

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**of the**

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

**For the Fiscal Year Ended June 30, 2012**

**Prepared by**

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

## **Introductory Section**

BOARD OF EDUCATION  
TOWNSHIP OF HILLSBOROUGH

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# HILLSBOROUGH TOWNSHIP BOARD OF EDUCATION

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

Dr. Jorden 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 17, 2012

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, 2012, 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, 2012 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 2011-2012 fiscal year with an enrollment of 7,378.0 students, which is 30 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>
2011-12	7378.0	-0.41%
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 moved aggressively forward realizing many initiatives regarding technology in all areas with a focus of pilot projects in one grade seven and two grade nine Algebra I classrooms. Implementation plans were written and presented to the Education Committee of the Board of Education. Additionally, almost every

classroom district-wide received an interactive projector and sound field system.

Curriculum revision was completed in the areas of K-12 Science and K-12 Mathematics, as per state mandates, as well as several high school core and elective courses. Professional development focused on PLCs with 25 district administrators attending a three-day intensive PLC Institute in August which was followed up with a keynote address to all staff focused on grading and PLCs.

The Hillsborough Education Association (HEA) agreed to institute PLC meeting time two times per month contractually and several schools were able to include additional PLC time within their master schedules. PLCs focused on available data and creating common assessments.

The Local Professional Development Committee (LPDC) continues its commitment to the development of successful professional development and mentoring action plans. Staff members interested in enrolling and completing graduate coursework remained active. Relationships with area colleges and universities continued to flourish and expand. 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 and expand our collegial and professional relationships.

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, 2012, the District's outstanding debt issues included serial bonds totaling \$25,045,000.00.

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,

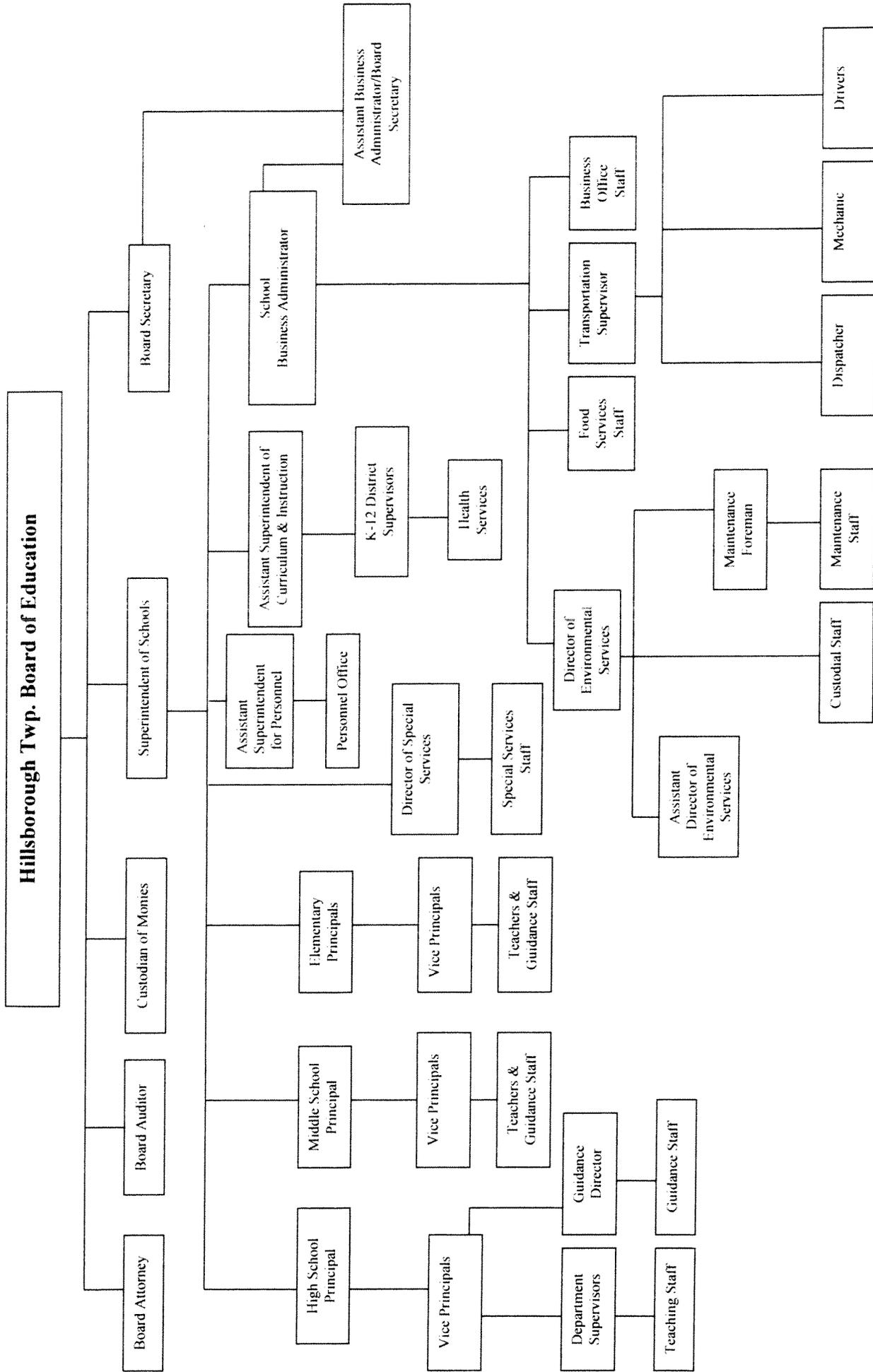


Dr. Jordan Schiff  
Superintendent of Schools



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, 2012

<u>Members of the Board of Education</u>		<u>Term Expires</u>
Dana Boguszewski	Member	2015
Deena Centofanti	Member	2015
Gregory Gillette	Member	2013
Judith C. Haas	Vice President	2014
Jennifer Haley	Member	2014
Thomas Kinst	President	2013
Thuy Anh Le	Member	2013
Chris Pulsifer	Member	2014
Lorraine Soisson	Member	2015

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**

SSP Architectural Group  
148 West End Avenue  
Somerville, NJ 08876

**Audit Firm**

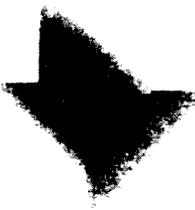
T.M. Vrabel & Associates, LLC  
PO Box 541  
Denville, NJ 07834

**Attorney**

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

## **Financial Section**

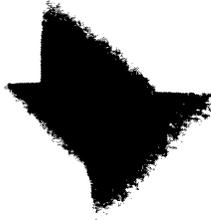
## **Independent Auditor's Report**



*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, 2012, 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 Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2012, 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.

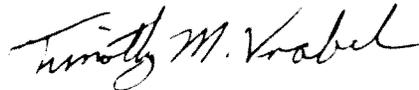
In accordance with Government Auditing Standards, we have also issued our report dated August 17, 2012 on our consideration of the Township of Hillsborough School District internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 17, 2012

**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, 2012. 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 \$3.733 million as a result of this year's operations. Net assets of our business-type activities decreased by \$305,000 or 61 percent, and net assets of our governmental activities increased by \$4.038 million or 9.1 percent.
- Total cost of all of the District's programs was \$121 million in 2011-2012 compared to \$113 million in 2010-2011.
- During the year, the District had expenses for governmental activities that were \$2.941 million less than the \$122 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.

## THE DISTRICT AS A WHOLE

The District's *combined* net assets changed from a year ago, *increasing* from \$44.966 million to \$48.699 million. Looking at the net assets and net expenses of governmental and business-type activities separately, different stories emerge. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the District's governmental and business-type activities as of June 30.

**Table 1**  
**Net Assets (in Thousands)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	8,537	5,642	354	791	8,891	6,433
Capital assets	<u>67,400</u>	<u>69,723</u>	<u>32</u>	<u>37</u>	<u>67,432</u>	<u>69,760</u>
Total assets	<u>75,937</u>	<u>75,365</u>	<u>386</u>	<u>828</u>	<u>76,323</u>	<u>76,193</u>
Long-term debt outstanding	26,868	30,239			26,868	30,239
Other liabilities	<u>567</u>	<u>662</u>	<u>189</u>	<u>326</u>	<u>756</u>	<u>988</u>
Total liabilities	<u>27,435</u>	<u>30,901</u>	<u>189</u>	<u>326</u>	<u>27,624</u>	<u>31,227</u>
Net assets:						
Invested in capital assets, net of debt	42,355	41,403	32	37	42,387	41,440
Restricted	6,819	5,062			6,819	5,062
Unrestricted (deficit)	<u>(672)</u>	<u>(2,001)</u>	<u>165</u>	<u>465</u>	<u>(507)</u>	<u>(1,536)</u>
Total net assets	<u>48,502</u>	<u>44,464</u>	<u>197</u>	<u>502</u>	<u>48,699</u>	<u>44,966</u>

Net assets of the District's governmental activities increased by 9.1 percent. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased \$1,329,000. Restricted net assets, those restricted mainly for capital projects increased by \$7,757,000. The investment in capital assets, net of debt category increased by \$,952,000.

**Table 2**  
**Changes in Net Assets (in Thousands)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
<u>Revenues</u>						
Program revenues:						
Charges for Services	489	603	2,003	1,994	2,492	2,597
Operating Grants and Contributions	16,782	15,626	457	465	17,239	16,091
General revenues:						
Property Taxes	81,537	79,982			81,537	79,982
Tuition	357	105			357	105
Federal and State Aid	19,731	17,372			19,731	17,372
Interest and Investment Earnings	20	51			20	51
Other General Revenues	3,404	470			3,404	470
Debt Service Assessment	(52)	(89)	-	-	(52)	(89)
Total Revenues:	<u>122,268</u>	<u>114,120</u>	<u>2,460</u>	<u>2,459</u>	<u>124,780</u>	<u>116,668</u>
<u>Program expenses including indirect expenses</u>						
Instruction:						
Regular	50,400	45,385			50,400	45,385
Special	12,789	12,240			12,789	12,240
Other instruction	8,560	8,748			8,560	8,748
Support services:						
Tuition	2,375	2,104			2,375	2,104
Student and instruction related services	18,694	16,926			18,694	16,926
School administrative services	5,339	5,192			5,339	5,192
General and business administrative services	3,387	3,227			3,387	3,227
Plant operations and maintenance	8,525	8,960			8,525	8,960
Pupil transportation	6,897	6,605			6,897	6,605
Interest on long-term debt	1,264	1,416			1,264	1,416
Business-type activities:						
Food Services			2,605	2,323	2,605	2,323
Summer Enrichment	-	-	161	141	161	141
Total Expenses	<u>118,230</u>	<u>110,803</u>	<u>2,766</u>	<u>2,464</u>	<u>120,996</u>	<u>113,267</u>
Increase in Net Assets	<u>4,038</u>	<u>3,317</u>	<u>(306)</u>	<u>(5)</u>	<u>3,784</u>	<u>3,401</u>

**THE DISTRICT'S FUNDS**

**Governmental Activities**

**Table 3**

**Information below compares revenues and expenditures for all governmental fund types for 2011-2012 and 2010-2011.  
(in Thousands)**

<u>Revenues by Source:</u>	<u>2011-2012</u>	<u>2010-2011</u>	<u>% Change</u>
Local Tax Levy	82,017	80,585	1.78%
Tuition Charges	357	105	240.00%
Transportation Fees	9	1	800.00%
Interest Earned to Investments	20	51	-60.78%
Miscellaneous	3,433	512	570.51%
Total - Local Sources	85,836	81,254	5.64%
State Sources	33,173	30,450	8.94%
Federal Sources	3,311	2,505	32.18%
Total Revenues	<u>122,320</u>	<u>114,209</u>	7.10%

<u>Expenditures by Function:</u>	<u>2011-2012</u>	<u>2010-2011</u>	<u>% Change</u>
Current:			
Regular Instruction	36,264	31,562	14.90%
Special education	9,377	8,978	4.44%
Other instruction	6,194	6,404	-3.28%
Support Services and undistributed costs:			
Tuition	2,375	2,104	12.88%
Student and instruction related services	14,793	12,156	21.69%
School administrative services	3,795	3,598	5.48%
General and Business administrative services	2,701	2,666	1.31%
Plant operations and maintenance	7,164	7,458	-3.94%
Pupil transportation	6,592	6,290	4.80%
Employee Benefits	24,931	25,215	-1.13%
Capital Outlay	604	1,580	-61.77%
Debt Service:			
Principal	3,275	3,250	0.77%
Interest on long-term debt	1,314	1,469	-10.55%
Total Expenditures	<u>119,379</u>	<u>112,730</u>	5.90%

The districts revenue sources increased as aligned with the districts strategic plan. The district implemented a revenue based child assistance program while also making more efforts to generate additional revenue from federal and state grants.

On the whole, overall expenditures were increased due to a significant savings in health care insurance and a realignment of funds into technology and curriculum.

## 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	181	205
Net Assets	119	77
Change in Net Assets	(309)	4
Return on Ending Total Assets	-170.72%	1.95%
Return on Ending Net Assets	-259.66%	5.19%

## 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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land Improvements	3,547	3,547			3,547	3,547
Buildings	106,356	105,951			106,356	105,951
Machinery and Equipment	4,654	4,507	271	271	4,925	4,778
Subtotal	114,557	114,005	271	271	114,828	114,276
Accumulated Depreciation	(47,157)	(44,282)	(239)	(234)	(47,396)	(44,516)
Totals	<u>67,400</u>	<u>69,723</u>	<u>32</u>	<u>37</u>	<u>67,432</u>	<u>69,760</u>

The District's 2012-2013 capital budget anticipates a spending level of \$621,464 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 \$26.869 million outstanding versus \$30.239 million last year – a decrease of 11.1 percent – as shown in Table 6.

### Outstanding Debt, at year –end

Table 6  
(in Thousands)

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
Serial Bonds	25,045	28,320
Compensated Absences	<u>1,824</u>	<u>1,919</u>
	<u>26,869</u>	<u>30,239</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 2011-2012, and the final budget were caused by the appropriation of additional revenue from Lease-Purchase Agreements 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, 2012**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,453,468.34	\$ 219,713.67	\$ 5,673,182.01
Receivables, net	1,379,287.99	111,502.31	1,490,790.30
Inventory		22,966.31	22,966.31
Restricted assets:			
Capital reserve account - cash	1,704,062.78		1,704,062.78
Capital assets, net (Note III:C.):	<u>67,400,314.43</u>	<u>31,590.24</u>	<u>67,431,904.67</u>
Total Assets	<u>75,937,133.54</u>	<u>385,772.53</u>	<u>76,322,906.07</u>
<b>LIABILITIES</b>			
Accounts payable	154,579.48		154,579.48
Payable to state government	10,215.51		10,215.51
Bond Interest Payable	360,056.05		360,056.05
Deferred revenue	41,379.42	189,258.74	230,638.16
Noncurrent liabilities (Note IV:B.):			
Due within one year	3,450,237.37		3,450,237.37
Due beyond one year	<u>23,418,329.37</u>	<u>-</u>	<u>23,418,329.37</u>
Total liabilities	<u>27,434,797.20</u>	<u>189,258.74</u>	<u>27,624,055.94</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	42,355,314.43	31,590.24	42,386,904.67
Restricted for:			
Capital projects	1,704,062.78		1,704,062.78
Debt service	(360,056.43)		(360,056.43)
Other purposes	5,475,270.30		5,475,270.30
Unrestricted	<u>(672,254.74)</u>	<u>164,923.55</u>	<u>(507,331.19)</u>
Total Net Assets	<u>\$ 48,502,336.34</u>	<u>\$ 196,513.79</u>	<u>\$ 48,698,850.13</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, 2012**

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	\$ 50,399,911.17	-	\$ 4,581,057.20	\$ -	\$ (45,818,853.97)	-	\$ (45,818,853.97)
Special education	12,788,614.41		3,403,282.84		(9,385,331.57)		(9,385,331.57)
Other instruction	8,560,570.18		824,110.16		(7,736,460.02)		(7,736,460.02)
Support services:							
Tuition	2,375,116.06		3,684,173.65		1,309,057.59		1,309,057.59
Student and instruction related services	18,694,430.24		2,159,669.06		(16,534,761.18)		(16,534,761.18)
School administrative services	5,338,688.27		487,622.42		(4,851,065.85)		(4,851,065.85)
General and business administrative services	3,386,711.43		238,672.38		(3,148,039.05)		(3,148,039.05)
Plant operations and maintenance	8,525,026.90		480,034.99		(8,044,991.91)		(8,044,991.91)
Pupil transportation	6,896,741.10	9,046.00	138,652.16		(6,748,842.94)		(6,748,842.94)
Interest on long-term debt	1,264,213.47	479,737.46	784,476.00		-		-
Total governmental activities	118,230,023.23	488,783.46	16,781,950.86	-	(100,959,288.90)	-	(100,959,288.90)
Business-type activities:							
Food Service	2,604,821.91	1,838,548.40	456,911.19		(309,362.32)		(309,362.32)
Summer Enrichment	161,100.34	164,684.75	-		3,584.41		3,584.41
Total business-type activities	2,765,922.25	2,003,233.15	456,911.19	-	(305,777.91)	-	(305,777.91)
Total primary government	\$ 120,995,945.48	\$ 2,492,016.61	\$ 17,238,862.05	\$ -	\$ (100,959,288.90)	\$ (305,777.91)	\$ (101,265,066.81)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					\$ 78,212,946.00	-	\$ 78,212,946.00
Property taxes, levied for debt service principal					3,324,496.54		3,324,496.54
Federal and State aid not restricted					19,730,640.81		19,730,640.81
Tuition (other than special schools)					356,589.21		356,589.21
Investment Earnings					20,308.89	189.24	20,498.13
Miscellaneous Income					3,404,348.58		3,404,348.58
Debt Service Assessment					(51,824.00)		(51,824.00)
Total general revenues, special items, extraordinary items and transfers					104,997,506.03	189.24	# 104,997,695.27
Change in Net Assets					4,038,217.13	(305,588.67)	3,732,628.46
Net Assets—beginning					44,464,119.21	502,102.46	44,966,221.67
Net Assets—ending					\$ 48,502,336.34	\$ 196,513.79	\$ 48,698,850.13

