COMPREHENSIVE ANNUAL

FINANCIAL REPORT

of the

Township of Hillsborough Board of Education
Hillsborough, New Jersey

For the Fiscal Year Ended June 30, 2014

Prepared by

Township of Hillsborough Board of Education
Finance Department

Introductory Section

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

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HILLSBOROUGH
Board of Education

HILLSBOROUGH TOWNSHIP BOARD OF EDUCATION
379 South Branch Road • Hillsborough • NJ • 08844-3443 • (908) 431-6600

Jorden Schiff, Ed.D.
Superintendent of Schools

Lisa M. Antunes, Ed.D.
Assistant Superintendent for Curriculum

Gary Bowen, Ed.D.
Interim Assistant Superintendent for Personnel

Aiman A. Mahmoud
School Business Administrator/ Board Secretary

Kathryn Warlick
Director of Special Services

Joel Handler
Director of Education Technology

August 29, 2014

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, 2014, 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, 2014 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 2013-2014 fiscal year with an enrollment of 7,295.0 students, which is 104 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

Fiscal Year	Student Enrollment	Percent Change
2013-14	7295.0	-1.42%
2012-13	7399.0	0.40%
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%

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 continued its unwavering commitment to realize the positive effects that our initiatives surrounding technology in all areas has had with our students and staff. A focus on our 1:1 technology pilot projects with approximately 20% of our student population proved successful.

All curriculum revision was completed, as per state mandate. Implementation plans were written and presented to the Education Committee of the Board of Education for the phasing in of Chinese at the intermediate and high school levels. This implementation was very successful. Concurrent enrollment opportunities for our AP Statistics students continued in cooperation with Raritan Valley Community College. The STEM program at the middle school was successfully introduced.

Professional development continued to focus on PLCs, common assessment development, and technology training across all content areas district-

wide. More than 95% of certificated staff members participated in over 1200 technology training opportunities throughout the 2013 - 2014 school year. The technology training was facilitated by the district technology trainers as well as the teacher trainers.

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, 2014, the District's outstanding debt issues included serial bonds totaling $19,275,000 and the long term capital lease outstanding was $16,085,000.

8. CASH MANAGEMENT: The investment policy of the District is guided in large by state statute as detailed in "Notes to the Financial Statements", Note 2. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

9. RISK MANAGEMENT: The board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

10. OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of T.M. Vrabel & Associates, LLC. was selected by the Board's audit committee. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related OMB Circular A-133 and State Treasury Circular Letter 04-04-OMB. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

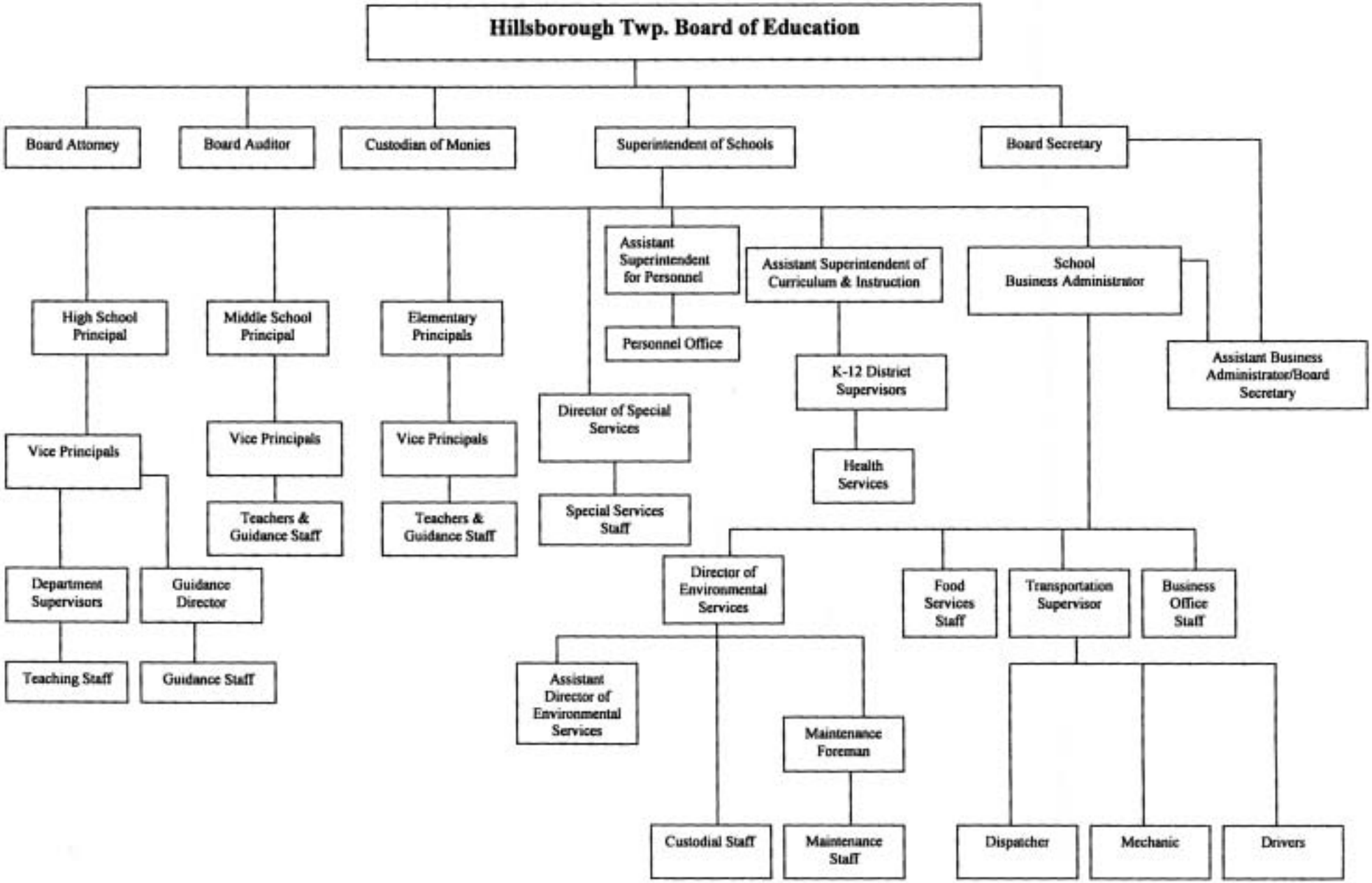
11. ACKNOWLEDGEMENTS: We would like to express our appreciation to the members of the Hillsborough School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our central office staff.

Respectfully submitted,

Dr. Jorden Schiff
Superintendent of Schools

Mr. Aiman A. Mahmoud
Business Administrator/Board Secretary

HILLSBOROUGH TOWNSHIP PUBLIC SCHOOLS



Revised 9/06

HILLSBOROUGH TOWNSHIP BOARD OF EDUCATION

HILLSBOROUGH, NEW JERSEY

ROSTER OF OFFICIALS

JUNE 30, 2014

Members of the Board of Education		Term Expires
Dana Boguszewski	Member	2015
Deena Centofanti	Member	2015
Debashis Dutta	Member	2016
Gregory Gillette	Member	2016
Judith C. Haas	Member	2014
Jennifer Haley	Vice-President	2014
Thomas Kinst	President	2016
Chris Pulsifer	Member	2014
Lorraine Soisson	Member	2015

Other Officials	
Dr. Jorden Schiff	Superintendent
Mr. Aiman Mahmoud	Board Secretary/School Business Administrator
Nancy Costa	Treasurer
Stephen R. Fogarty, Esq.	Board Attorney

HILLSBOROUGH TOWNSHIP
BOARD OF EDUDATION
CONSULTANTS AND ADVISORS

Architects

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439 US Highway 46, #4
Rockaway, NJ 07866

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350 Main Road, Ste. 104
Montville, NJ 07045

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 School District
County of Somerset, New Jersey

Report on the Financial Statements

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, 2014, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in 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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for

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the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information the Township of Hillsborough School District as of June 30, 2014, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Page 14 through 20 and budgetary comparison information of schedules C-1 and C-2 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Hillsborough School District's basic financial statements. The accompanying introductory section, and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules, statistical tables and the Schedules of Expenditures of Federal Awards and State Financial Assistance 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 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, long-term debt schedules and the Schedules of Expenditures of Federal Awards and State Financial Assistance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, long-term debt schedules and the Schedules of Expenditures of Federal

Awards and State Financial Assistance is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical tables have not been subjected to the auditing procedures and applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated August 29, 2014 on our consideration of the Township of Hillsborough School District's internal control over financial reporting and on out 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 compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Township of Hillsborough's School District internal control over financial reporting and compliance.

Timothy M. Vrabel
Public School Accountant
License No. CS000689

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

Montville, New Jersey
August 29, 2014

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, 2014. 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 position increased $0.89 million as a result of this year's operations. Net position of our business-type activities decreased by $75,000 or 75.7 percent, and net position of our governmental activities increased by $0.264 million or 0.5 percent.
- Total cost of all of the District's programs was $125 million in 2013-2014 compared to $125 million in 2012-2013.
- During the year, the District had expenses for governmental activities that were $17.183 million more 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 Position and the Statement of Activities (on pages 23and 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 Position 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 Position 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 position* and changes in them. You can think of the District's net position, 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 position 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 Position 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 32and 33.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental funds: most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation on page 29.

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

The District as Trustee

Reporting the District's Fiduciary Responsibilities

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

THE DISTRICT AS A WHOLE

The District's *combined* net position changed from a year ago, *decreasing* from $48.449 million to $48.638 million. Looking at the net position and net expenses of governmental and business-type activities separately, different stories emerge. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the District's governmental and business-type activities as of June 30.

Table 1
Net Position (in Thousands)

	Governmental Activities		Business-type Activites		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Current and other assets	7,314	8,125	204	304	7,518	8,429
Capital assets	79,355	64,911	21	26	79,376	64,937
Total assets	86,669	73,036	225	330	86,894	73,366
Long-term debt outstanding	37,386	23,747			37,386	23,747
Other liabilities	668	939	231	231	899	1,170
Total liabilities	38,054	24,686	231	231	38,285	24,917
Net Position:						
Invested in capital assets, net of debt	43,995	43,151	21	26	44,016	43,177
Restricted	6,549	6,993			6,549	6,993
Unrestricted (deficit)	(1,930)	(1,794)	3	73	(1,927)	(1,721)
Total net position	48,614	48,350	24	99	48,638	48,449

Net position of the District's governmental activities increased by 0.5 percent. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased $136,000. Restricted net position, those restricted mainly for capital projects decreased by $444,000. The investment in capital assets, net of debt category increased by $844,000.

Table 2
Changes in Net Position (in Thousands)

	Governmental Activities		Business-type Activites		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues:						
Charges for Services	453	409	2,018	2,021	2,471	2,430
Operating Grants and Contributions	18,343	19,872	465	473	18,808	20,345
General revenues:						
Property Taxes	82,473	82,138			82,473	82,138
Tuition	434	434			434	434
Federal and State Aid	19,887	19,794			19,887	19,794
Interest and Investment Earnings	11	14			11	14
Other General Revenues	381	745			381	745
SDA Grant	522				522	
Adjustment to Capital Assets	-	(682)	-	-	-	(682)
Total Revenues:	122,504	122,724	2,483	2,494	124,987	125,218
Program expenses including indirect expenses						
Instruction:						
Regular	49,952	49,983			49,952	49,983
Special	14,338	13,112			14,338	13,112
Other instruction	8,802	8,726			8,802	8,726
Support services:						
Tuition	2,264	2,962			2,264	2,962
Student and instruction related services	19,384	20,441			19,384	20,441
School administrative services	5,497	5,477			5,497	5,477
General and business administrative services	4,296	3,868			4,296	3,868
Plant operations and maintenance	9,422	9,587			9,422	9,587
Pupil transportation	7,150	7,496			7,150	7,496
Charter Schools	71	40			71	40
SDA Debt Service Assessment	71	71			71	71
Interest on long-term debt	993	1,113			993	1,113
Business-type activities:						
Food Services			2,401	2,435	2,401	2,435
Summer Enrichment	-	-	157	156	157	156
Total Expenses	122,240	122,876	2,558	2,591	124,798	125,467
Increase in Net Position	264	(152)	(75)	(97)	189	(249)

THE DISTRICT'S FUNDS
Governmental Activities
Table 3
Information below compares revenues and expenditures for all governmental fund types for 2013-2014 and 2012-2013. (in Thousands)

Revenues by Source:	2013-2014	2012-2013	% Change
Local Tax Levy	82,919	82,498	0.51%
Tuition Charges	434	434	0.00%
Transportation Fees	7	48	-85.42%
Interest Earned to Investments	12	14	-14.29%
Miscellaneous	390	768	-49.22%
Total - Local Sources	83,762	83,762	0.00%
State Sources	36,121	37,540	-3.78%
Federal Sources	2,100	2,104	-0.19%
Total Revenues	121,983	123,406	-1.15%

Expenditures by Function:	2013-2014	2012-2013	% Change
Current:			
Regular Instruction	34,419	34,469	-0.15%
Special education	10,599	9,353	13.32%
Other instruction	6,376	6,246	2.08%
Support Services and undistributed costs:			
Tuition	2,264	2,962	-23.57%
Student and instruction related services	14,907	15,999	-6.83%
School administrative services	3,993	3,820	4.53%
General and Business administrative services	3,375	3,016	11.90%
Plant operations and maintenance	7,876	7,972	-1.20%
Pupil transportation	6,755	7,190	-6.05%
Employee Benefits	27,698	27,929	-0.83%
Capital Outlay	17,319	796	2075.75%
Charter School	71	40	100.00%
Debt Service:			
Principal	2,485	3,285	-24.35%
Interest on long-term debt	1,029	1,164	-11.60%
Total Expenditures	139,166	124,241	12.01%

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 position.

Table 4
(in Thousands)

	Food Service	Summer Enrichment
Total Assets	23	232
Net Position	(51)	75
Change in Net Position	(74)	(157)
Return on Ending Total Assets	-321.74%	-67.67%
Return on Ending Net Position	145.10%	-209.33%

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets
Table 5
(in Thousands)

Capital Assets at Year-end
(Net of Depreciation)

	Governmental Activities		Business-type Activites		Totals	
	2014	2013	2014	2013	2014	2013
Land Improvements	3,547	3,547			3,547	3,54
Buildings	116,067	104,132			116,067	104,13
Machinery and Equipment	3,979	3,667	271	271	4,250	3,93
Subtotal	123,593	111,346	271	271	123,864	111,61
Accumulated Depreciation	(44,238)	(46,435)	(250)	(245)	(44,488)	(46,68
Totals	79,355	64,911	21	26	79,376	64,93

The District's 2014-2015 capital budget anticipates a spending level of $1,151,411 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 $37.386 million outstanding versus $23.747 million last year – a increase of 57.4 percent – as shown in Table 6.

Outstanding Debt, at year –end
Table 6
(in Thousands)

	Governmental Activities	
	2014	2013
Serial Bonds	19,275	21,760
Lease Purchase Agreement	16,085	
Compensated Absences	2,026	1,987
	37,386	23,747

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

BUDGETS

The variances between the originally adopted budget for the year 2013-2014, 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

Exhibit A-1

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Statement of Net Position
June 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 3,409,428.05	$ 142,968.48	$ 3,552,396.53
Receivables, net	2,318,534.63	69,401.18	2,387,935.81
Inventory		21,500.16	21,500.16
Restricted assets:			
Capital reserve account - cash	1,585,461.66		1,585,461.66
Capital assets, net (Note III:C.):	79,355,299.26	21,308.09	79,376,607.35
Total Assets	86,668,723.60	255,177.91	86,923,901.51
LIABILITIES			
Accounts payable	339,226.81		339,226.81
Payable to state government	5,392.06		5,392.06
Bond Interest Payable	273,829.37		273,829.37
Unearned revenue	49,429.97	231,242.46	280,672.43
Noncurrent liabilities (Note IV:B.):			
Due within one year	2,728,899.34		2,728,899.34
Due beyond one year	34,657,528.68	-	34,657,528.68
Total liabilities	38,054,306.23	231,242.46	38,285,548.69
NET POSITION			
Net investment in capital assets	43,995,299.26	21,308.09	44,016,607.35
Restricted for:			
Capital projects	2,107,327.66		2,107,327.66
Debt service	(273,829.00)		(273,829.00)
Other purposes	4,715,613.47		4,715,613.47
Unrestricted	(1,929,994.02)	2,627.36	(1,927,366.66)
Total Net Position	$ 48,614,417.37	$ 23,935.45	$ 48,638,352.82

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

Exhibit A-2

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental activities:							
Instruction:							
Regular	$ 49,952,207.58	$ -	$ 4,938,797.34	$ -	$ (45,013,410.24)	$ -	$ (45,013,410.24)
Special education	14,337,788.64		3,870,332.44		(10,467,456.20)		(10,467,456.20)
Other instruction	8,801,518.50		856,164.08		(7,945,354.42)		(7,945,354.42)
Support services:							
Tuition	2,284,367.23		4,045,255.60		1,760,888.37		1,760,888.37
Student and instruction related services	19,383,787.29		1,943,145.40		(17,440,641.89)		(17,440,641.89)
School administrative services	5,497,388.34		543,706.16		(4,953,682.18)		(4,953,682.18)
General and business administrative services	4,296,054.41		310,508.32		(3,985,546.09)		(3,985,546.09)
Plant operations and maintenance	9,422,190.54		552,286.85		(8,869,903.69)		(8,869,903.69)
Pupil transportation	7,149,931.44	7,241.96	734,965.18		(6,407,724.30)		(6,407,724.30)
Charter Schools	70,901.00				(70,901.00)		(70,901.00)
SDA Debt Service Assessment	71,124.00				(71,124.00)		(71,124.00)
Interest on long-term debt	993,412.87	445,900.87	547,512.00		-		-
Total governmental activities	122,240,671.64	453,142.83	18,342,673.37		(103,444,855.64)		(103,444,855.64)
Business-type activities:							
Food Service	2,400,677.01	1,856,663.86	464,612.38			(79,400.77)	(79,400.77)
Summer Enrichment	157,281.02	161,627.33	-			4,346.31	4,346.31
Total business-type activities	2,557,958.03	2,018,291.19	464,612.38	-	-	(75,054.46)	(75,054.46)
Total primary government	$ 124,798,629.87	$ 2,471,434.02	$ 18,807,285.75	$ -	$ (103,444,855.64)	$ (75,054.46)	$ (103,519,910.10)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					$ 79,952,811.00	$ -	$ 79,952,811.00
Property taxes, levied for debt service principal					2,520,448.13		2,520,448.13
Federal and State aid not restricted					19,887,109.94		19,887,109.94
Tuition (other than special schools)					434,471.21		434,471.21
Investment Earnings					11,472.71		11,472.71
Miscellaneous Income					380,739.07		380,739.07
SDA Grant					521,866.00		521,866.00
Total general revenues, special items, extraordinary items and transfers					103,708,918.06	-	103,708,918.06
Change in Net Position					264,062.42	(75,054.46)	189,007.96
Net Position—beginning					48,350,354.95	98,989.91	48,449,344.86
Net Position—ending					$ 48,614,417.37	$ 23,935.45	$ 48,638,352.82

