of Pennsylvania generally reimburses the School District for 50% of its retirement expense. This arrangement does not meet the criteria of a special funding situation in accordance with GASB standards. Therefore, the net pension liabilities and related pension expense represent 100% of the School District's share of these amounts. During the year ended June 30, 2020, the School District recognized revenue of \$ 2,523,475 as reimbursement for its current year pension payments.



**HANOVER PUBLIC SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**NOTE 10 PENSION PLAN (CONTINUED)**

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

At June 30, 2020, the School District reported a liability of \$ 47,531,130 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2018 to June 30, 2019. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2019, the School District's proportion was 0.1016 percent, which was a decrease of 0.0004 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School District recognized pension expense as follows:

Governmental Activities	\$ 4,982,428
Business-Type Activities	\$ 146,306

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 262,000	\$ 1,575,000
Changes in assumptions	454,000	-
Net difference between projected and actual investment earnings	-	136,000
Changes in proportion - plan	187,000	342,000
Changes in proportion - fund	71,855	71,855
Difference between employer contributions and proportionate share of total contributions	52,121	-
Contributions subsequent to the measurement date	4,766,731	-
	<u>\$ 5,793,707</u>	<u>\$ 2,124,855</u>

The \$ 4,766,731 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2021	\$	203,031
2022		(863,711)
2023		(521,199)
2024		<u>84,000</u>
Total	\$	<u>(1,097,879)</u>

**NOTE 10 PENSION PLAN (CONTINUED)**

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

**Actuarial Assumptions**

The total pension liability as of June 30, 2019 was determined by rolling forward the System's total pension liability as of the June 30, 2018 actuarial valuation to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry age normal – level % pay.
- Investment return – 7.25%, includes inflation at 2.75%.
- Salary growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The actuarial assumptions used in the June 30, 2019 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015.

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 plan investment expenses 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.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

**HANOVER PUBLIC SCHOOL DISTRICT**  
**Notes to Financial Statements**

**NOTE 10 PENSION PLAN (CONTINUED)**

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

**Actuarial Assumptions (Continued)**

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global public equity	20.0%	5.6%
Fixed income	36.0%	1.9%
Commodities	8.0%	2.7%
Absolute return	10.0%	3.4%
Risk parity	10.0%	4.1%
MLPs/Infrastructure	8.0%	5.5%
Real estate	10.0%	4.1%
Alternative investments	15.0%	7.4%
Cash	3.0%	0.3%
Financing (LIBOR)	(20.0%)	0.7%
	100.0%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	<b>1% Decrease 6.25%</b>	<b>Current Discount Rate 7.25%</b>	<b>1% Increase 8.25%</b>
School District's proportionate share of the net pension liability	\$ 59,205,000	\$ 47,531,130	\$ 37,646,000

**NOTE 10 PENSION PLAN (CONTINUED)**

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

**Pension Plan Fiduciary Net Position**

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at [www.psers.state.pa.us](http://www.psers.state.pa.us).

**Payables to the Pension Plan**

As of June 30, 2020, the School District had \$ 1,516,980 included in accrued benefits liability, of which \$ 1,201,627 is for the contractually required contribution for the second quarter of 2020 and \$ 315,353 is related to the accrued payroll liability for wages incurred as of June 30, 2020.

**NOTE 11 OTHER POSTEMPLOYMENT BENEFITS**

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***Plan Description and Benefits Provided***

**School District Plan**

The School District has a healthcare plan for retired employees, which is a single employer defined benefit healthcare plan administered by the School District. The plan provides medical, prescription drug and dental coverage for both retiree and family. The member is eligible until the employee reaches Medicare age. To continue coverage upon retirement, the retiree must reimburse the School District 100% of the School District's cost of coverage.

Retirees opting to participate are required to pay a premium amount that is less than the School District's annual cost to provide health care coverage to retirees. The premium amount retirees pay is a blended rate for covering both active and retired plan members. The fact that the blended rate that retirees pay is less than the cost of covering retired members and their beneficiaries results in what is known as an "implicit rate subsidy" by the School District, which gives rise to the benefit.

No assets are accumulated in a trust that meets the criteria of GASB standards.

**NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

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***Plan Description and Benefits Provided (Continued)***

**PSERS**

In addition to the other postemployment benefit detailed above, the Public School Employees' Retirement System (PSERS) also provides a health insurance premium assistance program for all eligible employees, which is a governmental cost-sharing multiple employer defined benefit plan. Employer contribution rates for premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of premium assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$ 100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' health options program. Healthcare cost trends were applied to retirees receiving less than \$ 1,200 in annual premium assistance. The annual premium assistance reimbursement for qualifying retirees is capped at a maximum of \$ 1,200. As of June 30, 2019, there were no assumed future benefit increase to participating eligible retirees.

