

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

of the

**Township of Hillsborough Board of Education
Hillsborough, New Jersey**

For the Fiscal Year Ended June 30, 2011

Prepared by

**Township of Hillsborough Board of Education
Finance Department**

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION (Unaudited)	
Letter of Transmittal	2-5
Organizational Chart	6
Roster of Officials	7
Consultants and Advisors	8
FINANCIAL SECTION	
INDEPENDENT AUDITOR’S REPORT	
Independent Auditor’s Report on General Purpose Financial Statements and Supplementary Schedules of Expenditures of Federal Awards and State Financial Assistance	11-12
REQUIRED SUPPLEMENTARY INFORMATION – PART I	
Management’s Discussion and Analysis (Unaudited)	14-19
BASIC FINANCIAL STATEMENTS	
A. District – wide Financial Statements:	
A-1 Statement of Net Assets	22
A-2 Statement of Activities	23
B. Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheet	26
B-2 Statement of Revenues, Expenditures and Changes in Fund Balances	27
B-3 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	28
Proprietary Funds:	
B-4 Statement of Net Assets	30
B-5 Statement of Revenues, Expenses and Changes in Fund Net Assets	31
B-6 Statement of Cash Flows	32
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Assets	34
B-8 Statement of Changes in Fiduciary Net Assets	35
NOTES TO BASIC FINANCIAL STATEMENTS	37-59

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

TABLE OF CONTENTS
CONTINUED

	<u>Page</u>
REQUIRED SUPPLEMENTARY INFORMATION – PART II	
C. Budgetary Comparison Schedules:	
C-1 Budgetary Comparison Schedule – General Fund	62-65
C-2 Budgetary Comparison Schedule – Special Revenue Fund	66
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	
C-3 Budget to GAAP Reconciliation	67
OTHER SUPPLEMENTARY INFORMATION	
D. School Level Schedules:Fund Financial Statements:	
D-1 Combining Balance Sheet	N/A
D-2 Blended Resource Fund – Schedule of Expenditures Allocated by Resource Type-Actual	N/A
D-3 Blended Resource Fund – Schedule of Blended Expenditures - Budget and Actual	N/A
E. Special Revenue Fund:	
E-1 Combining Schedule of Program Revenues and Expenditures - Budgetary Basis	72
E-1a Combining Schedule of State Program Revenues and Expenditures - Budgetary Basis	73
E-1b Combining Schedule of Program Revenues and Expenditures - Budgetary Basis	74
F. Capital Projects Fund:	
F-1 Summary Schedule of Project Expenditures	N/A
F-2 Summary Schedule of Revenues, Expenditures and Changes in Fund Balance – Budgetary Basis	N/A
F-2a Schedule of Project Revenues, Expenditures, Project Balance and Project Status – Budgetary Basis	N/A
G. Proprietary Funds:	
Enterprise Fund:	
G-1 Combining Statement of Net Assets	N/A
G-2 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	N/A
G-3 Combining Statement of Cash Flows	N/A

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

TABLE OF CONTENTS
CONTINUED

	<u>Page</u>
REQUIRED SUPPLEMENTARY INFORMATION –PART II (CONTINUED)	
G. Proprietary Funds:	
Internal Service Fund:	
G-4 Combining Statement of Net Assets	N/A
G-5 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	N/A
G-6 Combining Statement of Cash Flows	N/A
H. Fiduciary Fund	
H-1 Combining Statement of Fiduciary Net Assets	N/A
H-2 Combining Statement of Changes in Fiduciary Net Assets	N/A
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	80
H-4 Payroll Agency Fund Schedule of Receipts and Disbursements	81
I. Long – Term Debt	
I-1 Schedule of Serial Bonds	83
I-2 Schedule of Obligation Under Capital Leases	N/A
I-3 Debt Service Fund Budgetary Comparison Schedule	84
STATISTICAL SECTION (UNAUDITED)	
J. Financial Trends:	
J-1 Net Assets by Component	87
J-2 Changes in Net Assets	88-89
J-3 Fund Balances – Governmental Funds	90
J-4 Changes in Fund Balances – Governmental Funds	91-92
J-5 General Fund – Other Local Revenue by Source	93
J-6 Assessed Value and Estimated Actual Value of Taxable Property	94
J-7 Direct and Overlapping Property Tax Rates	95
J-8 Principal Property Taxpayers	96
J-9 Property Tax Levies and Collections	97
J-10 Ratios of Outstanding Debt by Type	98
J-11 Ratios of Net General Bonded Debt Outstanding	99
J-12 Direct and Overlapping Governmental Activities Debt as of June 30	100
J-13 Legal Debt Margin Information	101
J-14 Demographic and Economic Statistics	102
J-15 Principal Employers Operating Information	103

TOWNSHIP OF HILLSBOROUGH

TABLE OF CONTENTS
CONCLUDED

STATISTICAL SECTION (UNAUDITED) (Continued)	<u>Page</u>
J-16 Full-time Equivalent District Employees by Function/Program	104
J-17 Operating Statistics	105
J-18 School Building Information	106
J-19 Schedule of Required Maintenance for School Facilities	107
J-20 Insurance Schedule	108
SINGLE AUDIT SECTION	
K-1 Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with “Government Auditing Standards”	110-111
K-2 Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 and New Jersey OMB Circular Letter 04-04	112-113
K-3 Schedule of Expenditures of Federal Awards, Schedule A	114
K-4 Schedule of Expenditures of State Financial Assistance, Schedule B	115
K-5 Notes to Schedules of Expenditures of Awards and Financial Assistance	116-117
K-6 Schedules of Findings and Questioned Costs	
Part 1 Summary of Auditor’s Results	118-119
Part 2 Schedule of Financial Statement Findings	120
Part 3 Schedule of Federal Awards and State Financial Assistance Findings and Questioned Costs	121
K-7 Summary Schedule of Prior-Year Audit Findings and Questioned Costs as Prepared by Management	122

Introductory Section



HILLSBOROUGH TOWNSHIP BOARD OF EDUCATION

379 South Branch Road • Hillsborough • NJ • 08844-3443 • (908) 431-6600

Dr. Jordan Schiff
Superintendent of Schools

Dr. Lisa M. Antunes
*Assistant Superintendent
for Curriculum*

Mr. Scott Rocco
*Assistant Superintendent
for Personnel*

Mr. Aiman A. Mahmoud
*School Business Administrator/
Board Secretary*

Mrs. Leonore Johnston
Director of Special Services

Mr. Joel Handler
Director of Education Technology

August 19, 2011

Honorable President and
Members of the Board of Education
Hillsborough Township
County of Somerset, New Jersey

Dear Board Members:

The comprehensive annual financial report (CAFR) of the Hillsborough School District for the fiscal year ended June 30, 2011, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly, 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 District as of June 30, 2011 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the basic financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of State, Local Governments, and Non-Profits Organizations", and the State Treasury Circular Letter 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Information related to this single audit, including the auditor's report on the internal control structure and compliance with auditor's report on the internal control and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1. **REPORTING ENTITY AND ITS SERVICES:** Hillsborough School District is an independent reporting entity within the criteria adopted by the GASB as established by GASB Statement No. 14. All funds and account groups of the District are included in this report. The Hillsborough Board of Education and all its schools constitute the District's reporting entity. The District provides a full range of educational services appropriate to grade levels K through 12. These include regular, as well as special education for handicapped youngsters. The District completed the 2010-2011 fiscal year with an enrollment of 7,408.0 students, which is 81 students less than the previous year's enrollment. The following details the changes in the student enrollment of the District over the last twelve years:

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2010-11	7408.0	-1.09%
2009-10	7489.0	-1.19%
2008-09	7578.0	0.53%
2007-08	7538.0	-0.51%
2006-07	7577.0	-1.10%
2005-06	7661.5	0.35%
2004-05	7634.5	0.97%
2003-04	7561.0	1.15%
2002-03	7475.2	0.99%
2001-02	7402.2	3.57%
2000-01	7147.0	4.13%
1999-00	6863.7	5.33%
1998-99	6516.4	

2. **ECONOMIC CONDITION AND OUTLOOK:**
The current state of the economy has contributed to the Hillsborough area lacking any dramatic development or expansion. Enrollments have not noticeably increased or decreased over the last two years. It is expected that once the recession diminishes the development in the area will flourish.

3. **MAJOR INITIATIVES:**

Hillsborough Township Public Schools realized very few initiatives regarding curriculum and instruction due to tremendous fiscal constraints in the 2010-2011 school year. Curriculum revision was limited to specific courses rendered absolutely necessary as per state mandates; i.e. Financial Literacy. Moreover, professional development was essentially non-existent for the 2010-2011 school year as well. With the exception of mandatory trainings or specific trainings deemed essential, and our partnerships with The College of New Jersey and Princeton University's Teachers as Scholars programs, very few professional development opportunities were approved. Additionally, both the

teachers' association and the principals' and supervisors' association agreed to furlough day concessions which were directly related to the in-service days throughout the school calendar. Therefore, the major professional development opportunity for all staff consisted of an opening day presentation by an expert on Professional Learning Communities.

The Local Professional Development Committee (LPDC) remains dedicated to the development of successful professional development and mentoring action plans. The LPDC has also embraced the School Professional Development Committee (SPDC) philosophy put forth from the NJDOE. Staff members interested in enrolling and completing graduate coursework remained active. Relationships with area colleges and universities continued to flourish during this difficult year. Princeton University, The College of New Jersey, Rider University, Rutgers University, Steven's Institute of Technology, and Raritan Valley Community College are several of the institutions with which we continue to maintain a collegial and professional relationship.

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year.

6. **ACCOUNTING SYSTEM AND REPORTS:** The District's accounting records reflect generally accepted accounting principals, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements", Note 1.
7. **DEBT ADMINISTRATION:** At June 30, 2011, the District's outstanding debt issues included serial bonds totaling \$28,295,000.
8. **CASH MANAGEMENT:** The investment policy of the District is guided in large by state statute as detailed in "Notes to the Financial Statements", Note 2. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.
9. **RISK MANAGEMENT:** The board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.
10. **OTHER INFORMATION:** Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of T.M. Vrabel & Associates, LLC. was selected by the Board's audit committee. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related OMB Circular A-133 and State Treasury Circular Letter 04-04-OMB. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.
11. **ACKNOWLEDGEMENTS:** We would like to express our appreciation to the members of the Hillsborough School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our central office staff.

Respectfully submitted,

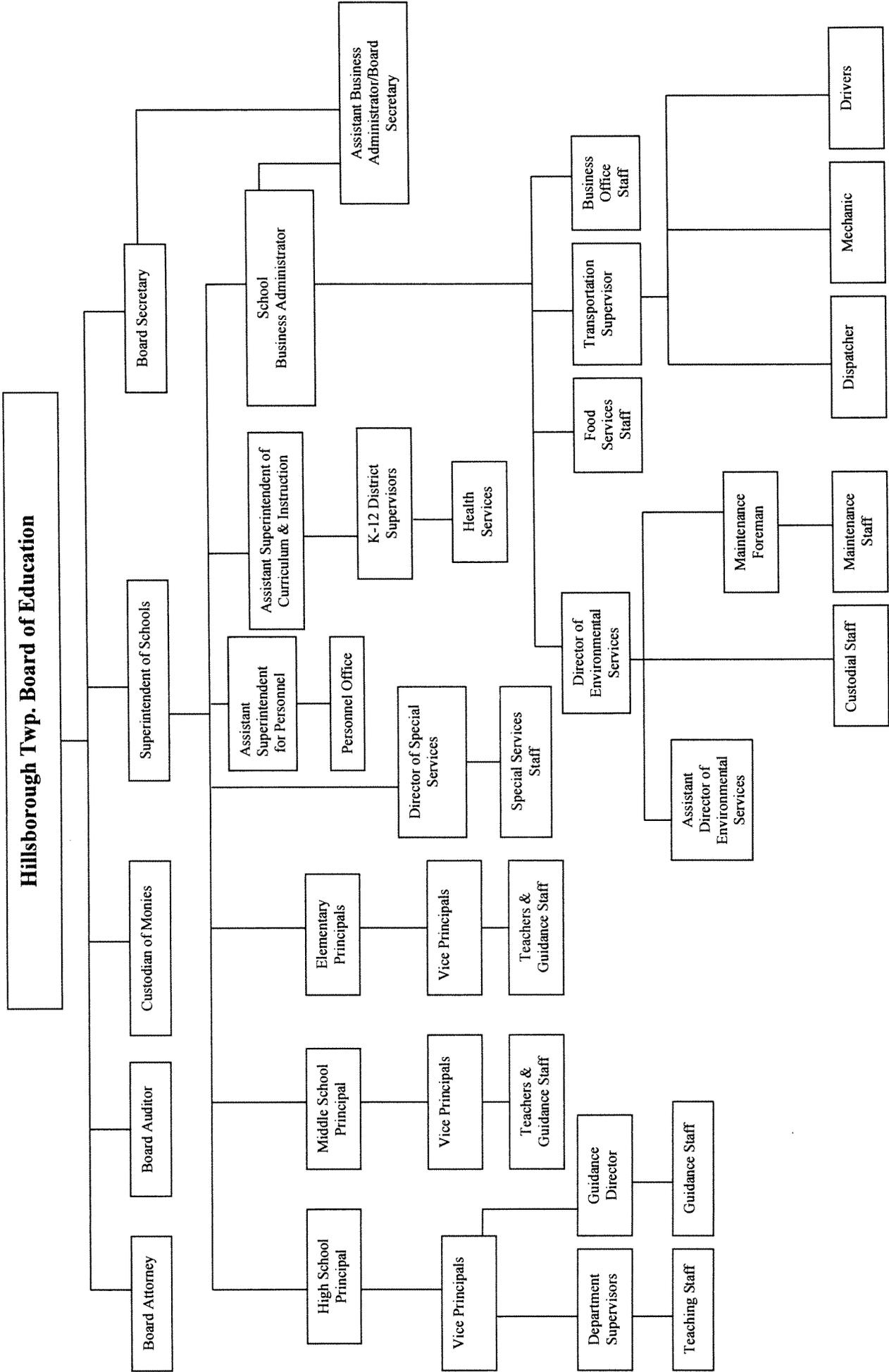


Dr. Jorden Schiff
Superintendent of Schools



Mr. Aiman A. Mahmoud
Business Administrator/Board Secretary

HILLSBOROUGH TOWNSHIP PUBLIC SCHOOLS



HILLSBOROUGH TOWNSHIP BOARD OF EDUCATION

HILLSBOROUGH, NEW JERSEY

ROSTER OF OFFICIALS

JUNE 30, 2011

<u>Members of the Board of Education</u>		<u>Term Expires</u>
Dana Boguszewski	Member	2012
Gregory Gillette	Member	2013
Judith C. Haas	Member	2014
Jennifer Haley	Member	2014
Thomas Kinst	Member	2013
Thuy Anh Le	Member	2013
Steven D. Paget	President	2012
Chris Pulsifer	Member	2014
Marc Rosenberg	Vice President	2012

Other Officials

Dr. Jordan Schiff	Superintendent
Mr. Aiman Mahmoud	Board Secretary/School Business Administrator
Nancy Haberle	Treasurer
Stephen R. Fogarty, Esq.	Board Attorney

**HILLSBOROUGH TOWNSHIP
BOARD OF EDUCATION
CONSULTANTS AND ADVISORS**

Architects

Nam Kim Park
1800 E. State Street, Ste. 149
Hamilton, NJ 08609

Audit Firm

T.M. Vrabel & Associates, LLC
PO Box 541
Denville, NJ 07834

Attorney

Fogarty & Hara
16-00 Route 208 South
Fair Lawn, NJ 07410

Financial Section

Independent Auditor's Report



T. M. Vrabel & Associates, LLC
Accountants and Auditors

Timothy M. Vrabel, RMA, PSA
Chris C. Hwang, CPA



INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Township of Hillsborough
County of Somerset, New Jersey

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Hillsborough School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Hillsborough School District management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 Township of Hillsborough School District as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 19, 2011 on our consideration of the Township of Hillsborough School District 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

170 East Main Street
P.O. Box 541
Denville, NJ 07834
973-625-2920 Fax: 973-625-8733
Email: tmvrabeldvc@optonline.net

The Management's Discussion and Analysis on page 14 through 20 and budgetary comparison information on schedules C-1 and C-2 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Hillsborough School District basic financial statements. The accompanying introductory section, and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and long-term debt schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and New Jersey OMB's Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.



Timothy M. Vrabel
Public School Accountant
License No. CS000698



Chris C. W. Hwang
Certified Public Accountant
License No. CC033704

August 19, 2011

**REQUIRED SUPPLEMENTARY INFORMATION -
PART I**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of The Hillsborough School District financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the transmittal letter on page 1 and the District's financial statements, which begin on page 23.

FINANCIAL HIGHLIGHTS

- The District's net assets increased \$3.312 million as a result of this year's operations. Net assets of our business-type activities decreased by \$5,000 or .1 percent, and net assets of our governmental activities increased by \$3.317 million or 8.1 percent.
- Total cost of all of the District's programs was \$113 million in 2010-2011 compared to \$114 million in 2009-2010.
- During the year, the District had expenses for governmental activities that were \$1.479 million less than the \$114 million generated in tax and other program revenues.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 23 and 24) provide information about the activities of the District as a whole and present a longer-term view on the District's finances. Fund financial statements start on page 27. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operation in more detail than the government-wide statements by providing information about the District's most financially significant funds

Reporting the District as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the District as a whole begins on page 16. One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in them. You can think of the District's net assets, the difference between assets and liabilities, as one way to measure the District's financial health, or *financial position*. Over time, *increases* or *decreases* in the District's net assets are one indicator whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's property tax base, and the condition of the District's capital assets to assess the overall *health* of the District.

In the Statement of Net Assets and the Statement of Activities, we divide the District into two kinds of activities:

- Governmental activities: most of the District's basic services are reported here, including general administration. Local taxes, tuition and state and federal aid finance most of these activities.
- Business-type-activities: the District has two proprietary funds as shown on pages 32 and 33.

Reporting the District's Most Significant Funds

Fund Financial Statements

Our analysis of the District's major funds begins on page 18. The fund financial statements begin on page 27 and provide detailed information about the most significant funds-not the District as a whole. Some funds are required to be established by State law. The District's two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental funds: most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds 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 District's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation on page 29.

Proprietary funds: when the District charges customers for the full cost of the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the District's enterprise funds (a component of business type funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for the Unemployment Compensation Trust, Scholarship Funds and Agency Funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 35 and 36. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Table 2
Changes in Net Assets (in Thousands)

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2011	2010	2011	2010	2011	2010
<u>Revenues</u>						
Program revenues:						
Charges for Services	603	591	1,994	1,890	2,597	2,481
Operating Grants and Contributions	15,626	17,671	465	434	16,091	18,105
General revenues:						
Property Taxes	79,982	76,331			79,982	76,331
Tuition	105	153			105	153
Federal and State Aid	17,372	19,696			17,372	19,696
Interest and Investment Earnings	51	57			51	57
Other General Revenues	470	376			470	376
Debt Service Assessment	(89)	-	-	-	(89)	-
Total Revenues:	<u>114,120</u>	<u>114,875</u>	<u>2,459</u>	<u>2,324</u>	<u>116,668</u>	<u>117,199</u>
<u>Program expenses including indirect expenses</u>						
Instruction:						
Regular	45,385	46,444			45,385	46,444
Special	12,240	11,635			12,240	11,635
Other instruction	8,748	9,495			8,748	9,495
Support services:						
Tuition	2,104	2,198			2,104	2,198
Student and instruction related services	16,926	17,088			16,926	17,088
School administrative services	5,192	5,268			5,192	5,268
General and business administrative services	3,227	3,414			3,227	3,414
Plant operations and maintenance	8,960	8,481			8,960	8,481
Pupil transportation	6,605	6,556			6,605	6,556
Interest on long-term debt		1,578			-	1,578
Business-type activities:						
Food Services			2,323	2,172	2,323	2,172
Summer Enrichment	-	-	141	177	141	177
Total Expenses	<u>110,803</u>	<u>112,157</u>	<u>2,464</u>	<u>2,349</u>	<u>113,267</u>	<u>114,506</u>
Increase in Net Assets	<u>3,317</u>	<u>2,718</u>	<u>(5)</u>	<u>(25)</u>	<u>3,401</u>	<u>2,693</u>

THE DISTRICT'S FUNDS**Governmental Activities****Table 3**

Information below compares revenues and expenditures for all governmental fund types for 2010-2011 and 2009-2010. (in Thousands)

<u>Revenues by Source:</u>	<u>2010-2011</u>	<u>2009-2010</u>	<u>% Change</u>
Local Tax Levy	80,585	76,916	4.77%
Tuition Charges	105	153	-31.37%
Transportation Fees	1	6	-83.33%
Interest Earned to Investments	51	57	-10.53%
Miscellaneous	512	420	21.90%
Total - Local Sources	81,254	77,552	4.77%
State Sources	30,450	30,747	-0.97%
Federal Sources	2,505	6,576	-61.91%
Total Revenues	<u>114,209</u>	<u>114,875</u>	-0.58%
<u>Expenditures by Function:</u>	<u>2010-2011</u>	<u>2009-2010</u>	<u>% Change</u>
Current:			
Regular Instruction	31,562	32,476	-2.81%
Special education	8,978	8,561	4.87%
Other instruction	6,404	6,926	-7.54%
Support Services and undistributed costs:			
Tuition	2,104	2,198	-4.28%
Student and instruction related services	12,156	13,081	-7.07%
School administrative services	3,598	3,678	-2.18%
General and Business administrative services	2,666	2,712	-1.70%
Plant operations and maintenance	7,458	7,039	5.95%
Pupil transportation	6,290	6,228	1.00%
Employee Benefits	25,215	24,866	1.40%
Capital Outlay	1,580	1,169	35.16%
Debt Service:			
Principal	3,250	3,220	0.93%
Interest on long-term debt	1,469	1,630	-9.88%
Total Expenditures	<u>112,730</u>	<u>113,784</u>	-0.93%

The districts revenue sources were uniquely rearranged as per direction from the New Jersey State Department of Education. The District was instructed to use Federal ARRA funds (16 & 17) to off set the cost of state aide revenues. In essence, the State Aid revenue was reduced while the federal revenues were increased. The District used the ARRA funds to pay for teacher salaries. The establishment of funds 16 and 17 will not be recurring.