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

Section B

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

Exhibit B-1

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Balance Sheet
Governmental Funds
June 30, 2014

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 4,640,313.77	$ (1,230,886.09)	$ -	$ 0.37	$ 3,409,428.05
Receivables from other governments	508,136.81	1,265,532.33	521,866.00		2,313,535.14
Other receivables	4,823.70	175.79			4,999.49
Restricted cash and cash equivalents	1,585,461.66	-	-	-	1,585,461.66
Total Assets	$ 6,738,735.94	$ 54,822.03	$ 521,866.00	$ 0.37	$ 7,313,424.34
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 339,226.81	$ -	$ -	$ -	$ 339,226.81
Payable to state government		5,392.06			5,392.06
Unearned revenue	-	49,429.97			49,429.97
Total Liabilities	339,226.81	54,822.03			394,048.84
Fund Balances:					
Restricted for:					
Reserved Excess Surplus - Designated for Subsequent Year's Expenditures	2,355,862.00		-		2,355,862.00
Reserve for Excess Surplus	2,359,751.47				2,359,751.47
Capital Reserve Account	1,585,461.66				1,585,461.66
Capital Projects			521,866.00		521,866.00
Debt Service				0.37	0.37
Unassigned	96,434.00			-	96,434.00
Total Fund Balances	6,397,509.13	-	521,866.00	0.37	6,919,375.50
Total Liabilities and Fund Balances	$ 6,738,735.94	$ 54,822.03	$ 521,866.00	$ 0.37	

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

Adjustment to Debt Service Fund net position for the accrual of interest expense.	(273,629.37)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is $123,593,402.30 and the accumulated depreciation is $44,238,103.04.	79,355,299.26
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.)	(37,366,428.02)
Net position of governmental activities	$ 46,614,417.37

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

Exhibit B-2

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Statement of Revenues, Expenditures, And Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local sources:					
Local tax levy	$ 79,952,811.00	$ -	$ -	$ 2,966,349.00	$ 82,919,160.00
Tuition charges	434,471.21				434,471.21
Transportation fees	7,241.96				7,241.96
Interest earned on investments	6,633.99				6,633.99
Interest earned on Capital Reserve Funds	2,638.72				2,638.72
Miscellaneous	317,739.07	72,143.33		-	389,882.40
Total - Local Sources	80,723,735.95	72,143.33		2,966,349.00	83,762,228.28
State sources	35,546,996.01	24,530.94		547,512.00	36,121,040.95
Federal sources	20,896.32	2,078,702.71		-	2,099,599.03
Total Revenues	116,293,630.28	2,175,376.98		3,513,861.00	121,982,868.26
EXPENDITURES					
Current:					
Regular instruction	34,312,921.83	105,903.25			34,418,825.08
Special education instruction	8,981,064.50	1,618,079.77			10,599,144.27
Other instruction	6,375,913.71				6,375,913.71
Support services and undistributed costs:					
Tuition	2,264,367.23				2,264,367.23
Student and instruction related services	14,588,601.83	318,895.76			14,907,497.59
School administrative services	3,992,840.43				3,992,840.43
General and business administrative services	3,374,684.91				3,374,684.91
Plant operations and maintenance	7,876,005.56				7,876,005.56
Pupil transportation	6,755,219.36				6,755,219.36
Unallocated benefits	27,628,441.16	69,696.20			27,698,139.36
Transfer to charter school	70,901.00				70,901.00
Capital outlay	17,255,624.21	63,000.00			17,318,624.21
Debt service:					
Principal				2,485,000.00	2,485,000.00
Interest and other charges	-	-		1,028,861.00	1,028,861.00
Total Expenditures	133,476,985.77	2,175,376.98		3,513,861.00	139,166,223.75
Excess (Deficiency) of revenues over expenditures	(17,183,355.49)	-	-	-	(17,183,355.49)
OTHER FINANCING SOURCES AND (USES)					
Capital leases (non-budgeted)	18,085,000.00				18,085,000.00
SDA Grant	-		521,888.00		521,888.00
Total Other Financing Sources and (Uses)	18,085,000.00	-	521,888.00	-	18,606,888.00
Net change in fund balances	(1,098,355.49)	-	521,888.00	-	(576,469.49)
Fund Balance—July 1	7,495,864.62	-	-	0.37	7,495,864.99
Fund Balance—June 30	$ 6,397,509.13	$ -	$ 521,888.00	$ 0.37	$ 6,919,375.50

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

Exhibit B-3

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, 2014

Total net change in fund balances - governmental funds (from B-2)		(576,489.49)
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	1,028,861.00	
Interest accrued	(993,412.87)	
		35,448.13
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	(2,802,926.28)	
Capital outlays (exclusive of capital lease principal payments and SDA Debt Service Assessment)	17,247,500.21	
		14,444,573.93
Adjustment to Capital Assets in accordance with physical appraisal and dispositions		-
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 (+).		(39,470.15)
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		2,485,000.00
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		(16,085,000.00)
Revenues in the statement of activities which do not provide current financial resources are not reported as revenues in the funds. (+)		-
Change in net position of governmental activities		264,062.42

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

PROPRIETARY FUNDS

Exhibit B-4

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Statement of Net Position
Proprietary Funds
June 30, 2014

	Business-type Activities - Enterprise Funds		
	Food Service	Summer Enrichment	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	$ (89,000.26)	$ 231,968.74	$ 142,968.48
Accounts receivable	69,401.18	-	69,401.18
Inventories	21,500.16	-	21,500.16
Total Current Assets	1,901.08	231,968.74	233,869.82
Noncurrent assets:			
Furniture, machinery and equipment	270,994.34		270,994.34
Less accumulated depreciation	(249,686.25)		(249,686.25)
Total Noncurrent Assets	21,308.09	-	21,308.09
Total Assets	23,209.17	231,968.74	255,177.91
LIABILITIES			
Current Liabilities:			
Prepaid Sales and Fees	74,576.46	156,666.00	231,242.46
Total Current Liabilities	74,576.46	156,666.00	231,242.46
Total Liabilities	74,576.46	156,666.00	231,242.46
NET POSITION			
Net Investment in capital assets	21,308.09		21,308.09
Unrestricted	(72,675.38)	75,302.74	2,627.36
Total Net Position	$ (51,367.29)	$ 75,302.74	$ 23,935.45

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

Exhibit B-5

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds		
	Food Service	Summer Enrichment	Totals
Operating Revenues:			
Charges for services:			
Daily sales - reimbursable programs	$ 850,911.90	$ -	$ 850,911.90
Daily sales - non-reimbursable programs	1,005,751.96		1,005,751.96
Program fees	-	161,627.33	161,627.33
Total Operating Revenues	1,856,663.86	161,627.33	2,018,291.19
Operating Expenses:			
Cost of sales	779,421.79		779,421.79
Salaries	804,841.02	30,950.78	835,791.80
Employee benefits	215,333.19	2,094.97	217,428.16
Management Fee	221,668.94		221,668.94
Cleaning, repair and maintenance services	62,230.79		62,230.79
Other purchased services	65,432.17	107,586.12	173,018.29
General supplies	246,913.65	16,649.15	263,562.80
Depreciation	4,835.46	-	4,835.46
Total Operating Expenses	2,400,677.01	157,281.02	2,557,958.03
Operating (Loss)	(544,013.15)	4,346.31	(539,666.84)
Nonoperating Revenues :			
State sources:			
State school lunch program	18,696.99		18,696.99
Federal sources:			
National school lunch program	297,048.73		297,048.73
Federal breakfast program	6,910.64		6,910.64
Special milk program	4,925.56		4,925.56
Food distribution program	137,030.46		137,030.46
Interest and investment revenue	-		-
Total Nonoperating Revenues	464,612.38	-	464,612.38
Change in net position	(79,400.77)	4,346.31	(75,054.46)
Total Net Position—Beginning	28,033.48	70,956.43	98,989.91
Total Net Position—Ending	$ (51,367.29)	$ 75,302.74	$ 23,935.45

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

Exhibit B-6

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds		
	Food Service	Summer Enrichment	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 1,861,049.83	$ 173,355.83	$ 2,034,405.66
Payments to employees	(804,841.02)	(30,950.78)	(835,791.80)
Payments for employee benefits	(215,333.19)	(2,094.97)	(217,428.16)
Payments to suppliers	(1,380,561.98)	(124,235.27)	(1,504,797.25)
Net cash provided/(used for) operating activities	(539,686.36)	16,074.81	(523,611.55)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State Sources	18,696.99		18,696.99
Federal Sources	445,915.39		445,915.39
Net cash provided by non-capital financing activities	464,612.38	-	464,612.38
Net increase (decrease) in cash and cash equivalents	(75,073.98)	16,074.81	(58,999.17)
Balances—beginning of year	(13,926.28)	215,893.93	201,967.65
Balances—end of year	$ (89,000.26)	$ 231,968.74	$ 142,968.48
Reconciliation of operating income (loss) to net cash provided/ (used for) operating activities:			
Operating Income (loss)	$ (544,013.15)	$ 4,346.31	$ (539,666.84)
Adjustments to reconcile operating income (loss) to net cash provided/ (used for) operating activities:			
Depreciation and net amortization	4,835.46		4,835.46
(Increase)/Decrease in accounts receivable	8,920.45		8,920.45
(Increase)/Decrease in inventories	2,066.50		2,066.50
Increase/(Decrease) in accounts payable	(6,961.14)	-	(6,961.14)
Increase/(Decrease) in deferred inflows of resources	(4,534.48)	11,728.50	7,194.02
Total adjustments	4,326.79	11,728.50	16,055.29
Net cash (used for) operating activities	$ (539,686.36)	$ 16,074.81	$ (523,611.55)

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

FIDUCIARY FUNDS

Exhibit B-7

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Unemployment Compensation Trust	Agency Fund
ASSETS		
Cash and cash equivalents	$ 65,949.48	$ 886,286.49
Total Assets	65,949.48	886,286.49
LIABILITIES		
Payable to student groups		446,592.96
Payroll deductions and withholdings		375,507.23
Net Salaries and Wages		10,634.69
Accrued Salaries and Wages		5,450.92
Section 125 Plan		48,100.69
Total Liabilities		$ 886,286.49
NET POSITION		
Held in trust for unemployment claims and other purposes	$ 65,949.48	
Reserved for scholarships		

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

Exhibit B-8

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2014

	Unemployment Compensation Trust
ADDITIONS	
Contributions:	
Plan member	$ 190,372.04
Board of Education	76,219.66
Total Contributions	266,591.70
Investment earnings:	
Interest	-
Net investment earnings	-
Total Additions	266,591.70
DEDUCTIONS	
Unemployment claims	257,731.19
Total Deductions	257,731.19
Change in Net Position	8,860.51
Net Position—beginning	57,088.97
Net Position—ending	$ 65,949.48

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

NOTES TO BASIC FINANCIAL STATEMENTS

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 School District (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. In its accounting and financial reporting, the District follows the pronouncements of the Governmental Accounting Standards Board (GASB). The more significant accounting policies established in GAAP and used by the District are discussed below.

B. Reporting Entity

The Township of Hillsborough School District 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.

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 schools located in Hillsborough. 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 District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The District's general and special revenue activities are classified as governmental activities. The District's food service and Summer Enrichment programs are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position are reported in three parts-invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The District first utilizes restricted resources to finance qualifying activities.

Note I: Summary of Significant Accounting Policies (Continued)

C. Basic Financial Statements- Government-Wide Statements

The government-wide Statement of Activities reports both the gross and net costs of each of the District's functions and business-type activities. The functions are also supported by general government revenues (property taxes, tuition, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (regular instruction, vocational programs, student and instruction related services, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity are normally covered by general revenue (property taxes, tuition, interest income, etc.).

a. The District allocates indirect costs such as on-behalf TPAF Pension Contributions, and Reimbursed TPAF Social Security Contributions.

The government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities. Fiduciary funds are excluded from the government-wide financial statements.

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.

The emphasis in fund financial statements is on the major funds in either the governmental or businesstype activities category are summarized into a single column. GASBS No. 34 sets forth minimum criteria (percentage ofthe assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. The State of New Jersey Department of Education has mandated that all New Jersey School districts must report all governmental funds as major, regardless of the fund meeting the GASB definition of a major fund. However, the GASB criteria are applied to proprietary funds.

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.

Permanent Fund – A permanent fund is used to account for assets held under the terms of a formal trust agreement, whereby the District is under obligation to maintain the trust principal.

Note I: Summary of Significant Accounting Policies(Continued)

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

Fund Balances – Governmental Funds

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources (creditors, laws or other governments, etc.) or by constitutional provision or enabling legislation.

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Education, the District's highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Education.

Assigned – includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the District's policy, amounts may be assigned by the Business Administrator.

Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. The District reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned.

The details of the fund balances are included in the Governmental Funds Balance Sheet. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is uncured for which committed, assigned, or unassigned fund balance are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds as needed.

Proprietary Fund Type

The focus of Proprietary Fund measurement is upon determination of net income, changes in net position, financial position and cash flows. The generally accepted accounted 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.

Note I: Summary of Significant Accounting Policies (Continued)

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

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 position and changes in net position 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.

E. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement of focus applied.

1. Accrual:

Both governmental and business-type activities in the government-wide financial statements and proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when incurred.

Note I: Summary of Significant Accounting Policies (Continued)

E. Basis of Accounting (Continued)

2. Modified Accrual:

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

3. Revenues:

Substantially all governmental fund revenues are accrued. Property taxes are susceptible to accrual and under New Jersey State Statutes 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. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non operating revenue. In respect to grant revenues, the provider recognizes liabilities and expenses and recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient. Program revenues, including tuition revenue, are reported as reductions to expenses in the Statement of Activities.

4. Expenditures:

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period of purchase.

Note 1: Summary of Significant Accounting Policies (Continued)

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 for approval and, as long as the District budget is within State mandated CAPs, there is no public vote on the budget. If the budget exceeds State mandated CAPS, the voters have an opportunity to approve or reject the budget at the regular election held in November.

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. 6:23-2.2(f). All budget amendments must be approved by School Board resolution. Appropriation of prior year encumbrances in the amount of $94,428.65 were made during the year ended June 30, 2014. The Board of Education approved the following material budgetary appropriation transfers during the school year:

Account Name	Amount
Regular Programs - Instruction	
Grades 1-5 – Salaries of Teachers	$337,113.00
Grades 6-8 – Salaries of Teachers	158,657.45
Grades 9-12 – Salaries of Teachers	(546,927.00)
Resource Room/Resource Center:	
Salaries of Teachers	275,016.20
Other Supplemental/At-Risk Programs – Instruction	
Salaries of Teachers	(258,087.80)
Undistributed Expenditures - Instructions	
Tuition to Other LEAs Within the State - Special	(220,731.00)
Tuition to Private Schools for the Disabled – Within State	(565,932.00)
Undist. Expend.-Speech,OT,PT & Related Services	
Purchased Professional – Educational Services	561,302.00
Undist. Expend. – Child Study Team	
Salaries of Secretarial and Clerical Assistants	220,891.00
Undist. Expend. – Improvement of Inst. Serv.	
Supplies and Materials	(188.546.16)
Undist. Expend. – Instructional Staff Training Serv,	
Purchased Professional – Educational Service	(136,747.00)
Undist. Expend. – Custodial Services	
Energy (Electricity)	416,000.00
Undistributed Expend. – Student Transportation Serv.	
Contracted Services (Special Education Students)-ESCs	209,999.59
Unallocated Benefits	
Social Security Contributions	465,000.00
Other Retirement Contributions – Regular	(212,952.00)
Health Benefits	(724,083.00)
Tuition Reimbursement	(147,048.00)
Other Employee Benefits	167,392.00

Note I: Summary of Significant Accounting Policies (Continued)

F. Budgets/Budgetary Control (Continued)

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

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

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

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	$ 116,295,225.28	$ 2,162,019.53
Difference - budget to GAAP:		
The last two State aid payments are 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.	(1,595.00)	
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	-	13,357.45
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	$116,293,630.28	$2,175,376.98
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	$ 117,391,985.77	$ 2,162,019.53
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	-	13,357.45
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 117,391,985.77	$ 2,175,376.98

Note I: Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities and Fund Equity

1. Deposits and Investments

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

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

2. Short – term Interfund Receivables/Payables

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

3. Inventories

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

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

4. Capital Assets

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

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

Land and Construction in Progress are not depreciated.

Note I: Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities and Fund Equity (Continued)

4. Capital Assets (Continued)

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

5. Accrued Salaries and Wages

Certain District employees, who provide services to the District over the ten month academic year, have the option to have their salaries evenly disbursed during the entire twelve month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2014, the amount earned by these employees but not disbursed was $ 5,450.92.

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 X)

7. Unearned Revenue

Unearned 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.

Note I: Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities and Fund Equity (Continued)

8. Long – term Obligations

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

9. Fund Equity

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

10. Net Position

Net Position represents the difference between assets and liabilities in the District-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the District-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

11. 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.

12. Allocation of Costs

In the government-wide statement of activities, the District has allocated unallocated benefits to various programs based on the original budgetary expenditures by program.

Note 1: Summary of Significant Accounting Policies (Continued)

H. Recent Accounting Pronouncements Not Yet Effective

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 67 "Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25". This statement, which is effective for fiscal periods beginning after June 15, 2013, will not have any effect on the entity's financial reporting.

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68 "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27". This statement, which is effective for fiscal periods beginning after June 15, 2014, will not have any effect on the entity's financial reporting. However, the provisions of this statement will require significant modifications to the disclosure requirements related to the entity's proportionate share of the cost-sharing defined benefit plans reported at the State of New Jersey level.

In January 2013, the Governmental Accounting Standards Board (GASB) issued Statement No. 69 "Governmental Combinations and Disposals of Government Operations". This statement, which is effective for fiscal periods beginning after December 15, 2013, will not have any effect on the entity's financial reporting.

In April 2013, the Governmental Accounting Standards Board (GASB) issued Statement No. 70 "Accounting and Financial Reporting for Non exchange Financial Guarantees". This statement, which is effective for fiscal years beginning after June 15, 2013, will not have any impact on the entity's financial statement disclosures.

In November 2013, the Governmental Accounting Standards Board (GASB) issued Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment to GASB Statement No. 68". The provisions of this statement are required to be applied simultaneously with the provisions of Statement 68 which is effective for periods beginning after June 15, 2014. The provisions of this statement will require significant modifications to the disclosure requirements related to the entity's proportionate share of the cost-sharing defined benefit plans reported at the State of New Jersey level.

