

**SCHOOL DISTRICT
OF THE
BOROUGH OF HILLSDALE**

**Borough of Hillsdale School District
Hillsdale, New Jersey**

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2011**

**Comprehensive Annual
Financial Report**

of the

Borough of Hillsdale School District

Hillsdale, New Jersey

For the Fiscal Year Ended June 30, 2011

Prepared by

**Borough of Hillsdale School District
Board of Education**

BOROUGH OF HILLSDALE SCHOOL DISTRICT
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INTRODUCTORY SECTION

HILLSDALE PUBLIC SCHOOLS



LIRCA R. GARCIA
BUSINESS ADMINISTRATOR
SECRETARY TO THE BOARD

32 RUCKMAN ROAD
HILLSDALE, NJ 07642
201-664-4512
FAX: 201-664-9049

September 26, 2011

The Honorable President and Members of
the Board of Education
Borough of Hillsdale School District
County of Bergen, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Borough of Hillsdale School District (the "District") for the fiscal year ended June 30, 2011, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the Independent Auditors' Report, management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected economic and demographic information, financial trends and the fiscal capacity of the District, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and the New Jersey OMB Circular Letter NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on the internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, is included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES: The Borough of Hillsdale School District is an independent reporting entity within the criteria adopted by the Government Accounting Standards Board ("GASB") in codification section 2100. All funds of the District are included in this report. The Borough of Hillsdale School District and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through 8. These include regular, vocational as well as special education for handicapped youngsters. The District completed the 2010-2011 fiscal year with an average daily enrollment of 1,416 students, which is a decrease of 45 students from the previous year's enrollment. The following details the changes in the average daily student enrollment of the District over the last five years:

The Honorable President and Members of
the Board of Education
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<u>Fiscal Year</u>	<u>Average Daily Enrollment</u>	
	<u>Student Enrollment</u>	<u>Percent Change</u>
2010-2011	1,416	-3.08%
2009-2010	1,461	-0.20%
2008-2009	1,464	1.81%
2007-2008	1,438	-1.57%
2006-2007	1,461	0.62%

2) ECONOMIC CONDITION AND OUTLOOK: The Borough of Hillsdale is almost fully developed and has not experienced or expects to experience any significant growth in the immediate future. The District has had an approximate increase in enrollment of 250 students since the 1999-2000 school year but that consistent growth pattern is beginning to stabilize throughout the District. The Board of Education completed a building expansion project in September 2004 to accommodate the additional enrollment growth.

3) MAJOR INITIATIVES: During the 2010-2011 school year, the District completed curriculum reviews in penmanship and study skills. The District also completed the state monitoring process entitled "Quality Single Accountability Continuum (QSAC)" at the "high performing" level distinction. As a result, the District is certified for a period of three years.

The District also developed a budget for 2010-2011 with a reduction in state aid of approximately \$900,000. This loss of state revenue resulted in a decrease of staff of over 10.2 positions, loss of long time programs, and the privatization of the District's mid-shift custodians.

School objectives were also developed in concert with School Level Planning Committees and a wide range of student activities continued throughout the schools.

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

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

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

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

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An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as restrictions, commitments and assignments of fund balance at June 30, 2011.

6) ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principles, as promulgated by the GASB. The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements", Note 1.

7) DEBT ADMINISTRATION: At June 30, 2011, the District had \$6,609,000 in outstanding bonded debt. Bond referendums were approved by the affirmative vote of a majority of the legal voters present and voting at the School District elections on April 15, 1997 and January 28, 2003, which authorized the issuance of the school bonds. The proceeds of these bond issues were placed in the District's capital projects fund for use to provide funds for various capital improvements to the District's buildings and grounds. The District also has a capital lease for the purchase of computer technology and cafeteria equipment. Other details about the District's debt are included in Note 7 to the Basic Financial Statements.

At June 30, 2011, the District had no debt authorized but not issued.

8) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements", Note 3. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

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

The Board is a member of the Northeast School Board Insurance Group (the "Group"). The Group is a risk-sharing public entity risk fund that is both an insured and self-administered group of school districts established for the purpose of providing low-cost insurance coverage to its members. Additional information on the Group is included in Note 10 to the Basic Financial Statements.

10) OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board's audit committee. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related Federal OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and the New Jersey Treasury Circular Letter NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditors' report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

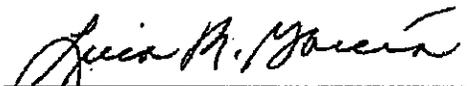
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11) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Borough of Hillsdale School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the School District and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of the financial and accounting staff.

Respectfully submitted,

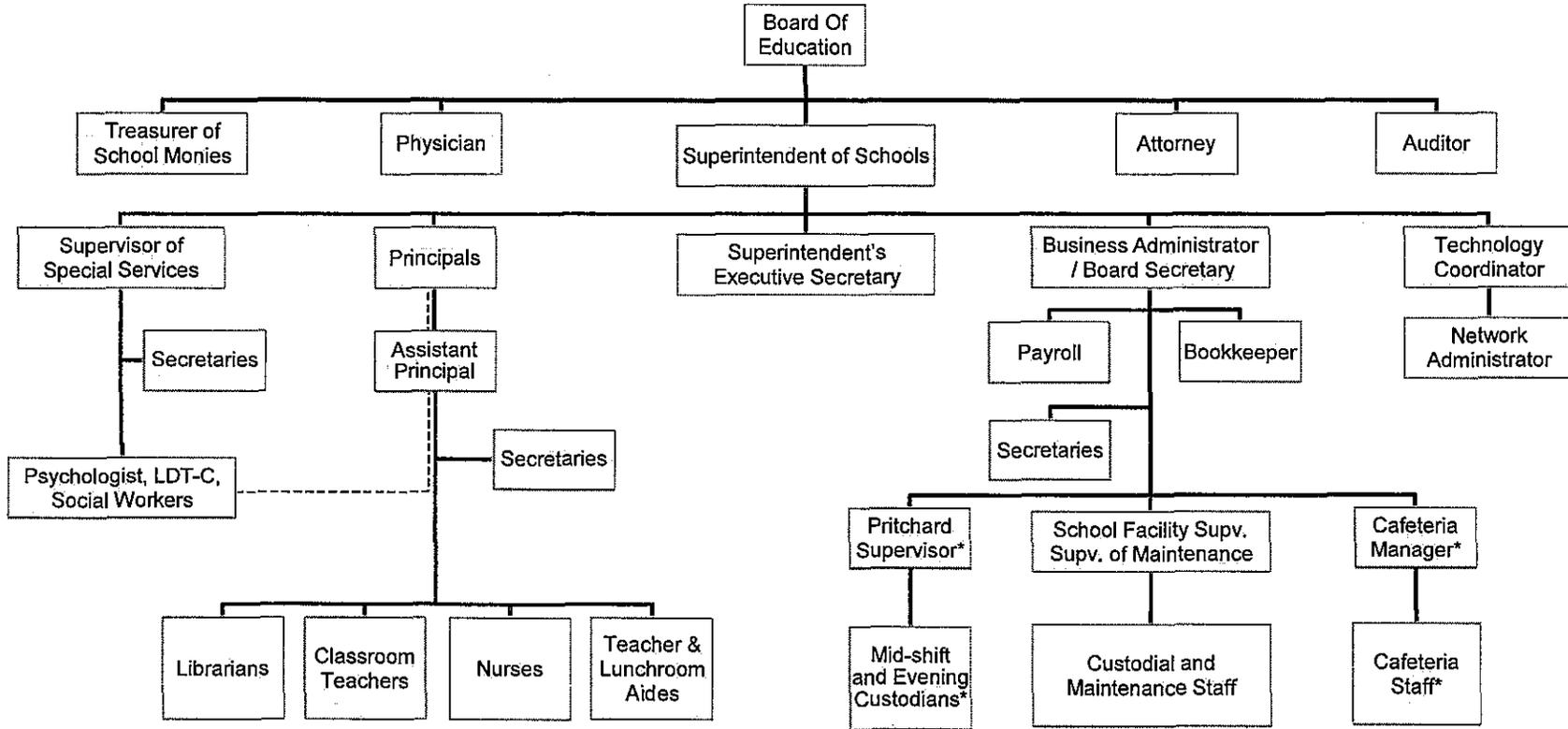


Raymond J. Albano
Interim Superintendent



Lirca R. Garcia
Business Administrator/Board Secretary

Organization Chart



* Independent Contractor

**BOROUGH OF HILLSDALE SCHOOL DISTRICT
 ROSTER OF OFFICIALS
 JUNE 30, 2011**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
James D. Hayden, Jr., President	2013
Maryann Martino, Vice President	2012
Deborah Loganchuk	2014
Kathleen E. O'Flynn	2012
Timothy R. Santo	2014