On the whole, overall expenditures were reduced which resulted in budget reductions and an additional reduction due to the defeated budget.

Business-type Activities

District's major Enterprise Funds consist of the Food Service and Summer Enrichment Program. The basic financial statements for the major funds are included in this report. Because the focus on business-type funds is a cost of service measurement or capital maintenance, we have included these funds in Table 4, which demonstrates return on ending assets and return on ending net assets.

Table 4
(in Thousands)

	<u>Food Service</u>	<u>Summer Enrichment</u>
Total Assets	636	192
Net Assets	428	74
Change in Net Assets	(16)	11
Return on Ending Total Assets	-2.52%	5.73%
Return on Ending Net Assets	-3.74%	14.86%

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets
Table 5
(in Thousands)

Capital Assets at Year-end (Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land Improvements	3,547	3,547			3,547	3,547
Buildings	105,951	104,824			105,951	104,824
Machinery and Equipment	4,507	4,144	271	264	4,778	4,408
Subtotal	114,005	112,515	271	264	114,276	112,779
Accumulated Depreciation	(44,282)	(41,425)	(234)	(228)	(44,516)	(41,653)
Totals	<u>69,723</u>	<u>71,090</u>	<u>37</u>	<u>36</u>	<u>69,760</u>	<u>71,126</u>

The District's 2011-2012 capital budget anticipates a spending level of \$413,719 for capital projects. More detailed information about the District capital assets is presented in Note III: C. to the basic financial statements

DEBT

At year – end the District had total debt of \$36.595 million outstanding versus \$39.795 million last year – a decrease of 8.0 percent – as shown in Table 6.

Outstanding Debt, at year –end

Table 6

(in Thousands)

	Governmental Activities	
	<u>2011</u>	<u>2010</u>
Serial Bonds	28,320	31,570
Compensated Absences	<u>1,919</u>	<u>1,821</u>
	<u>30,239</u>	<u>33,391</u>

An analysis of District Debt is presented in Note III:D. to the basic financial statements.

BUDGETS

The variances between the originally adopted budget for the year 2009-2010, and the final budget were caused by the appropriation of additional Fund Balance for roof projects which was added to the original budget. In addition, the State pension payments, which are paid by the State on behalf of employees are not budgeted, however they are counted as an expense in the audit .

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Administrator/Board Secretary, Aiman A. Mahmoud, Hillsborough Public School District, Hillsborough, New Jersey.

BASIC FINANCIAL STATEMENTS

Section A

DISTRICT – WIDE FINANCIAL STATEMENTS

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Statement of Net Assets
June 30, 2011**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,562,312.19	\$ 649,906.80	\$ 4,212,218.99
Receivables, net	1,079,551.98	106,332.19	1,185,884.17
Inventory		34,070.06	34,070.06
Restricted assets:			
Capital reserve account - cash	1,000,001.00		1,000,001.00
Capital assets, net (Note III:C.):	<u>69,723,500.96</u>	<u>37,352.02</u>	<u>69,760,852.98</u>
Total Assets	<u>75,365,366.13</u>	<u>827,661.07</u>	<u>76,193,027.20</u>
LIABILITIES			
Accounts payable	128,078.48	155,412.11	283,490.59
Payable to federal government	28,936.29		28,936.29
Payable to state government	10,863.11		10,863.11
Bond Interest Payable	409,563.33		409,563.33
Deferred revenue	84,360.61	170,146.50	254,507.11
Noncurrent liabilities (Note IV:B.):			
Due within one year	3,477,629.57		3,477,629.57
Due beyond one year	<u>26,761,815.53</u>	<u>-</u>	<u>26,761,815.53</u>
Total liabilities	<u>30,901,246.92</u>	<u>325,558.61</u>	<u>31,226,805.53</u>
NET ASSETS			
Invested in capital assets, net of related debt	41,403,500.96	37,352.02	41,440,852.98
Restricted for:			
Capital projects	1,000,001.00		1,000,001.00
Debt service	(409,552.96)		(409,552.96)
Other purposes	4,470,851.53		4,470,851.53
Unrestricted	<u>(2,000,681.32)</u>	<u>464,750.44</u>	<u>(1,535,930.88)</u>
Total Net Assets	<u>\$ 44,464,119.21</u>	<u>\$ 502,102.46</u>	<u>\$ 44,966,221.67</u>

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

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Statement of Activities
For the Year Ended June 30, 2011**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction:							
Regular	\$ 45,384,423.71	\$ -	\$ 3,749,106.24	\$ -	\$ (41,635,317.47)	\$ -	\$ (41,635,317.47)
Special education	12,240,071.57		3,183,737.99		(9,056,333.58)		(9,056,333.58)
Other instruction	8,748,173.35		690,309.78		(8,057,863.57)		(8,057,863.57)
Support services:							
Tuition	2,104,092.94		3,831,395.89		1,727,302.95		1,727,302.95
Student and instruction related services	16,926,245.34		2,085,415.23		(14,840,830.11)		(14,840,830.11)
School administrative services	5,191,482.08		392,819.68		(4,798,662.40)		(4,798,662.40)
General and business administrative services	3,227,289.43		133,486.57		(3,093,802.86)		(3,093,802.86)
Plant operations and maintenance	8,959,504.99		423,223.37		(8,536,281.62)		(8,536,281.62)
Pupil transportation	6,604,947.62	873.00	322,251.87		(6,281,822.75)		(6,281,822.75)
Interest on long-term debt	1,416,241.83	602,385.83	813,856.00		-		-
Total governmental activities	110,802,472.86	603,258.83	15,625,602.62	-	(94,573,611.41)	-	(94,573,611.41)
Business-type activities:							
Food Service	2,323,240.79	1,842,012.52	465,124.36		(16,103.91)		(16,103.91)
Summer Enrichment	140,801.36	151,814.90	-		11,013.54		11,013.54
Total business-type activities	2,464,042.15	1,993,827.42	465,124.36		(5,090.37)		(5,090.37)
Total primary government	\$113,266,515.01	\$2,597,086.25	\$ 16,090,726.98	\$ -	\$ (94,573,611.41)	\$ (5,090.37)	\$ (94,578,701.78)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					\$ 76,679,359.00	\$ -	\$ 76,679,359.00
Property taxes, levied for debt service principal					3,302,865.17		3,302,865.17
Federal and State aid not restricted					17,371,908.89		17,371,908.89
Tuition (other than special schools)					104,686.04		104,686.04
Investment Earnings					51,459.63		51,459.63
Miscellaneous Income					469,519.76		469,519.76
Debt Service Assessment					(89,115.00)		(89,115.00)
Total general revenues, special items, extraordinary items and transfers					97,890,683.49	# -	97,890,683.49
Change in Net Assets					3,317,072.08	(5,090.37)	3,311,981.71
Net Assets—beginning					41,147,047.13	507,192.83	41,654,239.96
Net Assets—ending					\$ 44,464,119.21	\$ 502,102.46	\$ 44,966,221.67

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

Section B
FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Balance Sheet
Governmental Funds
June 30, 2011**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 3,951,273.73	\$ (388,971.91)	\$ 10.37	\$ 3,562,312.19
Receivables from other governments	459,690.54	527,685.65		987,376.19
Other receivables	92,000.00	175.79		92,175.79
Restricted cash and cash equivalents	<u>1,000,001.00</u>	<u>-</u>	<u>-</u>	<u>1,000,001.00</u>
Total Assets	<u>\$ 5,502,965.27</u>	<u>\$ 138,889.53</u>	<u>\$ 10.37</u>	<u>\$ 5,641,865.17</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 113,348.96	\$ 14,729.52	\$ -	\$ 128,078.48
Payable to federal government		28,936.29		28,936.29
Payable to state government		10,863.11		10,863.11
Deferred revenue	<u>-</u>	<u>84,360.61</u>		<u>84,360.61</u>
Total Liabilities	<u>113,348.96</u>	<u>138,889.53</u>		<u>252,238.49</u>
Fund Balances:				
Restricted for:				
Reserved Excess Surplus - Designated for Subsequent Year's Expenditures	2,340,449.00			2,340,449.00
Reserve for Excess Surplus	2,130,402.53			2,130,402.53
Capital Reserve Account	1,000,001.00			1,000,001.00
Debt Service			10.37	10.37
Unassigned	<u>(81,236.22)</u>		<u>-</u>	<u>(81,236.22)</u>
Total Fund Balances	<u>5,389,616.31</u>	<u>-</u>	<u>10.37</u>	<u>5,389,626.68</u>
Total Liabilities and Fund Balances	<u>\$ 5,502,965.27</u>	<u>\$ 138,889.53</u>	<u>\$ 10.37</u>	

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

Adjustment to Debt Service Fund net assets for the accrual of interest expense. (409,563.33)

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$114,005,734.56 and the accumulated depreciation is \$44,282,233.60. 69,723,500.96

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note IV:B.) (30,239,445.10)

Net assets of governmental activities \$ 44,464,119.21

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

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Statement of Revenues, Expenditures, And Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
REVENUES				
Local sources:				
Local tax levy	\$ 76,679,359.00	\$ -	\$ 3,905,251.00	\$ 80,584,610.00
Tuition charges	104,686.04			104,686.04
Transportation fees	873.00			873.00
Interest earned on investments	51,459.63			51,459.63
Miscellaneous	469,519.76	42,415.74	-	511,935.50
Total - Local Sources	77,305,897.43	42,415.74	3,905,251.00	81,253,564.17
State sources	29,611,054.52	24,850.05	813,856.00	30,449,760.57
Federal sources	36,437.30	2,468,897.90	-	2,505,335.20
Total Revenues	<u>106,953,389.25</u>	<u>2,536,163.69</u>	<u>4,719,107.00</u>	<u>114,208,659.94</u>
EXPENDITURES				
Current:				
Regular instruction	31,338,394.03	223,406.91		31,561,800.94
Special education instruction	7,615,810.45	1,362,635.96		8,978,446.41
Other instruction	6,403,630.84			6,403,630.84
Support services and undistributed costs:				
Tuition	2,104,092.94			2,104,092.94
Student and instruction related services	11,546,034.75	610,118.16		12,156,152.91
School administrative services	3,598,327.05			3,598,327.05
General and business administrative services	2,665,973.80			2,665,973.80
Plant operations and maintenance	7,457,662.32			7,457,662.32
Pupil transportation	6,290,019.04			6,290,019.04
Unallocated benefits	25,055,818.55	158,759.05		25,214,577.60
Capital outlay	1,398,803.41	181,243.61		1,580,047.02
Debt service:				
Principal			3,250,000.00	3,250,000.00
Interest and other charges	-	-	1,469,118.50	1,469,118.50
Total Expenditures	<u>105,474,567.18</u>	<u>2,536,163.69</u>	<u>4,719,118.50</u>	<u>112,729,849.37</u>
Excess (Deficiency) of revenues over expenditures	<u>1,478,822.07</u>	<u>-</u>	<u>(11.50)</u>	<u>1,478,810.57</u>
Net change in fund balances	1,478,822.07	-	(11.50)	1,478,810.57
Fund Balance—July 1	<u>3,910,794.24</u>	<u>-</u>	<u>21.87</u>	<u>3,910,816.11</u>
Fund Balance—June 30	<u>\$ 5,389,616.31</u>	<u>\$ -</u>	<u>\$ 10.37</u>	<u>\$ 5,389,626.68</u>

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

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2011**

Total net change in fund balances - governmental funds (from B-2)		1,478,810.57
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p>		
<p>In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The difference in accrued interest is an addition in the reconciliation. (+)</p>		
Interest paid	1,469,118.50	
Interest accrued	<u>(1,416,241.83)</u>	52,876.67
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.</p>		
Depreciation expense	(2,857,466.53)	
Capital outlays (exclusive of capital lease principal payments)	<u>1,580,047.02</u>	(1,277,419.51)
<p>A Debt Service Assessment which is a capital outlay expenditure but not included in capital assets.</p>		
		(89,115.00)
<p>Adjustment to Capital Assets in accordance with physical appraisal</p>		
<p>In the statement of activities, only the gain on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from a sale increase financial resources. Thus, the change in net assets will differ from the change in fund balance by the cost of the asset removed. (-)</p>		
		-
<p>In the statement of activities, certain operating expenses, e.g., compensated absences (vacations and unused sick pay) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition in the reconciliation (+).</p>		
		(98,080.65)
<p>Payment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.</p>		
Debt principal		3,250,000.00
Capital lease principal		-
<p>Proceeds from debt issues are a financing source in the governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the statement of net assets.</p>		
Proceeds of long-term debt		-
Capital lease proceeds		-
<p>Revenues in the statement of activities which do not provide current financial resources are not reported as revenues in the funds. (+)</p>		
		-
Change in net assets of governmental activities		<u><u>3,317,072.08</u></u>

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

PROPRIETARY FUNDS

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Statement of Net Assets
Proprietary Funds
June 30, 2011

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Food Service</u>	<u>Summer Enrichment</u>	<u>Totals</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 458,271.39	\$ 191,635.41	\$ 649,906.80
Accounts receivable	106,332.19	-	106,332.19
Inventories	<u>34,070.06</u>	<u>-</u>	<u>34,070.06</u>
Total Current Assets	<u>598,673.64</u>	<u>191,635.41</u>	<u>790,309.05</u>
Noncurrent assets:			
Furniture, machinery and equipment	270,994.34		270,994.34
Less accumulated depreciation	<u>(233,642.32)</u>		<u>(233,642.32)</u>
Total Noncurrent Assets	<u>37,352.02</u>	<u>-</u>	<u>37,352.02</u>
Total Assets	<u>636,025.66</u>	<u>191,635.41</u>	<u>827,661.07</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	155,412.11		155,412.11
Deferred Revenue	<u>52,267.25</u>	<u>117,879.25</u>	<u>170,146.50</u>
Total Current Liabilities	<u>207,679.36</u>	<u>117,879.25</u>	<u>325,558.61</u>
Total Liabilities	<u>207,679.36</u>	<u>117,879.25</u>	<u>325,558.61</u>
NET ASSETS			
Invested in capital assets, net of related debt	37,352.02		37,352.02
Unrestricted	<u>390,994.28</u>	<u>73,756.16</u>	<u>464,750.44</u>
Total Net Assets	<u>\$ 428,346.30</u>	<u>\$ 73,756.16</u>	<u>\$ 502,102.46</u>

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

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH**
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds		
	<u>Food Service</u>	<u>Summer Enrichment</u>	<u>Totals</u>
Operating Revenues:			
Charges for services:			
Daily sales - reimbursable programs	\$ 610,862.04	\$ -	\$ 610,862.04
Daily sales - non-reimbursable programs	1,231,150.48		1,231,150.48
Program fees	-	151,814.90	151,814.90
Total Operating Revenues	<u>1,842,012.52</u>	<u>151,814.90</u>	<u>1,993,827.42</u>
 Operating Expenses:			
Cost of sales	852,511.92		852,511.92
Salaries	663,549.33	51,120.33	714,669.66
Employee benefits	233,080.38	2,915.73	235,996.11
Management Fee	201,076.00		201,076.00
Cleaning, repair and maintenance services	53,511.27		53,511.27
Other purchased services	158,418.57	81,768.76	240,187.33
General supplies	155,274.30	4,996.54	160,270.84
Depreciation	5,819.02	-	5,819.02
Total Operating Expenses	<u>2,323,240.79</u>	<u>140,801.36</u>	<u>2,464,042.15</u>
Operating (Loss)	<u>(481,228.27)</u>	<u>11,013.54</u>	<u>(470,214.73)</u>
 Nonoperating Revenues :			
State sources:			
State school lunch program	21,932.90		21,932.90
Federal sources:			
National school lunch program	290,381.88		290,381.88
Federal breakfast program	9,139.44		9,139.44
Special milk program	4,314.21		4,314.21
Food distribution program	139,355.93		139,355.93
Total Nonoperating Revenues	<u>465,124.36</u>	-	<u>465,124.36</u>
Change in net assets	(16,103.91)	11,013.54	(5,090.37)
Total Net Assets—Beginning	<u>444,450.21</u>	<u>62,742.62</u>	<u>507,192.83</u>
 Total Net Assets—Ending	<u>\$ 428,346.30</u>	<u>\$ 73,756.16</u>	<u>\$ 502,102.46</u>

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

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2011**

	Business-type Activities - Enterprise Funds		
	Food Service	Summer Enrichment	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,807,651.11	\$ 157,339.75	\$ 1,964,990.86
Payments to employees	(663,549.33)	(51,120.33)	(714,669.66)
Payments for employee benefits	(233,080.38)	(2,915.73)	(235,996.11)
Payments to suppliers	<u>(1,420,721.15)</u>	<u>(86,765.30)</u>	<u>(1,507,486.45)</u>
Net cash provided/(used for) operating activities	<u>(509,699.75)</u>	<u>16,538.39</u>	<u>(493,161.36)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State Sources	21,932.90		21,932.90
Federal Sources	<u>443,191.46</u>		<u>443,191.46</u>
Net cash provided by non-capital financing activities	<u>465,124.36</u>		<u>465,124.36</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	<u>(6,844.13)</u>		<u>(6,844.13)</u>
Net cash provided by (used for) capital and related financing activities	<u>(6,844.13)</u>	<u>-</u>	<u>(6,844.13)</u>
Net increase (decrease) in cash and cash equivalents	(51,419.52)	16,538.39	(34,881.13)
Balances—beginning of year	<u>509,690.91</u>	<u>175,097.02</u>	<u>684,787.93</u>
Balances—end of year	<u>\$ 458,271.39</u>	<u>\$ 191,635.41</u>	<u>\$ 649,906.80</u>
Reconciliation of operating income (loss) to net cash provided/ (used for) operating activities:			
Operating Income (loss)	\$ (481,228.27)	\$ 11,013.54	\$ (470,214.73)
Adjustments to reconcile operating income (loss) to net cash provided/ (used for) operating activities:			
Depreciation and net amortization	5,819.02		5,819.02
(Increase)/Decrease in accounts receivable	(43,275.64)		(43,275.64)
(Increase)/Decrease in inventories	(12,462.33)		(12,462.33)
Increase/(Decrease) in deferred revenue	8,914.23	5,524.85	14,439.08
Increase/(Decrease) in accounts payable	<u>12,533.24</u>	<u>-</u>	<u>12,533.24</u>
Total adjustments	<u>(28,471.48)</u>	<u>5,524.85</u>	<u>(22,946.63)</u>
Net cash (used for) operating activities	<u>\$ (509,699.75)</u>	<u>\$ 16,538.39</u>	<u>\$ (493,161.36)</u>

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

FIDUCIARY FUNDS

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011**

	Unemployment Compensation <u>Trust</u>	Agency <u>Fund</u>
ASSETS		
Cash and cash equivalents	\$ <u>6,962.36</u>	\$ <u>1,053,911.98</u>
Total Assets	<u>6,962.36</u>	<u>1,053,911.98</u>
LIABILITIES		
Payable to student groups		576,902.58
Payroll deductions and withholdings		420,320.72
Net Salaries and Wages		3,632.98
Accrued Salaries and Wages		7,287.30
Section 125 Plan		45,768.36
Health Benefits Reserve		<u>0.04</u>
Total Liabilities		<u>\$ 1,053,911.98</u>
NET ASSETS		
Held in trust for unemployment claims and other purposes	<u>\$ 6,962.36</u>	
Reserved for scholarships		

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

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2011**

	Unemployment Compensation <u>Trust</u>
ADDITIONS	
Contributions:	
Plan member	\$ 204,904.57
Board of Education	<u>34,500.00</u>
Total Contributions	<u>239,404.57</u>
Investment earnings:	
Interest	<u>654.77</u>
Net investment earnings	<u>654.77</u>
Total Additions	<u>240,059.34</u>
DEDUCTIONS	
Unemployment claims	495,863.36
Transferred to Student Activity Funds	<u>-</u>
Total Deductions	<u>495,863.36</u>
Change in Net Assets	(255,804.02)
Net Assets—beginning	<u>262,766.38</u>
Net Assets—ending	<u>\$ 6,962.36</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

Note I: Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements of the Board of Education (Board) of the Township of Hillsborough Board of Education (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 District is required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the District has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the District has chosen not to do so. The more significant accounting policies established in GAAP and used by the District are discussed below.

In June 1999, the GASB issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. This Statement established new financial reporting requirements for state and local governments throughout the United States. It required new information and restructuring much of the information that governments had presented in the past. The District began implementing these standards for the fiscal year ending June 30, 2003.

Other GASB Statements were also required to be implemented in conjunction with GASB Statements No. 34. Therefore, the District implemented for the fiscal year ending June 30, 2003, Statement No. 37 – Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus, and Statement No. 38 – Certain Financial Statement Note Disclosures.