Note II: Reconciliation of Government Wide and Fund Financial Statements

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

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

Balance Sheet/Statement of Net Position

	Total Governmental Funds	Long - term Assets Liabilities (1)	Reclassifications and Eliminations	Statement of Net Position Totals
Assets				
Cash and cash equivalents	$ 3,409,428.05	$ -	$ -	$ 3,409,428.05
Receivables, net			2,318,534.63	2,318,534.63
Receivables from Other Governments	2,313,535.14		(2,313,535.14)	-
Other Receivables	4,999.49		(4,999.49)	-
Restricted assets:				
Capital Reserve Account - cash	1,585,461.66			1,585,461.66
Capital Assets, net	-	79,355,299.26	-	79,355,299.26
Total Assets	$ 7,313,424.34	$ 79,355,299.26	$ -	$ 86,668,723.60
Liabilities				
Accounts Payable	$ 339,226.81	$ -	$ -	$ 339,226.81
Payable to State Government	5,392.06			5,392.06
Bond Interest Payable			273,829.37	273,829.37
Unearned Revenue	49,429.97			49,429.97
Noncurrent Liabilities	-	35,360,000.00	2,026,428.02	37,386,428.02
Total Liabilities	394,048.84	35,360,000.00	2,300,257.39	38,054,306.23
Fund Balances/Net Position				
Net Position				
Net investment in capital assets		43,995,299.26		43,995,299.26
Restricted for:				
Capital projects	2,107,327.66			2,107,327.66
Debt Service	0.37		(273,829.37)	(273,829.00)
Other purposes	4,715,613.47			4,715,613.47
Unrestricted	96,434.00	-	(2,026,428.02)	(1,929,994.02)
Total Fund Balances/Net Position	6,919,375.50	43,995,299.26	(2,300,257.39)	48,614,417.37
Total Liabilities and Fund Balances/Net Position	7,313,424.34	79,355,299.26	-	86,668,723.60

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 position includes those capital assets among the assets of the District as a whole.

Cost of capital assets	$ 123,593,402.30
Accumulated depreciation	(44,238,103.04)
	$ 79,355,299.26

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 statement of net position.

Serial Bonds	$ 19,275,000.00
Lease/Purchase Agreements	16,085,000.00
Compensated Absences	2,026,428.02
	$ 37,386,428.02

Adjustment to Debt Service Fund net position for the accrual of interest expense.	$ (273,829.37)

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 position" for governmental activities reported in the statement of activities in A-2. The difference arise primarily for the long - term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

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

Revenues and Other Sources	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
Local Tax Levy	$ 82,919,160.00	$ -	$ -	$ -	$ -	$ 82,919,160.00
Tuition Charges	434,471.21					434,471.21
Transportation Fees	7,241.96					7,241.96
Interest Earned on Investments	11,472.71					11,472.71
Miscellaneous	389,882.40					389,882.40
State Sources	36,121,040.95					36,121,040.95
Federal Sources	2,099,599.03	-	-	-	-	2,099,599.03
Total	121,982,868.26	-	-	-	-	121,982,868.26
Expenditures						
Current:						
Regular instruction	34,418,825.08		2,151,321.11	219,101.10	13,162,960.29	49,952,207.58
Special education	10,599,144.27		347,998.71	(148,805.93)	3,539,451.59	14,337,788.64
Other instruction	6,375,913.71		84,723.19		2,340,883.60	8,801,518.50
Support Services and undistributed costs:						
Tuition	2,264,367.23					2,264,367.23
Student and instruction related services	14,907,497.59		34,795.83		4,441,493.87	19,383,787.29
School administrative services	3,992,840.43		132,894.45	(114,922.37)	1,486,575.83	5,497,388.34
General and business administrative services	3,374,884.91		17,719.00	54,473.24	848,977.26	4,296,054.41
Plant operations and maintenance	7,836,005.56		16,348.07	19,890.16	1,510,036.75	9,432,190.54
Pupil transportation	6,755,219.38		17,127.92	9,823.85	367,760.19	7,148,931.44
Unallocated Benefits	27,698,139.38				(27,698,139.38)	-
Transfer to Charter school	70,901.00					70,901.00
Capital Outlay	17,218,624.21		(17,247,500.21)			71,124.00
Debt Service:						
Principal	2,485,000.00			(2,485,000.00)		-
Interest	1,028,861.00	(35,448.13)	-	-	-	993,412.87
Total	139,166,223.75	(35,448.13)	(14,444,573.93)	(2,445,529.85)	-	122,240,671.84
Other Financing Uses/Changes in Net Assets:						
Capital Leases	16,085,000.00			(16,085,000.00)		-
SDA Grants	521,866.00			-		521,866.00
Total	16,606,866.00	-	-	(16,085,000.00)	-	521,866.00
Net Change for the Year	$ (576,489.49)	$ 35,448.13	$ 14,444,573.93	$ (13,639,470.15)	$ -	$ 264,062.42

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 reconciliation. (+) $ 35,448.13

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

Depreciation expense	$ (2,802,926.28)
Capital outlays (exclusive of capital lease principal payments and SDA Debt Service Assessment)	17,247,500.21
	$ 14,444,573.93

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. Adjustment to Capital Assets in accordance with physical appraisal and dispositions $ -

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 (+). $ (38,470.15)

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	2,485,000.00
Capital lease principal	-
	$ 2,445,529.85

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	(16,085,000.00)
	$ (16,085,000.00)

5. Allocate Benefits expenditures

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, 2014 the Township of Hillsborough School District's cash and cash equivalent's amounted to $8,128,110.71. Of this amount, $577,416.72 was covered by federal depository insurance (F.D.I.C.) and $7,550,693.99 was covered by a collateral pool maintained by the banks as required by GUDPA.

At June 30, 2014 the Township of Hillsborough School District 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 School District 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, 2014, none of the Township of Hillsborough School District's cash and cash equivalents of $8,128,110.71 was exposed to custodial credit risk.

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 School District 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 School District had no investments as described in Note I:G.1 at June 30, 2014.

B. Interfund Receivables and Payables

As of June 30, 2014, there were no interfund receivables and payables resulting from various interfund transactions.

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

C. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Adjustments	Ending Balance
Governmental activities:				
Land Improvements	$ 3,547,150.72	$ -	$ -	$ 3,547,150.72
Buildings and Improvements	104,132,109.96	16,934,633.30	(5,000,000.00)	116,066,743.26
Machinery and Equipment	3,666,641.41	312,866.91	-	3,979,508.32
Totals at historical cost	111,345,902.09	17,247,500.21	(5,000,000.00)	123,593,402.30
Less accumulated depreciation for:				
Land Improvements	(2,073,791.76)	(176,759.49)		(2,250,551.25)
Buildings and Improvements	(41,274,202.74)	(2,390,752.86)	5,000,000.00	(38,664,955.60)
Machinery and Equipment	(3,087,182.26)	(235,413.93)	-	(3,322,596.19)
Total accumulated depreciation	(46,435,176.76)	(2,802,926.28) (1)	5,000,000.00	(44,238,103.04)
Net capital assets being depreciated	64,910,725.33	14,444,573.93	-	79,355,299.26
Governmental activities capital assets, net	$ 64,910,725.33	$ 14,444,573.93	$ -	$ 79,355,299.26
Business - type activities:				
Equipment	$ 270,994.34	$ -	$ -	$ 270,994.34
Less accumulated depreciation	(244,850.79)	(4,835.46)	-	(249,686.25)
Business - type activities capital assets, net	$ 26,143.55	$ (4,835.46)	$ -	$ 21,308.09

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

Instruction	$ 2,151,321.11
Special Education	347,998.71
Other Instruction	84,721.19
Student and Instruction Related Services	34,795.83
School Administrative Services	132,894.45
General and Business Administrative Services	17,719.00
Plant Operations and Maintenance	16,348.07
Pupil Transportation	17,127.92
	$ 2,802,926.28

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 2017.

Total operating lease payments made during the year ended June 30, 2014 were $1,032,753.29. Future minimum lease payments are as follows:

Year Ended	Amount
June 30, 2015	$ 1,008,720.33
June 30, 2016	987,852.66
June 30, 2017	144,469.04
June 30, 2018	612.29
Total future minimum lease payments	$ 2,141,654.32

B. Long - Term Liabilities

Long - Term liability activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Issued or Accrued	Paid	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Long - Term debt:					
Serial Bonds	$ 21,760,000.00	$ -	$ (2,485,000.00)	$ 19,275,000.00	$ 2,515,000.00
Lease Purchase Agreements	-	16,085,000.00	-	16,085,000.00	-
Total debt payable	21,760,000.00	16,085,000.00	(2,485,000.00) (1)	35,360,000.00	2,515,000.00
Other liabilities:					
Compensated absences	1,986,957.87	359,160.93	(319,690.78)	2,026,428.02	213,899.34
Total other liabilities	1,986,957.87	359,160.93	(319,690.78) (2)	2,026,428.02	213,899.34
Governmental activities long - term liabilities	$ 23,746,957.87	$ 16,444,160.93	$ (2,804,690.78)	$ 37,386,428.02	$ 2,728,899.34

(1) Paid by debt service fund
(2) Paid by general fund

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, 2014 consisted of the following:

Description	Interest Rate	Due Date	Maturity Date	Amount Issued	Amount Outstanding
Refunding of 2001	4.25-5.375%	10/1	2021	$25,3000,000.00	$13,760,000.00
Refunding of 2007	3.87%	9/27	2021	9,095,000.00	5,515,000.00
				$ 60,695,000.00	$19,275,000.00

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

Year ending June 30,	Principal	Interest	Total
2015	$ 2,515,000.00	$ 906,805.50	$3,451,805.50
2016	2,520,000.00	783,589.00	3,303,589.00
2017	2,515,000.00	660,179.00	3,046,962.50
2018	2,510,000.00	536,962.50	3,046,962.50
2019	2,505,000.00	414,139.50	2,919,139.50
2020	2,500,000.00	291,110.00	2,791,110.00
2021	2,490,000.00	168,474.00	2,658,474.00
2022	1,720,000.00	46,225.00	1,766,225.00
	$19,275,000.00	$3,807,484.50	$23,082,484.50

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, 2014.

3. Bonds Authorized But Not Issued

There were no authorized but not issued bonds as of June 30, 2014.

4. Capital Leases Payable

The District is leasing buildings energy savings totaling $16,085,000.00 under capital leases. All capital leases are for terms of nineteen years. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2014.

Year		Amount
2015	$	557,763.53
2016		1,336,538.75
2017		1,771,770.61
2018		1,285,518.18
2019		1,044,907.33
2020		967,138.29
2021		886,785.78
2022		909,901.99
2023		933,640.95
2024		958,020.00
2025		983,059.74
2026		1,008,769.04
2027		1,035,177.11
2028		1,062,299.48
2029		1,090,156.97
2030		1,118,770.75
2031		1,148,160.34
2032		1,178,348.64
2033		1,827,015.90
Total minimum lease payments	$	21,103,740.38
Less: Amount representing interest		5,018,740.38
Present value of net minimum Lease payments	$	16,085,000.00

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 School District 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 School District had no investments as described in Note I:G.1 at June 30, 2014.

B. Interfund Receivables and Payables

As of June 30, 2014, there were no interfund receivables and payables resulting from various interfund transactions.

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, 2014 consisted of the following:

Description	Interest Rate	Due Date	Maturity Date	Amount Issued	Amount Outstanding
Refunding of 2001	4.25-5.375%	10/1	2021	$25,3000,000.00	$13,760,000.00
Refunding of 2007	3.87%	9/27	2021	9,095,000.00	5,515,000.00
				$ 60,695,000.00	$19,275,000.00

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

Year ending June 30,	Principal	Interest	Total
2015	$ 2,515,000.00	$ 906,805.50	$3,451,805.50
2016	2,520,000.00	783,589.00	3,303,589.00
2017	2,515,000.00	660,179.00	3,046,962.50
2018	2,510,000.00	536,962.50	3,046,962.50
2019	2,505,000.00	414,139.50	2,919,139.50
2020	2,500,000.00	291,110.00	2,791,110.00
2021	2,490,000.00	168,474.00	2,658,474.00
2022	1,720,000.00	46,225.00	1,766,225.00
	$19,275,000.00	$3,807,484.50	$23,082,484.50

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, 2014.

3. Bonds Authorized But Not Issued

There were no authorized but not issued bonds as of June 30, 2014.

4. Capital Leases Payable

The District is leasing buildings energy savings totaling $16,085,000.00 under capital leases. All capital leases are for terms of nineteen years. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2014.

Year		Amount
2015	$	557,763.53
2016		1,336,538.75
2017		1,771,770.61
2018		1,285,518.18
2019		1,044,907.33
2020		967,138.29
2021		886,785.78
2022		909,901.99
2023		933,640.95
2024		958,020.00
2025		983,059.74
2026		1,008,769.04
2027		1,035,177.11
2028		1,062,299.48
2029		1,090,156.97
2030		1,118,770.75
2031		1,148,160.34
2032		1,178,348.64
2033		1,827,015.90
Total minimum lease payments	$	21,103,740.38
Less: Amount representing interest		5,018,740.38
Present value of net minimum Lease payments	$	16,085,000.00

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, 2014 is $4,715,613.47. The reserved fund balance of $2,355,862.00 has been appropriated in the fiscal year 2014-2015 and $2,359,751.47 will be appropriated in the fiscal year 2015-2016.

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, 2014 LRFP balance of local support costs of uncompleted capital projects at June 30, 2014 is $7,259,592.00.

C. Deficit Retained Earnings

The Food Service Enterprise Fund has a cumulative retained earnings deficit of $(51,367.29) as of June 30, 2014. This deficit will be provided for in the 2014 - 2015 school year.

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, 2014 is $4,715,613.47. The reserved fund balance of $2,355,862.00 has been appropriated in the fiscal year 2014-2015 and $2,359,751.47 will be appropriated in the fiscal year 2015-2016.

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, 2014 LRFP balance of local support costs of uncompleted capital projects at June 30, 2014 is $7,259,592.00.

C. Deficit Retained Earnings

The Food Service Enterprise Fund has a cumulative retained earnings deficit of $(51,367.29) as of June 30, 2014. This deficit will be provided for in the 2014 - 2015 school year.

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.

The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2008 under the provisions of Chapter 92, P.L. 2008 and Chapter 103, P.L. 2008 (NJSA 43:15C-1 et seq..). The DCRP is a cost sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by NJSA 43:15C-1 et seq..

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

Retirement Benefits

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

Note VI: Pension Plans (Continued)

Significant Legislation

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

- For new members of TPAF and PERS hired on or after June 28, 2011 (Tier 5 members), the years of creditable service needed for early retirement benefits increased from 25 to 30 years and the early retirement age increased from 55 to 65.
- The eligibility age to qualify for a service retirement in the TPAF and PERS 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), decreased from 65 percent of final compensation to 60 percent of final compensation after 25 years of service and from 70 percent of final compensation to 65 percent of final compensation after 30 or more years of service.
- It increased the active member contribution rates as follows: TPAF and PERS active member rates increased 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 increased from 8.5 percent to 10 percent; SPRS active member rates increased from 7.5 percent to 9 percent; and JRS active member rates increased from 3 percent to 12 percent phased-in over seven years for members hired or reappointed on or after June 28, 2011. For Fiscal Year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contributions for TPAF, PERS and JRS members takes 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 was suspended until reactivated as permitted by this law.
- It changed the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay method).

Funding Status and Funding Progress

As of July 31, 2012, the most recent actuarial valuation date, the aggregate funded ratio for the retirement systems (TPAF, PERS, PFRS, POPF, CPFPF, JRS, and SPRS) is 64.5 percent with an unfunded actuarial accrued liability of $47.2 billion. The aggregate funded ratio and unfunded accrued liability for the State funded systems is 56.7 percent and $34.4 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 76.1 percent and $12.8 billion.

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

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 6.64 percent for TPAF and 6.64 percent for PERS of employees' annual compensation.

During the state fiscal year ended June 30, 2013, 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.

The ?b total payroll for the year ended June 30, 2014 was $71,976,067.46 and covered payroll was $54,031,881.00 for TPAF, $9,285,888.00 for PERS and $ 828,443.00 for DCRP. Contributions to the PERS, PFRS and the DCRP for the last three years made by the employees and Township of Hillsborough School District were as follows:

		TPAF	Percent of Covered Payroll	PERS	Percent of Covered Payroll	DCRP	Percent of Covered Payroll
Employees	6/30/12	$3,348,533.72	6.48 %	$555,099.03	6.46 %	$31,469.48	4.54 %
	6/30/13	3,669,523.53	6.81 %	614,320.58	6.84 %	43,367.33	5.45 %
	6/30/14	3,724,903.23	6.89 %	644,319.68	6.94 %	45,564.00	5.49 %
District	6/30/12	N/A	N/A %	$1,082,614.00	12.62 %	$20,773.31	3.00 %
	6/30/13	N/A	N/A %	977,415.00	12.31 %	23,841.86	3.00 %
	6/30/14	N/A	N/A %	981,615.00	10.57 %	24,853.29	3.00 %
State of NJ	6/30/12	$4,992,372.00	9.66 %	N/A	N/A %	N/A	N/A %
	6/30/13	7,372,822.00	13.68 %	N/A	N/A %	N/A	N/A %
	6/30/14	6,047,779.00	11.19 %	N/A	N/A %	N/A	N/A %

In accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board $4,057,157.01 during the year ended June 30, 2014 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.

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, 2013, there were 100,134 retirees receiving post-retirement medical benefits and the state contributed $1.07 billion 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 $173.8 million toward Chapter 126 benefits for 17,356 eligible retired members in Fiscal Year 2013.

VIII: Deferred Compensation Plan

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

Equitable	The Prudential
Lincoln Investment	Siracusa Plans

Note IX: 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:

Fiscal Year	District Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
2011-2012	$ 82,555.13	$ 166,654.44	$ 220,036.42	$ 36,143.53
2012-2013	38,283.84	181,052.19	198,390.59	57,088.97
2013-2014	76,219.66	190,372.04	257,731.19	65,949.48

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 Company (the "Group").

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

Note X: Compensated Absences (Continued)

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:

	Vesting Number of Years of Service	Maximum
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 Position*, 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, 2014, no liability existed for compensated absences in the Food Service Fund.

Note XI: 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.