Other OfficialsTitle

Anthony S. DeNorchia	Superintendent of Schools
Raymond J. Albano	Interim Superintendent of Schools
Lirca R. Garcia	Board Secretary/School Business Administrator
Richard Kerber	Treasurer of School Monies

**BOROUGH OF HILLSDALE SCHOOL DISTRICT
Consultants and Advisors**

Attorney

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

Audit Firm

Nisivoccia LLP, CPAs
Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mount Arlington, NJ 07856

Official Depositories

TD Bank, N.A.
Hillsdale Office
Hillsdale, NJ 07642

State of New Jersey Cash Management Fund
Division of Investment
Department of the Treasury
Trenton, NJ 08625

FINANCIAL SECTION



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax
 Lawrence Business Center
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555

Independent Auditors' Report

The Honorable President and Members
 of the Board of Education
 Borough of Hillsdale School District
 County of Bergen, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Borough of Hillsdale School District in the County of Bergen as of and for the fiscal year ended June 30, 2011 which collectively comprise the School District's basic financial statements, as listed in the foregoing table of contents. These financial statements are the responsibility of the Board of Education's management. 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 audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Borough of Hillsdale School District in the County of Bergen as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

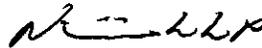
In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2011 on our consideration of the Board of Education of the Borough of Hillsdale School District's internal control over financial reporting and on our tests of its compliance with certain provisions 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 on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The Management's Discussion and Analysis section and the Budgetary Comparison Information in Exhibits C-1 through C-3 and I-3 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Education of the Borough of Hillsdale School District's basic financial statements. The accompanying introductory section, other supplementary information such as the combining and individual fund financial statements, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*; and New Jersey OMB's Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the basic financial statements. The supplementary combining and individual fund financial statements, supplementary schedules, and the schedules of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Mount Arlington, New Jersey
September 26, 2011


NISIVOCIA LLP


Francis J. Jones, Jr.
Licensed Public School Accountant #1154
Certified Public Accountant

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**BOROUGH OF HILLSDALE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

This section of Borough of Hillsdale School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2011. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* adopted in June, 1999. Certain comparative information between the current year (2010-2011) and the prior year (2009-2010) is required to be presented in the MD&A.

Financial Highlights

- The District's financial status improved during the fiscal year.
- Overall revenue was \$21.25 million.
- Overall expenditures were \$20.68 million.
- Actual local revenue was \$140,836 lower than expected, primarily in tuition.
- The District's outstanding long-term debt decreased due to the pay-down of \$545,000 of general obligation bonds.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more* detail than the district-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- *Proprietary funds statements* offer *short-* and *long-term* financial information about the activities the District operates like a business, such as food services.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

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

Figure A-1
Organization of the Board of Education of the Borough of Hillsdale's Financial Report