Retirees of the System can participate in the premium assistance program if they 1) have 24 ½ or more years of service, 2) are a disability retiree, 3) have 15 or more years of service and retired after reaching superannuation age, or 4) participate in the PSERS' health option program.

The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at [www.psers.pa.gov](http://www.psers.pa.gov).

***Plan Membership***

Membership in the School District's plan consisted of the following at July 1, 2018, the date of the latest actuarial valuation:

Active participants	205
Vested former participants	0
Retired participants	<u>12</u>
Total	<u>217</u>

***Contributions***

**PSERS**

The School District's contractually required contribution rate for the fiscal year ended June 30, 2020 was 0.84% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year with an additional amount to finance the unfunded accrued liability. Contributions to the OPEB plan from the employer were \$ 119,043 for the year ended June 30, 2020.

**HANOVER PUBLIC SCHOOL DISTRICT**  
**Notes to Financial Statements**

**NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

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

**School District Plan**

The School District's total OPEB liability was measured as of July 1, 2018, and the total OPEB liability was determined by rolling forward the total liability from July 1, 2017 to July 1, 2018 based on an actuarial valuation as of July 1, 2018. The plan has no assets that are accumulated in a trust that meets the criteria established in GASB Statement No. 75. At June 30, 2020, the School District reported a total OPEB liability of \$ 2,028,484.

For the year ended June 30, 2020, the School District recognized OPEB expense of \$ 88,999.

**PSERS**

At June 30, 2020, the School District reported a liability of \$ 2,161,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2018 to June 30, 2019. The School District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the School District's proportion was 0.1016 percent, which was a decrease of 0.0004 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the School District recognized OPEB expense of \$ 105,715.

The table below summarizes the combined OPEB liability and OPEB expense:

	<b>Total OPEB/Net OPEB</b>	<b>OPEB Expense</b>
School District Plan	\$ 2,028,484	\$ 88,999
PSERS	<u>2,161,000</u>	<u>105,715</u>
Total	<u>\$ 4,189,484</u>	<u>\$ 194,714</u>

***Changes in the Total OPEB Liability***

**School District Plan**

	<b>Total OPEB Obligation</b>
Beginning Balance	\$ 1,962,682
Changes for the year	
Service cost	132,458
Interest	61,366
Changes in assumptions	(61,800)
Benefit payments	<u>(66,222)</u>
Net changes	<u>65,802</u>
Ending Balance	<u>\$ 2,028,484</u>

**HANOVER PUBLIC SCHOOL DISTRICT**  
**Notes to Financial Statements**

**NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

***Deferred Inflows and Outflows***

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	School District Plan		PSERS		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 1,098,942	\$ 12,000	\$ -	\$ 12,000	\$ 1,098,942
Changes in assumptions	388	59,075	72,000	64,000	72,388	123,075
Net difference between projected and actual investment earnings	-	-	4,000	-	4,000	-
Changes in proportions - plan	-	-	12,000	21,000	12,000	21,000
Difference between employer contributions and proportionate share of total contributions	-	-	-	-	-	-
	-	-	454	960	454	960
Contributions subsequent to the measurement date	67,633	-	119,704	-	187,337	-
	\$ 68,021	\$ 1,158,017	\$ 220,158	\$ 85,960	\$ 288,179	\$ 1,243,977

The amount of \$ 187,337 is reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date and will be recognized as a reduction in the total/net OPEB liability in the year ended June 30, 2021 related to the School District and PSERS plans, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

	School District Plan	PSERS	Total
Year ended June 30:			
2021	\$ (104,825)	\$ (2,144)	\$ (106,969)
2022	(104,825)	(2,144)	(106,969)
2023	(104,825)	(2,144)	(106,969)
2024	(104,825)	(3,144)	(107,969)
2025	(104,825)	16,080	(88,745)
Thereafter	(633,504)	7,990	(625,514)
Total	\$ (1,157,629)	\$ 14,494	\$ (1,143,135)

**School District Plan**

The total OPEB liability was determined by an actuarial valuation as of July 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

**PSERS**

The total OPEB liability as of June 30, 2019, was determined by rolling forward the System's Total OPEB liability as of June 30, 2018 to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement.

