

PRELIMINARY OFFICIAL STATEMENT DATED JULY 2, 2020

NEW ISSUE – Book-Entry Only

**Rating: S&P: “AA-”
See “RATING” herein**

In the opinion of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey (“Bond Counsel”), under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance with certain covenants described herein, interest on the Bonds (as herein defined) (i) is not includable in gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) is not treated as a preference item under Section 57 of the Code for purposes of computing the Federal alternative minimum tax. Bond Counsel is further of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds and any gain on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act, as amended. See “TAX EXEMPTION” herein.

**\$35,416,000
SCHOOL BONDS, SERIES 2020
THE BOARD OF EDUCATION OF THE TOWNSHIP OF HILLSBOROUGH
IN THE COUNTY OF SOMERSET, NEW JERSEY
(New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as amended)**

CALLABLE

Dated: Date of Delivery

Due: July 15, as shown on inside cover

The \$35,416,000 aggregate principal amount of School Bonds, Series 2020 (the “Bonds”), of The Board of Education of the Township of Hillsborough in the County of Somerset, New Jersey (the “Board” when referring to the governing body and the “School District” when referring to the territorial boundaries governed by the Board) are valid and legally binding general obligations of the Board, and unless paid from other sources, are payable from *ad valorem* taxes levied upon all the taxable real property within the School District for the payment of the Bonds and the interest thereon without limitation as to rate or amount. Payment of the principal of and interest on the Bonds is also secured under the provisions of the New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as amended.

The Bonds will be issued as fully registered bonds in book-entry only form (without certificates) in the form of one certificate for the aggregate principal amount of the Bonds maturing in each year and when issued will be registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Individual purchases may be made in the principal amount of \$1,000 each or any integral multiple thereof with a minimum purchase of \$5,000 required, through book-entries made on the books and records of DTC and its participants. See “BOOK-ENTRY ONLY SYSTEM” herein.

The Bonds shall bear interest from their date of delivery, which interest shall be payable semi-annually on the fifteenth day of January and July in each year, commencing July 15, 2021, until maturity or prior redemption. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each immediately preceding July 1 and January 1 (the “Record Dates” for the payment of interest on the Bonds).

The Bonds are subject to redemption prior to their stated maturities as set forth herein. See “DESCRIPTION OF THE BONDS – Redemption” herein.

The Bonds are offered when, as and if issued and delivered to the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice and to approval of legality by the law firm of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel to the Board, and certain other conditions described herein. Certain legal matters will be passed upon for the Board by Fogarty & Hara, Fair Lawn, New Jersey, General Counsel to the Board. Phoenix Advisors, LLC, Bordentown, New Jersey, served as Municipal Advisor in connection with the Bonds. Delivery of the Bonds in definitive form to DTC in Jersey City, New Jersey, is anticipated to occur on or about July 29, 2020.

ELECTRONIC SUBMISSIONS FOR THE BONDS, IN ACCORDANCE WITH THE FULL NOTICE OF SALE, MUST BE MADE VIA PARITY PRIOR TO 11:00 A.M. EASTERN DAYLIGHT SAVING TIME ON JULY 9, 2020. FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY, VIEW THE FULL NOTICE OF SALE POSTED AT WWW.MUNIHub.COM.

This is a Preliminary Official Statement, complete with the exception of the specific information permitted to be omitted by Rule 15c2-12 of the Securities and Exchange Commission. The Board has authorized distribution of this Preliminary Official Statement to prospective purchasers and others. In accordance with Rule 15c2-12, this Preliminary Official Statement is deemed final. Upon the sale of the Bonds described herein, the Board will deliver a final Official Statement within the earlier of seven (7) business days following such sale or to accompany the purchaser's confirmations requesting payment for the Bonds.

\$35,416,000
THE BOARD OF EDUCATION OF THE
TOWNSHIP OF HILLSBOROUGH
IN THE COUNTY OF SOMERSET, NEW JERSEY
SCHOOL BONDS, SERIES 2020

(New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as amended)
CALLABLE

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES,
YIELDS AND CUSIP NUMBERS

<u>Maturity</u> <u>(July 15)</u>	<u>Principal</u> <u>Amounts</u>	<u>Interest</u> <u>Rates</u>	<u>Yields</u>	<u>CUSIP</u> <u>Numbers*</u>
2022	\$1,476,000			432380__
2023	1,515,000			432380__
2024	1,555,000			432380__
2025	1,595,000			432380__
2026	1,630,000			432380__
2027	1,675,000			432380__
2028	1,715,000			432380__
2029	1,760,000			432380__
2030	1,800,000			432380__
2031	1,845,000			432380__
2032	1,890,000			432380__
2033	1,940,000			432380__
2034	1,990,000			432380__
2035	2,040,000			432380__
2036	2,090,000			432380__
2037	2,140,000			432380__
2038	2,195,000			432380__
2039	2,250,000			432380__
2040	2,315,000			432380__

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

**THE BOARD OF EDUCATION OF THE
TOWNSHIP OF HILLSBOROUGH
IN THE COUNTY OF SOMERSET, NEW JERSEY**

BOARD MEMBERS

President – Dr. Lorraine A. Soisson
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Jane M. Staats
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Lisa M. Antunes, Ed.D.

BUSINESS ADMINISTRATOR/BOARD SECRETARY

Aiman Mahmoud

BOARD ATTORNEY

Fogarty & Hara
Fair Lawn, New Jersey

BOARD AUDITOR

T.M. Vrabel & Associates, LLC
Montville, New Jersey

MUNICIPAL ADVISOR

Phoenix Advisors, LLC
Bordentown, New Jersey

BOND COUNSEL

Wilentz, Goldman & Spitzer, P.A.
Woodbridge, New Jersey

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No broker, dealer, salesperson or other person has been authorized by the Board to give any information or to make any representations with respect to the Bonds, other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the Board. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale.

The information contained herein has been provided by the Board, DTC and other sources deemed reliable by the Board; however, such information is not guaranteed as to its accuracy or completeness and such information is not to be construed as a representation or warranty by the Board, as to information from sources other than itself. The Board has not confirmed the accuracy or completeness of information relating to DTC, which information has been provided by DTC.

This Official Statement is not to be construed as a contract or agreement among the Board, the Underwriter and the owners of any of the Bonds. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information herein since the date hereof, or the date as of which such information is given, if earlier.

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

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

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

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OFFICIAL STATEMENT

OF

**THE BOARD OF EDUCATION OF THE
TOWNSHIP OF HILLSBOROUGH
IN THE COUNTY OF SOMERSET, NEW JERSEY**

\$35,416,000

SCHOOL BONDS, SERIES 2020

(NEW JERSEY SCHOOL BOND RESERVE ACT, 1980 N.J. Laws c. 72, as amended)

CALLABLE

INTRODUCTION

This Official Statement, which includes the cover page and the appendices attached hereto, has been prepared by The Board of Education of the Township of Hillsborough in the County of Somerset, New Jersey (the "Board" when referring to the governing body and the "School District" when referring to the territorial boundaries governed by the Board) in connection with the offering, sale and issuance of its \$35,416,000 aggregate principal amount of School Bonds, Series 2020 (the "Bonds"). This Official Statement has been executed by and on behalf of the Board by the Business Administrator/Board Secretary and its distribution and use in connection with the offering and sale of the Bonds have been authorized by the Board.

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

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

DESCRIPTION OF THE BONDS

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

Terms and Interest Payment Dates

The Bonds shall be dated their date of delivery and shall mature on July 15 in each of the years and in the amounts set forth on the inside cover page hereof. The Bonds shall bear interest from their date of delivery which interest shall be payable semi-annually on the fifteenth day of January and July (each an "Interest Payment Date"), commencing on July 15, 2021, in each of the years and at the interest rates set forth on the inside cover page hereof until maturity or prior redemption by check mailed by the Board or a duly appointed paying agent to the registered owners of the Bonds as of each July 1 and January 1 immediately preceding the respective Interest Payment Date (the "Record Dates"). So long as The Depository Trust Company, New York, New York ("DTC"), or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Board or a designated paying agent directly to DTC or its nominee, Cede & Co., which will in turn remit such payments to DTC participants, which will in turn remit such payments to the beneficial owners of the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds will be issued in fully registered book-entry only form, without certificates. One certificate shall be issued for the aggregate principal amount of the Bonds maturing in each year, and

when issued, will be registered in the name of and held by Cede & Co., as nominee of DTC. DTC will act as Securities Depository for the Bonds (the "Securities Depository"). The certificates will be on deposit with DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its participants and transfers of the interests among its participants. The participants will be responsible for maintaining records regarding the beneficial ownership interests in the Bonds on behalf of the individual purchasers. Individual purchases may be made in the principal amount of \$1,000 each, or any integral multiple thereof with a minimum purchase of \$5,000 required, through book-entries made on the books and records of DTC and its participants. Individual purchasers of the Bonds will not receive certificates representing their beneficial ownership interests in the Bonds, but each book-entry owner will receive a credit balance on the books of its nominee, and this credit balance will be confirmed by an initial transaction statement stating the details of the Bonds purchased. See "BOOK-ENTRY ONLY SYSTEM" herein.

Redemption

The Bonds of this issue maturing prior to July 15, 2028 are not subject to redemption prior to their stated maturities. The Bonds of this issue maturing on or after July 15, 2028 are redeemable at the option of the Board in whole or in part on any date on or after July 15, 2027 upon notice as required herein at one hundred percent (100%) of the principal amount being redeemed (the "Redemption Price"), plus accrued interest to the date fixed for redemption.

Notice of Redemption

Notice of redemption ("Notice of Redemption") shall be given by mailing such notice at least thirty (30) days but not more than sixty (60) days before the date fixed for redemption by first class mail in a sealed envelope with postage prepaid to the registered owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Board or a duly appointed Bond Registrar. So long as DTC (or any successor thereto) acts as Securities Depository for the Bonds, Notice of Redemption shall be sent to such Securities Depository and shall not be sent to the beneficial owners of the Bonds. Any failure of the Securities Depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any Notice of Redemption shall not affect the validity of the redemption proceedings. If the Board determines to redeem a portion of the Bonds prior to maturity, such Bonds shall be selected by the Board; the Bonds to be redeemed having the same maturity shall be selected by the Securities Depository in accordance with its regulations.

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

Security for the Bonds

The Bonds are valid and legally binding general obligations of the Board, and the Board has irrevocably pledged its full faith and credit for the payment of the principal of and interest on the Bonds. Unless paid from other sources, the principal of and interest on the Bonds are payable from *ad valorem* taxes levied upon all the taxable real property within the School District without limitation as to rate or amount. The Bonds are additionally secured by the New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as amended.

School Bond Reserve Act (1980 N.J. Laws c. 72)

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

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

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

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

Authorization and Purpose

The Bonds have been authorized and are issued pursuant to (i) Title 18A, Chapter 24 of the New Jersey Statutes, Chapter 271 of the Laws of 1967, as amended and supplemented, (ii) a proposal adopted by the Board on October 14, 2019, and approved by the affirmative vote of a majority of the legal voters present and voting at a special School District election held on December 10, 2019 and (iii) a resolution duly adopted by the Board on June 8, 2020 (the "Resolution").

The proceeds of the Bonds will be used to finance various capital improvements in and for the School District (the "Project") and to pay the costs of issuance associated with the issuance of the Bonds. The State has awarded the School District aid for the Project in the amount of forty percent (40%) of the eligible costs of such Project. As such, the State has agreed to pay forty percent (40%) of the annual debt service on the eligible costs financed by the Bonds each year.

BOOK-ENTRY ONLY SYSTEM

The description which follows of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal and interest, and other payments on the Bonds to DTC Participants or Beneficial Owners (as such terms are defined or used herein), confirmation and

transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, DTC Participants and Beneficial Owners, is based on certain information furnished by DTC to the Board. Accordingly, the Board does not make any representations concerning these matters.

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

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For

example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Board or Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Direct and Indirect Participant and not of DTC, nor its nominee, Paying Agent or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

Discontinuance of Book-Entry Only System

In the event that the book-entry-only system is discontinued and the Beneficial Owners become registered owners of the Bonds, the following provisions apply: (i) the Bonds may be exchanged for an equal aggregate principal amount of Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the office of the Board or its paying agent; (ii) the transfer of any Bonds may be registered on the books maintained by the registrar for such purposes only upon the surrender thereof to the Board or its paying agent together with the duly executed assignment in form satisfactory to the Board or its paying agent; and (iii) for every exchange or registration of transfer of Bonds, the Board or its paying agent may make a charge sufficient to reimburse for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Bonds. Interest on the Bonds will be payable by check or draft mailed on each Interest Payment Date to the registered owners thereof as of the close of business on the Record Dates.

THE SCHOOL DISTRICT AND THE BOARD

The Board is a nine (9) member board with members elected for staggered three (3) year terms. The Superintendent of Schools is the chief administrative officer of the School District. The Business Administrator/Board Secretary is the chief financial officer of the School District and oversees the Board's business functions. The Business Administrator/Board Secretary reports to the Superintendent of Schools.

The School District is a Type II school district, the geographical boundaries of which are coterminous with the Township of Hillsborough, in the County of Somerset, State of New Jersey (the "Township"), educating students in grades Pre-Kindergarten (Pre-K) through twelve (12). The School District operates six (6) elementary schools, one (1) intermediate school, one (1) middle school and one (1) high school. See "APPENDIX A – Certain Economic and Demographic Information Relating to the School District and the Township of Hillsborough, in the County of Somerset, State of New Jersey."

THE STATE'S ROLE IN PUBLIC EDUCATION

The Constitution of the State of New Jersey provides that the State shall provide for the maintenance and support of a thorough and efficient ("T&E") system of free public schools for the instruction of all children between the ages of 5 and 18 years. Case law has expanded the responsibility to include children between the ages of 3 and 21.

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

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

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

STRUCTURE OF SCHOOL DISTRICTS IN NEW JERSEY

Categories of School Districts

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

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

(2) Type II, in which the registered voters within a school district elect the members of a board of education and either (a) the registered voters also vote upon all fiscal matters with the exception set forth in the new Budget Election Law (as hereinafter defined in "School Budgetary Process"), or (b) a board of school estimate, consisting of two (2) members of the governing body of and the CEO of each municipality within the school district and the president of and one member of the board of education, and approves all fiscal matters;

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

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

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

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

There is a procedure whereby a Type I school district or a Type II school district may change from one type to the other after an approving public referendum. Such a public referendum must be held whenever directed by the municipal governing body or board of education in a Type I district, or the board of education in a Type II district, or when petitioned for by fifteen percent (15%) of the voters of any school district. The School District is a Type II school district without a board of school estimate.

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

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

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

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

School districts that opt to move the annual school election to November are no longer required to submit the budget to the voters for approval if the budget is at or below the two percent (2%) property tax levy cap as provided in the Tax Levy Cap Law (as hereinafter defined).

The Board conducts its annual election in November.

SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT

Levy and Collection of Taxes

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

Budgets and Appropriations

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

Tax and Spending Limitations

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

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

The Comprehensive Educational Improvement and Financing Act of 1996, N.J.S.A. 18A:7F-1 et seq., P.L. 1996, c. 138 (the "CEIFA"), as amended by P.L. 2004, c. 732, effective July 1, 2004, also limited the annual increase in a school district's net budget by a spending growth limitation. The CEIFA limited the amount school districts can increase their annual current expense and capital outlay budgets (the "Spending Growth Limitations"). Generally, budgets could increase either by two and one-half percent (2.5%) or the consumer price index, whichever is greater. Amendments to the CEIFA decreased the budget cap to two and one-half percent (2.5%) from three percent (3%). Budgets could also increase because of certain adjustments for enrollment increases, certain capital outlay expenditures, pupil transportation costs, and special education costs that exceeded \$40,000 per pupil. Waivers were available from the Commissioner based on increasing enrollments and other fairly narrow grounds and increases higher than the cap could be approved by a vote of sixty (60%) at the annual school election.

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

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

Debt service was not limited either by the Spending Growth Limitations or the four percent (4%) cap on the tax levy increase imposed by chapter 62.

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

The restrictions are solely on the tax levy for the general fund and are not applicable to the debt service fund. There are no restrictions on a local school district's ability to raise funds for debt service, and nothing would limit the obligation of a school district to levy *ad valorem* taxes upon all taxable real property within the school district to pay debt service on its bonds or notes with one exception. School

districts are subject to GAAP accounting, and under GAAP interest on obligations maturing within one (1) year must be treated as operating expenses. Accordingly, under the Department of Education's Chart of Accounts, interest on notes is raised in the General Fund of a school district and therefore is counted within its two percent (2%) tax levy cap on spending.

Issuance of Debt

Among the provisions for the issuance of school debt are the following requirements: (i) bonds must mature in serial installments within the statutory period of usefulness of the projects being financed but not exceeding forty (40) years, (ii) debt must be authorized by a resolution of a board of education (and approved by a board of school estimate in a Type I school district), and (iii) there must be filed with the State by each municipality comprising a school district a Supplemental Debt Statement and a school debt statement setting forth the amount of bonds and notes authorized but unissued and outstanding for such school district.

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

Every board of education is required to provide an annual audit of the school district's accounts and financial transactions. The audit must be performed by a licensed public school accountant no later than five (5) months after the end of the school fiscal year. The audit, in conformity with statutory requirements, must be filed with the board of education and the Commissioner. Additionally, the audit must be summarized and discussed at a regular public meeting of the local board of education within thirty (30) days following receipt of the annual audit by such board of education.

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

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

Capital Lease Financing

School districts are permitted to enter into lease purchase agreements for the acquisition of equipment or for the improvement of school buildings. Generally, lease purchase agreements cannot exceed five (5) years except for certain energy-saving equipment which may be leased for up to fifteen (15) years if paid from energy savings. Lease purchase agreements for a term of five (5) years or less must be approved by the Commissioner. The Educational Facilities Construction and Financing Act, P.L. 2000, c. 72 (the "EFCFA"), repealed the authorization to enter into facilities leases in excess of five (5) years. The payment of rent on an equipment lease and on a five (5) year and under facilities lease is treated as a current expense and within the cap on the school district's budget. Under the CEIFA, lease purchase payments on leases in excess of five (5) years issued under prior law are treated as debt service payments and, therefore, will receive debt service aid if the school district is entitled and are outside the school district's tax levy cap.

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

Except as provided below, no additional debt shall be authorized if the principal amount, when added to the net debt previously authorized, exceeds a statutory percentage of the average equalized valuation of taxable property in a school district. As a Pre-Kindergarten (Pre-K) through grade twelve (12) school district, the School District can borrow up to four percent (4%) of the average equalized valuation of taxable property in the School District. As set forth below, the authorization and issuance of the Bonds caused the School District to exceed its four percent (4%) debt limit. See "APPENDIX A – Certain

Economic and Demographic Information Relating to the School District and the Township of Hillsborough, in the County of Somerset, State of New Jersey.”

Exceptions to Debt Limitation

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

A school district may also authorize debt in excess of this limit with the consent of the Commissioner and the Local Finance Board.

Energy Saving Obligations

Under P.L. 2009, c. 4, approved January 21, 2009 and effective 60 days thereafter, school districts may issue “energy savings obligations” without voter approval to fund certain improvements that result in reduced energy use, facilities for production of renewable energy or water conservation improvements provided that the amount of the savings will cover the cost of the improvements.

SUMMARY OF STATE AID TO SCHOOL DISTRICTS

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

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

Since that time there has been much litigation and many cases affecting the State's responsibilities to fund public education and many legislative attempts to distribute State aid in accordance with the court cases and the constitutional requirement. The cases addressed not only current operating fund aid but also addressed the requirement to provide facilities aid as well. The legislation has included QEA, CEIFA and EFCFA. For many years aid has simply been determined in the State Budget, which itself is an act of the legislature, based upon amounts provided in prior years. The school funding formula, provided in the School Funding Reform Act of 2008, P.L. 2007, c. 260, effective January 1, 2008, attempts to remove the special status given to certain school districts known as Abbott Districts after the school funding cases and instead has funding follow students with certain needs and provides aid in a way that takes into account the ability of the local school district to raise local funds to support the budget in amounts deemed adequate to provide for a thorough and efficient education as required by the State constitution. This legislation was challenged in the Court, and the Court held that the State's then current plan for school aid was a “constitutionally adequate scheme.” However, the State continued to underfund certain school districts and to overfund other school districts in its budgets based on the statutory scheme. In its budget process for fiscal year 2019 and with the enactment of P.L. 2018, c. 67, effective July 24, 2018, the State is moving the school districts toward the intent of the statutory scheme by increasing funding for underfunded school districts and decreasing funding for overfunded school districts over the next seven (7) years and providing cap relief for overfunded school districts to enable them to pick up more of the local share.

Notwithstanding over thirty-five (35) years of litigation, the State provides State aid to school districts of the State in amounts provided in the State budget each year. These now include equalization aid, special education categorical aid, transportation aid, preschool education aid, instructional supplement aid, supplemental core curriculum standards aid, distance learning network aid, bilingual aid, security aid, adjustment aid and other aid determined in the discretion of the Commissioner.

State law requires that the State will provide aid for the construction of school facilities in an amount equal to the greater of the district aid percentage or forty percent (40%) times the eligible costs determined by the Commissioner either in the form of a grant or debt service aid as determined under the EFCFA. The amount of aid to which a school district is entitled is established prior to the authorization of the project. Grant funding is provided by the State upfront and debt service aid must be appropriated annually by the State.

The State reduced debt service aid by fifteen percent (15%) for fiscal years 2011 through 2019. As a result of the debt service aid reduction for those fiscal years, school districts received eighty-five percent (85%) of the debt service aid that they would have otherwise received. In addition, school districts which received grants under the EFCFA, which grants were financed through the New Jersey Economic Development Authority (the "EDA"), were assessed an amount in their fiscal years 2011 through 2019 budgets representing fifteen percent (15%) of the school district's proportionate share of the principal and interest payments on the outstanding EDA bonds issued to fund such grants.

Pursuant to P.L. 2018, c. 67, effective July 24, 2018, the School Funding Reform Act has been modified to adjust the distribution of State aid to school districts in the State ("SFRA Modification Law"). In particular, the SFRA Modification Law revises the School Funding Reform Act so that, after calculating the amount of State aid available per pupil, State aid will be distributed to each school district based on student enrollment. The SFRA Modification Law also eliminates the application of the State aid growth limit and adjustment aid, but includes a transition period for school districts that will receive less State aid. Under the SFRA Modification Law, most school districts that will receive reduced State aid resulting from the revised funding formula will be provided a seven (7) year transition period during which funding will be reduced (with the exception of The Board of Education of the City of Jersey City, where the transition period will be five (5) years). For those school districts where State aid will increase under the SFRA Modification Law, the transition period to increase funding will be one year.