Note XII : Subsequent Events

The Township of Hillsborough School District has evaluated subsequent events through August 29, 2014, the date which the financial statements were available to be issued and no additional items were noted for disclosure or adjustment.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

Section C

BUDGETARY COMPARISON SCHEDULES

Exhibit C-1

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2014

		Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:						
Local Sources:						
Local Tax Levy		$ 79,952,811.00	$ -	$ 79,952,811.00	$ 79,952,811.00	$ -
Tuition		327,976.00	-	327,976.00	434,471.21	106,495.21
Transportation Fees			-		7,241.96	7,241.96
Interest Earned on Investments			-		8,833.96	8,833.96
Interest Earned on Capital Reserve Funds		-	-	-	2,638.73	2,638.73
Miscellaneous		336,560.00	-	336,560.00	317,739.07	(18,820.93)
Total - Local Sources		80,617,347.00	-	80,617,347.00	80,723,736.95	106,388.95
State Sources:						
Equalization Aid		19,274,266.00	-	19,274,266.00	19,276,977.00	2,711.00
Categorical Transportation Aid		552,129.00	-	552,129.00	552,129.00	-
Categorical Special Education Aid		4,516,286.00	-	4,516,286.00	4,516,286.00	-
Categorical Security Aid		174,667.00	-	174,667.00	174,667.00	-
Under Adequacy Aid		13,046.00	-	13,046.00	13,046.00	-
Additional Adjustment Aid		406,388.00	-	406,388.00	406,388.00	-
Extraordinary Aid		81,870.00	-	81,870.00	460,420.00	378,550.00
Non-Public Transportation Aid			-		45,714.00	45,714.00
TPAF Pension (On-Behalf - Non-Budgeted)			-		6,047,779.00	6,047,779.00
TPAF Social Security (Reimbursed - Non-Budgeted)		-	-	-	4,057,157.01	4,057,157.01
Total State Sources		25,018,662.00		25,018,662.00	35,550,573.01	10,531,911.01
Federal Sources:						
Medicaid Reimbursement		35,199.00	-	35,199.00	20,896.32	(14,302.68)
Total - Federal Sources		35,199.00	-	35,199.00	20,896.32	(14,302.68)
Total Revenues		105,671,228.00	-	105,671,228.00	116,295,225.28	10,623,997.28
EXPENDITURES:						
Current Expense:						
Regular Programs - Instruction						
Preschool/Kindergarten - Salaries of Teachers	110-100-101	775,610.00	(25,271.45)	750,338.55	750,336.71	1.84
Grades 1-5 - Salaries of Teachers	120-100-101	13,991,196.00	337,113.00	14,328,309.00	14,320,337.71	7,971.29
Grades 6-8 - Salaries of Teachers	130-100-101	7,067,519.00	158,657.45	7,226,176.45	7,217,485.36	8,691.09
Grades 9-12 - Salaries of Teachers	140-100-101	11,680,936.00	(546,927.00)	11,134,009.00	11,123,560.53	10,448.47
Regular Programs - Home Instruction:						
Salaries of Teachers	150-100-101	60,189.00	-	60,189.00	55,808.31	4,380.69
Purchased Professional-Educational Services	150-100-320	55,764.00	-	55,764.00	54,974.71	789.29
Regular Programs - Undistributed Instruction						
Other Purchased Services (400-500 series)	190-100-500	73,440.00	-	73,440.00	14,015.04	59,424.96
General Supplies	190-100-610	871,578.00	(87,820.84)	783,757.38	737,417.40	46,339.98
Textbooks	190-100-640	65,965.00	(26,904.78)	39,060.22	38,986.06	74.16
TOTAL REGULAR PROGRAMS - INSTRUCTION		34,642,137.00	(191,153.42)	34,450,983.58	34,312,921.83	138,061.75
SPECIAL EDUCATION - INSTRUCTION						
Learning and/or Language Disabilities:						
Salaries of Teachers	204-100-101	1,138,675.00	(33,617.00)	1,105,058.00	1,105,056.52	1.48
Other Salaries for Instruction	204-100-106	239,504.00	(21,885.00)	217,609.00	217,608.03	0.97
General Supplies	204-100-610	18,000.00	(1,313.00)	17,687.00	17,444.91	242.09
Textbooks	204-100-640	2,700.00	(2,700.00)	-	-	-
Total Learning and/or Language Disabilities		1,399,879.00	(59,525.00)	1,340,354.00	1,340,109.46	244.54
Behavioral Disabilities:						
Salaries of Teachers	209-100-101	219,535.00	(72,536.00)	146,999.00	146,998.51	0.49
General Supplies	209-100-610	1,020.00	-	1,020.00	-	1,020.00
Total Behavioral Disabilities		220,555.00	(72,536.00)	147,419.00	146,998.51	1,020.49
Resource Room/Resource Center:						
Salaries of Teachers	213-100-101	6,554,759.00	275,016.50	6,829,775.50	6,829,774.26	1.24
General Supplies	213-100-610	40,999.00	(3,181.00)	37,818.00	37,746.27	71.73
Textbooks	213-100-640	10,200.00	(4,985.00)	5,215.00	5,214.52	0.48
Total Resource Room/Resource Center		6,605,958.00	266,850.50	6,872,808.50	6,872,735.05	73.45
Autism:						
Salaries of Teachers	214-100-101	223,955.00	10,710.00	234,665.00	234,664.48	0.52
General Supplies	214-100-610	5,000.00	(120.00)	4,880.00	4,863.70	16.30
Total Autism		228,955.00	10,590.00	239,545.00	239,528.18	16.82
Preschool Disabilities - Part-Time:						
Salaries of Teachers	215-100-101	331,956.00	(36,237.78)	295,718.22	295,716.82	1.40
Other Salaries for Instruction	215-100-106	122,343.00	(39,179.70)	83,163.30	83,163.67	0.63
General Supplies	215-100-610	4,100.00	(589.00)	3,511.00	3,510.81	0.19
Total Preschool Disabilities - Part-Time		458,399.00	(76,003.48)	382,395.52	382,393.30	2.22
TOTAL SPECIAL EDUCATION - INSTRUCTION		8,913,146.00	69,376.02	8,982,422.02	8,981,064.50	1,357.52
Basic Skills/Remedial - Instruction						
Salaries of Teachers	230-100-101	92,865.00	(92,865.00)			-
Total Basic Skills/Remedial - Instruction		92,865.00	(92,865.00)			-
Bilingual Education - Instruction						
Salaries of Teachers	240-100-101	682,250.00	(80,932.00)	601,318.00	601,317.43	0.60
General Supplies	240-100-610	3,360.00	(623.25)	2,736.75	2,736.70	0.05
Textbooks	240-100-640	84,769.00	(46,683.08)	38,085.92	38,085.41	0.51
Total Bilingual Education - Instruction		780,379.00	(138,238.33)	642,140.67	642,139.51	1.16
School-Spon. Cocurricular Activts. - Inst.						
Salaries	421-100-100	389,343.00	19,431.00	388,774.00	388,772.70	1.30
Supplies and Materials	421-100-600	9,143.00	1,900.00	11,043.00	8,785.93	2,257.07
Total School-Spon. Cocurricular Activts. - Inst.		398,486.00	21,331.00	399,817.00	397,558.63	2,258.37

Exhibit C-1

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2014

		Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Other Instructional Programs - Instruction						
Salaries	402-100-100	$ 786,165.00	$ (81,346.39)	$ 704,818.61	$ 704,815.74	$ 0.87
Purchased Services (300-500 series)	402-100-500	136,531.00	0.50	136,531.50	110,770.29	25,761.21
Supplies and Materials	402-100-600	252,663.00	-	252,663.00	251,620.58	1,042.42
Total Other Instructional Programs - Instruction		1,155,359.00	(81,347.89)	1,094,011.11	1,067,206.61	26,804.50
Summer School - Instruction						
Salaries of Teachers	422-100-101	223,964.00	(46,507.00)	177,457.00	177,454.56	2.44
Other Salaries of Instruction	422-100-106	397,060.00	(53,404.00)	343,656.00	343,653.51	2.49
Supplies and Materials	422-100-610	41,416.00	(38,463.00)	1,953.00	1,652.81	300.19
Total Summer School - Instruction		662,440.00	(138,374.00)	523,066.00	522,760.88	305.12
Other Supplemental/At-Risk Programs - Instruction						
Salaries of Teachers	424-100-101	3,522,049.00	(258,087.80)	3,263,961.20	3,263,918.08	43.12
Salaries of Reading Specialists	424-100-179	443,705.00	38,625.00	482,330.00	482,330.00	-
Total Other Supplemental/At-Risk Programs - Instruction		3,965,754.00	(219,462.80)	3,746,291.20	3,746,248.08	43.12
Total Instruction		50,578,566.00	(739,834.42)	49,838,731.58	49,689,900.04	148,831.54
Undistributed Expenditures - Instruction:						
Tuition to Other LEAs Within the State - Regular	000-100-561		11,381.00	11,381.00		11,381.00
Tuition to Other LEAs Within the State - Special	000-100-562	253,990.00	(220,761.00)	33,229.00	33,229.06	0.94
Tuition to County Voc. School Dist. - Regular	000-100-563	96,600.00	(12,240.00)	84,360.00	57,000.00	27,360.00
Tuition to County Voc. School Dist. - Special	000-100-564	100,009.00	(22,059.00)	77,950.00	77,950.00	-
Tuition to CSSD & Regional Day Schools	000-100-565	204,399.00	100,500.00	304,899.00	276,792.00	28,107.00
Tuition to Private Schools for the Disabled - Within State	000-100-566	2,412,502.00	(565,932.00)	1,846,570.00	1,786,032.17	60,537.83
Tuition - State Facilities	000-100-568	31,365.00	-	31,365.00	31,365.00	-
Total Undistributed Expenditures - Instruction:		3,098,865.00	(709,081.00)	2,389,784.00	2,264,367.23	125,388.77
Undistributed Expend. - Attend. & Social Work						
Salaries	000-211-100	3,708.00	(3,708.00)			-
Total Undistributed Expend. - Attend. & Social Work		3,708.00	(3,708.00)	-	-	-
Undist. Expend. - Health Services						
Salaries	000-213-100	1,047,647.00	3,924.94	1,051,571.94	1,051,565.75	6.19
Purchased Professional and Technical Services	000-213-300	43,274.00	-	43,274.00	29,275.00	13,999.00
Other Purchased Services (400-500 series)	000-213-500	33,535.00	(14,739.00)	18,796.00	9,466.17	9,329.83
Supplies and Materials	000-213-600	11,124.00	9,936.46	20,060.46	19,983.34	77.12
Total Undistributed Expenditures - Health Services		1,135,580.00	(1,877.60)	1,133,702.40	1,110,290.26	23,412.14
Undist. Expend. - Speech,OT,PT & Related Services						
Salaries of Other Professional Staff	000-216-100	1,327,332.00	(11,949.50)	1,315,382.50	1,315,382.40	0.10
Purchased Professional - Educational Services	000-216-320	103,357.00	561,302.00	664,659.00	657,997.29	6,661.71
Supplies and Materials	000-216-600	6,400.00	(1,368.00)	5,032.00	5,028.38	3.62
Total Undist. Expend. - Speech,OT,PT & Related Services		1,437,089.00	548,284.50	1,985,373.50	1,978,708.07	6,665.43
Undist. Expend. - Other Supp. Serv. Students - Extra Serv.						
Salaries of Other Professional Staff	000-217-100	2,771,142.00	82,387.41	2,853,529.41	2,853,528.19	1.22
Purchased Professional - Educational Services	000-217-320	56,000.00	9,892.00	65,892.00	65,891.51	0.49
Supplies and Materials	000-217-600	21,781.00	(550.00)	21,231.00	21,230.72	0.28
Total Undist. Expend. - Other Supp. Serv. Students - Extra Serv.		2,848,923.00	91,729.41	2,940,652.41	2,940,650.42	1.99
Undist. Expend. - Guidance						
Salaries of Other Professional Staff	000-218-104	1,862,906.00	42,992.00	1,905,901.00	1,905,898.58	2.42
Salaries of Secretarial and Clerical Assistants	000-218-105	50,068.00	(3,938.00)	46,160.00	46,159.90	0.10
Supplies and Materials	000-218-600	23,145.00	(6,993.00)	16,152.00	16,096.89	55.11
Total Undist. Expend. - Guidance		1,936,152.00	32,061.00	1,968,213.00	1,968,157.37	55.63
Undist. Expend. - Child Study Team						
Salaries of Other Professional Staff	000-219-104	2,011,564.00	(113,142.00)	1,898,422.00	1,896,420.48	1.52
Salaries of Secretarial and Clerical Assistants	000-219-105	19,258.00	220,891.00	240,147.00	240,146.08	0.92
Other Purchased Prof. and Tech. Services	000-219-390	30,000.00	(7,308.00)	22,694.00	22,693.02	0.98
Supplies and Materials	000-219-600	25,000.00	(308.00)	24,692.00	24,690.67	1.33
Total Undist. Expend. - Child Study Team		2,085,820.00	100,135.00	2,185,955.00	2,185,950.55	4.45
Undist. Expend. - Improvement of Inst. Serv.						
Salaries of Supervisor of Instruction	000-221-102	783,448.00	38,358.00	821,806.00	821,679.24	126.76
Salaries of Other Professional Staff	000-221-104	385,294.00	0.18	385,294.18	165,238.68	220,055.50
Salaries of Secr and Clerical Assist.	000-221-105	187,065.00	(16,781.00)	170,284.00	170,283.19	0.81
Purchased Prof- Educational Services	000-221-320	179,263.00	(0.31)	179,262.69	38,927.89	140,334.80
Supplies and Materials	000-221-600	2,536,954.00	(198,546.16)	2,338,407.84	2,190,481.34	147,926.50
Total Undist. Expend. - Improvement of Inst. Serv.		4,071,964.00	(176,969.29)	3,895,034.71	3,386,590.34	508,444.37
Undist. Expend. - Edu. Media Serv./Sch. Library						
Salaries	000-222-100	709,103.00	7,812.00	716,915.00	716,914.49	0.51
Supplies and Materials	000-222-600	126,751.00	(13,800.00)	112,951.00	112,626.89	324.11
Total Undist. Expend. - Edu. Media Serv./Sch. Library		835,854.00	(5,988.00)	829,866.00	829,541.38	324.62
Undist. Expend. - Instructional Staff Training Serv.						
Salaries of Other Professional Staff	000-223-104	130,000.00	(12,972.00)	117,028.00	117,027.61	0.39
Purchased Professional - Educational Service	000-223-320	160,000.00	(136,747.00)	43,253.00	9,288.00	33,965.00
Other Purchased Services (400-500 series)	000-223-500	14,825.00	38,417.00	53,242.00	52,900.83	141.17
Total Undist. Expend. - Instructional Staff Training Serv.		324,825.00	(111,302.00)	213,523.00	179,116.44	34,106.56
Undist. Expend. - Supp. Serv. - General Admin.						
Salaries	000-230-100	551,031.00	22,675.00	573,706.00	573,705.33	0.67
Legal Services	000-230-331	127,865.00	50,000.00	177,865.00	152,194.07	25,670.93
Audit Fees	000-230-332	33,584.00	(4,184.00)	29,400.00	29,400.00	-
Other Purchased Professional Services	000-230-339	21,500.00	-	21,500.00	6,899.13	14,600.87
Purchased Technical Services	000-230-340	24,000.00	-	24,000.00	21,408.33	2,591.67
Communications/Telephone	000-230-530	204,662.00	16,220.00	220,882.00	205,067.85	15,814.15
Other Purchased Services (400-500 series)	000-230-590	125,573.00	-	125,573.00	125,410.00	163.00
General Supplies	000-230-610	96,563.00	(26,901.00)	69,662.00	69,676.51	5.49
Miscellaneous Expenditures	000-230-890	39,116.00	3,000.00	42,116.00	41,885.96	230.04
BOE Membership Fees	000-230-895	33,609.00	-	33,609.00	26,462.70	7,146.30
Total Undist. Expend. - Supp. Serv. - General Admin.		1,257,723.00	60,810.00	1,318,533.00	1,252,309.88	66,223.12
Undist. Expend. - Support Serv. - School Admin.						
Salaries of Principals/Assistant Principals	000-240-103	2,184,912.00	(56,838.00)	2,078,074.00	2,078,069.16	4.84
Salaries of Other Professional Staff	000-240-104	548,032.00	(25,071.00)	522,961.00	522,960.09	0.91
Salaries of Secretarial and Clerical Assistants	000-240-105	1,122,212.00	77,408.44	1,199,620.44	1,187,299.37	12,321.07
Supplies and Materials	000-240-600	281,591.00	48,297.05	329,888.05	286,511.81	43,376.24
Total Undist. Expend. - Support Serv. - School Admin.		4,036,747.00	11,796.49	4,048,543.49	3,992,840.43	55,703.06