**HANOVER PUBLIC SCHOOL DISTRICT**  
**Notes to Financial Statements**

**NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

***Actuarial Methods and Assumptions (Continued)***

	<b>School District Plan</b>	<b>PSERS</b>
Actuarial Cost Method	Entry age normal	Entry age normal – level % of pay.
Investment Rate of Return	3.36%	2.79% - S&P 20 year municipal bond rate.
Salary	An assumption for salary increase is used for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%.	Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
Mortality	Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.	Based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
Percentage of Eligible Employees Electing Coverage in Plan	70% of teachers and administrators and 40% of support staff are assumed to elect coverage.	Eligible retirees will elect to participate pre-age 65 at 50% and eligible retirees will elect to participate post-age 65 at 70%.
Health Care Cost Trend Rate	6.00% in 2018, and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.	Applied to retirees with less than \$ 1,200 in premium assistance per year. Benefit is capped at \$ 1,200 per year.
Per Capita Claims Cost	The per capita claims cost for medical and prescription drug is based on the expected portion of the group's overall cost attributed to individuals in the specified age and gender brackets. The resulting costs are as follows: age 45-49, \$ 7,115 for males and \$ 10,275 for females; 50-54, \$ 9,422 for males and \$ 11,613 for females; 55-59, \$ 11,476 for males and \$ 12,151 for females; and 60-64, \$ 14,976 for males and \$ 13,959 for females.	N/A



**HANOVER PUBLIC SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

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*Actuarial Methods and Assumptions (Continued)*

**PSERS**

**Investment Return**

Investments consist primarily of short-term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan’s policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of premium assistance benefits for each succeeding year.

<b>OPEB – Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Cash	13.2%	0.2%
US Core Fixed Income	83.1%	1.0%
Non-US Developed Fixed	<u>3.7%</u>	0.0%
	<u>100.0%</u>	

The above was the Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

*Discount Rate*

The discount rate used to measure the total OPEB liability was 3.36% and 2.79% for the School District’s Plan and PSERS, respectively. The School District Plan is not funded, therefore a rate of 3.36%, which represents the S&P 20 year municipal bond rate as of July 1, 2019 is the applicable discount rate. Under the PSERS plan’s funding policy, contributions are structured for short term funding of premium assistance. The funding policy sets contribution rates necessary to assure solvency of premium assistance through the third fiscal year after the actuarial valuation date. The premium assistance account is funded to establish reserves that are sufficient or the payment of premium assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB’s plan fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a “pay-as-you-go” plan. A discount rate of 2.79% which represents the S&P 20 year municipal bond rate at June 30, 2019, was applied to all projected benefit payments to measure the OPEB liability.

**HANOVER PUBLIC SCHOOL DISTRICT**  
**Notes to Financial Statements**

**NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

***Sensitivity of the Total and Net OPEB Liability to Changes in the Discount Rate***

The following presents the total and net OPEB liabilities of the School District, as well as what the School District's liabilities would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate.

	1% Decrease 2.36%	Current Discount Rate 3.36%	1% Increase 4.36%
School District Plan - Total OPEB liability	\$ 2,193,829	\$ 2,028,484	\$ 1,872,360

	1% Decrease 1.79%	Current Discount Rate 2.79%	1% Increase 3.79%
PSERS - School District's proportionate share of the net OPEB liability	\$ 2,462,000	\$ 2,161,000	\$ 1,912,000

***Sensitivity of the Total and Net OPEB Liability to Changes in the Healthcare Cost Trend Rate***

The following presents the total and net OPEB liabilities of the plans, as well as what the plans' total OPEB liability would be if it were calculated using the healthcare cost trend rate that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

**School District Plan**

	1% Decrease (5.0% decreasing to 2.8%)	Healthcare Cost Trend Rate (6.0% decreasing to 3.8%)	1% Increase (7.0% decreasing to 4.8%)
School District Plan - Total OPEB liability	\$ 1,761,982	\$ 2,028,484	\$ 2,347,783

**PSERS**

	1% Decrease (Between 4% to 6.50%)	Healthcare Cost Trend Rate (Between 5% to 7.50%)	1% Increase (Between 6% to 8.50%)
PSERS - Schools District's proportionate share of the net OPEB liability	\$ 2,161,000	\$ 2,161,000	\$ 2,161,000

***OPEB Plan Fiduciary Net Position***

**PSERS**

Detailed information about PSERS' fiduciary net position is available in the PSERS Comprehensive Annual Financial Report which can be found on the System's website at [www.psers.pa.gov](http://www.psers.pa.gov).

***Payables to the OPEB Plan***

**PSERS**

As of June 30, 2020, the School District had \$ 38,622 included in accrued wages liability, of which \$ 30,594 is for the contractually required contribution for the second quarter of 2020 and \$ 8,028 is related to the accrued payroll liability for wages incurred as of June 30, 2020.