SUMMARY OF FEDERAL AID TO SCHOOL DISTRICTS

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

MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

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

The Local Bond Law, N.J.S.A. 40A:2-1 et seq. (the "Local Bond Law"), governs the issuance of bonds and notes to finance certain municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects financed and that bonds be retired in serial installments. A five percent (5%) cash down payment is generally required toward the financing of expenditures for municipal purposes. All bonds and notes issued by the Township are general full faith and credit obligations.

The authorized bonded indebtedness of the Township is limited by statute, subject to certain exceptions noted below, to an amount equal to 3.5% of its average equalized valuation basis. The average for the last three (3) years of the equalized value of all taxable real property and improvements

and certain Class II railroad property within the Township as annually determined by the New Jersey Board of Taxation are set forth in APPENDIX A.

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit.

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

A municipality may sell "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds, if the bond ordinance or subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the bond ordinance, as it may be amended and supplemented, creating such capital expenditure. A local unit's bond anticipation notes may be issued for periods not exceeding one (1) year. Generally, bond anticipation notes may not be outstanding for longer than ten (10) years. An additional period may be available following the tenth anniversary date equal to the period from the notes' maturity to the end of the tenth fiscal year in which the notes mature plus four (4) months in the next following fiscal year from the date of original issuance. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum amount required for the first year's principal payment for a bond issue.

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

The foundation of the State local finance system is the annual cash basis budget. Every local unit must adopt an annual operating budget in the form required by the Division of Local Government Services, New Jersey Department of Community Affairs (the "Division"). Certain items of revenue and appropriation are regulated by law and the proposed budget cannot be finally adopted until it has been certified by the Director of the Division (the "Director"), or in the case of a local unit's examination of its own budget, such budget cannot be finally adopted until a local examination certificate has been approved by the Chief Financial Officer and governing body of the local unit. The Local Budget Law, N.J.S.A. 40A:4-1 et seq. (the "Local Budget Law") requires each local unit to appropriate sufficient funds for the payment of current debt service, and the Director or, in the case of local examination, the local unit, may review the adequacy of such appropriations.

Tax anticipation notes are limited in amount by law and must be paid off in full within 120 days of the close of the fiscal year in which they were issued.

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

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

A provision in the Local Budget Law, N.J.S.A. 40A:4-26, provides that: "[n]o miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the director shall determine upon application by the governing body that the facts clearly

warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit.”

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

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. The maximum amount of delinquent taxes that may be anticipated is limited by a statutory formula, which allows the local unit to anticipate collection at the same rate realized for the collection of delinquent taxes in the previous year. Also the local unit is required to make an appropriation for a "reserve for uncollected taxes" in accordance with a statutory formula to provide for a tax collection in an amount that does not exceed the percentage of taxes levied and payable in the preceding fiscal year that was received in cash by December 31 of that year. The budget also must provide for any cash deficits of the prior year.

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

The exceptions are certain enumerated quasi-capital projects (“special emergencies”) such as (i) the repair and reconstruction of streets, roads or bridges damaged by snow, ice, frost, or floods, which may be amortized over three (3) years, and (ii) the repair and reconstruction of streets, roads, bridges or other public property damaged by flood or hurricane, where such expense was unforeseen at the time of budget adoption, the repair and reconstruction of private property damaged by flood or hurricane, tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparations, drainage map preparation for flood control purposes, studies and planning associated with the construction and installation of sanitary sewers, authorized expenses of a consolidated commission, contractually required severance liabilities resulting from the layoff or retirement of employees and the preparation of sanitary and storm system maps, all of which projects set forth in this section (ii) may be amortized over five (5) years. N.J.S.A. 40A:4-53, -54, -55, -55.1. Emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project as described above.

Budget transfers provide a degree of flexibility and afford a control mechanism. Pursuant to N.J.S.A. 40A:4-58, transfers between appropriation accounts are prohibited until the last two (2) months of the year. Appropriation reserves may be transferred during the first three (3) months of the year, to the previous year's budget. N.J.S.A. 40A:4-59. Both types of transfers require a 2/3 vote of the full membership of the governing body. Although sub-accounts within an appropriation are not subject to the same year-end transfer restriction, they are subject to internal review and approval. Certain types of appropriations are excluded from the provisions permitting transfers. Generally, transfers cannot be made from the down payment account, interest or debt redemption charges or the capital improvement fund or for contingent expenses.

Municipal public utilities are supported by the revenues generated by the respective operations of the utilities, in addition to the general taxing power upon taxable property. For each utility, there is established a separate budget. The anticipated revenues and appropriations for each utility are set forth in the separate budget. The budget is required to be balanced and to provide fully for debt service. The regulations regarding anticipation of revenues and deferral of charges apply equally to the budgets of the utilities. Deficits or anticipated deficits in utility operations which cannot be provided for from utility surplus, if any, are required to be raised in the "Current" or operating budget.

In accordance with the Local Budget Law, each local unit must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing six (6)

years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may contemplate over the next six (6) years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the terms were detailed.

Fiscal Year Adjustment Law (1991 N.J. Laws c. 75)

Chapter 75 of the Laws of New Jersey of 1991, requires certain municipalities and permits all other municipalities to adopt the State fiscal year in place of the existing calendar fiscal year. Municipalities that change fiscal years must adopt a six (6) month transition budget for January 1 through June 30. Since expenditures would be expected to exceed revenues primarily because State aid for the calendar year would not be received by the municipality until after the end of the transition year budget, the act authorizes the issuance of Fiscal Year Adjustment Bonds to fund the one time deficit for the six (6) month transition budget. The law provides that the deficit in the six (6) month transition budget may be funded initially with bond anticipation notes based on the estimated deficit in the six (6) month transition budget. Notes issued in anticipation of Fiscal Year Adjustment Bonds, including renewals, can only be issued for up to one (1) year unless the Local Finance Board permits the municipality to renew them for a longer period of time. The Local Finance Board must confirm the actual deficit experienced by the municipality. The municipality then may issue Fiscal Year Adjustment Bonds to finance the deficit on a permanent basis. The purpose of the act is to assist municipalities that are heavily dependent on State aid and that have had to issue tax anticipation notes to fund operating cash flow deficits each year. While the law does not authorize counties to change their fiscal years, it does provide that counties with cash flow deficits may issue Fiscal Year Adjustment Bonds as well.

State Supervision

State law authorizes State officials to supervise fiscal administration in any municipality which is in default on its obligations; which experiences severe tax collection problems for two (2) successive years; which has a deficit greater than four percent (4%) of its tax levy for two (2) successive years; which has failed to make payments due and owing to the State, county, school district or special district for two (2) consecutive years; which has an appropriation in its annual budget for the liquidation of debt which exceeds twenty-five percent (25%) of its total operating appropriations (except dedicated revenue appropriations) for the previous budget year; or which has been subject to a judicial determination of gross failure to comply with the Local Bond Law, the Local Budget Law, or the Local Fiscal Affairs Law, N.J.S.A. 40A:5-1 *et seq.*, which substantially jeopardizes its fiscal integrity. State officials are authorized to continue such supervision for as long as any of the conditions exist and until the municipality operates for a fiscal year without incurring a cash deficit.

Appropriations “Cap”

The New Jersey “Cap Law” (the “Cap Law”) (N.J.S.A. 40A:4-45.1 *et seq.*) places limits on municipal tax levies and expenditures. The Cap Law provides that a local unit shall limit any increase in its budget to two and one-half percent (2.5%) or the Cost-Of-Living Adjustment (as defined in the Cap Law), whichever is less, of the previous year’s final appropriations, subject to certain exceptions. The Cost-Of-Living Adjustment is defined as the rate of annual percentage increase, rounded to the nearest half percent, in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services produced by the United States Department of Commerce for the year preceding the current year as announced by the Director. However, in each year in which the Cost-Of-Living Adjustment is equal to or less than two and one-half percent (2.5%), a local unit may, by ordinance, approved by a majority vote of the full membership of the governing body, provide that the final appropriations of the local unit for such year be increased by a percentage rate that is greater than the Cost-Of-Living Adjustment, but not more than three and one-half percent (3.5%) over the previous year’s final appropriations. In addition, N.J.S.A. 40A:4-45.15a restored “cap” banking to the Local Budget Law. Municipalities are permitted to appropriate available “cap bank” in either of the next two (2) succeeding years’ final appropriations. Along with the permitted increases for total general appropriations there are certain items that are allowed to increase outside the “cap”.

Additionally, P.L. 2010, c. 44, effective July 13, 2010, imposes a two percent (2%) cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit include increases required to be raised for capital expenditures, including debt service, increases in pension contributions in excess of 2%, certain increases in health care over two percent (2%), and extraordinary costs incurred by a local unit directly related to a declared emergency. The governing body of a local unit may request approval, through a public question submitted to the legal voters residing in its territory, to increase the amount to be raised by taxation, and voters may approve increases above two percent (2%) not otherwise permitted under the law by an affirmative vote of fifty (50%).

The Division has advised that counties and municipalities must comply with both the budget "cap" and the tax levy limitation. Neither the tax levy limitation nor the Cap" Law, however, limits the obligation of the county or municipality to levy *ad valorem* taxes upon all taxable property within its boundaries to pay debt service on its bonds and notes.

Tax Assessment and Collection Procedure

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income (where appropriate). Current assessments are the result of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners. However, a divergence of the assessment ratio to true value is typically due to changes in market value over time.

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

Generally, tax bills are mailed annually in June of the current fiscal year. The taxes are payable in four quarterly installments on February 1, May 1, August 1 and November 1. The August and November tax bills are determined as the full tax levied for municipal, county and school purposes for the current municipal fiscal year, less the amount charged for the February and May installments for municipal, county and school purposes in the current fiscal year. The amounts due for the February and May installments are determined by the municipal governing body as either one-quarter or one-half of the full tax levied for municipal, county and school purposes for the preceding fiscal year.

Tax installments not paid on or before the due date are subject to interest penalties of eight percent (8%) per annum on the first \$1,500.00 of the delinquency and eighteen percent (18%) per annum on any amount in excess of \$1,500.00. Pursuant to 1991 N.J. Laws c. 75, the governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000.00 who fails to pay that delinquency prior to the end of the calendar year. The penalty so fixed shall not exceed six percent (6%) of the amount of the delinquency. These penalties and interest rates are the highest permitted under State statutes. Delinquent taxes open for one (1) year or more are annually included in a tax sale in accordance with State statutes.

Tax Appeals

State statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. The taxpayer has a right to petition the county Board of Taxation on or before April 1 of the current year for review. The county Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the county Board of Taxation, appeal may be made to the Tax Court of the State of New Jersey (the "State Tax Court") for further hearing. Some State Tax Court appeals may take

several years prior to settlement and any losses in tax collections from prior years are charged directly to operations.

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

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

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

FINANCIAL STATEMENTS

The audited financial statements of the Board as of and for the year ended June 30, 2019 together with the notes to the financial statements have been provided by T.M. Vrabel & Associates, LLC, Montville, New Jersey (the "Auditor"), and are presented in APPENDIX B to this Official Statement (the "Financial Statements"). See "APPENDIX B – Financial Statements of The Board of Education of the Township of Hillsborough in the County of Somerset, New Jersey."

MUNICIPAL ADVISOR

Phoenix Advisors, LLC, Bordentown, New Jersey, has served as Municipal Advisor to the Board with respect to the issuance of the Bonds (the "Municipal Advisor"). The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of, or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement and the Appendices hereto. The Municipal Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

LITIGATION

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

TAX EXEMPTION

Federal Income Tax Treatment

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance of the Bonds in order for the interest thereon to be and remain excluded from gross income for Federal income tax purposes under Section 103 of the Code. Noncompliance with such requirements could cause such interest to be included in gross income for Federal income tax purposes retroactive to the date of issuance of the Bonds. The Board has covenanted to comply with the provisions of the Code applicable to the Bonds, and has covenanted not to take any action or fail to take any action that would cause interest on the Bonds to lose the exclusion from gross income under Section 103 of the Code.

In the opinion of Wilentz, Goldman & Spitzer, P.A., Bond Counsel, under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance by the Board with the requirements of the Code described above, interest on the Bonds is not includable in gross income for Federal income tax purposes pursuant to Section 103 of the Code and is not treated as a preference item under Section 57 of the Code for purposes of computing the Federal alternative minimum tax.

Premium Bonds

[The Bonds [maturing on July 15 in the years 20__ through 20__, inclusive (collectively, the "Premium Bonds")], have been sold to the public at a premium. Section 171 of the Code provides rules under which a bond premium may be amortized and a deduction allowed for the amount of the amortizable bond premium for a taxable year. Under Section 171(a)(2) of the Code, however, no deduction is allowable for the amortizable bond premium in the case of bonds, like the [Premium] Bonds, the interest on which is excludable from gross income. Under Section 1016(a)(5) of the Code, the purchaser's basis in a [Premium] Bond will be reduced by the amount of the amortizable bond premium disallowable as a deduction under Section 171(2) of the Code. Proceeds received from the sale, exchange, redemption or payment of a [Premium] Bond in excess of the owner's adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code), will be treated as a gain from the sale or exchange of such [Premium] Bonds and not as interest.]

Discount Bonds

[Bond Counsel is also of the opinion that the difference between the stated principal amount of the Bonds maturing on July 15 in the years 20__ through 20__, inclusive (collectively, the "Discount Bonds") and their respective initial public offering prices to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which prices a substantial amount of the [Discount] Bonds of the same maturity and interest rate were sold, constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Bonds. In the case of any holder of the [Discount] Bonds, the amount of such original issue discount which is treated as having accrued with respect to the [Discount] Bonds is added to the cost basis of the holder in determining, for federal income tax purposes, gain or loss upon disposition (including sale, redemption or payment at maturity). Holders of the [Discount] Bonds should consult their tax advisors for an explanation of the original issue discount rules.]

Additional Federal Income Tax Consequences Relating to Bonds

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Bonds, may have additional Federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty insurance companies, foreign corporations and certain S corporations. Prospective purchasers of the Bonds should also consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

State Taxation

Bond Counsel is also of the opinion that interest on the Bonds, and any gain on the sale of the Bonds, are not includable in gross income under the existing New Jersey Gross Income Tax Act, 1976 N.J. Laws c. 47, as amended. Except as provided above, no opinion is expressed with respect to other State and local tax consequences of owning the Bonds. See "APPENDIX C – Form of Approving Legal Opinion" for the complete text of the proposed form of Bond Counsel's approving legal opinion.

Prospective Tax Law Changes

Federal, state or local legislation, administrative pronouncements or court decisions may affect the Federal and State tax-exempt status of interest on the Bonds and the State tax-exempt status of interest on the Bonds, gain from the sale or other disposition of the Bonds, the market value of the Bonds or the

marketability of the Bonds. The effect of any legislation, administrative pronouncements or court decisions cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding such matters.

Other Tax Consequences

Except as described above, Bond Counsel expresses no opinion with respect to any Federal, State, local or foreign tax consequences of ownership of the Bonds. Bond Counsel renders its opinion under existing statutes, regulations, rulings and court decisions as of the date of issuance of the Bonds and assumes no obligation to update its opinion after such date of issuance to reflect any future action, fact, circumstance, change in law or interpretation, or otherwise. Bond Counsel expresses no opinion as to the effect, if any, on the tax status of the interest on the Bonds paid or to be paid as a result of any action hereafter taken or not taken in reliance upon an opinion of other counsel.

See APPENDIX C for the complete text of the proposed form of Bond Counsel's legal opinion with respect to the Bonds.

PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO ALL TAX CONSEQUENCES (INCLUDING BUT NOT LIMITED TO THOSE LISTED ABOVE) OF HOLDING THE BONDS.

RISK TO HOLDERS OF BONDS

It is understood that the rights of the holders of the Bonds, and the enforceability thereof, may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Recent Healthcare Developments

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, was first detected in China and has since spread to other countries, including the United States, and to each state within the United States, including the State, has been declared a Public Health Emergency of International Concern by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to affect economic growth worldwide. The outbreak of COVID-19 across the United States has caused the federal government to declare a national state of emergency. The State has likewise declared a state of emergency. While the potential impact on the State cannot be predicted at this time, the continued spread of the outbreak could have a material adverse effect on the finances of the State, the Township and the Board (collectively, the "Affected Entities").

The degree of any such impact to the Affected Entities' respective operations and finances, is extremely difficult to predict due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions may be taken by governmental and other health care authorities to contain or mitigate its impact. The continued spread of the outbreak could have a material adverse effect on the Affected Entities and their respective economies.

Municipal Bankruptcy

THE BOARD HAS NOT AUTHORIZED THE FILING OF A BANKRUPTCY PETITION. THIS REFERENCE TO THE BANKRUPTCY CODE OR THE STATE STATUTE SHOULD NOT CREATE ANY IMPLICATION THAT THE BOARD EXPECTS TO UTILIZE THE BENEFITS OF ITS PROVISIONS, OR THAT IF UTILIZED, SUCH ACTION WOULD BE APPROVED BY THE LOCAL FINANCE BOARD, OR THAT ANY PROPOSED PLAN WOULD INCLUDE A DILUTION OF THE SOURCE OF PAYMENT OF AND SECURITY FOR THE BONDS, OR THAT THE BANKRUPTCY CODE COULD NOT BE AMENDED AFTER THE DATE HEREOF.

The undertakings of the Board should be considered with reference to 11 U.S.C. §101 et seq., as amended and supplemented (the "Bankruptcy Code"), and other bankruptcy laws affecting creditors' rights and municipalities in general. The Bankruptcy Code permits the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to commence a voluntary bankruptcy case by filing a petition with a bankruptcy court for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to certain debts owed, and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount and more than one-half in number of the allowed claims of at least one (1) impaired class. The Bankruptcy Code specifically does not limit or impair the power of a state to control, by legislation or otherwise, the procedures that a political subdivision must follow in order to take advantage of the provisions of the Bankruptcy Code.

The Bankruptcy Code provides that special revenue acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by such debtor before the commencement of such bankruptcy case. However, special revenues acquired by the debtor after commencement of the case shall continue to be available to pay debt service secured by those revenues. Furthermore, the Bankruptcy Code provides that a transfer of property of a debtor to or for the benefit of any holder of a bond or note, on account of such bond or note, may be avoided pursuant to certain preferential transfer provisions set forth in such act.

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

APPROVAL OF LEGAL PROCEEDINGS

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

PREPARATION OF OFFICIAL STATEMENT

The Board hereby states that the descriptions and statements herein, including the Financial Statements, are true and correct in all material respects, and it will confirm same to the Underwriter by a certificate signed by the Board President and Business Administrator/Board Secretary. See "CERTIFICATE WITH RESPECT TO THE OFFICIAL STATEMENT" herein.

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

The Municipal Advisor has participated in the review of this Official Statement but has not participated in the preparation of this Official Statement or in the collection of financial, statistical or demographic information contained in this Official Statement nor verified the accuracy, completeness or fairness thereof, and, accordingly, takes no responsibility and expresses no opinion with respect thereto.

The Auditor has participated in the preparation of the information contained in APPENDIX A hereto and also takes responsibility for the Financial Statements to the extent specified in the Independent Auditors' Report appearing in APPENDIX B hereto.

The Board Attorney has not participated in the preparation of the information contained in this Official Statement, nor has he verified the accuracy, completeness or fairness thereof, and, accordingly,

expresses no opinion or other assurance with respect thereto, but has reviewed the section under the caption entitled "LITIGATION" and expresses no opinion or assurance other than that which is specifically set forth therein with respect thereto.

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

RATING

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC (the "Rating Agency"), has assigned an underlying rating of "AA-" to the Bonds based upon the creditworthiness of the School District. The Bonds are additionally secured by the New Jersey School Bond Reserve Act.

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

UNDERWRITING

The Bonds are being purchased from the Board by _____ (the "Underwriter"), at a price of \$_____. The purchase price of the Bonds reflects the par amount of Bonds equal to \$35,416,000.00, minus an Underwriter's discount of \$_____ less/plus a[n] [net] original issue discount/premium of \$_____. The Underwriter is obligated to purchase all of the Bonds if any Bonds are so purchased.

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

SECONDARY MARKET DISCLOSURE

The Board has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Board by no later than each January 31 after the end of each fiscal year, commencing with the fiscal year ending June 30, 2019 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the Board with the Municipal Securities Rulemaking Board (the "MSRB") or any other entity designated by the MSRB. The notices of material events will be filed by the Board with the MSRB through its Electronic Municipal Market Access ("EMMA") system and with any other entity designated by the MSRB, as applicable. The nature of the information to be contained in the Annual Report or the notices of material events is set forth in "APPENDIX D – Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "SEC Rule").

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

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to the Business Administrator/Board Secretary, Aiman Mahmoud, (908) 431-6600, ext. 2944, or to Lisa A. Gorab, Esq., Wilentz, Goldman & Spitzer, P.A., Bond Counsel to the Board, (732) 855-6459.

CERTIFICATE WITH RESPECT TO THE OFFICIAL STATEMENT

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

MISCELLANEOUS

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

The Board has authorized the preparation of this final Official Statement containing pertinent information relative to the Bonds, and this Official Statement is deemed to be the final Official Statement as required by Rule 15c2-12, promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented. By awarding the Bonds to the Underwriter, the Board agrees that, within the earlier of seven (7) business days following the date of such award or to accompany the purchasers' confirmations requesting payment for the Bonds, it shall provide without cost to the Underwriter, for distribution purposes, copies of this final Official Statement. The underwriter agrees that (i) it shall accept such designation, and (ii) it shall assure the distribution of the final Official Statement.

**THE BOARD OF EDUCATION OF THE TOWNSHIP OF
HILLSBOROUGH IN THE COUNTY OF SOMERSET, NEW
JERSEY**

**AIMAN MAHMOUD,
Business Administrator/Board Secretary**

DATED: _____, 2020

APPENDIX A

**Certain Economic and Demographic Information Relating to the
School District and the Township of Hillsborough,
in the County of Somerset, State of New Jersey**

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INFORMATION REGARDING THE SCHOOL DISTRICT¹

Type

The School District is a Type II school district that is coterminous with the borders of the Township of Hillsborough (the “Board”). The School District provides a full range of educational services appropriate to Kindergarten through the twelfth grades.