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, 2012**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,821,289.87	\$ (367,821.15)	\$ (0.38)	\$ 5,453,468.34
Receivables from other governments	788,931.33	419,240.29		1,208,171.62
Other receivables	170,940.58	175.79		171,116.37
Restricted cash and cash equivalents	<u>1,704,062.78</u>	<u>-</u>	<u>-</u>	<u>1,704,062.78</u>
Total Assets	<u>\$ 8,485,224.56</u>	<u>\$ 51,594.93</u>	<u>\$ (0.38)</u>	<u>\$ 8,536,819.11</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 154,579.48	\$ -	\$ -	\$ 154,579.48
Payable to state government		10,215.51		10,215.51
Deferred revenue	<u>-</u>	<u>41,379.42</u>		<u>41,379.42</u>
Total Liabilities	<u>154,579.48</u>	<u>51,594.93</u>		<u>206,174.41</u>
Fund Balances:				
Restricted for:				
Reserved Excess Surplus - Designated for Subsequent Year's Expenditures	2,130,402.53			2,130,402.53
Reserve for Excess Surplus	3,344,867.77			3,344,867.77
Capital Reserve Account	1,704,062.78			1,704,062.78
Debt Service			(0.38)	(0.38)
Assigned to:				
Designated for Subsequent Year's Expenditures	1,033,332.47			1,033,332.47
Unassigned	<u>117,979.53</u>		<u>-</u>	<u>117,979.53</u>
Total Fund Balances	<u>8,330,645.08</u>	<u>-</u>	<u>(0.38)</u>	<u>8,330,644.70</u>
Total Liabilities and Fund Balances	<u>\$ 8,485,224.56</u>	<u>\$ 51,594.93</u>	<u>\$ (0.38)</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. (360,056.05)

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$114,557,683.12 and the accumulated depreciation is \$47,157,368.69. 67,400,314.43

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.) (26,868,566.74)

Net assets of governmental activities \$ 48,502,336.34

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, 2012

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Local sources:				
Local tax levy	\$ 78,212,946.00	\$ -	\$ 3,804,234.00	\$ 82,017,180.00
Tuition charges	356,589.21			356,589.21
Transportation fees	9,046.00			9,046.00
Interest earned on investments	16,247.11			16,247.11
Interest earned on Capital Reserve Funds	4,061.78			4,061.78
Miscellaneous	<u>3,381,039.84</u>	<u>51,659.34</u>	<u>-</u>	<u>3,432,699.18</u>
Total - Local Sources	81,979,929.94	51,659.34	3,804,234.00	85,835,823.28
State sources	32,368,832.89	19,790.49	784,476.00	33,173,099.38
Federal sources	<u>932,242.18</u>	<u>2,378,899.52</u>	<u>-</u>	<u>3,311,141.70</u>
Total Revenues	<u>115,281,005.01</u>	<u>2,450,349.35</u>	<u>4,588,710.00</u>	<u>122,320,064.36</u>
<b>EXPENDITURES</b>				
Current:				
Regular instruction	36,024,741.63	239,614.96		36,264,356.59
Special education instruction	8,058,671.58	1,318,104.05		9,376,775.63
Other instruction	6,193,706.81			6,193,706.81
Support services and undistributed costs:				
Tuition	2,375,116.06			2,375,116.06
Student and instruction related services	14,014,259.18	779,137.53		14,793,396.71
School administrative services	3,795,013.78			3,795,013.78
General and business administrative services	2,701,366.79			2,701,366.79
Plant operations and maintenance	7,164,333.63			7,164,333.63
Pupil transportation	6,591,609.97			6,591,609.97
Unallocated benefits	24,868,491.99	62,385.07		24,930,877.06
Capital outlay	552,664.82	51,107.74		603,772.56
Debt service:				
Principal			3,275,000.00	3,275,000.00
Interest and other charges	<u>-</u>	<u>-</u>	<u>1,313,720.75</u>	<u>1,313,720.75</u>
Total Expenditures	<u>112,339,976.24</u>	<u>2,450,349.35</u>	<u>4,588,720.75</u>	<u>119,379,046.34</u>
Excess (Deficiency) of revenues over expenditures				
	<u>2,941,028.77</u>	<u>-</u>	<u>(10.75)</u>	<u>2,941,018.02</u>
Net change in fund balances				
	2,941,028.77	-	(10.75)	2,941,018.02
Fund Balance—July 1	<u>5,389,616.31</u>	<u>-</u>	<u>10.37</u>	<u>5,389,626.68</u>
Fund Balance—June 30	<u>\$ 8,330,645.08</u>	<u>\$ -</u>	<u>\$ (0.38)</u>	<u>\$ 8,330,644.70</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, 2012**

<b>Total net change in fund balances - governmental funds (from B-2)</b>	<b>2,941,018.02</b>
Amounts reported for governmental activities in the statement of activities (A-2) are different because:	
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. (+)	
Interest paid	1,313,720.75
Interest accrued	<u>(1,264,213.47)</u>
	49,507.28
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.	
Depreciation expense	(2,875,135.09)
Capital outlays (exclusive of capital lease principal payments)	<u>603,772.56</u>
	(2,271,362.53)
A Debt Service Assessment which is a capital outlay expenditure but not included in capital assets.	
	(51,824.00)
Adjustment to Capital Assets in accordance with physical appraisal	
	-
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. (-)	
	-
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 (+).	
	95,878.36
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.	
Debt principal	3,275,000.00
Capital lease principal	-
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	-
Revenues in the statement of activities which do not provide current financial resources are not reported as revenues in the funds. (+)	
	-
<b>Change in net assets of governmental activities</b>	<u><u>4,038,217.13</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, 2012

	Business-type Activities - Enterprise Funds		
	<u>Food Service</u>	<u>Summer Enrichment</u>	<u>Totals</u>
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 14,455.06	\$ 205,258.61	\$ 219,713.67
Accounts receivable	111,502.31	-	111,502.31
Inventories	22,966.31	-	22,966.31
Total Current Assets	<u>148,923.68</u>	<u>205,258.61</u>	<u>354,182.29</u>
Noncurrent assets:			
Furniture, machinery and equipment	270,994.34		270,994.34
Less accumulated depreciation	<u>(239,404.10)</u>		<u>(239,404.10)</u>
Total Noncurrent Assets	31,590.24	-	31,590.24
Total Assets	<u>180,513.92</u>	<u>205,258.61</u>	<u>385,772.53</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Deferred Revenue	61,340.70	127,918.04	189,258.74
Total Current Liabilities	<u>61,340.70</u>	<u>127,918.04</u>	<u>189,258.74</u>
Total Liabilities	<u>61,340.70</u>	<u>127,918.04</u>	<u>189,258.74</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	31,590.24		31,590.24
Unrestricted	<u>87,582.98</u>	<u>77,340.57</u>	<u>164,923.55</u>
Total Net Assets	<u>\$ 119,173.22</u>	<u>\$ 77,340.57</u>	<u>\$ 196,513.79</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, 2012**

	<b>Business-type Activities - Enterprise Funds</b>		
	<u>Food Service</u>	<u>Summer Enrichment</u>	<u>Totals</u>
<b>Operating Revenues:</b>			
Charges for services:			
Daily sales - reimbursable programs	\$ 615,867.18	\$ -	\$ 615,867.18
Daily sales - non-reimbursable programs	1,222,681.22		1,222,681.22
Program fees	-	164,684.75	164,684.75
Total Operating Revenues	<u>1,838,548.40</u>	<u>164,684.75</u>	<u>2,003,233.15</u>
 <b>Operating Expenses:</b>			
Cost of sales	877,821.33		877,821.33
Salaries	922,120.01	47,350.02	969,470.03
Employee benefits	266,127.50	2,761.39	268,888.89
Management Fee	155,666.52		155,666.52
Cleaning, repair and maintenance services	62,420.71		62,420.71
Other purchased services	198,553.85	100,145.54	298,699.39
General supplies	116,350.21	10,843.39	127,193.60
Depreciation	5,761.78	-	5,761.78
Total Operating Expenses	<u>2,604,821.91</u>	<u>161,100.34</u>	<u>2,765,922.25</u>
Operating (Loss)	<u>(766,273.51)</u>	<u>3,584.41</u>	<u>(762,689.10)</u>
 <b>Nonoperating Revenues :</b>			
State sources:			
State school lunch program	18,696.83		18,696.83
Federal sources:			
National school lunch program	265,197.21		265,197.21
Federal breakfast program	7,990.11		7,990.11
Special milk program	5,009.39		5,009.39
Food distribution program	160,017.65		160,017.65
Interest and investment revenue	189.24		189.24
Total Nonoperating Revenues	<u>457,100.43</u>	<u>-</u>	<u>457,100.43</u>
Change in net assets	(309,173.08)	3,584.41	(305,588.67)
Total Net Assets—Beginning	<u>428,346.30</u>	<u>73,756.16</u>	<u>502,102.46</u>
 Total Net Assets—Ending	<u>\$ 119,173.22</u>	<u>\$ 77,340.57</u>	<u>\$ 196,513.79</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, 2012

	Business-type Activities - Enterprise Funds		
	<u>Food Service</u>	<u>Summer Enrichment</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 1,842,451.73	\$ 174,723.54	\$ 2,017,175.27
Payments to employees	(922,120.01)	(47,350.02)	(969,470.03)
Payments for employee benefits	(266,127.50)	(2,761.39)	(268,888.89)
Payments to suppliers	<u>(1,555,120.98)</u>	<u>(110,988.93)</u>	<u>(1,666,109.91)</u>
Net cash provided/(used for) operating activities	<u>(900,916.76)</u>	<u>13,623.20</u>	<u>(887,293.56)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
State Sources	18,696.83		18,696.83
Federal Sources	<u>438,214.36</u>		<u>438,214.36</u>
Net cash provided by non-capital financing activities	<u>456,911.19</u>		<u>456,911.19</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends	<u>189.24</u>		<u>189.24</u>
Net cash provided by (used for) investing activities	<u>189.24</u>	-	<u>189.24</u>
Net increase (decrease) in cash and cash equivalents	(443,816.33)	13,623.20	(430,193.13)
Balances—beginning of year	<u>458,271.39</u>	<u>191,635.41</u>	<u>649,906.80</u>
 Balances—end of year	 <u>\$ 14,455.06</u>	 <u>\$ 205,258.61</u>	 <u>\$ 219,713.67</u>
<b>Reconciliation of operating income (loss) to net cash provided/ (used for) operating activities:</b>			
Operating Income (loss)	\$ (766,273.51)	\$ 3,584.41	\$ (762,689.10)
Adjustments to reconcile operating income (loss) to net cash provided/ (used for) operating activities:			
Depreciation and net amortization	5,761.78		5,761.78
(Increase)/Decrease in accounts receivable	(5,170.12)		(5,170.12)
(Increase)/Decrease in inventories	11,103.75		11,103.75
Increase/(Decrease) in deferred revenue	9,073.45	10,038.79	19,112.24
Increase/(Decrease) in accounts payable	<u>(155,412.11)</u>	<u>-</u>	<u>(155,412.11)</u>
Total adjustments	<u>(134,643.25)</u>	<u>10,038.79</u>	<u>(124,604.46)</u>
Net cash (used for) operating activities	<u>\$ (900,916.76)</u>	<u>\$ 13,623.20</u>	<u>\$ (887,293.56)</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, 2012**

	<b>Unemployment Compensation <u>Trust</u></b>	<b>Agency <u>Fund</u></b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 36,143.53	\$ 914,029.70
	<u>36,143.53</u>	<u>914,029.70</u>
<b>LIABILITIES</b>		
Payable to student groups		534,540.87
Payroll deductions and withholdings		323,694.25
Net Salaries and Wages		6,751.42
Accrued Salaries and Wages		5,165.94
Section 125 Plan		43,877.18
Health Benefits Reserve		<u>0.04</u>
		<u>\$ 914,029.70</u>
<b>NET ASSETS</b>		
Held in trust for unemployment claims and other purposes	<u>\$ 36,143.53</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, 2012**

	Unemployment Compensation <u>Trust</u>
<b>ADDITIONS</b>	
Contributions:	
Plan member	\$ 166,654.44
Board of Education	<u>82,555.13</u>
Total Contributions	<u>249,209.57</u>
Investment earnings:	
Interest	<u>8.02</u>
Net investment earnings	<u>8.02</u>
Total Additions	<u>249,217.59</u>
<b>DEDUCTIONS</b>	
Unemployment claims	<u>220,036.42</u>
Total Deductions	<u>220,036.42</u>
Change in Net Assets	29,181.17
Net Assets—beginning	<u>6,962.36</u>
 Net Assets—ending	 <u>\$ 36,143.53</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, 2012 AND 2011

Note 1: 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, 2012 AND 2011

Note 1: 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, 2012 AND 2011

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, 2012 AND 2011

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 Fund 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, 2012 AND 2011

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 revenues in the amount of \$3,074,466.21, were made during the year ended June 30, 2012. 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, 2012 AND 2011

Note 1: 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, 2012 AND 2011

Note 1: 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, 2012 AND 2011

Note 1: 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, 2012, the amount earned by these employees but not disbursed was \$5,165.94.

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, 2012 AND 2011

Note 1: 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 appropriate 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, 2012 AND 2011

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>Assets</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>	<u>Long - term</u> <u>Assets</u> <u>Liabilities (1)</u>	<u>Reclassifications</u> <u>and Eliminations</u>	<u>Statement</u> <u>of Net</u> <u>Assets</u> <u>Totals</u>
Cash and cash equivalents	\$ 5,453,468.34	\$ -	\$ -	\$ 5,453,468.34
Receivables, net			1,379,287.99	1,379,287.99
Receivables from Other Governments	1,208,171.62		(1,208,171.62)	-
Other Receivables	171,116.37		(171,116.37)	-
Restricted assets:				
Capital Reserve Account - cash	1,704,062.78			1,704,062.78
Capital Assets, net	<u>-</u>	<u>67,400,314.43</u>	<u>-</u>	<u>67,400,314.43</u>
 Total Assets	 <u>\$ 8,536,819.11</u>	 <u>\$ 67,400,314.43</u>	 <u>\$ -</u>	 <u>\$ 75,937,133.54</u>
 <u>Liabilities</u>				
Accounts Payable	\$ 154,579.48	\$ -	\$ -	\$ 154,579.48
Payable to State Government	10,215.51			10,215.51
Bond Interest Payable			360,056.05	360,056.05
Deferred Revenue	41,379.42		-	41,379.42
Noncurrent Liabilities	<u>-</u>	<u>25,045,000.00</u>	<u>1,823,566.74</u>	<u>26,868,566.74</u>
Total Liabilities	<u>206,174.41</u>	<u>25,045,000.00</u>	<u>2,183,622.79</u>	<u>27,434,797.20</u>
 <u>Fund Balances/Net Assets</u>				
<u>Net Assets</u>				
Invested in capital assets, net of related debt		42,355,314.43		42,355,314.43
Restricted for:				
Capital projects	1,704,062.78			1,704,062.78
Debt service	(0.38)		(360,056.05)	(360,056.43)
Other purposes	5,475,270.30			5,475,270.30
Unrestricted	<u>1,151,312.00</u>	<u>-</u>	<u>(1,823,566.74)</u>	<u>(672,254.74)</u>
Total Fund Balances/Net Assets	<u>8,330,644.70</u>	<u>42,355,314.43</u>	<u>(2,183,622.79)</u>	<u>48,502,336.34</u>
Total Liabilities and Fund Balances/Net Assets	<u>\$ 8,536,819.11</u>	<u>\$ 67,400,314.43</u>	<u>\$ -</u>	<u>\$ 75,937,133.54</u>

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	\$ 114,557,683.12
Accumulated depreciation	<u>(47,157,368.69)</u>
	<u>\$ 67,400,314.43</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	\$ 25,045,000.00
Compensated Absences	<u>1,823,566.74</u>
	<u>\$ 26,868,566.74</u>

Adjustment to Debt Service Fund net assets for the accrual of interest expense.