**HANOVER PUBLIC SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**NOTE 12 JOINT VENTURES**

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Expenditures paid to the following joint ventures are reflected as instruction expenditures in the General Fund and consist of the following for the year ended June 30, 2020:

York County School of Technology	\$	326,092
Lincoln Intermediate Unit No. 12		2,280,215

**NOTE 13 FUND BALANCE**

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The following table provides details of the fund balance classifications which are aggregated on the governmental funds balance sheet:

	General Fund	Capital Reserve Fund	Capital Projects Fund	Total Governmental Funds
<b>FUND BALANCES</b>				
Nonspendable for:				
Prepaid expenditures	27,953	\$ -	\$ -	\$ 27,953
Restricted for:				
Future capital expenditures	-	931,565	712,659	1,644,224
Assigned for:				
Budgeted use of fund balance	1,534,993	-	-	1,534,993
Unassigned	<u>4,064,188</u>	<u>-</u>	<u>-</u>	<u>4,064,188</u>
 Total Fund Balances	 <u>\$ 5,627,134</u>	 <u>\$ 931,565</u>	 <u>\$ 712,659</u>	 <u>\$ 7,271,358</u>

**NOTE 14 COMMITMENTS AND CONTINGENCIES**

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The School District is subject to real estate tax assessment appeals on an ongoing basis. If tax appeals are successful, the result is a loss of tax revenue to the School District. It is anticipated that any material loss of tax revenue on individual tax appeals will be offset with additional revenues from other properties or other sources of revenue and would not create a financial hardship to the School District.

At times the School District is involved with various lawsuits in the normal course of operations. Management believes that losses resulting from these matters, if any, would be substantially covered under the School District's professional liability insurance policy and would not have a material effect on the financial position of the School District. Accordingly, no provisions for any contingent liabilities that may result have been made in the financial statements.

The School District participates in numerous state and federal programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School District has not complied with rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2020 may be impaired. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**HANOVER PUBLIC SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**NOTE 14 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

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***Capital Commitments (Continued)***

The School District had the following capital commitments as of June 30, 2020:

	<b>Total Estimated Costs</b>	<b>Total Costs Incurred</b>	<b>Total Costs To Be Incurred</b>
Classroom Addition - Washington	\$ 849,250	\$ 548,424	\$ 300,826

**NOTE 15 RISK MANAGEMENT**

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The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District is insured against these risks by the purchase of commercial insurance to cover any reasonable loss. Settlement amounts have not exceeded insurance coverage for the current year or three prior years. All expenditures for the School District's risk management are recorded in the general fund or food service fund.

***Lincoln Benefit Trust***

The School District is a member of Lincoln Benefit Trust. The Trust is a claims servicing pool which pays claims for hospital benefits, medical coverage for physicians' services, certain dental coverage, major medical coverage, and certain other benefits submitted by employees of the seventeen participating School Districts. Each participating employer contributes to the trust amounts determined by actuarial principles to be adequate to cover annual claim costs, operating costs, and reserves sufficient to provide stated benefits. Since each district is responsible for its own risk, additional assessments would be charged to make up any deficiency; thus, this functions like a retrospectively rated program.

Because Lincoln Benefit Trust acts as a claim-servicing pool, the School District remains responsible for the economic risk of providing stated benefits to employees. However, claims incurred between \$ 100,000 and \$ 300,000 are paid from the Trust minipool. Claims incurred over \$ 300,000 are paid from a stop loss insurance policy purchased by the Trust.

**HANOVER PUBLIC SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**NOTE 15 RISK MANAGEMENT (CONTINUED)**

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***Lincoln Benefit Trust (Continued)***

Changes in net position for the School District's account at Lincoln Benefit Trust (based on audited financial statements of Lincoln Benefit Trust) were as follows for the year ended June 30, 2020:

Net position - July 1, 2019	\$ 1,559,913
Contributions and interest income	3,215,816
Minipool reimbursement	259,678
Claims paid	(2,419,567)
Stop-loss insurance	(239,832)
Minipool premium	(124,351)
Administrative fees and contracted services	<u>(160,789)</u>
Net position - June 30, 2020	<u>\$ 2,090,868</u>

Overall, the Lincoln Benefit Trust had net position of \$ 99,063,582 as of June 30, 2020, and reported an increase in net position of \$ 4,432,063 for the year then ended. Financial statements of the Trust are available at the School District.