The Board is composed of nine (9) members elected by the legally qualified voters in the School District to terms of three (3) years on a staggered basis. The President and Vice President are chosen for one (1) year terms from among the members of the Board.

The Board is the policy making body of the School District and has the general responsibility for providing an education program, the power to establish policies and supervise the public schools in the School District, the responsibility to develop the annual School District budget and present it to the legally registered voters in the School District. The Board's fiscal year ends each June 30.

The Board appoints a Superintendent and Board Secretary/Business Administrator who are responsible for budgeting, planning and the operational functions of the School District. The administrative structure of the Board gives final responsibility for both the educational process and the business operation to the Superintendent.

Description of Facilities

The Board presently operates the following school facilities:

<u>Facility</u>	<u>Grade Level</u>	<u>Student Enrollment (As of 6/30/19)</u>
Amsterdam Elementary School	K-4	511
Hillsborough Elementary School	K-4	520
Sunnymead Elementary School	K-4	489
Triangle Elementary School	K-4	369
Woodfern Elementary School	K-4	363
Woods Road Elementary School	K-4	474
Auten Road Intermediate School	5-6	1,164
Hillsborough Middle School	7-8	1,208
Hillsborough High School	9-12	2,308

Source: Comprehensive Annual Financial Report of the School District

¹ Source: The Board, unless otherwise indicated.

Staff

The Superintendent is the chief executive officer of the Board and is in charge of carrying out Board policies. The Board Secretary/Business Administrator is the chief financial officer of the Board and must submit monthly financial reports to the Board and annual reports to the New Jersey Department of Education.

The following table presents the number of full and part-time teaching professionals and support staff of the School District as of June 30, 2019, for each of the past five (5) years.

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Teaching Professionals	653	653	652	655	651
Support Staff	<u>479</u>	<u>462</u>	<u>430</u>	<u>413</u>	<u>415</u>
Total Full & Part Time Employees	<u>1,132</u>	<u>1,115</u>	<u>1,082</u>	<u>1,068</u>	<u>1,066</u>

Source: Comprehensive Annual Financial Report of the School District

Pupil Enrollments

The following table presents the historical average daily pupil enrollments for the past five (5) school years.

Pupil Enrollments	
<u>School Year</u>	<u>Enrollment</u>
2018-2019	7,406
2017-2018	7,345
2016-2017	7,275
2015-2016	7,201
2014-2015	7,210

Source: School District and Comprehensive Annual Financial Report of the School District

Pensions

Those employees of the School District who are eligible for pension coverage are enrolled in one of the two State-administered multi-employer pension systems (the "Pension System"). The Pension System was established by an act of the State Legislature. The Board of Trustees for the Pension System is responsible for the organization and administration of the Pension System. The two State-administered pension funds are: (1) the Teacher's Pension and Annuity Fund ("TPAF") and (2) the Public Employee's Retirement System ("PERS"). The Division of Pensions and Benefits, within the State of New Jersey Department of the Treasury (the "Division"), charges the participating school districts annually for their respective contributions. The School District raises its contributions through taxation and the State contributes the employer's share of the annual Social Security and Pension contribution for

employees enrolled in the TPAF. The Pension System is a cost sharing multiple employer contributory defined benefit plan. The Pension System's designated purpose is to provide retirement and medical benefits for qualified retirees and other benefits to its members. Membership in the Pension System is mandatory for substantially all full-time employees of the State or any county, municipality, school district or public agency provided the employee is not required to be a member of another State administered retirement system or other state or local jurisdiction.

Fiscal 2020-21 Budget

Prior to the passage of P.L. 2011, c. 202 the Board was required to submit its budget for voter approval on an annual basis. Under the Election Law (P.L. 2011, c. 202, effective January 17, 2012) if a school district has opted to move its annual election to November, it is no longer required to submit the budget to voters for approval if the budget is at or below the two-percent (2%) property tax levy cap as provided for under New Cap Law (P.L. 2010, c. 44). If a school district proposes to spend above the two-percent (2%) property tax levy cap, it is then required to submit its budget to voters at the annual school election in November.

The General Fund budget is the sum of all state aid (exclusive of pension aid and social security aid) and the local tax levy (exclusive of debt service). The Board’s General Fund Budget for the 2020-2021 fiscal year is \$130,523,142. The major sources of revenue are \$100,277,942 from the local tax levy and \$24,237,434 from state aid.

Source: Annual User-Friendly Budget of the School District

Budget History

As noted, prior to the Board’s budget for its 2012-2013 fiscal year, the Board was required to submit its budget for voter approval. A summary of the last five (5) budget years of the Board is presented below:

<u>Budget Year</u>	<u>Amount Raised in Taxes</u>	<u>Budget Amount</u>	<u>Election Result</u>
2020-2021	\$100,277,942	\$130,523,142	N/A
2019-2020	98,311,708	125,821,300	N/A
2018-2019	95,517,733	125,252,637	N/A
2017-2018	91,982,597	122,694,502	N/A
2016-2017	88,725,860	117,803,252	N/A

Source: Annual User-Friendly Budget of the School District and NJ State Department of Education Website – School Election Results

Financial Operations

The following table summarizes information on the changes in general fund revenues and expenditures for the school years ending June 30, 2015 through June 30, 2019 for the general fund. Beginning with the 1993-94 fiscal year, school districts in the State of New Jersey have begun to prepare their financial statements in accordance with Generally Accepted Accounting Principles in the United States.

GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEARS ENDED JUNE 30:

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
REVENUES					
Local Sources:					
Local Tax Levy	\$95,517,733	\$91,982,597	\$88,725,880	\$86,986,137	\$83,813,881
Other Local Revenue	<u>1,342,979</u>	<u>1,370,499</u>	<u>954,638</u>	<u>1,275,511</u>	<u>1,132,248</u>
Total revenues-local sources	96,860,712	93,353,096	89,680,518	88,261,648	84,946,129
State Sources	46,194,354	35,796,126	35,198,702	35,337,746	34,538,874
Federal Sources	<u>80,275</u>	<u>68,342</u>	<u>87,728</u>	<u>77,279</u>	<u>72,160</u>
Total Revenues	\$143,135,341	\$129,217,564	\$124,966,949	\$123,676,672	\$119,557,163
EXPENDITURES					
General Fund:					
Instruction	\$54,322,510	\$53,766,850	\$52,615,189	\$52,216,366	\$51,107,736
Undistributed Expenditures	88,073,851	76,939,020	71,489,553	70,017,381	66,127,767
Capital Outlay	<u>260,825</u>	<u>970,640</u>	<u>408,973</u>	<u>576,753</u>	<u>277,910</u>
Total Expenditures	\$142,657,186	\$131,676,509	\$124,513,715	\$122,810,500	\$117,513,413
Excess (Deficiency) of Revenues					
Over/(Under) Expenditures	478,155	(2,458,945)	455,434	866,172	1,643,751
Other Financing Sources (Uses):					
Proceeds of Capital Lease	0	0	0	0	0
Transfers in	0	676,267	0	156,046	0
Transfers out	<u>0</u>	<u>(1,265,296)</u>	<u>0</u>	<u>0</u>	<u>(782,800)</u>
Total other financing sources (uses)	0	(589,029)	0	156,046	(782,800)
Net Change in Fund Balance	478,155	(3,047,975)	455,434	1,022,218	860,951
Fund Balance, July 1	<u>5,688,137</u>	<u>8,736,112</u>	<u>8,280,678</u>	<u>7,258,460</u>	<u>6,397,509</u>
Fund Balance, June 30	<u>\$6,166,292</u>	<u>\$5,688,137</u>	<u>\$8,736,112</u>	<u>\$8,280,678</u>	<u>\$7,258,460</u>

Source: Comprehensive Annual Financial Report of the School District. Statement of Revenues, Expenditures Governmental Funds and Changes In Fund Balances on a GAAP basis

Capital Leases

As of June 30, 2019, the Board has capital lease(s) outstanding in the amount of \$13,401,145.02 through June 30, 2034.

Source: Comprehensive Annual Financial Report of the School District

Operating Leases

As of June 30, 2019, the Board has no operating leases outstanding.

Source: Comprehensive Annual Financial Report of the School District

Short Term Debt

As of June 30, 2019, the Board has no short term debt outstanding.

Source: Comprehensive Annual Financial Report of the School District

Long Term Debt

The following table outlines the outstanding long term debt of the Board as of June 30, 2019.

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$2,500,000	\$291,110	\$2,791,110
2021	2,490,000	168,474	2,658,474
2022	<u>1,720,000</u>	<u>46,225</u>	<u>1,766,225</u>
TOTALS	<u>\$6,710,000</u>	<u>\$505,809</u>	<u>\$7,215,809</u>

Source: Comprehensive Annual Financial Report of the School District

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Debt Limit of the Board

The debt limitation of the Board is established by the statute (N.J.S.A. 18A:24-19). The Board is permitted to incur debt up to 4% of the average equalized valuation for the past three years (See “SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT- Exceptions to School Debt Limitations” herein). The following is a summation of the Board’s debt limitation as of June 30, 2019:

Average Equalized Real Property Valuation (2017, 2018, and 2019)	\$6,531,524,233
School District Debt Analysis	
Permitted Debt Limitation (4% of AEVP)	\$261,260,969
Less: Bonds and Notes Authorized and Outstanding	<u>6,710,000</u>
Remaining Limitation of Indebtedness	\$254,550,969
Percentage of Net School Debt to Average Equalized Valuation	0.10%

Source: Comprehensive Annual Financial Report of the School District

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INFORMATION REGARDING THE TOWNSHIP²

The following material presents certain economic and demographic information of the Township of Hillsborough (the “Township”), in the County of Somerset (the “County”), State of New Jersey (the “State”).

General Information

The Township is one of the fastest growing communities in the County. The Township comprises 54.7 square miles and borders the Township of Bridgewater and the Boroughs of Raritan and Somerville to the north, the Township of Franklin and the Borough of Manville to the east, the Township of Montgomery to the south and Hunterdon County to the west. It is a collection of the small villages of Belle Mead, Blackwells Mills, Flagtown, Neshanic and South Branch, each of which has left its own imprint on the Township's history. The Township is located halfway between New York City and Philadelphia.

Form of Government

The current form of government includes a five (5) member Township Committee.

Individuals are elected at large for a term of three (3) years. The Township Committee selects one of its members to serve as Mayor each year. The Township Committee has the responsibility for all legislative matters ranging from enactment of ordinances and resolutions to general citizen representation.

Pension and Retirement Systems

Substantially all eligible employees participate in the Public Employees’ Retirement System, the Police and Firemen’s Retirement System or the Defined Contribution Retirement Program, which have been established by State statute and are administered by the New Jersey Division of Pensions and Benefits (the “Division”). Benefits, contributions, means of funding and the manner of administration are established pursuant to State statute. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations and the employees contribute a portion of the cost. Each Plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes the financial statements and required supplementary information. This report may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625 or is available online at www.nj.gov/treasury/pensions/financial-reports.shtml.

The Public Employees’ Retirement System (“PERS”) is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A, to provide retirement, death, disability and medical benefits to certain qualified members. Membership is mandatory for substantially all full-time employees of the State or any county, municipality, school district or public agency, provided the employee is not

² Source: The Township, unless otherwise indicated.

required to be a member of another State-administered retirement system or other State pension fund or local jurisdiction's pension fund.

The Police and Firemen's Retirement System ("PFRS") is a cost-sharing multiple-employer defined benefit pension plan which was established as of July 1, 1944, under the provisions of N.J.S.A. 43:16A, to provide retirement, death, disability and medical benefits to certain qualified members. Membership is mandatory for substantially all full-time county and municipal police and firemen or officer employees with police powers appointed after June 30, 1944.

The Defined Contribution Retirement Program ("DCRP") is a multiple-employer defined contribution pension fund which was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, and was expanded under the provisions of Chapter 89, P.L. 2009. The DCRP provides eligible employees and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance coverage and disability coverage.

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Employment and Unemployment Comparisons

For the following years, the New Jersey Department of Labor reported the following annual average employment information for the Township, the County, and the State:

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Township</u>				
2019	21,720	21,129	591	2.7%
2018	21,457	20,769	688	3.2%
2017	21,486	20,741	745	3.5%
2016	21,679	20,885	794	3.7%
2015	21,732	20,833	899	4.1%
<u>County</u>				
2019	171,371	166,229	5,142	3.0%
2018	169,154	163,400	5,754	3.4%
2017	170,551	164,062	6,489	3.8%
2016	172,080	165,098	6,982	4.1%
2015	172,584	164,707	7,877	4.6%
<u>State</u>				
2019	4,493,127	4,333,334	159,793	3.6%
2018	4,432,520	4,250,795	181,725	4.1%
2017	4,454,681	4,248,741	205,940	4.6%
2016	4,473,780	4,251,209	222,571	5.0%
2015	4,487,309	4,227,640	259,669	5.8%

Source: New Jersey Department of Labor, Office of Research and Planning, Division of Labor Market and Demographic Research, Bureau of Labor Force Statistics, Local Area Unemployment Statistics

Income (as of 2018)

	<u>Township</u>	<u>County</u>	<u>State</u>
Median Household Income	\$125,303	\$111,772	\$79,363
Median Family Income	149,677	134,849	98,047
Per Capita Income	53,515	54,393	40,895

Source: US Bureau of the Census, 2018 American Community Survey 5-Year Estimates

Population

The following tables summarize population increases and the decreases for the Township, the County, and the State.

<u>Year</u>	<u>Township</u>		<u>County</u>		<u>State</u>	
	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2019 Estimate	39,950	4.3%	328,934	1.7%	8,882,190	1.0%
2010	38,303	4.6	323,444	8.7	8,791,894	4.5
2000	36,634	27.2	297,490	23.8	8,414,350	8.9
1990	28,808	51.1	240,279	18.3	7,730,188	5.0
1980	19,061	72.3	203,129	2.4	7,365,001	2.7

Source: United States Department of Commerce, Bureau of the Census

Largest Taxpayers

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

<u>Taxpayers</u>	<u>2019 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Texas Eastern Transmission Corp.	\$46,790,500	0.76%
Brookhaven Lofts, LLC	46,611,100	0.76%
Sunnymead Run, LLC	40,448,600	0.66%
KD Hillsborough 44A, Inc.	38,816,000	0.63%
Beekman Garden Associates	23,643,000	0.38%
Nelson's Corner Associates, LLC	21,133,400	0.34%
RB Manufacturing, LLC	18,646,400	0.30%
Duke's Farm Foundation	18,410,900	0.30%
Foothill Estates, LLC	18,000,000	0.29%
Hillsborough Gardens Assoc.	<u>17,992,000</u>	<u>0.29%</u>
Total	<u>\$290,491,900</u>	<u>4.72%</u>

Source: Comprehensive Annual Financial Report of the School District & Municipal Tax Assessor

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2019U	\$148,582,376	\$147,615,495	99.35%
2018	144,495,843	143,490,164	99.30%
2017	139,307,726	138,469,860	99.40%
2016	137,153,613	136,282,686	99.36%
2015	132,312,357	131,459,149	99.36%

U = Unaudited
Source: Annual Audit Reports of the Township and 2019 Annual Financial Statement

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Tax</u>	<u>Total Delinquent</u>	<u>% of Tax Levy</u>
2019U	\$346,169	\$923,765	\$1,269,934	0.85%
2018	278,887	907,843	1,186,730	0.82%
2017	240,947	796,043	1,036,990	0.74%
2016	212,820	862,567	1,075,387	0.78%
2015	191,232	839,479	1,030,711	0.78%

U = Unaudited
Source: Annual Audit Reports of the Township and 2019 Annual Financial Statement

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2019U	\$1,642,200
2018	1,642,200
2017	1,642,200
2016	1,642,200
2015	1,642,200

U = Unaudited
Source: Annual Audit Reports of the Township and 2019 Annual Financial Statement

Tax Rates per \$100 of Net Valuations Taxable and Allocations

The table below lists the tax rates for Township residents for the past five (5) years.

<u>Year</u>	<u>Municipal</u>	<u>Local School</u>	<u>County</u>	<u>Total</u>
2019	\$0.347	\$1.597	\$0.415	\$2.359
2018	0.353	1.607	0.414	2.374
2017	0.358	1.597	0.417	2.372
2016	0.358	1.602	0.412	2.372
2015	0.358	1.581	0.408	2.347

Source: Abstract of Ratables and State of New Jersey – Property Taxes

Valuation of Property

<u>Year</u>	<u>Aggregate Assessed Value of Real Property</u>	<u>Aggregate True Value of Real Property</u>	<u>Ratio of Assessed to True Value</u>	<u>Assessed Value of Personal Property</u>	<u>Equalized Valuation</u>
2019	\$6,151,889,700	\$6,691,928,315	91.93%	\$3,168,769	\$6,695,097,084
2018	5,927,732,300	6,513,991,538	91.00	3,109,514	6,517,101,052
2017	5,732,538,200	6,388,652,847	89.73	3,042,893	6,391,695,740
2016	5,620,357,400	6,163,348,393	91.19	3,047,705	6,166,396,098
2015	5,514,165,200	5,957,395,419	92.56	3,100,424	5,960,495,843

Source: Abstract of Ratables and State of New Jersey – Table of Equalized Valuations

Classification of Ratables

The table below lists the comparative assessed valuation for each classification of real property within the Township for the past five (5) years.

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total</u>
2019	\$64,894,900	\$5,217,480,700	\$80,968,100	\$428,699,100	\$195,673,200	\$164,173,700	\$6,151,889,700
2018	68,712,000	5,016,174,200	85,528,600	410,565,900	198,596,900	148,154,700	5,927,732,300
2017	75,691,300	4,833,831,900	86,665,600	436,936,200	193,378,000	106,035,200	5,732,538,200
2016	71,014,800	4,740,155,800	93,680,300	417,265,100	191,459,700	106,781,700	5,620,357,400
2015	74,521,700	4,653,158,000	95,210,600	397,202,200	191,400,800	102,671,900	5,514,165,200

Source: Abstract of Ratables and State of New Jersey – Property Value Classification

Financial Operations

The following table summarizes the Township’s Current Fund budget for the past five (5) fiscal years ending December 31. The following summary should be used in conjunction with the tables in the sourced documents from which it is derived.

Summary of Current Fund Budget

<u>Anticipated Revenues</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Fund Balance Utilized	\$1,900,000	\$2,000,000	\$2,000,000	\$2,350,000	\$2,500,000
Miscellaneous Revenues	7,775,742	7,316,658	7,453,256	7,447,445	6,733,937
Receipts from Delinquent Taxes	700,000	700,000	700,000	700,000	700,000
Amount to be Raised by Taxation	<u>18,566,229</u>	<u>18,937,386</u>	<u>19,315,583</u>	<u>19,669,615</u>	<u>20,060,789</u>
Total Revenue:	<u>\$28,941,971</u>	<u>\$28,954,044</u>	<u>\$29,468,839</u>	<u>\$30,167,060</u>	<u>\$29,994,726</u>
<u>Appropriations</u>					
General Appropriations	\$25,523,647	\$22,137,097	\$26,000,080	\$26,414,098	\$26,338,147
Operations (Excluded from CAPS)	389,349	347,520	263,199	410,410	438,831
Deferred Charges and Statutory Expenditures	10,000	3,317,665	10,000	10,000	10,000
Judgments	0	0	0	0	0
Capital Improvement Fund	487,450	585,000	620,000	650,000	654,000
Municipal Debt Service	1,406,525	1,441,762	1,450,560	1,557,552	1,453,748
Reserve for Uncollected Taxes	<u>1,125,000</u>	<u>1,125,000</u>	<u>1,125,000</u>	<u>1,125,000</u>	<u>1,100,000</u>
Total Appropriations:	<u>\$28,941,971</u>	<u>\$28,954,044</u>	<u>\$29,468,839</u>	<u>\$30,167,060</u>	<u>\$29,994,726</u>

Source: Annual Adopted Budgets of the Township

Fund Balance

Current Fund

The following table lists the Township’s fund balance and the amount utilized in the succeeding year’s budget for the Current Fund for the past five (5) fiscal years ending December 31.

Fund Balance - Current Fund

<u>Year</u>	<u>Balance 12/31</u>	<u>Utilized in Budget of Succeeding Year</u>
2019U	\$4,435,619	\$2,500,000
2018	3,136,724	2,350,000
2017	2,570,876	2,000,000
2016	2,466,837	2,000,000
2015	2,387,243	1,900,000

U = Unaudited
Source: Annual Audit Reports of the Township and 2019 Annual Financial Statement

Township Indebtedness as of December 31, 2019

General Purpose Debt

Serial Bonds	\$1,551,000
Bond Anticipation Notes	6,093,867
Bonds and Notes Authorized but Not Issued	9,446,318
Other Bonds, Notes and Loans	4,353,376
Total:	<u>\$21,444,561</u>

Local School District Debt

Serial Bonds	\$4,990,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	34,500,000
Total:	<u>\$39,490,000</u>

Self-Liquidating Debt

Serial Bonds	\$0
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	0
Other Bonds, Notes and Loans	0
Total:	<u>\$0</u>

TOTAL GROSS DEBT

\$60,934,561

Less: Statutory Deductions	
General Purpose Debt	\$1,623,728
Local School District Debt	39,490,000
Regional School District Debt	0
Self-Liquidating Debt	0
Total:	<u>\$41,113,728</u>

TOTAL NET DEBT

\$19,820,834

Source: Annual Debt Statement of the Township

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Overlapping Debt (as of December 31, 2019)³

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Township Percentage</u>	<u>Township Share</u>
Local School District	\$39,490,000	100.00%	\$39,490,000
County	392,915,133	10.71%	<u>42,079,329</u>
Net Indirect Debt			\$81,569,329
Net Direct Debt			<u>19,820,834</u>
Total Net Direct and Indirect Debt			<u>\$101,390,162</u>

Debt Limit

Average Equalized Valuation Basis (2017, 2018, 2019)	\$6,531,524,233
Permitted Debt Limitation (3 1/2%)	228,603,348
Less: Net Debt	<u>19,820,834</u>
Remaining Borrowing Power	<u>\$208,782,515</u>
Percentage of Net Debt to Average Equalized Valuation	0.303%
Gross Debt Per Capita based on 2010 population of 38,303	\$1,591
Net Debt Per Capita based on 2010 population of 38,303	\$517

Source: Annual Debt Statement of the Township


³ Township percentage of County debt is based on the Township's share of total equalized valuation in the County.