\$ (360,056.05)

BOARD OF EDUCATION  
TOWNSHIP OF HILLSBOROUGH  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2012 AND 2011

Note II. 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

	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
<b>Revenues and Other Sources</b>						
Local Tax Levy	\$ 82,017,180.00	\$ -	\$ -	\$ -	\$ -	\$ 82,017,180.00
Tuition Charges	356,589.21	-	-	-	-	356,589.21
Transportation Fees	9,046.00	-	-	-	-	9,046.00
Interest Earned on Investments	20,308.89	-	-	-	-	20,308.89
Miscellaneous	3,432,699.18	-	-	-	-	3,432,699.18
State Sources	33,173,099.38	-	-	-	-	33,173,099.38
Federal Sources	3,311,141.70	-	-	-	-	3,311,141.70
<b>Total</b>	<b>122,320,064.36</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>122,320,064.36</b>
<b>Expenditures</b>						
Current:						
Regular instruction	36,264,356.59	-	2,061,805.67	(9,156.83)	12,082,905.74	50,399,911.17
Special education	9,376,775.63	-	334,121.62	27,722.52	3,049,994.64	12,788,614.41
Other instruction	6,193,706.81	-	78,421.19	(14,532.75)	2,302,974.93	8,560,570.18
Support Services and undistributed costs:						
Tuition	2,375,116.06	-	-	-	-	2,375,116.06
Student and instruction related services	14,793,396.71	-	43,139.69	-	3,857,893.84	18,694,430.24
School administrative services	3,795,013.78	-	231,490.48	(50,476.31)	1,362,660.32	5,338,688.27
General and business administrative services	2,701,366.79	-	60,910.92	(42,536.00)	666,969.72	3,386,711.43
Plant operations and maintenance	7,164,333.63	-	24,983.10	(5,747.08)	1,341,457.25	8,525,026.90
Pupil transportation	6,591,609.97	-	40,262.42	(1,151.91)	266,020.62	6,896,741.10
Unallocated Benefits	24,930,877.06	-	-	-	(24,930,877.06)	-
Capital Outlay	603,772.56	-	(603,772.56)	-	-	-
Debt Service:						
Principal	3,275,000.00	-	-	(3,275,000.00)	-	-
Interest	1,313,720.75	(49,507.28)	-	-	-	1,264,213.47
<b>Total</b>	<b>119,379,046.34</b>	<b>(49,507.28)</b>	<b>2,271,362.53</b>	<b>(3,370,878.36)</b>	<b>-</b>	<b>118,230,023.23</b>
Other Financing Uses/Changes in Net Assets:						
Debt Service Assessment	-	-	(51,824.00)	-	-	(51,824.00)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>(51,824.00)</b>	<b>-</b>	<b>-</b>	<b>(51,824.00)</b>
<b>Net Change for the Year</b>	<b>\$ 2,941,018.02</b>	<b>\$ 49,507.28</b>	<b>\$ (2,323,186.53)</b>	<b>\$ 3,370,878.36</b>	<b>\$ -</b>	<b>\$ 4,038,217.13</b>

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 (+) \$ 49,507.28

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	\$ (2,875,135.09)
Capital outlays (exclusive of capital lease principal payments)	603,772.56
	<u>\$ (2,271,362.53)</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. \$ (51,824.00)

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 difference is an addition to the reconciliation (+). \$ 95,878.36

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	3,275,000.00
Capital lease principal	-
	<u>\$ 3,370,878.36</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>

5. Allocate Benefits expenditures

BOARD OF EDUCATION  
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2012 AND 2011

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, 2012 the Township of Hillsborough Board of Education's cash and cash equivalent's amounted to \$11,044,190.29. Of this amount, \$562,987.57 was covered by federal depository insurance (F.D.I.C.) and \$10,481,202.72 was covered by a collateral pool maintained by the banks as required by GUDPA

At June 30, 2012 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, 2012, none of the Township of Hillsborough Board of Education's cash and cash equivalents of \$11,044,190.29 was exposed to custodial credit risk.

BOARD OF EDUCATION  
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2012 AND 2011

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, 2012.

B. Interfund Receivables and Payables

As of June 30, 2012, 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, 2012 AND 2011

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

C. Capital Assets

Capital asset activity for the year ended June 30, 2012 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	105,951,235.04	405,194.02	-	106,356,429.06
Machinery and Equipment	4,507,348.80	146,754.54	-	4,654,103.34
Totals at historical cost	<u>114,005,734.56</u>	<u>551,948.56</u>	<u>-</u>	<u>114,557,683.12</u>
Less accumulated depreciation for:				
Land Improvements	(1,897,841.34)	(177,891.75)	-	(2,075,733.09)
Buildings and Improvements	(39,168,292.74)	(2,184,482.42)	-	(41,352,775.16)
Machinery and Equipment	(3,216,099.52)	(512,760.92)	-	(3,728,860.44)
Total accumulated depreciation	<u>(44,282,233.60)</u>	<u>(2,875,135.09) (1)</u>	<u>-</u>	<u>(47,157,368.69)</u>
Net capital assets being depreciated	<u>69,723,500.96</u>	<u>(2,323,186.53)</u>	<u>-</u>	<u>67,400,314.43</u>
Governmental activities capital assets, net	<u>\$ 69,723,500.96</u>	<u>\$ (2,323,186.53)</u>	<u>\$ -</u>	<u>\$ 67,400,314.43</u>
Business - type activities:				
Equipment	\$ 270,994.34	\$ -	\$ -	\$ 270,994.34
Less accumulated depreciation	<u>(233,642.32)</u>	<u>(5,761.78)</u>	<u>-</u>	<u>(239,404.10)</u>
Business - type activities capital assets, net	<u>\$ 37,352.02</u>	<u>\$ (5,761.78)</u>	<u>\$ -</u>	<u>\$ 31,590.24</u>

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

Instruction	\$ 2,061,805.67
Special Education	334,121.62
Other Instruction	78,421.19
Student and Instruction Related Services	43,139.69
School Administrative Services	231,490.48
General and Business Administrative Services	60,910.92
Plant Operations and Maintenance	24,983.10
Pupil Transportation	<u>40,262.42</u>
	<u>\$ 2,875,135.09</u>

BOARD OF EDUCATION  
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2012 AND 2011

Note IV: Detailed Disclosures Regarding Liabilities and Expenses/Expenditures

A. Operating Leases

The District has commitments to lease copying and computer equipment under operating leases which expire in 2016.

Total operating lease payments made during the year ended June 30, 2012 were \$897,029.73. Future minimum lease payments are as follows:

<u>Year Ended</u>	<u>Amount</u>
June 30, 2013	\$ 732,806.33
June 30, 2014	723,106.49
June 30, 2015	715,234.49
June 30, 2016	<u>701,580.29</u>
Total future minimum lease payments	<u>\$ 2,872,727.60</u>

B. Long - Term Liabilities

Long - Term liability activity for the year ended June 30, 2012 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	\$ 28,320,000.00	\$ -	\$ (3,275,000.00)	\$ 25,045,000.00	\$ 3,285,000.00
Total debt payable	<u>28,320,000.00</u>	<u>-</u>	<u>(3,275,000.00) (1)</u>	<u>25,045,000.00</u>	<u>3,285,000.00</u>
Other liabilities:					
Compensated absences	1,919,445.10	135,012.43	(230,890.79)	1,823,566.74	165,237.37
Total other liabilities	<u>1,919,445.10</u>	<u>135,012.43</u>	<u>(230,890.79) (2)</u>	<u>1,823,566.74</u>	<u>165,237.37</u>
Governmental activities					
long - term liabilities	<u>\$ 30,239,445.10</u>	<u>\$ 135,012.43</u>	<u>\$ (3,505,890.79)</u>	<u>\$ 26,868,566.74</u>	<u>\$ 3,450,237.37</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, 2012 AND 2011

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	\$ 820,000.00
Refunding of 2001	4.25- 5.375%	10/1	2021	25,300,000.00	17,215,000.00
Refunding of 2007	3.87%	9/27	2021	<u>9,095,000.00</u>	<u>7,010,000.00</u>
				<u>\$60,695,000.00</u>	<u>\$25,045,000.00</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,			
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	3,441,805.05
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>\$25,045,000.00</u>	<u>\$5,979,556.05</u>	<u>\$31,024,556.05</u>

BOARD OF EDUCATION  
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2012 AND 2011

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, 2012.

3. Bonds Authorized But Not Issued

As of June 30, 2012 the Board had no authorized but not issued bonds.

4. Capital Leases Payable

There were no capital leases payables outstanding as of June 30, 2012.

BOARD OF EDUCATION  
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2012 AND 2011

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, 2012 is \$5,475,270.30. The reserved fund balance of \$2,130,402.53 has been appropriated in the fiscal year 2012-2013 and \$3,344,867.77 will be appropriated in the fiscal year 2013-2014.

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, 2012 LRFP balance of local support costs of uncompleted capital projects at June 30, 2012 is \$7,259,592.00.

BOARD OF EDUCATION  
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2012 AND 2011

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](http://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, 2012 AND 2011

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. P.L. 2011, c.78, effective June 28, 2011, made various changes to the manner in which TPAF, PERS, PFRS, SPRS, and JRS operate and to the benefit provisions of those systems.

This new legislation's provisions impacting employee pension and health benefits include:

- New members of TPAF and PERS hired on or after June 28, 2011 (Tier 5 members), will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of  $\frac{1}{4}$  of 1 percent for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the TPAF and PERS is increased from age 62 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60 percent instead of 65 percent of the member's final compensation plus 1 percent for each year of creditable service over 25 years but not to exceed 30 years.
- Active member contribution rates will increase. TPAF and PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years; PFRS and PERS prosecutors Part active member rates increase from 8.5 percent to 10 percent; SPRS active member rates increase from 7.5 percent to 9 percent; and JRS active member rates increase from 3 percent to 12 percent phased-in over seven years. For Fiscal Year 2012, the member contributions for TPAF, PERS and JRS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.

In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Funding Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the aggregate funded ratio for the retirement systems (TPAF, PERS, PFRS, POPF, CPFPF, JRS, and SPRS) is 70.5 percent with an unfunded actuarial accrued liability of \$36.3 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 65.2 percent and \$25.6 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 78.5 percent and \$10.7 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 to 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, 2012 AND 2011

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, 2011, 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, 2012 was \$67,935,736.40 and covered payroll was \$51,698,566.00 for TPAF and \$8,595,820.00 for PERS. Contributions to the TPAF and the PERS for the years ended June 30, 2010, 2011 and 2012 made by the employees, the Board, and the State of New Jersey on behalf of the Board were as follows:

			Percent of Covered Payroll		Percent of Covered Payroll
		TPAF		PERS	
Employees	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%
	6/30/12	3,348,533.72	6.48%	555,099.03	6.46%
Board of Education	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%
	6/30/12	N/A	N/A	1,058,917.00	12.31%
State of New Jersey	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
	6/30/12	4,992,372.00	9.66%	N/A	N/A

In accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$3,906,716.12 during the year ended June 30, 2012 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, 2012 AND 2011

Note VII: Health Benefit and Post-Retirement Medical Benefits

P.L. 2011, c.78 effective October 2011, sets new employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to this new legislation's effective date with a minimum contribution required to be at least 1.5% of salary.

Health Benefits Program Fund (HBPF)- Local Education (including Prescription Drug Program Fund)- The State of New Jersey provides free coverage to members of the Teachers' Pension and Annuity Fund who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of P.L. 1992, c.126, the State also provides free coverage to members of the Public Employees' Retirement System and Alternate Benefits Program who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage.

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. As of June 30, 2011, there were 93,323 retirees receiving post-retirement medical benefits and the state contributed \$935.5 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 \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in Fiscal Year 2011.

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>
2011-2012	\$ 82,555.13	\$166,654.44	\$220,036.42	\$ 36,143.53
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

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").

BOARD OF EDUCATION  
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2012 AND 2011

Note VIII: Risk Management (Continued)

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.

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, 2012, 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, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
<b>Local Sources:</b>					
Local Tax Levy	\$ 78,212,946.00	\$ -	\$ 78,212,946.00	\$ 78,212,946.00	\$ -
Tuition	66,666.00	-	66,666.00	9,046.00	269,923.21
Transportation Fees	-	-	-	15,247.11	9,046.00
Interest Earned on Investments	-	-	-	15,247.11	16,247.11
Interest Earned on Capital Reserve Funds	-	-	-	4,061.78	4,061.78
Miscellaneous	448,758.00	3,047,114.21	3,495,870.21	3,381,039.84	(114,830.37)
<b>Total - Local Sources</b>	<u>78,728,368.00</u>	<u>3,047,114.21</u>	<u>81,775,482.21</u>	<u>81,979,929.94</u>	<u>204,447.73</u>
<b>State Sources:</b>					
Extraordinary Aid	-	-	-	-	-
Equalization Aid	17,948,911.00	-	17,948,911.00	18,911,112.00	962,201.00
Categorical Special Education Aid	4,268,964.00	-	4,268,964.00	4,268,964.00	-
Categorical Security Aid	-	-	-	71,131.00	71,131.00
Extraordinary Aid	81,870.00	-	81,870.00	388,546.00	306,676.00
Non-Public Transportation Aid	-	-	-	43,657.77	43,657.77
Bullying Prevention State Aid Grant	-	-	-	909.00	909.00
TPAF Pension (On-Behalf - Non-Budgeted)	-	-	-	4,992,372.00	4,992,372.00
TPAF Social Security (Reimbursed - Non-Budgeted)	-	-	-	3,906,716.12	3,906,716.12
<b>Total State Sources</b>	<u>22,299,745.00</u>	<u>-</u>	<u>22,299,745.00</u>	<u>32,583,407.89</u>	<u>10,283,662.89</u>
<b>Federal Sources:</b>					
Medicaid Reimbursement	35,199.00	-	35,199.00	31,793.18	(3,405.82)
American Recovery and Reinvestment Act	-	-	-	-	-
Education Jobs Fund	873,097.00	27,352.00	900,449.00	900,449.00	-
<b>Total - Federal Sources</b>	<u>908,296.00</u>	<u>27,352.00</u>	<u>900,449.00</u>	<u>932,242.18</u>	<u>(3,405.82)</u>
<b>Total Revenues</b>	<u>101,936,409.00</u>	<u>3,074,466.21</u>	<u>105,010,875.21</u>	<u>115,495,580.01</u>	<u>10,484,704.80</u>
<b>EXPENDITURES:</b>					
<b>Current Expense:</b>					
<b>Regular Programs - Instruction</b>					
Preschool/Kindergarten - Salaries of Teachers	110-100-101 709,511.00	99,027.00	808,538.00	806,096.88	2,441.12
Grades 1-5 - Salaries of Teachers	120-100-101 14,323,807.00	(782,862.04)	13,561,144.96	13,460,063.80	101,081.36
Grades 6-8 - Salaries of Teachers	130-100-101 7,199,748.00	(255,578.21)	6,944,169.79	6,885,459.13	58,710.66
Grades 9-12 - Salaries of Teachers	140-100-101 10,873,683.00	(51,391.00)	10,822,292.00	10,781,880.24	40,811.76
<b>Regular Programs - Home Instruction:</b>					
Salaries of Teachers	150-100-101 59,009.00	7,463.00	66,472.00	66,471.29	0.71
Purchased Professional-Educational Services	150-100-320 54,871.00	-	54,871.00	44,836.90	10,034.10
<b>Regular Programs - Undistributed Instruction</b>					
Other Purchased Services (400-500 series)	190-100-500 867,559.00	3,098,443.66	3,098,443.66	3,047,899.41	48,544.25
General Supplies	190-100-610 112,203.00	(10,412.31)	85,746.69	830,285.82	26,860.87
Textbooks	190-100-640 112,203.00	(1,034.83)	111,168.17	102,148.36	9,019.81
<b>TOTAL REGULAR PROGRAMS - INSTRUCTION</b>	<u>34,200,191.00</u>	<u>2,121,855.27</u>	<u>36,322,046.27</u>	<u>36,024,741.63</u>	<u>297,304.64</u>
<b>SPECIAL EDUCATION - INSTRUCTION</b>					
<b>Learning and/or Language Disabilities:</b>					
Salaries of Teachers	204-100-101 1,398,444.00	(463,878.00)	934,566.00	934,344.51	221.49
Other Salaries for Instruction	204-100-106 266,035.00	(31,000.00)	235,035.00	234,314.52	720.48
General Supplies	204-100-610 18,500.00	(7,971.43)	10,528.57	10,528.57	-
Textbooks	204-100-640 3,000.00	(2,840.75)	359.25	359.25	-
<b>Total Learning and/or Language Disabilities</b>	<u>1,685,979.00</u>	<u>(505,490.18)</u>	<u>1,180,488.82</u>	<u>1,179,546.85</u>	<u>941.97</u>
<b>Behavioral Disabilities:</b>					
Salaries of Teachers	209-100-101 129,026.00	(51,876.00)	77,150.00	77,149.65	0.35
<b>Total Behavioral Disabilities</b>	<u>129,026.00</u>	<u>(51,876.00)</u>	<u>77,150.00</u>	<u>77,149.65</u>	<u>0.35</u>
<b>Resource Room/Resource Center:</b>					
Salaries of Teachers	213-100-101 5,820,589.00	449,325.65	6,269,914.65	6,242,248.12	27,666.53
General Supplies	213-100-610 41,800.00	(11,727.39)	29,872.61	29,851.96	20.65
Textbooks	213-100-640 11,900.00	(4,360.81)	7,539.19	7,539.19	-
<b>Total Resource Room/Resource Center</b>	<u>5,874,089.00</u>	<u>433,237.45</u>	<u>6,307,306.45</u>	<u>6,279,639.27</u>	<u>27,667.18</u>
<b>Autism:</b>					
Salaries of Teachers	214-100-101 320,411.00	(89,448.00)	250,963.00	234,448.60	16,514.40
Other Salaries for Instruction	214-100-106 23,853.00	(23,853.00)	-	-	-
General Supplies	214-100-610 5,000.00	(229.88)	4,770.12	4,768.66	1.46
<b>Total Autism</b>	<u>349,064.00</u>	<u>(93,330.88)</u>	<u>255,733.12</u>	<u>239,217.26</u>	<u>16,515.86</u>
<b>Preschool Disabilities - Part-Time:</b>					
Salaries of Teachers	215-100-101 228,177.00	(24,808.00)	203,369.00	203,368.75	0.25
Other Salaries for Instruction	215-100-106 115,961.00	(38,375.00)	77,586.00	77,225.33	360.67
General Supplies	215-100-610 4,000.00	(1,475.53)	2,524.47	2,524.47	-
<b>Total Preschool Disabilities - Part-Time</b>	<u>348,138.00</u>	<u>(64,658.53)</u>	<u>283,479.47</u>	<u>283,118.55</u>	<u>360.92</u>
<b>TOTAL SPECIAL EDUCATION - INSTRUCTION</b>	<u>8,386,276.00</u>	<u>(282,118.14)</u>	<u>8,104,157.86</u>	<u>8,058,671.58</u>	<u>45,486.28</u>
<b>Basic Skills/Remedial - Instruction</b>					
Salaries of Teachers	230-100-101 521,824.00	(499,310.00)	22,514.00	22,485.75	28.25
General Supplies	230-100-610 15,000.00	-	15,000.00	7,782.51	7,217.49
<b>Total Basic Skills/Remedial - Instruction</b>	<u>536,824.00</u>	<u>(499,310.00)</u>	<u>37,514.00</u>	<u>30,248.26</u>	<u>7,265.74</u>
<b>Bilingual Education - Instruction</b>					
Salaries of Teachers	240-100-101 635,717.00	25,097.00	660,814.00	657,516.09	3,297.91
General Supplies	240-100-610 6,962.00	-	6,962.00	6,143.01	818.99
Textbooks	240-100-640 10,300.00	3,000.00	13,300.00	13,111.26	188.74
<b>Total Bilingual Education - Instruction</b>	<u>652,979.00</u>	<u>28,097.00</u>	<u>681,076.00</u>	<u>676,770.36</u>	<u>4,305.64</u>
<b>School-Spon. Cocurricular Actvts. - Inst.</b>					
Salaries	401-100-100 192,943.00	50,947.00	243,890.00	230,285.47	13,604.53
Supplies and Materials	401-100-600 9,143.00	-	9,143.00	9,143.00	-
<b>Total School-Spon. Cocurricular Actvts. - Inst.</b>	<u>202,086.00</u>	<u>50,947.00</u>	<u>253,033.00</u>	<u>239,428.47</u>	<u>13,604.53</u>