B. Reporting Entity

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

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

Note I: Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include six elementary, one intermediate, one middle and one senior high school located in Hillsborough, New Jersey. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

C. Basic Financial Statements- Government-Wide Statements

The statement of net assets and the statement of activities display information about the District. These statements include the financial activities of the District, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

D. Basic Financial Statements- Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

Note I: Summary of Significant Accounting Policies (Continued)

D. Basic Financial Statements- Fund Financial Statements (Continued)

The following fund types are used by the District:

Governmental Fund Types

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District:

General Fund – The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the Capital Outlay subfund.

As required by the New Jersey State Department of Education, the District includes budgeted Capital Outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution and, excluding equipment, with County Superintendent approval.

Special Revenue Fund – The Special Fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources are derived from temporary notes or serial bonds that are specially authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on bonds issued to finance major property acquisition, construction and improvement programs.

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

Note I: Summary of Significant Accounting Policies (Continued)

D. Basic Financial Statements- Fund Financial Statements (Continued)

Proprietary Fund Type

The focus of Proprietary Fund measurement is upon determination of net income, changes in net assets, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the Proprietary Funds of the District:

Enterprise Funds – The Enterprise Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the District is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the District has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The District's Enterprise Funds are comprised of the Food Service Fund and Summer Enrichment operations.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Food Service Fund:	
Equipment	12 Years
Light Trucks and Vehicle	4 Years
Heavy Trucks and Vehicle	6 Years

Fiduciary Fund Types

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support District programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

The District's fiduciary funds are presented in the fiduciary fund financial statements by type (Unemployment Compensation, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

Note I: Summary of Significant Accounting Policies (Continued)

E. Measurement Focus and 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 at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include state and federal aid, property taxes, grants entitlements and donations.

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

Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey State Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable".

F. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the county office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments must be approved by School Board resolution. Appropriation of additional fund balance in the amount of \$1,004,872.58, were made during the year ended June 30, 2011. The significant Budget transfers approved in the school year are presented on Exhibit C-1.

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

Note I: Summary of Significant Accounting Policies (Continued)

F. Budgets/Budgetary Control (Continued)

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

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

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

The reconciliation of the general and special revenue funds from the budgetary basis of accounting to the GAAP basis of accounting is presented on Exhibit C-3.

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

Note I: Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities and Fund Equity

1. Deposits and Investments

Deposits are cash and cash equivalents including petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Other than Certificates of Deposit, deposits with maturities of greater than three months are considered to be Investments. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.

2. Short – term Interfund Receivables/Payables

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

3. Inventories

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in–first–out (FIFO) method.

4. Capital Assets

Capital assets purchased or acquired with an original cost of \$2,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on the following assets is provided on the straight – line basis over the following estimated useful lives:

Buildings	20-50 years
Machinery and Equipment	5-10 years
Land Improvements	10-20 years
Other Infrastructure	10-50 years

Land and Construction in Progress are not depreciated.

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

Note I: Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities and Fund Equity (Continued)

4. Capital Assets (Continued)

GASB No. 34 requires the District to report and depreciate new infrastructure assets effective with the beginning of the current year. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period and is first effective for fiscal years ending in 2006.

5. Accrued Salaries and Wages

Certain District employees, who provide services to the District over the ten month academic year, have the option to have their salaries evenly disbursed during the entire twelve month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2011, the amount earned by these employees but not disbursed was \$7,287.30.

6. Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

In governmental and similar trust funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for the compensated absences. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government – wide presentations. (See Note IX)

7. Deferred Revenue

Deferred revenue in the special revenue fund represents cash which has been received but not yet earned. See Note I(F) regarding the special revenue fund.

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

Note I: Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities and Fund Equity (Continued)

8. Long – term Obligations

Long – term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long – term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government – wide presentations.

9. Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

10. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reports, amounts and disclosures. Accordingly, actual results could differ from those estimates

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

Note II: Reconciliation of Government Wide and Fund Financial Statements

Explanation of Differences between Governmental Funds Balance Sheet and the Statement of Net Assets

"Total fund balances" of the District's governmental funds in B-1 differs from "net assets" of governmental activities reported in the statement of net assets in A-1. This difference primarily results from the long - term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

	<u>Balance Sheet/Statement of Net Assets</u>			Statement
<u>Assets</u>	Total Governmental Funds	Long - term Assets Liabilities (1)	Reclassifications and Eliminations	of Net Assets Totals
Cash and cash equivalents	\$ 3,562,312.19	\$ -	\$ -	\$ 3,562,312.19
Receivables, net			1,079,551.98	1,079,551.98
Receivables from Other Governments	987,376.19		(987,376.19)	-
Other Receivables	92,175.79		(92,175.79)	-
Restricted assets:				
Capital Reserve Account - cash	1,000,001.00			1,000,001.00
Capital Assets, net	-	69,723,500.96	-	69,723,500.96
Total Assets	\$ 5,641,865.17	\$ 69,723,500.96	\$ -	\$ 75,365,366.13
 <u>Liabilities</u>				
Accounts Payable	\$ 128,078.48	\$ -	\$ -	\$ 128,078.48
Payable to Federal Government	28,936.29			28,936.29
Payable to State Government	10,863.11			10,863.11
Bond Interest Payable			409,563.33	409,563.33
Deferred Revenue	84,360.61		-	84,360.61
Noncurrent Liabilities	-	28,320,000.00	1,919,445.10	30,239,445.10
Total Liabilities	252,238.49	28,320,000.00	2,329,008.43	30,901,246.92
 <u>Fund Balances/Net Assets</u>				
<u>Net Assets</u>				
Invested in capital assets, net of related debt		41,403,500.96		41,403,500.96
Restricted for:				
Capital projects	1,000,001.00			1,000,001.00
Debt service	10.37		(409,563.33)	(409,552.96)
Other purposes	4,470,851.53			4,470,851.53
Unrestricted	(81,236.22)	-	(1,919,445.10)	(2,000,681.32)
Total Fund Balances/Net Assets	5,389,626.68	41,403,500.96	(2,329,008.43)	44,464,119.21
Total Liabilities and Fund Balances/Net Assets	\$ 5,641,865.17	\$ 69,723,500.96	\$ -	\$ 75,365,366.13

1. When Capital Assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the District as a whole.

Cost of capital assets	\$ 114,005,734.56
Accumulated depreciation	(44,282,233.60)
	<u>\$ 69,723,500.96</u>

Long - term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long - term are reported in the of net assets.

Serial Bonds	\$ 28,320,000.00
Compensated Absences	1,919,445.10
	<u>\$ 30,239,445.10</u>

Adjustment to Debt Service Fund net assets for the accrual of interest expence. \$ (409,563.33)

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH**

**NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010**

Note 11: Reconciliation of Government Wide and Fund Financial Statements (Continued)

Explanation of Differences between Governmental Funds Operating Statement of Activities

The "net change in fund balances" for governmental funds in B-2 differs from the "change in net assets" for governmental activities reported in the statement of activities in A-2. The difference arise primarily for the long - term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Statement of Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities

	Total Governmental Funds	Long - term Revenue, Expenses (2)	Capital Related Items (3)	Long - term Debt Transactions (4)	Reclassifications and Eliminations (5)	Statement of Activities Totals
Revenues and Other Sources						
Local Tax Levy	\$ 80,584,610.00	\$ -	\$ -	\$ -	\$ -	\$ 80,584,610.00
Tuition Charges	104,686.04					104,686.04
Transportation Fees	873.00					873.00
Interest Earned on Investments	51,459.63					51,459.63
Miscellaneous	511,935.50					511,935.50
State Sources	30,449,760.57					30,449,760.57
Federal Sources	2,505,335.20					2,505,335.20
Total	<u>114,208,659.94</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>114,208,659.94</u>
Expenditures						
Current:						
Regular instruction	31,561,800.94		2,053,272.43	(5,098.90)	11,774,449.24	45,384,423.71
Special education	8,978,446.41		333,108.64	6,613.70	2,921,902.82	12,240,071.57
Other instruction	6,403,630.84		78,421.19	(59,036.12)	2,325,157.44	8,748,173.35
Support Services and undistributed costs:						
Tuition	2,104,092.94					2,104,092.94
Student and instruction related services	12,156,152.91		42,896.57		4,727,195.86	16,926,245.34
School administrative services	3,598,327.05		229,698.86	40,329.04	1,323,127.13	5,191,482.08
General and business administrative services	2,665,973.80		54,823.32	56,872.01	449,620.30	3,227,289.43
Plant operations and maintenance	7,457,662.32		24,983.10	51,324.24	1,425,535.33	8,959,504.99
Pupil transportation	6,290,019.04		40,262.42	7,076.68	267,589.48	6,604,947.62
Unallocated Benefits	25,214,577.60				(25,214,577.60)	-
Capital Outlay	1,580,047.02		(1,580,047.02)			-
Debt Service:						
Principal	3,250,000.00			(3,250,000.00)		-
Interest	1,469,118.50	(52,876.67)				1,416,241.83
Total	<u>112,729,849.37</u>	<u>(52,876.67)</u>	<u>1,277,419.51</u>	<u>(3,151,919.35)</u>	<u>-</u>	<u>110,802,472.86</u>
Other Financing Uses/Changes in Net Assets:						
Debt Service Assessment			(89,115.00)			(89,115.00)
Total			<u>(89,115.00)</u>	<u>-</u>	<u>-</u>	<u>(89,115.00)</u>
Net Change for the Year	<u>\$ 1,478,810.57</u>	<u>\$ 52,876.67</u>	<u>\$ (1,366,534.51)</u>	<u>\$ 3,151,919.35</u>	<u>\$ -</u>	<u>\$ 3,317,072.08</u>

2. In the statement of activities, interest on long -term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliations. (+) \$ 52,876.67

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

Depreciation expense	\$ (2,857,466.53)
Capital outlays (exclusive of capital lease principal payments)	<u>1,580,047.02</u>
	<u>\$ (1,277,419.51)</u>

3. In the statement of activities, only the gain on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from a sale increase financial resources. Thus, the change in net assets will differ from the change in fund balance by the cost of the asset removed. (-) \$ -

3. A Debt Service Assessment which is a capital outlay expenditure but not included in capital assets. \$ (89,115.00)

3. Adjustment to Capital Assets in accordance with physical appraisal \$ -

4. In the statement of activities, certain operating expenses, e.g. compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the differences is an addition to the reconciliation (+). \$ (98,080.65)

Payment of long-term liability principal is an expenditure in the government funds, but the payment reduces long - term liabilities in the statement of net assets and is not reported in the statement of activities.

Debt principal	3,250,000.00
Capital lease principal	<u>-</u>
	<u>\$ 3,151,919.35</u>

4. Proceeds from debt issues are a financing source in the governmental funds. They are not revenue in the statement of activities, issuing debt increases long - term liabilities in the statement of net assets.

Proceeds of long - term debt	\$ -
Capital lease proceeds	<u>-</u>
	<u>\$ -</u>

5. Allocate Benefits expenditures

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

Note III: Detailed Disclosure Regarding Assets and Revenues

A. Deposits and Investments

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC), the Savings Association Insurance Fund, or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

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

At June 30, 2011 the Township of Hillsborough Board of Education's cash and cash equivalent's amounted to \$6,369,520.14. Of this amount, \$613,956.94 was covered by federal depository insurance (F.D.I.C.) and \$5,755,563.20 was covered by a collateral pool maintained by the banks as required by GUDPA

At June 30, 2011 the Township of Hillsborough Board of Education had no participation in the State of New Jersey Cash Management Fund.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires the disclosure of bank deposits that are subject to custodial credit risk. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Township of Hillsborough Board of Education will not be able to recover deposits or will not be able to recover collateral securities that may be in the possession of an outside party.

As of June 30, 2011, none of the Township of Hillsborough Board of Education's cash and cash equivalents of \$6,369,520.14 was exposed to custodial credit risk.

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

Note III: Detailed Disclosure Regarding Assets and Revenues (Continued)

A. Deposits and Investments (Continued)

Investments

New Jersey statutes (N.J.S.A. 18A:20-37) permit the Township of Hillsborough Board of Education to purchase the following types of securities:

a. When authorized by resolution adopted by a majority vote of all its members the board of education of any school district may use moneys which may be in hand for the purchase of the following types of securities which, if suitable for registry, may be registered in the name of the school district;

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the school district or bonds or other obligations of local unit or units within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by school district;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4) or
- (8) Agreements for the repurchase of fully collateralized securities, if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41) and for which a master repurchase agreement providing for the custody and security of collateral is executed.

The Township of Hillsborough Board of Education had no investments as described in Note I:G.1 at June 30, 2011.

B. Interfund Receivables and Payables

As of June 30, 2011, there were no interfund receivables and payables resulting from various interfund transactions.

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

Note III: Detailed Disclosure Regarding Assets and Revenues (Continued)

C. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Governmental activities:				
Land Improvements	\$ 3,547,150.72	\$ -	\$ -	\$ 3,547,150.72
Buildings and Improvements	104,824,314.42	1,126,920.62		105,951,235.04
Machinery and Equipment	4,143,337.40	364,011.40	-	4,507,348.80
Totals at historical cost	<u>112,514,802.54</u>	<u>1,490,932.02</u>	<u>-</u>	<u>114,005,734.56</u>
Less accumulated depreciation for:				
Land Improvements	(1,719,949.59)	(177,891.75)		(1,897,841.34)
Buildings and Improvements	(36,991,914.20)	(2,176,378.54)		(39,168,292.74)
Machinery and Equipment	(2,712,903.28)	(503,196.24)		(3,216,099.52)
Total accumulated depreciation	<u>(41,424,767.07)</u>	<u>(2,857,466.53)</u> (1)	-	<u>(44,282,233.60)</u>
Net capital assets being depreciated	<u>71,090,035.47</u>	<u>(1,366,534.51)</u>	<u>-</u>	<u>69,723,500.96</u>
Governmental activities capital assets, net	<u>\$ 71,090,035.47</u>	<u>\$ (1,366,534.51)</u>	<u>\$ -</u>	<u>\$ 69,723,500.96</u>
Business - type activities:				
Equipment	\$ 264,150.21	\$ 6,844.13	\$ -	\$ 270,994.34
Less accumulated depreciation	<u>(227,823.30)</u>	<u>(5,819.02)</u>	<u>-</u>	<u>(233,642.32)</u>
Business - type activities capital assets, net	<u>\$ 36,326.91</u>	<u>\$ 1,025.11</u>	<u>\$ -</u>	<u>\$ 37,352.02</u>

(1) Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 2,053,272.43
Special Education	333,108.64
Other Instruction	78,421.19
Student and Instruction Related Services	42,896.57
School Administrative Services	229,698.86
General and Business Administrative Services	54,823.32
Plant Operations and Maintenance	24,983.10
Pupil Transportation	<u>40,262.42</u>
	<u>\$ 2,857,466.53</u>

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

Note IV: Detailed Disclosures Regarding Liabilities and Expenses/Expenditures

A. Operating Leases

The District has commitments to lease copying equipment under operating leases which expire in 2015.

Total operating lease payments made during the year ended June 30, 2011 were \$262,355.36. Future minimum lease payments are as follows:

<u>Year Ended</u>	<u>Amount</u>
June 30, 2012	\$ 195,449.44
June 30, 2013	31,226.04
June 30, 2014	21,526.20
June 30, 2015	<u>13,654.20</u>
Total future minimum lease payments	<u>\$ 261,855.88</u>

B. Long - Term Liabilities

Long - Term liability activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Issued or Accrued</u>	<u>Paid</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Long - Term debt:					
Serial Bonds	\$ 31,570,000.00	\$ -	\$ (3,250,000.00)	\$ 28,320,000.00	\$ 3,275,000.00
Total debt payable	<u>31,570,000.00</u>	<u>-</u>	<u>(3,250,000.00)</u> (1)	<u>28,320,000.00</u>	<u>3,275,000.00</u>
Other liabilities:					
Compensated absences	1,821,364.45	351,429.89	(253,349.24)	1,919,445.10	202,629.57
Total other liabilities	<u>1,821,364.45</u>	<u>351,429.89</u>	<u>(253,349.24)</u> (2)	<u>1,919,445.10</u>	<u>202,629.57</u>
Governmental activities long - term liabilities	<u>\$ 33,391,364.45</u>	<u>\$ 351,429.89</u>	<u>\$ (3,503,349.24)</u>	<u>\$ 30,239,445.10</u>	<u>\$ 3,477,629.57</u>

(1) Paid by debt service fund

(2) Paid by general fund

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

Note IV: Detailed Disclosure Regarding Liabilities and Expenses/Expenditures (Continued)

B. Long – Term Liabilities (Continued)

1. Bonds Payable

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

Serial Bonds outstanding as of June 30, 2011 consisted of the following:

<u>Description</u>	<u>Interest Rate</u>	<u>Due Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
School of 1992	5.875%	8/1	2012	\$13,400,000.00	\$ 1,640,000.00
Refunding of 2001	5.0- 5.35%	10/1	2021	25,300,000.00	18,970,000.00
Refunding of 2007	3.87%	9/27	2021	<u>9,095,000.00</u>	<u>7,710,000.00</u>
				<u>\$60,695,000.00</u>	<u>\$28,320,000.00</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30,			
2012	\$ 3,275,000.00	\$ 1,313,720.75	\$ 4,588,720.75
2013	3,285,000.00	1,166,293.25	4,451,293.25
2014	2,485,000.00	1,030,861.00	3,515,861.00
2015	2,515,000.00	926,805.05	3,441,805.50
2016	2,520,000.00	783,589.00	3,303,589.00
2017	2,515,000.00	660,179.00	3,175,179.00
2018	2,510,000.00	536,862.50	3,046,862.50
2019	2,505,000.00	368,957.25	2,873,957.25
2020	2,500,000.00	291,310.00	2,791,310.00
2021	2,490,000.00	168,474.00	2,658,474.00
2022	<u>1,720,000.00</u>	<u>46,225.00</u>	<u>1,766,225.00</u>
	<u>\$28,320,000.00</u>	<u>\$7,293,277.25</u>	<u>\$35,613,227.25</u>

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

Note IV: Detailed Disclosure Regarding Liabilities and Expenses/Expenditures (Continued)

B. Long – Term Liabilities (Continued)

2. Temporary Notes

There were no temporary notes outstanding as of June 30, 2011.

3. Bonds Authorized But Not Issued

As of June 30, 2011 the Board had no authorized but not issued bonds.

4. Capital Leases Payable

There were no capital leases payables outstanding as of June 30, 2011.

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

Note V: Detailed Disclosure Regarding Fund Equity

A. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended by P.L.2004, C.73 (S1701), the designation for Reserved Fund Balance—Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2011 is \$4,470,851.53. The reserved fund balance of \$2,340,449.06 has been appropriated in the fiscal year 2011-2012 and \$2,130,402.53 will be appropriated in the fiscal year 2012-2013.

B. Capital Reserve Account

A capital reserve account was established by the Township of Hillsborough School District Board of Education by inclusion of \$1.00 on October 16, 2000 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23-2.13, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The June 30, 2011 LRFP balance of local support costs of uncompleted capital projects at June 30, 2011 is \$7,259,592.00.

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

Note VI: Pension Plans

Description of Systems

Substantially all of the Board's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the New Jersey Division of Pensions and Benefits. The Teachers' Pension and Annuity Fund retirement system is considered a cost sharing plan with special funding situations as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other related non-contributing employers. The PERS is considered a cost sharing multiple-employer defined benefit plan.

The Public Employees' Retirement System (PERS) was established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits and 25 years for post – retirement health care coverage.

The Teachers' Pension and Annuity Fund (TPAF) was established in January 1955, under the provisions of N.J.S.A. 18:66 to provide coverage including post-retirement health care to substantially all full time public school employees in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post – retirement health care coverage.

According to the state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement systems terminate. The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits issues a publicly available financial report that includes the financial statements and required supplementary information of each of the above systems. The financial reports may be accessed via the New Jersey Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

Retirement Benefits

For PERS and TPAF employees, the benefits will be 1/55 of the average of the three highest years compensation for each year of service. However, for PERS and TPAF who are veterans of the U.S. armed forces, the benefits will be 1/55 of final compensation for each year of service.

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

Note VI: Pension Plans (Continued)

Significant Legislation

P.L. 2010, c.1, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, special retirement under the PFRS, and employer contributions to the retirement systems.

This new legislation changed the membership eligibility criteria for new members of TPAF and PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of TPAF and PERS to 1/60 from 1/55, and it provided that new members of TPAF and PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of TPAF and PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. For new members of the PFRS, the law capped the maximum compensation that can be used to calculate a pension from these plans at the annual wage contribution base for Social Security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary. This law also closed the prosecutor's part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time five years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined as 1/7th of the required amount, beginning in Fiscal Year 2012.

P.L. 2010, c.3, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the TPAF and PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Funding Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the aggregate funded ratio for the retirement systems (TPAF, PERS, PFRS, POPF, CPFPPF, JRS, and SPRS) is 66.0 percent with an unfunded actuarial accrued liability of \$45.8 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 62.0 percent and \$30.7 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 72.1 percent and \$15.1 billion.

The required supplementary information regarding the funded status and funding progress of the retirement systems is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared o past expectations and new estimates are made about the probability of future events.

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

Note VI: Pension Plans (Continued)

Contribution Requirements

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. The pension funds provide for employee contributions based on 5.5 percent for TPAF and 5.5 percent for PERS of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in all Funds. The actuarially determined employer contribution includes funding for cost-of living adjustments and noncontributory death benefits in the TPAF and PERS. In the PERS and TPAF, the employer contribution includes funding for post-retirement medical premiums.

During the State fiscal year ended June 30, 2010, for TPAF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, annual pension cost equals contributions made.