**REQUIRED SUPPLEMENTARY INFORMATION**

**HANOVER PUBLIC SCHOOL DISTRICT**  
**Budgetary Comparison Schedule - General Fund**  
**Year Ended June 30, 2020**

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL	(BUDGETARY/ GAAP BASIS)	WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES</b>				
Local Sources				
Taxes	\$ 23,818,247	\$ 23,818,247	\$ 24,180,658	\$ 362,411
Investment earnings	150,000	150,000	224,454	74,454
Federal revenue from intermediate sources	375,000	375,000	346,477	(28,523)
Other	290,000	290,000	345,989	55,989
State sources	8,764,623	8,764,623	9,393,615	628,992
Federal sources	<u>772,000</u>	<u>772,000</u>	<u>820,293</u>	<u>48,293</u>
Total revenues	<u>34,169,870</u>	<u>34,169,870</u>	<u>35,311,486</u>	<u>1,141,616</u>
<b>EXPENDITURES</b>				
Instruction	21,328,579	21,328,229	21,248,326	79,903
Support services	9,538,906	9,538,906	9,494,796	44,110
Operation of noninstructional services	470,069	606,069	605,732	337
Debt service:				
Principal	1,995,000	1,995,000	1,995,000	-
Interest	<u>610,094</u>	<u>610,094</u>	<u>610,094</u>	<u>-</u>
Total expenditures	<u>33,942,648</u>	<u>34,078,298</u>	<u>33,953,948</u>	<u>124,350</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Refund of prior year revenue	-	(350)	-	350
Interfund transfers, net	<u>(227,222)</u>	<u>(91,222)</u>	<u>(59,986)</u>	<u>31,236</u>
Total other financing sources and (uses)	<u>(227,222)</u>	<u>(91,572)</u>	<u>(59,986)</u>	<u>31,586</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,297,552	<u>\$ 1,297,552</u>
Fund balance - beginning			<u>4,329,582</u>	
Fund balance - ending			<u>\$ 5,627,134</u>	

**HANOVER PUBLIC SCHOOL DISTRICT**  
**Schedule of School District's Proportionate Share of Net Pension Liability - Public School Employees' Retirement System**

For the Fiscal Year Ended June 30	School District's Proportion of the Net Pension Liability (Asset)	School District's Proportionate Share of the Net Pension Liability (Asset)	School District's Covered Payroll - measurement period	School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.1016%	\$ 47,531,130	\$ 14,007,651	339.32%	55.66%
2019	0.1020%	48,965,000	13,733,470	356.54%	54.00%
2018	0.1012%	49,981,068	13,468,611	371.09%	51.84%
2017	0.1023%	50,696,634	13,252,649	382.54%	50.14%
2016	0.1023%	44,311,561	13,161,320	336.68%	54.36%
2015	0.1018%	40,293,170	12,986,990	310.26%	57.24%

**NOTES**

The amounts presented for each fiscal year were determined as of the measurement period year-end that was used for the fiscal year. For PSERS, the measurement period year-end is one year prior to the fiscal year-end.

This schedule will be expanded to show 10 years once information becomes available in the future.

**Changes in Actuarial Assumptions**

The following actuarial assumptions were changed during the 2016/2017 fiscal year:

- The investment rate of return was adjusted from 7.50% to 7.25%
- The inflation assumption was decreased from 3.00% to 2.75%
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00% real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit and seniority increases
- Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combine Disables Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.



**HANOVER PUBLIC SCHOOL DISTRICT**  
**Schedule of School District's Contributions – Public School Employees' Retirement System**

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<b>For the Fiscal Year Ended June 30</b>	<b>Contractually Required Contribution</b>	<b>Contributions in relation to the contractually required contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll - fiscal year</b>	<b>Contributions as a Percentage of Covered Payroll</b>
2020	\$ 4,727,162	\$ 4,727,162	\$ -	\$ 14,190,642	33.31%
2019	4,523,397	4,523,397	-	14,007,651	32.29%
2018	4,328,376	4,328,376	-	13,733,470	31.52%
2017	3,872,746	3,872,746	-	13,468,611	28.75%
2016	2,957,274	2,957,274	-	13,252,649	22.31%
2015	2,653,496	2,653,496	-	13,161,320	20.16%
2014	2,047,324	2,047,324	-	12,986,990	15.76%
2013	1,494,635	1,494,635	-	12,930,547	11.56%

**NOTES**

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This schedule will be expanded to show 10 years once information becomes available in the future.