BOARD OF EDUCATION  
TOWNSHIP OF HILLSBOROUGH  
Budgetary Comparison Schedule  
General Fund  
Fiscal Year Ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Other Instructional Programs - Instruction</b>					
Salaries	402-100-100 \$ 693,554.00	\$ 103,720.00	\$ 797,274.00	\$ 715,516.22	\$ 81,757.78
Purchased Services (300-500 series)	402-100-500 100,014.00	3,257.00	103,271.00	103,271.00	-
Supplies and Materials	402-100-600 222,068.00	588.00	222,656.00	220,471.77	2,184.23
<b>Total Other Instructional Programs - Instruction</b>	<u>1,015,636.00</u>	<u>107,565.00</u>	<u>1,123,201.00</u>	<u>1,039,258.99</u>	<u>83,942.01</u>
<b>Summer School - Instruction</b>					
Salaries of Teachers	422-100-101 240,464.00	(77,580.00)	162,884.00	162,882.66	1.34
Other Salaries of Instruction	422-100-106 245,812.00	3,448.00	249,260.00	249,255.86	2.14
Salaries of Teacher Tutors	422-100-178 11,630.00	(189.00)	11,441.00	11,337.70	123.30
General Supplies	422-100-610 2,000.00	(94.77)	1,905.23	1,905.23	-
<b>Total Summer School - Instruction</b>	<u>499,906.00</u>	<u>(74,397.77)</u>	<u>425,508.23</u>	<u>425,381.45</u>	<u>126.78</u>
<b>Other Supplemental/At-Risk Programs - Instruction</b>					
Salaries of Teachers	424-100-101 3,765,238.00	(439,639.00)	3,325,599.00	3,298,515.33	27,083.67
Salaries of Reading Specialists	424-100-179 585,160.00	(101,056.00)	484,104.00	484,103.95	0.05
<b>Total Other Supplemental/At-Risk Programs - Instruction</b>	<u>4,350,398.00</u>	<u>(540,695.00)</u>	<u>3,809,703.00</u>	<u>3,782,619.28</u>	<u>27,083.72</u>
<b>Total Instruction</b>	<u>49,844,296.00</u>	<u>911,943.36</u>	<u>50,756,239.36</u>	<u>50,277,120.02</u>	<u>479,119.34</u>
<b>Undistributed Expenditures - Instruction:</b>					
Tuition to Other LEAs Within the State - Special	000-100-562 266,332.00	(10,399.00)	255,933.00	241,866.72	14,066.28
Tuition to County Voc. School Dist - Regular	000-100-563 117,512.00	(59,871.00)	57,641.00	44,109.40	13,531.60
Tuition to County Voc. School Dist - Special	000-100-564 56,426.00	25,474.00	81,900.00	81,900.00	-
Tuition to CSSD & Regional Day Schools	000-100-565 358,091.00	19,000.00	377,091.00	376,945.38	145.62
Tuition to Private Schools for the Disabled - Within State	000-100-566 1,676,193.00	(43,000.00)	1,633,193.00	1,630,294.56	2,898.44
Tuition to Priv. Sch. Disabled & Other LEAs-Spl. O/S	000-100-567 55,080.00	-	55,080.00	55,080.00	-
Tuition - State Facilities	000-100-568 81,096.00	-	81,096.00	81,096.00	-
Tuition - Other	000-100-569 10,710.00	-	10,710.00	10,710.00	-
<b>Total Undistributed Expenditures - Instruction:</b>	<u>2,621,440.00</u>	<u>(68,796.00)</u>	<u>2,552,644.00</u>	<u>2,375,116.06</u>	<u>177,527.94</u>
<b>Undistributed Expend. - Attend. &amp; Social Work</b>					
Salaries	000-211-100 35,495.00	(32,552.00)	2,943.00	2,942.80	0.40
<b>Total Undistributed Expend. - Attend. &amp; Social Work</b>	<u>35,495.00</u>	<u>(32,552.00)</u>	<u>2,943.00</u>	<u>2,942.80</u>	<u>0.40</u>
<b>Undist. Expend. - Health Services</b>					
Salaries	000-213-100 1,035,314.00	(88,905.00)	946,409.00	946,402.16	6.84
Purchased Professional and Technical Services	000-213-300 153,545.00	(123,303.00)	30,242.00	27,122.00	3,120.00
Other Purchased Services (400-500 series)	000-213-500 30,410.00	-	30,410.00	21,164.54	9,245.46
Supplies and Materials	000-213-600 22,927.00	-	22,927.00	19,856.63	3,068.37
<b>Total Undistributed Expenditures - Health Services</b>	<u>1,242,196.00</u>	<u>(212,208.00)</u>	<u>1,029,988.00</u>	<u>1,014,547.33</u>	<u>15,440.67</u>
<b>Undist. Expend. - Speech,OT,PT &amp; Related Services</b>					
Salaries of Other Professional Staff	000-216-100 1,276,711.00	(6,937.00)	1,269,774.00	1,269,769.70	4.30
Purchased Professional - Educational Services	000-216-320 103,358.00	232,261.00	335,619.00	331,464.06	4,154.92
Supplies and Materials	000-216-600 6,400.00	(324.70)	6,075.30	6,066.61	8.69
<b>Total Undist. Expend. - Speech,OT,PT &amp; Related Services</b>	<u>1,386,469.00</u>	<u>224,999.30</u>	<u>1,611,468.30</u>	<u>1,607,302.39</u>	<u>4,165.91</u>
<b>Undist. Expend. - Other Supp. Serv. Students - Extra Serv.</b>					
Salaries of Other Professional Staff	000-217-100 2,362,438.00	253,910.97	2,616,348.97	2,616,347.43	1.54
Purchased Professional - Educational Services	000-217-320 45,332.00	13,438.91	58,770.91	58,688.85	82.06
Supplies and Materials	000-217-600 18,881.00	-	18,881.00	18,881.00	-
<b>Total Undist. Expend. - Other Supp. Serv. Students - Extra Serv.</b>	<u>2,426,651.00</u>	<u>267,349.88</u>	<u>2,694,000.88</u>	<u>2,693,917.28</u>	<u>83.60</u>
<b>Undist. Expend. - Guidance</b>					
Salaries of Other Professional Staff	000-218-104 1,813,262.00	(47,688.00)	1,765,574.00	1,765,572.18	3.82
Salaries of Secretarial and Clerical Assistants	000-218-105 21,682.00	27,929.00	49,611.00	49,609.78	1.22
Supplies and Materials	000-218-600 21,585.00	(82.90)	21,502.10	20,875.74	626.36
<b>Total Undist. Expend. - Guidance</b>	<u>1,856,529.00</u>	<u>(19,839.90)</u>	<u>1,836,689.10</u>	<u>1,835,857.70</u>	<u>831.40</u>
<b>Undist. Expend. - Child Study Team</b>					
Salaries of Other Professional Staff	000-219-104 1,907,094.00	(47,809.00)	1,859,285.00	1,859,283.88	1.12
Salaries of Secretarial and Clerical Assistants	000-219-105 18,525.00	(3,259.00)	15,266.00	13,265.02	2,001.00
Other Purchased Prof. and Tech. Services	000-219-390 30,000.00	-	30,000.00	29,528.94	471.06
Supplies and Materials	000-219-600 23,000.00	14,956.48	37,956.48	37,217.99	738.49
<b>Total Undist. Expend. - Child Study Team</b>	<u>1,978,619.00</u>	<u>(36,111.52)</u>	<u>1,942,507.48</u>	<u>1,939,295.83</u>	<u>3,211.65</u>
<b>Undist. Expend. - Improvement of Inst. Serv.</b>					
Salaries of Supervisor of Instruction	000-221-102 678,881.00	74,593.00	753,474.00	753,472.80	1.20
Salaries of Other Professional Staff	000-221-104 272,396.00	-	272,396.00	210,455.73	61,940.27
Salaries of Sec. and Clerical Assist.	000-221-105 139,870.00	(1,534.00)	138,336.00	138,334.37	1.63
Purchased Prof. Educational Services	000-221-320 103,336.00	-	103,336.00	14,106.74	89,229.26
Supplies and Materials	000-221-600 2,745,868.00	92,221.12	2,838,089.12	2,731,377.53	106,711.59
<b>Total Undist. Expend. - Improvement of Inst. Serv.</b>	<u>3,940,351.00</u>	<u>165,280.12</u>	<u>4,105,631.12</u>	<u>3,847,747.17</u>	<u>257,883.95</u>
<b>Undist. Expend. - Edu. Media Serv./Sch. Library</b>					
Salaries	000-222-100 736,696.00	(6,734.00)	729,962.00	729,960.58	1.42
Supplies and Materials	000-222-600 134,280.00	(3,265.53)	130,994.47	128,402.34	2,592.13
<b>Total Undist. Expend. - Edu. Media Serv./Sch. Library</b>	<u>870,976.00</u>	<u>(9,999.53)</u>	<u>860,976.47</u>	<u>858,362.92</u>	<u>2,613.55</u>
<b>Undist. Expend. - Instructional Staff Training Serv.</b>					
Salaries of Other Professional Staff	000-223-104 165,990.02	165,990.02	165,990.02	165,990.02	-
Purchased Professional - Educational Service	000-223-320 50,000.00	(6,236.00)	43,764.00	12,739.00	31,025.00
Other Purchased Services (400-500 series)	000-223-500 17,457.00	21,638.00	39,095.00	35,556.94	3,538.06
<b>Total Undist. Expend. - Instructional Staff Training Serv.</b>	<u>67,457.00</u>	<u>181,392.02</u>	<u>248,842.02</u>	<u>214,285.96</u>	<u>34,556.06</u>
<b>Undist. Expend. - Supp. Serv. - General Admin.</b>					
Salaries	000-230-100 555,843.00	(25,231.00)	530,612.00	530,611.38	0.62
Legal Services	000-230-331 122,900.00	-	122,900.00	87,137.52	35,762.48
Audit Fees	000-230-332 31,357.00	(2,000.00)	29,357.00	28,000.00	1,357.00
Other Purchased Professional Services	000-230-339 21,500.00	-	21,500.00	19,451.25	2,048.75
Purchased Technical Services	000-230-340 24,000.00	2,536.00	26,536.00	26,532.27	3.73
Communications/Telephone	000-230-530 83,615.00	131,703.00	215,318.00	172,884.98	42,833.02
Other Purchased Services (400-500 series)	000-230-590 120,697.00	2,520.00	123,217.00	121,907.00	1,310.00
Supplies and Materials	000-230-600 52,871.00	-	52,871.00	51,666.68	1,204.32
Miscellaneous Expenditures	000-230-890 38,349.00	-	38,349.00	38,250.90	98.10
BOE Membership Fees	000-230-895 31,568.00	(2,536.00)	29,032.00	26,662.70	2,369.30
<b>Total Undist. Expend. - Supp. Serv. - General Admin.</b>	<u>1,082,700.00</u>	<u>106,992.00</u>	<u>1,189,692.00</u>	<u>1,102,904.88</u>	<u>86,787.32</u>
<b>Undist. Expend. - Support Serv. - School Admin.</b>					
Salaries of Principals/Assistant Principals	000-240-103 2,089,240.00	(40,191.00)	2,049,049.00	1,996,313.29	142,735.71
Salaries of Other Professional Staff	000-240-104 604,916.00	21,636.00	626,552.00	626,551.36	0.64
Salaries of Secretarial and Clerical Assistants	000-240-105 1,041,967.00	50,215.00	1,092,182.00	1,084,153.30	8,028.70
Supplies and Materials	000-240-600 194,734.22	194,734.22	194,734.22	177,995.83	16,738.39
<b>Total Undist. Expend. - Support Serv. - School Admin.</b>	<u>3,736,123.00</u>	<u>226,394.22</u>	<u>3,962,517.22</u>	<u>3,795,013.78</u>	<u>167,503.44</u>

BOARD OF EDUCATION  
TOWNSHIP OF HILLSBOROUGH  
Budgetary Comparison Schedule  
General Fund  
Fiscal Year Ended June 30, 2012

		Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Undist. Expend. - Central School Admin.</b>						
Salaries	000-251-100	\$ 864,626.00	\$ 8,230.00	\$ 872,856.00	\$ 871,716.74	\$ 1,139.26
Purchased Professional Services	000-251-330	10,000.00	-	10,000.00	9,852.00	148.00
Purchased Technical Services	000-251-340	45,737.00	(45,737.00)	-	-	-
Other Purchased Services (400-500 series)	000-251-592	163,952.00	125,199.00	289,151.00	250,960.66	38,190.34
Supplies and Materials	000-251-600	19,121.00	(1,408.00)	17,713.00	17,693.53	19.47
<b>Total Undist. Expend. - Central School Admin.</b>		<u>1,103,436.00</u>	<u>86,284.00</u>	<u>1,189,720.00</u>	<u>1,150,222.93</u>	<u>39,497.07</u>
<b>Undist. Expend. - Technology Admin.</b>						
Salaries	000-252-100	332,235.00	35,828.00	368,063.00	368,062.79	0.21
Purchased Technical Services	000-252-340	53,519.00	26,700.00	80,219.00	80,176.39	42.61
		<u>385,754.00</u>	<u>62,528.00</u>	<u>448,282.00</u>	<u>448,239.18</u>	<u>42.82</u>
<b>Undist. Expend. - Required Maint. for School Facilities</b>						
Salaries	000-261-100	49,070.00	(9,253.00)	39,817.00	39,816.96	0.04
Cleaning, Repair and Maintenance Services	000-261-420	252,125.00	119,994.00	372,119.00	351,299.87	20,819.13
General Supplies	000-261-610	138,750.00	23,000.00	161,750.00	156,174.76	5,575.24
<b>Total Undist. Expend. - Required Maint. for School Facilities</b>		<u>439,945.00</u>	<u>133,741.00</u>	<u>573,686.00</u>	<u>547,291.59</u>	<u>26,394.41</u>
<b>Undist. Expend. - Custodial Services</b>						
Salaries	000-262-100	3,111,481.00	(67,652.00)	3,043,829.00	3,007,896.88	35,932.12
Salaries of Non-Instructional Aides	000-262-107	219,593.00	22,928.00	242,521.00	242,466.55	54.45
Purchased Professional and Technical Services	000-262-300	506,401.00	108,640.00	615,041.00	615,038.20	2.80
Cleaning, Repair and Maintenance Services	000-262-420	163,300.00	(35,000.00)	128,300.00	97,524.56	30,775.44
Other Purchased Property Services	000-262-490	335,974.00	-	335,974.00	292,911.61	43,062.39
Insurance	000-262-520	158,496.00	-	158,496.00	156,419.00	2,077.00
General Supplies	000-262-610	242,785.00	16,104.00	258,889.00	258,889.00	-
Energy (Natural Gas)	000-262-621	521,222.00	25,250.00	546,472.00	270,320.93	276,151.07
Energy (Electricity)	000-262-622	1,702,478.00	-	1,702,478.00	1,219,573.96	482,904.04
<b>Total Undist. Expend. - Custodial Services</b>		<u>6,961,730.00</u>	<u>70,270.00</u>	<u>7,032,000.00</u>	<u>6,139,284.65</u>	<u>892,715.35</u>
<b>Undist. Expend. - Care and Upkeep of Grounds</b>						
Salaries	000-263-100	266,609.00	1,948.00	270,557.00	270,556.56	0.44
Cleaning, Repair and Maintenance Services	000-263-420	69,975.00	10,000.00	79,975.00	75,675.28	4,299.72
General Supplies	000-263-610	65,825.00	3,052.00	68,877.00	62,785.83	5,911.17
<b>Total Undist. Expend. - Care and Upkeep of Grounds</b>		<u>402,409.00</u>	<u>15,000.00</u>	<u>419,209.00</u>	<u>408,997.67</u>	<u>10,211.33</u>
<b>Undist. Expend. - Security</b>						
General Supplies	000-266-610	27,480.00	43,560.26	71,040.26	68,759.72	2,280.54
<b>Total Undist. Expend. - Security</b>		<u>27,480.00</u>	<u>43,560.26</u>	<u>71,040.26</u>	<u>68,759.72</u>	<u>2,280.54</u>
<b>Undist. Expend. - Student Transportation Serv.</b>						
Salaries of Non-Instructional Aides	000-270-107	126,075.00	42,170.00	170,245.00	169,784.31	460.69
Salaries for Pupil Trans. (Between Home & School) - Regular	000-270-160	174,655.00	34,213.00	208,868.00	201,149.90	7,718.10
Salaries for Pupil Trans. (Between Home & School) - Special	000-270-161	410,523.00	(52,140.00)	358,383.00	335,185.54	23,197.46
Salaries for Pupil Trans. (Between Home & School) - NonPublic	000-270-163	12,555.00	(11,500.00)	1,055.00	-	1,055.00
Other Purchased Professional and Technical Services	000-270-390	4,784.00	-	4,784.00	4,284.80	499.20
Cleaning, Repair and Maintenance Services	000-270-420	2,600.00	-	2,600.00	2,451.44	148.56
Contracted Services - Aid in Lieu of Payments-NonPublic Students	000-270-503	157,435.00	-	157,435.00	136,885.99	20,549.01
Contracted Services (Between Home and School) - Vendors	000-270-511	3,810,065.00	(80,000.00)	3,730,065.00	3,662,968.52	67,096.48
Contracted Services (Other than Between Home and School) - Vendors	000-270-512	345,369.00	-	345,369.00	328,732.55	16,636.45
Contracted Services (Between Home and School) - Joint Agreements	000-270-513	5,575.00	-	5,575.00	-	5,575.00
Contracted Services (Special Education Students) - Vendors	000-270-514	1,020,061.00	-	1,020,061.00	955,617.85	64,443.15
Contracted Services (Special Education Students) - Joint Agreements	000-270-515	21,632.00	-	21,632.00	1,052.07	20,579.93
Contracted Services (Special Education Students) - ESCs	000-270-518	486,632.00	240,000.00	726,632.00	708,543.77	18,088.23
Miscellaneous Purchased Services - Transportation	000-270-593	49,339.00	-	49,339.00	-	49,339.00
Transportation Supplies	000-270-615	15,600.00	-	15,600.00	15,402.83	197.17
Miscellaneous Expenditures	000-270-800	78,000.00	-	78,000.00	69,550.40	8,449.60
<b>Total Undist. Expend. - Student Transportation Serv.</b>		<u>6,722,900.00</u>	<u>172,743.00</u>	<u>6,895,643.00</u>	<u>6,591,609.97</u>	<u>304,033.03</u>
<b>UNALLOCATED BENEFITS</b>						
Social Security Contributions	000-291-220	718,483.00	413,200.00	1,131,683.00	1,113,789.10	17,893.90
Other Retirement Contributions - Regular	000-291-241	1,082,814.00	-	1,082,814.00	1,078,787.09	3,826.91
Unemployment Compensation	000-291-250	-	86,000.00	86,000.00	82,555.13	3,444.87
Workmen's Compensation	000-291-260	582,134.00	-	582,134.00	577,430.00	4,704.00
Health Benefits	000-291-270	13,749,295.00	83,090.00	13,832,385.00	12,593,322.86	1,239,062.14
Tuition Reimbursement	000-291-280	354,468.00	-	354,468.00	227,821.08	126,646.92
Other Employee Benefits	000-291-290	243,409.00	52,290.00	295,699.00	295,698.61	0.39
<b>TOTAL UNALLOCATED BENEFITS</b>		<u>16,730,403.00</u>	<u>634,580.00</u>	<u>17,364,983.00</u>	<u>15,969,403.87</u>	<u>1,395,579.13</u>
On-behalf TPAF pension Contributions (non-budgeted)		-	-	-	4,992,372.00	(4,992,372.00)
Reimbursed TPAF Social Security Contributions (non-budgeted)		-	-	-	3,906,716.12	(3,906,716.12)
<b>TOTAL ON-BEHALF CONTRIBUTIONS</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>8,899,088.12</u>	<u>(8,899,088.12)</u>
<b>TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS</b>		<u>16,730,403.00</u>	<u>634,580.00</u>	<u>17,364,983.00</u>	<u>24,868,491.99</u>	<u>(7,503,508.99)</u>
<b>TOTAL UNDISTRIBUTED EXPENDITURES</b>		<u>54,018,843.00</u>	<u>2,011,604.85</u>	<u>56,030,447.85</u>	<u>61,510,191.40</u>	<u>(5,479,743.55)</u>
<b>TOTAL GENERAL CURRENT EXPENSE</b>		<u>103,863,139.00</u>	<u>2,923,548.21</u>	<u>106,786,687.21</u>	<u>111,787,311.42</u>	<u>(5,000,624.21)</u>

BOARD OF EDUCATION  
TOWNSHIP OF HILLSBOROUGH  
Budgetary Comparison Schedule  
General Fund  
Fiscal Year Ended June 30, 2012

		Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>CAPITAL OUTLAY</b>						
Equipment						
Regular Programs - Instruction:						
Grades 9-12	140-100-730	\$ 25,800.00	\$ (8,000.00)	\$ 19,800.00	\$ 19,285.80	\$ 314.20
Undistributed Expenditures:						
Undist. Expend - Support Serv - Students - Special	000-219-730	8,775.00	(8,775.00)	15,968.00	15,485.00	483.00
Undistributed Expenditures - School Admin.	000-240-730	69,968.00	(54,000.00)	15,968.00	60,878.00	-
Undistributed Expenditures - Admin. Info. Tech.	000-252-730	59,376.00	1,500.00	60,878.00	60,878.00	-
<b>Total Equipment</b>		<u>183,719.00</u>	<u>(87,275.00)</u>	<u>96,444.00</u>	<u>95,646.80</u>	<u>797.20</u>
Facilities Acquisition and Construction Services						
Architectural/Engineering Services	000-400-334	12,500.00	36,318.00	48,818.00	48,781.43	36.57
Construction Services	000-400-450	237,500.00	130,051.00	367,551.00	356,412.59	11,138.41
Other Objects	000-400-800	-	51,824.00	51,824.00	51,824.00	-
<b>Total Facilities Acquisition and Construction Services</b>		<u>250,000.00</u>	<u>218,193.00</u>	<u>468,193.00</u>	<u>457,018.02</u>	<u>11,174.98</u>
<b>TOTAL CAPITAL OUTLAY</b>		<u>413,719.00</u>	<u>150,918.00</u>	<u>564,637.00</u>	<u>552,664.82</u>	<u>11,972.18</u>
<b>TOTAL EXPENDITURES</b>		<u>104,276,858.00</u>	<u>3,074,466.21</u>	<u>107,351,324.21</u>	<u>112,339,976.24</u>	<u>(4,988,652.03)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>		<u>(2,340,449.00)</u>	<u>-</u>	<u>(2,340,449.00)</u>	<u>3,155,603.77</u>	<u>5,496,052.77</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)</b>		<u>(2,340,449.00)</u>	<u>-</u>	<u>(2,340,449.00)</u>	<u>3,155,603.77</u>	<u>5,496,052.77</u>
<b>Fund Balance, July 1</b>		<u>7,476,213.31</u>	<u>-</u>	<u>7,476,213.31</u>	<u>7,476,213.31</u>	<u>-</u>
<b>Fund Balance, June 30</b>		<u>\$ 5,135,764.31</u>	<u>\$ -</u>	<u>\$ 5,135,764.31</u>	<u>\$ 10,631,817.08</u>	<u>\$ 5,496,052.77</u>
<b>Recapitulation of Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Sources:</b>						
Increase in Capital Reserve		\$ -	\$ -	\$ -	\$ 704,061.78	\$ 704,061.78
Budgeted Fund Balance		<u>(2,340,449.00)</u>	<u>-</u>	<u>(2,340,449.00)</u>	<u>2,451,541.99</u>	<u>4,791,990.99</u>
<b>Total</b>		<u>\$ (2,340,449.00)</u>	<u>\$ -</u>	<u>\$ (2,340,449.00)</u>	<u>\$ 3,155,603.77</u>	<u>\$ 5,496,052.77</u>
<b>Analysis of Fund Balance June 30, 2012</b>						
Restricted Fund Balance:						
Reserved Excess Surplus - Designated for Subsequent Year's Expenditures					\$ 2,130,402.53	
Reserve for Excess Surplus					3,344,867.77	
Capital Reserve Account					1,704,062.78	
Assigned Fund Balance:						
Designated for Subsequent Year's Expenditures					1,033,332.47	
Unassigned Fund Balance					2,419,151.53	
					<u>\$ 10,631,817.08</u>	
<b>Reconciliation of Budgetary Fund Balance to GAAP Fund Balance:</b>						
Fund Balance June 30, 2012					\$ 10,631,817.08	
Last Two Current Year State Aid Payments Not Realized on GAAP Basis					<u>(2,301,172.00)</u>	
					<u>\$ 8,330,645.08</u>	

BOARD OF EDUCATION  
TOWNSHIP OF HILLSBOROUGH  
American Recovery and Reinvestment Act - Budget and Actual  
General Fund  
Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>	
<b>REVENUES:</b>						
Federal Sources:						
American Recovery and Reinvestment Act:						
Education Jobs Fund	873,097.00	27,352.00	900,449.00	900,449.00	-	
Total - Federal Sources	<u>873,097.00</u>	<u>27,352.00</u>	<u>900,449.00</u>	<u>900,449.00</u>	-	
<b>TOTAL REVENUES</b>	<u>873,097.00</u>	<u>27,352.00</u>	<u>900,449.00</u>	<u>900,449.00</u>	-	
<b>EXPENDITURES:</b>						
<b>Current Expense:</b>						
<b>Regular Programs - Instruction</b>						
American Recovery and Reinvestment Act:						
Education Jobs Fund						
Grades 1-5 - Salaries of Teachers	120-100-101	500,000.00	11,101.22	511,101.22	511,101.22	-
Grades 6-8 - Salaries of Teachers	130-100-101	6,000.00	53.79	6,053.79	6,053.79	-
Grades 9-12 - Salaries of Teachers	140-100-101	19,000.00	113.00	19,113.00	19,113.00	-
<b>TOTAL REGULAR PROGRAMS - INSTRUCTION</b>		<u>525,000.00</u>	<u>11,268.01</u>	<u>536,268.01</u>	<u>536,268.01</u>	-
<b>Undist. Expend. - Other Supp. Serv. Students - Extra Serv.</b>						
Salaries of Other Professional Staff	000-217-100	110,000.00	5,100.97	115,100.97	115,100.97	-
<b>Total Undist. Expend. - Other Supp. Serv. Students - Extra Serv.</b>		<u>110,000.00</u>	<u>5,100.97</u>	<u>115,100.97</u>	<u>115,100.97</u>	-
<b>Undist. Expend. - Instructional Staff Training Serv.</b>						
Salaries of Other Professional Staff	000-223-104	160,000.00	5,990.02	165,990.02	165,990.02	-
<b>Total Undist. Expend. - Instructional Staff Training Serv.</b>		<u>160,000.00</u>	<u>5,990.02</u>	<u>165,990.02</u>	<u>165,990.02</u>	-
<b>UNALLOCATED BENEFITS</b>						
Health Benefits	000-291-270	78,097.00	4,993.00	83,090.00	83,090.00	-
<b>TOTAL UNALLOCATED BENEFITS</b>		<u>78,097.00</u>	<u>4,993.00</u>	<u>83,090.00</u>	<u>83,090.00</u>	-
<b>TOTAL EXPENDITURES</b>		<u>873,097.00</u>	<u>27,352.00</u>	<u>900,449.00</u>	<u>900,449.00</u>	-

**BOARD OF EDUCATION  
TOWNSHIP OF HILLSBOROUGH  
Budgetary Comparison Schedule  
Special Revenue Fund  
For the Fiscal Year Ended June 30, 2012**

	Original <u>Budget</u>	Budget <u>Transfers</u>	Final <u>Budget</u>	<u>Actual</u>	Variance <u>Final to Actual</u>
<b>REVENUES:</b>					
State Sources	\$ 28,400.00	\$ 7,097.00	\$ 35,497.00	\$ 19,790.49	\$ 15,706.51
Federal Sources	1,785,721.00	1,155,246.81	2,940,967.81	2,351,503.59	589,464.22
Local Sources	-	91,509.57	91,509.57	49,638.71	41,870.86
<b>Total Revenues</b>	<b>\$ 1,814,121.00</b>	<b>\$ 1,253,853.38</b>	<b>\$ 3,067,974.38</b>	<b>\$ 2,420,932.79</b>	<b>\$ 647,041.59</b>
<b>EXPENDITURES:</b>					
<b>Instruction</b>					
Personal Services - Salaries	\$ 214,818.00	\$ 148,903.63	\$ 363,721.63	\$ 278,760.87	\$ 84,960.76
Other Purchased Services (400-500 series)	1,465,181.00	(417,465.00)	1,047,716.00	943,513.80	104,202.20
General Supplies		434,096.05	434,096.05	322,300.49	111,795.56
Textbooks	5,846.00	558.00	6,404.00	4,755.90	1,648.10
Other Objects	-	5,810.86	5,810.86	4,040.00	1,770.86
<b>Total Instruction</b>	<b>1,685,845.00</b>	<b>171,903.54</b>	<b>1,857,748.54</b>	<b>1,553,371.06</b>	<b>304,377.48</b>
<b>Support Services</b>					
Personal Services - Salaries		312,406.74	312,406.74	263,354.47	49,052.27
Personal Services - Employee Benefits		117,385.80	117,385.80	62,385.07	55,000.73
Purchased Professional and Technical Services	6,927.00	314,042.73	320,969.73	281,702.12	39,267.61
Purchased Professional - Educational Services	15,627.00	112,734.70	128,361.70	76,181.88	52,179.82
Other Purchased Services (400-500 series)	105,722.00	117.87	105,839.87	93,281.17	12,558.70
Supplies and Materials		167,402.26	167,402.26	34,549.28	132,852.98
Other Objects	-	5,000.00	5,000.00	5,000.00	-
<b>Total Support Services</b>	<b>128,276.00</b>	<b>1,029,090.10</b>	<b>1,157,366.10</b>	<b>816,453.99</b>	<b>340,912.11</b>
<b>Facilities Acquisition and Construction Services:</b>					
Instructional Equipment		29,550.00	29,550.00	27,799.00	1,751.00
Noninstructional Equipment		23,309.74	23,309.74	23,308.74	1.00
<b>Total Facilities Acquisition and Construction Services</b>	<b>-</b>	<b>52,859.74</b>	<b>52,859.74</b>	<b>51,107.74</b>	<b>1,752.00</b>
<b>Total Expenditures</b>	<b>1,814,121.00</b>	<b>1,253,853.38</b>	<b>3,067,974.38</b>	<b>2,420,932.79</b>	<b>647,041.59</b>
<b>Total Outflows</b>	<b>\$ 1,814,121.00</b>	<b>\$ 1,253,853.38</b>	<b>\$ 3,067,974.38</b>	<b>\$ 2,420,932.79</b>	<b>\$ 647,041.59</b>