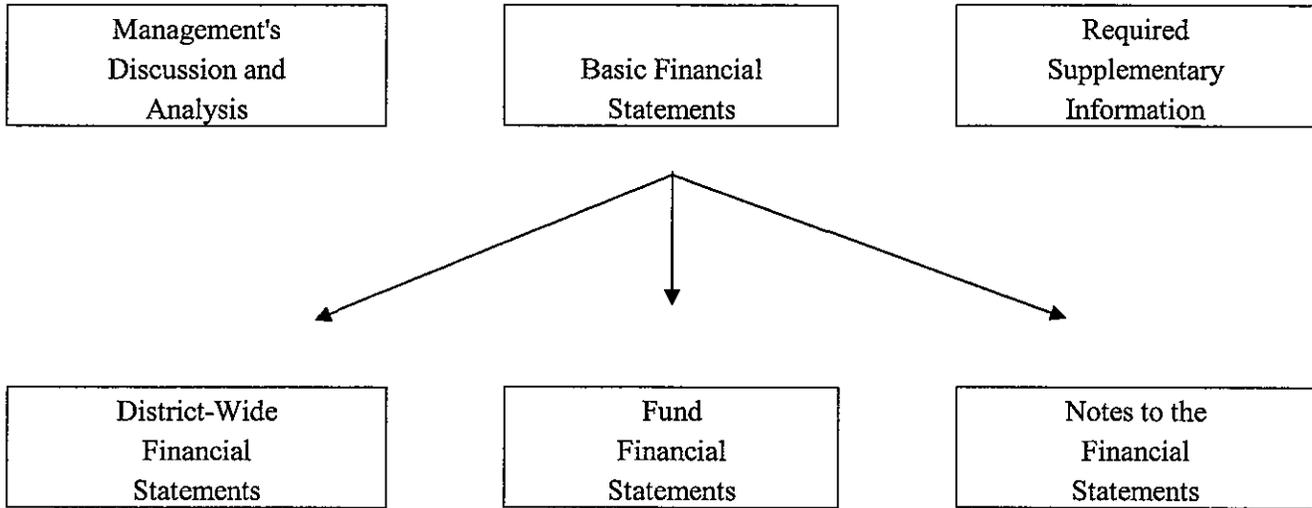


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities
Required Financial Statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenue, expenses, changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's food service is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants).

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.
- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The *internal service funds* (the other kind of proprietary fund) report activities that provide supplies and services for its other programs and activities. The District currently does not maintain any internal service funds.

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

Notes to Financial Statements

Provide additional information essential to full understanding of District-wide and fund financial statements.

Financial Analysis of the District as a Whole

Net Assets. The District's net assets are shown in Figure A-3. It is important to note here that depreciation of the District's capital assets is computed into the totals. The depreciation factored into the District's net assets for 2010/2011 is \$395,865. This same amount is also factored in as an expense in the current year's financial statements. A second factor affecting the net assets was the pay-down of long-term debt in the amount of \$545,000 which decreased debt and increased net assets.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2010/11
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	
Current and Other Assets	\$ 1,557,770	\$ 1,079,054	\$ 77,313	\$ 55,507	\$ 1,635,083	\$ 1,134,561	44.12%
Capital Assets, Net	15,030,929	15,343,074			15,030,929	15,343,074	-2.03%
Total Assets	<u>16,588,699</u>	<u>16,422,128</u>	<u>77,313</u>	<u>55,507</u>	<u>16,666,012</u>	<u>16,477,635</u>	1.14%
Long-Term Debt Outstanding	7,631,588	8,152,985			7,631,588	8,152,985	-6.40%
Other Liabilities	364,469	223,755	19,007	15,186	383,476	238,941	60.49%
Total Liabilities	<u>7,996,057</u>	<u>8,376,740</u>	<u>19,007</u>	<u>15,186</u>	<u>8,015,064</u>	<u>8,391,926</u>	-4.49%
Net Assets:							
Invested in Capital Assets, Net of Related Debt	8,413,381	8,126,571			8,413,381	8,126,571	3.53%
Restricted	907,016	588,636			907,016	588,636	54.09%
Unrestricted (Deficit)	<u>(727,755)</u>	<u>(669,819)</u>	<u>58,306</u>	<u>40,321</u>	<u>(669,449)</u>	<u>(629,498)</u>	-6.35%
Total Net Assets	<u>\$ 8,592,642</u>	<u>\$ 8,045,388</u>	<u>\$ 58,306</u>	<u>\$ 40,321</u>	<u>\$ 8,650,948</u>	<u>\$ 8,085,709</u>	6.99%

Changes in Net Assets. The District's *combined* net assets were \$8,650,948 on June 30, 2011, \$565,239 or 6.99% more than the prior year (See Figure A-3). Property taxes increased as a result of increases expected in operating costs and debt service for serial bonds. The net assets of the business-type activities increased \$17,985 (See Figure A-4).