Contributions – Actual

The District's total payroll for the year ended June 30, 2011 was \$64,731,963.31 and covered payroll was \$51,208,323.00 for TPAF and \$8,578,804.00 for PERS. Contributions to the TPAF and the PERS for the years ended June 30, 2009, 2010 and 2011 made by the employees, the Board, and the State of New Jersey on behalf of the Board were as follows:

		TPAF	Percent of Covered Payroll	PERS	Percent of Covered Payroll
Employees	6/30/09	2,809,712.74	5.57%	520,187.73	5.65%
	6/30/10	2,895,596.06	5.54%	512,346.02	5.57%
	6/30/11	2,832,751.71	5.53%	474,626.08	5.53%
Board of Education	6/30/09	N/A	N/A	734,310.00	7.98
	6/30/10	N/A	N/A	526,238.00	5.73%
	6/30/11	N/A	N/A	1,082,614.00	12.62%
State of New Jersey	6/30/09	3,220,654.00	6.38%	N/A	N/A
	6/30/10	3,408,795.00	6.52%	N/A	N/A
	6/30/11	3,565,417.00	6.96%	N/A	N/A

In accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$3,873,337.98 during the year ended June 30, 2011 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount and the State of New Jersey's Contribution to the TPAF have been included in the basic financial statements and the budgetary comparison schedule – General Fund as a revenue and expenditure in accordance with GASB 24.

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

Note VII: Post-Retirement Medical Benefits

P.L. 1987, c.384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund and the Public Employees' Retirement System, respectively, to fund post-retirement medical benefits for those employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2010, there were 87,288 retirees receiving post-retirement medical benefits and the state contributed \$883.8 million on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c.126 which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in Fiscal Year 2010.

Note VIII: Risk Management

New Jersey Unemployment Compensation Insurance – The District has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method”. Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State.

The following table is a summary of district contributions, employee contributions, reimbursements to the state for benefits paid and the ending balance of the district's trust fund for the current and previous two years:

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2010-2011	\$ 34,500.00	\$204,904.57	\$495,863.36	\$ 6,962.36
2009-2010	-0-	361,569.05	271,232.61	262,766.38
2008-2009	-0-	Not Available	Not Available	170,724.67

The Township of Hillsborough 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 District is a member of the New Jersey School Board Association Insurance Group (the “Group”).

The Group is both an insured and self-administered group of school districts established for the purpose of providing certain low-cost workers' compensation coverage for member school districts in order to keep local property taxes at a minimum. The District pays an annual assessment to the Group and should it be determined that payments received by the Group are deficient, additional assessments may be levied. Additionally, the Group maintains a contract of excess insurance with a commercial reinsurer to secure the payment of benefits.

The Township of Hillsborough School District continues to carry commercial insurance coverage for all other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

Note IX: Compensated Absences

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

District employees are granted vacation and sick leave in varying amounts under the District's personnel policies. In the event of termination, an employee is reimbursed for accumulated vacation. Sick leave benefits provide for ordinary sick pay upon retirement at the rate of one days pay for every five sick days and begin vesting with the employee and limited by certain maximums as follows:

	<u>Vesting</u> <u>Number of</u> <u>Years of Service</u>	<u>Maximum</u>
Administrators	20	\$13,500
Supervisors	20	13,500
Teachers	20	13,500
Office Staff	15	10,000
Library Staff	15	10,000
Custodial and Maintenance	15	10,000
Transportation	15	10,000
Mechanics	15	10,000

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

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2011, no liability existed for compensated absences in the Food Service Fund.

Note X: Contingent Liabilities

The Township of Hillsborough Board of Education is a defendant in several lawsuits, none of which is unusual for a Board of Education of its size. Additional liabilities, if not covered by insurance, should not be material in amount.

**REQUIRED SUPPLEMENTARY INFORMATION -
PART II**

Section C
BUDGETARY COMPARISON SCHEDULES

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2011**

Exhibit C-1

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 76,679,359.00	\$ -	\$ 76,679,359.00	\$ 76,679,359.00	\$ -
Tuition	66,666.00	-	66,666.00	104,686.04	38,020.04
Transportation Fees	-	-	-	873.00	873.00
Interest Earned on Investments	-	-	-	51,459.63	51,459.63
Miscellaneous	302,063.00	-	302,063.00	469,519.76	167,456.76
Total - Local Sources	<u>77,048,088.00</u>	<u>-</u>	<u>77,048,088.00</u>	<u>77,305,897.43</u>	<u>257,809.43</u>
State Sources:					
Equalization Aid	18,932,940.00	(2,017,361.00)	16,915,579.00	16,915,579.00	-
Categorical Special Education Aid	2,251,603.00	2,017,361.00	4,268,964.00	4,268,964.00	-
Extraordinary Aid	422,319.00	-	422,319.00	415,046.00	(7,273.00)
Non-Public Transportation Aid	-	-	-	44,644.54	44,644.54
TPAF Pension (On-Behalf - Non-Budgeted)	-	-	-	3,565,417.00	3,565,417.00
TPAF Social Security (Reimbursed - Non-Budgeted)	-	-	-	3,873,337.98	3,873,337.98
Total State Sources	<u>21,606,862.00</u>	<u>-</u>	<u>21,606,862.00</u>	<u>29,082,988.52</u>	<u>7,476,126.52</u>
Federal Sources:					
Medicaid Reimbursement	31,883.00	-	31,883.00	36,437.30	4,554.30
Total - Federal Sources	<u>31,883.00</u>	<u>-</u>	<u>31,883.00</u>	<u>36,437.30</u>	<u>4,554.30</u>
Total Revenues	<u>98,686,833.00</u>	<u>-</u>	<u>98,686,833.00</u>	<u>106,425,323.25</u>	<u>7,738,490.25</u>
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Preschool/Kindergarten - Salaries of Teachers	110-100-101 665,502.00	33,523.00	699,025.00	674,203.88	24,821.12
Grades 1-5 - Salaries of Teachers	120-100-101 12,749,524.00	513,433.40	13,262,957.40	13,203,768.57	59,188.83
Grades 6-8 - Salaries of Teachers	130-100-101 6,725,286.00	(331,790.72)	6,393,475.28	6,377,168.77	16,306.51
Grades 9-12 - Salaries of Teachers	140-100-101 10,118,845.00	85,638.27	10,204,483.27	10,151,768.36	52,714.91
Regular Programs - Home Instruction:					
Salaries of Teachers	150-100-101 58,137.00	12,737.00	70,874.00	70,873.53	0.47
Purchased Professional-Educational Services	150-100-320 54,671.00	20,000.00	74,671.00	71,524.56	3,146.44
Regular Programs - Undistributed Instruction					
General Supplies	190-100-610 754,011.00	4,951.19	758,962.19	708,204.19	50,758.00
Textbooks	190-100-640 124,224.00	(8,343.80)	115,880.20	80,882.17	34,998.03
TOTAL REGULAR PROGRAMS - INSTRUCTION	<u>31,250,180.00</u>	<u>330,148.34</u>	<u>31,580,328.34</u>	<u>31,338,394.03</u>	<u>241,934.31</u>
SPECIAL EDUCATION - INSTRUCTION					
Learning and/or Language Disabilities:					
Salaries of Teachers	204-100-101 1,615,778.00	(573,194.00)	1,042,584.00	1,009,932.46	32,651.54
Other Salaries for Instruction	204-100-106 262,102.00	-	262,102.00	258,481.08	3,620.92
General Supplies	204-100-610 18,500.00	-	18,500.00	13,314.32	5,185.68
Textbooks	204-100-640 4,500.00	-	4,500.00	1,594.82	2,905.18
Total Learning and/or Language Disabilities	<u>1,900,880.00</u>	<u>(573,194.00)</u>	<u>1,327,686.00</u>	<u>1,283,322.68</u>	<u>44,363.32</u>
Behavioral Disabilities:					
Salaries of Teachers	209-100-101 77,120.00	-	77,120.00	75,376.74	1,743.26
Total Behavioral Disabilities	<u>77,120.00</u>	<u>-</u>	<u>77,120.00</u>	<u>75,376.74</u>	<u>1,743.26</u>
Resource Room/Resource Center:					
Salaries of Teachers	213-100-101 5,573,226.00	137,324.00	5,710,550.00	5,674,553.93	35,996.07
General Supplies	213-100-610 38,600.00	-	38,600.00	33,137.75	5,462.25
Textbooks	213-100-640 8,400.00	-	8,400.00	3,993.54	4,406.46
Total Resource Room/Resource Center	<u>5,620,226.00</u>	<u>137,324.00</u>	<u>5,757,550.00</u>	<u>5,711,685.22</u>	<u>45,864.78</u>
Autism:					
Salaries of Teachers	214-100-101 404,982.00	(188,567.00)	216,415.00	213,747.13	2,667.87
Other Salaries for Instruction	214-100-106 90,303.00	(75,885.00)	14,418.00	14,417.74	0.26
General Supplies	214-100-610 7,000.00	-	7,000.00	5,666.67	1,333.33
Total Autism	<u>502,285.00</u>	<u>(264,452.00)</u>	<u>237,833.00</u>	<u>233,831.54</u>	<u>4,001.46</u>
Preschool Disabilities - Part-Time:					
Salaries of Teachers	215-100-101 213,888.00	(14,261.00)	199,627.00	199,626.92	0.08
Other Salaries for Instruction	215-100-106 87,339.00	21,242.00	108,581.00	108,580.07	0.93
General Supplies	215-100-610 4,000.00	-	4,000.00	3,387.28	612.72
Total Preschool Disabilities - Part-Time	<u>305,227.00</u>	<u>6,981.00</u>	<u>312,208.00</u>	<u>311,594.27</u>	<u>613.73</u>
TOTAL SPECIAL EDUCATION - INSTRUCTION	<u>8,405,738.00</u>	<u>(693,341.00)</u>	<u>7,712,397.00</u>	<u>7,615,810.45</u>	<u>96,586.55</u>
Basic Skills/Remedial - Instruction					
Salaries of Teachers	230-100-101 1,024,111.00	(542,799.00)	481,312.00	481,310.37	1.63
Total Basic Skills/Remedial - Instruction	<u>1,024,111.00</u>	<u>(542,799.00)</u>	<u>481,312.00</u>	<u>481,310.37</u>	<u>1.63</u>
Bilingual Education - Instruction					
Salaries of Teachers	240-100-101 645,479.00	(14,334.13)	631,144.87	631,144.26	0.61
General Supplies	240-100-610 7,805.00	(642.87)	6,962.13	6,873.94	88.19
Textbooks	240-100-640 10,300.00	-	10,300.00	10,152.56	147.44
Total Bilingual Education - Instruction	<u>663,584.00</u>	<u>(15,177.00)</u>	<u>648,407.00</u>	<u>648,170.76</u>	<u>236.24</u>
School-Spon. Cocurricular Actvts. - Inst.					
Salaries	401-100-100 190,092.00	43,250.00	233,342.00	231,418.31	1,923.69
Supplies and Materials	401-100-600 9,143.00	-	9,143.00	8,064.91	1,078.09
Total School-Spon. Cocurricular Actvts. - Inst.	<u>199,235.00</u>	<u>43,250.00</u>	<u>242,485.00</u>	<u>239,483.22</u>	<u>3,001.78</u>

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2011**

Exhibit C-1

		Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Other Instructional Programs - Instruction						
Salaries	402-100-100	\$ 643,304.00	\$ 130,000.00	\$ 773,304.00	\$ 706,413.82	\$ 66,890.18
Purchased Services (300-500 series)	402-100-500	100,014.00	-	100,014.00	99,760.00	254.00
Supplies and Materials	402-100-600	251,669.00	(11,134.00)	240,535.00	237,585.12	2,949.88
Total Other Instructional Programs - Instruction		<u>994,987.00</u>	<u>116,866.00</u>	<u>1,113,853.00</u>	<u>1,043,756.94</u>	<u>70,094.06</u>
Summer School - Instruction						
Salaries of Teachers	422-100-101	166,006.00	70,905.97	236,911.97	236,910.98	0.99
Other Salaries of Instruction	422-100-106	270,989.00	(28,810.19)	242,178.81	242,177.75	1.06
Salaries of Teacher Tutors	422-100-178	36,889.00	(25,430.78)	11,458.22	11,458.22	-
General Supplies	422-100-610	7,388.00	-	7,388.00	6,999.31	6,886.69
Total Summer School - Instruction		<u>481,272.00</u>	<u>16,665.00</u>	<u>497,937.00</u>	<u>491,246.26</u>	<u>6,690.74</u>
Other Supplemental/At-Risk Programs - Instruction						
Salaries of Teachers	424-100-101	3,558,911.00	(493,355.00)	3,065,556.00	2,991,739.63	73,816.37
Salaries of Reading Specialists	424-100-179	608,707.00	(96,963.00)	511,744.00	507,921.66	3,822.34
General Supplies	424-100-610	14,750.00	-	14,750.00	-	14,750.00
Total Other Supplemental/At-Risk Programs - Instruction		<u>4,182,368.00</u>	<u>(590,318.00)</u>	<u>3,592,050.00</u>	<u>3,499,661.29</u>	<u>92,388.71</u>
Total Instruction		<u>47,201,475.00</u>	<u>(1,332,705.66)</u>	<u>45,868,769.34</u>	<u>45,357,835.32</u>	<u>510,934.02</u>
Undistributed Expenditures - Instruction:						
Tuition to Other LEAs Within the State - Regular	000-100-561		28,420.00	28,420.00	26,954.17	1,465.83
Tuition to Other LEAs Within the State - Special	000-100-562	193,794.00		89,316.00	263,110.00	244,488.02
Tuition to County Voc. School Dist. - Regular	000-100-563	40,000.00		52,200.00	92,200.00	92,200.00
Tuition to County Voc. School Dist. - Special	000-100-564	55,320.00		-	55,320.00	49,500.00
Tuition to CSSD & Regional Day Schools	000-100-565	245,570.00		114,500.00	360,070.00	359,979.00
Tuition to Private Schools for the Disabled - Within State	000-100-566	2,325,607.00	(685,090.00)	1,640,517.00	1,278,971.75	363,545.25
Tuition to Priv. Sch. Disabled & Other LEAs-Spl. O/S	000-100-567	29,634.00	24,366.00	54,000.00	54,000.00	-
Tuition - State Facilities	000-100-568	79,506.00		79,506.00	-	79,506.00
Tuition - Other	000-100-569	10,500.00		10,500.00	-	10,500.00
Total Undistributed Expenditures - Instruction:		<u>2,979,931.00</u>	<u>(376,288.00)</u>	<u>2,603,643.00</u>	<u>2,104,092.94</u>	<u>499,550.06</u>
Undistributed Expend. - Attend. & Social Work						
Salaries	000-211-100	147,351.00	(112,381.40)	34,969.60	34,644.14	325.46
Total Undistributed Expend. - Attend. & Social Work		<u>147,351.00</u>	<u>(112,381.40)</u>	<u>34,969.60</u>	<u>34,644.14</u>	<u>325.46</u>
Undist. Expend. - Health Services						
Salaries	000-213-100	1,045,254.00	(9,240.12)	1,036,013.88	1,023,053.65	12,960.03
Purchased Professional and Technical Services	000-213-300	150,534.00		150,534.00	40,602.91	109,931.09
Other Purchased Services (400-500 series)	000-213-500	15,623.00		15,823.00	9,393.71	6,229.29
Supplies and Materials	000-213-600	25,125.00		25,125.00	16,848.00	8,277.00
Total Undistributed Expenditures - Health Services		<u>1,236,536.00</u>	<u>(9,240.12)</u>	<u>1,227,295.88</u>	<u>1,089,896.47</u>	<u>137,397.41</u>
Undist. Expend. - Speech,OT,PT & Related Services						
Salaries of Other Professional Staff	000-216-100	1,191,041.00	63,371.00	1,254,412.00	1,254,406.40	3.60
Purchased Professional - Educational Services	000-216-320	103,358.00	24,000.00	127,358.00	126,893.64	464.36
Supplies and Materials	000-216-600	10,215.00	(27.00)	10,188.00	6,660.21	1,527.79
Total Undist. Expend. - Speech,OT,PT & Related Services		<u>1,304,614.00</u>	<u>87,344.00</u>	<u>1,391,958.00</u>	<u>1,389,962.25</u>	<u>1,995.75</u>
Undist. Expend. - Other Supp. Serv. Students - Extra Serv.						
Salaries of Other Professional Staff	000-217-100	2,074,988.00	292,322.59	2,367,310.59	2,363,951.42	3,359.17
Purchased Professional - Educational Services	000-217-320	45,332.00		45,332.00	43,599.73	1,732.27
Supplies and Materials	000-217-600	20,381.00		20,381.00	20,115.51	265.49
Total Undist. Expend. - Other Supp. Serv. Students - Extra Serv.		<u>2,140,701.00</u>	<u>292,322.59</u>	<u>2,433,023.59</u>	<u>2,427,666.66</u>	<u>5,356.93</u>
Undist. Expend. - Guidance						
Salaries of Other Professional Staff	000-218-104	1,759,685.00	2,756.00	1,762,641.00	1,723,716.36	36,924.64
Salaries of Secretarial and Clerical Assistants	000-218-105	224,611.00	(178,240.00)	46,371.00	46,150.63	220.37
Supplies and Materials	000-218-600	18,250.00	(710.53)	17,539.47	14,860.52	2,678.95
Total Undist. Expend. - Guidance		<u>2,002,746.00</u>	<u>(178,194.53)</u>	<u>1,828,551.47</u>	<u>1,784,727.51</u>	<u>41,823.96</u>
Undist. Expend. - Child Study Team						
Salaries of Other Professional Staff	000-219-104	1,326,984.00	539,318.38	1,866,302.38	1,865,276.14	1,026.24
Salaries of Secretarial and Clerical Assistants	000-219-105	157,830.00	(141,549.15)	16,280.85	16,280.65	-
Other Purchased Prof. and Tech. Services	000-219-390	30,000.00		30,000.00	15,729.40	14,270.60
Supplies and Materials	000-219-600	25,000.00	10.00	25,010.00	24,232.42	777.58
Total Undist. Expend. - Child Study Team		<u>1,539,814.00</u>	<u>397,779.23</u>	<u>1,937,593.23</u>	<u>1,921,516.81</u>	<u>16,074.42</u>
Undist. Expend. - Improvement of Inst. Serv.						
Salaries of Supervisor of Instruction	000-221-102	720,679.00	(78,696.74)	641,982.26	641,978.19	4.07
Salaries of Other Professional Staff	000-221-104	80,243.00	0.60	80,243.60	24,179.95	36,063.65
Salaries of Sec. and Clerical Assist.	000-221-105	127,378.00	8,467.14	135,845.14	135,844.16	0.98
Purchased Prof. Educational Services	000-221-320	61,024.00		61,024.00	24,770.77	36,253.23
Supplies and Materials	000-221-600	1,148,246.00	(32,342.83)	1,115,903.17	1,074,781.53	41,121.64
Total Undist. Expend. - Improvement of Inst. Serv.		<u>2,117,570.00</u>	<u>(102,571.83)</u>	<u>2,014,998.17</u>	<u>1,901,554.60</u>	<u>113,443.57</u>
Undist. Expend. - Edu. Media Serv./Sch. Library						
Salaries	000-222-100	962,516.00	(77,528.72)	884,987.28	865,003.83	19,983.45
Supplies and Materials	000-222-600	144,613.00	(20,214.07)	124,398.93	123,314.07	1,084.86
Total Undist. Expend. - Edu. Media Serv./Sch. Library		<u>1,107,129.00</u>	<u>(97,742.79)</u>	<u>1,009,386.21</u>	<u>988,317.90</u>	<u>21,068.31</u>
Undist. Expend. - Instructional Staff Training Serv.						
Purchased Professional - Educational Service	000-223-320	16,150.00		16,150.00	-	16,150.00
Other Purchased Services (400-500 series)	000-223-500	137,457.00	(65,000.00)	72,457.00	7,744.41	64,712.59
Total Undist. Expend. - Instructional Staff Training Serv.		<u>153,607.00</u>	<u>(65,000.00)</u>	<u>88,607.00</u>	<u>7,744.41</u>	<u>80,862.59</u>
Undist. Expend. - Supp. Serv. - General Admin.						
Salaries	000-230-100	544,994.00		544,994.00	429,324.62	115,669.38
Legal Services	000-230-331	169,724.00	(17,950.00)	151,774.00	99,470.67	52,303.33
Audit Fees	000-230-332	30,742.00		30,742.00	27,300.00	3,442.00
Other Purchased Professional Services	000-230-339	21,500.00	5,950.00	27,450.00	25,331.36	2,118.64
Purchased Technical Services	000-230-340	24,000.00		1,000.00	25,000.00	24,116.43
Communications/Telephone	000-230-530	167,032.00	15,150.00	182,182.00	161,230.30	20,951.70
Other Purchased Services (400-500 series)	000-230-590	270,291.00		270,291.00	263,484.00	6,807.00
Supplies and Materials	000-230-600	28,108.00	(2,700.00)	25,408.00	17,227.75	8,180.25
Miscellaneous Expenditures	000-230-890	38,348.00	(120.00)	38,228.00	31,467.00	6,761.00
BOE Membership Fees	000-230-895	30,949.00		30,949.00	26,662.70	4,286.30
Total Undist. Expend. - Supp. Serv. - General Admin.		<u>1,325,889.00</u>	<u>1,330.00</u>	<u>1,327,019.00</u>	<u>1,105,616.83</u>	<u>221,402.17</u>
Undist. Expend. - Support Serv. - School Admin.						
Salaries of Principals/Assistant Principals	000-240-103	2,229,472.00	(147,070.00)	2,082,402.00	1,860,161.33	222,240.67
Salaries of Other Professional Staff	000-240-104	422,635.00		422,635.00	574,372.58	7,837.42
Salaries of Secretarial and Clerical Assistants	000-240-105	738,859.00	303,108.47	1,041,967.47	1,002,800.12	39,167.35
Supplies and Materials	000-240-600	192,507.00	(6,256.93)	186,250.07	160,993.02	25,257.05
Total Undist. Expend. - Support Serv. - School Admin.		<u>3,583,473.00</u>	<u>309,356.54</u>	<u>3,892,829.54</u>	<u>3,598,327.05</u>	<u>294,502.49</u>