Exhibit C-1

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2014

		Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Central School Admin.						
Salaries	000-251-100	$ 914,911.00	$ 15,481.52	$ 930,392.52	$ 929,900.39	$ 1,492.13
Purchased Professional Services	000-251-330	10,000.00	30,000.00	40,000.00	39,950.98	49.02
Purchased Technical Services	000-251-340	45,737.00	(35,330.00)	10,407.00	5,979.18	4,427.82
Other Purchased Services (400-500 series)	000-251-582	268,451.00	111,101.00	380,552.00	369,851.31	10,700.69
Supplies and Materials	000-251-600	26,227.00	6,500.00	32,727.00	32,686.15	40.85
Total Undist. Expend. - Central School Admin.		1,266,326.00	127,752.52	1,394,078.52	1,377,368.01	16,710.51
Undist. Expend. - Technology Admin.						
Salaries	000-252-100	557,826.00	101,925.00	659,751.00	659,750.78	0.22
Purchased Technical Services	000-252-340	78,519.00	7,850.00	86,469.00	85,456.24	1,012.76
		636,447.00	109,775.00	746,220.00	745,207.02	1,012.98
Undist. Expend. - Required Maint. for School Facilities						
Salaries	000-261-100	40,717.00	885.00	41,602.00	41,601.98	0.02
Cleaning, Repair and Maintenance Services	000-261-420	280,440.00	46,872.00	327,312.00	321,066.85	6,245.15
General Supplies	000-261-610	137,350.00	6,300.00	143,650.00	132,500.68	11,149.32
Total Undist. Expend. - Required Maint. for School Facilities		458,507.00	54,057.00	512,564.00	495,169.51	17,394.49
Undist. Expend. - Custodial Services						
Salaries	000-262-100	3,096,121.00	103,654.75	3,199,780.75	3,199,775.11	5.64
Salaries of Non-Instructional Aides	000-262-107	257,635.00	88,799.51	346,434.51	345,785.78	648.73
Purchased Professional and Technical Services	000-262-300	584,118.00	112,386.00	696,504.00	695,492.48	1,011.52
Cleaning, Repair and Maintenance Services	000-262-420	110,750.00	(5,100.00)	105,650.00	76,247.82	29,402.18
Other Purchased Property Services	000-262-490	328,511.55	(16,067.55)	312,444.00	290,106.18	22,337.82
Insurance	000-262-520	161,665.00	258.00	161,923.00	161,754.00	169.00
General Supplies	000-262-610	217,675.00	(3,887.00)	213,788.00	181,081.47	32,706.53
Energy (Natural Gas)	000-262-621	324,378.00	-	324,378.00	318,808.31	5,569.69
Energy (Electricity)	000-262-622	1,292,738.00	415,000.00	1,708,738.00	1,707,778.36	959.64
Total Undist. Expend. - Custodial Services		6,373,589.55	696,046.71	7,069,636.26	6,976,707.51	92,930.75
Undist. Expend. - Care and Upkeep of Grounds						
Salaries	000-263-100	274,903.00	(15,981.00)	258,922.00	258,921.52	0.48
Cleaning, Repair and Maintenance Services	000-263-420	75,000.00	(4,636.00)	70,364.00	48,398.38	21,965.62
General Supplies	000-263-610	65,450.00	-	65,450.00	64,313.24	936.76
Total Undist. Expend. - Care and Upkeep of Grounds		415,353.00	(20,617.00)	394,736.00	371,629.64	22,906.36
Undist. Expend. - Security						
General Supplies	000-266-610	36,936.00	0.48	36,936.48	32,299.10	4,637.38
Total Undist. Expend. - Security		36,936.00	0.48	36,936.48	32,299.10	4,637.38
Undist. Expend. - Student Transportation Serv.						
Salaries of Non-Instructional Aides	000-270-107	246,878.00	77,983.39	324,862.39	317,692.12	8,170.27
Salaries for Pupil Trans. (Between Home & School) - Regular	000-270-160	223,474.00	38,383.00	261,857.00	257,141.46	4,715.54
Salaries for Pupil Trans. (Between Home & School) - Special	000-270-161	334,050.00	31,596.40	365,646.40	361,856.57	3,789.83
Salaries for Pupil Trans. (Between Home & School) - NonPublic	000-270-163	13,606.00	(13,606.00)			-
Other Purchased Professional and Technical Services	000-270-390	9,046.00	(4,499.40)	4,546.60	4,545.74	0.86
Cleaning, Repair and Maintenance Services	000-270-420	2,106.00	(2,003.96)	101.04	100.59	0.45
Contracted Services - Aid in Lieu of Payments-NonPublic Students	000-270-503	177,831.00	11,049.96	188,880.96	185,040.00	3,840.96
Contracted Services (Between Home and School) - Vendors	000-270-511	3,182,854.00	(36,830.02)	3,146,023.98	3,065,172.59	80,851.39
Contracted Services (Other than Between Home and School) - Vendors	000-270-512	358,322.00	19,999.91	378,321.91	374,976.81	4,345.10
Contracted Services (Between Home and School) - Joint Agreements	000-270-513	11,373.00	(9,721.00)	1,652.00	2,652.00	3,000.00
Contracted Services (Special Education Students) - Vendors	000-270-514	1,175,872.00	(2,396.54)	1,173,475.46	1,038,636.57	134,838.89
Contracted Services (Special Education Students) - Joint Agreements	000-270-515	90,301.00	40,000.00	90,301.00	85,733.67	4,567.33
Contracted Services (Special Education Students) - ESCs	000-270-516	700,514.00	209,999.59	910,513.59	910,458.20	55.39
Miscellaneous Purchased Services - Transportation	000-270-583	51,332.00	0.35	51,332.35	50,448.00	884.35
Transportation Supplies	000-270-615	16,250.00	(4,179.76)	12,070.24	12,069.70	0.54
Miscellaneous Expenditures	000-270-800	81,151.00	7,500.20	88,651.20	88,115.36	535.84
Total Undist. Expend. - Student Transportation Serv.		6,837,540.00	367,476.12	7,005,016.12	6,755,219.38	249,796.74
UNALLOCATED BENEFITS						
Social Security Contributions	000-291-220	769,495.00	465,000.00	1,234,495.00	1,222,990.02	11,504.98
Other Retirement Contributions - Regular	000-291-241	1,226,072.00	(212,952.00)	1,013,120.00	1,012,915.97	204.03
Unemployment Compensation	000-291-250	89,147.00	-	89,147.00	76,219.66	12,927.34
Workmen's Compensation	000-291-260	605,653.00	2,750.00	608,403.00	608,399.00	4.00
Health Benefits	000-291-270	15,235,894.00	(724,083.00)	14,511,811.00	14,052,887.23	458,923.77
Tuition Reimbursement	000-291-280	365,173.00	(147,048.00)	218,125.00	133,141.87	85,983.13
Other Employee Benefits	000-291-290	250,750.00	167,382.00	418,132.00	418,131.42	0.58
TOTAL UNALLOCATED BENEFITS		18,541,994.00	(448,941.00)	18,093,053.00	17,523,505.17	569,547.83
On-behalf TPAF pension Contributions (non-budgeted)					6,047,779.00	(6,047,779.00)
Reimbursed TPAF Social Security Contributions (non-budgeted)					4,057,157.01	(4,057,157.01)
TOTAL ON-BEHALF CONTRIBUTIONS		-	-	-	10,104,936.01	(10,104,936.01)
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS		18,541,994.00	(448,941.00)	18,093,053.00	27,628,441.18	(9,535,388.18)
TOTAL UNDISTRIBUTED EXPENDITURES		67,441,842.55	731,240.34	68,173,082.89	86,480,960.52	(8,307,877.63)
TOTAL GENERAL CURRENT EXPENSE		108,520,208.55	(5,594.08)	108,011,614.47	116,150,460.56	(8,138,846.09)

Exhibit C-1

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2014

		Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CAPITAL OUTLAY						
Equipment						
Regular Programs - Instruction:						
Grades 9-12	140-100-730	$ 22,738.00	$ -	$ 22,738.00	$ 17,734.84	$ 5,003.16
Undistributed Expenditures:						
Undist.Expend.-Support Serv.-Students - Special	000-219-730	6,775.00	-	6,775.00		6,775.00
Undist.Expend.-Support Serv. - Inst. Staff	000-220-730		9,000.00	9,000.00	8,665.55	334.45
Undistributed Expenditures - General Admin.	000-230-730	9,000.00	(9,000.00)			-
Undistributed Expenditures - School Admin.	000-240-730	159,465.00	0.08	159,465.08	100,081.00	59,384.08
Undistributed Expenditures - Admin. Info. Tech.	000-252-730	134,000.00	-	134,000.00	123,385.72	10,614.28
Total Equipment		331,978.00	0.08	331,978.08	249,866.91	82,111.17
Facilities Acquisition and Construction Services						
Architectural/Engineering Services	000-400-334	60,000.00	-	60,000.00	59,334.37	665.63
Construction Services	000-400-450	976,361.10	-	976,361.10	790,298.93	186,062.17
Assessment for Debt Service on SDA Funding	000-400-895	109,669.00	-	109,669.00	71,124.00	38,545.00
Total Facilities Acquisition and Construction Services		1,146,030.10	-	1,146,030.10	920,757.30	225,272.80
Assets Acquired Under Capital Leases (non-budgeted)						
Energy Savings Improvement Program					16,085,000.00	(16,085,000.00)
Assets Acquired Under Capital Leases (non-budgeted)		-	-	-	16,085,000.00	(16,085,000.00)
TOTAL CAPITAL OUTLAY		1,478,008.10	0.08	1,478,008.18	17,255,624.21	(15,777,616.03)
Transfer of Funds to Charter Schools	000-100-56X	62,308.00	8,594.00	70,902.00	70,901.00	1.00
TOTAL EXPENDITURES		109,560,524.85	(0.08)	109,560,524.85	133,479,985.77	(23,919,461.12)
Excess (Deficiency) of Revenues Over (Under) Expenditures		(3,889,296.85)	0.00	(3,889,296.85)	(17,181,790.49)	(13,292,493.64)
Other Financing Sources (Uses):						
Capital Leases (non-budgeted)			-	-	16,085,000.00	16,085,000.00
Total Other Financing Sources (Uses):		-	-	-	16,085,000.00	16,085,000.00
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)		(3,889,296.85)	0.00	(3,889,296.85)	(1,096,790.49)	2,792,506.16
Fund Balance, July 1		9,967,840.82	-	9,967,840.82	9,967,840.82	-
Fund Balance, June 30		$ 6,078,543.97	$ 0.00	$ 6,078,543.97	$ 8,871,050.13	$ 2,792,506.16
Recapitulation of Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Sources :						
Increase in Capital Reserve		$ -	$ -	$ -	$ 527,638.72	$ 527,638.72
Withdrawal from Capital Reserve		(450,000.00)	-	(450,000.00)	(450,000.00)	-
Adjustment for Prior Year Encumbrances		(94,428.85)	-	(94,428.85)	(94,428.85)	-
Budgeted Fund Balance		(3,344,868.00)	-	(3,344,868.00)	(1,079,870.36)	2,264,997.64
Total		$ (3,889,296.85)	$ -	$ (3,889,296.85)	$ (1,096,790.49)	$ 2,792,506.16

Analysis of Fund Balance June 30, 2014

Restricted Fund Balance:	
Reserved Excess Surplus - Designated for Subsequent Year's Expenditures	$ 2,353,862.00
Reserve for Excess Surplus	2,399,751.47
Capital Reserve Account	1,585,481.66
Unassigned Fund Balance	2,570,005.00
	$ 8,871,050.13

Reconciliation of Budgetary Fund Balance to GAAP Fund Balance:

Fund Balance June 30, 2014	$ 8,871,050.13
Less Two Current Year State Aid Payments Not Realized on GAAP Basis	(2,473,571.00)
	$ 6,397,509.13

Exhibit C-2

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
State Sources	$ 93,244.00	$ (63,321.00)	$ 29,923.00	$ 24,530.94	$ 5,392.06
Federal Sources	1,516,191.00	888,411.57	2,404,602.57	2,065,345.26	339,257.31
Local Sources	-	163,305.62	163,305.62	72,143.33	91,162.29
Total Revenues	$ 1,609,435.00	$ 988,396.19	$ 2,597,831.19	$ 2,162,019.53	$ 435,811.66
EXPENDITURES:					
Instruction					
Personal Services - Salaries	$ 176,024.00	$ (5,191.33)	$ 170,832.67	$ 114,740.84	$ 56,091.83
Other Purchased Services (400-500 series)	1,272,638.00	298,324.12	1,570,962.12	1,570,961.38	0.74
General Supplies		155,593.81	155,593.81	28,831.21	126,762.60
Textbooks	4,826.00	-	4,826.00	3,803.56	1,022.44
Total Instruction	1,453,488.00	448,726.60	1,902,214.60	1,718,336.99	183,877.61
Support Services					
Personal Services - Salaries		47,704.75	47,704.75	6,764.75	40,940.00
Personal Services - Employee Benefits		106,190.17	106,190.17	69,698.20	36,491.97
Purchased Professional and Technical Services	26,860.00	211,410.20	238,270.20	220,186.64	18,083.56
Purchased Professional - Educational Services	61,558.00	(43,255.00)	18,303.00	14,284.34	4,018.66
Other Purchased Services (400-500 series)	67,529.00	11,189.80	78,718.80	34,343.92	44,374.88
Supplies and Materials	-	143,429.67	143,429.67	35,404.69	108,024.98
Total Support Services	155,947.00	476,669.59	632,616.59	380,682.54	251,934.05
Facilities Acquisition and Construction Services:					
Noninstructional Equipment		63,000.00	63,000.00	63,000.00	-
Total Facilities Acquisition and Construction Services	-	63,000.00	63,000.00	63,000.00	-
Total Expenditures	1,609,435.00	988,396.19	2,597,831.19	2,162,019.53	435,811.66
Total Outflows	$ 1,609,435.00	$ 988,396.19	$ 2,597,831.19	$ 2,162,019.53	$ 435,811.66

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, 2014

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

	Exhibit	General Fund	Special Revenue Fund
Sources/Inflows of resources			
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1&C-2]	$ 116,295,225.28	$ 2,162,019.53
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.		(1,595.00)	
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		-	13,357.45
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2]	$ 116,293,630.28	$ 2,175,376.98
Uses/outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1&C-2]	$ 117,391,985.77	$ 2,162,019.53
Differences - budget to GAAP			
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for *budgetary* purposes, but in the year the supplies are received for *financial reporting* purposes.			13,357.45
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]	$ 117,391,985.77	$ 2,175,376.98

OTHER SUPPLEMENTARY INFORMATION

Section D

SCHOOL LEVEL SCHEDULES

Section E

SPECIAL REVENUE FUND

Exhibit E-1

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, 2014

		Total	State Aid	Federal Aid	Local Aid
REVENUES					
State Sources		$ 24,530.94	$ 24,530.94	$ -	$ -
Federal Sources		2,065,345.26		2,065,345.26	
Local Sources		72,143.33	-	-	72,143.33
Total Revenues		$ 2,162,019.53	$ 24,530.94	$ 2,065,345.26	$ 72,143.33
EXPENDITURES:					
Instruction:					
Personal Services - Salaries	100-100	$ 114,740.84	$ -	$ 114,740.84	$ -
Other Purchased Services (400-500 series)	100-500	1,570,961.38		1,570,961.38	-
General Supplies	100-600	28,831.21		21,884.20	6,947.01
Textbooks	100-640	3,803.56	3,803.56	-	-
Total Instruction		1,718,336.99	3,803.56	1,707,586.42	6,947.01
Support Services:					
Personal Services - Salaries	200-100	6,764.75		6,164.75	600.00
Personal Services - Employee Benefits	200-200	69,698.20		69,698.20	-
Purchased Professional and Technical Services	200-300	220,186.64	6,443.04	213,743.60	-
Purchased Professional - Educational Services	200-320	14,284.34	14,284.34	-	-
Other Purchased Services (400-500 series)	200-500	34,343.92		34,343.92	-
Supplies and Materials	200-600	35,404.69	-	33,808.37	1,596.32
Total Support Services		380,682.54	20,727.38	357,758.84	2,196.32
Facilities Acquisition and Const. Serv.:					
Noninstructional Equipment	400-732	63,000.00			63,000.00
Total Facilities Acquisition and Const. Serv.		63,000.00	-	-	63,000.00
Total Expenditures		$ 2,162,019.53	$ 24,530.94	$ 2,065,345.26	$ 72,143.33

Exhibit E-1a

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, 2014

		Total	N.J. Nonpublic Textbook Aid	N.J. Nonpublic Auxiliary Services	N.J. Nonpublic Handicapped Services	N.J. Nonpublic Nursing Services	N.J. Nonpublic Technology Initiative
REVENUES							
State Sources		$ 24,530.94	$ 3,803.56	$ 2,675.52	$ 10,471.16	$ 6,443.04	$ 1,137.66
Total State Revenues		$ 24,530.94	$ 3,803.56	$ 2,675.52	$ 10,471.16	$ 6,443.04	$ 1,137.66
EXPENDITURES:							
Instruction:							
Textbooks	100-640	$ 3,803.56	$ 3,803.56	$ -	$ -	$ -	$ -
Total Instruction		3,803.56	3,803.56				
Support Services:							
Purchased Professional and Technical Services	200-300	6,443.04				6,443.04	
Purchased Professional - Educational Services	200-320	14,284.34		2,675.52	10,471.16	-	1,137.66
Total Support Services		20,727.38	-	2,675.52	10,471.16	6,443.04	1,137.66
Total Expenditures		$ 24,530.94	$ 3,803.56	$ 2,675.52	$ 10,471.16	$ 6,443.04	$ 1,137.66

Exhibit E-1b

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, 2014

			E.S.E.A.			I.D.E.A. Part B		Readiness and Emergency Management for Schools
		Total	Title I	Title IIA	Title III	Basic	Preschool	
REVENUES								
Federal Sources		$ 2,065,345.26	$ 107,278.09	$ 92,252.00	$ 25,756.55	$ 1,769,876.46	$ 51,554.70	$ 18,627.46
Total Federal Revenues		$ 2,065,345.26	$ 107,278.09	$ 92,252.00	$ 25,756.55	$ 1,769,876.46	$ 51,554.70	$ 18,627.46
EXPENDITURES:								
Instruction:								
Personal Services - Salaries	100-100	$ 114,740.84	$ 62,901.12	$ -	$ 11,999.72	$ -	$ 39,840.00	$ -
Other Purchased Services (400-500 series)	100-500	1,570,961.38				1,570,961.38		
General Supplies	100-600	21,884.20	12,382.96		2,222.85	6,671.52	606.87	
Total Instruction		1,707,586.42	75,284.08		14,222.57	1,577,632.90	40,446.87	
Support Services:								
Personal Services - Salaries	200-100	6,164.75		4,960.00	1,204.75			
Personal Services - Employee Benefits	200-200	69,698.20	29,358.21			29,232.16	11,107.83	
Purchased Professional and Technical Services	200-300	213,743.60		45,332.20	5,400.00	163,011.40		
Other Purchased Services (400-500 series)	200-500	34,343.92		31,863.42	2,480.50			
Supplies and Materials	200-600	33,808.37	2,635.80	10,096.38	2,448.73	-	-	18,627.46
Total Support Services		357,758.84	31,994.01	92,252.00	11,533.98	192,243.56	11,107.83	18,627.46
Total Expenditures		$ 2,065,345.26	$ 107,278.09	$ 92,252.00	$ 25,756.55	$ 1,769,876.46	$ 51,554.70	$ 18,627.46

Exhibit E-1c

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Special Revenue Fund
Combining Schedule of Local Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2014

		Total	HEF	Triangle HSA	Various
REVENUES					
Local Sources		$ 72,143.33	$ 6,672.02	$ 63,000.00	$ 2,471.31
Total Local Revenues		$ 72,143.33	$ 6,672.02	$ 63,000.00	$ 2,471.31
EXPENDITURES:					
Instruction:					
General Supplies	100-600	$ 6,947.01	$ 6,672.02	$ -	$ 274.99
Total Instruction		6,947.01	6,672.02		274.99
Support Services:					
Personal Services - Salaries	200-100	600.00			600.00
Supplies & Materials	200-600	1,596.32			1,596.32
Total Support Services		2,196.32			2,196.32
Facilities Acquisition and Const. Serv.:					
Noninstructional Equipment	400-732	63,000.00		63,000.00	
Total Facilities Acquisition and Const. Serv.		63,000.00	-	63,000.00	-
Total Expenditures		$ 72,143.33	$ 6,672.02	$ 63,000.00	$ 2,471.31

Section F

CAPITAL PROJECTS FUND

Exhibit F-1

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Capital Projects Fund
Summary Schedule of Project Expenditures
For the Year Ended June 30, 2014

Project Title/Issue	Approval Date	Revised Budgetary Appropriations	GAAP Expenditures to Date		Unexpended Appropriations 6/30/2014
			Prior Years	Current Year	
High School Roof Replacement	7/1/2014	$ 1,017,576.00	$ -	$ -	$ 1,017,576.00
Auten Road School Roof Replacement	7/1/2014	49,865.00	-	-	49,865.00
Middle School Roof Replacement	7/1/2014	237,425.00	-	-	237,425.00
Totals		$ 1,304,866.00	$ -	$ -	$ 1,304,866.00

Exhibit F-2

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis
For the Year Ended June 30, 2014

REVENUES AND OTHER FINANCING SOURCES	
State Sources - SDA Grant	$ 521,866.00
Bond Proceeds	-
Contribution from private sources	-
Transfer from capital reserve	-
Transfer from capital outlay	-
Total Revenues	521,866.00
EXPENDITURES AND OTHER FINANCING USES	
Equipment (73X)	-
Salaries (100)	-
Legal Services (331)	-
Other Purchased Professional and Technical Services (390)	-
Construction Services (450)	-
General Supplies (610)	-
Land and Improvements (710)	-
Lease Purchase Agreements - Principal (721)	-
Buildings other than Lease Purchase Agreements - Principal (722)	-
Other Objects (800)	-
Total Expenditures	-
Excess (deficiency) of revenues over (under) expenditures	521,866.00
Fund Balance - July 1	-
Fund Balance - June 30	$ 521,866.00

Exhibit F-2a

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis
High School Roof Replacement
From Inception and for the Year Ended June 30, 2014