Figure A-4
Changes in Net Assets from Operating Results

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2010/11
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	
Revenue:							
Program Revenue:							
Charges for Services			\$ 252,381	\$ 211,279	\$ 252,381	\$ 211,279	19.45%
Grants and Contributions:							
Operating	\$2,294,351	\$3,510,155	74,018	69,401	2,368,369	3,579,556	-33.84%
General Revenue:							
Property Taxes	18,404,155	17,270,828			18,404,155	17,270,828	6.56%
Federal and State Aid Not Restricted	190,801	150,524			190,801	150,524	26.76%
Other	31,207	109,007	719	444	31,926	109,451	-70.83%
Total Revenue	<u>20,920,514</u>	<u>21,040,514</u>	<u>327,118</u>	<u>281,124</u>	<u>21,247,632</u>	<u>21,321,638</u>	-0.35%
Expenses:							
Instruction	11,904,368	11,944,347			11,904,368	11,944,347	-0.33%
Pupil and Instruction Services	3,548,909	3,470,224			3,548,909	3,470,224	2.27%
Administrative and Business	2,063,080	1,985,617			2,063,080	1,985,617	3.90%
Maintenance and Operations	1,721,396	1,906,216			1,721,396	1,906,216	-9.70%
Transportation	546,936	595,009			546,936	595,009	-8.08%
Other	588,571	748,685	309,133	271,037	897,704	1,019,722	-11.97%
Total Expenses	<u>20,373,260</u>	<u>20,650,098</u>	<u>309,133</u>	<u>271,037</u>	<u>20,682,393</u>	<u>20,921,135</u>	-1.14%
Increase/(Decrease) in Net Assets	<u>\$ 547,254</u>	<u>\$ 390,416</u>	<u>\$ 17,985</u>	<u>\$ 10,087</u>	<u>\$ 565,239</u>	<u>\$ 400,503</u>	41.13%

Revenue Sources. The District's total revenue for the 2010/2011 school year was \$21,247,632 (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$18,404,155 of the total, or 86.62% (See Figure A-5). Another 12.05% came from state and federal aid and the remainder from miscellaneous sources and charges for services.

Figure A-5
Sources of Revenue for Fiscal Year 2011

Sources of Income:	Amount	Percentage
Operating Grants and Contributions	\$ 2,368,369	11.15%
Property Taxes	18,404,155	86.62%
Federal and State Unrestricted Aid	190,801	0.90%
Charges for Services	252,381	1.19%
Other	31,926	0.15%
	<u>\$ 21,247,632</u>	<u>100.00%</u>

The total cost of all programs and services was \$20,682,393. The District's expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students (See Figure A-6). The District's administrative and business activities accounted for 9.98% of total costs.

Figure A-6
Expenses for Fiscal Year 2011

Expense Category:	<u>Amount</u>	<u>Percentage</u>
Instruction	\$ 11,904,368	57.56%
Pupil and Instruction Services	3,548,909	17.16%
Administrative and Business	2,063,080	9.98%
Maintenance and Operations	1,721,396	8.32%
Transportation	546,936	2.64%
Other	897,704	4.34%
	<u>\$ 20,682,393</u>	<u>100.00%</u>

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District improved in this past year. Maintaining existing programs with increased regular pupil enrollment and the provision of a multitude of special programs and services for disabled pupils place great demands on the District's resources. In recent years, numerous veteran teachers have retired and have been replaced by teachers of less experience. Such changes have generated significant salary savings, but these have not been sufficient enough to offset increased enrollment, increased special education programs and increased health benefit costs.

Careful management of expenses remains essential for the District to sustain its financial health. Among the many significant cost savings actions implemented during the year were:

- Region II, a joint venture with other area school districts, provides all of the transportation routes to out-of-District special education schools.
- The District has utilized aides to assist the special education students and provide more support for those students.
- Standard practice has been to maintain lower costs by seeking competitive proposals each year for services.

It is crucial that the District examine its expenditures carefully. Increasing parental and student demands for new activities and programs must be evaluated thoroughly. District resources are at their tightest level in a decade.

Figure A-7 presents the cost of six major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs).