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2011**

Exhibit C-1

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Central School Admin.					
Salaries	000-251-100 \$ 847,673.00	\$ 7,645.00	\$ 855,318.00	\$ 855,119.34	\$ 198.66
Purchased Professional Services	000-251-330 10,000.00	-	10,000.00	3,397.93	6,602.07
Purchased Technical Services	000-251-340 61,092.00	(15,355.39)	45,736.61	45,736.61	-
Other Purchased Services (400-500 series)	000-251-592 286,881.00	5,355.39	292,236.39	272,098.39	20,138.00
Supplies and Materials	000-251-600 19,121.00	-	19,121.00	15,850.71	3,270.29
Total Undist. Expend. - Central School Admin.	<u>1,224,767.00</u>	<u>(2,355.00)</u>	<u>1,222,412.00</u>	<u>1,146,466.37</u>	<u>75,945.63</u>
Undist. Expend. - Technology Admin.					
Salaries	000-252-100 325,721.00	-	325,721.00	312,943.15	12,777.85
Purchased Technical Services	000-252-340 126,620.00	-	126,620.00	100,947.45	25,672.55
	<u>452,341.00</u>	<u>-</u>	<u>452,341.00</u>	<u>413,890.60</u>	<u>38,450.40</u>
Undist. Expend. - Required Maint. for School Facilities					
Salaries	000-261-100 73,125.00	(24,780.00)	48,345.00	48,194.07	150.93
Cleaning, Repair and Maintenance Services	000-261-420 253,580.00	24,563.00	278,143.00	276,824.78	1,318.22
General Supplies	000-261-610 138,750.00	-	138,750.00	135,762.94	2,987.06
Total Undist. Expend. - Required Maint. for School Facilities	<u>465,455.00</u>	<u>(217.00)</u>	<u>465,238.00</u>	<u>460,781.79</u>	<u>4,456.21</u>
Undist. Expend. - Custodial Services					
Salaries	000-262-100 3,140,321.00	80,667.00	3,220,988.00	2,965,074.92	255,913.08
Salaries of Non-Instructional Aides	000-262-107 404,192.00	24,324.00	428,516.00	426,471.01	2,044.99
Purchased Professional and Technical Services	000-262-300 506,401.00	74,467.00	580,868.00	573,134.32	7,733.68
Cleaning, Repair and Maintenance Services	000-262-420 150,230.00	-	150,230.00	122,053.86	28,176.34
Other Purchased Property Services	000-262-490 299,058.00	8,173.00	307,229.00	288,414.23	18,814.77
Insurance	000-262-520 155,388.00	-	155,388.00	116,893.00	38,495.00
General Supplies	000-262-610 266,805.00	(86,320.00)	180,285.00	175,849.82	4,435.18
Energy (Natural Gas)	000-262-621 506,808.00	(54,245.00)	452,563.00	335,841.06	116,721.94
Energy (Electricity)	000-262-622 1,669,096.00	11,000.00	1,680,096.00	1,583,738.11	96,357.89
Total Undist. Expend. - Custodial Services	<u>7,098,097.00</u>	<u>58,066.00</u>	<u>7,156,163.00</u>	<u>6,587,470.13</u>	<u>568,692.87</u>
Undist. Expend. - Care and Upkeep of Grounds					
Salaries	000-263-100 271,182.00	(6,543.00)	264,639.00	263,638.91	1,000.09
Cleaning, Repair and Maintenance Services	000-263-420 69,975.00	-	69,975.00	67,609.85	2,365.15
General Supplies	000-263-610 65,625.00	-	65,625.00	63,303.81	2,321.19
Total Undist. Expend. - Care and Upkeep of Grounds	<u>406,782.00</u>	<u>(6,543.00)</u>	<u>400,239.00</u>	<u>394,552.57</u>	<u>5,686.43</u>
Undist. Expend. - Security					
General Supplies	000-266-610 13,000.00	2,262.00	15,262.00	14,857.83	404.17
Total Undist. Expend. - Security	<u>13,000.00</u>	<u>2,262.00</u>	<u>15,262.00</u>	<u>14,857.83</u>	<u>404.17</u>
Undist. Expend. - Student Transportation Serv.					
Salaries of Non-Instructional Aides	000-270-107 151,182.00	(45,210.00)	105,972.00	87,572.80	18,399.20
Salaries for Pupil Trans. (Between Home & School) - Regular	000-270-160 233,375.00	(77,890.56)	155,884.44	155,483.32	201.12
Salaries for Pupil Trans. (Between Home & School) - Special	000-270-181 305,632.00	145,678.41	451,310.41	449,707.81	1,602.80
Salaries for Pupil Trans. (Between Home & School) - NonPublic	000-270-163 9,966.00	(7,096.85)	2,869.15	2,403.15	466.00
Other Purchased Professional and Technical Services	000-270-390 4,784.00	-	4,784.00	4,610.00	174.00
Cleaning, Repair and Maintenance Services	000-270-420 2,600.00	-	2,600.00	2,097.49	502.51
Contracted Services - Aid in Lieu of Payments-NonPublic Students	000-270-503 202,435.00	(30,000.00)	172,435.00	143,233.41	29,201.59
Contracted Services (Between Home and School) - Vendors	000-270-511 3,810,065.00	4,837.97	3,814,902.97	3,512,855.13	302,047.84
Contracted Services (Other than Between Home and School) - Vendors	000-270-512 345,369.00	-	345,369.00	319,837.87	25,531.13
Contracted Services (Between Home and School) - Joint Agreements	000-270-513 5,575.00	-	5,575.00	1,520.26	4,054.34
Contracted Services (Special Education Students) - Vendors	000-270-514 1,020,061.00	-	1,020,061.00	965,517.64	54,543.36
Contracted Services (Special Education Students) - Joint Agreements	000-270-515 21,632.00	-	21,632.00	21,454.64	177.36
Contracted Services (Special Education Students) - ESCs	000-270-518 486,632.00	-	486,632.00	486,831.66	0.34
Miscellaneous Purchased Services - Transportation	000-270-593 49,339.00	-	49,339.00	26,466.13	22,872.87
Transportation Supplies	000-270-615 15,600.00	-	15,600.00	15,404.93	195.07
Miscellaneous Expenditures	000-270-800 78,000.00	30,556.00	108,556.00	95,222.80	13,333.20
Total Undist. Expend. - Student Transportation Serv.	<u>6,742,247.00</u>	<u>21,074.97</u>	<u>6,763,321.97</u>	<u>6,290,019.04</u>	<u>473,302.93</u>
UNALLOCATED BENEFITS					
Social Security Contributions	000-291-220 718,483.00	327,500.00	1,045,983.00	988,170.11	57,812.89
Other Retirement Contributions - Regular	000-291-241 859,580.00	223,034.00	1,082,614.00	1,082,614.00	-
Unemployment Compensation	000-291-250 34,500.00	34,500.00	69,000.00	34,500.00	-
Workmen's Compensation	000-291-260 582,134.00	-	582,134.00	492,871.24	89,262.76
Health Benefits	000-291-270 14,519,525.00	265,500.00	14,785,025.00	14,581,138.54	203,886.46
Tuition Reimbursement	000-291-280 384,468.00	-	384,468.00	313,872.75	70,595.25
Other Employee Benefits	000-291-290 166,466.00	-	166,466.00	123,896.93	42,569.07
TOTAL UNALLOCATED BENEFITS	<u>17,230,656.00</u>	<u>850,534.00</u>	<u>18,081,190.00</u>	<u>17,617,063.57</u>	<u>464,126.43</u>
On-behalf TPAF pension Contributions (non-budgeted)				3,565,417.00	(3,565,417.00)
Reimbursed TPAF Social Security Contributions (non-budgeted)				3,873,337.98	(3,873,337.98)
TOTAL ON-BEHALF CONTRIBUTIONS				<u>7,438,754.98</u>	<u>(7,438,754.98)</u>
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS	<u>17,230,656.00</u>	<u>850,534.00</u>	<u>18,081,190.00</u>	<u>25,055,818.55</u>	<u>(6,974,628.55)</u>
TOTAL UNDISTRIBUTED EXPENDITURES	<u>53,272,506.00</u>	<u>1,071,535.66</u>	<u>54,344,041.66</u>	<u>58,717,928.45</u>	<u>(4,373,886.79)</u>
TOTAL GENERAL CURRENT EXPENSE	<u>100,473,981.00</u>	<u>(261,170.00)</u>	<u>100,212,811.00</u>	<u>104,075,763.77</u>	<u>(3,862,952.77)</u>

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2011**

		Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CAPITAL OUTLAY						
Equipment						
Regular Programs - Instruction:						
Grades 9-12	140-100-730	\$ 15,400.00	\$ -	\$ 15,400.00	\$ 8,789.77	\$ 6,610.23
School-Sponsored and Other Instructional Program	4XX-100-730		7,000.00	7,000.00	6,999.99	0.01
Undistributed Expenditures:						
Undist. Expend.-Support Serv.-Students - Special	000-219-730	6,460.00	-	6,460.00		6,460.00
Undistributed Expenditures - School Admin.	000-240-730	100,876.00	(15,847.30)	85,028.70	18,200.00	66,828.70
Undistributed Expenditures - Admin. Info. Tech.	000-252-730	32,876.00	115,902.30	148,778.30	148,778.03	0.27
Total Equipment		<u>155,612.00</u>	<u>107,055.00</u>	<u>262,667.00</u>	<u>182,767.79</u>	<u>79,899.21</u>
Facilities Acquisition and Construction Services						
Construction Services	000-400-450	57,240.00	1,069,872.58	1,127,112.58	1,126,920.82	191.96
Other Objects	000-400-800	-	89,115.00	89,115.00	89,115.00	-
Total Facilities Acquisition and Construction Services		<u>57,240.00</u>	<u>1,158,987.58</u>	<u>1,216,227.58</u>	<u>1,216,035.82</u>	<u>191.96</u>
TOTAL CAPITAL OUTLAY		<u>212,852.00</u>	<u>1,266,042.58</u>	<u>1,478,894.58</u>	<u>1,398,803.41</u>	<u>80,091.17</u>
TOTAL EXPENDITURES		<u>100,886,833.00</u>	<u>1,004,872.58</u>	<u>101,691,705.58</u>	<u>105,474,567.18</u>	<u>(3,782,861.60)</u>
Excess (Deficiency) of Revenues						
Over (Under) Expenditures		(2,000,000.00)	(1,004,872.58)	(3,004,872.58)	950,756.07	3,955,628.65
Excess (Deficiency) of Revenues and Other Financing Sources						
Over (Under) Expenditures and Other Financing (Uses)		(2,000,000.00)	(1,004,872.58)	(3,004,872.58)	950,756.07	3,955,628.65
Fund Balance, July 1		<u>6,525,457.24</u>	<u>-</u>	<u>6,525,457.24</u>	<u>6,525,457.24</u>	<u>-</u>
Fund Balance, June 30		<u>\$ 4,525,457.24</u>	<u>\$ (1,004,872.58)</u>	<u>\$ 3,520,584.66</u>	<u>\$ 7,476,213.31</u>	<u>\$ 3,955,628.65</u>
Recapitulation of Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Sources :						
Increase in Capital Reserve		\$ -	\$ -	\$ -	\$ 1,000,000.00	\$ 1,000,000.00
Budgeted Fund Balance		(2,000,000.00)	(1,004,872.58)	(3,004,872.58)	(49,243.93)	2,955,628.65
Total		<u>\$ (2,000,000.00)</u>	<u>\$ (1,004,872.58)</u>	<u>\$ (3,004,872.58)</u>	<u>\$ 950,756.07</u>	<u>\$ 3,955,628.65</u>
Analysis of Fund Balance June 30, 2011						
Restricted Fund Balance:						
Reserved Excess Surplus - Designated for Subsequent Year's Expenditures					\$ 2,340,449.00	
Reserve for Excess Surplus					2,130,402.53	
Capital Reserve Account					1,000,001.00	
Unassigned Fund Balance					<u>2,005,360.78</u>	
					<u>\$ 7,476,213.31</u>	
Reconciliation of Budgetary Fund Balance to GAAP Fund Balance:						
Fund Balance June 30, 2011					\$ 7,476,213.31	
Last Two Current Year State Aid Payments Not Realized on GAAP Basis					<u>(2,088,597.00)</u>	
					<u>\$ 5,389,616.31</u>	

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2011**

	Original <u>Budget</u>	Budget <u>Transfers</u>	Final <u>Budget</u>	<u>Actual</u>	Variance <u>Final to Actual</u>
REVENUES:					
State Sources	\$ 34,886.00	\$ (350.00)	\$ 34,536.00	\$ 24,850.05	\$ 9,685.95
Federal Sources	1,882,361.00	1,261,636.09	3,143,997.09	2,305,987.76	838,009.33
Local Sources	-	98,432.54	98,432.54	42,997.05	55,435.49
Total Revenues	<u>\$ 1,917,247.00</u>	<u>\$ 1,359,718.63</u>	<u>\$ 3,276,965.63</u>	<u>\$ 2,373,834.86</u>	<u>\$ 903,130.77</u>
EXPENDITURES:					
Instruction					
Personal Services - Salaries	\$ 241,780.00	\$ 90,026.95	\$ 331,806.95	\$ 290,557.04	\$ 41,249.91
Other Purchased Services (400-500 series)	1,392,442.00	(335,356.00)	1,057,086.00	1,055,018.63	2,067.37
General Supplies	148,421.00	335,731.82	484,152.82	233,966.70	250,186.12
Textbooks	7,779.00	(902.00)	6,877.00	5,488.76	1,388.24
Other Objects	-	1,310.86	1,310.86	-	1,310.86
Total Instruction	<u>1,790,422.00</u>	<u>90,811.63</u>	<u>1,881,233.63</u>	<u>1,585,031.13</u>	<u>296,202.50</u>
Support Services					
Personal Services - Salaries		356,542.79	356,542.79	270,045.62	86,497.17
Personal Services - Employee Benefits	10,767.00	148,234.97	159,001.97	158,039.35	962.62
Purchased Professional and Technical Services	10,499.00	349,859.00	360,358.00	36,375.99	323,982.01
Purchased Professional - Educational Services	16,608.00	134,344.00	150,952.00	148,573.52	2,378.48
Other Purchased Services (400-500 series)	88,951.00	95,728.59	184,679.59	41,643.83	143,035.76
Supplies and Materials		102,830.60	102,830.60	102,555.16	275.44
Other Objects	-	7,317.00	7,317.00	3,550.00	3,767.00
Total Support Services	<u>126,825.00</u>	<u>1,194,856.95</u>	<u>1,321,681.95</u>	<u>760,783.47</u>	<u>560,898.48</u>
Facilities Acquisition and Construction Services:					
Instructional Equipment		43,800.05	43,800.05	-	43,800.05
Noninstructional Equipment		30,250.00	30,250.00	28,020.26	2,229.74
Total Facilities Acquisition and Construction Services	<u>-</u>	<u>74,050.05</u>	<u>74,050.05</u>	<u>28,020.26</u>	<u>46,029.79</u>
Total Expenditures	<u>1,917,247.00</u>	<u>1,359,718.63</u>	<u>3,276,965.63</u>	<u>2,373,834.86</u>	<u>903,130.77</u>
Total Outflows	<u>\$ 1,917,247.00</u>	<u>\$ 1,359,718.63</u>	<u>\$ 3,276,965.63</u>	<u>\$ 2,373,834.86</u>	<u>\$ 903,130.77</u>

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Required Supplementary Information
Budgetary Comparison Schedule
Note to RSI
For the Fiscal Year Ended June 30, 2011

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

	<u>Exhibit</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources			
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1&C-2]	\$ 106,425,323.25	\$ 2,373,834.86
Difference - budget to GAAP:			
The last State aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expense in accordance with GASB 33.		528,066.00	
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		-	162,328.83
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2]	<u>\$ 106,953,389.25</u>	<u>\$ 2,536,163.69</u>
Uses/outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1&C-2]	\$ 105,474,567.18	\$ 2,373,834.86
Differences - budget to GAAP:			
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.			162,328.83
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.			
Net transfers (outflows) to general fund		-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2]	<u>\$ 105,474,567.18</u>	<u>\$ 2,536,163.69</u>

**NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION**

OTHER SUPPLEMENTARY INFORMATION

Section D
SCHOOL LEVEL SCHEDULES

Section E
SPECIAL REVENUE FUND

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2011**

		<u>Total</u>	<u>State Aid</u>	<u>Federal Aid</u>	<u>Local Aid</u>
REVENUES					
State Sources		\$ 24,850.05	\$ 24,850.05	\$ -	\$ -
Federal Sources		2,305,987.76		2,305,987.76	
Local Sources		<u>42,997.05</u>	<u>-</u>	<u>-</u>	<u>42,997.05</u>
Total Revenues		<u>\$ 2,373,834.86</u>	<u>\$ 24,850.05</u>	<u>\$ 2,305,987.76</u>	<u>\$ 42,997.05</u>
EXPENDITURES:					
Instruction:					
Personal Services - Salaries	100-100	\$ 290,557.04	\$ -	\$ 286,557.04	\$ 4,000.00
Other Purchased Services (400-500 series)	100-500	1,055,018.63		1,055,018.63	
General Supplies	100-600	233,966.70		226,119.01	7,847.69
Textbooks	100-640	<u>5,488.76</u>	<u>5,488.76</u>	<u>-</u>	<u>-</u>
Total Instruction		<u>1,585,031.13</u>	<u>5,488.76</u>	<u>1,567,694.68</u>	<u>11,847.69</u>
Support Services:					
Personal Services - Salaries	200-100	270,045.62		270,045.62	
Personal Services - Employee Benefits	200-200	158,039.35		158,039.35	-
Purchased Professional and Technical Services	200-300	36,375.99	8,149.00	28,226.99	-
Purchased Professional - Educational Services	200-320	148,573.52	11,212.29	137,361.23	
Other Purchased Services (400-500 series)	200-500	41,643.83		39,276.83	2,367.00
Supplies and Materials	200-600	102,555.16		101,793.06	762.10
Other Objects	200-800	<u>3,550.00</u>	<u>-</u>	<u>3,550.00</u>	<u>-</u>
Total Support Services		<u>760,783.47</u>	<u>19,361.29</u>	<u>738,293.08</u>	<u>3,129.10</u>
Facilities Acquisition and Const. Serv.:					
Noninstructional Equipment	400-732	<u>28,020.26</u>	<u>-</u>	<u>-</u>	<u>28,020.26</u>
Total Facilities Acquisition and Const. Serv.		<u>28,020.26</u>	<u>-</u>	<u>-</u>	<u>28,020.26</u>
Total Expenditures		<u>\$ 2,373,834.86</u>	<u>\$ 24,850.05</u>	<u>\$ 2,305,987.76</u>	<u>\$ 42,997.05</u>

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH**
Special Revenue Fund

**Combining Schedule of State Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2011**

	N.J. Nonpublic Textbook Aid	N.J. Nonpublic Auxiliary Services	N.J. Nonpublic Handicapped Services	N.J. Nonpublic Nursing Services
REVENUES				
State Sources	\$ 24,850.05	\$ 5,488.76	\$ 212.00	\$ 8,149.00
Total State Revenues	<u>\$ 24,850.05</u>	<u>\$ 5,488.76</u>	<u>\$ 212.00</u>	<u>\$ 8,149.00</u>
EXPENDITURES:				
Instruction:				
Textbooks	100-640 \$ 5,488.76	\$ -	\$ -	-
Total Instruction	<u>5,488.76</u>	<u>5,488.76</u>	<u>5,488.76</u>	<u>5,488.76</u>
Support Services:				
Purchased Professional and Technical Services	200-300 8,149.00			8,149.00
Purchased Professional - Educational Services	200-320 11,212.29	212.00	11,000.29	-
Total Support Services	<u>19,361.29</u>	<u>212.00</u>	<u>11,000.29</u>	<u>8,149.00</u>
Total Expenditures	<u>\$ 24,850.05</u>	<u>\$ 5,488.76</u>	<u>\$ 212.00</u>	<u>\$ 8,149.00</u>

Section F
CAPITAL PROJECTS FUND

Section G
PROPRIETARY FUNDS

ENTERPRISE FUND

INTERNAL SERVICE FUND

Section H
FIDUCIARY FUND

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Student Activity Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2011**

<u>Schools</u>	<u>Balance June 30, 2010</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2011</u>
Student Activity Funds:				
High School	\$ 486,716.47	\$ 1,253,380.54	\$ 1,279,542.77	\$ 460,554.24
Middle School	62,365.84	397,935.14	399,414.96	60,886.02
Amsterdam	3,417.70	11,496.98	13,385.65	1,529.03
Auten Road	37,395.02	104,134.91	111,897.35	29,632.58
Hillsborough Elementary	3,476.45	30,914.74	29,685.65	4,705.54
Sunnymead	772.18	2,275.51	1,361.39	1,686.30
Triangle	2,613.44	14,996.65	16,782.98	827.11
Woodfern	1,874.45	6,868.18	6,340.06	2,402.57
Woods Road	13,191.64	15,779.93	15,778.91	13,192.66
Life Skills Committee		5,004.00	3,517.47	1,486.53
Athletic Fund	-	87,737.00	87,737.00	-
	<u>\$ 611,823.19</u>	<u>\$ 1,930,523.58</u>	<u>\$ 1,965,444.19</u>	<u>\$ 576,902.58</u>