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APPENDIX B

**Financial Statements of The Board of Education of the
Township of Hillsborough
in the County of Somerset, New Jersey**

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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, 2019, 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

350 Main Road, Suite 104
Montville, NJ 07045
973-953-7769, Fax 973-625-8733
Email: tmvrabel@optonline.net

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, 2019, 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; and New Jersey OMB's Circular 15-08, 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.

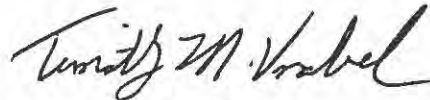
The combining and individual fund financial statements, long-term debt schedules and the Schedules of Expenditures of Federal Awards and State Financial Assistance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare 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.

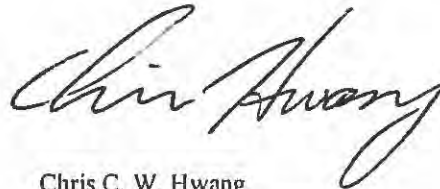
The introductory section and statistical tables have not been subjected to the auditing procedures and applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated August 28, 2019 on our consideration of the Township of Hillsborough School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 28, 2019

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**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, 2019. 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 \$498,000 as a result of this year's operations. Net position of our business-type activities increased by \$81,000 or 152.8 percent, and net position of our governmental activities increased by \$417,000 or 1.9 percent.
- Total cost of all of the District's programs was \$172 million in 2018-2019 compared to \$175 million in 2017-2018.
- During the year, the District had expenses for governmental activities that were \$.481 million less than the \$149 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 23 and 24) provide information about the activities of the District as a whole and present a longer-term view on the District's finances. Fund financial statements start on page 27. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operation in more detail than the government-wide statements by providing information about the District's most financially significant funds

Reporting the District as a Whole

The Statement of Net 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 32 and 33.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental funds: most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net 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, increasing from \$21.710 million to \$22.208 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 Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current and other assets	6,470	6,049	452	339	6,922	6,388
Capital assets	68,923	71,820	91	106	69,014	71,926
Total assets	<u>75,393</u>	<u>77,869</u>	<u>543</u>	<u>445</u>	<u>75,936</u>	<u>78,314</u>
Deferred outflows of resources	8,299	9,606			8,299	9,606
Long-term debt outstanding	23,014	26,246			23,014	26,246
Aggregate net pension liability	28,748	32,629			28,748	32,629
Other liabilities	158	255	409	392	567	647
Total liabilities	<u>51,920</u>	<u>59,130</u>	<u>409</u>	<u>392</u>	<u>52,329</u>	<u>59,522</u>
Deferred inflows of resources	9,697	6,689			9,697	6,689
Net Position:						
Invested in capital assets, net of debt	48,812	48,346	91	106	48,903	48,452
Restricted	6,017	5,772			6,017	5,772
Unrestricted (deficit)	<u>(32,755)</u>	<u>(32,461)</u>	<u>43</u>	<u>(53)</u>	<u>(32,712)</u>	<u>(32,514)</u>
Total net position	<u>22,074</u>	<u>21,657</u>	<u>134</u>	<u>53</u>	<u>22,208</u>	<u>21,710</u>

Net position of the District's governmental activities increased by 1.9 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 \$198,000. Restricted net position, those restricted mainly for capital projects increased by \$245,000. The investment in capital assets, net of debt category increased by \$466,000.

Table 2
Changes in Net Position (in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Charges for Services	-	1	2,404	2,361	2,404	2,362
Operating Grants and Contributions	50,754	54,320	517	563	51,271	54,883
General revenues:						
Property Taxes	97,990	94,563			97,990	94,563
Tuition	599	612			599	612
Federal and State Aid	19,576	20,733			19,576	20,733
Interest and Investment Earnings	143	20			143	20
Other General Revenues	604	738			604	738
Adjustment to Capital Assets	-	(500)	-	-	-	(500)
Total Revenues:	169,666	170,487	2,921	2,924	172,587	173,411
Program expenses including indirect expenses						
Instruction:						
Regular	67,102	68,378			67,102	68,378
Special	22,681	23,256			22,681	23,256
Other instruction	12,797	13,450			12,797	13,450
Support services:						
Tuition	1,904	2,496			1,904	2,496
Student and instruction related services	28,739	28,408			28,739	28,408
School administrative services	7,971	7,996			7,971	7,996
General and business administrative services	5,475	5,974			5,475	5,974
Plant operations and maintenance	13,190	12,469			13,190	12,469
Pupil transportation	8,941	9,595			8,941	9,595
SDA Debt Service Assessment	71	71			71	71
Interest on long-term debt	378	501			378	501
Business-type activities:						
Food Services			2,745	2,791	2,745	2,791
Summer Enrichment	-	-	95	151	95	151
Total Expenses	169,249	172,594	2,840	2,942	172,089	175,536
Increase in Net Position	417	(2,107)	81	(18)	498	(2,125)

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

**Information below compares revenues and expenditures for all governmental fund types for 2018-2019 and 2017-2018.
(In Thousands)**

<u>Revenues by Source:</u>	<u>2018-2019</u>	<u>2017-2018</u>	<u>% Change</u>
Local Tax Levy	97,990	94,563	3.62%
Tuition Charges	599	612	-2.12%
Transportation Fees	-	1	-100.00%
Interest Earned to Investments	143	20	615.00%
Miscellaneous	702	779	-9.88%
Total - Local Sources	99,434	95,975	3.60%
State Sources	47,678	45,324	5.19%
Federal Sources	2,133	1,791	19.10%
Total Revenues	<u>149,245</u>	<u>143,090</u>	4.30%
<u>Expenditures by Function:</u>	<u>2018-2019</u>	<u>2017-2018</u>	<u>% Change</u>
Current:			
Regular Instruction	36,075	35,348	2.06%
Special education	13,115	12,801	2.45%
Other instruction	7,150	7,231	-1.12%
Support Services and undistributed costs:			
Tuition	1,904	2,496	-23.72%
Student and instruction related services	18,203	17,216	5.73%
School administrative services	4,332	4,204	3.04%
General and Business administrative services	3,557	3,812	-6.69%
Plant operations and maintenance	9,667	9,935	-2.70%
Pupil transportation	8,442	8,370	0.86%
Employee Benefits	43,139	39,451	9.35%
Capital Outlay	261	971	-73.12%
Debt Service:			
Principal	2,505	4,442	-43.61%
Interest on long-term debt	414	537	-22.91%
Total Expenditures	<u>148,764</u>	<u>146,814</u>	1.33%

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)

	<u>Food Service</u>	<u>Summer Enrichment</u>
Total Assets	330	212
Net Position	2	132
Change in Net Position	97	(17)
Return on Ending Total Assets	29.39%	-8.02%
Return on Ending Net Position	4850.00%	-12.88%

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets
Table 5
(in Thousands)

Capital Assets at Year-end
(Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land Improvements	4,251	4,251			4,251	4,251
Buildings	116,831	116,831			116,831	116,831
Machinery and Equipment	5,451	5,392	417	417	5,868	5,809
Construction-in-progress	-	-	-	-	-	-
Subtotal	<u>126,533</u>	<u>126,474</u>	<u>417</u>	<u>417</u>	<u>126,950</u>	<u>126,891</u>
Accumulated Depreciation	<u>(57,610)</u>	<u>(54,654)</u>	<u>(326)</u>	<u>(311)</u>	<u>(57,936)</u>	<u>(54,965)</u>
Totals	<u>68,923</u>	<u>71,820</u>	<u>91</u>	<u>106</u>	<u>69,014</u>	<u>71,926</u>

The District's 2019-2020 capital budget anticipates a spending level of \$143,199 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 \$23.013 million outstanding versus \$26.245 million last year – a decrease of 7.8 percent – as shown in Table 6.

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

	Governmental Activities	
	2019	2018
Serial Bonds	6,710	9,215
Lease Purchase Agreement	12,995	13,723
Capital Leases	406	536
Compensated Absences	<u>2,902</u>	<u>2,771</u>
	<u>23,013</u>	<u>26,245</u>

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 2018-2019, and the final budget were caused by the reduction of anticipated state aid revenue and the appropriation of prior year encumbrances which were 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

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Section A

DISTRICT – WIDE FINANCIAL STATEMENTS

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Statement of Net Position
June 30, 2019**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ (1,170,591.61)	\$ 343,545.89	\$ (827,045.72)
Receivables, net	4,792,993.85	87,701.67	4,880,695.52
Inventory		20,542.51	20,542.51
Restricted assets:			
Cash and cash equivalents	227,732.54		227,732.54
Capital reserve account - cash	2,119,166.04		2,119,166.04
Maintenance reserve account - cash	500,000.00		500,000.00
Capital assets, net (Note III.C.):	<u>68,923,335.28</u>	<u>90,931.41</u>	<u>69,014,266.69</u>
Total Assets	<u>75,392,636.10</u>	<u>542,721.48</u>	<u>75,935,357.58</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>8,298,618.73</u>		<u>8,298,618.73</u>
Total Deferred Outflows of Resources	<u>8,298,618.73</u>		<u>8,298,618.73</u>
LIABILITIES			
Accounts payable	9,745.95	219,098.82	228,844.77
Contracts payable	-	-	-
Deposits payable			-
Payable to federal government	208.00		208.00
Payable to state government	17,904.38		17,904.38
Bond Interest Payable	94,331.25		94,331.25
Unearned revenue	35,577.41	189,444.70	225,022.11
Long-term liabilities other than pensions (Note IV.B.):			
Due within one year	3,668,773.02		3,668,773.02
Due beyond one year	19,344,669.41		19,344,669.41
Aggregate net pension liability	<u>28,748,487.00</u>	<u>-</u>	<u>28,748,487.00</u>
Total liabilities	<u>51,919,696.42</u>	<u>408,543.52</u>	<u>52,328,239.94</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>9,697,336.00</u>		<u>9,697,336.00</u>
Total Deferred Inflows of Resources	<u>9,697,336.00</u>		<u>9,697,336.00</u>
NET POSITION			
Net Investment in capital assets	48,812,190.26	90,931.41	48,903,121.67
Restricted for:			
Capital projects	2,346,898.58		2,346,898.58
Debt service	(82,491.24)		(82,491.24)
Other purposes	3,752,383.21		3,752,383.21
Unrestricted	<u>(32,754,758.44)</u>	<u>43,246.55</u>	<u>(32,711,511.89)</u>
Total Net Position	<u>\$ 22,074,222.37</u>	<u>\$ 134,177.96</u>	<u>\$ 22,208,400.33</u>

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

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Statement of Activities
For the Year Ended June 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction:							
Regular	\$ 67,101,644.16	\$ -	\$ 18,542,783.31	\$ -	\$ (48,558,860.85)	\$ -	\$ (48,558,860.85)
Special education	22,681,029.47		8,324,788.23		(14,356,241.24)		(14,356,241.24)
Other instruction	12,797,239.66		3,539,218.97		(9,258,020.69)		(9,258,020.69)
Support services:							
Tuition	1,904,426.32		4,765,798.55		2,861,372.23		2,861,372.23
Student and instruction related services	28,738,881.45		7,833,397.18		(20,905,484.27)		(20,905,484.27)
School administrative services	7,970,790.56		2,181,348.82		(5,789,443.74)		(5,789,443.74)
General and business administrative services	5,474,583.16		1,220,761.53		(4,253,821.63)		(4,253,821.63)
Plant operations and maintenance	13,190,509.96		2,217,051.14		(10,973,458.82)		(10,973,458.82)
Pupil transportation	8,940,841.10		1,750,649.88		(7,190,191.23)		(7,190,191.23)
SDA Debt Service Assessment	71,124.00				(71,124.00)		(71,124.00)
Interest on long-term debt	377,744.25		377,744.25		-		-
Total governmental activities	169,248,814.09	-	50,753,539.85	-	(118,495,274.24)	-	(118,495,274.24)
Business-type activities:							
Food Service	2,744,933.04	2,324,965.36	517,279.72			97,312.04	97,312.04
Summer Enrichment	95,459.55	78,731.00	-			(16,728.55)	(16,728.55)
Total business-type activities	2,840,392.59	2,403,696.36	517,279.72	-	-	80,583.49	80,583.49
Total primary government	\$ 172,089,206.88	\$ 2,403,696.36	\$ 51,270,819.57	\$ -	\$ (118,495,274.24)	\$ 80,583.49	\$ (118,414,690.75)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					\$ 95,517,733.00	\$ -	\$ 95,517,733.00
Property taxes, levied for debt service principal					2,472,427.00		2,472,427.00
Federal and State aid not restricted					19,576,367.07		19,576,367.07
Tuition (other than special schools)					599,420.34		599,420.34
Investment Earnings					143,028.43		143,028.43
Miscellaneous Income					603,399.73		603,399.73
Total general revenues, special items, extraordinary items and transfers					118,912,375.57	-	118,912,375.57
Change in Net Position					417,101.33	80,583.49	497,684.82
Net Position—beginning, as restated					21,657,121.04	53,594.47	21,710,715.51
Net Position—ending					\$ 22,074,222.37	\$ 134,177.98	\$ 22,208,400.33

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

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Section B
FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Balance Sheet
Governmental Funds
June 30, 2019**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ (388,633.05)	\$ (795,798.57)	\$ 227,732.54	\$ 11,840.01	\$ (942,859.07)
Receivables from other governments	889,502.00	859,234.31			1,748,736.31
Tax Levy receivable	3,000,000.00				3,000,000.00
Other receivables	44,257.50				44,257.50
Restricted cash and cash equivalents	<u>2,619,168.04</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,619,168.04</u>
Total Assets	<u>\$ 6,168,292.49</u>	<u>\$ 83,435.74</u>	<u>\$ 227,732.54</u>	<u>\$ 11,840.01</u>	<u>\$ 6,489,300.78</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 9,745.95	\$ -	\$ -	\$ 9,745.95
Payable to federal government		208.00			208.00
Payable to state government		17,904.38			17,904.38
Unearned revenue		<u>35,577.41</u>			<u>35,577.41</u>
Total Liabilities		<u>83,435.74</u>			<u>83,435.74</u>
Fund Balances:					
Restricted for:					
Reserved Excess Surplus - Designated for Subsequent Year's Expenditures	865,285.80				865,285.80
Reserve for Excess Surplus	2,387,097.41				2,387,097.41
Capital Reserve Account	2,119,168.04				2,119,168.04
Maintenance Reserve Account	500,000.00				500,000.00
Capital Projects			227,732.54		227,732.54
Debt Service				11,840.01	11,840.01
Assigned to:					
Designated for Subsequent Year's Expenditures	14,032.20				14,032.20
Unassigned	<u>280,711.04</u>		<u>-</u>	<u>-</u>	<u>280,711.04</u>
Total Fund Balances	<u>6,168,292.49</u>	<u>-</u>	<u>227,732.54</u>	<u>11,840.01</u>	<u>6,405,865.04</u>
Total Liabilities and Fund Balances	<u>\$ 6,168,292.49</u>	<u>\$ 83,435.74</u>	<u>\$ 227,732.54</u>	<u>\$ 11,840.01</u>	

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,	(94,331.25)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$126,533,458.20 and the accumulated depreciation is \$57,610,122.92.	68,923,335.28
Pension liabilities net of deferred outflows and inflows of resources	(30,147,204.27)
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)	<u>(23,013,442.43)</u>
Net position of governmental activities	<u>\$ 22,074,222.37</u>

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

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH**
Statement of Revenues, Expenditures, And Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local sources:					
Local tax levy	\$ 95,517,733.00	\$ -	\$ -	\$ 2,472,427.00	\$ 97,990,160.00
Tuition charges	599,420.34				599,420.34
Interest earned on Investments	113,789.78		2,869.43		116,659.19
Interest earned on Capital Reserve Funds	28,389.24				28,389.24
Miscellaneous	<u>603,389.73</u>	<u>98,832.08</u>	<u>-</u>	<u>-</u>	<u>702,231.81</u>
Total - Local Sources	98,860,712.07	98,832.08	2,869.43	2,472,427.00	99,434,840.58
State sources	48,194,353.79	1,037,273.62		446,513.00	47,678,140.41
Federal sources	<u>80,275.12</u>	<u>2,052,153.31</u>	<u>-</u>	<u>-</u>	<u>2,132,428.43</u>
Total Revenues	<u>143,135,340.98</u>	<u>3,188,259.01</u>	<u>2,869.43</u>	<u>2,918,940.00</u>	<u>149,245,409.42</u>
EXPENDITURES					
Current:					
Regular instruction	35,818,712.07	255,937.87			36,074,649.94
Special education instruction	11,353,508.17	1,761,809.85			13,115,318.02
Other Instruction	7,150,291.44				7,150,291.44
Support services and undistributed costs:					
Tuition	1,904,426.32				1,904,426.32
Student and instruction related services	17,080,010.18	1,143,138.44			18,203,148.60
School administrative services	4,332,316.60				4,332,316.60
General and business administrative services	3,557,269.08				3,557,269.08
Plant operations and maintenance	9,668,828.25				9,668,828.25
Pupil transportation	8,441,654.84				8,441,654.84
Unallocated benefits	43,111,347.88	27,574.85			43,138,922.73
Capital outlay	260,824.77				260,824.77
Debt service:					
Principal				2,505,000.00	2,505,000.00
Interest and other charges	-	-		413,514.87	413,514.87
Total Expenditures	<u>142,657,185.58</u>	<u>3,188,259.01</u>	<u>-</u>	<u>2,918,514.87</u>	<u>148,763,959.46</u>
Excess (Deficiency) of revenues over expenditures	<u>478,155.40</u>	<u>-</u>	<u>2,869.43</u>	<u>425.13</u>	<u>481,449.96</u>
OTHER FINANCING SOURCES AND (USES)					
Transfers in				2,869.43	2,869.43
Transfers (out)			(2,869.43)	-	(2,869.43)
Total Other Financing Sources and (Uses)	<u>-</u>	<u>-</u>	<u>(2,869.43)</u>	<u>2,869.43</u>	<u>-</u>
Net change in fund balances	478,155.40	-	-	3,294.56	481,449.96
Fund Balance—July 1	<u>5,688,137.09</u>	<u>-</u>	<u>227,732.54</u>	<u>8,545.45</u>	<u>5,924,415.08</u>
Fund Balance—June 30	<u>\$ 8,166,292.49</u>	<u>\$ -</u>	<u>\$ 227,732.54</u>	<u>\$ 11,840.01</u>	<u>\$ 8,405,865.04</u>

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

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH**
**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2019**

Total net change in fund balances - governmental funds (from B-2)		481,449.86
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p>		
<p>In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The difference in accrued interest is an addition in the reconciliation. (+)</p>		
Interest paid	413,514.87	
Interest accrued	<u>(377,744.25)</u>	35,770.62
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.</p>		
Depreciation expense	(2,955,987.80)	
Capital outlays (exclusive of capital lease principal payments and SDA Debt Service Assessment)	<u>59,078.28</u>	(2,896,909.52)
<p>Adjustment to Capital Assets in accordance with physical appraisal and dispositions</p>		
		-
<p>In the statement of activities, only the gain on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from a sale increase financial resources. Thus, the change in net assets will differ from the change in fund balance by the cost of the asset removed. (-)</p>		
		-
<p>In the statement of activities, certain operating expenses, e.g., compensated absences (vacations and unused sick pay) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition in the reconciliation (+).</p>		
		(131,280.40)
<p>Governmental funds report district pension contributions as expenditures. In the statement of activities, however, the cost of pension benefits earned net of employee contributions is reported as pension expense.</p>		
District pension contributions - PERS	1,463,879.73	
Cost of benefits earned net of employees contributions	<u>(1,899,229.08)</u>	(435,349.33)
<p>Payment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.</p>		
Debt principal		2,505,000.00
Capital lease principal		858,420.00
<p>Proceeds from debt issues are a financing source in the governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the statement of net assets.</p>		
Proceeds of long-term debt		-
Capital lease proceeds		-
<p>Revenues in the statement of activities which do not provide current financial resources are not reported as revenues in the funds. (+)</p>		
		-
Change in net position of governmental activities		<u><u>417,101.33</u></u>

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

PROPRIETARY FUNDS

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Statement of Net Position
Proprietary Funds
June 30, 2019**

	Business-type Activities - Enterprise Funds		
	<u>Food Service</u>	<u>Summer Enrichment</u>	<u>Totals</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 131,232.88	\$ 212,313.01	\$ 343,545.89
Accounts receivable	87,701.67	-	87,701.67
Inventories	20,542.51	-	20,542.51
Total Current Assets	<u>239,477.06</u>	<u>212,313.01</u>	<u>451,790.07</u>
Noncurrent assets:			
Furniture, machinery and equipment	416,923.34		416,923.34
Less accumulated depreciation	<u>(325,991.93)</u>		<u>(325,991.93)</u>
Total Noncurrent Assets	<u>90,931.41</u>	<u>-</u>	<u>90,931.41</u>
Total Assets	<u>330,408.47</u>	<u>212,313.01</u>	<u>542,721.48</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	219,098.82		219,098.82
Prepaid sales and fees	<u>109,099.70</u>	<u>80,345.00</u>	<u>189,444.70</u>
Total Current Liabilities	<u>328,198.52</u>	<u>80,345.00</u>	<u>408,543.52</u>
Total Liabilities	<u>328,198.52</u>	<u>80,345.00</u>	<u>408,543.52</u>
NET POSITION			
Net Investment in capital assets	90,931.41		90,931.41
Unrestricted	<u>(88,721.46)</u>	<u>131,968.01</u>	<u>43,246.55</u>
Total Net Position	<u>\$ 2,209.95</u>	<u>\$ 131,968.01</u>	<u>\$ 134,177.96</u>