**NOTES TO REQUIRED SUPPLEMENTARY  
INFORMATION**

BOARD OF EDUCATION  
TOWNSHIP OF HILLSBOROUGH  
Required Supplementary Information  
Budgetary Comparison Schedule  
Note to RSI  
For the Fiscal Year Ended June 30, 2012

**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>
<b>Sources/inflows of resources</b>			
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1&C-2]	\$ 115,495,580.01	\$ 2,420,932.79
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.		(214,575.00)	
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		-	29,416.56
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2]	<u>\$ 115,281,005.01</u>	<u>\$ 2,450,349.35</u>
<b>Uses/outflows of resources</b>			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1&C-2]	\$ 112,339,976.24	\$ 2,420,932.79
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.			29,416.56
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>\$ 112,339,976.24</u>	<u>\$ 2,450,349.35</u>

## **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, 2012**

		<u>Total</u>	<u>State Aid</u>	<u>Federal Aid</u>	<u>Local Aid</u>
<b>REVENUES</b>					
State Sources		\$ 19,790.49	\$ 19,790.49	\$ -	\$ -
Federal Sources		2,351,503.59		2,351,503.59	
Local Sources		<u>49,638.71</u>	<u>-</u>	<u>-</u>	<u>49,638.71</u>
<b>Total Revenues</b>		<u>\$ 2,420,932.79</u>	<u>\$ 19,790.49</u>	<u>\$ 2,351,503.59</u>	<u>\$ 49,638.71</u>
<b>EXPENDITURES:</b>					
<b>Instruction:</b>					
Personal Services - Salaries	100-100	\$ 278,760.87	\$ -	\$ 278,760.87	\$ -
Other Purchased Services (400-500 series)	100-500	943,513.80		943,513.80	-
General Supplies	100-600	322,300.49		304,782.46	17,518.03
Textbooks	100-640	4,755.90	4,755.90		-
Other Objects	100-800	<u>4,040.00</u>	<u>-</u>	<u>4,040.00</u>	<u>-</u>
<b>Total Instruction</b>		<u>1,553,371.06</u>	<u>4,755.90</u>	<u>1,531,097.13</u>	<u>17,518.03</u>
<b>Support Services:</b>					
Personal Services - Salaries	200-100	263,354.47		262,754.47	600.00
Personal Services - Employee Benefits	200-200	62,385.07		62,385.07	-
Purchased Professional and Technical Services	200-300	281,702.12	8,759.75	272,942.37	-
Purchased Professional - Educational Services	200-320	76,181.88	6,274.84	69,907.04	-
Other Purchased Services (400-500 series)	200-500	93,281.17		92,387.17	894.00
Supplies and Materials	200-600	34,549.28		32,231.34	2,317.94
Other Objects	200-800	<u>5,000.00</u>	<u>-</u>	<u>-</u>	<u>5,000.00</u>
<b>Total Support Services</b>		<u>816,453.99</u>	<u>15,034.59</u>	<u>792,607.46</u>	<u>8,811.94</u>
<b>Facilities Acquisition and Const. Serv.:</b>					
Instructional Equipment	400-731	27,799.00	-	27,799.00	-
Noninstructional Equipment	400-732	<u>23,308.74</u>	<u>-</u>	<u>-</u>	<u>23,308.74</u>
<b>Total Facilities Acquisition and Const. Serv.</b>		<u>51,107.74</u>	<u>-</u>	<u>27,799.00</u>	<u>23,308.74</u>
<b>Total Expenditures</b>		<u>\$ 2,420,932.79</u>	<u>\$ 19,790.49</u>	<u>\$ 2,351,503.59</u>	<u>\$ 49,638.71</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, 2012**

		N.J. Nonpublic Textbook Aid	N.J. Nonpublic Handicapped Services	N.J. Nonpublic Nursing Services
<b>REVENUES</b>				
State Sources		\$ 19,790.49	\$ 6,274.84	\$ 8,759.75
<b>Total State Revenues</b>		<u>\$ 19,790.49</u>	<u>\$ 6,274.84</u>	<u>\$ 8,759.75</u>
<b>EXPENDITURES:</b>				
Instruction:				
Textbooks	100-640	\$ 4,755.90	-	-
<b>Total Instruction</b>		<u>4,755.90</u>		
<b>Support Services:</b>				
Purchased Professional and Technical Services	200-300	8,759.75		8,759.75
Purchased Professional - Educational Services	200-320	6,274.84	6,274.84	-
<b>Total Support Services</b>		<u>15,034.59</u>	<u>6,274.84</u>	<u>8,759.75</u>
<b>Total Expenditures</b>		<u>\$ 19,790.49</u>	<u>\$ 6,274.84</u>	<u>\$ 8,759.75</u>

**BOARD OF EDUCATION  
TOWNSHIP OF HILLSBOROUGH  
Special Revenue Fund  
Combining Schedule of Federal Program Revenues and Expenditures - Budgetary Basis  
For the Fiscal Year Ended June 30, 2012**

	E. S.E.A.							Readiness and Emergency Management for Schools	
	Total	Title I	Title IIA	Title III	I.D.E.A. Part B		ARRA I.D.E.A. Part B		
					Immigrant	Basic	Preschool		Basic
<b>REVENUES</b>									
Federal Sources	\$ 2,351,503.59	\$ 213,656.46	\$ 133,715.73	\$ 37,440.60	\$ 1,331.83	\$ 1,804,229.04	\$ 51,840.39	\$ 49,323.90	\$ 16,500.00
<b>Total Federal Revenues</b>	<b>\$ 2,351,503.59</b>	<b>\$ 213,656.46</b>	<b>\$ 133,715.73</b>	<b>\$ 37,440.60</b>	<b>\$ 1,331.83</b>	<b>\$ 1,804,229.04</b>	<b>\$ 51,840.39</b>	<b>\$ 49,323.90</b>	<b>\$ 16,500.00</b>
<b>EXPENDITURES:</b>									
<b>Instruction:</b>									
100-100 Personal Services - Salaries	\$ 278,760.87	\$ 166,955.08	\$ -	\$ 20,250.74	\$ -	\$ 51,973.05	\$ 39,582.00	\$ -	\$ -
100-500 Other Purchased Services (400-500 series)	943,513.80					943,513.80			
100-600 General Supplies	304,782.46	19,006.49		3,232.93	1,135.16	239,223.75	4,843.54	36,140.59	1,200.00
100-800 Other Objects	4,040.00			4,040.00					
<b>Total Instruction</b>	<b>1,531,097.13</b>	<b>185,961.57</b>		<b>27,523.67</b>	<b>1,135.16</b>	<b>1,234,710.60</b>	<b>44,425.54</b>	<b>36,140.59</b>	<b>1,200.00</b>
<b>Support Services:</b>									
200-100 Personal Services - Salaries	262,754.47		4,125.04			219,020.35			
200-200 Personal Services - Employee Benefits	62,385.07	23,571.21		3,677.01	196.67	20,241.02	7,414.85	7,284.31	
200-300 Purchased Professional and Technical Services	272,942.37		27,100.00			244,342.37		1,500.00	
200-320 Purchased Professional - Educational Services	69,907.04					69,907.04			
200-500 Other Purchased Services (400-500 series)	92,387.17	1,855.00	84,145.11	5,196.00		7,907.66			1,191.06
200-600 Supplies and Materials	32,231.34	2,268.68	18,345.58	1,043.92		561,418.44	7,414.85	8,784.31	2,665.90
<b>Total Support Services</b>	<b>792,607.46</b>	<b>27,694.89</b>	<b>133,715.73</b>	<b>9,916.93</b>	<b>196.67</b>	<b>561,418.44</b>	<b>7,414.85</b>	<b>8,784.31</b>	<b>43,465.64</b>
<b>Facilities Acquisition and Const. Serv.:</b>									
400-731 Instructional Equipment	27,999.00					8,100.00		4,399.00	15,300.00
400-732 Noninstructional Equipment									
<b>Total Facilities Acquisition and Const. Serv.</b>	<b>27,999.00</b>					<b>8,100.00</b>		<b>4,399.00</b>	<b>15,300.00</b>
<b>Total Expenditures</b>	<b>\$ 2,351,503.59</b>	<b>\$ 213,656.46</b>	<b>\$ 133,715.73</b>	<b>\$ 37,440.60</b>	<b>\$ 1,331.83</b>	<b>\$ 1,804,229.04</b>	<b>\$ 51,840.39</b>	<b>\$ 49,323.90</b>	<b>\$ 16,500.00</b>

**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, 2012**

<u>Schools</u>	<u>Balance June 30, 2011</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2012</u>
Student Activity Funds:				
High School	\$ 460,554.24	\$ 704,274.19	\$ 748,999.54	\$ 415,828.89
Middle School	60,886.02	394,625.90	386,315.89	69,196.03
Amsterdam	1,529.03	10,534.00	11,527.78	535.25
Auten Road	29,632.58	99,554.63	105,059.40	24,127.81
Hillsborough Elementary	4,705.54	21,963.62	23,115.21	3,553.95
Sunnymead	1,686.30	7,214.67	5,538.14	3,362.83
Triangle	827.11	17,691.34	17,053.30	1,465.15
Woodfern	2,402.57	4,027.17	5,606.25	823.49
Woods Road	13,192.66	15,929.45	15,514.92	13,607.19
Life Skills Committee	1,486.53	3,137.50	2,583.75	2,040.28
Athletic Fund	-	95,718.50	95,718.50	-
	<u>\$ 576,902.58</u>	<u>\$ 1,374,670.97</u>	<u>\$ 1,417,032.68</u>	<u>\$ 534,540.87</u>

**BOARD OF EDUCATION**  
**TOWNSHIP OF HILLSBOROUGH**  
**Payroll Agency Fund**  
**Schedule of Receipts and Disbursements**  
**For the Fiscal Year Ended June 30, 2012**

	<u>Balance</u> <u>June 30, 2011</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2012</u>
Payroll Deductions and Withholdings	\$ 420,320.72	\$ 32,599,871.72	\$ 32,696,498.19	\$ 323,694.25
Net Salaries and Wages	3,632.98	42,754,323.33	42,751,204.89	6,751.42
Accrued Salaries and Wages	7,287.30	2,261,597.03	2,263,718.39	5,165.94
Building Rental Account	-	111,687.00	111,687.00	-
Section 125 Plan	45,768.36	146,212.48	148,103.66	43,877.18
Health Benefits Reserve	0.04	-	-	0.04
	<u>\$ 477,009.40</u>	<u>\$ 77,873,691.56</u>	<u>\$ 77,971,212.13</u>	<u>\$ 379,488.83</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, 2012**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities of Bonds Outstanding June 30, 2012</u>				<u>Retired Current Year</u>	<u>Balance June 30, 2011</u>	<u>Balance June 30, 2012</u>
			<u>Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Balance June 30, 2011</u>			
School	12/1/92	\$ 13,400,000.00	8/1/12	\$ 820,000.00	5.875%	\$ 820,000.00	\$ 1,640,000.00	\$ 820,000.00	
Refunding (1997)	10/1/01	25,300,000.00	10/1/12	1,735,000.00	4.250%	1,755,000.00	18,970,000.00	17,215,000.00	
			10/1/13-21	1,720,000.00	5.375%	-	-	-	
Refunding (2001)	9/27/07	9,095,000.00	2/1/13	730,000.00	3.870%	700,000.00	7,710,000.00	7,010,000.00	
			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>\$ 28,320,000.00</u>	<u>\$ 3,275,000.00</u>	<u>\$ 25,045,000.00</u>

**BOARD OF EDUCATION  
TOWNSHIP OF HILLSBOROUGH  
Budgetary Comparison Schedule  
Debt Service Fund  
For the Fiscal Year Ended June 30, 2012**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 3,804,234.00	-	\$ 3,804,234.00	\$ 3,804,234.00	-
State Sources:					
Debt Service Aid Type II	784,476.00		784,476.00	784,476.00	
Total - State Sources	784,476.00		784,476.00	784,476.00	
<b>Total Revenues</b>	<b>4,588,710.00</b>		<b>4,588,710.00</b>	<b>4,588,710.00</b>	
<b>EXPENDITURES:</b>					
Regular Debt Service:					
Interest	1,313,721.00		1,313,721.00	1,313,720.75	0.25
Redemption of Principal	3,275,000.00		3,275,000.00	3,275,000.00	
Total Regular Debt Service	4,588,721.00		4,588,721.00	4,588,720.75	0.25
<b>Total Expenditures</b>	<b>4,588,721.00</b>		<b>4,588,721.00</b>	<b>4,588,720.75</b>	<b>0.25</b>
(Deficiency) of Revenues (Under) Expenditures	(11.00)		(11.00)	(10.75)	0.25
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(11.00)		(11.00)	(10.75)	0.25
Fund Balance, July 1	10.37		10.37	10.37	
Fund Balance, June 30	(0.63)		(0.63)	(0.38)	0.25
Recapitulation of Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(11.00)		(11.00)	(10.75)	0.25
Budgeted Fund Balance	(11.00)		(11.00)	(10.75)	0.25

## **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 Ten Fiscal Years  
(accrual basis of accounting)  
Unaudited

	Fiscal Year Ending June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	\$ 42,355,314.43	\$ 41,403,500.96	\$ 39,520,035.47	\$ 37,929,662.00	\$ 35,732,757.04	\$ 28,994,196.22	\$ 25,656,795.55	\$ 22,489,552.27	\$ 20,656,705.13	\$ 17,813,428.85
Restricted	6,819,276.65	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	(672,254.74)	(2,000,681.32)	(728,120.01)	(887,336.75)	(725,528.36)	(978,026.37)	(893,660.34)	(998,727.39)	(439,596.57)	(434,989.54)
Total governmental activities net assets	\$ 48,502,336.34	\$ 44,464,119.21	\$ 41,147,047.13	\$ 38,429,184.54	\$ 38,149,333.89	\$ 31,322,479.22	\$ 27,847,451.96	\$ 23,874,940.95	\$ 20,486,988.27	\$ 17,792,529.04
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	\$ 31,590.24	\$ 37,352.02	\$ 36,325.91	\$ 50,254.38	\$ 64,543.92	\$ 48,269.71	\$ 61,865.06	\$ 75,460.41	\$ 89,055.76	\$ 87,743.11
Unrestricted	164,923.55	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	\$ 196,513.79	\$ 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
<b>District-wide</b>										
Invested in capital assets, net of related debt	\$ 42,386,904.67	\$ 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	6,819,276.65	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	(507,331.19)	(1,535,930.88)	(257,254.09)	(414,901.62)	(173,192.77)	(447,444.33)	(156,917.33)	(383,756.37)	108,960.17	135,082.20
Total district net assets	\$ 48,698,850.13	\$ 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 Ten Fiscal Years  
(accrual basis of accounting)  
Unaudited

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Expenses</b>										
<b>Governmental activities</b>										
Instruction	\$ 50,399,911.17	\$ 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
Regular	12,788,614.41	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	7,236,585.57
Special education	8,560,570.18	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
Other instruction										
Support Services										
Tuition	2,375,116.06	2,104,092.94	2,198,007.39	2,719,932.62	2,367,002.52	2,376,553.26	2,384,995.33	2,554,267.96	2,348,587.07	2,709,428.06
Student and instruction related services	18,694,430.24	16,926,245.34	17,088,171.34	16,014,835.22	15,609,610.10	14,808,674.34	13,452,982.21	12,981,053.96	12,575,119.33	11,123,472.42
School administrative services	5,338,686.27	5,191,482.08	5,268,570.29	5,137,075.22	4,829,382.34	4,907,386.55	4,690,939.66	4,082,237.91	3,578,757.92	2,114,723.44
General and business administrative services	3,386,711.43	3,227,289.43	3,414,389.94	3,335,343.30	3,082,431.85	3,171,215.39	3,139,913.60	3,525,686.29	3,252,627.07	4,154,466.72
Plant operations and maintenance	8,525,026.90	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	7,492,096.74
Pupil transportation	6,896,741.10	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	1,264,213.47	1,416,241.83	1,577,657.83	1,739,406.60	1,843,099.16	2,116,204.38	2,321,994.85	2,516,821.22	2,702,427.94	2,878,622.11
Total governmental activities expenses	118,230,023.23	110,802,472.86	112,157,263.80	107,969,762.14	105,013,258.70	102,414,922.22	94,636,794.89	91,779,629.19	87,154,104.92	81,762,893.89
<b>Business-type activities</b>										
Food service	2,604,821.91	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	1,739,330.37
Summer Enrichment	161,100.34	140,801.36	176,803.38	200,832.91	198,313.80	209,426.06	111,742.44	211,360.64	137,737.31	131,524.86
Total business-type activities expense	2,765,922.25	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	120,995,945.48	113,266,515.01	114,506,460.52	110,417,935.82	107,344,715.46	104,579,284.01	96,765,400.12	93,801,145.49	89,126,740.25	83,663,749.12
<b>Program Revenues</b>										
<b>Governmental activities</b>										
Charges for services	9,046.00	873.00	5,727.20	62,040.00	65,524.00		49,106.00			54,057.40
Pupil transportation	479,737.46	602,365.83	565,174.83	710,602.80	696,437.16	986,204.38	1,191,994.85	17,299,538.88	17,213,564.03	15,480,094.61
Interest on long-term debt										
Operating grants and contributions	16,781,950.86	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	15,480,094.61
Total governmental activities program revenues	17,270,734.32	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 Ten Fiscal Years  
(accrual basis of accounting)  
Unaudited