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Payroll Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2011**

	<u>Balance</u> <u>June 30, 2010</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2011</u>
Payroll Deductions and Withholdings	\$ 61,562.75	\$ 32,718,599.11	\$ 32,359,841.14	\$ 420,320.72
Net Salaries and Wages	3,735.54	43,171,129.41	43,171,231.97	3,632.98
Accrued Salaries and Wages	1,669,809.71	2,817,447.00	4,479,969.41	7,287.30
Building Rental Account	-	126,291.00	126,291.00	-
Section 125 Plan	41,349.87	137,452.84	133,034.35	45,768.36
Health Benefits Reserve	0.04	-	-	0.04
	<u>\$ 1,776,457.91</u>	<u>\$ 78,970,919.36</u>	<u>\$ 80,270,367.87</u>	<u>\$ 477,009.40</u>

Section I
LONG – TERM DEBT

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Long - Term Debt
Schedule of Serial Bonds
For the Fiscal Year Ended June 30, 2011**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities of Bonds Outstanding June 30, 2011</u>			<u>Interest Rate</u>	<u>Balance June 30, 2010</u>	<u>Retired Current Year</u>	<u>Balance June 30, 2011</u>
			<u>Date</u>	<u>Amount</u>	<u>Rate</u>				
School	12/1/92	\$ 13,400,000.00	8/1/11-12	\$ 820,000.00	5.875%	\$ 2,460,000.00	\$ 820,000.00	\$ 1,640,000.00	
Refunding (1997)	10/1/01	25,300,000.00	10/1/11	1,755,000.00	4.250%	20,730,000.00	1,760,000.00	18,970,000.00	
			10/1/12	1,735,000.00	4.250%				
			10/1/13-21	1,720,000.00	5.375%				
Refunding (2001)	9/27/07	9,095,000.00	2/1/12	700,000.00	3.870%	8,380,000.00	670,000.00	7,710,000.00	
			2/1/13	730,000.00	3.870%				
			2/1/14	765,000.00	3.870%				
			2/1/15	795,000.00	3.870%				
			2/1/16	800,000.00	3.870%				
			2/1/17	795,000.00	3.870%				
			2/1/18	790,000.00	3.870%				
			2/1/19	785,000.00	3.870%				
			2/1/20	780,000.00	3.870%				
			2/1/21	770,000.00	3.870%				
						<u>\$ 31,570,000.00</u>	<u>\$ 3,250,000.00</u>	<u>\$ 28,320,000.00</u>	

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH**
Budgetary Comparison Schedule
Debt Service Fund

For the Fiscal Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 3,905,251.00	\$ -	\$ 3,905,251.00	\$ 3,905,251.00	\$ -
State Sources:					
Debt Service Aid Type II	813,856.00		813,856.00	813,856.00	
Total - State Sources	813,856.00		813,856.00	813,856.00	
Total Revenues	<u>4,719,107.00</u>		<u>4,719,107.00</u>	<u>4,719,107.00</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	813,856.00	655,262.00	1,469,118.00	1,469,118.50	(0.50)
Redemption of Principal	3,905,262.00	(655,262.00)	3,250,000.00	3,250,000.00	
Total Regular Debt Service	4,719,118.00	-	4,719,118.00	4,719,118.50	(0.50)
Total Expenditures	<u>4,719,118.00</u>		<u>4,719,118.00</u>	<u>4,719,118.50</u>	<u>(0.50)</u>
(Deficiency) of Revenues (Under) Expenditures	(11.00)	-	(11.00)	(11.50)	(0.50)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(11.00)	-	(11.00)	(11.50)	(0.50)
Fund Balance, July 1	21.87	-	21.87	21.87	
Fund Balance, June 30	10.87	-	10.87	10.37	(0.50)
Recapitulation of Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(11.00)	-	(11.00)	(11.50)	(0.50)
Budgeted Fund Balance	\$ (11.00)	\$ -	\$ (11.00)	\$ (11.50)	\$ (0.50)

STATISTICAL SECTION (UNAUDITED)

GASB requires that ten years of statistical data be presented. Pursuant to State of New Jersey Department of Education requirements issued for the fiscal year ended June 30, 1994, only two years statistical data needed to be presented. Additional year's data will be included each year thereafter until ten years of data is presented.

STATISTICAL SECTION (Unaudited)

Financial Trends

J-1	Net Assets by Component
J-2	Changes in Net Assets
J-3	Fund Balances - Governmental Funds
J-4	Changes in Fund Balances - Governmental Funds
J-5	General Fund - Other Local Revenue by Source

Revenue Capacity

J-6	Assessed Value and Estimated Actual Value of Taxable Property
J-7	Direct and Overlapping Property Tax Rates
J-8	Principal Property Taxpayers
J-9	Property Tax Levies and Collections

Debt Capacity

J-10	Ratios of Outstanding Debt by Type
J-11	Ratios of Net General Bonded Debt Outstanding
J-12	Direct and Overlapping Governmental Activities Debt as of June 30
J-13	Legal Debt Margin Information

Demographic and Economic Information

J-14	Demographic and Economic Statistics
J-15	Principal Employers

Operating Information

J-16	Full-time Equivalent District Employees by Function/Program
J-17	Operating Statistics
J-18	School Building Information
J-19	Schedule of Required Maintenance for School Facilities
J-20	Insurance Schedule

Certain Exhibits do not contain ten years of information since GASBS No. 44 was implemented as of the fiscal year ending June 30,2006.

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH**

**Net Assets by Component
Last Nine Fiscal Years
(accrual/basis of accounting)
Unaudited**

	Fiscal Year Ending June 30,								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities									
Invested in capital assets, net of related debt	\$ 41,403,500.96	\$ 39,520,035.47	\$ 37,929,662.00	\$ 35,732,757.04	\$ 28,994,198.22	\$ 25,656,795.55	\$ 22,489,552.27	\$ 20,656,705.13	\$ 17,813,428.85
Restricted	5,061,299.57	2,355,131.67	1,396,859.29	3,142,105.21	3,306,307.37	3,084,316.75	2,384,166.07	269,879.71	414,099.73
Unrestricted	(2,000,681.32)	(728,120.01)	(897,336.75)	(725,528.36)	(978,026.37)	(893,660.34)	(998,727.39)	(439,596.57)	(434,999.54)
Total governmental activities net assets	\$ 44,464,119.21	\$ 41,147,047.13	\$ 38,429,184.54	\$ 38,149,333.89	\$ 31,322,479.22	\$ 27,847,451.96	\$ 23,874,990.95	\$ 20,486,988.27	\$ 17,792,529.04
Business-type activities									
Invested in capital assets, net of related debt	\$ 37,352.02	\$ 36,326.91	\$ 50,254.38	\$ 64,543.92	\$ 48,269.71	\$ 61,865.06	\$ 75,460.41	\$ 89,055.76	\$ 87,743.11
Unrestricted	464,750.44	470,865.92	482,345.13	552,335.59	530,582.04	736,743.01	614,971.02	548,556.74	570,081.74
Total business-type activities net assets	\$ 502,102.46	\$ 507,192.83	\$ 532,599.51	\$ 616,879.51	\$ 578,851.75	\$ 798,608.07	\$ 690,431.43	\$ 637,612.50	\$ 657,824.85
District-wide									
Invested in capital assets, net of related debt	\$ 41,440,852.98	\$ 39,556,362.38	\$ 37,979,916.38	\$ 35,797,300.96	\$ 29,042,467.93	\$ 25,718,660.61	\$ 22,565,012.68	\$ 20,745,760.89	\$ 17,901,171.96
Restricted	5,061,299.57	2,355,131.67	1,396,859.29	3,142,105.21	3,306,307.37	3,084,316.75	2,384,166.07	269,879.71	414,099.73
Unrestricted	(1,535,930.88)	(257,254.09)	(414,991.62)	(173,192.77)	(447,444.33)	(156,917.33)	(383,756.37)	108,960.17	135,082.20
Total district net assets	\$ 44,966,221.67	\$ 41,654,239.96	\$ 38,961,784.05	\$ 38,766,213.40	\$ 31,901,330.97	\$ 28,646,060.03	\$ 24,565,422.38	\$ 21,124,600.77	\$ 18,450,353.89

Source: District records

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

Changes in Net Assets
Last Nine Fiscal Years
(accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Expenses									
Governmental activities									
Instruction									
Regular	\$ 45,384,423.71	\$ 46,443,635.51	\$ 47,665,833.78	\$ 46,142,386.11	\$ 44,941,744.37	\$ 41,116,489.31	\$ 39,747,096.35	\$ 37,639,700.95	\$ 34,877,036.39
Special education	12,240,071.57	11,634,888.11	10,805,204.49	10,356,151.51	9,810,429.93	9,001,538.51	8,297,115.12	8,036,536.70	7,236,565.57
Other instruction	8,748,173.35	9,494,847.32	5,431,092.74	5,770,608.57	5,576,518.05	4,904,355.59	4,711,023.07	4,369,485.09	4,144,749.45
Support Services:									
Tuition	2,104,092.94	2,198,007.39	2,719,932.62	2,367,002.52	2,376,553.26	2,394,995.33	2,554,267.96	2,348,587.07	2,709,428.06
Student and instruction related services	16,926,245.34	17,088,171.34	16,074,835.22	15,609,610.10	14,908,674.34	13,452,982.21	12,991,093.98	12,575,119.33	11,123,472.42
School administrative services	5,191,482.08	5,268,570.29	5,137,075.22	4,829,382.34	4,907,386.55	4,690,339.66	4,082,237.91	3,578,757.92	2,114,723.44
General and business administrative services	3,227,289.43	3,414,389.94	3,335,343.30	3,082,431.85	3,171,215.39	3,139,913.60	3,525,685.29	3,252,627.07	4,154,466.72
Plant operations and maintenance	8,959,504.99	8,481,007.86	8,515,668.80	8,740,241.97	8,670,463.90	8,012,712.38	7,933,336.39	7,578,059.38	7,482,096.24
Pupil transportation	6,604,947.62	6,556,108.21	6,565,389.17	6,270,344.57	5,935,732.05	5,620,873.45	5,420,951.90	5,072,803.47	5,061,713.49
Interest on long-term debt	1,416,241.83	1,577,657.83	1,739,406.80	1,845,099.16	2,116,204.38	2,321,994.85	2,516,821.22	2,702,427.84	2,878,622.11
Total governmental activities expenses	110,802,472.86	112,157,283.80	107,989,782.14	105,013,258.70	102,414,922.22	94,656,794.89	91,779,629.19	87,154,104.92	81,792,893.89
Business-type activities:									
Food service	2,323,240.79	2,172,393.34	2,227,340.77	2,133,142.96	1,954,935.73	1,996,862.79	1,810,155.66	1,834,898.02	1,799,330.37
Summer Enrichment	140,801.36	176,803.38	200,832.91	199,313.80	209,426.06	111,742.44	211,360.64	137,737.31	131,524.86
Total business-type activities expense	2,464,042.15	2,349,196.72	2,428,173.68	2,331,456.76	2,164,361.79	2,108,605.23	2,021,516.30	1,972,635.33	1,870,855.23
Total district-wide expenses	113,266,515.01	114,506,480.52	110,417,955.82	107,344,715.46	104,579,284.01	96,765,400.12	93,801,145.49	89,126,740.25	83,663,749.12
Program Revenues									
Governmental activities:									
Charges for services:									
Pupil transportation	873.00	5,727.20	62,040.00	65,524.00	-	49,106.00			54,057.40
Interest on long-term debt	602,385.83	585,174.83	710,602.80	696,437.16	986,204.38	1,191,994.85	1,799,538.88	17,213,564.03	15,480,094.81
Operating grants and contributions	15,625,602.62	17,670,693.14	16,590,079.55	20,109,114.47	20,148,166.44	16,426,162.54	17,299,538.88	17,213,564.03	15,534,152.21
Total governmental activities program revenues	16,228,861.45	18,261,595.17	17,362,722.35	20,871,075.63	21,134,370.82	17,667,263.39	17,299,538.88	17,213,564.03	15,534,152.21

TOWNSHIP OF HILLSBOROUGH

Changes in Net Assets
Last Nine Fiscal Years
(accrual basis of accounting)
Unaudited

	2011	2010	2009	2008	2007	2006	2005	2004	2003
Business-type activities:									
Charges for services	\$ 1,842,012.52	\$ 1,775,171.81	\$ 1,785,570.40	\$ 1,672,002.61	\$ 1,567,533.77	\$ 1,600,516.48	\$ 1,555,627.85	\$ 1,625,474.53	\$ 1,571,742.83
Food service	151,814.90	114,710.31	142,184.53	248,532.48	78,011.29	341,762.88	222,936.75	51,924.79	137,973.00
Summer Enrichment	465,124.36	433,907.92	416,138.75	448,949.43	299,060.41	274,502.51	295,770.63	275,023.66	221,804.31
Operating grants and contributions	2,459,951.78	2,323,790.04	2,343,893.68	2,369,484.52	1,944,605.47	2,216,781.87	2,074,335.23	1,952,422.98	1,931,520.14
Total business-type activities program revenues	18,687,813.23	20,585,385.21	19,706,616.03	23,240,560.15	23,078,976.29	19,884,045.26	19,373,874.11	19,165,987.01	17,465,672.35
Total district-wide program revenues									
Net (Expense)/Revenue	(94,573,611.41)	(93,895,688.63)	(90,627,059.79)	(84,142,183.07)	(81,280,551.40)	(76,989,531.50)	(74,480,090.31)	(69,940,540.89)	(66,258,741.68)
Governmental activities	(5,090.37)	(25,406.68)	(84,280.00)	38,027.76	(219,756.32)	108,176.64	52,818.93	(20,212.35)	60,664.91
Business-type activities	(94,578,701.78)	(93,921,095.31)	(90,711,339.79)	(84,104,155.31)	(81,500,307.72)	(76,881,354.86)	(74,427,271.38)	(69,960,753.24)	(66,198,076.77)
Total district-wide net expense									
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Taxes:									
Property taxes, levied for general purposes	76,679,359.00	73,088,579.00	69,907,530.00	69,073,157.00	66,203,109.00	61,830,275.00	60,181,092.00	55,636,552.00	51,497,807.00
Property taxes, levied for debt service principal	3,302,865.17	3,242,628.17	3,252,997.20	3,582,043.84	4,479,199.62	4,351,904.15	4,134,750.78	3,946,208.06	3,661,482.89
Federal and State aid not restricted	17,371,908.89	19,696,126.88	17,295,641.18	13,369,946.94	12,826,782.60	12,791,216.86	13,191,817.43	12,211,896.57	11,513,358.75
Tuition (other than special schools)	104,686.04	152,894.02	868,450.60	671,369.90	496,899.57	508,593.07	555,618.84	527,910.80	549,176.76
Investment earnings	51,459.63	57,278.05	99,248.48	362,090.58	508,857.95	415,551.94	158,474.65	48,852.75	75,636.73
Miscellaneous income	469,519.76	376,045.10	303,662.34	227,486.51	349,522.27	244,118.49	203,275.99	282,513.37	454,130.72
Refunding Bonds proceeds	(89,115.00)		(821,619.36)	3,862,942.97		320,333.00			
Debt Service Assessment									
Adjustment to Capital Assets					(108,792.35)		(171.96)		
N.J. Economic Development Authority grant									
N.J. Economic Development Authority grant cancelled									
Total governmental activities	97,890,683.49	96,613,551.22	90,906,910.44	90,969,037.74	84,755,578.66	80,461,992.51	78,424,857.73	72,653,933.55	67,751,592.85
Business-type activities:									
Investment earnings									
Transfers									
Total business-type activities									
Total district-wide general revenues	97,890,683.49	96,613,551.22	90,906,910.44	90,969,037.74	84,755,578.66	80,461,992.51	78,424,857.73	72,653,933.55	67,751,592.85
Change in Net Assets									
Governmental activities	3,317,072.08	2,717,862.59	279,850.65	6,826,854.67	3,475,027.26	3,472,461.01	3,944,767.42	2,713,392.66	1,492,851.17
Business-type activities	(5,090.37)	(25,406.68)	(84,280.00)	38,027.76	(219,756.32)	108,176.64	52,818.93	(20,212.35)	60,664.91
Total district-wide change in net assets	\$ 3,311,981.71	\$ 2,692,455.91	\$ 195,570.65	\$ 6,864,882.43	\$ 3,255,270.94	\$ 3,580,637.65	\$ 3,997,586.35	\$ 2,693,180.31	\$ 1,553,516.08

Source: District records

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

Fund Balances - Governmental Funds,
Last Nine Fiscal Years
(modified accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Fund									
Restricted	\$ 5,470,852.53	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Assigned	(81,236.22)								
Unassigned		2,817,549.80	1,881,905.59	3,680,148.71	3,901,394.71	3,526,426.92	3,087,673.33	825,630.91	105.18
Reserved		1,093,244.44	907,242.02	1,079,373.75	1,367,259.58	795,055.22	803,021.87	1,418,197.23	1,493,141.72
Unreserved		\$ 3,910,794.24	\$ 2,789,147.61	\$ 4,759,522.46	\$ 5,268,654.29	\$ 4,321,482.14	\$ 3,890,695.20	\$ 2,243,828.14	\$ 1,493,246.90
Total general fund									
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
All Other Governmental Funds									
Restricted, reported in:									
Capital projects fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service fund									
Assigned, reported in:									
Capital projects fund						18,800.00		34,439.15	125,751.05
Reserved									
Unreserved, reported in:									
Special revenue fund									(16,403.20)
Capital projects fund					52,316.61	204,520.86	76,144.07	238,242.45	269,547.62
Debt service fund	10.37	21.87	29,786.62	29,775.87	0.74	53,710.54	7,394.15	23,362.73	35,203.26
Total all other governmental funds	\$ 10.37	\$ 21.87	\$ 29,786.62	\$ 29,775.87	\$ 52,317.35	\$ 277,031.40	\$ 83,538.22	\$ 296,044.33	\$ 414,098.73
Total Fund Balances	\$ 5,389,626.68	\$ 3,910,816.11	\$ 2,818,934.23	\$ 4,789,298.33	\$ 5,320,971.64	\$ 4,598,513.54	\$ 3,974,233.42	\$ 2,539,872.47	\$ 1,907,345.63

Source: District records

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Changes in Fund Balances - Governmental Funds,
Last Nine Fiscal Years
(modified accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues									
Tax levy	\$80,584,610.00	\$ 76,916,382.00	\$ 73,871,130.00	\$ 73,351,638.00	\$ 71,342,480.00	\$ 67,045,498.00	\$ 65,375,001.00	\$ 60,829,423.00	\$ 56,630,662.00
Tuition charges	104,686.04	152,894.02	869,450.60	671,369.90	496,999.57	508,593.07	555,618.84	527,910.80	549,176.76
Transportation fees	873.00	5,727.20	62,040.00	65,524.00	51,783.00	49,106.00	38,292.95	73,386.64	54,057.40
Interest earnings	51,459.63	57,278.05	99,248.48	362,090.58	508,857.95	415,551.94	158,474.65	48,852.75	75,636.73
Miscellaneous	511,935.50	419,943.35	333,303.28	251,555.97	405,740.63	291,880.00	669,196.46	317,411.62	507,123.66
State sources	30,449,760.57	30,746,768.46	31,825,550.17	31,503,170.35	31,020,779.33	27,639,761.00	26,899,715.62	26,195,068.82	24,156,041.63
Federal sources	2,505,335.20	6,576,153.31	2,030,529.62	1,951,821.60	2,172,201.35	1,858,532.89	2,028,269.05	1,875,443.95	1,313,046.88
Total revenues	114,208,659.94	114,875,146.39	109,091,252.15	108,157,170.40	105,998,741.83	97,808,922.90	95,724,568.57	89,867,497.58	83,285,745.06
Expenditures									
Instruction									
Regular instruction	31,561,800.94	32,476,017.99	33,666,654.40	32,223,691.38	30,974,654.67	29,862,691.47	29,304,151.47	28,001,892.36	26,473,208.16
Special education instruction	8,978,446.41	8,560,675.63	7,715,862.83	7,362,286.16	6,885,933.98	6,624,913.36	6,299,338.03	5,955,804.10	5,259,360.53
Other instruction	6,403,630.84	6,925,733.39	4,025,444.67	4,216,016.03	4,050,163.81	3,744,150.10	3,652,559.97	3,567,241.39	3,418,373.61
Support Services:									
Tuition	2,104,092.94	2,198,007.39	2,719,932.62	2,367,002.52	2,376,553.26	2,394,995.33	2,554,267.96	2,348,587.07	2,709,428.06
Student and instruction related services	12,156,152.91	13,080,895.10	12,459,838.70	12,067,303.60	11,383,708.79	10,664,784.76	10,418,261.86	9,670,759.72	8,996,198.80
School administrative services	3,598,327.05	3,678,024.09	3,638,715.57	3,557,087.87	3,548,006.30	3,463,671.70	3,035,238.48	2,826,531.48	1,246,840.92
General and business administrative services	2,665,973.80	2,711,706.38	2,690,701.19	2,565,560.06	2,456,181.97	2,538,887.67	3,042,461.19	2,672,840.22	3,725,126.02
Plant operations and maintenance	7,457,662.32	7,039,410.68	7,365,223.79	7,468,794.13	7,201,839.60	6,871,723.26	6,949,552.65	6,547,857.83	6,571,964.60
Pupil transportation	6,290,019.04	6,228,122.01	6,302,349.65	6,000,287.63	5,633,818.08	5,409,644.61	5,241,688.06	4,889,282.67	4,886,175.22
Employee benefits	25,214,577.60	24,865,720.65	22,928,961.97	23,260,924.35	22,254,006.76	18,056,672.96	16,024,458.51	15,330,299.24	12,997,300.41
Capital outlay	1,580,047.02	1,168,900.45	2,555,537.61	2,150,205.50	1,729,862.90	1,192,941.80	1,462,936.21	779,924.63	8,334,765.94
Debt service:									
Principal	3,250,000.00	3,220,000.00	3,200,000.00	3,525,000.00	4,485,000.00	4,290,000.00	4,090,000.00	3,900,000.00	3,710,000.00
Interest and other charges	1,469,118.50	1,630,050.75	1,792,393.25	1,924,684.48	2,187,941.26	2,389,898.76	2,581,571.27	2,763,950.03	2,937,105.03
Total expenditures	112,729,849.37	113,783,264.51	111,061,616.25	108,688,843.71	105,167,491.38	97,504,975.78	94,656,485.66	89,234,970.74	91,265,847.30
Excess (Deficiency) of revenues over (under) expenditures	1,478,810.57	1,091,881.88	(1,970,364.10)	(531,673.31)	831,250.45	303,947.12	1,068,082.91	632,526.84	(7,980,102.24)