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

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH**
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	Business-type Activities - Enterprise Funds		
	Food Service	Summer Enrichment	Totals
Operating Revenues:			
Charges for services:			
Daily sales - reimbursable programs	\$ 1,002,389.36	\$ -	\$ 1,002,389.36
Daily sales - non-reimbursable programs	1,322,576.00		1,322,576.00
Program fees	-	78,731.00	78,731.00
Total Operating Revenues	<u>2,324,965.36</u>	<u>78,731.00</u>	<u>2,403,696.36</u>
Operating Expenses:			
Cost of sales - reimbursable programs	479,992.42		479,992.42
Cost of sales - non-reimbursable programs	443,069.92		443,069.92
Salaries	876,966.41	48,463.08	925,429.49
Employee benefits	260,886.43	3,707.45	264,593.88
Management Fee	228,975.00		228,975.00
Cleaning, repair and maintenance services	95,572.96		95,572.96
Other purchased services	96,481.54	34,846.37	131,327.91
General supplies	247,759.11	8,442.65	256,201.76
Depreciation	15,229.25	-	15,229.25
Total Operating Expenses	<u>2,744,933.04</u>	<u>95,459.55</u>	<u>2,840,392.59</u>
Operating (Loss)	<u>(419,967.68)</u>	<u>(16,728.55)</u>	<u>(436,696.23)</u>
Nonoperating Revenues :			
State sources:			
State school lunch program	21,312.34		21,312.34
Federal sources:			
National school lunch program	357,610.02		357,610.02
Federal breakfast program	17,756.81		17,756.81
Food distribution program	120,600.55		120,600.55
Interest and Investment revenue	-		-
Total Nonoperating Revenues	<u>517,279.72</u>	<u>-</u>	<u>517,279.72</u>
Income (loss) before contributions and transfers	97,312.04	(16,728.55)	80,583.49
Transfers in (out)	-	-	-
Change in net position	97,312.04	(16,728.55)	80,583.49
Total Net Position—Beginning	<u>(95,102.09)</u>	<u>148,696.56</u>	<u>53,594.47</u>
Total Net Position—Ending	<u>\$ 2,209.95</u>	<u>\$ 131,968.01</u>	<u>\$ 134,177.96</u>

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

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019**

	Business-type Activities - Enterprise Funds		
	Food Service	Summer Enrichment	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 2,262,708.27	\$ 80,460.00	\$ 2,343,168.27
Payments to employees	(876,966.41)	(48,463.08)	(925,429.49)
Payments for employee benefits	(260,886.43)	(3,707.45)	(264,593.88)
Payments to suppliers	<u>(1,558,983.51)</u>	<u>(43,289.02)</u>	<u>(1,602,272.53)</u>
Net cash provided/(used for) operating activities	<u>(434,128.08)</u>	<u>(14,999.55)</u>	<u>(449,127.63)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State Sources	21,312.34		21,312.34
Federal Sources	<u>495,967.38</u>		<u>495,967.38</u>
Net cash provided by non-capital financing activities	<u>517,279.72</u>	-	<u>517,279.72</u>
Net increase (decrease) in cash and cash equivalents	83,151.64	(14,999.55)	68,152.09
Balances—beginning of year	<u>48,081.24</u>	<u>227,312.56</u>	<u>275,393.80</u>
Balances—end of year	<u>\$ 131,232.88</u>	<u>\$ 212,313.01</u>	<u>\$ 343,545.89</u>
Reconciliation of operating income (loss) to net cash provided/ (used for) operating activities:			
Operating Income (loss)	\$ (419,967.68)	\$ (16,728.55)	\$ (436,696.23)
Adjustments to reconcile operating income (loss) to net cash provided/ (used for) operating activities:			
Depreciation and net amortization	15,229.25		15,229.25
(Increase)/Decrease in accounts receivable	(52,572.46)		(52,572.46)
(Increase)/Decrease in inventories	8,175.68		8,175.68
Increase/(Decrease) in accounts payable	24,691.76	-	24,691.76
Increase/(Decrease) in deferred inflows of resources	<u>(9,684.63)</u>	<u>1,729.00</u>	<u>(7,955.63)</u>
Total adjustments	<u>(14,160.40)</u>	<u>1,729.00</u>	<u>(12,431.40)</u>
Net cash (used for) operating activities	<u>\$ (434,128.08)</u>	<u>\$ (14,999.55)</u>	<u>\$ (449,127.63)</u>

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

FIDUCIARY FUNDS

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019**

	Unemployment Compensation Trust	Agency Fund
ASSETS		
Cash and cash equivalents	<u>\$ 141,351.51</u>	<u>\$ 952,613.85</u>
Total Assets	<u>141,351.51</u>	<u>952,613.85</u>
LIABILITIES		
Payable to student groups		721,848.39
Payroll deductions and withholdings		174,206.98
Net Salaries and Wages		12,856.63
Accrued Salaries and Wages		2,159.63
Building Rental Account		-
Section 125 Plan		41,539.08
Clearing Account		<u>3.14</u>
Total Liabilities		<u>\$ 952,613.85</u>
NET POSITION		
Held in trust for unemployment claims and other purposes	<u>\$ 141,351.51</u>	

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

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2019**

	<u>Unemployment Compensation Trust</u>
ADDITIONS	
Contributions:	
Plan member	\$ 204,091.99
Board of Education	-
Total Contributions	<u>204,091.99</u>
Investment earnings:	
Interest	<u>1,000.03</u>
Net investment earnings	<u>1,000.03</u>
Total Additions	<u>205,092.02</u>
DEDUCTIONS	
Unemployment claims	<u>179,014.83</u>
Total Deductions	<u>179,014.83</u>
Change in Net Position	26,077.19
Net Position—beginning	<u>115,274.32</u>
Net Position—ending	<u>\$ 141,351.51</u>

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

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NOTES TO BASIC FINANCIAL STATEMENTS

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Note I: Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements of the Board of Education (Board) of the Township of Hillsborough 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.

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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, on-behalf TPAF and PERS OPEB 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 business-type activities category are summarized into a single column. GASBS No. 34 sets forth minimum criteria (percentage of the 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.

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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.

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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.

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Note I: Summary of Significant Accounting Policies (Continued)

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

Proprietary Fund Type (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.

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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.

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Note I: 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. A reduction in revenues in the amount of \$282,394.00 was made during the year ended June 30, 2019. The Board of Education approved the following material budgetary appropriation transfers during the school year:

<u>Account Name</u>	<u>Amount</u>
Regular Programs - Instruction	
Preschool/Kindergarten – Salaries of Teachers	\$ (177,661.44)
Grades 9-12 – Salaries of Teachers	336,297.51
Learning and/or Language Disabilities:	
Salaries of Teachers	(161,200.00)
Undist. Expend.-Speech,OT,PT & Related Services	
Purchased Professional – Educational Services	155,307.97
Undist. Expend. – Support Serv. – School Admin.	
Salaries of Principals/Assistant Principals	424,845.08
Unused Vacation Payment to Terminated/Retired Staff	(167,484.67)
Undist. Expend. – Custodial Services	
Salaries	413,979.79
Purchased Professional and Technical Services	245,093.78
General Supplies	301,763.80
Undist. Expend. – Student Transportation Serv.	
Salaries of Non-Instructional Aides	(84,348.99)
Salaries for Pupil Trans.(Between Home & School) - Special	146,831.58
Contracted Services (Between Home and School) - Vendors	339,144.16
Contracted Services (Special Education Students) - Vendors	(285,926.32)
UNALLOCATED BENEFITS	
Health Benefits	(785,797.90)
Other Employee Benefits	(734,653.99)
Unused Sick Payment to Terminated/Retired Staff	180,782.16

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.

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Note I: Summary of Significant Accounting Policies (Continued)

F. Budgets/Budgetary Control(Continued)

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

The special revenue fund had no encumbrances at June 30, 2019.

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	\$ 143,111,830.98	\$ 3,188,259.01
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.	23,510.00	
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	_____ -	_____ -
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$ 143,135,340.98</u>	<u>\$ 3,188,259.01</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 142,657,185.58	\$ 3,188,259.01
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.	_____ -	_____ -
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 142,657,185.58</u>	<u>\$ 3,188,259.01</u>

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Note I: Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities and Fund Equity

1. Deposits and Investments

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

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

2. Short – term Interfund Receivables/Payables

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

3. Inventories

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

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

4. Capital Assets

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

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

Land and Construction in Progress are not depreciated.

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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, 2019, the amount earned by these employees but not disbursed was \$2,159.63.

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 XII)

7. Unearned Revenue

Unearned revenue in the special revenue fund represents cash which has been received but not yet earned.

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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.

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Note I: Summary of Significant Accounting Policies (Continued)

H. Recent Accounting Pronouncements Not Yet Effective

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87 "Leases". This statement, which is effective for fiscal periods beginning after December 15, 2019, could have significant effects on the entity's financial reporting and the provisions of this statement could require significant modifications to disclosure requirements.

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH**

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

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

Assets	Total Governmental Funds	Long - term Assets Liabilities (1)	Reclassifications and Eliminations	Statement of Net Position Totals
Cash and cash equivalents	\$ (942,859.07)	\$ -	\$ (227,732.54)	\$ (1,170,591.61)
Receivables, net			4,792,993.81	4,792,993.81
Receivables from Other Governments	1,748,736.31		(1,748,736.31)	-
Tax Levy Receivable	3,000,000.00		(3,000,000.00)	-
Other Receivables	44,257.50		(44,257.50)	-
Restricted assets:				
Cash and cash equivalents			227,732.54	227,732.54
Capital Reserve Account - cash	2,119,166.04			2,119,166.04
Maintenance Reserve Account - cash	500,000.00			500,000.00
Capital Assets, net	-	68,923,335.28	-	68,923,335.28
Total Assets	\$ 6,469,300.78	\$ 68,923,335.28	\$ -	\$ 75,392,636.06
Deferred Outflows of Resources				
Deferred outflows related to pensions		8,298,618.73		8,298,618.73
Total Deferred Outflows of Resources	-	8,298,618.73	-	8,298,618.73
Total Assets and Deferred Outflows of Resources	\$ 6,469,300.78	\$ 77,221,954.01	\$ -	\$ 83,691,254.79
Liabilities				
Accounts Payable	\$ 9,745.95	\$ -	\$ -	\$ 9,745.95
Payable to Federal Government	208.00			208.00
Payable to State Government	17,904.38			17,904.38
Bond Interest Payable			94,331.25	94,331.25
Unearned Revenue	35,577.41			35,577.41
Noncurrent Liabilities	-	48,859,632.02	2,902,297.41	51,761,929.43
Total Liabilities	63,435.74	48,859,632.02	2,996,628.66	51,919,696.42
Deferred Inflows of Resources				
Deferred inflows related to pensions		9,697,336.00		9,697,336.00
Total Deferred Inflows of Resources	-	9,697,336.00	-	9,697,336.00
Total Liabilities and Deferred Inflows of Resources	63,435.74	58,556,968.02	2,996,628.66	61,617,032.42
Fund Balances/Net Position				
Net Position				
Net investment in capital assets		48,812,190.26		48,812,190.26
Restricted for:				
Capital projects	2,346,898.58			2,346,898.58
Debt Service	11,840.01		(94,331.25)	(82,491.24)
Other purposes	3,752,383.21			3,752,383.21
Unrestricted	294,743.24	(30,147,204.27)	(2,902,297.41)	(32,754,758.44)
Total Fund Balances/Net Position	6,405,865.04	18,664,985.99	(2,996,628.66)	22,074,222.37
Total Liabilities, Deferred Inflows of Resources and Fund Balances/Net Position	\$ 6,469,300.78	\$ 77,221,954.01	\$ -	\$ 83,691,254.79

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH**

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

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

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

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	\$	126,533,458.20
Accumulated depreciation		<u>(57,610,122.92)</u>
	\$	<u>68,923,335.28</u>

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

Net PERS Pension Liability	\$	28,748,487.00
Deferred outflows related to pensions		(8,298,618.73)
Deferred inflows related to pensions		<u>9,697,336.00</u>
	\$	<u>30,147,204.27</u>

Serial Bonds	\$	6,710,000.00
Lease/Purchase Agreements		12,995,465.66
Capital Leases		405,679.36
Compensated Absences		<u>2,902,297.41</u>
	\$	<u>23,013,442.43</u>

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

	\$	<u>(94,331.25)</u>
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**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH**
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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 arises 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

Revenue 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	\$ 97,990,160.00	\$ -	\$ -	\$ -	\$ -	\$ 97,990,160.00
Tuition Charges	599,420.34					599,420.34
Interest Earned on Investments	143,028.43					143,028.43
Miscellaneous	702,231.81					702,231.81
State Sources	47,678,140.41				20,420,506.00	68,098,646.41
Federal Sources	2,132,428.63	-	-	-	-	2,132,428.63
Total	149,245,409.42	-	-	-	20,420,506.00	169,665,915.42
Expenditures						
Current:						
Regular instruction	\$ 36,074,649.94		\$ 2,199,749.73	\$ 999,069.72	\$ 27,828,174.77	\$ 67,101,644.16
Special education	13,115,116.02		354,489.19	230,611.63	8,980,812.63	22,681,029.47
Other instruction	7,150,291.44		84,721.19	174,882.47	5,387,344.56	12,797,239.66
Support Services and undistributed costs:						
Tuition	1,904,426.32					1,904,426.32
Student and instruction related services	18,203,146.60		40,306.82	311,616.28	10,183,811.75	28,738,881.45
School administrative services	4,332,316.60		184,207.97	133,853.50	3,320,412.49	7,970,790.56
General and business administrative services	3,337,269.08		36,392.90	22,696.80	1,858,224.38	5,474,583.16
Plant operations and maintenance	9,666,826.25		29,892.08	119,030.56	3,374,761.07	13,190,509.96
Pupil transportation	8,441,654.84		26,227.92	(689,049.01)	1,162,007.35	8,940,841.10
Unallocated Benefits	43,138,922.73				(43,138,922.73)	-
Capital Outlay	260,824.77		(59,078.28)	(130,622.49)		71,124.00
Debt Service:						
Principal	2,505,000.00			(2,505,000.00)		-
Interest	413,514.87	(35,770.62)				377,744.25
Total	148,763,959.46	(35,770.62)	2,896,909.52	(1,332,910.34)	18,956,626.27	169,248,814.09
Net Change for the Year	\$ 481,449.96	\$ 35,770.62	\$ (2,896,909.52)	\$ 1,332,910.34	\$ 1,463,879.73	\$ 417,101.33

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

\$ 35,770.62

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

Depreciation expense	\$ (2,955,987.80)
Capital outlays (exclusive of capital lease principal payments and SDA Debt Service Assessment)	59,078.28
	<u>\$ (2,896,909.52)</u>

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

\$ -

3. 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 (+).

\$ (131,280.40)

Governmental funds report district pension contributions as expenditures. In the statement of activities, however, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Cost of benefits earned net of employee contributions	(1,899,229.06)
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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	2,505,000.00
Capital lease principal	858,420.00
	<u>\$ 1,332,910.34</u>

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

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

5. Allocate Benefits expenditures and eliminate PERS contribution (1,463,879.73)

5. GASB 68 and 75 adjustments: Replace OPEB on-behalf payments and revenues with Pension and OPEB Expenses and Revenues \$20,420,506.00

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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, 2019 the Township of Hillsborough School District's cash and cash equivalent's amounted to \$5,000,306.86. Of this amount, \$274,663.24 was covered by federal depository insurance (F.D.I.C.) and \$4,725,643.62 was covered by a collateral pool maintained by the banks as required by GUDPA .

At June 30, 2019 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, 2019, none of the Township of Hillsborough School District's cash and cash equivalents of \$5,000,306.86 was exposed to custodial credit risk.

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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, 2019.

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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

B. Interfund Receivables and Payables

As of June 30, 2019, there were no interfund receivables and payables resulting from various interfund transactions.

New Jersey statute requires that interest earned on the investments in capital projects fund be credited to the general fund or debt service based on Board resolution. In accordance with Board resolution, accrued interest as of June 30, 2019 in the amount of \$2,869.43 was transferred to debt service fund to offset future interest payments to bondholders. Accordingly, an interfund accounts receivable and payable for \$0.0 was established in the debt service and capital projects funds, respectively.

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH**

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

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

C. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Construction in Progress	\$ -	\$ -	\$ -	\$ -
Total Capital assets not being depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Land Improvements	4,251,418.18	-		4,251,418.18
Buildings and Improvements	116,830,543.42			116,830,543.42
Machinery and Equipment	5,392,418.32	59,078.28	-	5,451,496.60
Totals at historical cost	<u>126,474,379.92</u>	<u>59,078.28</u>	<u>-</u>	<u>126,533,458.20</u>
Less accumulated depreciation for:				
Land Improvements	(2,477,802.58)	(196,972.86)		(2,674,775.44)
Buildings and Improvements	(47,916,163.04)	(2,414,028.86)		(50,330,191.90)
Machinery and Equipment	(4,260,169.50)	(344,986.08)	-	(4,605,155.58)
Total accumulated depreciation	<u>(54,654,135.12)</u>	<u>(2,955,987.80)</u> (1)	<u>-</u>	<u>(57,610,122.92)</u>
Net capital assets being depreciated	<u>71,820,244.80</u>	<u>(2,896,909.52)</u>	<u>-</u>	<u>68,923,335.28</u>
Governmental activities capital assets, net	<u>\$ 71,820,244.80</u>	<u>\$ (2,896,909.52)</u>	<u>\$ -</u>	<u>\$ 68,923,335.28</u>
Business - type activities:				
Equipment	\$ 416,923.34	\$ -	\$ -	\$ 416,923.34
Less accumulated depreciation	<u>(310,762.68)</u>	<u>(15,229.25)</u>	<u>-</u>	<u>(325,991.93)</u>
Business - type activities capital assets, net	<u>\$ 106,160.66</u>	<u>\$ (15,229.25)</u>	<u>\$ -</u>	<u>\$ 90,931.41</u>

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

Instruction	\$ 2,199,749.73
Special Education	354,489.19
Other Instruction	84,721.19
Student and Instruction Related Services	40,306.82
School Administrative Services	184,207.97
General and Business Administrative Services	36,392.90
Plant Operations and Maintenance	29,892.08
Pupil Transportation	<u>26,227.92</u>
	<u>\$ 2,955,987.80</u>

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH**

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

Note IV: Detailed Disclosures Regarding Liabilities and Expenses/Expenditures

A. Operating Leases

The District has commitments to lease copying and computer equipment and buses under operating leases which expire in 2022.

Total operating lease payments made during the year ended June 30, 2019 were \$1,639,989.87. Future minimum lease payments are as follows:

<u>Year Ended</u>	<u>Amount</u>
June 30, 2020	\$ 1,475,916.59
June 30, 2021	913,722.35
June 30, 2022	795,980.48
June 30, 2023	<u>168,157.72</u>
 Total future minimum lease payments	 \$ <u>3,353,777.14</u>

B. Long - Term Liabilities

Long - Term liability activity for the year ended June 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Issued or Accrued</u>	<u>Paid</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Long - Term debt:					
Serial Bonds	\$ 9,215,000.00	\$ -	\$ (2,505,000.00)	\$ 6,710,000.00	\$ 2,500,000.00
Lease Purchase Agreements	<u>13,723,263.17</u>	<u>-</u>	<u>(727,797.51)</u>	<u>12,995,465.66</u>	<u>753,373.35</u>
Total debt payable	<u>22,938,263.17</u>	<u>-</u>	<u>(3,232,797.51) (1)</u>	<u>19,705,465.66</u>	<u>3,253,373.35</u>
Other liabilities:					
Compensated absences	2,771,017.01	395,500.85	(264,220.45)	2,902,297.41	282,501.73
Capital leases	<u>536,301.85</u>	<u>-</u>	<u>(130,622.49)</u>	<u>405,679.36</u>	<u>132,897.94</u>
Total other liabilities	<u>3,307,318.86</u>	<u>395,500.85</u>	<u>(394,842.94) (2)</u>	<u>3,307,976.77</u>	<u>415,399.67</u>
Governmental activities					
long - term liabilities	<u>\$ 26,245,582.03</u>	<u>\$ 395,500.85</u>	<u>\$ (3,627,640.45)</u>	<u>\$ 23,013,442.43</u>	<u>\$ 3,668,773.02</u>

(1) Paid by debt service fund

(2) Paid by general fund

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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, 2019 consisted of the following:

<u>Description</u>	<u>Interest Rate</u>	<u>Due Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Refunding of 2001	4.25-5.375%	10/1	2021	\$25,300,000.00	\$ 5,160,000.00
Refunding of 2007	3.87%	9/27	2021	<u>9,095,000.00</u>	<u>1,550,000.00</u>
				<u>\$ 34,395,000.00</u>	<u>\$ 6,710,000.00</u>

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

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>1,720,000.00</u>	<u>46,225.00</u>	<u>1,766,225.00</u>
	<u>\$6,710,000.00</u>	<u>\$505,809.00</u>	<u>\$7,215,809.00</u>

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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, 2019.

3. Bonds Authorized But Not Issued

There were authorized but not issued bonds as of June 30, 2019 in the amount of \$102,509.00.

4. Capital Leases Payable

The District is leasing buildings energy savings, bus, computer and maintenance equipment totaling \$16,761,266.72 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, 2019.

<u>Year</u>	<u>Amount</u>
2020	\$ 1,256,565.20
2021	1,076,845.48
2022	1,089,892.63
2023	970,900.35
2024	992,334.33
2025	1,014,241.69
2026	1,036,632.22
2027	1,059,516.42
2028	1,082,905.80
2029	1,106,811.28
2030	1,131,244.23
2031	1,156,216.51
2032	1,181,739.00
2033	1,207,825.02
2034	1,231,337.46
	<hr/>
Total minimum lease payments	\$ 16,595,007.62
Less: Amount representing interest	<u>3,193,862.60</u>
	<hr/>
Present value of net minimum Lease payments	<u>\$ 13,401,145.02</u>

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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, 2019 is \$3,252,383.21. The reserved fund balance of \$865,285.80 has been appropriated in the fiscal year 2019-2020 and \$2,387,097.41 will be appropriated in the fiscal year 2020-2021.

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, 2019 LRFP balance of local support costs of uncompleted capital projects at June 30, 2019 is \$7,000,000.00.

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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) or the Defined Contribution Retirement Program (DCRP). 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 DCRP is considered a cost sharing multiple-employer defined contribution 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.

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

The following represents the membership tiers for PERS:

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

Service retirement benefits of $1/55^{\text{th}}$ of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of $1/60^{\text{th}}$ of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, tier 3 and 4 members before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Note VI: Pension Plans (Continued)

The Teachers' Pension and Annuity Fund (TPAF) was established in 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 for post-retirement health care coverage.

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

The following represents the membership tiers for TPAF:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, tier 3 and 4 members before age 62 with 25 or more years of service credit and tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

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.