	Prior Periods	Current Year	Totals	Revised Authorized Cost
REVENUES AND OTHER FINANCING SOURCES				
State Sources - SDA Grant	$ -	$ 407,030.00	$ 407,030.00	$ 407,030.00
Bond Proceeds			-	
Contribution from private sources			-	
Transfer from capital reserve	-		-	610,546.00
Transfer from capital outlay	-	-	-	-
Total Revenues	-	407,030.00	407,030.00	1,017,576.00
EXPENDITURES AND OTHER FINANCING USES				
Equipment (73X)			-	
Salaries (100)			-	
Legal Services (331)			-	
Other Purchased Professional and Technical Services (390)			-	25,000.00
Construction Services (450)			-	992,576.00
General Supplies (610)			-	
Land and Improvements (710)			-	
Lease Purchase Agreements - Principal (721)			-	
Buildings other than Lease Purchase Agreements - Principal (722)			-	
Other Objects (800)	-	-	-	-
Total Expenditures	-	-	-	1,017,576.00
Excess (deficiency) of revenues over (under) expenditures	-	407,030.00	407,030.00	-

ADDITIONAL PROJECT INFORMATION

Project Number	2170-030-14-G2OQ
Grant Date	7/1/14
Bond Authorization Date	N/A
Bonds Authorized	$ -
Bonds Issued	$ -
Original Authorized Cost	$ 1,017,576.00
Additional Authorized Cost	
Revised Authorized Cost	$ 1,017,576.00
Percentage Increase over Original Authorized Cost	0.00%
Percentage Completed	0.00%
Original Target Completion Date	9/1/14
Revised Target Completion Date	9/1/14

Exhibit F-2b

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis
Auten Road School Roof Replacement
From Inception and for the Year Ended June 30, 2014

	Prior Periods	Current Year	Totals	Revised Authorized Cost
REVENUES AND OTHER FINANCING SOURCES				
State Sources - SDA Grant	$ -	$ 19,866.00	$ 19,866.00	$ 19,866.00
Bond Proceeds			-	
Contribution from private sources			-	
Transfer from capital reserve	-		-	29,799.00
Transfer from capital outlay	-	-	-	-
Total Revenues	-	19,866.00	19,866.00	49,665.00
EXPENDITURES AND OTHER FINANCING USES				
Equipment (73X)			-	
Salaries (100)			-	
Legal Services (331)			-	
Other Purchased Professional and Technical Services (390)			-	5,000.00
Construction Services (450)			-	44,665.00
General Supplies (610)			-	
Land and Improvements (710)			-	
Lease Purchase Agreements - Principal (721)			-	
Buildings other than Lease Purchase Agreements - Principal (722)			-	
Other Objects (800)	-	-	-	-
Total Expenditures	-	-	-	49,665.00
Excess (deficiency) of revenues over (under) expenditures	-	19,866.00	19,866.00	-

ADDITIONAL PROJECT INFORMATION

Project Number	2170-034-14-G2OR
Grant Date	7/1/14
Bond Authorization Date	N/A
Bonds Authorized	$ -
Bonds Issued	$ -
Original Authorized Cost	$ 49,665.00
Additional Authorized Cost	
Revised Authorized Cost	$ 49,665.00
Percentage Increase over Original Authorized Cost	0.00%
Percentage Completed	0.00%
Original Target Completion Date	9/1/14
Revised Target Completion Date	9/1/14

Exhibit F-2c

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis
Middle School Roof Replacement
From Inception and for the Year Ended June 30, 2014

	Prior Periods	Current Year	Totals	Revised Authorized Cost
REVENUES AND OTHER FINANCING SOURCES				
State Sources - SDA Grant	$ -	$ 94,970.00	$ 94,970.00	$ 94,970.00
Bond Proceeds			-	
Contribution from private sources			-	
Transfer from capital reserve	-		-	142,455.00
Transfer from capital outlay	-	-	-	-
Total Revenues	-	94,970.00	94,970.00	237,425.00
EXPENDITURES AND OTHER FINANCING USES				
Equipment (73X)			-	
Salaries (100)			-	
Legal Services (331)			-	
Other Purchased Professional and Technical Services (390)			-	5,000.00
Construction Services (450)			-	232,425.00
General Supplies (610)			-	
Land and Improvements (710)			-	
Lease Purchase Agreements - Principal (721)			-	
Buildings other than Lease Purchase Agreements - Principal (722)			-	
Other Objects (800)	-	-	-	-
Total Expenditures	-	-	-	237,425.00
Excess (deficiency) of revenues over (under) expenditures	-	94,970.00	94,970.00	-

ADDITIONAL PROJECT INFORMATION	
Project Number	2170-035-14-G2OS
Grant Date	7/1/14
Bond Authorization Date	N/A
Bonds Authorized	$ -
Bonds Issued	$ -
Original Authorized Cost	$ 1,017,576.00
Additional Authorized Cost	
Revised Authorized Cost	$ 1,017,576.00
Percentage Increase over Original Authorized Cost	0.00%
Percentage Completed	0.00%
Original Target Completion Date	9/1/14
Revised Target Completion Date	9/1/14

Section G

PROPRIETARY FUNDS

ENTERPRISE FUND

INTERNAL SERVICE FUND

Section H

FIDUCIARY FUND

Exhibit H-3

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Student Activity Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2014

Schools	Balance June 30, 2013	Cash Receipts	Cash Disbursements	Balance June 30, 2014
Student Activity Funds:				
High School	$ 353,439.27	$ 624,902.14	$ 651,885.86	$ 326,455.55
Middle School	70,932.09	370,784.36	392,464.99	49,251.46
Amsterdam	390.62	5,352.25	4,993.95	748.92
Auten Road	31,911.47	106,822.47	91,189.22	47,544.72
Hillsborough Elementary	844.63	13,107.21	11,631.46	2,320.38
Sunnymead	2,625.93	5,456.00	6,009.63	2,072.30
Triangle	1,518.08	20,075.13	20,735.26	857.95
Woodfern	1,320.25	7,951.69	6,508.43	2,763.51
Woods Road	13,372.47	15,032.88	18,819.48	9,585.87
Life Skills Committee	1,449.54	14,027.85	10,485.09	4,992.30
Athletic Fund	-	95,718.75	95,718.75	-
	$ 477,804.35	$ 1,279,230.73	$ 1,310,442.12	$ 446,592.96

Exhibit H-4

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Payroll Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2014

	Balance June 30, 2013	Cash Receipts	Cash Disbursements	Balance June 30, 2014
Payroll Deductions and Withholdings	$ 484,834.59	$ 36,704,034.80	$ 36,813,362.16	$ 375,507.23
Net Salaries and Wages	7,526.97	44,282,981.85	44,279,874.13	10,634.69
Accrued Salaries and Wages	5,496.65	2,660,095.77	2,660,141.50	5,450.92
Building Rental Account	-	115,419.00	115,419.00	-
Section 125 Plan	51,336.83	163,430.89	166,667.03	48,100.69
Health Benefits Reserve	0.04	-	0.04	-
	$ 549,195.08	$ 83,925,962.31	$ 84,035,463.86	$ 439,693.53

Section I

LONG – TERM DEBT

Exhibit I-1

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Long - Term Debt
Schedule of Serial Bonds
For the Fiscal Year Ended June 30, 2014

Purpose	Date of Issue	Amount of Issue	Annual Maturities of Bonds Outstanding June 30, 2014 Date	Amount	Interest Rate	Balance June 30, 2013	Retired Current Year	Balance June 30, 2014
Refunding (1997)	10/1/01	$ 25,300,000.00	10/1/14-21	$ 1,720,000.00	5.375%	$ 15,480,000.00	$ 1,720,000.00	$ 13,760,000.00
Refunding (2001)	9/27/07	9,095,000.00	2/1/14	765,000.00	3.870%	6,280,000.00	765,000.00	5,515,000.00
			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%	-	-	-
						$ 21,760,000.00	$ 2,485,000.00	$ 19,275,000.00

Exhibit I-2

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Long - Term Debt
Schedule of Obligations Under Capital Leases
For the Fiscal Year Ended June 30, 2014

Purpose	Amount of Original Issue	Amount Outstanding June 30, 2013	Issued Current Year	Retired Current Year	Amount Outstanding June 30, 2014
Energy Savings Improvement Program	16,085,000.00	$ -	$ 16,085,000.00	$ -	$ 16,085,000.00
		$ -	$ 16,085,000.00	$ -	$ 16,085,000.00

Exhibit I-3

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Budgetary Comparison Schedule
Debt Service Fund
For the Fiscal Year Ended June 30, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	$ 2,966,349.00	$ -	$ 2,966,349.00	$ 2,966,349.00	$ -
State Sources:					
Debt Service Aid Type II	547,512.00		547,512.00	547,512.00	
Total - State Sources	547,512.00		547,512.00	547,512.00	
Total Revenues	3,513,861.00		3,513,861.00	3,513,861.00	
EXPENDITURES:					
Regular Debt Service:					
Interest	1,028,861.00	-	1,028,861.00	1,028,861.00	-
Redemption of Principal	2,485,000.00	-	2,485,000.00	2,485,000.00	-
Total Regular Debt Service	3,513,861.00	-	3,513,861.00	3,513,861.00	-
Total Expenditures	3,513,861.00		3,513,861.00	3,513,861.00	-
(Deficiency) of Revenues (Under) Expenditures	-	-	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	-	-	-	-	-
Fund Balance, July 1	0.37	-	0.37	0.37	-
Fund Balance, June 30	$ 0.37	$ -	$ 0.37	$ 0.37	$ -
Recapitulation of Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures					
Budgeted Fund Balance	$ -	$ -	$ -	$ -	$ -

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 Position by Component
J-2	Changes in Net Position
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

Exhibit J-1

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental activities										
Net investment in capital assets	$ 43,995,299.26	$ 43,150,725.33	$ 42,355,314.43	$ 41,403,500.96	$ 39,520,035.47	$ 37,929,862.00	$ 35,732,757.04	$ 28,994,198.22	$25,656,795.55	$22,489,552.27
Restricted	8,549,112.13	6,993,704.45	6,819,276.65	5,061,299.57	2,355,131.67	1,398,859.29	3,142,105.21	3,308,307.37	3,084,316.75	2,384,166.07
Unrestricted	(1,929,994.02)	(1,794,074.83)	(672,254.74)	(2,000,681.32)	(728,120.01)	(897,336.75)	(725,528.36)	(978,026.37)	(893,660.34)	(998,727.39)
Total governmental activities net position	$ 48,614,417.37	$ 48,350,354.95	$ 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	$23,874,990.95
Business-type activities										
Net investment in capital assets	$ 21,308.09	$ 26,143.55	$ 31,590.24	$ 37,352.02	$ 38,326.91	$ 50,254.38	$ 64,543.92	$ 48,269.71	$ 61,865.06	$ 75,460.41
Unrestricted	2,627.36	72,846.36	164,923.55	464,750.44	470,865.92	482,345.13	552,335.59	530,582.04	736,743.01	614,971.02
Total business-type activities net position	$ 23,935.45	$ 98,989.91	$ 196,513.79	$ 502,102.46	$ 507,192.83	$ 532,599.51	$ 616,879.51	$ 578,851.75	$ 798,608.07	$ 690,431.43
District-wide										
Net investment in capital assets	$ 44,016,607.35	$ 43,176,868.88	$ 42,386,904.67	$ 41,440,852.98	$ 39,558,362.38	$ 37,979,916.38	$ 35,797,300.96	$ 29,042,467.93	$25,718,660.61	$22,565,012.68
Restricted	6,549,112.13	6,993,704.45	6,819,276.65	5,061,299.57	2,355,131.67	1,398,859.29	3,142,105.21	3,308,307.37	3,084,316.75	2,384,166.07
Unrestricted	(1,927,366.66)	(1,721,228.47)	(507,331.19)	(1,535,930.88)	(257,254.09)	(414,991.62)	(173,192.77)	(447,444.33)	(156,917.33)	(383,756.37)
Total district net position	$ 48,638,352.82	$ 48,449,344.86	$ 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

Source: District records

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

Changes In Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Expenses										
Governmental activities										
Instruction										
Regular	$ 48,952,207.58	$ 48,983,084.89	$ 50,399,911.17	$ 45,384,423.71	$ 46,443,835.51	$ 47,665,833.78	$ 46,142,386.11	$ 44,941,744.37	$ 41,116,489.31	$ 39,747,096.35
Special education	14,337,788.64	13,111,512.13	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
Other instruction	8,801,518.50	8,726,547.42	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
Support Services:										
Tuition	2,264,367.23	2,961,675.12	2,375,116.06	2,104,092.94	2,198,007.39	2,719,932.62	2,367,002.52	2,376,553.26	2,384,395.33	2,554,267.96
Student and instruction related services	19,383,767.29	20,440,769.81	18,694,430.24	16,926,245.34	17,088,171.34	16,074,835.22	15,609,810.10	14,908,674.34	13,452,962.21	12,991,093.98
School administrative services	5,497,368.34	5,476,822.34	5,338,688.27	5,191,482.08	5,268,570.29	5,137,075.22	4,829,362.34	4,907,386.55	4,690,939.68	4,082,237.91
General and business administrative services	4,296,054.41	3,867,823.90	3,386,711.43	3,227,289.43	3,414,389.94	3,305,343.30	3,082,431.85	3,171,215.39	3,138,913.60	3,525,685.29
Plant operations and maintenance	9,422,190.54	9,586,812.06	8,525,026.90	8,959,504.99	8,481,007.88	8,515,668.80	8,740,241.97	8,570,463.90	8,012,712.38	7,933,336.39
Pupil transportation	7,149,931.44	7,496,441.30	6,896,741.10	6,804,947.62	6,556,108.21	6,565,369.17	6,270,344.57	5,935,732.05	5,820,873.45	5,420,851.90
Charter Schools	70,901.00	40,368.00								
SDA Debt Service Assessment	71,124.00	71,124.00	51,824.00	88,115.00						
Interest on long-term debt	993,412.87	1,113,514.70	1,264,213.47	1,416,241.83	1,577,857.83	1,739,406.80	1,845,099.16	2,116,204.38	2,321,994.85	2,516,821.22
Total governmental activities expenses	122,240,871.84	122,876,095.67	118,281,847.23	110,891,587.86	112,157,283.80	107,989,782.14	105,013,258.70	102,414,922.22	94,656,794.88	91,779,629.19
Business-type activities:										
Food service	2,400,677.01	2,435,393.13	2,604,821.91	2,323,240.79	2,172,383.34	2,227,340.77	2,133,142.96	1,964,935.73	1,996,662.79	1,810,155.66
Summer Enrichment	157,281.02	156,445.81	161,100.34	140,801.36	176,803.38	200,832.91	188,313.80	209,426.06	111,742.44	211,360.64
Total business-type activities expense	2,557,958.03	2,591,838.94	2,765,922.25	2,464,042.15	2,349,186.72	2,428,173.68	2,321,456.76	2,164,361.79	2,108,405.23	2,021,516.30
Total district-wide expenses	124,798,829.87	125,467,934.61	121,047,769.48	113,355,630.01	114,506,470.52	110,417,955.82	107,344,715.46	104,579,284.01	96,765,400.12	93,801,145.49
Program Revenues										
Governmental activities:										
Charges for services:										
Pupil transportation	7,241.96	48,442.70	9,046.00	873.00	5,727.20	62,040.00	65,524.00	-	49,106.00	
Interest on long-term debt	445,900.87	390,139.70	479,737.46	602,385.83	585,174.83	710,602.60	686,437.16	986,204.38	1,191,994.85	
Operating grants and contributions	19,342,673.37	19,872,398.63	16,781,950.86	15,625,602.62	17,870,693.14	16,590,079.55	20,109,114.47	20,148,166.44	16,426,182.54	17,299,538.88
Total governmental activities program revenues	19,795,816.20	20,290,981.03	17,270,734.32	16,228,861.45	18,261,595.17	17,362,722.35	20,871,075.63	21,134,370.82	17,667,283.39	17,299,538.88

TOWNSHIP OF HILLSBOROUGH

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Business-type activities:										
Charges for services										
Food service	$ 1,856,663.86	$ 1,871,519.77	$ 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
Summer Enrichment	161,627.33	150,061.67	164,684.75	151,814.90	114,710.31	142,184.53	248,532.48	78,011.29	341,762.88	222,936.75
Operating grants and contributions	484,612.38	472,733.62	456,911.19	465,124.36	433,907.92	416,138.75	448,949.43	299,060.41	274,502.51	295,770.63
Total business-type activities program revenues	2,482,903.57	2,494,315.06	2,460,144.34	2,458,951.78	2,323,790.04	2,343,893.68	2,369,484.52	1,944,605.47	2,216,781.87	2,074,335.23
Total district-wide program revenues	21,278,719.77	22,775,296.09	19,730,678.66	18,887,813.23	20,585,385.21	19,706,816.03	23,240,980.15	23,076,976.29	19,884,045.26	19,313,874.11
Net (Expense)/Revenue										
Governmental activities	(103,444,855.64)	(102,595,114.84)	(101,011,112.91)	(94,862,726.41)	(93,895,668.63)	(90,827,059.79)	(84,142,183.07)	(81,260,551.40)	(76,989,531.50)	(74,480,090.31)
Business-type activities	(75,054.46)	(97,523.88)	(305,777.91)	(5,090.37)	(25,406.88)	(84,280.00)	38,027.76	(219,756.32)	108,176.64	52,818.93
Total district-wide net expense	(103,519,910.10)	(102,692,638.52)	(101,316,890.82)	(94,867,816.78)	(93,921,095.31)	(90,711,339.79)	(84,104,155.31)	(81,500,307.72)	(76,881,354.86)	(74,427,271.38)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes, levied for general purposes	79,952,611.00	78,801,775.00	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
Property taxes, levied for debt service principal	2,520,448.13	3,335,779.30	3,324,496.54	3,302,865.17	3,242,628.17	3,252,997.20	3,582,043.84	4,479,199.62	4,351,904.15	4,134,750.78
Federal and State aid not restricted	19,887,109.94	19,783,975.06	19,730,840.81	17,371,906.89	19,896,126.88	17,295,641.18	13,369,946.94	12,826,782.60	12,781,216.88	13,191,817.43
Tuition (other than special schools)	434,471.21	433,726.36	368,589.21	104,666.04	152,694.02	869,450.60	671,369.90	496,899.57	508,593.07	555,618.84
Investment earnings	11,472.71	14,422.45	20,308.89	51,469.63	57,278.05	99,248.48	362,090.58	508,857.95	415,551.34	158,474.65
Miscellaneous income	380,739.07	745,421.73	3,404,348.58	469,519.78	376,045.10	303,682.34	227,466.51	349,522.27	244,118.49	253,275.99
Refunding Bonds proceeds							(180,000.00)			
Adjustment to Capital Assets		(661,966.64)				(821,619.36)	3,882,942.97			
N.J. Economic Development Authority grant	521,866.00								320,333.00	
N.J. Economic Development Authority grant cancelled								(108,792.35)		(171.96)
Total governmental activities	103,708,918.06	102,443,133.25	105,049,330.03	97,979,786.49	96,813,551.22	90,906,910.44	90,969,037.74	84,755,578.66	80,461,992.51	78,424,857.73
Business-type activities:										
Investment earnings	-	-	189.24							
Transfers										
Total business-type activities	-	-	189.24	-	-	-	-	-	-	-
Total district-wide general revenues	103,708,918.06	102,443,133.25	105,049,519.27	97,979,786.49	96,813,551.22	90,906,910.44	90,969,037.74	84,755,578.66	80,461,992.51	78,424,857.73
Change in Net Asset Position										
Governmental activities	264,062.42	(151,981.59)	4,038,217.12	3,317,072.08	2,717,882.59	279,850.65	6,826,854.67	3,475,027.26	3,472,461.01	3,944,767.42
Business-type activities	(75,054.46)	(97,523.88)	(305,588.67)	(5,090.37)	(25,406.88)	(84,280.00)	38,027.76	(219,756.32)	108,176.64	52,818.93
Total district-wide change in net position	$ 189,007.96	$ (249,505.27)	$ 3,732,628.45	$ 3,311,981.71	$ 2,692,475.91	$ 195,570.65	$ 6,864,882.43	$ 3,255,270.94	$ 3,580,637.65	$ 3,997,586.35