**HANOVER PUBLIC SCHOOL DISTRICT**  
**Schedule of Changes in the School District's Total OPEB Liability and Related Ratios -**  
**School District's Plan**

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	2020	2019	2018
<b>Total OPEB Obligation</b>			
Service cost	\$ 132,458	\$ 212,748	\$ 213,243
Interest	61,366	100,260	75,165
Difference between expected and actual experience	-	(1,298,750)	-
Changes in assumptions	(61,800)	459	(2,638)
Benefit payments	<u>(66,222)</u>	<u>(92,654)</u>	<u>(110,379)</u>
Net change in total OPEB Obligation	<u>65,802</u>	<u>(1,077,937)</u>	<u>175,391</u>
Total OPEB obligation - Beginning	<u>1,962,682</u>	<u>3,040,619</u>	<u>2,865,228</u>
Total OPEB obligation - Ending	<u>\$ 2,028,484</u>	<u>\$ 1,962,682</u>	<u>\$ 3,040,619</u>
Covered employee payroll	N/A	12,762,048	12,495,790
Total OPEB obligation as a percentage of covered employee payroll	N/A	15%	24%

**NOTES**

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This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

The amounts presented for each fiscal year were determined as of the measurement period year end that was used for the fiscal year. For the School District plan, the measurement period yearend is one year prior to the fiscal yearend.

N/A – information not available

**HANOVER PUBLIC SCHOOL DISTRICT**  
**Schedule of School District's Proportionate Share of Net OPEB Liability – Public School Employees' Retirement System**

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<b>For the Fiscal Year Ended June 30</b>	<b>School District's Proportion of OPEB Obligation</b>	<b>School District's Proportionate Share of the Net OPEB Obligation (Asset)</b>	<b>School District's Covered Payroll - Measurement Period</b>	<b>School District's Proportionate Share of the Net OPEB Obligation (Asset) as a Percentage of its Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>
2020	0.1016%	\$ 2,161,000	\$ 14,007,651	15.43%	5.56%
2019	0.1020%	2,127,000	13,733,470	15.49%	5.56%
2018	0.1012%	2,062,293	13,468,611	15.31%	5.47%

**NOTES**

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The amounts presented for each fiscal year were determined as of the measurement period year-end that was used for the fiscal year. For PSERS, the measurement period year-end is the one year prior to the fiscal year-end.

This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

**HANOVER PUBLIC SCHOOL DISTRICT**  
**Schedule of School District's OPEB Contributions – Public School Employees' Retirement System**

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<b>For the Fiscal Year Ended June 30</b>	<b>Contractually Required Contributions</b>	<b>Contributions in Relation to the Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll - Fiscal Year</b>	<b>Contributions as a Percentage of Covered Employee Payroll</b>
2020	\$ 119,043	\$ 119,043	-	14,190,642	0.84%
2019	115,166	115,166	-	14,007,651	0.82%
2018	113,187	113,187	-	13,733,470	0.82%

**NOTES**

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This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