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Note VI: Pension Plans (Continued)

Contribution Requirements

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the employer. The employer's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. For the fiscal year ended June 30, 2019, the employer's pension contribution was less than the actuarial determined amount.

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. For the fiscal year ended June 30, 2019, the State's pension contribution was less than the actuarial determined amount.

The District's total payroll for the year ended June 30, 2019 was \$79,274,752.37 and covered payroll was \$60,478,746.00 for TPAF, \$10,650,004.00 for PERS and \$1,969,048.36 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:

		<u>TPAF</u>	<u>Percent of Covered Payroll</u>	<u>PERS</u>	<u>Percent of Covered Payroll</u>	<u>DCRP</u>	<u>Percent of Covered Payroll</u>
Employees	6/30/17	\$4,183,212.47	7.27 %	\$727,081.38	7.30 %	\$83,866.47	5.50 %
	6/30/18	4,417,653.53	7.41 %	765,886.38	7.46 %	98,439.43	5.50 %
	6/30/19	4,559,566.24	7.54 %	804,535.87	7.55 %	108,297.66	5.50 %
District	6/30/17	N/A	N/A %	\$1,253,678.00	12.58 %	\$45,752.95	3.00 %
	6/30/18	N/A	N/A %	1,317,652.06	12.83%	53,694.17	3.00 %
	6/30/19	N/A	N/A %	1,463,879.73	13.75 %	59,071.37	3.00 %
State of NJ	6/30/17	\$6,212,772.00	10.79 %	N/A	N/A %	N/A	N/A %
	6/30/18	8,365,678.00	14.04 %	N/A	N/A %	N/A	N/A %
	6/30/19	11,017,473.00	18.22 %	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 \$4,329,322.79 during the year ended June 30, 2019 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 and PERS for OPEB have been included in the basic financial statements and the budgetary comparison schedule – General Fund as a revenue and expenditure in accordance with GASB 24.

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Note VII: Public Employees Retirement System

Summary of Significant Accounting Policies

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

At June 30, 2019, the District reported a liability of \$28,748,487.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the District's proportion was 0.014600%, which was an increase of 4.16% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$2,033,896. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 548,238	\$ 148,237
Changes of assumptions	4,737,275	9,192,238
Net difference between projected and actual earnings on pension plan investments		269,662
Changes in proportion and differences between District contributions and proportionate share of contributions	1,549,226	87,199
District contributions subsequent to the measurement date	<u>1,463,879</u>	
Total	<u>\$ 8,298,618</u>	<u>\$ 9,697,336</u>

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Note VII: Public Employees Retirement System (Continued)

\$1,463,879 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2019, the plan measurement date is June 30, 2018) will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	
2019	\$ 199,529
2020	(276,251)
2021	(1,980,945)
2022	(1,717,114)
2023	<u>(549,843)</u>
Total	<u>\$ (4,324,624)</u>

Actuarial Assumptions

The collective total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied all periods in the measurement:

Inflation rate	2.25%
Salary increases:	
Through 2026	1.65% - 4.15% (based on age)
Thereafter	2.65% - 5.15% (based on age)
Investment rate of return:	7.00%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disability Mortality Tables (setback 3 years for males and setforward 1 year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Note VII: Public Employees Retirement System (Continued)

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2046, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Note VII: Public Employees Retirement System (Continued)

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 5.66%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.66%) or 1-percentage point higher (6.66%) than the current rate:

	1% Decrease <u>(4.66%)</u>	Current Discount Rate <u>(5.66%)</u>	1% Increase <u>(6.66%)</u>
District's proportionate share of the net pension liability	\$36,148,348	28,748,487	22,541,689

Note VIII: Teachers Pension and Annuity Fund (TPAF)

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers Pension and Annuity Fund (TPAF) and additions to/deductions from the TPAF's fiduciary net position have been determined on the same basis as they are reported by the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the District	<u>352,832,103</u>
Total	<u>\$352,832,103</u>

The net pension liability was measured as of June 30, 2018 and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2018, the District's proportion was 0.00%, which was a decrease of 0.00% from its proportion measured as of June 30, 2017.

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Note VIII: Teachers Pension and Annuity Fund (TPAF)(Continued)

For the year ended June 30, 2018, the State (for the District) recognized pension expense of \$20,568,878 and revenue of \$20,568,878 for support provided by the State. At June 30, 2018, the State (for the District) reported deferred outflows of resources and deferred inflows of resources related to TPAF from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Differences between expected and actual experience	\$ 7,853,543	\$ 532,125
Changes of assumptions	61,124,344	88,911,200
Net difference between projected and actual earnings on pension plan investments		32,038
Changes in proportion and differences between State contributions associated with the District and proportionate share of contributions	899,295	215,687
State's contribution associated with the District subsequent to the measurement date	<u>11,017,473</u>	
Total	<u>\$ 80,894,655</u>	<u>\$ 89,691,051</u>

\$11,017,473 reported as deferred outflows of resources related to pensions resulting from State contributions associated with the District subsequent to the measurement date (i.e. for the school year ending June 30, 2019, the plan measurement date is June 30, 2018) will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	
2019	\$2,227,178
2020	1,158,763
2021	(1,236,357)
2022	(827,619)
2023	(4,076,624)
Thereafter	<u>(17,803,551)</u>
Total	<u>\$(20,558,210)</u>

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Note VIII: Teachers Pension and Annuity Fund (TPAF)(Continued)

Actuarial Assumptions

The collective total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied all periods in the measurement:

Inflation rate	2.25%
Salary increases:	
2011-2026	1.55% - 4.55%
Thereafter	2.00% - 5.45%
Investment rate of return:	7.00%

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Note VIII: Teachers Pension and Annuity Fund (TPAF)(Continued)

Discount Rate

The discount rate used to measure the total pension liability was 4.86% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 50% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 4.86%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.86%) or 1-percentage point higher (5.86%) than the current rate:

	1% Decrease <u>(3.86%)</u>	Current Discount Rate <u>(4.86%)</u>	1% Increase <u>(5.86%)</u>
District's proportionate share of the net pension liability	\$417,040,489	352,832,103	299,603,852

Note IX: Health Benefit and Post-Retirement Medical Benefits

State Health Benefit State Fund – Local Education Active (including Prescription Drug Program Fund) – N.J.S.A. 52:14-17.46a established the School Employees Health Benefits Program Fund which provides medical coverage to qualified active education participants. Also, education employees are eligible for the Prescription Drug Program coverage after 60 days of employment.

General Information about the OPEB Plan

The State Health Benefit Local Education Retired Employees Plan (Local Education Retired Plan) is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Local Education Retired Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and the covered dependents of local education employees. The State also offers dental care to retirees; however, since dental benefits are completely paid for by the retirees, there is no OPEB liability for these benefits.

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Note IX: Health Benefit and Post-Retirement Medical Benefits (Continued)

The employer contributions for the participating local education employers are legally required to be funded by the State in accordance with N.J.S.A. 52:14-17.32f. According to N.J.S.A. 52:14-17.32f, the State provides employer-paid coverage to employees who retired from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from one or more of the following plans: TPAF, PERS, PFRS, or ABP. Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postemployment medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Summary of Significant Accounting Policies

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources, and expense associated with the State's requirement to contribute to the State Health Benefits Local Education Retired Employees Plan (OPEB), information about OPEB's fiduciary net position and additions to/deductions from OPEB's fiduciary net position have been determined on the same basis as they are reported by OPEB. For this purpose, OPEB recognizes benefit payments when due and payable in accordance with benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

At June 30, 2019, the District reported a liability for its proportionate share of the net OPEB liability that reflected a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the District	<u>217,640,391</u>
Total	<u>\$217,640,391</u>

The net OPEB liability was measured as of June 30, 2018 and the total OPEB liability to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2018, the District's proportion was 0.00%, which was a decrease of 0.00% from its proportion measured as of June 30, 2017.

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Note IX: Health Benefit and Post-Retirement Medical Benefits (Continued)

For the year ended June 30, 2018, the State (for the District) recognized OPEB expense of \$9,956,494 and revenue of \$9,956,494 for support provided by the State. At June 30, 2018, the State (for the District) reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Differences between expected and actual experience	\$	\$ (21,126,861)
Changes of assumptions		(48,785,206)
Net difference between projected and actual earnings on OPEB plan investments		
Changes in proportion	14,233	(997,745)
State contributions subsequent to the measurement date	<u>4,997,508</u>	
Total	<u>\$ 5,011,741</u>	<u>\$ (70,909,812)</u>

Actuarial Assumptions

The collective total OPEB liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.5%	
	<u>TPAF/ABP</u>	<u>PERS</u>
Salary increases:		
Through 2026	1.55 - 4.55% based on years of service	2.15 - 4.14% based on age
Thereafter	2.00 - 5.45% based on years of service	3.15 - 5.15% based on age

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

The actuarial assumptions used the June 30, 2017 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 - June 30, 2015 and July 1, 2011 - June 30, 2014 for TPAF and PERS, respectively.

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Note IX: Health Benefit and Post-Retirement Medical Benefits (Continued)

Discount Rate

The discount rate for June 30, 2018 and 2017 was 3.87% and 3.58%, respectively. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the District's proportionate share of the new OPEB liability calculated using the discount rate of 3.87%, as well as what the District's proportional share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.87%) or 1-percentage point higher (4.87%) than the current rate:

	1% Decrease <u>(2.87%)</u>	Current Discount Rate <u>(3.87%)</u>	1% Increase <u>(4.87%)</u>
District's proportionate share of the net pension liability	\$257,294,470	\$217,640,391	\$186,118,880

Health Care Trend

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates

The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
District's proportionate share of the net OPEB liability	\$179,892,406	\$217,640,391	\$267,563,397

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH**

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

Note X: Deferred Compensation Plan

The Board offers its employees a deferred compensation plan (the "Plan") created in accordance with Internal Revenue Code Section 403(b) and 457. 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 or upon death to their beneficiaries. The plan administrators are as follows:

Equitable	The Prudential
Lincoln Investment	Siracusa Plans
Fidelity	Oppenheimer
Legend	

All amounts of compensation deferred under this plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Township of Hillsborough School District (without being restricted to the provisions of benefits under the Plan) subject only to the claims of the Township of Hillsborough School District's general creditors. Participants' right under the Plan are equivalent to those of general creditors of the Township of Hillsborough School District in an amount equal to the fair market value of the deferred account for each participant.

The maximum amount of deferred compensation for any participant for any taxable year shall not exceed the lesser of \$19,000.00 or 100 percent of the participant's includible compensation for the taxable year except as provided by the limited catch-up provision which may effect a participant's last three taxable years ending before a participant attains normal retirement age as defined by plan.

During the year ended June 30, 2018 and 2019, the employees' contributions to the plan were \$2,664,784.34, and \$2,774,487.69, respectively.

Note XI: Risk Management

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

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2016-2017	\$ -0-	\$ 201,237.17	\$ 233,485.83	\$144,314.40
2017-2018	-0-	203,945.88	233,117.90	115,274.32
2018-2019	-0-	204,091.99	128,721.92	141,351.51

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").

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Note XI: Risk Management (Continued)

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

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

Note XII: Compensated Absences

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

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

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

In the district-wide *Statement of Net 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, 2019, no liability existed for compensated absences in the Food Service Fund.

Note XIII: 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.

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Note XIV: Subsequent Events

The Township of Hillsborough School District has evaluated subsequent events through August 28, 2019, 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**

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Section C
BUDGETARY COMPARISON SCHEDULES

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2019

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 96,517,733.00	\$ -	\$ 96,517,733.00	\$ 96,517,733.00	\$ -
Tuition	538,820.00	-	538,820.00	599,420.34	60,600.34
Interest Earned on Investments	-	-	-	113,789.78	113,789.78
Interest Earned on Capital Reserve Funds	-	-	-	26,369.24	26,369.24
Miscellaneous	633,184.00	-	633,184.00	693,399.73	(29,764.27)
Total - Local Sources	98,689,737.00	-	98,689,737.00	98,689,737.00	170,875.07
State Sources:					
Equalization Aid	18,170,346.00	4,099.00	18,174,445.00	18,174,445.00	-
Categorical Transportation Aid	1,221,825.00	(283,608.00)	938,217.00	968,117.00	-
Categorical Special Education Aid	4,589,091.00	-	4,589,091.00	4,589,091.00	-
Categorical Security Aid	194,805.00	-	194,805.00	194,805.00	-
Additional Adjustment Aid	22,685.00	(22,685.00)	-	-	-
Extraordinary Aid	562,729.00	-	562,729.00	837,794.00	255,065.00
Non-Public Transportation Aid	-	-	-	51,706.00	51,706.00
TPAF Pension (On-Behalf - Non-Budgeted)	-	-	-	11,017,473.00	11,017,473.00
TPAF Pension PRM (On-Behalf - Non-Budgeted)	-	-	-	4,897,508.00	4,897,508.00
TPAF Pension LTD (On-Behalf - Non-Budgeted)	-	-	-	10,780.00	10,780.00
TPAF Social Security (Reimbursed - Non-Budgeted)	-	-	-	4,329,322.79	4,329,322.79
Total State Sources	25,781,351.00	(282,394.00)	25,508,987.00	48,170,843.79	20,661,856.79
Federal Sources:					
Medical Reimbursement	59,288.00	-	59,288.00	60,275.12	20,987.12
Total - Federal Sources	59,288.00	-	59,288.00	60,275.12	20,987.12
Total Revenues	122,540,408.00	(282,394.00)	122,258,012.00	143,111,850.86	20,853,818.86
EXPENDITURES:					
Current Expenses:					
Regular Programs - Instruction	1,060,390.00	(177,991.44)	882,398.56	873,121.27	9,267.29
Preschool/Kindergarten - Salaries of Teachers	14,843,377.00	3,254.75	14,846,631.75	14,705,728.14	160,893.61
Grades 1-5 - Salaries of Teachers	7,832,351.00	60,233.02	7,892,584.02	7,894,357.89	14,228.09
Grades 6-8 - Salaries of Teachers	11,243,274.00	339,297.51	11,577,571.51	11,502,225.65	77,245.86
Regular Programs - Non-Instruction:					
Salaries of Teachers	84,124.00	(4,372.66)	79,751.34	57,293.81	2,457.53
Purchased Professional-Educational Services	56,817.00	72,277.58	130,294.58	74,293.85	56,000.73
Regular Programs - Undistributed Instruction	10,000.00	1,500.00	11,500.00	11,500.00	-
Other Purchased Services (400-500 series)	755,310.00	(75,240.26)	680,069.74	670,069.54	10,001.26
General Supplies	38,477.00	(12,019.82)	26,457.18	26,134.08	323.56
Textbooks	35,945,320.00	224,268.94	36,169,588.94	35,818,712.07	350,876.87
TOTAL REGULAR PROGRAMS - INSTRUCTION					
SPECIAL EDUCATION - INSTRUCTION					
Learning and/or Language Disabilities:					
Salaries of Teachers	1,694,015.00	(161,200.00)	1,532,815.00	1,530,181.23	2,633.77
Other Salaries for Instruction	564,704.00	(66,000.17)	498,703.83	495,125.18	3,578.64
General Supplies	30,000.00	(2,704.00)	27,296.00	18,948.90	7,243.10
Total Learning and/or Language Disabilities	2,288,719.00	(229,904.17)	2,058,814.83	2,045,255.32	13,559.51

BOARD OF EDUCATION
 TOWNSHIP OF HILLSBOROUGH
 Budgetary Comparison Schedule
 General Fund
 Fiscal Year Ended June 30, 2019

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Auditory Impairments:					
Salaries of Teachers	\$ 138,720.00	\$ -	\$ 138,720.00	\$ 138,720.00	\$ -
Total Auditory Impairments	138,720.00	-	138,720.00	138,720.00	-
Behavioral Disabilities:					
Salaries of Teachers	228,995.00	(0.50)	228,994.50	228,955.00	39.50
General Supplies	1,000.00	-	1,000.00	-	1,000.00
Total Behavioral Disabilities	229,995.00	(0.50)	228,994.50	228,955.00	1,039.50
Resource Room/Resource Center:					
Salaries of Teachers	7,044,839.00	(42,004.85)	7,002,834.15	7,010,714.54	32,119.51
General Supplies	40,100.00	(22,889.00)	17,211.00	22,997.55	213.45
Textbooks	1,470.00	-	1,470.00	-	1,470.00
Total Resource Room/Resource Center	7,132,409.00	(64,893.85)	7,067,515.05	7,033,712.09	32,332.96
Autism:					
Salaries of Teachers	535,304.00	(14,228.12)	501,075.88	499,997.78	2,978.10
Other Salaries for Instruction	729,302.00	(89,738.58)	639,563.42	634,540.49	5,022.93
General Supplies	17,000.00	(5,310.99)	11,689.01	11,688.39	2.62
Total Autism	1,281,606.00	(129,277.69)	1,152,328.31	1,146,226.66	8,001.65
Preschool Disabilities - Part-Time:					
Salaries of Teachers	428,847.00	(15,259.93)	413,587.07	411,228.91	2,358.16
Other Salaries for Instruction	328,396.00	23,323.81	348,709.81	349,709.54	27.27
General Supplies	2,850.00	(2,717.00)	133.00	132.05	0.35
Total Preschool Disabilities - Part-Time	758,093.00	5,346.88	763,429.88	761,069.10	2,360.78
TOTAL SPECIAL EDUCATION - INSTRUCTION	11,829,532.00	(418,731.41)	11,410,800.59	11,353,506.17	57,294.42
Bilingual Education - Instruction					
Salaries of Teachers	867,870.00	3,292.00	870,962.00	870,120.00	842.00
General Supplies	31,398.00	(25,000.45)	6,397.55	4,228.49	2,172.06
Textbooks	4,890.00	-	4,890.00	4,650.00	240.00
Total Bilingual Education - Instruction	903,858.00	(21,708.45)	882,253.55	878,998.49	3,254.06
School-Born, Curricular Actvts. - Inst.					
Salaries	301,334.00	39,276.65	340,610.65	284,949.98	75,660.68
Purchased Services (300-500 series)	15,000.00	(7,850.00)	7,150.00	7,150.00	-
Supplies and Materials	5,793.00	884.80	7,677.80	7,657.33	0.27
Total School-Born, Curricular Actvts. - Inst.	322,127.00	32,291.25	354,918.25	279,757.28	75,160.98
Other Instructional Programs - Instruction					
Salaries	808,072.00	30,500.24	838,572.24	828,815.41	9,756.83
Purchased Services (300-500 series)	130,400.00	13,040.07	143,440.07	143,357.38	82.69
Supplies and Materials	182,509.00	(884.20)	181,624.80	182,345.28	279.54
Total Other Instructional Programs - Instruction	1,131,981.00	42,656.11	1,174,637.11	1,154,618.05	10,019.05
Summer School - Instruction					
Salaries of Teachers	200,419.00	18,787.86	219,206.86	220,185.82	1,244.00
Other Salaries of Instruction	422,100.00	23,930.32	446,030.32	446,115.27	1,005.00
Salaries of Teacher Tutors	12,608.00	(2,437.74)	10,170.26	10,250.00	79.74
Supplies and Materials	5,100.00	-	5,100.00	4,400.83	699.17
Total Summer School - Instruction	425,227.00	41,280.44	466,507.24	470,951.72	4,344.48
Other Supplemental/Risk Programs - Instruction					
Salaries of Teachers	3,806,332.00	(77,525.78)	3,728,806.22	3,726,032.21	2,774.00
Salaries of Reading Specialists	816,485.00	(11,500.00)	804,985.00	563,935.68	241,049.32
Total Other Supplemental/Risk Programs - Instruction	4,622,817.00	(89,025.78)	4,533,791.22	4,290,967.89	242,823.33
Total Instruction	55,053,109.00	(189,388.91)	54,863,720.09	54,322,598.88	541,210.41