Source: District records

Exhibit J-3

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

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

	Fiscal Year Ending June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Fund										
Restricted	$ 6,301,075.13	$ 7,208,552.93	$ 7,179,333.08	$ 5,470,852.53	$ -	$ -	$ -	$ -	$ -	$ -
Assigned		94,428.65	1,033,332.47							
Unassigned	96,434.00	192,883.04	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
Unreserved					1,093,244.44	907,242.02	1,079,373.75	1,367,259.58	795,055.22	803,021.87
Total general fund	$ 6,397,509.13	$ 7,495,864.62	$ 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
All Other Governmental Funds										
Restricted, reported in:										
Capital projects fund	$ 521,866.00	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Debt service fund										
Assigned, reported in:										
Capital projects fund										
Reserved	-	-	-	-	-	-	-	-	18,800.00	-
Unreserved, reported in:										
Special revenue fund										
Capital projects fund								52,316.61	204,520.86	76,144.07
Debt service fund	0.37	0.37	(0.38)	10.37	21.87	29,786.62	29,775.87	0.74	53,710.54	7,394.15
Total all other governmental funds	$ 521,866.37	$ 0.37	$ (0.38)	$ 10.37	$ 21.87	$ 29,786.62	$ 29,775.87	$ 52,317.35	$ 277,031.40	$ 83,538.22
Total Fund Balances	$ 6,919,375.50	$ 7,495,864.99	$ 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

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,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues										
Tax levy	$ 82,919,160.00	$82,497,694.00	$ 82,017,180.00	$ 80,584,610.00	$ 76,916,382.00	$ 73,871,130.00	$ 73,351,638.00	$ 71,342,480.00	$ 67,045,498.00	$ 65,375,001.00
Tuition charges	434,471.21	433,726.36	356,589.21	104,686.04	152,894.02	869,450.60	671,369.90	496,899.57	508,593.07	555,618.84
Transportation fees	7,241.96	48,442.70	9,046.00	873.00	5,727.20	62,040.00	65,524.00	51,783.00	49,106.00	38,292.95
Interest earnings	11,472.71	14,422.45	20,308.89	51,459.63	57,278.05	99,248.48	362,090.58	508,857.95	415,551.94	158,474.65
Miscellaneous	389,882.40	768,313.25	3,432,689.18	511,935.50	419,943.35	333,303.28	251,555.97	405,740.63	291,880.00	669,196.46
State sources	36,121,040.95	37,539,587.79	33,173,099.38	30,449,760.57	30,746,768.48	31,825,550.17	31,503,170.35	31,020,779.33	27,639,761.00	26,899,715.62
Federal sources	2,099,599.03	2,103,894.37	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
Total revenues	121,962,868.26	123,406,080.92	122,320,064.36	114,208,659.94	114,875,146.39	109,091,252.15	108,157,170.40	105,998,741.83	97,608,922.90	95,724,568.57
Expenditures										
Instruction										
Regular instruction	34,418,825.08	34,468,846.21	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
Special education instruction	10,599,144.27	9,352,762.65	9,376,775.63	8,978,446.41	8,560,675.63	7,715,862.83	7,362,286.16	6,885,933.98	6,624,913.36	6,299,336.03
Other instruction	6,375,913.71	6,245,640.09	6,193,706.81	6,403,630.84	6,925,733.39	4,025,444.67	4,216,016.03	4,050,183.81	3,744,150.10	3,652,559.97
Support Services:										
Tuition	2,264,367.23	2,961,675.12	2,375,116.06	2,104,062.94	2,198,007.39	2,719,932.62	2,367,002.52	2,378,553.26	2,394,995.33	2,554,267.96
Student and instruction related services	14,907,497.59	15,999,211.88	14,793,398.71	12,156,152.91	13,080,695.10	12,459,638.70	12,067,303.60	11,383,708.79	10,664,784.76	10,418,261.86
School administrative services	3,992,840.43	3,820,013.06	3,795,013.78	3,586,327.05	3,678,024.09	3,638,715.57	3,557,087.87	3,548,006.30	3,463,671.70	3,035,238.48
General and business administrative services	3,374,884.91	3,015,626.93	2,701,366.79	2,665,973.80	2,711,706.38	2,690,701.19	2,585,560.06	2,456,181.97	2,538,887.67	3,042,461.19
Plant operations and maintenance	7,879,005.58	7,972,433.03	7,164,333.63	7,457,862.32	7,039,410.68	7,365,223.78	7,468,794.13	7,201,839.60	6,871,723.26	6,949,552.65
Pupil transportation	6,755,219.38	7,189,734.15	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	5,241,688.08
Employee benefits	27,698,139.38	27,928,807.60	24,930,877.08	25,214,577.60	24,865,720.65	22,928,981.97	23,260,924.35	22,254,006.78	18,058,672.96	16,024,458.51
Transfer to Charter Schools	70,901.00	40,368.00								
Capital outlay	17,318,624.21	796,448.46	603,772.56	1,580,047.02	1,168,900.45	2,555,537.61	2,150,205.50	1,729,662.90	1,192,941.80	1,462,936.21
Debt service:										
Principal	2,485,000.00	3,285,000.00	3,275,000.00	3,250,000.00	3,220,000.00	3,200,000.00	3,525,000.00	4,485,000.00	4,290,000.00	4,090,000.00
Interest and other charges	1,028,861.00	1,164,293.25	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
Total expenditures	139,166,223.75	124,240,860.63	119,379,046.34	112,729,849.37	113,763,264.51	111,061,616.25	108,686,843.71	105,167,491.38	97,504,975.78	94,656,485.66
Excess (Deficiency) of revenues over (under) expenditures	(17,183,355.49)	(834,779.71)	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

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,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Other Financing sources (uses)										
Capital leases (non-budgeted)	$ 16,085,000.00	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 366,450.00
N.J. Economic Development Authority grants	521,866.00							(108,792.35)	320,333.00	(171.96)
Transfers in							52,318.61	43,411.90	415,115.15	4,030.69
Transfers out							(52,318.61)	(43,411.90)	(415,115.15)	(4,030.69)
Total other financing sources (uses)	16,606,866.00	-	-	-	-	-	-	(108,792.35)	320,333.00	366,278.04
Net change in fund balances	$ (578,489.49)	$ (834,779.71)	$ 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
Debt service as a percentage of noncapital expenditures	2.88%	3.60%	3.86%	4.25%	4.31%	4.60%	5.12%	6.45%	6.94%	7.16%

Source: District records

Exhibit J-5

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

General Fund - Other Local Revenue by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
Unaudited

Fiscal Year Ended June 30,	Total	Tuition	Transportation	Interest	Sale of Assets	Rentals	Refunds	Lease Purchase Agreement	Miscellaneous
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
2013	356,979.52	367,066.36	48,442.70	14,422.45		67,525.00	75,890.35	70,844.01	(287,211.35)
2014	770,924.95	434,471.21	7,241.96	11,472.71		115,419.00	57,002.38		145,317.69

Source: District records

Exhibit J-6

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
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	288,934,200	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	263,597,800	132,429,900	46,128,100	3,827,857,300	7,754,031	3,835,611,331	6,324,122,004	2.050
2011	90,980,000	4,643,878,700	98,257,600	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	10,701,418	5,552,933,318	5,963,379,480	1.453
2013	87,720,500	4,682,350,500	96,779,600	410,390,900	213,326,100	87,255,000	5,577,822,600	3,627,428	5,581,450,028	6,057,366,261	1.467
2014	77,480,700	4,596,927,400	95,248,000	397,914,100	193,664,500	95,970,600	5,457,205,300	3,035,857	5,460,241,157	5,878,041,481	1.536

Source: Municipal Tax Assessor

Exhibit J-7

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

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

	School District Direct Rate			Overlapping Rates		
Fiscal Year Ended December 31,	Basic Rate	General Obligation Debt Service	Total Direct School Tax Rate	Municipality	County	Total Direct and Overlapping Tax Rate
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
2013	1.387	0.080	1.467	0.372	0.413	2.252
2014	1.472	0.064	1.536	0.387	0.410	2.333

Source: Municipal Tax Collector

Exhibit J-8

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

Principal Property Taxpayers
Current Year and Ten Years Ago
Unaudited

	2014		2004	
Fiscal Year Ended June 30,	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Texas Eastern Transmission Corp.	$ 46,956,800	0.85%	$ -	
Hillsborough Promenade	40,063,700	0.72%		
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%		
Country Classic	18,369,500	0.33%		
Foothill Estates, LLC	18,000,000	0.32%		
Hillsborough Gardens Assoc.	17,992,000	0.32%		
Hillsborough Park LLC	16,640,800	0.30%		
Duke Farms Foundation	14,360,300	0.26%		
Total	$ 237,416,800	4.02%	$ -	0.00%

Source: Municipal Tax Assessor

Exhibit J-9

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
2004	$ 94,389,002.00	$ 93,539,038.00	99.09%	$ 826,421.78	$ 94,365,459.78	99.97%
2005	101,020,148.53	99,841,053.17	98.83%	1,136,653.22	100,977,706.39	99.95%
2006	105,139,298.94	104,194,849.76	99.10%	874,396.64	105,069,246.40	99.93%
2007	111,799,193.98	110,506,657.64	98.84%	1,186,461.49	111,693,119.13	99.90%
2008	114,123,297.04	113,089,010.15	99.09%	943,556.00	114,032,566.15	99.92%
2009	116,052,231.65	115,228,053.90	99.28%	743,647.83	115,971,701.73	99.93%
2010	120,155,848.25	119,177,552.64	99.18%	966,526.62	120,144,079.26	99.99%
2011	122,019,603.16	120,923,983.54	99.10%	769,104.91	121,693,088.45	99.73%
2012	123,868,452.73	122,888,396.13	99.20%	846,463	123,734,859.10	99.89%
2013	126,596,623.85	125,603,960.59	99.21%		125,603,960.59	99.21%

Source: Municipal Tax Collector

Exhibit J-10

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
Unaudited

	Governmental Activities				
Fiscal Year Ended June 30,	General Obligation Bonds	Capital Leases	Total District	Percentage of Personal Income	Per Capita
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%	644
2013	21,760,000		21,760,000	1.26%	554
2014	19,275,000	16,085,000	35,360,000	1.97%	900

Exhibit J-11

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

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

	General Bonded Debt Outstanding				
Fiscal Year Ended June 30,	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita
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%	644
2013	21,760,000		21,760,000	0.39%	554
2014	19,275,000		19,275,000	0.35%	490

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

Direct and Overlapping Governmental Activities Debt
As of December 31, 2013
Unaudited

Net Direct Debt of School District as of December 31, 2013		$ 20,040,000.00
Net Overlapping Debt of School District:		
Township of Hillsborough (100%)	$ 13,364,249.61	
County of Somerset - Township's share of $133,001,750.00 at December 31, 2013 (10.61%)	14,111,485.68	
Utility Authority - Township's share (100%)	1,940,090.50	
		29,415,825.79
Total Direct and Overlapping Bonded Debt as of December 31, 2013		$ 49,455,825.79

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

Exhibit J-13

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

Legal Debt Margin Information
Last Ten Fiscal Years
Unaudited

Legal Debt Margin Calculation for Fiscal Year 2013

Equalized valuation basis	
2011	5,962,419,258
2012	6,005,235,562
2013	5,826,010,654
	$ 17,793,665,474
Average equalized valuation of taxable property	$ 5,931,221,825
Debt limit (4 % of average equalization value)	237,248,873
Total Net Debt Applicable to Limit	19,275,000
Legal debt margin	$ 217,973,873

	Fiscal Year				
	2010	2011	2012	2013	2014
Debt limit	$ 246,038,696	$ 243,417,146	$ 243,417,146	$ 240,414,759	$ 237,248,873
Total net debt applicable to limit	31,570,000	28,320,000	25,045,000	21,760,000	19,275,000
Legal debt margin	$ 214,468,696	$ 215,097,146	$ 218,372,146	$ 218,654,759	$ 217,973,873
Total net debt applicable to the limit as a percentage of debt limit	12.83%	11.63%	10.29%	9.05%	8.12%

	Fiscal Year				
	2005	2006	2007	2008	2009
Debt limit	$ 166,617,042	$ 185,706,525	$ 206,313,071	$ 224,402,313	$ 238,370,908
Total net debt applicable to limit	50,110,000	45,820,000	41,335,000	37,990,000	34,790,000
Legal debt margin	$ 116,507,042	$ 139,886,525	$ 164,978,071	$ 186,412,313	$ 203,580,908
Total net debt applicable to the limit as a percentage of debt limit	30.07%	24.67%	20.04%	16.93%	14.59%

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

Exhibit J-14

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
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 (Actual)	1,575,186,632	41,044 (Actual)	7.2%
2011	38,476	1,626,585,212	42,275	7.0%
2012	38,878	1,676,451,489	43,121	7.1%
2013	39,299	1,725,619,090	43,910	5.9%
2014	39,299 (Est.)	1,790,894,729	45,571	

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

Exhibit J-15

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

Principal Employers
Current Year and Ten Years Ago
Unaudited

	2014			2004		
Employer	**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 Reseach

Exhibit J-16

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

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

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Instruction										
Regular Teacher	613	650	650	650	656	658	612	640	645	650
Regular Classroom Aides	32	13	13	13	18	4	12	12	0	0
Support Services:										
Attendance	0	1	1	1	1	1	1	0	0	0
Health Services	11	15	15	15	16	16	18	15	11	11
Related Services	13	20	20	20	17	18	18	18	20	17
Extraordinary Services	20	78	94	94	72	85	79	98	92	93
Guidance Professional	18	21	22	22	22	23	24	23	20	21
Guidance Support	3	3	3	3	3	2	2	1	1	2
Child Study Team Professional	15	21	21	21	15	18	24	27	23	24
Child Study Team Staff	3	4	4	4	4	4	5	0	4	5
Improvement of Instruction Supervisors	7	7	5	5	8	8	7	7	6	6
Improvement of Instruction Support	3	4	4	4	4	4	3	3	2	2
Media Services	15	15	15	15	15	15	15	11	10	12
General Administrative Professional	4	4	4	4	5	6	6	7	7	7
General Administrative Support	2	2	2	2	1	1	0	0	4	4
School Administrative Professional	23	22	22	22	22	23	22	19	20	21
School Administrative Support	18	29	29	29	22	25	27	29	31	31
Central Services Professional	3	3	3	3	7	8	8	15	3	6
Central Services Support	7	8	9	9	7	5	6	0	8	8
Technology	4	4	4	4	5	5	5	6	11	11
Operations and Maintenance	67	63	64	66	70	70	72	101	101	100
Transportation	12	15	15	15	14	14	12	23	34	32
Total	893	1002	1019	1021	1004	1013	978	1055	1053	1063

Source: District Personnel Records

Exhibit J-17

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

Operating Statistics
Last Ten Fiscal Years
Unaudited

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil/Teacher Ratio: Elementary	Pupil/Teacher Ratio: Junior High (2002 only) Intermediate School	Pupil/Teacher Ratio: Middle School	Pupil/Teacher Ratio: Senior High School	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
2004	7,561.0	$ 80,467,268	$ 10,642	5.23%	826	1:11.6	1:10.0	1:09.7	1:9.7	7,630.8	7,322.6	2.08%	95.96%
2005	7,634.5	85,239,191	11,165	4.91%	788	1:11.1	1:9.9	1:10.1	1:9.1	7,636.0	7,316.1	0.07%	95.81%
2006	7661.5	89,632,135	11,699	4.78%		1:10.1	1:11.1	1:9.1	1:9.2	7661.5	7,339.3	0.33%	95.79%
2007	7568.0	96,764,867	12,786	9.29%		1:11.1	1:12.3	1:9.5	1:12.5	7554.5	7,251.5	-1.40%	95.99%
2008	7521.0	101,088,954	13,441	5.12%	710	1:10.3	1:10.7	1:9.7	1:11.7	7535.0	7,250.0	-0.26%	96.22%
2009	7554.5	103,513,685	13,702	1.94%	719	1:9.8	1:10.0	1:9.8	1:11.6	7563.8	7,267.7	0.38%	96.09%
2010	7502.0	107,764,313	14,365	4.83%	719	1:9.7	1:9.7	1:9.7	1:11.8	7474.4	7,185.6	-1.18%	96.14%
2011	7456.0	106,430,684	14,275	-0.63%	676	1:9.7	1:9.7	1:9.7	1:11.4	7410.0	7,113.8	-0.86%	96.00%
2012	7355.0	114,186,553	15,525	8.76%	749	1:9.1	N/A	1:10.2	1:11.1	7399.0	7,116.1	-0.15%	96.18%
2013	7209.0	118,995,119	16,506	6.32%	742	1:10.0	N/A	1:09.8	1:11.4	7231.1	6,915.4	-2.27%	95.63%
2014	7197.0	118,333,739	16,442	-0.39%	747	1:10.0	N/A	1:09.7	1:11.3	7233.0	6,929.1	0.03%	95.80%

Source: District records

Note: Enrollment based on annual October district count.

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

School Building Information
Last Nine Fiscal Years
Unaudited

District Building	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Elementary										
Amsterdam Elementary (1990)										
Square Feet	53,045	53,045	53,045	53,045	53,045	53,045	53,045	53,045	53,045	53,045
Capacity (students)	600	600	600	600	600	600	600	600	600	600
Enrollment	519	502	512	520	519	510	522	502	496	492
Hillsborough Elementary (1949)										
Square Feet	64,810	64,810	64,810	64,810	64,810	64,810	64,810	64,810	64,810	64,810
Capacity (students)	600	600	600	600	600	600	600	600	600	600
Enrollment	580	551	514	491	511	506	501	541	545	493
Sunnymead Elementary (1958)										
Square Feet	50,001	50,001	50,001	50,001	50,001	50,001	50,001	50,001	50,001	50,001
Capacity (students)	600	600	600	600	600	600	600	600	600	600
Enrollment	462	453	434	459	418	411	414	406	371	355
Triangle Elementary (1993)										
Square Feet	47,435	47,435	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	600	600
Enrollment	442	430	413	398	414	444	424	419	386	392
Woodfern Elementary (1992)										
Square Feet	47,041	47,041	47,041	47,041	47,041	47,041	47,041	47,041	47,041	47,041
Capacity (students)	600	600	600	600	600	600	600	600	600	600
Enrollment	457	479	459	443	435	416	396	398	379	396
Woods Road Elementary (1967)										
Square Feet	56,176	56,176	56,176	56,176	56,176	56,176	56,176	56,176	56,176	56,176
Capacity (students)	600	600	600	600	600	600	600	600	600	600
Enrollment	466	420	443	439	433	432	447	478	470	467
Intermediate School										
Auten Road Intermediate School (1998)										
Square Feet	120,335	120,335	120,335	120,335	120,335	120,335	120,335	120,335	120,335	120,335
Capacity (students)	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
Enrollment	1,211	1,228	1,225	1,253	1,194	1,137	1,102	1,135	1,133	1,133
Middle School										
Hillsborough Middle School (1975)										
Square Feet	165,811	165,811	165,811	165,811	165,811	165,811	165,811	165,811	165,811	165,811
Capacity (students)	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
Enrollment	1,182	1,152	1,247	1,262	1,254	1,235	1,200	1,135	1,105	1,125
High School										
Hillsborough High School (1967)										
Square Feet	314,615	314,615	314,615	314,615	314,615	314,615	314,615	314,615	314,615	314,615
Capacity (students)	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600
Enrollment	2,278	2,347	2,321	2,306	2,370	2,350	2,404	2,376	2,319	2,261

Number of Schools at June 30, 2014
- 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.