The net cost shows the financial burden placed on the District's taxpayers by each of these functions:

Figure A-7
Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2010/2011	2009/2010	2010/2011	2009/2010
Instruction	\$ 11,904,368	\$ 11,944,347	\$10,103,087	\$ 8,577,128
Pupil and Instruction Services	3,548,909	3,470,224	3,135,106	2,912,379
Administrative and Business	2,063,080	1,985,617	1,988,511	1,794,160
Maintenance and Operations	1,721,396	1,906,216	1,721,396	1,851,975
Transportation	546,936	595,009	542,238	606,490
Other	588,571	748,685	588,571	618,646
	<u>\$ 20,373,260</u>	<u>\$ 20,650,098</u>	<u>\$18,078,909</u>	<u>\$ 16,360,778</u>

- The cost of all governmental activities this year was \$20,373,260.
- The federal and state governments subsidized certain programs with grants and contributions (\$2.29 million).
- Most of the District's costs were financed by District taxpayers.

Business-Type Activities

Net assets from the District's business-type activity increased \$17,985 (Refer to Figure A-4). Factors contributing to these results included:

- Food services revenues exceeded expenses by \$17,985, accounting for the entire increase in the net assets of the business-type activities. The Food Services Management company continues to improve the food product and the delivery of that product to the students and faculty with the goal of increasing participation in the school lunch program.

Financial Analysis of the District's Funds

The District's financial position improved due to significant changes in the student clientele and despite difficult economic times. Expenditures during the recent year decreased significantly as the District made a concerted effort to control costs.

Difficult economic times have had a direct impact upon the District's revenue sources. Interest from General Fund investments remained unfavorable as compared to years past. Ratables in the municipality remain more or less stable, thus generating concern for the local tax levy in the future.

These factors are likely to continue for the next few years. To maintain a stable financial position, the District must continue to practice sound fiscal management.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. These budget amendments fall into three categories:

- Changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment.
- The preparation of the 2010/2011 budget was difficult as a result of rising costs and the state mandated lower fund balance position of the District. This resulted in the need for numerous line item transfers during the year.
- Allowable appropriations of fund balance.

Capital Asset and Debt Administration

Figure A-8

Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2010/11
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	
	Land	\$ 4,748,166	\$ 4,732,666			\$ 4,748,166	
Buildings and Building Improvements	10,107,496	10,375,675			10,107,496	10,375,675	-2.58%
Machinery and Equipment	175,267	234,733			175,267	234,733	-25.33%
Total Capital Assets	\$ 15,030,929	\$ 15,343,074	\$ -0-	\$ -0-	\$ 15,030,929	\$ 15,343,074	-2.03%

The decrease in capital assets is due to depreciation totaling \$395,865 offset by the acquisition of equipment as well as building and land improvements. More detailed information about the District's capital assets is presented in Note 6 to the Basic Financial Statements.

Long-term Debt

At year-end, the District had \$6,609,000 in general obligation bonds outstanding. More detailed information about the District's long-term liabilities is presented in Note 7 to the Basic Financial Statements.

Figure A-9

Outstanding Long-Term Debt

	Total School District		Total Percentage Change 2010/11
	2010/11	2009/10	
General Obligation Bonds (Financed with Property Taxes)	\$ 6,553,701	\$ 7,090,801	-7.57%
Obligations Under Capital Leases	63,847	125,702	-49.21%
Other Liabilities	1,014,040	936,482	8.28%
	\$ 7,631,588	\$ 8,152,985	-6.40%

Factors Bearing on the District's Future Revenue/Expense Changes

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

- The District continues to deal with increasing costs, decreasing state aid and increasing state mandates.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Education Office, Hillsdale, New Jersey.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

BOROUGH OF HILLSDALE SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,118,176	\$ 63,731	\$ 1,181,907
Receivables From State Government	133,721	359	134,080
Receivables From Federal Government	86,544	4,144	90,688
Receivables - Other	4,938		4,938
Inventory		9,079	9,079
Restricted Assets:			
Capital Reserve Account - Cash	158,271		158,271
Unamortized Bond Issuance Costs, Net	56,120		56,120
Capital Assets, Net:			
Sites (Land)	4,748,166		4,748,166
Depreciable Buildings and Building Improvements and Furniture, Machinery and Equipment	10,282,763		10,282,763
Total Assets	<u>16,588,699</u>	<u>77,313</u>	<u>16,666,012</u>
LIABILITIES			
Current Liabilities:			
Interfund Payable	647		647
Accounts Payable - Vendors	185,151	19,007	204,158
Accrued Interest Payable	88,886		88,886
Unamortized Bond Premiums, Net	39,899		39,899
Payable to Federal Government	336		336
Payable to State Government	18,798		18,798
Deferred Revenue	30,752		30,752
Noncurrent Liabilities:			
Due Within One Year	633,847		633,847
Due Beyond One Year	6,997,741		6,997,741
Total Liabilities	<u>7,996,057</u>	<u>19,007</u>	<u>8,015,064</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	8,413,381		8,413,381
Restricted for:			
Capital Projects	158,271		158,271
Debt Service	160		160
Other Purposes	748,585		748,585
Unrestricted (Deficit)	(727,755)	58,306	(669,449)
Total Net Assets	<u>\$ 8,592,642</u>	<u>\$ 58,306</u>	<u>\$ 8,650,948</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART
OF THIS STATEMENT