	Fiscal Year Ending June 30									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Business-type activities</b>										
Charges for services										
Food service										
Summer Enrichment										
Operating grants and contributions										
Total business-type activities program revenues	\$ 1,838,548.40	\$ 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
Total district-wide program revenues	164,684.75	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
	456,911.19	465,124.36	433,907.92	416,138.75	448,949.43	299,060.41	274,502.51	299,770.63	275,023.86	271,804.31
	2,460,144.34	2,458,951.78	2,323,790.04	2,343,893.68	2,369,494.52	1,944,605.47	2,216,781.87	2,074,335.23	1,952,422.98	1,931,520.14
	19,730,678.66	18,687,813.23	20,585,385.21	19,706,616.03	23,240,560.75	23,078,976.29	19,884,045.26	19,373,674.11	19,165,987.01	17,465,672.35
<b>Net (Expense)/Revenue</b>										
Governmental activities	(100,959,288.91)	(94,573,611.41)	(93,895,688.63)	(90,627,059.79)	(84,142,183.07)	(81,280,551.40)	(76,989,531.50)	(74,480,080.31)	(69,940,540.89)	(66,258,741.68)
Business-type activities	(305,777.91)	(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 net expense	(101,265,066.82)	(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)
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental activities										
Taxes										
Property taxes, levied for general purposes	78,212,946.00	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	51,497,607.00
Property taxes, levied for debt service principal	3,324,496.54	3,302,865.17	3,242,628.17	3,252,987.20	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	19,730,640.81	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)	356,589.21	104,686.04	132,894.02	869,450.60	671,369.90	496,889.57	508,593.07	555,618.84	527,910.80	549,176.76
Investment earnings	20,308.89	51,459.63	57,278.05	99,248.48	362,050.58	508,857.95	415,551.94	158,474.65	48,852.75	75,636.73
Miscellaneous income	3,404,348.58	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					(180,000.00)					
Debt Service Assessment		(89,115.00)		(821,619.36)	3,862,942.97					
Adjustment to Capital Assets	(51,824.00)						320,333.00			
N J Economic Development Authority grant										
N J Economic Development Authority grant cancelled										
Total governmental activities	104,997,506.03	97,850,683.49	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	189.24									
Transfers										
Total business-type activities	189.24									
Total district-wide general revenues	104,997,695.27	97,850,683.49	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
<b>Change in Net Assets</b>										
Governmental activities	4,038,217.12	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	(305,588.67)	(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	\$ 3,732,628.45	\$ 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 Ten Fiscal Years  
(modified accrual basis of accounting)  
Unaudited

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Fund										
Restricted	\$ 7,179,333.08	\$ 5,470,852.53	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Assigned	103,332.47									
Unassigned	117,979.53	(81,236.22)								
Reserved		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
Unreserved		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
Total general fund	\$ 8,330,645.08	\$ 5,389,616.31	\$ 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
All Other Governmental Funds										
Restricted, reported in:										
Capital projects fund										
Debt service fund										
Assigned, reported in:										
Capital projects fund										
Reserved										
Unreserved, reported in:							18,800.00		34,439.15	125,751.05
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	(0.38)	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	(0.38)	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	\$ 8,330,644.70	\$ 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 Ten Fiscal Years**  
*(modified accrual basis of accounting)*  
**Unaudited**

	Fiscal Year Ending June 30									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Revenues</b>										
Tax levy	\$ 82,017,180.00	\$ 80,584,610.00	\$ 76,916,382.00	\$ 73,871,130.00	\$ 73,351,639.00	\$ 71,342,480.00	\$ 67,045,498.00	\$ 65,375,001.00	\$ 60,829,423.00	\$ 59,630,662.00
Tuition charges	356,589.21	104,686.04	152,894.02	869,450.60	671,369.90	456,859.57	508,593.07	555,618.84	527,910.80	549,176.76
Transportation fees	9,046.00	873.00	5,727.20	62,040.00	65,524.00	51,783.00	49,106.00	38,292.95	73,396.64	54,057.40
Interest earnings	20,308.89	51,459.63	57,278.05	99,248.48	362,050.58	508,857.95	415,651.94	158,474.65	48,852.75	75,636.73
Miscellaneous	3,432,659.18	511,935.50	419,943.35	333,303.28	251,555.97	405,740.63	291,880.00	659,196.46	317,411.62	507,123.66
State sources	33,173,099.38	30,449,780.57	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	3,311,141.70	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	122,320,064.36	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
<b>Expenditures</b>										
Instruction										
Regular instruction	36,264,356.59	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	9,376,775.63	8,978,446.41	8,560,675.63	7,715,862.83	7,362,286.16	6,895,933.98	6,624,913.36	6,299,338.03	5,925,804.10	5,299,360.53
Other instruction	6,193,706.81	6,403,630.84	6,925,733.39	4,025,444.67	4,216,016.03	4,050,163.81	3,744,150.10	3,682,559.97	3,567,241.39	3,418,373.61
Support Services										
Tuition	2,375,116.06	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	14,793,396.71	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	3,795,013.78	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	2,876,531.48	1,946,840.92
General and business administrative services	2,701,366.79	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	7,164,333.63	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	6,591,609.97	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	24,930,877.06	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	603,772.56	1,580,047.02	1,168,900.45	2,555,537.61	2,150,205.50	1,729,682.90	1,192,941.80	1,462,936.21	779,924.63	8,334,765.94
Debt service										
Principal	3,275,000.00	3,250,000.00	3,270,000.00	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	1,313,720.75	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	2,763,990.03	2,937,109.03
Total expenditures	119,379,046.34	112,729,849.37	113,783,264.51	111,061,161.25	108,668,643.71	105,167,491.38	97,504,975.78	94,656,485.66	89,234,970.74	91,263,847.30
Excess (Deficiency) of revenues over (under) expenditures	2,941,018.02	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	(7,990,102.24)

BOARD OF EDUCATION  
TOWNSHIP OF HILLSBOROUGH

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Other Financing sources (uses)</b>										
Capital leases (non-budgeted)										
N.J. Economic Development Authority grants										
Transfers in				52,316.61			320,333.00			
Transfers out				(52,316.61)			415,115.15	4,030.69	3,473.50	
Total other financing sources (uses)										
Net change in fund balances	\$ 2,941,018.02	\$ 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	3.86%	4.25%	4.31%	4.60%	5.12%	6.45%	6.94%	7.16%	7.53%	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</u> <u>Ended June 30,</u>	<u>Total</u>	<u>Tuition</u>	<u>Transportation</u>	<u>Interest</u>	<u>Sale of</u> <u>Assets</u>	<u>Rentals</u>	<u>Refunds</u>	<u>Lease</u> <u>Purchase</u> <u>Agreement</u>	<u>Miscellaneous</u>
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
2012	3,766,983.94	356,589.21	9,046.00	20,308.89		57,030.00	72,776.70	3,047,114.21	204,118.93

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
2003	\$ 34,596,400	\$ 3,003,912,400	\$ 62,255,400	\$ 243,780,700	\$ 131,071,700.00	\$ 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	132,429,960	46,128,700	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
2012	84,298,100	4,649,775,500	95,306,200	407,528,300	217,971,900	87,351,900	5,542,231,900	10,701,416	5,552,933,316	5,963,379,480	1.453

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		
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
2012	1.370	0.083	1.453	0.337	0.395		2.185

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,	2012		2002	
	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	1.10%	\$ -	
Hillsborough Promenade	40,941,600	0.74%		
Nelson's Corner Associates, LLC	22,088,300	0.40%		
Reckitt & Coleman Inc.	22,015,000	0.40%		
Beekman Garden Associates	20,930,400	0.38%		
Foothill Estates, LLC	18,432,500	0.33%		
Dukes Farm Foundation	18,404,761	0.33%		
Hillsborough Gardens Assoc.	17,992,000	0.32%		
Hillsborough Park LLC	16,640,800	0.30%		
Buckeye Pipeline Co., LP	16,131,400	0.29%		
Total	\$ 254,538,661	4.29%	\$ -	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		Amount	Percentage of Levy
2002	\$ 81,092,875.88	98.88%	\$ 80,188,123.71	98.88%	\$ -	\$ 80,188,123.71	98.88%
2003	89,319,227.00	98.95%	88,385,246.00	98.95%	941,000.35	89,326,246.35	100.00%
2004	94,389,002.00	99.09%	93,539,038.00	99.09%	826,421.78	94,365,459.78	99.97%
2005	101,020,148.53	98.83%	99,841,053.17	98.83%	1,136,653.22	100,977,706.39	99.95%
2006	105,139,298.94	99.10%	104,194,849.76	99.10%	874,396.64	105,069,246.40	99.93%
2007	111,799,193.98	98.84%	110,506,657.64	98.84%	1,186,461.49	111,693,119.13	99.90%
2008	114,123,297.04	99.09%	113,089,010.15	99.09%	943,556.00	114,032,566.15	99.92%
2009	116,052,231.65	99.28%	115,228,053.90	99.28%	743,647.83	115,971,701.73	99.93%
2010	120,155,848.25	99.18%	119,177,552.64	99.18%	966,526.62	120,144,079.26	99.99%
2011	122,019,603.16	99.10%	120,923,983.54	99.10%		120,923,983.54	99.10%

**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				Percentage of Personal Income	Per Capita
	General Obligation Bonds	Capital Leases	Total District			
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	2.00%	823	
2011	28,320,000		28,320,000	1.74%	736	
2012	25,045,000		25,045,000	1.49%	651	

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	Deductions	Net General Bonded Debt Outstanding		
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%	823
2011	28,320,000	-	28,320,000	0.51%	736
2012	25,045,000	-	25,045,000	0.45%	651

BOARD OF EDUCATION  
TOWNSHIP OF HILLSBOROUGH

Direct and Overlapping Governmental Activities Debt  
As of December 31, 2011  
Unaudited

Net Direct Debt of School District as of December 31, 2011	\$ 24,345,000.00
Net Overlapping Debt of School District: Township of Hillsborough (100%)	\$ 15,110,177.33
County of Somerset - Township's share of \$174,753,720 at December 31, 2011 (9.9117%)	17,321,064.47
Utility Authority - Township's share (100%)	<u>2,843,137.60</u>
Total Direct and Overlapping Bonded Debt as of December 31, 2011	<u>35,274,379.40</u>
	<u>\$ 59,619,379.40</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 2012

Equalized valuation basis	
2009	6,230,414,594
2010	6,063,452,083
2011	5,962,419,258
	<u>\$ 18,256,285,935</u>
Average equalized valuation of taxable property	<u>\$ 6,085,428,645</u>
Debt limit (4% of average equalization value)	243,417,146
Total Net Debt Applicable to Limit	<u>25,045,000</u>
Legal debt margin	<u>\$ 218,372,146</u>

	Fiscal Year				
	2007	2008	2009	2010	2011
Debt limit	\$ 206,313,071	\$ 224,402,313	\$ 238,370,908	\$ 246,038,696	\$ 243,417,146
Total net debt applicable to limit	<u>41,335,000</u>	<u>37,990,000</u>	<u>34,790,000</u>	<u>31,570,000</u>	<u>25,045,000</u>
Legal debt margin	<u>\$ 164,978,071</u>	<u>\$ 186,412,313</u>	<u>\$ 203,580,908</u>	<u>\$ 214,468,696</u>	<u>\$ 218,372,146</u>
Total net debt applicable to the limit as a percentage of debt limit	20.04%	16.93%	14.59%	12.83%	10.29%

	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	<u>62,310,000</u>	<u>58,600,000</u>	<u>54,700,000</u>	<u>50,110,000</u>	<u>45,820,000</u>
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
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	38,378	1,575,186,632	41,044 (Actual)	7.2%
2011	38,476	1,626,585,212	42,275	7.0%
2012	38,476 (Est.)	1,675,382,769	43,544 (Est.)	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	2010		2000			
	Employees	Rank [Optional]	Percentage of Total Municipal Employment	Employees	Rank [Optional]	Percentage of Total Municipal Employment
	Not Available			Not Available		
	0		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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Instruction	594	600	613	650	650	650	656	658	612	640
Regular Teacher	30	26	32	13	13	13	18	4	12	12
Regular Classroom Aides										
Support Services:										
Attendance	0	0	0	1	1	1	1	1	1	1
Health Services	11	11	11	15	15	15	16	16	18	15
Related Services	15	13	13	20	20	20	17	18	18	18
Extraordinary Services	16	18	20	78	94	94	72	85	79	98
Guidance Professional	17	17	18	21	22	22	22	23	24	23
Guidance Support	3	3	3	3	3	3	3	2	2	1
Child Study Team Professional	18	14	15	21	21	21	15	18	24	27
Child Study Team Staff	3	3	3	4	4	4	4	4	5	0
Improvement of Instruction Supervisors	7	7	7	7	5	5	8	8	7	7
Improvement of Instruction Support	4	3	3	4	4	4	4	4	3	3
Media Services	15	15	15	15	15	15	15	15	15	11
General Administrative Professional	4	4	4	4	4	4	5	6	6	7
General Administrative Support	2	2	2	2	2	2	1	1	1	1
School Administrative Professional	22	23	23	22	22	22	22	23	22	19
School Administrative Support	22	17	18	29	29	29	22	25	27	29
Central Services Professional	3	3	3	3	3	3	7	8	8	15
Central Services Support	7	7	7	8	9	9	7	5	6	6
Technology	3	3	4	4	4	4	5	5	5	6
Operations and Maintenance	81	67	67	63	64	66	70	70	72	101
Transportation	12	12	12	15	15	15	14	14	12	23
<b>Total</b>	<b>889</b>	<b>868</b>	<b>893</b>	<b>1002</b>	<b>1019</b>	<b>1021</b>	<b>1004</b>	<b>1013</b>	<b>978</b>	<b>1055</b>

Source: District Personnel Records

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

Fiscal Year	Pupil/Teacher Ratio										Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Elementary	Junior High (2002 only) Intermediate School	Middle School	Senior High School	Average Daily Enrollment (ADE)				
2002	7,402.2	69,206,713	9349	1.15%	741	111.3	110.9	110.7	111.4	7,402.2	7,087.5	3.57%	95.75%	
2003	7,475.2	75,603,066	10114	8.18%	756	111.1	110.4	110.7	111.5	7,475.2	7,165.3	0.99%	95.65%	
2004	7,561.0	80,467,268	10642	5.23%	826	111.6	110.0	109.7	111.7	7,561.0	7,322.6	2.08%	95.96%	
2005	7,634.5	85,239,191	11165	4.91%	788	111.1	109.9	110.1	111.9	7,634.5	7,316.1	0.07%	95.81%	
2006	7,661.5	89,632,135	11699	4.78%	788	110.1	111.1	109.1	112.5	7,661.5	7,339.3	0.33%	95.79%	
2007	7,568.0	96,764,867	12786	9.29%	710	111.1	112.3	109.5	112.5	7,568.0	7,251.5	1.40%	95.99%	
2008	7,521.0	101,088,954	13441	5.12%	710	110.3	110.7	109.7	111.7	7,521.0	7,250.0	-0.26%	96.22%	
2009	7,554.5	103,513,685	13702	1.94%	719	109.8	110.0	109.8	111.6	7,554.5	7,257.7	0.38%	96.09%	
2010	7,502.0	107,764,313	14365	4.83%	676	109.7	109.7	109.7	111.8	7,502.0	7,185.6	-1.18%	96.14%	
2011	7,456.0	106,430,684	14275	-0.63%	676	109.7	109.7	109.7	111.4	7,456.0	7,113.8	-0.86%	96.00%	
2012	7,355.0	114,186,553	15525	8.76%	749	109.7	N/A	110.2	111.1	7,355.0	7,116.1	-0.15%	96.18%	