**OTHER SUPPLEMENTARY INFORMATION**

**HANOVER PUBLIC SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2020**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Program Period	Program or Award Amount	Total Received for the Year	Receivable (Payable) at July 1, 2019	Revenue Recognized	Expenditures	Receivable (Payable) at June 30, 2020	Total Passed-Through to Subrecipients
<b>DEPARTMENT OF EDUCATION</b>											
<b>Passed through Pennsylvania Department of Education</b>											
Title I, Part A - Improving Basic Programs	I	84.010	013-19-0181	7/1/18-9/30/19	570,779	\$ (508)	\$ 24,492	\$ -	\$ -	\$ -	-
Title I, Part A - Improving Basic Programs	I	84.010	013-20-0181	7/1/19-9/30/20	544,108	544,108	-	569,108	569,108	-	-
Program Improvement-Set Aside	I	84.010	042-17-0181	11/6/18-09/30/19	77,665	21,181	21,181	-	-	-	-
	Title I					564,781	45,673	569,108	569,108	-	-
Title II, Part A - Supporting Effective Instruction	I	84.367	020-19-0181	7/1/18-9/30/19	74,693	34,560	9,560	-	-	-	-
Title II, Part A - Supporting Effective Instruction	I	84.367	020-20-0181	7/1/19-9/30/20	76,764	56,431	-	15,146	15,146	(16,285)	-
	Title II					90,991	9,560	15,146	15,146	(16,285)	-
Title III, Language Instruction for English Learners	I	84.365	010-19-0181	7/1/18-9/30/19	34,881	6,976	6,976	-	-	-	-
Title III, Language Instruction for English Learners	I	84.365	010-20-0181	7/1/19-9/30/20	35,188	30,496	-	35,188	35,188	4,692	-
	Title III					37,472	6,976	35,188	35,188	4,692	-
Title IV, Part A - Student Support and Academic Enrichment Program	I	84.424	144-19-0181	7/1/18-9/30/19	42,271	25,363	25,363	-	-	-	-
Title IV, Part A - Student Support and Academic Enrichment Program	I	84.424	144-20-0181	7/1/19-9/30/20	42,719	22,783	-	42,719	42,719	19,936	-
	Title IV					48,146	25,363	42,719	42,719	19,936	-
<b>Passed through Lincoln Intermediate Unit No 12</b>											
<b>Special Education Cluster (IDEA)</b>											
IDEA Part B - Special Education	I	84.027	N/A	7/1/19-6/30/20	342,077	342,077	-	342,077	342,077	-	-
IDEA 619 funds - Special Education	I	84.173	N/A	7/1/19-6/30/20	4,400	4,400	-	4,400	4,400	-	-
	Total Special Education Cluster					346,477	-	346,477	346,477	-	-
Total Department of Education						1,087,867	87,572	1,008,638	1,008,638	8,343	-
<b>U.S. DEPARTMENT OF TREASURY</b>											
Passed through the Pennsylvania Commission on Crime and Delinquency											
COVID-19 PCCD Cares Grant	I	21.019	N/A	03/1/20-10/30/20	194,621	-	-	31,355	31,355	31,355	-
<b>DEPARTMENT OF AGRICULTURE</b>											
<b>Passed through Pennsylvania Department of Education</b>											
<b>Child Nutrition Cluster</b>											
School Breakfast Program	I	10.553	365/367	7/1/19-6/30/20	N/A	90,329	-	90,329	90,329	-	-
COVID-19 School Breakfast Program	I	10.553	365/367	7/1/19-6/30/20	N/A	20,145	-	35,778	35,778	15,633	-
	Total School Breakfast Program					110,474	-	126,107	126,107	15,633	-
National School Lunch Program - cash	I	10.555	362	7/1/19-6/30/20	N/A	378,945	-	378,945	378,945	-	-
COVID-19 National School Lunch Program - cash	I	10.555	362	7/1/19-6/30/20	N/A	50,687	-	75,558	75,558	24,871	-
<b>Passed through Pennsylvania Department of Agriculture</b>											
National School Lunch Program - commodities	I/B	10.555	N/A	7/1/19-6/30/20	N/A	81,328	-	81,328	81,328	-	-
	Total National School Lunch Program					510,960	-	535,831	535,831	24,871	-
	Total Child Nutrition Cluster					621,434	-	661,938	661,938	40,504	-
Total Department of Agriculture						\$ 621,434	\$ -	\$ 661,938	\$ 661,938	\$ 40,504	\$ -

**HANOVER PUBLIC SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended June 30, 2020**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Program Period	Program or Award Amount	Total Received for the Year	Receivable (Payable) at July 1, 2019	Revenue Recognized	Expenditures	Receivable (Payable) at June 30, 2020	Total Passed-Through to Subrecipients
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>											
<b>Passed through the Commonwealth of Pennsylvania</b>											
ACCESS - Administration	I	93.778	N/A	7/1/18-6/30/19	N/A	\$ 6,315	\$ 6,315	\$ -	\$ -	\$ -	\$ -
ACCESS - Administration	I	93.778	N/A	7/1/19-6/30/20	N/A	<u>4,782</u>	<u>-</u>	<u>11,877</u>	<u>11,877</u>	<u>7,095</u>	<u>-</u>
Total Department of Health and Human Services						<u>11,097</u>	<u>6,315</u>	<u>11,877</u>	<u>11,877</u>	<u>7,095</u>	<u>-</u>
Total federal financial assistance						<u>\$ 1,720,398</u>	<u>\$ 93,887</u>	<u>\$ 1,713,808</u>	<u>\$ 1,713,808</u>	<u>\$ 87,297</u>	<u>\$ -</u>

**HANOVER PUBLIC SCHOOL DISTRICT**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2020**

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**NOTE 1 REFERENCE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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- (I) Indirect funding
- (B) Based on USDA valuation

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES**

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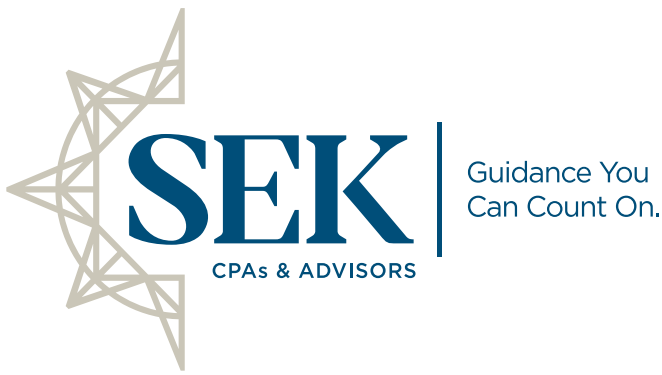
***Basis of Accounting***