BOROUGH OF HILLSDALE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:						
Instruction:						
Regular	\$ 9,229,404		\$ 950,855	\$ (8,278,549)		\$ (8,278,549)
Special Education	2,307,783		812,414	(1,495,369)		(1,495,369)
Other Special Instruction	205,686		16,080	(189,606)		(189,606)
Other Instruction	161,495		21,932	(139,563)		(139,563)
Support Services:						
Tuition	516,478		79,930	(436,548)		(436,548)
Student & Instruction Related Services	3,024,931		333,873	(2,691,058)		(2,691,058)
General Administrative Services	547,326			(547,326)		(547,326)
School Administrative Services	947,395		74,569	(872,826)		(872,826)
Central Services	445,344			(445,344)		(445,344)
Administration Information Technology	123,015			(123,015)		(123,015)
Plant Operations and Maintenance	1,721,396			(1,721,396)		(1,721,396)
Pupil Transportation	546,936		4,698	(542,238)		(542,238)
Special Schools	7,500			(7,500)		(7,500)
Capital Outlay	11,075			(11,075)		(11,075)
Interest on Long-Term Debt	257,666			(257,666)		(257,666)
Unallocated Depreciation	319,830			(319,830)		(319,830)
Total Governmental Activities	20,373,260		2,294,351	(18,078,909)		(18,078,909)

BOROUGH OF HILLSDALE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Business-Type Activities:						
Food Service	\$ 309,133	\$ 252,381	\$ 74,018		\$ 17,266	\$ 17,266
Total Business-Type Activities	309,133	252,381	74,018		17,266	17,266
Total Primary Government	<u>\$ 20,682,393</u>	<u>\$ 252,381</u>	<u>\$ 2,368,369</u>	<u>\$ (18,078,909)</u>	<u>17,266</u>	<u>(18,061,643)</u>
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				17,656,850		17,656,850
Taxes Levied for Debt Service				747,305		747,305
Federal and State Aid not Restricted				190,801		190,801
Interest and Miscellaneous Income				31,207	719	31,926
Total General Revenues, Special Items, Extraordinary Items and Transfers				<u>18,626,163</u>	<u>719</u>	<u>18,626,882</u>
Change in Net Assets				547,254	17,985	565,239
Net Assets - Beginning				<u>8,045,388</u>	<u>40,321</u>	<u>8,085,709</u>
Net Assets - Ending				<u>\$ 8,592,642</u>	<u>\$ 58,306</u>	<u>\$ 8,650,948</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

FUND FINANCIAL STATEMENTS

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 1,018,353	\$ 99,663		\$ 160	\$ 1,118,176
Interfund Receivables	148,663				148,663
Receivables From State Government	133,721				133,721
Receivables From Federal Government		86,544			86,544
Receivables - Other	1,705	3,233			4,938
Restricted Cash and Cash Equivalents	158,271				158,271
Total Assets	\$ 1,460,713	\$ 189,440	\$ -0-	\$ 160	\$ 1,650,313
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund Payable	\$ 777	\$ 148,533			\$ 149,310
Accounts Payable - Vendors	181,930	3,221			185,151
Payable to Federal Government		336			336
Payable to State Government		18,798			18,798
Deferred Revenue	12,200	18,552			30,752
Total Liabilities	194,907	189,440			384,347
Fund Balances:					
Restricted for:					
Encumbrances	\$ 429,917				429,917
Capital Reserve Account	158,271				158,271
Excess Surplus	93,060				93,060
Excess Surplus - Designated for Subsequent Year's Expenditures	225,608				225,608
Debt Service			\$ 160		160
Unassigned	358,950				358,950
Total Fund Balances	1,265,806			160	1,265,966
Total Liabilities and Fund Balances	\$ 1,460,713	\$ 189,440	\$ -0-	\$ 160	