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

Changes in Fund Balances - Governmental Funds,
Last Nine Fiscal Years
(modified accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Other Financing sources (uses)									
Capital leases (non-budgeted)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 366,450.00	\$ -	\$ -
N.J. Economic Development Authority grants					(108,792.35)	320,333.00	(171.96)		
Transfers in				52,316.61	43,411.90	415,115.15	4,030.69	3,473.50	
Transfers out				(52,316.61)	(43,411.90)	(415,115.15)	(4,030.69)	(3,473.50)	
Total other financing sources (uses)					(108,792.35)	320,333.00	366,278.04		
Net change in fund balances	\$ 1,478,810.57	\$ 1,091,881.88	\$ (1,970,364.10)	\$ (531,673.31)	\$ 722,458.10	\$ 624,280.12	\$ 1,434,360.95	\$ 632,526.84	\$ (7,980,102.24)

Debt service as a percentage of noncapital expenditures

2011	4.25%	2010	4.31%	2009	4.60%	2008	5.12%	2007	6.45%	2006	6.94%	2005	7.16%	2004	7.53%	2003	8.02%
------	-------	------	-------	------	-------	------	-------	------	-------	------	-------	------	-------	------	-------	------	-------

Source: District records

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH**
General Fund - Other Local Revenue by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
Unaudited

<u>Fiscal Year Ended June 30,</u>	<u>Total</u>	<u>Tuition</u>	<u>Transportation</u>	<u>Interest</u>	<u>Sale of Assets</u>	<u>Rentals</u>	<u>Refunds</u>	<u>Miscellaneous</u>
2002	1,198,995.42	497,056.48	74,325.68	217,383.89		85,312.00	78,811.00	246,106.37
2003	1,105,438.99	549,176.76	54,057.40	65,389.94	75,000.00	89,896.00	89,420.55	182,498.34
2004	929,190.06	527,910.80	73,386.64	45,379.25		81,139.57	72,430.45	128,943.35
2005	951,631.74	555,618.84	38,292.95	154,443.96		97,240.54	31,270.71	74,764.74
2006	1,165,053.35	508,593.07	49,106.00	363,235.79		64,997.60	12,299.52	166,821.37
2007	1,407,062.79	496,899.57	51,783.00	508,857.95		60,008.00	90,506.09	199,008.18
2008	1,326,470.99	671,369.90	65,524.00	362,090.58		59,143.00	56,674.94	111,668.57
2009	1,334,401.42	869,450.60	62,040.00	99,248.48		68,200.00	173,068.13	62,394.21
2010	591,944.37	152,894.02	5,727.20	57,278.05		102,990.00	115,882.76	157,172.34
2011	626,538.43	104,686.04	873.00	51,459.63		218,291.00	90,763.08	160,465.68

Source: District records

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

Assessed Value and Estimated Actual Value of Taxable Property,
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended December 31,	Vacant Land	Residential	Farm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate
2002	\$ 40,979,100	\$ 2,603,903,700	\$ 53,082,800	\$ 204,577,000	\$ 114,784,300	\$ 42,077,000	\$ 3,059,403,900	\$ 13,292,489	\$ 3,072,696,389	\$ 3,334,812,664	1.749
2003	34,596,400	3,003,912,400	62,255,400	243,780,700	131,071,700	41,995,000	3,517,611,600	14,418,870	3,532,030,470	3,771,119,443	1.663
2004	35,150,900	3,026,281,900	64,174,100	270,905,200	131,729,300	41,995,000	3,570,236,400	11,790,490	3,582,026,890	4,185,099,766	1.762
2005	44,270,900	3,031,272,600	65,313,090	278,193,000	131,960,700	42,254,100	3,593,264,390	10,376,174	3,603,640,564	4,741,632,321	1.839
2006	58,064,100	3,041,812,400	65,051,400	283,159,500	132,613,200	42,104,100	3,622,804,700	9,338,888	3,632,143,588	5,188,776,554	1.906
2007	71,723,900	3,092,768,800	61,496,600	286,934,200	130,420,400	41,824,100	3,685,168,000	8,684,115	3,693,852,115	5,771,612,984	1.959
2008	65,075,900	3,150,143,900	63,242,100	274,004,000	131,105,600	46,315,900	3,729,887,400	7,891,562	3,737,778,962	6,140,276,502	1.969
2009	55,698,200	3,217,977,200	64,434,200	266,223,600	131,835,600	46,315,900	3,782,484,700	7,471,091	3,789,955,791	6,280,003,455	1.979
2010	50,404,700	3,270,305,800	64,991,200	263,597,600	132,429,900	46,128,100	3,827,857,300	7,754,031	3,835,611,331	6,324,122,004	2.050
2011	90,980,000	4,643,878,700	96,257,600	416,718,400	235,374,800	77,342,700	5,560,552,200	11,795,783	5,572,347,983	5,870,954,140	1.444

Source: Municipal Tax Assessor

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH**

**Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$100 of assessed value)
Unaudited**

Fiscal Year Ended December 31,	School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate	General Obligation Debt Service	Total Direct School Tax Rate	Municipality	County		
2002	1.528	0.221	1.749	0.375	0.483	2.607	
2003	1.475	0.188	1.663	0.394	0.449	2.506	
2004	1.576	0.186	1.762	0.394	0.471	2.627	
2005	1.654	0.185	1.839	0.442	0.500	2.781	
2006	1.722	0.184	1.906	0.442	0.513	2.861	
2007	1.778	0.181	1.959	0.481	0.531	2.971	
2008	1.823	0.146	1.969	0.449	0.556	2.974	
2009	1.847	0.132	1.979	0.459	0.551	2.989	
2010	1.924	0.126	2.050	0.470	0.549	3.069	
2011	1.359	0.085	1.444	0.330	0.377	2.151	

Source: Municipal Tax Collector

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH**

**Principal Property Taxpayers
Current Year and Ten Years Ago
Unaudited**

Fiscal Year Ended June 30,	2011		2000	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Texas Eastern Transmission Corp.	\$ 60,961,900	1.09%	\$ -	
Hillsborough Promenade	40,941,600	0.73%		
Kings Highway, LLC	26,667,100	0.48%		
Hillsborough Park LLC	23,762,400	0.43%		
Nelson's Corner Associates, LLC	22,088,300	0.40%		
Reckitt & Coleman Inc.	22,015,900	0.40%		
Beekman Garden Associates	20,930,400	0.38%		
Dukes Farm Foundation	19,676,361	0.35%		
Hillsborough Gardens Assoc.	18,992,000	0.34%		
Foothill Estates, LLC	17,733,500	0.32%		
Buckeye Pipeline Co., LP	16,131,400	0.29%		
Total	\$ 289,900,861	4.91%	\$ -	0.00%

Source: Municipal Tax Assessor

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH**

**Property Tax Levies and Collections
Last Ten Fiscal Years
Unaudited**

Fiscal Year Ended December 31,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2001	\$ 74,652,715	\$ 73,734,454	98.76%	\$ -	\$ 73,734,454	98.76%
2002	81,092,875.88	80,188,123.71	98.88%	-	80,188,123.71	98.88%
2003	89,319,227.00	88,385,246.00	98.95%	941,000.35	89,326,246.35	100.00%
2004	94,389,002.00	93,539,038.00	99.09%	826,421.78	94,365,459.78	99.97%
2005	101,020,148.53	99,841,053.17	98.83%	1,136,653.22	100,977,706.39	99.95%
2006	105,139,298.94	104,194,849.76	99.10%	874,396.64	105,069,246.40	99.93%
2007	111,799,193.98	110,506,657.64	98.84%	1,186,461.49	111,693,119.13	99.90%
2008	114,123,297.04	113,089,010.15	99.09%	943,556.00	114,032,566.15	99.92%
2009	116,052,231.65	115,228,053.90	99.28%	743,647.83	115,971,701.73	99.93%
2010	120,155,848.25	119,177,552.64	99.18%		119,177,552.64	99.18%

Source: Municipal Tax Collector

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	Governmental Activities			Total District	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Capital Leases				
2002	\$ 62,310,000	\$ 962,168	\$	63,272,168	4.89%	1,696
2003	58,600,000	894,384		59,494,384	4.49%	1,596
2004	54,700,000	947,530		55,647,530	4.10%	1,491
2005	50,110,000	485,156		50,595,156	3.65%	1,359
2006	45,820,000	148,789		45,968,789	3.23%	1,232
2007	41,335,000	7,835		41,342,835	2.81%	1,098
2008	37,990,000			37,990,000	2.49%	995
2009	34,790,000			34,790,000	2.28%	896
2010	31,570,000			31,570,000	2.01%	826
2011	28,320,000			28,320,000	1.75%	741

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Net General Bonded Debt Outstanding		
2002	\$ 62,310,000	\$ -	2.03%	1,670
2003	58,600,000	58,600,000	1.66%	1,572
2004	54,700,000	54,700,000	1.53%	1,466
2005	50,110,000	50,110,000	1.39%	1,345
2006	45,820,000	45,820,000	1.26%	1,228
2007	41,335,000	41,335,000	1.12%	1,098
2008	37,990,000	37,990,000	1.02%	995
2009	34,790,000	34,790,000	0.92%	896
2010	31,570,000	31,570,000	0.82%	826
2011	28,320,000	28,320,000	0.51%	741

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH**
Direct and Overlapping Governmental Activities Debt
As of December 31, 2010
Unaudited

Net Direct Debt of School District as of December 31, 2010		\$ 28,990,000.00
Net Overlapping Debt of School District:		
Township of Hillsborough (100%)	\$ 14,165,347.15	
County of Somerset - Township's share of \$135,950,155 at December 31, 2010 (9.9308%)	13,500,983.12	
Utility Authority - Township's share (100%)	<u>3,265,768.77</u>	
		<u>30,932,099.04</u>
Total Direct and Overlapping Bonded Debt as of December 31, 2010		<u>\$ 59,922,099.04</u>

Source: Township of Hillsborough Chief Financial Officer and Somerset County Treasurer's Office.

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH**

**Legal Debt Margin Information
Last Ten Fiscal Years
Unaudited**

Legal Debt Margin Calculation for Fiscal Year 2011

Equalized valuation basis	
2008	6,174,288,032
2009	6,230,414,594
2010	6,063,452,083
	<u>\$ 18,468,154,709</u>
Average equalized valuation of taxable property	<u>\$ 6,156,051,570</u>
Debt limit (4 % of average equalization value)	246,242,063
Total Net Debt Applicable to Limit	28,320,000
Legal debt margin	<u>\$ 217,922,063</u>

	Fiscal Year				
	2007	2008	2009	2010	2011
Debt limit	\$ 206,313,071	\$ 224,402,313	\$ 238,370,908	\$ 246,038,696	\$ 246,242,063
Total net debt applicable to limit	41,335,000	37,990,000	34,790,000	31,570,000	28,320,000
Legal debt margin	<u>\$ 164,978,071</u>	<u>\$ 186,412,313</u>	<u>\$ 203,580,908</u>	<u>\$ 214,468,696</u>	<u>\$ 217,922,063</u>

Total net debt applicable to the limit as a percentage of debt limit

	20.04%	16.93%	14.59%	12.83%	11.50%
--	--------	--------	--------	--------	--------

	Fiscal Year				
	2002	2003	2004	2005	2006
Debt limit	\$ 117,305,455	\$ 132,007,700	\$ 147,994,391	\$ 166,617,042	\$ 185,706,525
Total net debt applicable to limit	62,310,000	58,600,000	54,700,000	50,110,000	45,820,000
Legal debt margin	<u>\$ 54,995,455</u>	<u>\$ 73,407,700</u>	<u>\$ 93,294,391</u>	<u>\$ 116,507,042</u>	<u>\$ 139,886,525</u>

Total net debt applicable to the limit as a percentage of debt limit

	53.12%	44.39%	36.96%	30.07%	24.67%
--	--------	--------	--------	--------	--------

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

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

Demographic and Economic Statistics
Last Ten Fiscal Years
Unaudited

Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2002	37,308	1,294,528,967	34,698	4.5%
2003	37,288	1,324,887,039	35,531	4.4%
2004	37,312	1,357,557,542	36,384	3.7%
2005	37,243	1,387,568,180	37,257	3.0%
2006	37,302	1,423,120,744	38,151	3.2%
2007	37,647	1,470,753,742	39,067	2.9%
2008	38,171	1,527,014,224	40,005	3.7%
2009	38,817	1,590,125,744	40,965	7.3%
2010	38,225	1,568,906,900	41,044 (Actual)	7.2%
2011	38,225 (Est.)	1,615,974,107	42,275	N/A

Sources:

Population information provided by the NJ Dept of Labor and Workforce Development
 Personal income has been estimated based upon the municipal population and per capita personal income presented
 Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.
 Unemployment data provided by the NJ Dept of Labor and Workforce Development

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

Principal Employers
Current Year and Ten Years Ago
Unaudited

Employer	2007			1997		
	Employees	Rank [Optional]	Percentage of Total Municipal Employment	Employees	Rank [Optional]	Percentage of Total Municipal Employment
Hillsborough Board of Education	1019					
Reckitt & Benckiser	350					
Shop Rite	255					
Lowe's	170					
Kohl's	145					
Pathmark	125					
Hercules Enterprises 3M	115					
Total Repair Express	100					
Empire Southern Tier Equipment	75					
	60					
	2414		0.00%	0		0.00%

Source: District Research

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

Full-time Equivalent District Employees by Function/Program
Last Ten Fiscal Years
Unaudited

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Instruction	584	594	600	613	650	650	650	656	658	612
Regular Teacher	30	30	26	32	13	13	13	18	4	12
Regular Classroom Aides										
Support Services:										
Attendance	0	0	0	0	1	1	1	1	1	1
Health Services	11	11	11	11	15	15	15	16	16	18
Related Services	14	15	13	13	20	20	20	17	18	18
Extraordinary Services	15	16	18	20	78	94	94	72	85	79
Guidance Professional	16	17	17	18	21	22	22	22	23	24
Guidance Support	3	3	3	3	3	3	3	3	2	2
Child Study Team Professional	17	18	14	15	21	21	21	15	18	24
Child Study Team Staff	3	3	3	3	4	4	4	4	4	5
Improvement of Instruction Supervisors	7	7	7	7	7	5	5	8	8	7
Improvement of Instruction Support	4	4	3	3	4	4	4	4	4	3
Media Services	15	15	15	15	15	15	15	15	15	15
General Administrative Professional	4	4	4	4	4	4	4	5	6	6
General Administrative Support	2	2	2	2	2	2	2	1	1	1
School Administrative Professional	24	22	23	23	22	22	22	22	23	22
School Administrative Support	17	22	17	18	29	29	29	22	25	27
Central Services Professional	3	3	3	3	3	3	3	7	8	8
Central Services Support	7	7	7	7	8	9	9	7	5	6
Technology	3	3	3	4	4	4	4	5	5	5
Operations and Maintenance	87	81	67	67	63	64	66	70	70	72
Transportation	11	12	12	12	15	15	15	14	14	12
Total	877	889	868	893	1002	1019	1021	1004	1013	978

Source: District Personnel Records

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH**
Operating Statistics
Last Ten Fiscal Years
Unaudited

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil/Teacher Ratio					Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Intermediate School	Middle School	Senior High School	Junior High				
										(2002 only)				
2002	7,402.2	69,206,713	9349	1.15%	741	1:11.3	1:10.9	1:10.9	1:11.4	1:11.4	7,402.2	7,087.5	3.57%	95.75%
2003	7,475.2	75,603,066	10114	8.18%	756	1:11.1	1:10.4	1:10.4	1:11.5	1:11.5	7,475.2	7,165.3	0.99%	95.85%
2004	7,561.0	80,467,268	10642	5.23%	826	1:11.6	1:10.0	1:09.7	1:9.7	1:9.7	7,630.8	7,322.6	2.08%	95.96%
2005	7,634.5	85,239,191	11165	4.91%	788	1:11.1	1:9.9	1:10.1	1:9.1	1:9.1	7,636.0	7,316.1	0.07%	95.81%
2006	7,661.5	89,632,135	11699	4.78%	788	1:10.1	1:11.1	1:9.1	1:9.2	1:9.2	7,661.5	7,339.3	0.33%	95.79%
2007	7,568.0	96,764,867	12786	9.29%	710	1:11.1	1:12.3	1:9.5	1:12.5	1:12.5	7,568.0	7,251.5	-1.40%	95.99%
2008	7,521.0	101,088,954	13441	5.12%	710	1:10.3	1:10.7	1:9.7	1:11.7	1:11.7	7,555.0	7,250.0	-0.26%	96.22%
2009	7,554.5	103,513,685	13702	1.94%	719	1:9.8	1:10.0	1:9.8	1:11.6	1:11.6	7,553.8	7,267.7	0.38%	96.09%
2010	7,502.0	107,764,313	14365	4.83%	719	1:9.7	1:9.7	1:9.7	1:11.8	1:11.8	7,474.4	7,185.6	-1.18%	96.14%
2011	7,456.0	106,430,684	14275	-0.63%	676	1:9.7	1:9.7	1:9.7	1:11.4	1:11.4	7,410.0	7,113.8	-0.86%	96.00%

Source: District records

Note: Enrollment based on annual October district count.

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH**
School Building Information
Last Six Fiscal Years
Unaudited

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
District Building										
Elementary										
Amsterdam Elementary (1990)				53,045	53,045	53,045	53,045	53,045	53,045	53,045
Square Feet				600	600	600	600	600	600	600
Capacity (students)				519	502	512	520	519	510	522
Enrollment				64,810	64,810	64,810	64,810	64,810	64,810	64,810
Hillsborough Elementary (1949)				600	600	600	600	600	600	600
Square Feet				580	551	514	491	511	506	501
Capacity (students)				50,001	50,001	50,001	50,001	50,001	50,001	50,001
Enrollment				600	600	600	600	600	600	600
Summymead Elementary (1959)				462	453	434	459	418	411	414
Square Feet				47,435	47,435	47,435	47,435	47,435	47,435	47,435
Capacity (students)				600	600	600	600	600	600	600
Enrollment				442	430	413	398	414	444	424
Triangle Elementary (1960)				47,041	47,041	47,041	47,041	47,041	47,041	47,041
Square Feet				600	600	600	600	600	600	600
Capacity (students)				457	479	459	443	435	416	396
Enrollment				56,176	56,176	56,176	56,176	56,176	56,176	56,176
Woodfern Elementary (1960)				600	600	600	600	600	600	600
Square Feet				466	420	443	439	433	432	447
Capacity (students)				120,335	120,335	120,335	120,335	120,335	120,335	120,335
Enrollment				1,300	1,300	1,300	1,300	1,300	1,300	1,300
Woods Road Elementary (1967)				1,211	1,228	1,225	1,203	1,184	1,137	1,102
Square Feet				165,811	165,811	165,811	165,811	165,811	165,811	165,811
Capacity (students)				1,182	1,152	1,247	1,262	1,254	1,235	1,200
Enrollment				314,615	314,615	314,615	314,615	314,615	314,615	314,615
Woodfern Elementary (1960)				2,600	2,600	2,600	2,600	2,600	2,600	2,600
Square Feet				2,278	2,347	2,321	2,306	2,370	2,350	2,404
Capacity (students)										
Enrollment										
Intermediate School										
Auten Road Intermediate School (1998)										
Square Feet										
Capacity (students)										
Enrollment										
Middle School										
Hillsborough Middle School (1975)										
Square Feet										
Capacity (students)										
Enrollment										
High School										
Hillsborough High School (1967)										
Square Feet										
Capacity (students)										
Enrollment										
Number of Schools at June 30, 2011										
Elementary = 6										
Intermediate = 1										
Middle School = 1										
Senior High School = 1										

Source: District Facilities Office

Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of alterations and additions. Enrollment is based on the annual October district count.