**BOARD OF EDUCATION
TOWNSHIP OF HELLSBOROUGH
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2019**

Exhibit C-1

		Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expenditures - Instruction:						
Tuition to Other LEAs Within the State - Regular	000-100-561	\$ 18,430.00	\$ 953.00	\$ 20,383.00	\$ 20,383.00	\$ -
Tuition to Other LEAs Within the State - Special	000-100-562	165,283.00	(127,992.00)	37,291.00	35,610.88	1,680.12
Tuition to County Voc. School Dist. - Regular	000-100-563	86,265.00	40,789.50	137,054.50	137,034.00	0.50
Tuition to County Voc. School Dist. - Special	000-100-564	50,078.00	(11,860.00)	44,218.00	44,210.00	8.00
Tuition to CSSD & Regional Day Schools	000-100-565	164,000.00	(5,295.50)	158,704.50	158,704.00	0.50
Tuition to Private Schools for the Disabled - Within State	000-100-566	1,415,836.00	(58,115.24)	1,357,720.76	1,347,118.44	10,602.32
Tuition - Other	000-100-569	32,134.00	129,232.33	161,366.33	161,368.00	-1.67
Total Undistributed Expenditures - Instruction:		1,948,016.00	(32,307.91)	1,915,710.09	1,904,426.32	12,283.77
Undist. Expend. - Health Services						
Salaries	000-213-100	1,054,709.00	(36,089.12)	1,028,639.88	989,499.25	59,140.63
Purchased Professional and Technical Services	000-213-300	45,922.00	0.44	45,922.44	30,696.72	15,255.72
Other Purchased Services (400-500 series)	000-213-500	44,716.00	10,068.90	54,784.90	33,905.30	20,879.60
Supplies and Materials	000-213-600	34,901.00	(9,000.24)	25,900.76	18,583.98	7,316.78
Total Undistributed Expenditures - Health Services		1,190,248.00	(35,000.02)	1,155,247.98	1,060,655.25	104,592.73
Undist. Expend. - Speech,OT,PT & Related Services						
Salaries of Other Professional Staff	000-216-100	1,950,754.00	41,077.68	1,991,831.68	1,991,555.05	276.63
Purchased Professional - Educational Services	000-216-320	1,187,802.00	155,307.97	1,343,109.97	1,343,109.38	0.59
Supplies and Materials	000-216-600	26,300.00	(3,028.00)	23,272.00	22,647.32	624.68
Total Undist. Expend. - Speech,OT,PT & Related Services		3,164,856.00	193,357.65	3,358,215.63	3,357,311.75	903.88
Undist. Expend. - Other Supp. Serv. Students - Extra Serv.						
Salaries of Other Professional Staff	000-217-100	2,894,828.00	92,488.52	2,987,316.52	2,781,046.87	2,065.65
Purchased Professional - Educational Services	000-217-320	107,180.00	(92,490.00)	14,690.00	8,004.48	6,685.52
Supplies and Materials	000-217-600	12,772.00	-	12,772.00	12,329.88	442.12
Total Undist. Expend. - Other Supp. Serv. Students - Extra Serv.		2,814,800.00	(0.48)	2,814,879.52	2,799,383.03	15,496.49
Undist. Expend. - Guidance						
Salaries of Other Professional Staff	000-218-104	2,198,484.00	28,702.15	2,225,186.15	2,225,185.73	0.42
Salaries of Secretarial and Clerical Assistants	000-218-105	52,592.00	470.60	53,062.60	53,062.60	-
Supplies and Materials	000-218-600	26,200.00	(586.75)	25,613.25	18,554.60	7,058.65
Total Undist. Expend. - Guidance		2,275,276.00	28,574.00	2,303,850.00	2,297,802.93	6,047.07
Undist. Expend. - Child Study Team						
Salaries of Other Professional Staff	000-219-104	2,257,982.00	30,931.89	2,288,933.89	2,252,129.75	36,784.94
Salaries of Secretarial and Clerical Assistants	000-219-105	264,149.00	(12,552.10)	251,596.90	250,941.47	655.43
Other Purchased Prof. and Tech. Services	000-219-390	85,000.00	(18,380.00)	46,620.00	40,820.00	5,800.00
Supplies and Materials	000-219-600	69,175.00	-	69,175.00	66,488.89	2,678.01
Total Undist. Expend. - Child Study Team		2,656,296.00	(0.41)	2,656,285.59	2,610,190.21	46,095.38
Undist. Expend. - Improvement of Inst. Serv.						
Salaries of Supervisor of Instruction	000-221-102	1,108,216.00	(53,119.21)	1,055,096.79	1,028,231.63	26,864.16
Salaries of Other Professional Staff	000-221-104	197,853.00	(4,774.94)	193,078.06	183,323.81	9,754.25
Salaries of Sec. and Clerical Assist.	000-221-105	187,013.00	775.28	187,788.28	187,335.40	452.88
Purchased Prof. Educational Services	000-221-320	95,464.00	(50,000.29)	45,463.71	45,177.79	285.92
Supplies and Materials	000-221-600	2,614,831.00	(81,315.48)	2,533,515.52	2,427,707.90	105,807.62
Total Undist. Expend. - Improvement of Inst. Serv.		4,213,976.00	(188,434.64)	4,024,541.36	3,861,978.33	162,563.03
Undist. Expend. - Edu. Media Serv./Sch. Library						
Salaries	000-222-100	810,300.00	5,799.82	816,099.82	815,785.79	314.03
Supplies and Materials	000-222-600	108,708.00	(513.47)	108,194.53	102,678.01	5,516.52
Total Undist. Expend. - Edu. Media Serv./Sch. Library		919,008.00	5,286.35	921,294.35	918,463.80	6,830.55
Undist. Expend. - Instructional Staff Training Serv.						
Salaries of Other Professional Staff	000-223-104	158,326.00	(81,734.46)	76,591.54	96,510.48	-118.94
Unused Vacation Payment to Terminated/Retired Staff	000-223-199	-	3,883.20	3,883.20	3,883.20	-
Purchased Professional - Educational Services	000-223-320	88,512.00	(87,318.67)	1,193.33	-	1,193.33
Other Purchased Services (400-500 series)	000-223-500	35,333.00	28,120.00	64,453.00	63,853.18	599.82
Total Undist. Expend. - Instructional Staff Training Serv.		283,171.00	(117,049.93)	166,121.07	164,046.86	2,074.21

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Fiscal Budget	Actual	Variance Favor to Actual
Undealt. Expend. - Supp. Serv. - General Admin.					
Salaries	\$ 625,919.00	\$ 410.12	\$ 626,329.12	\$ 626,325.19	\$ 0.93
Legal Services	160,000.00		160,000.00	159,850.41	149.59
Audit Fees	36,321.00	(409.38)	35,911.62	15,750.00	20,161.62
Other Purchased Professional Services	21,500.00	3,395.00	24,895.00	16,200.00	8,695.00
Purchased Technical Services	24,000.00		24,000.00	16,200.00	7,800.00
Communications/Telephone	231,219.00	(5,035.00)	226,184.00	219,308.97	6,875.03
Other Purchased Services (400-500 series)	174,748.00	(5,000.00)	169,748.00	181,850.00	(12,102.00)
General Supplies	147,609.00	3,799.23	151,408.23	85,114.10	66,294.13
Miscellaneous Expenditures	39,256.00	12,094.60	51,350.60	50,209.21	1,141.39
BOE Membership Fees	35,875.00	(9,215.30)	26,659.70	26,652.70	7.00
Total Undealt. Expend. - Supp. Serv. - General Admin.	1,498,445.00	0.46	1,498,445.46	1,392,980.05	105,465.41
Undealt. Expend. - Support Serv. - School Admin.					
Salaries of Principals/Assistant Principals	2,311,991.00	424,845.00	2,736,836.00	2,313,617.56	423,218.44
Salaries of Other Professional Staff	1,510,295.00	(29,734.54)	1,480,560.46	1,480,560.46	0.00
Salaries of Secretarial and Clerical Assistants	1,324,475.00	50,774.16	1,375,249.16	1,353,987.71	21,261.45
Unused Vacation Payment to Terminated/Retired Staff	265,941.00	(167,464.97)	98,476.03	98,476.03	0.00
Purchased Professional and Technical Services	75,000.00	(7,816.77)	67,183.23	67,183.23	0.00
Supplies and Materials	257,789.00	(67,865.98)	189,923.02	147,052.17	42,870.85
Total Undealt. Expend. - Support Serv. - School Admin.	4,825,460.00	162,917.25	4,988,377.25	4,332,319.90	656,057.35
Undealt. Expend. - Central School Admin.					
Salaries	1,070,363.00	(11,641.83)	1,058,721.17	1,043,344.73	15,376.44
Unused Vacation Payment to Terminated/Retired Staff	17,322.00	17,322.00	34,644.00	17,321.70	0.30
Purchased Professional Services	44,478.00	(15,587.00)	28,891.00	25,082.60	3,808.40
Purchased Technical Services	75,737.00	(66,880.00)	8,857.00	5,327.55	3,529.45
Other Purchased Services (400-500 series)	338,222.00	(9,431.86)	328,790.14	264,483.87	64,306.27
Supplies and Materials	27,811.00	11,000.00	38,811.00	36,628.06	2,182.94
Interest on Lease Purchase Agreements		9,342.36	9,342.36		
Total Undealt. Expend. - Central School Admin.	1,559,811.00	(65,657.31)	1,494,153.69	1,403,531.31	90,622.38
Undealt. Expend. - Technology Admin.					
Salaries	673,787.00	(42,844.07)	630,942.93	628,832.65	2,110.28
Unused Vacation Payment to Terminated/Retired Staff	71.00	24,282.82	25,000.82	25,000.82	0.00
Purchased Technical Services	78,000.00	28,941.22	106,941.22	108,941.22	(1,999.99)
Total Undealt. Expend. - Technology Admin.	751,858.00	19,379.97	771,237.97	762,774.74	8,463.23
Undealt. Expend. - Required Maint. for School Facilities					
Salaries	45,455.00	104.00	45,559.00	45,558.49	0.51
Cleaning, Repair and Maintenance Services	521,532.00	122,747.25	644,279.25	533,035.42	111,243.83
General Supplies	90,877.00	34,218.95	125,095.95	103,152.10	21,943.85
Total Undealt. Expend. - Required Maint. for School Facilities	657,864.00	157,069.20	814,933.20	681,746.81	133,186.39
Undealt. Expend. - Custodial Services					
Salaries	3,399,866.00	413,979.79	3,813,845.79	3,548,263.53	265,582.26
Salaries of Non-Instructional Aides	456,862.00	(52,283.28)	404,578.72	401,834.09	2,744.63
Unused Vacation Payment to Terminated/Retired Staff	9,000.00	(4,157.00)	4,843.00	2,293.80	2,549.20
Purchased Professional and Technical Services	554,866.00	245,093.78	800,959.78	778,729.10	22,230.68
Cleaning, Repair and Maintenance Services	231,531.00	86,017.95	317,548.95	300,203.38	17,345.57
Rental of Land & Buildings Other Than Lease Purchase Agreements	1,111,827.00	0.18	1,111,827.18	1,111,827.18	0.00
Lease Purchase Payments - Energy Savings Improvement Program	351,654.00	(26,583.01)	325,070.99	282,186.86	42,884.13
Insurance	526,103.00	(81,644.00)	444,459.00	464,259.00	(19,799.99)
General Supplies	80,394.00	301,763.60	400,157.60	397,221.40	2,936.20
Energy (Natural Gas)	349,452.00	(0.21)	349,451.79	340,402.80	9,048.99
Energy (Electricity)	912,871.00	(0.21)	912,870.79	892,316.81	20,553.98
Total Undealt. Expend. - Custodial Services	8,001,756.00	839,507.79	8,841,263.79	8,564,810.33	276,453.46
Undealt. Expend. - Care and Upkeep of Grounds					
Salaries	223,313.00	41,282.50	264,595.50	254,939.31	9,656.19
Unused Vacation Payment to Terminated/Retired Staff	538.17	538.17	1,076.34	1,076.34	0.00
Cleaning, Repair and Maintenance Services	84,845.00	(16,787.07)	68,057.93	68,045.31	12.62
General Supplies	59,841.00	(1,011.35)	58,829.65	56,071.64	2,758.01
Total Undealt. Expend. - Care and Upkeep of Grounds	368,747.00	24,012.25	392,759.25	379,584.43	13,174.82

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2019

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual	
Undist. Expend. - Security						
General Supplies						
000-266-810	\$ 55,735.00	\$ (12,000.32)	\$ 43,734.68	\$ 40,667.57	\$ 3,067.11	
Total Undist. Expend. - Security	55,735.00	(12,000.32)	43,734.68	40,667.57	3,067.11	
Undist. Expend. - Student Transportation Serv.						
Salaries of Non-Instructional Aides	000-270-107	598,838.00	(84,348.99)	512,289.01	492,041.06	20,247.95
Salaries for Pupil Trans. (Between Home & School) - Regular	000-270-160	236,150.00	13,882.77	250,032.77	249,200.29	832.48
Salaries for Pupil Trans. (Between Home & School) - Special	000-270-161	618,722.00	146,831.58	765,553.58	722,553.59	42,999.99
Unused Vacation Payment to Terminated/Retired Staff	000-270-199	829.00	(0.40)	828.60		828.60
Other Purchased Professional and Technical Services	000-270-390	13,450.00	793.00	14,243.00	14,242.44	0.56
Cleaning, Repair and Maintenance Services	000-270-420	5,960.00	(5,000.00)	960.00	820.41	139.59
Lease Purchase Payments - School Buses	000-270-443	157,470.00	(26,828.84)	130,641.16	130,640.97	0.19
Contracted Services - Aid in Lieu of Payments-NonPublic Students	000-270-503	250,000.00	(71,167.38)	178,832.61	178,175.55	657.06
Contracted Services (Between Home and School) - Vendors	000-270-511	4,809,264.00	339,144.16	4,948,408.16	4,935,521.33	12,886.83
Contracted Services (Other than Between Home and School) - Vendors	000-270-512	265,604.00	(98,799.45)	166,804.55	165,003.84	800.81
Contracted Services (Special Education Students) - Vendors	000-270-514	468,442.00	(285,826.32)	182,615.68	180,514.76	2,100.92
Contracted Services (Special Education Students) - ESCs	000-270-518	1,093,775.00	117,188.67	1,210,963.67	1,210,960.44	3.23
Miscellaneous Purchased Services - Transportation	000-270-593	102,141.00	(31,500.24)	70,640.76	69,800.00	840.76
General Supplies	000-270-610	2,000.00	(1,705.00)	295.00	294.08	0.92
Transportation Supplies	000-270-615	68,678.00	(9,769.15)	58,908.85	65,436.28	3,472.57
Miscellaneous Expenditures	000-270-600	-	6,450.00	6,450.00		6,450.00
Total Undist. Expend. - Student Transportation Serv.	5,517,121.00	8,242.40	5,525,363.40	5,441,854.84	83,708.56	
UNALLOCATED BENEFITS						
Social Security Contributions	000-291-220	1,364,167.00	23,816.00	1,387,983.00	1,387,602.73	0.27
Other Retirement Contributions - PERS	000-291-241	1,574,821.00	(0.20)	1,574,820.80	1,477,308.35	97,512.45
Other Retirement Contributions - OICRP	000-291-248	102,000.00	-	102,000.00	78,747.13	22,252.87
Unemployment Compensation	000-291-250	92,749.00	(0.40)	92,748.60	92,748.60	
Workmen's Compensation	000-291-260	452,572.00	3,146.28	455,718.28	455,139.94	578.34
Health Benefits	000-291-270	19,827,432.00	(785,797.90)	19,041,634.10	18,812,817.95	228,816.15
Tuition Reimbursement	000-291-280	237,133.00	78,513.00	315,646.00	313,731.30	1,914.70
Other Employee Benefits	000-291-290	800,296.00	(734,853.99)	65,442.01	48,935.24	16,706.77
Unused Sick Payment to Terminated/Retired Staff	000-291-299	-	180,782.18	180,782.18	180,781.45	0.73
TOTAL UNALLOCATED BENEFITS	24,251,190.00	(1,234,395.05)	23,016,794.95	22,756,294.09	260,530.86	
TPAF Pension (On-Behalf - Non-Budgeted)				11,017,473.00	(11,017,473.00)	
TPAF Pension PRA (On-Behalf - Non-Budgeted)				4,997,508.00	(4,997,508.00)	
TPAF Pension LTDF (On-Behalf - Non-Budgeted)				10,780.00	(10,780.00)	
TPAF Social Security (Reimbursed - Non-Budgeted)				4,329,322.79	(4,329,322.79)	
TOTAL ON-BEHALF CONTRIBUTIONS	-	-	-	20,355,083.79	(20,355,083.79)	
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS	24,251,190.00	(1,234,395.05)	23,016,794.95	43,111,347.88	(20,094,552.93)	
TOTAL UNDISTRIBUTED EXPENDITURES	69,751,002.00	(125,497.67)	69,625,504.33	68,073,851.13	(18,458,348.80)	
TOTAL GENERAL CURRENT EXPENSE	124,894,111.00	(324,888.58)	124,479,224.42	142,380,360.81	(17,917,136.39)	
CAPITAL OUTLAY						
Equipment						
Regular Programs - Instruction:						
Grades 9-12	140-100-730	20,115.00	509.46	20,624.46	15,244.91	5,379.55
Undistributed Expenditures:						
Undist. Expend. - Support Serv. - Students - Special	000-219-730	7,275.00	-	7,275.00	7,275.00	
Undist. Expend. - Support Serv. - Inst. Staff	000-220-730	9,000.00	-	9,000.00	4,600.00	
Undistributed Expenditures - School Admin.	000-240-730	137,339.00	(4,757.15)	132,581.85	39,433.37	
Undistributed Expenditure - Admin. Info. Tech.	000-252-730	140,961.00	(21,190.22)	119,770.78	-	
Total Equipment	314,710.00	(25,437.91)	289,272.09	59,078.28	230,193.81	

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2019

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Facilities Acquisition and Construction Services					
Lease Purchase Agreements - Principal	000-400-721 \$ -	\$ 130,622.49	\$ 130,622.49	\$ 130,622.49	\$ -
Assessment for Debt Service on SDA Funding	000-400-896 71,124.00	-	71,124.00	71,124.00	-
Total Facilities Acquisition and Construction Services	<u>71,124.00</u>	<u>130,622.49</u>	<u>201,746.49</u>	<u>201,746.49</u>	<u>-</u>
TOTAL CAPITAL OUTLAY	<u>385,834.00</u>	<u>105,184.56</u>	<u>491,018.56</u>	<u>290,624.77</u>	<u>230,193.81</u>
Transfer of Funds to Charter Schools	000-100-56X 82,692.00	(82,692.00)	-	-	-
TOTAL EXPENDITURES	<u>125,252,637.00</u>	<u>(262,394.00)</u>	<u>124,970,243.00</u>	<u>142,657,185.58</u>	<u>(17,686,942.58)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,712,231.00)	-	(2,712,231.00)	454,645.40	3,166,876.40
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(2,712,231.00)	-	(2,712,231.00)	454,645.40	3,166,876.40
Fund Balance, July 1	8,183,751.09	-	8,183,751.09	8,183,751.09	-
Fund Balance, June 30	\$ 5,471,520.09	\$ -	\$ 5,471,520.09	\$ 8,638,396.49	\$ 3,166,876.40
Recapitulation of Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Sources :					
Increase in Capital Reserve	\$ -	\$ -	\$ -	\$ 26,369.24	\$ 26,369.24
Increase in Maintenance Reserve	-	-	-	500,000.00	500,000.00
Budgeted Fund Balance	(2,712,231.00)	-	(2,712,231.00)	(71,723.84)	2,640,507.16
Total	<u>\$ (2,712,231.00)</u>	<u>\$ -</u>	<u>\$ (2,712,231.00)</u>	<u>\$ 454,645.40</u>	<u>\$ 3,166,876.40</u>
Analysis of Fund Balance June 30, 2019					
Restricted Fund Balance:					
Reserved Excess Surplus - Designated for Subsequent Year's Expenditures				\$ 865,285.80	
Reserve for Excess Surplus				2,387,097.41	
Capital Reserve Account				2,119,186.04	
Maintenance Reserve Account				500,000.00	
Assigned Fund Balance:					
Designated for Subsequent Year's Expenditures				14,032.20	
Unassigned Fund Balance				2,752,815.04	
				<u>\$ 8,638,396.49</u>	
Reconciliation of Budgetary Fund Balance to GAAP Fund Balance:					
Fund Balance June 30, 2019				\$ 8,638,396.49	
Last Two Current Year State Aid Payments Not Realized on GAAP Basis				(2,472,104.00)	
				<u>\$ 6,166,292.49</u>	

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2019**

	Original <u>Budget</u>	Budget <u>Transfers</u>	Final <u>Budget</u>	<u>Actual</u>	Variance <u>Final to Actual</u>
REVENUES:					
State Sources	\$ 24,813.00	\$ 1,030,585.00	\$ 1,055,178.00	\$ 1,037,273.82	\$ 17,904.38
Federal Sources	1,669,397.00	737,557.00	2,406,954.00	2,052,153.31	354,800.69
Local Sources	-	134,209.49	134,209.49	98,832.08	35,377.41
Total Revenues	<u>\$ 1,694,010.00</u>	<u>\$ 1,902,331.49</u>	<u>\$ 3,596,341.49</u>	<u>\$ 3,188,259.01</u>	<u>\$ 408,082.48</u>
EXPENDITURES:					
Instruction					
Personal Services - Salaries	\$ 226,928.00	\$ 16,061.34	\$ 242,987.34	\$ 224,059.34	\$ 18,928.00
Other Purchased Services (400-500 series)	1,408,778.00	333,975.00	1,740,751.00	1,720,714.85	20,038.15
General Supplies	35,895.00	76,374.61	112,069.61	63,735.74	48,333.87
Textbooks	24,813.00	(20,074.00)	4,539.00	3,828.93	912.07
Other Objects	-	5,510.86	5,510.86	5,410.86	100.00
Total Instruction	<u>1,694,010.00</u>	<u>411,847.81</u>	<u>2,105,857.81</u>	<u>2,017,547.72</u>	<u>88,310.09</u>
Support Services					
Personal Services - Salaries		9,135.00	9,135.00	7,963.00	1,172.00
Personal Services - Employee Benefits		60,443.00	60,443.00	27,574.85	32,868.15
Purchased Professional and Technical Services		192,226.00	192,226.00	84,467.95	127,758.05
Purchased Professional - Educational Services		44,394.00	44,394.00	27,826.74	16,767.26
Purchased Property Services		1,000,000.00	1,000,000.00	1,000,000.00	-
Other Purchased Services (400-500 series)		123,432.24	123,432.24	31,699.86	91,732.38
Supplies and Materials		60,853.44	60,853.44	11,378.89	49,474.55
Total Support Services	<u>-</u>	<u>1,490,483.68</u>	<u>1,490,483.68</u>	<u>1,170,711.29</u>	<u>319,772.39</u>
Total Expenditures	<u>1,694,010.00</u>	<u>1,902,331.49</u>	<u>3,596,341.49</u>	<u>3,188,259.01</u>	<u>408,082.48</u>
Total Outflows	<u>\$ 1,694,010.00</u>	<u>\$ 1,902,331.49</u>	<u>\$ 3,596,341.49</u>	<u>\$ 3,188,259.01</u>	<u>\$ 408,082.48</u>

**NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION –
PART II**

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Required Supplementary Information
Budgetary Comparison Schedule
Note to RSI
For the Fiscal Year Ended June 30, 2019

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

	<u>Exhibit</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources			
Actual amounts (budgetary basis) "revenue"			
from the budgetary comparison schedule	[C-1&C-2]	\$ 143,111,830.98	\$ 3,188,259.01
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.		23,510.00	
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		-	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2]	<u>\$ 143,135,340.98</u>	<u>\$ 3,188,259.01</u>
Uses/outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1&C-2]	\$ 142,657,185.58	\$ 3,188,259.01
Differences - budget to GAAP			
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.			
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.			
Net transfers (outflows) to general fund		-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2]	<u>\$ 142,657,185.58</u>	<u>\$ 3,188,259.01</u>

**REQUIRED SUPPLEMENTARY INFORMATION -
PART III**

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Section L

**SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR PENSIONS
(GASB 68)**

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Schedule of the District's Proportionate Share of the Net Pension Liability- PERS**

	Fiscal Year Ending June 30,				
	2023	2022	2021	2020	2019
District's proportion of the net pension liability					0.1460092169%
District's proportionate share of the net pension liability					\$ 28,746,467.00
District's covered employee payroll					\$ 10,650,004.00
District's proportionate share of the net pension liability as a percentage of its covered employee payroll					269.94%
Plan fiduciary net position as a percentage of the total pension liability					53.60%

	Fiscal Year Ending June 30,				
	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.1401700702%	0.1403259841%	0.1395906252%	0.1327016181%	0.1342389500%
District's proportionate share of the net pension liability	\$ 32,629,352.00	\$ 41,560,532.00	\$ 31,335,298.00	\$ 24,845,372.00	\$ 25,855,348.00
District's covered employee payroll	\$ 10,271,051.00	\$ 9,962,309.00	\$ 9,846,780.00	\$ 9,534,778.00	\$ 9,265,888.00
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	317.69%	417.18%	324.83%	260.56%	276.28%
Plan fiduciary net position as a percentage of the total pension liability	48.10%	40.14%	47.92%	52.08%	46.72%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during fiscal year ended June 30, 2015.