The schedule of expenditures of federal awards is presented using the modified accrual basis in accordance with accounting principles prescribed by the Pennsylvania Department of Education, which conform to generally accepted governmental accounting principles. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable. Revenues designated for payment of specific School District expenditures are recognized when the related expenditures are incurred. Any excess of revenues or expenditures at the fiscal year end is recorded as a liability or a receivable, respectively.

The School District elected not to use a 10% de minimus rate for charging indirect costs to programs.

During the current year, the School District transferred \$ 25,000 of its Title II, Part A – Supporting Effective Instruction award amount to its Title I, Part A – Improving Basic Programs award program.





**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
Hanover Public School District  
Hanover, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hanover Public School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Hanover Public School District's basic financial statements, and have issued our report thereon dated February 10, 2021.

***INTERNAL CONTROL OVER FINANCIAL REPORTING***

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

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

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

## **COMPLIANCE AND OTHER MATTERS**

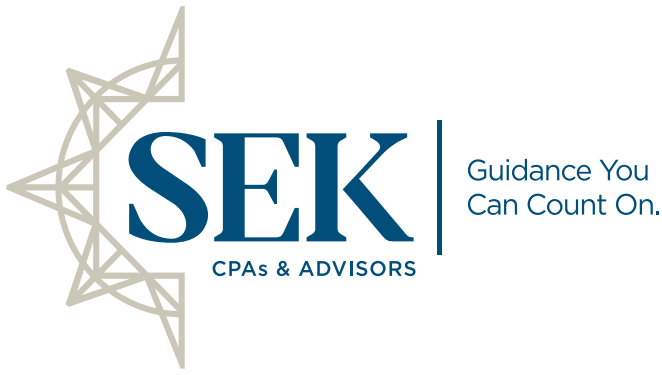
As part of obtaining reasonable assurance about whether Hanover Public School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

## **PURPOSE OF THIS REPORT**

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

*Smith & Gott Reams Company, LLC*

Hanover, Pennsylvania  
February 10, 2021



## **INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

Board of Directors  
Hanover Public School District  
Hanover, Pennsylvania

### ***REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM***

We have audited Hanover Public School District’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Hanover Public School District’s major federal programs for the year ended June 30, 2020. Hanover Public School District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

### ***Management’s Responsibility***

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

### ***Auditor’s Responsibility***

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Hanover Public School District’s compliance.

### **Opinion on Each Major Federal Program**

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

### **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

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

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

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

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



Hanover, Pennsylvania  
February 10, 2021

**HANOVER PUBLIC SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2020**

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:

**Unmodified**

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiencies identified?  Yes  None Reported

Noncompliance material to financial statements noted?

Yes  No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiencies identified?  Yes  None Reported

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

**Unmodified**

- Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR Section 200.516?  Yes  No

Identification of the major programs:

CFDA Number(s)	Name of Federal Program
84.027	Special Education Cluster
84.173	IDEA Part B IDEA Section 619

Dollar threshold used to distinguish between type A and type B programs

\$ 750,000

Auditee qualified as low-risk auditee?

Yes  No

**HANOVER PUBLIC SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2020**

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**Section II - Financial Statement Findings**

A. Significant Deficiencies or Material Weaknesses in Internal Control

None noted

B. Compliance Findings

There were no compliance findings relating to the financial statement audit required to be reported.

**Section III - Federal Award Findings and Questioned Costs**

A. Significant Deficiencies or Material Weaknesses in Internal Control Over Compliance

None noted

B. Compliance Findings

There were no compliance findings relating to the major federal awards as required to be reported in accordance with Uniform Guidance by 2 CFR Section 200.516.



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# HANOVER PUBLIC SCHOOL DISTRICT

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John A. Scola, Ed. D.  
*Superintendent*

Susan T. Seiple, Ed. D.  
*Assistant to the Superintendent*

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## **Summary Schedule of Prior Audit Findings Year Ended June 30, 2020**

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### **Findings related to financial statements:**

None reported in the June 30, 2019 Schedule of Findings and Questioned Costs

### **Findings related to federal awards:**

None reported in the June 30, 2019 Schedule of Findings and Questioned Costs