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH**

**General Fund
Schedule of Required Maintenance for School Facilities
Last Ten Fiscal Years
Unaudited**

*School Facility	Gross Building Area (SF)	Pending Projects (WDOE Project #)	Ten Year Total	2010-2002									
				2010	2009	2008	2007	2006	2005	2004	2003	2002	
Hillsborough High School	375,913		\$ 1,873,138.61	\$ 176,247.13	\$ 155,974.59	\$ 129,724.13	\$ 202,117.01	\$ 144,435.45	\$ 136,177.75	\$ 210,955.65	\$ 131,288.03	\$ 147,708.87	438,510.00
Hillsborough Middle School	176,000		1,051,058.81	92,881.17	60,837.17	17,038.09	118,485.64	83,355.76	77,647.39	175,010.47	117,367.50	85,715.62	222,720.00
Auten Road Intermediate School	177,374		664,974.90	41,852.23	39,098.03	115,096.27	32,714.64	53,959.14	49,586.75	76,561.39	30,126.85	71,310.60	154,669.00
Ansterdam Elementary School	58,233		314,258.95	27,209.02	26,207.06	46,294.85	17,225.13	19,443.13	24,332.70	38,128.69	14,906.86	26,820.51	73,691.00
Hillsborough Elementary School	68,980		475,528.29	21,692.97	32,024.08	18,505.26	13,074.46	40,590.21	29,024.61	59,172.87	19,255.38	154,897.45	87,291.00
Sunnyside Elementary School	51,450		317,614.92	12,806.21	40,064.64	10,917.52	15,725.54	19,298.89	15,411.27	41,543.58	78,098.47	18,640.80	65,108.00
Triangle Elementary School	52,095		335,492.95	26,358.17	29,065.37	13,003.19	21,332.35	34,932.94	17,500.71	33,323.91	76,958.81	17,093.50	65,924.00
Woodfern Elementary School	51,830		405,057.95	39,528.73	38,534.80	30,350.42	16,760.58	17,672.44	17,097.72	31,236.76	15,759.80	132,527.70	65,589.00
Woods Road Elementary School	59,746		372,755.67	22,206.16	23,076.96	27,384.89	16,430.63	38,794.81	18,867.71	20,294.13	18,927.93	113,166.45	75,606.00
District Total			\$ 5,809,881.05	\$ 460,781.79	\$ 444,882.70	\$ 408,314.62	\$ 453,865.98	\$ 452,482.77	\$ 383,646.61	\$ 686,227.45	\$ 502,689.63	\$ 767,881.50	\$ 1,249,108.00

*School facilities as defined under EFCFA. (N.J.A.C.6A:26-1.2 and N.J.A.C.6A:26A-1.3)

Source: District records

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH**

**Insurance Schedule
As of June 30, 2011
Unaudited**

	<u>Coverage</u>	<u>Deductible</u>
Utica:		
Package Policy:		
Blanket Real and Personal Property	\$ 211,310,977	\$ 1,000
General Liability	1,000,000	
Crime Coverage:		
Faithful Performance	100,000	
Money and Securities	10,000	
Electronic Data Processing Hardware	1,735,115	
Electronic Data Processing Software	89,755	
Audio Visual Equipment	24,100	
Automobile	1,000,000	500/1000
New Jersey School Boards Association Insurance Group:		
Worker's Compensation and Employer's Liability	2,000,000	
Utica:		
Commercial Umbrella Liability	10,000,000	
Fireman's Fund:		
Excess Umbrella Liability	50,000,000	
Bollinger Insurance Company:		
Student Accident Insurance	5,000,000	
Chubb Insurance Co.:		
Environmental Liability	1,000,000	10,000
Selective Insurance Co.:		
Surety Bond:		
Board Secretary/Business Administrator	450,000	
New Jersey School Boards Association Insurance Group:		
Surety Bond:		
Treasurer of School Moneys	450,000	

Source: District records.

Single Audit Section

T. M. Vrabel & Associates, LLC
Accountants and Auditors

K-1
Sheet 1

Timothy M. Vrabel, RMA, PSA
Chris C. Hwang, CPA

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

The Honorable President
Members of the Board of Education
Township of Hillsborough School District
County of Somerset, New Jersey

We have audited the basic financial statements of the Township of Hillsborough School District as of and for the year ended June 30, 2011, and have issued our report thereon dated August 19, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and in compliance with audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Hillsborough School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Hillsborough School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of Hillsborough School District's internal control over financial reporting.

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.

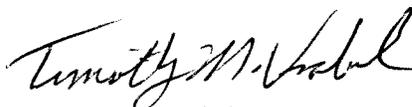
170 East Main Street
P.O. Box 541
Denville, NJ 07834
973-625-2920 Fax: 973-625-8733
Email: tmvrabeldvc@optonline.net

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Hillsborough 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Governmental Auditing Standards and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

This report is intended solely for the information and use of management, the Township of Hillsborough School District and the New Jersey Department of Education and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Timothy M. Vrabel
Public School Accountant
License No. CS000698



Chris C. W. Hwang
Certified Public Accountant
License No. CC033704

August 19, 2011

T. M. Vrabel & Associates, LLC
Accountants and Auditors

K-2
Sheet 1

Timothy M. Vrabel, RMA, PSA
Chris C. Hwang, CPA

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133 AND
NEW JERSEY OMB CIRCULAR LETTER 04-04

The Honorable President
Members of the Board of Education
Township of Hillsborough School District
County of Somerset, New Jersey

Compliance

We have audited the compliance of the Township of Hillsborough School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the New Jersey State Aid/Grants Compliance Supplement that are applicable to each of its major federal and state programs for the year ended June 30, 2011. Township of Hillsborough School District's major federal and state programs are identified in the Summary of Auditor's Results Section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of Township of Hillsborough School District's management. Our responsibility is to express an opinion on Township of Hillsborough School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and New Jersey Office of Management and Budget Circular Letter 04-04 Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, OMB Circular A-133 and New Jersey OMB's Circular Letter 04-04 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 and state program occurred. An audit includes examining, on a test basis, evidence about Township of Hillsborough 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. Our audit does not provide a legal determination on Township of Hillsborough School District's compliance with those requirements.

170 East Main Street
P.O. Box 541
Denville, NJ 07834
973-625-2920 Fax: 973-625-8733
Email: tmvrabeldvc@optonline.net

In our opinion, the Board of Education of the Township of Hillsborough School District, in the County of Somerset, State of New Jersey, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Township of Hillsborough School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered Township of Hillsborough School District's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB's Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of the Township of Hillsborough School District's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Township of Hillsborough School District's internal control over compliance.

INTERNAL CONTROL OVER COMPLIANCE OPTION #1 – NO SIGNIFICANT DEFICIENCIES

A *deficiency in internal control over compliance* 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, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state will not be prevented or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Township of Hillsborough School District, the New Jersey State Department of Education and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.



Timothy M. Vrabel
Public School Accountant
License No. CS000698



Chris C. W. Hwang
Certified Public Accountant
License No. CC033704

August 19, 2011

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH**
Schedule of Expenditures of Federal Awards, Schedule A
For the Fiscal Year Ended June 30, 2011

Federal CFDA or Grant Number	Federal Grantor/Pass-Through Grantor/Program Title	Grant Period	Award Amount	Balance July 1, 2010	Adjustments	Cash Received	BUDGETARY EXPENDITURES			Repayment of Prior Years' Balances	Accounts Receivable	Balance June 30, 2011 Deferred Revenue	Due to Grantor
							Disbursements	Accounts Payable	Encumbrances				
93.778	U.S. Department of Treasury Medicaid Reimbursement Total U.S. Department of Treasury	7/1/10-6/30/11	\$ -	\$ -	\$ -	\$ 36,437.30	\$ -	\$ -	\$ 36,437.30	\$ -	\$ -	\$ -	\$ -
	Through State Department of Education:												
10.550	Food Distribution Program	7/1/10-6/30/11	110,127.90	11,558.53		139,355.93			133,279.24			17,635.22	
10.553	School Breakfast Program	7/1/10-6/30/11	10,157.64	(1,833.24)		6,980.90			10,157.64	(3,176.74)			
10.553	School Breakfast Program	7/1/09-6/30/10	9,139.44			1,833.24							
10.555	National School Lunch Program	7/1/10-6/30/11	290,381.88	(65,345.92)		195,959.72			290,381.88	(94,422.16)			
10.555	National School Lunch Program	7/1/09-6/30/10	282,534.45			55,345.92							
10.556	Special Milk Program	7/1/10-6/30/11	4,314.21	(658.11)		3,002.29			4,314.21	(1,311.92)			
10.556	Special Milk Program	7/1/09-6/30/10	3,700.35	(46,278.74)		658.11							
	Total U.S. Department of Agriculture					403,136.11		4,418.65	438,132.97	(98,910.82)		17,635.22	
	U.S. Department of Education Passed -												
	Through State Department of Education:												
84.010A	Special Revenue Funds:	9/1/10-8/31/11	254,453.00	(80,834.37)		36,651.20			212,598.58	(175,947.38)			27,573.53
84.010A	E.S.E.A. Title I	9/1/09-8/31/10	247,599.00	(66,823.40)		80,834.37							1,362.76
84.010A	E.S.E.A. Title I	9/1/08-8/31/09	305,434.00	1,362.76		56,823.40							
84.010A	E.S.E.A. Title I - Carryover	9/1/06-8/31/07	4,744.00										
84.367A	E.S.E.A. Title II - School Imp. Carryover	9/1/10-8/31/11	183,374.00	(64,693.45)		6,142.55		20,639.61	77,224.34	(71,081.79)			
84.367A	E.S.E.A. Title II A	9/1/09-8/31/10	122,057.00			64,693.45							
84.367A	E.S.E.A. Title II D	9/1/10-8/31/11	2,821.00	(0.32)									
84.365A	E.S.E.A. Title III	9/1/09-8/31/10	68,071.00					4,021.63	51,640.44	(51,640.44)			
84.365A	E.S.E.A. Title III	9/1/08-8/31/09	32,658.00	(1,332.65)		5,408.00				(0.32)			
84.365A	E.S.E.A. Title III - Immigrant	9/1/10-8/31/11	30,286.00	(7,548.82)		12,353.07			18,627.27	(1,332.65)			
84.365A	E.S.E.A. Title III - Immigrant	9/1/09-8/31/10	38,106.00			19,246.95				(2,140.82)			
84.186A	E.S.E.A. Title IV	9/1/10-8/31/11	1,964.00	(19,661.90)		414.97 (1)			3,615.00	(1,963.56)			
84.186A	E.S.E.A. Title IV	9/1/09-8/31/10	13,571.00	(7,204.56)		7,204.56							
84.027A	IDE A, Part B, Basic	9/1/10-8/31/11	1,801,302.00	(332,960.02)		1,065,238.42		791.19	1,164,574.20	(100,126.97)			
84.027A	IDE A, Part B, Basic	9/1/09-8/31/10	1,594,236.00	(43,072.00)		741,544.58			408,584.56				
84.027A	IDE A, Part B, Basic	9/1/08-8/31/09	1,586,941.00			43,072.00							
84.173A	IDE A, Part B, Preschool	9/1/10-8/31/11	65,561.00	(5,244.67)		10,020.33		216.15	53,440.81	(43,636.63)			
84.391	ARRA IDE A, Basic	9/1/09-8/31/10	51,340.00			5,244.67							
84.392	ARRA IDE A, Preschool	7/1/09-8/31/11	1,615,531.00	(508,318.19)		671,202.00			224,781.92	(61,898.11)			
	PAACE	7/1/09-6/30/08	58,430.00	(26,856.94)		32,242.24		619.98	6,441.24	(1,055.94)			
	Readiness and Emergency Management for Schools		500.00	200.00							200.00		
84.184E	Sale and Drug-Free Schools and Communities	7/1/10-6/30/12	149,980.00			47,840.75	2,934.34	2,877.25	53,652.34	(6,811.59)			
84.184D	Sale and Drug-Free Schools and Communities	6/16/10-6/15/11	40,148.00			20,339.22	25,114.47		25,114.47	(4,775.25)			
84.184D	Sale and Drug-Free Schools and Communities	6/16/09-6/15/10	32,819.00	(4,142.75)		8,628.00	4,685.25		4,685.25				
	Total U.S. Department of Education (Fund 20)			(1,129,557.75)	414.97	2,936,581.18	12,038.24	29,165.81	2,305,987.76	(527,685.65)	200.00	28,936.29	
	Total Federal Financial Assistance			(1,175,836.49)	414.97	3,376,154.59	12,038.24	29,165.81	2,780,558.03	(626,596.47)	17,835.22	28,936.29	

(1) Prior Year Encumbrances Canceled

The accompanying Notes to Schedules of Awards and Financial Assistance are an integral part of this schedule

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH**
Schedule of Expenditures of State Financial Assistance, Schedule B
For the Fiscal Year Ended June 30, 2011

State Grant/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance July 1, 2010	Adjustments	Cash Received	BUDGETARY EXPENDITURES		Total	Repayment of Prior Years' Balances	Accounts Receivable	Balance June 30, 2011	Due to Grantor
							Disbursements	Encumbrances					
State Department of Education:													
General Funds:													
Equalization Aid	11-495-034-5120-078	7/1/10-6/30/11	\$ 16,915,579.00	\$ -	\$ 1,742.42 (1)	\$ 15,247,716.32	\$ 16,915,579.00	\$ -	\$ 16,915,579.00	\$ -	\$ (1,666,120.26)	\$ -	\$ -
Equalization Aid	10-495-034-5120-078	7/1/09-6/30/10	15,502,192.00	(1,834,326.74)	-	1,834,326.74	-	-	-	-	-	-	-
Categorical Transportation Aid	10-495-034-5120-014	7/1/09-6/30/10	2,486,155.00	(186,163.41)	-	198,163.41	-	-	-	-	(420,476.74)	-	-
Categorical Special Education Aid	11-495-034-5120-011	7/1/10-6/30/11	4,324,716.00	(511,730.35)	-	3,848,487.26	4,268,964.00	-	4,268,964.00	-	-	-	-
Categorical Special Education Aid	10-495-034-5120-011	7/1/09-6/30/10	595,321.00	(70,442.50)	-	70,442.50	-	-	-	-	-	-	-
Categorical Security Aid	10-495-034-5120-084	7/1/09-6/30/10	415,046.00	-	-	422,319.00	415,046.00	-	415,046.00	-	(415,046.00)	-	-
Extraordinary Aid	11-100-034-5120-473	7/1/10-6/30/11	44,644.54	(422,319.00)	-	422,319.00	44,644.54	-	44,644.54	-	(44,644.54)	-	-
Extraordinary Aid	10-100-034-5120-473	7/1/09-6/30/10	34,586.00	(34,586.00)	-	3,873,337.98	3,873,337.98	-	3,873,337.98	-	-	-	-
Non-Public Transportation Aid	11-495-034-5120-014	7/1/10-6/30/11	3,565,417.00	-	-	3,565,417.00	3,565,417.00	-	3,565,417.00	-	-	-	-
Non-Public Transportation Aid	10-495-034-5120-014	7/1/09-6/30/10	3,873,337.98	-	-	29,906,526.56	29,906,526.56	-	29,906,526.56	-	(2,546,287.54)	-	-
Reimbursed TPAE Social Security Contribution	11-495-034-5095-002	7/1/10-6/30/11	-	-	1,742.42	-	-	-	-	-	-	-	-
On-Benefit TPAE Pension Contributions	11-495-034-5095-001	7/1/10-6/30/11	-	-	-	-	-	-	-	-	-	-	-
Total General Funds			\$ (3,071,968.00)	\$ 1,742.42	\$ -	\$ 30,475,626.53	\$ 29,940,936.19	\$ 2,691.28	\$ 29,943,627.47	\$ -	\$ (2,553,708.91)	\$ -	\$ 10,863.11
Special Revenue Funds:													
New Jersey Nonpublic Aid	11-100-034-5120-064	7/1/10-6/30/11	6,877.00	-	-	6,877.00	5,488.76	-	5,488.76	-	-	-	1,388.24
Textbook Aid	10-100-034-5120-064	7/1/09-6/30/10	11,262.00	-	-	1,177.16	-	-	-	-	-	-	1,177.16
Textbook Aid	10-100-034-5120-064	7/1/09-6/30/10	342.00	-	-	342.00	212.00	-	212.00	-	-	-	130.00
Auxiliary Services	11-100-034-5120-067	7/1/10-6/30/11	979.00	-	(979.00) (1)	-	-	-	-	-	-	-	-
English as a Second Language	11-100-034-5120-067	7/1/10-6/30/11	979.00	-	-	342.00	-	-	-	-	-	-	-
Handicapped Services:													
Examination and Classification	11-100-034-5120-066	7/1/10-6/30/11	6,219.00	-	-	6,219.00	2,365.00	1,521.33	3,886.33	-	-	-	2,332.67
Examination and Classification	10-100-034-5120-066	7/1/09-6/30/10	3,636.00	0.31	(0.31) (1)	10,170.00	5,493.24	663.37	6,156.61	-	-	-	4,013.39
Corrective Speech	11-100-034-5120-066	7/1/10-6/30/11	10,170.00	-	-	2,779.00	662.77	284.58	957.35	-	-	-	1,821.65
Corrective Speech	10-100-034-5120-066	7/1/09-6/30/10	6,815.00	-	-	8,149.00	8,149.00	-	8,149.00	-	-	-	-
Supplementary Instruction	11-100-034-5120-066	7/1/10-6/30/11	2,779.00	-	-	35,713.16	22,158.77	2,691.28	24,850.05	-	-	-	-
Supplementary Instruction	10-100-034-5120-066	7/1/09-6/30/10	1,593.00	-	-	813,856.00	813,856.00	-	813,856.00	-	-	-	-
Nursing Services	11-100-034-5120-070	7/1/10-6/30/11	8,149.00	-	(1,742.42)	-	-	-	-	-	-	-	-
Total Special Revenue Funds			\$ 30,475,626.53	\$ 1,742.42	\$ -	\$ 30,475,626.53	\$ 29,940,936.19	\$ 2,691.28	\$ 29,943,627.47	\$ -	\$ (2,553,708.91)	\$ -	\$ 10,863.11
Debt Service Funds:													
Debt Service Aid - State Support	11-495-034-5120-125	7/1/10-6/30/11	813,856.00	-	-	813,856.00	813,856.00	-	813,856.00	-	-	-	-
Total Debt Service Funds			\$ 813,856.00	\$ -	\$ -	\$ 813,856.00	\$ 813,856.00	\$ -	\$ 813,856.00	\$ -	\$ -	\$ -	\$ -
Enterprise Funds:													
State School Lunch Program	11-100-010-3350-023	7/1/10-6/30/11	21,932.90	(5,006.88)	-	14,511.53	21,932.90	-	21,932.90	-	(7,421.37)	-	-
State School Lunch Program	10-100-010-3350-023	7/1/09-6/30/10	26,113.18	(212.40)	-	5,006.88	-	-	-	-	-	-	-
State School Breakfast Program	10-100-010-3350-096	7/1/09-6/30/10	1,274.40	(5,219.28)	-	19,730.81	21,932.90	-	21,932.90	-	(7,421.37)	-	-
Total Enterprise Funds			\$ 29,320.48	\$ (5,219.28)	\$ -	\$ 30,475,626.53	\$ 29,940,936.19	\$ 2,691.28	\$ 29,943,627.47	\$ -	\$ (2,553,708.91)	\$ -	\$ 10,863.11
Total All Funds			\$ (3,071,968.00)	\$ 1,742.42	\$ -	\$ 30,475,626.53	\$ 29,940,936.19	\$ 2,691.28	\$ 29,943,627.47	\$ -	\$ (2,553,708.91)	\$ -	\$ 10,863.11

(1) Reallocated

The accompanying Notes to Schedules of Awards and Financial Assistance are an integral part of this schedule.

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
NOTES TO SCHEDULES OF EXPENDITURES OF AWARDS AND FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2011

Note 1: General

The accompanying schedules of expenditures of awards and financial assistance present the activity of all federal and state programs of the Township of Hillsborough Board of Education. The Board of Education is defined in Note I:B. to the Board's basic financial statements. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

Note 2: Basis of Accounting

The accompanying schedules of expenditures of awards and financial assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Notes I:E and Note I:F. to the Board's basic financial statements. The information in the schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 3: Relationship to Basic Financial Statements

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

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

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
NOTES TO SCHEDULES OF EXPENDITURES OF AWARDS AND FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2011
(CONCLUDED)

Note 3: Relationship to Basic Financial Statements (Continued)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$(196,197.00) for the general fund and \$(184,101.92) for the special revenue fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the GAAP basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 36,437.30	\$29,611,054.52	\$29,647,491.82
Special Revenue Fund	2,468,897.90	24,850.05	2,493,747.95
Debt Service Fund		813,856.00	813,856.00
Food Service Fund	<u>443,191.46</u>	<u>21,932.90</u>	<u>465,124.36</u>
Total Awards and Financial Assistance	<u>\$2,948,526.66</u>	<u>\$30,471,693.47</u>	<u>\$33,420,220.13</u>

Note 4: Relationship to Federal and State Financial Reports

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

Note 5: Other

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the district for post-retirement medical benefits and the normal and accrued liability pension costs for the year ended June 30, 2011. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2011.

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)

Part 2 – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with Chapter 5.18 of Government Auditing Standards.

Not Applicable

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)

Part 3 – Schedule of Federal Awards and State Financial Assistance Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04.

Not Applicable

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE YEAR ENDED JUNE 30, 2011

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of Government Auditing Standards, U.S. OMB Circular A-133 (section .315 (a) (b)) and New Jersey OMB's Circular 04-04.

STATUS OF PRIOR YEAR FINDINGS

Not Applicable