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Schedule of District Contributions- PERS**

	Fiscal Year Ending June 30,				
	2023	2022	2021	2020	2019
Contractually required contribution					\$ 1,463,879.73
Contributions in relation to the contractually required contribution					<u>(1,463,879.73)</u>
Contribution deficiency/(excess)					<u>\$ -</u>
District's covered employee payroll					\$ 10,650,004.00
Contributions as a percentage of covered employee payroll					13.75%

	Fiscal Year Ending June 30,				
	2018	2017	2016	2015	2014
Contractually required contribution	\$ 1,317,652.06	\$ 1,253,678.00	\$ 1,200,105.00	\$ 1,093,973.00	\$ 981,615.00
Contributions in relation to the contractually required contribution	<u>(1,317,652.06)</u>	<u>(1,253,678.00)</u>	<u>(1,200,105.00)</u>	<u>(1,093,973.00)</u>	<u>(981,615.00)</u>
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 10,271,051.00	\$ 9,962,309.00	\$ 9,646,760.00	\$ 9,534,778.00	\$ 9,285,888.00
Contributions as a percentage of covered employee payroll	12.83%	12.58%	12.44%	11.47%	10.57%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during fiscal year ended June 30, 2015.

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Schedule of the District's Proportionate Share of the Net Pension Liability- TPAF**

	Fiscal Year Ending June 30,				
	2023	2022	2021	2020	2019
District's proportion of the State's net pension liability					0.5546117822%
District's proportionate share of the State's net pension liability					\$ 352,832,103.00
District's covered employee payroll					\$ 60,478,748.00
District's proportionate share of the net pension liability as a percentage of its covered employee payroll					583.40%
Plan fiduciary net position as a percentage of the total pension liability					26.49%

	Fiscal Year Ending June 30,				
	2018	2017	2016	2015	2014
District's proportion of the State's net pension liability	0.5523430882%	0.5409857739%	0.5447224814%	0.5415907302%	0.5355069824%
District's proportionate share of the State's net pension liability	\$ 372,409,627.00	\$ 425,573,855.00	\$ 344,287,857.00	\$ 289,462,818.50	\$ 270,841,017.08
District's covered employee payroll	\$ 59,594,372.00	\$ 57,567,254.00	\$ 58,978,688.00	\$ 54,975,333.00	\$ 54,031,881.00
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	624.91%	739.26%	604.24%	528.53%	500.89%
Plan fiduciary net position as a percentage of the total pension liability	25.41%	22.33%	28.71%	33.64%	33.78%

Notes: This schedule does not contain ten years of information as GASB No. 68 was implemented during fiscal year ended June 30, 2015.

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2019

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

A. Benefit Changes

There were none.

B. Changes of Assumptions

The discount rate changed from 5.00% as of June 30, 2017 to 5.66% as of June 30, 2018 in accordance with Paragraph 44 of GASB Statement No. 67.

TEACHERS' PENSION AND ANNUITY FUND

A. Benefit Changes

There were none.

B. Changes of Assumptions

The discount rate changed from 4.25% as of June 30, 2017 to 4.86% as of June 30, 2018 in accordance with Paragraph 44 of GASB Statement No. 67.

**BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH
Schedule of Changes in the Total OPEB Liability and Related Ratios**

	Fiscal Year Ending June 30,				
	2021	2020	2019	2018	2017
Total OPEB liability					
Service cost	\$ -	\$ -	\$ 9,387,376.00	\$ 11,331,790.00	\$ -
Interest			9,335,808.00	8,052,210.00	
Changes of benefit terms				-	
Differences between expected and actual experience			(24,662,913.00)	-	
Changes of assumptions or other inputs			(24,975,324.00)	(33,558,812.00)	
Member contributions			201,138.00	216,782.00	
Gross benefit payments	<u>-</u>	<u>-</u>	<u>(5,819,827.00)</u>	<u>(5,887,208.00)</u>	<u>-</u>
Net change in total OPEB liability	-	-	(36,533,544.00)	(19,843,238.00)	-
Total OPEB liability - beginning	<u>-</u>	<u>-</u>	<u>254,173,935.00</u>	<u>274,017,173.00</u>	<u>-</u>
Total OPEB liability - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 217,640,391.00</u>	<u>\$ 254,173,935.00</u>	<u>\$ 274,017,173.00</u>
Covered - employee payroll	\$ -	\$ -	\$ 71,128,750.00	\$ 69,865,423.00	\$ 67,529,563.00
Total OPEB liability as a percentage of covered - employee payroll			305.98%	363.81%	405.77%

Note: This schedule does not contain ten years of information as GASB No. 75 was implemented during fiscal year ended June 30, 2018.

BOARD OF EDUCATION
TOWNSHIP OF HILLSBOROUGH

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2019

LOCAL EDUCATION

A. Benefit Changes

There were none.

B. Changes of Assumptions

The discount rate changed from 3.58% as of June 30, 2017 to 3.87% as of June 30, 2018 in accordance with Paragraph 44 of GASB Statement No. 67.

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APPENDIX C

Form of Bond Counsel's Approving Legal Opinion

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90 Woodbridge Center Drive
Suite 900 Box 10
Woodbridge, NJ 07095-0958
732.636.8000

_____, 2020

The Board of Education of the
Township of Hillsborough
Hillsborough, New Jersey

Ladies and Gentlemen:

We have served as bond counsel in connection with the authorization, sale and issuance of \$35,416,000 aggregate principal amount of School Bonds, Series 2020 (the “Bonds”) of The Board of Education of the Township of Hillsborough in the County of Somerset, New Jersey (the “Board” when referring to the governing body and the “School District” when referring to the territorial boundaries governed by the Board).

The Bonds are issued pursuant to: (i) Title 18A, Chapter 24 of the New Jersey Statutes, as amended and supplemented (the “Education Law”); (ii) a proposal adopted by the Board on October 14, 2019 (the “Proposal”) and approved by the affirmative vote of a majority of the legal voters present and voting at a special School District election held on December 10, 2019 and (iii) a resolution adopted by the Board on June 8, 2020 (the “Resolution”).

The Bonds are issued in fully registered book-entry only form, without coupons, initially registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), an automated depository for securities and clearing house for securities transactions. Purchases of the Bonds will be made in book-entry only form in principal amounts of \$1,000 each or any integral multiple thereof with a minimum purchase of \$5,000 required, through book entries made on the books and records of DTC and its participants. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Board directly to Cede & Co., as nominee for DTC. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners of the Bonds is the responsibility of DTC participants.

The Bonds are dated their date of delivery and shall bear interest from such date, which interest shall be payable commencing July 15, 2021 and semi-annually thereafter on the fifteenth day of January and July in each year until maturity or prior redemption, and shall mature on July 15 of the years and in the principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2022	\$1,476,000		2032	\$1,890,000	
2023	1,515,000		2033	1,940,000	
2024	1,555,000		2034	1,990,000	
2025	1,595,000		2035	2,040,000	
2026	1,630,000		2036	2,090,000	
2027	1,675,000		2037	2,140,000	
2028	1,715,000		2038	2,195,000	
2029	1,760,000		2039	2,250,000	
2030	1,800,000		2040	2,315,000	
2031	1,845,000				

The Bonds of this issue are subject to optional redemption prior to their stated maturities.

We have examined such matters of law, certified copies of the proceedings, including the bond referendum proceedings, and other documents and proofs relative to the issuance and sale of the Bonds as we have deemed necessary or appropriate for the purposes of the opinion rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents.

We are of the opinion that: (i) such proceedings and proofs show lawful authority for the sale and issuance of the Bonds pursuant to the Education Law, the Proposal and the Resolution; (ii) the Bonds are valid and legally binding obligations of the Board; and (iii) all the taxable real property within the School District is subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, for the payment of principal of and interest on the Bonds.

The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain requirements which must be met subsequent to the issuance and delivery of the Bonds for the interest thereon to be and remain excludable from gross income for Federal income tax purposes. Noncompliance with such requirements could cause interest on the Bonds to be included in gross income for Federal income tax purposes retroactive to the date of the issuance of the Bonds. The Board has covenanted to maintain the exclusion of the interest on the Bonds from gross income for Federal income tax purposes pursuant to Section 103(a) of the Code.

In our opinion, under existing law, and assuming continuing compliance by the Board with the aforementioned covenant, under existing statutes, regulations, rulings and court

decisions, interest on the Bonds is not includable for Federal income tax purposes in the gross income of the owners of the Bonds pursuant to Section 103 of the Code. The Bonds are not “specified private activity bonds” within the meaning of Section 57 of the Code and, therefore, the interest on the Bonds will not be treated as a preference item for purposes of computing the Federal alternative minimum tax.

We are also of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds and any gain on the sale thereof is not includable in gross income under the New Jersey Gross Income Tax Act, 1976 N.J. Laws c. 47, as amended and supplemented.

[The Bonds maturing on July 15 in the years 20__ through 20__, inclusive (the “[Premium] Bonds”), have been sold to the public at a premium. Section 171 of the Code provides rules under which a bond premium may be amortized and a deduction allowed for the amount of the amortizable bond premium for a taxable year. Under Section 171(a)(2) of the Code, however, no deduction is allowable for the amortizable bond premium in the case of bonds, like the [Premium] Bonds, the interest on which is excludable from gross income. Under Section 1016(a)(5) of the Code, the purchaser's basis in a [Premium] Bond will be reduced by the amount of the amortizable bond premium disallowable as a deduction under Section 171(2) of the Code. Proceeds received from the sale, exchange, redemption or payment of a [Premium] Bond in excess of the owner's adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code), will be treated as a gain from the sale or exchange of such [Premium] Bonds and not as interest.]

[We are also of the opinion that the difference between the stated principal amount of the Bonds maturing on July 15 in the years 20__ through 20__, inclusive (the “[Discount] Bonds”) and their respective initial offering prices to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers), at which price a substantial amount of the [Discount] Bonds of the same maturity and interest rate were sold, constitutes original issue discount which is excluded from gross income for Federal income tax purposes to the same extent as interest on the [Discount] Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each [Discount] Bond and the basis of each [Discount] Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount.]

Except as stated in the preceding paragraphs, we express no opinion as to any Federal, state or local tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any Federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other bond counsel.

This opinion is qualified to the extent that the enforceability of the rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency, debt adjustment,

moratorium, reorganization or other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We have examined one of the executed Bonds and, in our opinion, its form and execution are regular and proper.

Very truly yours,

WILENTZ, GOLDMAN & SPITZER, P.A.

APPENDIX D

Form of Continuing Disclosure Certificate

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate dated as of _____, 2020 (the "Disclosure Certificate") is executed and delivered by The Board of Education of the Township of Hillsborough in the County of Somerset, New Jersey (the "Board" when referring to the governing body and the "School District" when referring to the territorial boundaries governed by the Board) in connection with the issuance of its \$35,416,000 aggregate principal amount of School Bonds, Series 2020 dated their date of delivery (the "Bonds"). The Bonds are being issued by virtue of a proposal adopted by the Board on October 14, 2019 and approved by the affirmative vote of a majority of the legal voters present and voting at a special School District election held on December 10, 2019 and pursuant to a resolution entitled, "RESOLUTION DETERMINING THE FORM AND OTHER DETAILS OF \$35,416,000 AGGREGATE PRINCIPAL AMOUNT OF SCHOOL BONDS, SERIES 2020 OF THE BOARD OF EDUCATION OF THE TOWNSHIP OF HILLSBOROUGH IN THE COUNTY OF SOMERSET, NEW JERSEY, PROVIDING FOR THEIR SALE AND DETERMINING OTHER MATTERS IN CONNECTION THEREWITH", duly adopted by the Board on June 8, 2020 (the "Bond Resolution"). The Board covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Board for the benefit of the Bondholders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter(s) in complying with the Rule (as defined below). The Board acknowledges it is an "Obligated Person" under the Rule (as defined below).

SECTION 2. Definitions. In addition to the definitions set forth in the Bond Resolution which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Board pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Bonds, as applicable (including persons holding Bonds, as applicable through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds, as applicable, for Federal income tax purposes.

"Continuing Disclosure Information" shall mean, collectively, (i) each Annual Report, (ii) any notice required to be filed by the Board with the EMMA (as defined herein) pursuant to Section 3 of this Disclosure Agreement, and (iii) any notice of a Listed Event required to be filed by the Authority with EMMA pursuant to Section 5 of this Disclosure Agreement.

“Disclosure Representative” shall mean the Business Administrator/Board Secretary of the Board or his/her designee, or such other person as the Board shall designate in writing from time to time for the purposes of this Disclosure Certificate.

“Dissemination Agent” shall mean, initially, the Board or any Dissemination Agent subsequently designated in writing by the Board which has filed with the Board a written acceptance of such designation.

“EMMA” shall mean the Electronic Municipal Market Access system, a website created by the MSRB (as defined herein) and approved by the SEC (as defined herein) to provide a central location where investors can obtain municipal bond information including disclosure documents. The Board or the Dissemination Agent shall submit disclosure documents to EMMA as a PDF file to www.emma.msrb.org.

“Financial Obligation” shall mean a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b) listed hereinabove. The term *“Financial Obligation”* shall not include municipal securities as to which a final official statement has been provided to the MSRB (as defined below) consistent with the Rule (as defined below).

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission (“SEC”) under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the United States Securities and Exchange Commission.

“SEC Release No. 34-59062” shall mean Release No. 34-59062 of the SEC dated December 5, 2008.

“State” shall mean the State of New Jersey.

“Underwriters” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the purchase of the Bonds.

SECTION 3. Provision of Annual Reports. (a) The Board shall provide or cause to be provided to the Dissemination Agent not later than December 31 of each year, commencing December 31, 2020 (for the fiscal year ending June 30, 2020), an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Each Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial

statements of the Board may be submitted separately from the balance of the Annual Report; and provided, further, that if the audited financial statements of the Board are not available by December 31, the Board shall include unaudited financial statements with its Annual Report and when such audited financial statements become available to the Board, the same shall be submitted to the Dissemination Agent no later than thirty (30) days after the receipt of the same by the Board.

(b) Not later than January 31 of each year (commencing January 31, 2021) the Dissemination Agent shall provide to EMMA a copy of the Annual Report received by the Dissemination Agent pursuant to subsection (a) hereof.

(c) If the Board does not provide or is unable to provide an Annual Report by the applicable date required in subsection (a) above, such that the Dissemination Agent cannot file the Annual Report with EMMA in accordance with subsection (b) above, the Dissemination Agent shall, in a timely manner, send a notice of such event to EMMA in substantially the form attached hereto as Exhibit A, with copies to the Board (if the Dissemination Agent is not the Board).

(d) Each year the Dissemination Agent shall file a report with the Board (if the Dissemination Agent is not the Board), certifying that the Annual Report has been provided to EMMA pursuant to this Disclosure Certificate, stating the date it was provided.

(e) If the fiscal year of the Board changes, the Board shall give written notice of such change to the Dissemination Agent and the Dissemination Agent shall, within five (5) business days after the receipt thereof from the Board, forward a notice of such change to EMMA in the manner provided in Section 5(e) hereof.

SECTION 4. Content of Annual Reports. The Board's Annual Report shall contain or incorporate by reference the following:

(1) The audited financial statements of the Board (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available).

The audited financial statements are to be prepared in accordance with generally accepted accounting principles (GAAP).

(2) The general financial information and operating data of the Board consistent with the information set forth in the Official Statement dated July 9, 2020, prepared in connection with the sale of the Bonds (the "Official Statement") in Appendix A under the sections relating to (1) Board indebtedness; (2) property valuation information; and (3) tax rate, levy and collection data.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Board is an "Obligated Person" (as defined by the Rule), which have been filed with

EMMA or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Board shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events. (a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

- (3) Principal and interest payment delinquencies;
- (4) Nonpayment related defaults, if material;
- (5) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (6) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (7) Substitution of credit or liquidity providers, or their failure to perform;
- (8) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (9) Modifications to rights of Bondholders, if material;
- (10) Bond calls, if material, and tender offers;
- (11) Defeasances of the Bonds;
- (12) Release, substitution or sale of property securing repayment of the Bonds, if material;
- (13) Ratings changes rating to the Bonds;
- (12) Bankruptcy, insolvency, receivership or similar event of the Board;
- (13) The consummation of a merger, consolidation, or acquisition involving the Board or the sale of all or substantially all of the assets of the Board, other than in the ordinary course of business, the entry into a definitive agreement to undertake such

an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

- (14) Appointment of a successor or additional trustee for the Bonds or the change of name of a trustee for the Bonds, if material;
- (15) Incurrence of a financial obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, any of which affect Bondholders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation, any of which reflect financial difficulties.

The Board shall, in a timely manner not in excess of ten (10) business days after the occurrence of any Listed Event, file a notice of the occurrence of such Listed Event with the MSRB in accordance with the provisions of Section 5 of this Disclosure Certificate. In determining the materiality of any of the Listed Events specified in this subsection (a) of this Section 5, the Board may, but shall not be required to, rely conclusively on an opinion of counsel.

(b) Whenever the Board has or obtains knowledge of the occurrence of any of the Listed Events, the Board shall, as soon as possible, determine if such event would constitute information material to the Beneficial Owners of the Bonds.

(c) If the Board determines that the occurrence of a Listed Event would be material to the Beneficial Owners of the Bonds, the Board shall promptly notify the Dissemination Agent in writing (if the Board is not the Dissemination Agent) and the Board shall instruct the Dissemination Agent to report such Listed Event and the Dissemination Agent shall report the occurrence of such Listed Event pursuant to subsection (e) hereof.

(d) If the Board determines that the occurrence of a Listed Event would not be material to the Beneficial Owners of the Bonds, the Board shall promptly notify the Dissemination Agent in writing (if the Dissemination Agent is not the Board) and the Dissemination Agent (if the Dissemination Agent is not the Board) shall be instructed by the Board not to report the occurrence.

(e) If the Dissemination Agent has been instructed in writing by the Board to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with EMMA, with a copy to the Board (if the Dissemination Agent is not the Board). Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) hereof need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Beneficial Owner of the affected Bonds pursuant to the Bond Resolution.

SECTION 6. Termination of Reporting Obligation. The Board's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds or when the Board is no longer an "Obligated Person" (as defined in the Rule). The Board shall file a notice of the termination of its reporting obligations pursuant to the provisions hereof with the Dissemination Agent, which notice shall be filed with EMMA in accordance with the provisions of Section 5(e) hereof.

SECTION 7. Dissemination Agent; Compensation. The Board may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Board. The Board shall compensate the Dissemination Agent (which shall be appointed) for the performance of its obligations hereunder in accordance with an agreed upon fee structure.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Board may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived, if such amendment or waiver (supported by an opinion of counsel expert in Federal securities laws acceptable to the Board to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof) is (a) made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person, or type of business conducted; (b) the undertaking, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) the amendment or waiver does not materially impair the interests of holders, as determined either by parties unaffiliated with the Board or "Obligated Person," or by approving vote of the Beneficial Owners of the Bonds, as applicable pursuant to the terms of the Bond Resolution at the time of the amendment. The Board shall give notice of such amendment or waiver to this Disclosure Certificate to the Dissemination Agent, which notice shall be filed in accordance with the provisions of Section 5 hereof. Notwithstanding the above, the addition of or change in the Dissemination Agent shall not be construed to be an amendment under the provisions hereof.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Board shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Board. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements (i) notice of such change shall be given in the same manner as a Listed Event under Section 5 hereof, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis

of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Board from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Board chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Board shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Board to comply with any provision of this Disclosure Certificate, the Holders of at least 25% aggregate principal amount of Outstanding Bonds or any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Board to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default on the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the Board to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of the Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and, to the extent permitted by law, the Board agrees to indemnify and hold the Dissemination Agent (if the Dissemination Agent is not the Board) and its respective officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. To the extent permitted by law, the Board further releases the Dissemination Agent from any liability for the disclosure of any information required by the Rule and this Disclosure Certificate. The obligations of the Board under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Board, the Dissemination Agent, the Underwriters, and the Beneficial Owners of the Bonds, including Bondholders, and shall create no rights in any other person or entity.

SECTION 13. Notices. All notices and submissions required hereunder shall be given to the following, or their successors, by facsimile transmission (with written confirmation of receipt), followed by hard copy sent by certified or registered mail, personal delivery or recognized overnight delivery:

(a) If to the Board of Education:

The Board of Education of the
Township of Hillsborough
379 South Branch Road
Hillsborough, New Jersey 08844
Attention: Business Administrator/Board Secretary

(b) Copies of all notices to the Dissemination Agent from time to time with respect to the Bonds, initially:

The Board of Education of the
Township of Hillsborough
379 South Branch Road
Hillsborough, New Jersey 08844
Attention: Business Administrator/Board Secretary

Each party shall give notice from time to time to the other parties, in the manner specified herein, of any change of the identity or address of anyone listed herein.

SECTION 14. Counterparts. This Disclosure Certificate may be executed in any number of counterparts which shall be executed by authorized signatories of the Board and the Dissemination Agent, as applicable, and all of which together shall be regarded for all purposes as one original and shall constitute and be but one and the same.

SECTION 15. Severability. If any one or more of the covenants or agreements in this Disclosure Certificate to be performed on the part of the Board and the Dissemination Agent should be contrary to law, then such covenant or covenants, agreement or agreements, shall be deemed severable from the remaining covenants and agreements and shall in no way affect the validity of the other provisions of this Disclosure Certificate.

SECTION 16. Governing Law. This Disclosure Certificate shall be construed in accordance with and governed by the Laws of the United States of America and the State of New Jersey as applicable.

**THE BOARD OF EDUCATION OF THE
TOWNSHIP OF HILLSBOROUGH**

By: _____
**AIMAN MAHMOUD,
Business Administrator/
Board Secretary**

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