Exhibit J-19

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

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

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

*School Facility	Pending Projects (w/DOE Project #)	Gross Building Area (SF)	Ten Year Total	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Hillsborough High School		375,913	$ 1,806,404.51	$ 187,520.40	$ 222,071.21	$ 241,181.19	$ 176,247.13	$ 155,974.59	$ 129,724.13	$ 202,117.01	$ 144,435.45	$ 136,177.75	$ 210,955.66
Hillsborough Middle School		176,000	910,107.09	72,338.78	133,345.87	79,166.75	92,881.17	60,837.17	17,038.09	118,485.64	83,355.76	77,647.39	175,010.47
Auten Road Intermediate School		177,374	656,514.99	77,044.89	86,346.56	84,255.09	41,852.23	39,098.03	115,096.27	32,714.64	53,959.14	49,586.75	76,561.39
Amsterdam Elementary School		58,233	289,952.79	36,037.26	14,060.46	41,014.49	27,209.02	26,207.06	46,294.85	17,225.13	19,443.13	24,332.70	38,128.69
Hillsborough Elementary School		66,960	281,892.02	26,259.27	19,379.43	21,968.86	21,692.97	32,024.08	18,505.26	13,074.46	40,590.21	29,024.61	59,172.87
Sunnymead Elementary School		51,450	200,133.66	17,326.55	14,134.30	12,905.16	12,806.21	40,064.64	10,917.52	15,725.54	19,298.89	15,411.27	41,543.58
Triangle Elementary School		52,095	230,242.98	22,772.25	10,951.31	21,002.78	26,358.17	29,065.37	13,003.19	21,332.35	34,932.94	17,500.71	33,323.91
Woodfern Elementary School		51,830	290,485.20	35,220.52	35,996.63	28,086.60	39,528.73	38,534.80	30,350.42	16,760.58	17,672.44	17,097.72	31,236.76
Woods Road Elementary School		59,746	224,705.52	20,649.39	21,290.17	17,710.67	22,206.16	23,076.96	27,384.89	18,430.63	38,794.81	16,867.71	20,294.13
District Total			$ 4,890,238.76	$ 495,169.31	$ 557,575.94	$ 547,291.59	$ 460,781.79	$ 444,882.70	$ 408,314.62	$ 453,865.98	$ 452,482.77	$ 383,646.61	$ 686,227.45

*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

Exhibit J-20

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

Insurance Schedule
As of June 30, 2014
Unaudited

	Coverage	Deductible
Utica:		
Package Policy:		
Blanket Real and Personal Property	$ 227,174,979	$ 1,000
Extra Expense	1,000,000	
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	250/500/1000
New Jersey School Boards Association Insurance Group:		
Worker's Compensation and Employer's Liabilty	2,000,000	
Utica:		
Commercial Umbrella Liability	10,000,000	
Fireman's Fund:		
Excess Umbrella Liabilty	50,000,000	
Bollinger Insurance Company:		
Student Accident Insurance	5,000,000	
Chubb Insurance Co.:		
Environmental Liabilty	1,000,000	25,000
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

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Township of Hillsborough School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Township of Hillsborough School District's basic financial statements, and have issued our report thereon dated August 29, 2014.

Internal Control Over Financial Reporting

Management of the 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 to determine the audit procedures that are appropriate in the circumstance for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 Government Auditing Standards.

Purpose of This Report

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

Timothy M. Vrabel
Public School Accountant
License No. CS000689

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

Montville, New Jersey
August 29, 2014

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

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

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; REPORT ON SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE REQUIRED BY OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR LETTER 04-04

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal and State Program

We have audited the Township of Hillsborough School District's compliance 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 Compliance Manual State Grants 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, 2014. Township of Hillsborough School District's major federal and state programs are identified in the Summary of Auditor's Results Section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Township of Hillsborough School District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; in compliance with 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

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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 of Township of Hillsborough School District's compliance with those requirements.

Opinion on Each Major Federal and State program

In our opinion, the Township of Hillsborough School District, in the County of Somerset, State of New Jersey, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The management of Township of Hillsborough School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Township of Hillsborough School District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB 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 over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state will not be prevented or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and New Jersey OMB Circular 04-04. Accordingly, this report is not suitable for any other purpose.

Report on Schedules of Expenditures of Federal Awards and State Financial Assistance Required by OMB Circular A-133 and New Jersey OMB Circular 04-04

We have audited the financial statements of the Township of Hillsborough School District as of and for the year ended June 30, 2014, and have issued our report thereon dated August 29, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented for purposes of additional analysis as required by OMB Circular A-133 and New Jersey OMB Circular 04-04 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules of Expenditure of Federal Awards and State Financial Assistance are fairly stated in all material respects in relation to the financial statements as a whole.

Timothy M. Vrabel
Public School Accountant
License No. CS000689

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

Montville, New Jersey
August 29, 2014

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

Schedule of Expenditures of Federal Awards, Schedule A
For the Fiscal Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA or Grant Number	Grant Period	Award Amount	Balance July 1, 2013	Adjustments	Cash Received	BUDGETARY EXPENDITURES Disbursements	Accounts Payable	Encumbrances	Total	Repayment of Prior Years' Balances	Balance June 30, 2014 Accounts Receivable	Deferred Revenue	Due to Grantor
U.S. Department of Treasury:														
Medicaid Reimbursement	93.778	7/1/13-6/30/14	$ 20,896.32	$ -	$ -	$ 20,896.32	$ 20,896.32	$ -	$ -	$ 20,896.32	$ -	$ -	$ -	$ -
Total U.S. Department of Treasury				-	-	20,896.32	20,896.32	-	-	20,896.32	-	-	-	-
U.S. Department of Agriculture Passed - Through State Department of Education:														
Food Distribution Program	10.550	7/1/13-6/30/14	137,030.48	11,965.99		137,030.48	140,650.08			140,650.08			8,346.39	
School Breakfast Program	10.553	7/1/13-6/30/14	6,910.64			5,526.66	6,910.64			6,910.64		(1,383.98)		
School Breakfast Program	10.553	7/1/12-6/30/13	8,650.20	(2,105.48)		2,105.48				-		-		
National School Lunch Program	10.555	7/1/13-6/30/14	297,048.73			242,404.71	297,048.73			297,048.73		(54,644.02)		
National School Lunch Program	10.555	7/1/12-6/30/13	305,233.08	(61,265.81)		61,265.81				-		-		
Special Milk Program	10.556	7/1/13-6/30/14	4,925.56	-		4,129.35	4,925.56			4,925.56		(796.21)	-	
Total U.S. Department of Agriculture				(51,405.29)		452,462.45	449,534.99			449,534.99		(56,824.21)	8,346.39	
U.S. Department of Education Passed - Through State Department of Education:														
General Funds:														
ARRA Education Jobs Fund	84.410A	7/1/12-9/30/12	2,248.00	(2,248.00)		2,248.00								
Total U.S. Department of Education (Fund 12)				(2,248.00)		2,248.00								
Special Revenue Funds:														
E.S.E.A. Title I	84.010A	9/1/13-8/30/14	228,306.00			14,770.79	107,278.09			107,278.09		(92,507.30)		
E.S.E.A. Title I	84.010A	9/1/12-8/31/13	228,542.00	(46,882.21)		46,882.21				-		-		
E.S.E.A. Title II A	84.367A	9/1/13-8/30/14	161,815.00			17,152.72	92,252.00			92,252.00		(75,099.28)		
E.S.E.A. Title II A	84.367A	9/1/12-8/31/13	171,100.00	(56,157.28)		56,157.28				-		-		
E.S.E.A. Title III	84.365A	9/1/13-8/30/14	57,850.00			13,053.43	25,756.55			25,756.55		(12,703.13)		
E.S.E.A. Title III	84.365A	9/1/12-8/31/13	49,157.00	(11,626.44)	477.33 (1)	11,149.11				-		-		
E.S.E.A. Title III	84.365A	9/1/11-8/31/12	50,631.00	(841.47)		841.47				-		-		
E.S.E.A. Title III - Immigrant	84.365A	9/1/13-8/30/14	5,365.00	-						-		-		
I.D.E.A. Part B, Basic	84.027A	9/1/13-8/30/14	1,870,308.00			474,068.88	1,526,887.14			1,526,887.14		(1,052,819.26)		
I.D.E.A. Part B, Basic	84.027A	9/1/12-8/31/13	1,904,278.00	(462,121.22)	39.43 (1)	705,071.11	242,989.32			242,989.32		-		
I.D.E.A. Part B, Preschool	84.173A	9/1/13-8/30/14	51,219.00			18,484.88	38,967.95			38,967.95		(20,483.07)		
I.D.E.A. Part B, Preschool	84.173A	9/1/12-8/31/13	66,825.00	(18,677.37)		31,264.12	12,586.75			12,586.75		-		
PACE		7/1/97-6/30/98	500.00	200.00						-		-	200.00	
Readiness and Emergency Management for Schools	84.184E	7/1/10-6/30/13	149,990.00	(31,621.30)	-	18,627.48	18,627.48			18,627.48		(31,621.30)	-	
Total U.S. Department of Education (Fund 20)				(627,637.28)	516.76	1,407,333.46	2,065,345.26	-	-	2,065,345.26	-	(1,285,532.33)	200.00	-
Total Federal Financial Assistance				$ (681,490.57)	$ 516.76	$ 1,882,840.23	$ 2,535,776.57	$ -	$ -	$ 2,535,776.57	$ -	$ (1,342,356.54)	$ 8,546.39	$ -

(1) Prior Year Encumbrances Canceled

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

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

Schedule of Expenditures of State Financial Assistance, Schedule B
For the Fiscal Year Ended June 30, 2014

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance July 1, 2013	Adjustments	Cash Received	BUDGETARY EXPENDITURES Disbursements	Accounts Payable	Encumbrances	Total	Repayment of Prior Years' Balances	Balance June 30, 2014 Accounts Receivable	Deferred Revenue	Due to Grantor
State Department of Education:														
General Fund:														
Equalization Aid	14-495-034-5120-078	7/1/13-6/30/14	$ 19,276,977.00	$ -	$ 12,665.42 (1)	$ 17,352,347.60	$ 19,276,977.00	$ -	$ -	$ 19,276,977.00	$ -	$ (1,911,944.00)	$ -	$ -
Equalization Aid	13-495-034-5120-078	7/1/12-6/30/13	19,649,956.00	(1,948,611.72)		1,948,611.72				-		-		
Categorical Transportation Aid	14-495-034-5120-014	7/1/13-6/30/14	552,129.00	-		497,367.32	552,129.00			552,129.00	-	(54,761.68)		
Categorical Transportation Aid	13-495-034-5120-014	7/1/12-6/30/13	578,513.00	(57,377.76)		57,377.76				-		-		
Categorical Special Education Aid	14-495-034-5120-011	7/1/13-6/30/14	4,516,286.00			4,068,348.34	4,516,286.00			4,516,286.00		(447,937.76)		
Categorical Special Education Aid	13-495-034-5120-011	7/1/12-6/30/13	4,523,234.00	(448,621.04)		448,621.04				-		-		
Categorical Security Aid	14-495-034-5120-084	7/1/13-6/30/14	174,697.00			157,370.67	174,697.00			174,697.00		(17,326.93)		
Categorical Security Aid	13-495-034-5120-084	7/1/12-6/30/13	172,083.00	(17,065.46)		17,065.46				-		-		
Under Adequacy Aid	14-495-034-5120-096	7/1/13-6/30/14	13,046.00			11,752.06	13,046.00			13,046.00		(1,293.94)		
Additional Adjustment Aid	14-495-034-5120-085	7/1/13-6/30/14	406,368.00			366,061.31	406,368.00			406,368.00		(40,306.69)		
Extraordinary Aid	14-100-034-5120-473	7/1/13-6/30/14	460,420.00				460,420.00			460,420.00		(460,420.00)		
Extraordinary Aid	13-100-034-5120-473	7/1/12-6/30/13	562,212.00	(562,212.00)		562,212.00				-		-		
Non-Public Transportation Aid	14-495-034-5120-014	7/1/13-6/30/14	45,714.00				45,714.00			45,714.00		(45,714.00)		
Non-Public Transportation Aid	13-495-034-5120-014	7/1/12-6/30/13	38,696.56	(38,696.56)		38,696.56				-		-		
Reimbursed TPAF Social Security Contribution	14-495-034-5095-002	7/1/13-6/30/14	4,067,157.01			4,067,154.20	4,067,157.01			4,067,157.01		(2.81)		
Reimbursed TPAF Social Security Contribution	13-495-034-5095-002	7/1/12-6/30/13	3,998,442.63	(115.99)		115.99				-		-		
On-Behalf TPAF Pension Contributions	14-495-034-5095-006	7/1/13-6/30/14	6,047,779.00	-	-	6,047,779.00	6,047,779.00			6,047,779.00		-		
Total General Fund				(3,082,990.55)	12,665.42	35,651,190.35	35,560,593.01			35,560,593.01		(2,679,707.81)		
Special Revenue Funds:														
New Jersey Nonpublic Aid:														
Textbook Aid	14-100-034-5120-064	7/1/13-6/30/14	4,826.00			4,826.00	3,803.56			3,803.56		-		1,022.44
Textbook Aid	13-100-034-5120-064	7/1/13-6/30/13	7,388.00	999.44	(999.44) (1)					-		-		
Auxiliary Services:														
Compensatory Education	14-100-034-5120-067	7/1/13-6/30/14	3,082.00			3,082.00	2,675.52			2,675.52		-		406.48
Compensatory Education	13-100-034-5120-067	7/1/13-6/30/13	7,023.00	501.42	(501.42) (1)					-		-		
Handicapped Services:														
Examination and Classification	14-100-034-5120-066	7/1/13-6/30/14	2,866.00			2,866.00	2,547.16			2,547.16		-		318.84
Examination and Classification	13-100-034-5120-066	7/1/12-6/30/13	6,208.00	838.10	(838.10) (1)					-		-		
Corrective Speech	14-100-034-5120-066	7/1/13-6/30/14	6,593.00			6,593.00	6,953.68			6,953.68		-		1,640.32
Corrective Speech	13-100-034-5120-066	7/1/12-6/30/13	16,718.00	7,734.20	(7,734.20) (1)					-		-		
Supplementary Instruction	14-100-034-5120-066	7/1/13-6/30/14	2,062.00			2,062.00	971.32			971.32		-		1,110.68
Supplementary Instruction	13-100-034-5120-066	7/1/12-6/30/13	2,221.00	417.12	(417.12) (1)					-		-		
Nursing Services	14-100-034-5120-070	7/1/13-6/30/14	6,794.00			6,794.00	6,443.04			6,443.04		-		350.96
Nursing Services	13-100-034-5120-070	7/1/12-6/30/13	11,219.00	1,722.14	(1,722.14) (1)					-		-		
Technology Initiative	14-100-034-5120-373	7/1/13-6/30/14	1,660.00			1,660.00	1,137.66			1,137.66		-		542.34
Technology Initiative	13-100-034-5120-373	7/1/12-6/30/13	2,986.00	672.98	(672.98) (1)	-	-			-		-		-
Total Special Revenue Funds				12,665.42	(12,665.42)	26,823.00	24,530.94			24,530.94		-		5,392.06
Capital Project Funds:														
N.J. School Development Authority Grant	2170-030-14-G2OQ		487,030.00											
N.J. School Development Authority Grant	2170-034-14-G2OR		18,866.00											
N.J. School Development Authority Grant	2170-035-14-G2OS		94,970.00											
Total Capital Project Funds				-										
Debt Service Funds:														
Debt Service Aid - State Support	14-495-034-5120-125	7/1/13-6/30/14	547,512.00			547,512.00	547,512.00			547,512.00				
Total Debt Service Funds						547,512.00	547,512.00			547,512.00				
Enterprise Funds:														
State School Lunch Program	14-100-010-3350-023	7/1/13-6/30/14	18,696.99			15,510.02	18,696.99			18,696.99		(3,186.97)		
State School Lunch Program	13-100-010-3350-023	7/1/12-6/30/13	18,646.73	(3,699.74)		3,699.74	-			-		-		
Total Enterprise Funds				(3,699.74)	-	19,209.76	18,696.99	-	-	18,696.99	-	(3,186.97)	-	-
Total All Funds				$ (3,084,004.88)	$ -	$ 36,247,835.11	$ 36,141,332.94	$ -	$ -	$ 36,141,332.94	$ -	$ (2,982,894.78)	$ -	$ 5,392.06

(1) Reallocated

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

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
NOTES TO SCHEDULES OF EXPENDITURES OF AWARDS AND FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2014

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, 2014
(CONCLUDED)

Note 3: Relationship to Basic Financial Statements (Continued)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is $(1,595.00) for the general fund and $13,357.45 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:

	Federal	State	Total
General Fund	$ 20,896.32	$35,548,998.01	$35,569,894.33
Special Revenue Fund	2,078,702.71	24,530.94	2,103,233.65
Debt Service Fund		547,512.00	547,512.00
Food Service Fund	445,915.39	18,946.99	464,612.38
Total Awards and Financial Assistance	$2,545,514.42	$36,139,737.94	$38,685,252.36

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, 2014. 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, 2014.

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

Part I – Summary of Auditor's Results

Financial Statement Section

A) Type of auditor's report issued: Unmodified

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 Unmodified

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:

CFDA Number(s)	Name of Federal Program or Cluster
84.027A	I.D.E.A. Part B, Basic
84.173A	I.D.E.A. Part B Preschool

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

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

State Financial Assistance Section

J) Dollar threshold used to determine Type A Programs — $ 902,806.00

K) Auditee qualified as low-risk auditee? — X yes ___ no

L) Type of auditor's report on compliance for major programs. — Unmodified

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:

GMIS Number(s)	Name of State Program
14-495-034-5120-078	Equalization Aid
14-495-034-5120-089	Special Education Aid
14-495-034-5210-085	Additional Adjustment Aid
14-495-034-5210-084	Categorical Security Aid
14-495-034-5095-002	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, 2014
(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, 2014
(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, 2014

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