Source: District records

Note: Enrollment based on annual October district count

BOARD OF EDUCATION  
TOWNSHIP OF HILLSBOROUGH

School Building Information  
Last Eight Fiscal Years  
Unaudited

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>District Building</b>										
<b>Elementary</b>										
Amsterdam Elementary (1990)			53,045	53,045	53,045	53,045	53,045	53,045	53,045	53,045
Square Feet			600	600	600	600	600	600	600	600
Capacity (students)			519	502	512	520	519	510	522	502
Enrollment			64,810	64,810	64,810	64,810	64,810	64,810	64,810	64,810
Hillsborough Elementary (1949)			600	600	600	600	600	600	600	600
Square Feet			580	551	514	491	511	506	501	541
Capacity (students)			50,001	50,001	50,001	50,001	50,001	50,001	50,001	50,001
Enrollment			600	600	600	600	600	600	600	600
Sunnymead Elementary (1959)			462	453	434	455	418	411	414	406
Square Feet			47,435	47,435	47,435	47,435	47,435	47,435	47,435	47,435
Capacity (students)			600	600	600	600	600	600	600	600
Enrollment			442	430	413	396	414	444	424	419
Triangle Elementary (1960)			47,041	47,041	47,041	47,041	47,041	47,041	47,041	47,041
Square Feet			600	600	600	600	600	600	600	600
Capacity (students)			457	479	459	443	435	416	396	398
Enrollment			56,176	56,176	56,176	56,176	56,176	56,176	56,176	56,176
Woods Road Elementary (1967)			600	600	600	600	600	600	600	600
Square Feet			466	420	443	439	433	432	447	478
Capacity (students)										
Enrollment										
<b>Intermediate School</b>										
Aulen Road Intermediate School (1998)			120,335	120,335	120,335	120,335	120,335	120,335	120,335	120,335
Square Feet			1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
Capacity (students)			1,211	1,228	1,225	1,203	1,184	1,137	1,102	1,135
Enrollment			165,811	165,811	165,811	165,811	165,811	165,811	165,811	165,811
<b>Middle School</b>										
Hillsborough Middle School (1975)			1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
Square Feet			1,182	1,152	1,247	1,262	1,254	1,235	1,200	1,135
Capacity (students)			314,615	314,615	314,615	314,615	314,615	314,615	314,615	314,615
Enrollment			2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600
<b>High School</b>										
Hillsborough High School (1967)			2,278	2,347	2,321	2,306	2,370	2,350	2,404	2,376
Square Feet										
Capacity (students)										
Enrollment										
<b>Number of Schools at June 30, 2012</b>										
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	Pending Projects (W/D/O/E Project #)	Gross Building Area (SF.)	Ten Year Total	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Hillsborough High School		375,913	\$ 1,675,809.80	\$ 241,181.19	\$ 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
Hillsborough Middle School		176,000	907,505.56	79,166.75	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
Auten Road Intermediate School		177,374	594,560.99	84,255.09	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
Amsterdam Elementary School		58,233	281,582.44	41,014.49	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
Hillsborough Elementary School		68,980	410,206.15	21,968.86	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
Sunnymead Elementary School		51,450	265,412.08	12,905.16	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
Triangle Elementary School		52,095	290,571.73	21,002.78	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
Woodlawn Elementary School		51,830	367,555.55	28,086.60	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
Woods Road Elementary School		59,746	314,860.34	17,710.67	22,206.16	23,076.96	27,384.89	16,430.63	38,794.81	16,867.71	20,294.13	18,927.93	113,166.45
<b>District Total</b>			<b>\$ 5,108,064.64</b>	<b>\$ 547,291.59</b>	<b>\$ 460,781.79</b>	<b>\$ 444,862.70</b>	<b>\$ 408,314.62</b>	<b>\$ 453,865.98</b>	<b>\$ 452,482.77</b>	<b>\$ 383,646.61</b>	<b>\$ 686,227.45</b>	<b>\$ 502,689.63</b>	<b>\$ 767,881.50</b>

\*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, 2012  
Unaudited**

	<u>Coverage</u>	<u>Deductible</u>
Utica:		
Package Policy:		
Blanket Real and Personal Property	\$ 219,650,594	\$ 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  
heet 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, 2012, and have issued our report thereon dated August 14, 2012. 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 Office of School Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

Management of Township of Hillsborough School District is responsible for establishing and maintaining effective 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: [tmvrabel@vc@optonline.net](mailto:tmvrabel@vc@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 Office of School 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 17, 2012

*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 THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT ON 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/Grant Compliance Supplement that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2012. Township of Hillsborough School District 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 Office of School 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 could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2012.

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.

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 17, 2012

BOARD OF EDUCATION  
TOWNSHIP OF HILLSBOROUGH

Schedule of Expenditures of Federal Awards, Schedule A  
For the Fiscal Year Ended June 30, 2012

Federal Grant/Program Title	Federal CFDA or Grant Number	Grant Period	Award Amount	Balance July 1, 2011	Adjustments	Cash Received	Disbursements	BUDGETARY EXPENDITURES		Repayment of Prior Years' Balances	Accounts Receivable	Balance June 30, 2012
								Accounts Payable	Encumbrances			
						Total	Total	Total	Total	Total	Total	Deferred Revenue
U.S. Department of Treasury Medical Reimbursement Total U.S. Department of Treasury Through State Department of Education	93.778	7/1/11-6/30/12	\$ 31,793.18	\$	\$	\$ 31,793.18	\$ 31,793.18	\$	\$	\$	\$	\$
U.S. Department of Agriculture Food Distribution Program School Breakfast Program National School Lunch Program Special Milk Program Total U.S. Department of Agriculture	10.550 10.553 10.555 10.555 10.556 10.556	7/1/11-6/30/12 7/1/11-6/30/12 7/1/11-6/30/11 7/1/11-6/30/12 7/1/11-6/30/12 7/1/10-6/30/11	160,017.65 7,990.11 10,157.64 307,726.15 290,381.88 5,009.39 4,314.21	17,835.22 (3,176.74) (84,422.16) (1,311.92) (81,275.80)	160,017.65 6,348.63 1,693.46 253,251.37 53,961.54 4,198.62 726.88	167,262.30 7,990.11 307,726.15 5,009.39 480,198.15	167,262.30 7,990.11 307,726.15 5,009.39 487,987.95				(1,641.48) (54,474.78) (810.77) (56,927.03)	10,390.57
U.S. Department of Education APRA Education Jobs Fund Total U.S. Department of Education (Fund 10) Special Revenue Funds	84.10A 84.010A 84.010A 84.010A 84.367A 84.367A 84.367A 84.365A 84.365A 84.365A 84.365A 84.186A 84.027A 84.173A 84.391 84.392	7/1/11-6/30/12 9/1/11-8/31/12 9/1/10-8/31/11 9/1/08-8/31/09 9/1/08-8/31/07 9/1/11-8/31/12 9/1/11-8/31/12 9/1/09-8/31/10 9/1/10-8/31/11 9/1/08-8/31/09 9/1/08-8/31/09 9/1/10-8/31/11 9/1/10-8/31/11 9/1/10-8/31/11 9/1/10-8/31/11 9/1/09-8/31/11 7/1/07-6/30/08	900,449.00 276,538.00 254,453.00 305,634.00 4,744.00 202,038.00 183,374.00 422.00 2,467.00 50,631.00 68,071.00 32,658.00 25,087.00 32,787.00 1,964.00 1,847,005.00 1,801,302.00 65,603.00 65,561.00 1,615,531.00 58,430.00 500.00	(175,947.39) 27,573.53 1,362.76 (71,081.79) (0.32) (51,640.44) (1,332.65) (2,140.82) (6,274.20) (1,963.56) (100,126.97) (43,636.63) (61,898.11) (1,055.94) 200.00	900,449.00 148,804.62 175,947.38 40,265.21 71,081.79 0.32 14,357.09 51,640.44 1,332.85 2,140.82 1,331.83 1,963.56 1,577,857.03 100,126.97 48,371.37 43,636.63 111,222.01 17,555.94	900,449.00 213,656.46 133,293.73 422.00 35,488.90 606.82 1,344.88 1,803,437.85 791.19 51,840.39 16,500.00	900,449.00 213,656.46 133,293.73 422.00 36,833.78 606.82 1,344.88 1,803,437.85 791.19 51,840.39 16,500.00		27,573.53 1,362.76	(64,851.84) (93,028.52) (422.00) (22,476.69)		
Readiness and Emergency Management for Schools Total U.S. Department of Education (Fund 20) Total Federal Financial Assistance	84.184E 84.184D	7/1/10-6/30/12 6/16/10-6/15/11	149,990.00 40,148.00	(5,811.59) (4,775.25) (496,549.35)	39,865.83 4,775.25 2,458,550.94	43,040.64 2,349,733.71	43,040.64 2,349,733.71	425.00 1,769.88	43,465.64 2,351,503.59	(8,411.40) (419,240.29)	200.00	
						\$ 2,870,542.27	\$ 2,869,514.84	\$ 1,769.88	\$ 2,871,284.72	\$ 28,936.29	\$ (476,167.32)	\$ 10,590.57
						\$ 43,926.95	\$ 43,926.95	\$ 1,769.88	\$ 45,696.83	\$ 28,936.29	\$ (476,167.32)	\$ 10,590.57

(1) Prior Year Encumbrances Canceled  
(2) Disallowed for late filing

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, 2012

State Grant/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance July 1, 2011	Adjustments	Cash Received	Disbursements	Accounts Payable	Encumbrances	Total	Repayment of Prior Years' Balances	Accounts Receivable	Balance June 30, 2012 Deferred Revenue	Due to Grantor
<b>General Funds</b>														
Equalization Aid	12-495-034-5120-078	7/1/11-6/30/12	\$ 18,911,112.00	\$ (1,606,120.26)	\$ 9,474.87 (1)	\$ 17,030,004.35	\$ 18,911,112.00	\$	\$	\$ 18,911,112.00	\$	\$ (1,871,632.78)	\$	\$
Equalization Aid	11-495-034-5120-078	7/1/10-6/30/11	16,915,579.00			1,606,120.26								
Categorical Special Education Aid	12-495-034-5120-011	7/1/11-6/30/12	4,268,964.00	(420,476.74)		3,848,487.26	4,268,964.00			4,268,964.00		(422,489.38)		
Categorical Special Education Aid	11-495-034-5120-011	7/1/10-6/30/11	4,268,964.00			420,476.74								
Categorical Security Aid	12-495-034-5120-064	7/1/11-6/30/12	71,131.00			64,091.16	368,546.00			368,546.00		(7,039.84)		
Extraordinary Aid	12-100-034-5120-473	7/1/11-6/30/12	368,546.00	(415,046.00)		415,046.00						(43,657.77)		
Non-Public Transportation Aid	11-100-034-5120-473	7/1/10-6/30/11	415,046.00											
Non-Public Transportation Aid	12-495-034-5120-014	7/1/11-6/30/12	43,657.77	(44,844.54)		44,844.54						(909.00)		
Non-Public Transportation Aid	11-495-034-5120-014	7/1/10-6/30/11	44,844.54			909.00								
Building Prevention State Aid Grant	12-100-034-5064-201	7/1/11-6/30/12	909.00			3,906,716.12	3,906,716.12			3,906,716.12		(468.12)		
Reimbursed TPAF Social Security Contribution	12-495-034-5095-002	7/1/11-6/30/12	3,906,716.12			4,992,372.00	4,992,372.00			4,992,372.00				
On-Benefit TPAF Pension Contributions	12-495-034-5095-006	7/1/11-6/30/12	4,992,372.00	(2,546,287.54)		32,386,376.67	32,583,407.86			32,583,407.86		(2,733,641.89)		
<b>Total General Funds</b>														
<b>Special Revenue Funds</b>														
New Jersey Nonpublic Aid	12-100-034-5120-064	7/1/11-6/30/12	6,404.00	1,368.24		6,404.00	4,755.90			4,755.90	1,368.24			1,648.10
Textbook Aid	11-100-034-5120-064	7/1/10-6/30/11	6,877.00											
Textbook Aid	10-100-034-5120-064	7/1/09-6/30/10	11,262.00	1,177.16	(1,177.16) (1)									
Auxiliary Services														
English as a Second Language	11-100-034-5120-067	7/1/10-6/30/11	342.00	130.00	(130.00) (1)									
Handicapped Services														
Examination and Classification	12-100-034-5120-066	7/1/11-6/30/12	4,505.00			4,505.00								4,505.00
Examination and Classification	11-100-034-5120-066	7/1/10-6/30/11	6,219.00											
Corrective Speech	12-100-034-5120-066	7/1/11-6/30/12	8,688.00	2,332.67	(2,332.67) (1)									
Corrective Speech	11-100-034-5120-066	7/1/10-6/30/11	10,170.00			8,688.00				8,688.00				5,011.84
Supplementary Instruction	12-100-034-5120-066	7/1/11-6/30/12	1,263.00	4,013.39	(4,013.39) (1)									
Supplementary Instruction	11-100-034-5120-066	7/1/10-6/30/11	2,779.00			1,263.00				1,263.00				1,263.00
Nursing Services	12-100-034-5120-070	7/1/11-6/30/12	9,146.00	1,821.65	(1,821.65) (1)									
Nursing Services	11-100-034-5120-070	7/1/10-6/30/11	6,149.00			9,146.00	8,759.75			8,759.75				386.25
<b>Total Special Revenue Funds</b>				10,863.11	(9,474.67)	30,217.63	19,790.49			19,790.49	21,193			10,215.51
<b>Debt Service Funds</b>														
Debt Service Aid - State Support	12-495-034-5120-125	7/1/11-6/30/12	784,476.00			784,476.00	784,476.00			784,476.00				
<b>Total Debt Service Funds</b>														
<b>Enterprise Funds</b>														
State School Lunch Program	12-100-010-3350-023	7/1/11-6/30/12	21,630.53	(7,421.37)		17,817.21	21,630.53			21,630.53		(3,813.32)		
State School Lunch Program	11-100-010-3350-023	7/1/10-6/30/11	21,932.80			4,487.67								
<b>Total Enterprise Funds</b>				(7,421.37)	2,933.70 (2)	22,304.88	21,630.53			21,630.53		(3,813.32)		
<b>Total All Funds</b>				(2,542,845.80)	2,933.70	33,223,375.48	33,409,304.91			33,409,304.91	1,600.17	(2,737,657.21)		10,215.51

(1) Reallocated  
(2) Disallowed for late filing

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, 2012

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, 2012  
(CONCLUDED)

Note 3: Relationship to Basic Financial Statements (Continued)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$(214,575.00) for the general fund and \$29,416.56 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	\$ 932,242.18	\$32,368,832.89	\$33,301,075.07
Special Revenue Fund	2,378,899.52	19,790.49	2,398,690.01
Debt Service Fund		784,476.00	784,476.00
Food Service Fund	<u>438,214.36</u>	<u>18,696.83</u>	<u>456,911.19</u>
Total Awards and Financial Assistance	<u>\$3,749,356.06</u>	<u>\$33,191,796.21</u>	<u>\$36,941,152.27</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, 2012. 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, 2012.

BOARD OF EDUCATION  
TOWNSHIP OF HILLSBOROUGH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012

Part I – Summary of Auditor’s Results

**Financial Statement Section**

- A) Type of auditor’s report issued: Unqualified
- B) Internal Control over financial reporting:
- 1) Material weakness(es) identified?           yes   X  no
- 2) Were significant deficiencies identified that were not considered to be material weaknesses?           yes   X  none reported
- C) Noncompliance material to basic financial statements noted?           yes   X  no

**Federal Awards Section**

- D) Dollar threshold used to determine Type A programs \$   300,000.00
- E) Auditee qualified as low-risk auditee?   X  yes           no
- F) Type of auditor’s report on compliance for major programs Unqualified
- G) Internal Control over compliance:
- 1) Material weakness(es) identified?           yes   X  no
- 2) Were significant deficiencies identified that were not considered to be material weaknesses?           yes   X  none reported
- H) Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510 (a))?           yes   X  no

I) Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027A	I.D.E.A. Part B. Basic
10.555	National School Lunch Program
84.410A	ARRA Education Jobs Fund

BOARD OF EDUCATION  
TOWNSHIP OF HILLSBOROUGH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012

Part I – Summary of Auditor’s Results (Continued)

**State Financial Assistance Section**

- J) Dollar threshold used to determine Type A Programs \$ 852,507.99
- K) Auditee qualified as low-risk auditee? X yes      no
- L) Type of auditor’s report on compliance for major programs. Unqualified
- M) Internal Control over compliance:
- 1) Material weakness(es) identified?      yes X no
- 2) Were significant deficiencies identified that were not considered to be material weaknesses?      yes X none reported
- N) Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 04-04?      yes X no

O) Identification of major programs:

<u>GMIS Number(s)</u>	<u>Name of State Program</u>
12-495-034-5120-078	Equalization Aid
12-495-034-5120-089	Special Education Aid
12-495-034-5095-002	Reimbursed T.P.A..F. Social Security
	Contributions

BOARD OF EDUCATION  
TOWNSHIP OF HILLSBOROUGH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012  
(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, 2012  
(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, 2012

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