Amounts Reported for Governmental Activities in the Statement of Net Assets (A-1) are Different Because:
Net Assets (A-1) are Different Because:

Capital Assets Used in Governmental Activities are not financial resources and therefore are not reported in the Funds. The cost of the assets is \$26,285,943 and the accumulated depreciation is \$11,255,014.	15,030,929
Interest on Long-Term Debt is not Accrued in the Governmental Funds, but rather is recognized as an expenditure when due.	(88,886)
Bond Issuance Costs are reported as expenditures in the Governmental Funds.	56,120
Bond Premiums are reported as revenue in the Funds.	(39,899)
Deferred Interest Costs are not reported as expenditures in the Funds.	55,299
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 7).	(7,686,887)
Net Assets of Governmental Activities	\$ 8,592,642

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF HILLSDALE SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local Sources:					
Local Tax Levy	\$ 17,656,850			\$ 747,305	\$ 18,404,155
Tuition	79,930				79,930
Miscellaneous	31,204	\$ 10,428	\$ 3		41,635
Total - Local Sources	17,767,984	10,428	3	747,305	18,525,720
State Sources	1,719,695	227,729		5,544	1,952,968
Federal Sources		441,826			441,826
Total Revenues	19,487,679	679,983	3	752,849	20,920,514
EXPENDITURES					
Current:					
Regular Instruction	6,691,608				6,691,608
Special Education Instruction	1,375,827	379,961			1,755,788
Other Special Instruction	145,780				145,780
Other Instruction	118,810				118,810
Support Services and Undistributed Costs:					
Tuition	516,478				516,478
Student & Instruction Related Services	2,275,745	300,022			2,575,767
General Administrative Services	467,255				467,255
School Administrative Services	696,932				696,932
Central Services	334,949				334,949
Administration Information Technology	110,474				110,474
Plant Operations and Maintenance	1,594,927				1,594,927
Pupil Transportation	527,000				527,000
Unallocated Benefits	4,151,182				4,151,182

BOROUGH OF HILLSDALE SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
EXPENDITURES					
Debt Service:					
Principal				\$ 545,000	\$ 545,000
Interest and Other Charges				249,863	249,863
Special Schools	\$ 6,000				6,000
Capital Outlay	83,720		\$ 11,075		94,795
Total Expenditures	<u>19,096,687</u>	<u>\$ 679,983</u>	<u>11,075</u>	<u>794,863</u>	<u>20,582,608</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>390,992</u>	<u>-0-</u>	<u>(11,072)</u>	<u>(42,014)</u>	<u>337,906</u>
OTHER FINANCING SOURCES/(USES)					
Transfers In	3				3
Transfers Out			(3)		(3)
Total Other Financing Sources/(Uses)	<u>3</u>	<u>-0-</u>	<u>(3)</u>		
Net Change in Fund Balances	390,995		(11,075)	(42,014)	337,906
Fund Balance—July 1	874,811		11,075	42,174	928,060
Fund Balance—June 30	<u>\$ 1,265,806</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 160</u>	<u>\$ 1,265,966</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF HILLSDALE SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Total Net Change in Fund Balances - Governmental Funds (from B-2)		\$ 337,906
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:		
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 differ from depreciation in the period.		
	Depreciation expense	\$ (395,865)
	Disposal of Capital Assets, Net of Accumulated Depreciation	(15,099)
	Amortization of bond issuance costs	6,863
	Capital outlays	<u>83,720</u>
		(320,381)
Repayment of debt service 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.		
		545,000
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when accrued, regardless of when due. In the governmental funds, interest is reported when due. When the accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+).		
		5,453
Repayment of capital leases 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.		
		59,926
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 a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		
		(40,924)
The governmental funds report the bond premium as revenue when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
		5,700
The governmental funds report the effect of deferred interest cost relative to advance refundings when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
		(7,900)
The governmental funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
		<u>(13,726)</u>
Change in Net Assets of Governmental Activities		<u>\$ 571,054</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF HILLSDALE SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AS OF JUNE 30, 2011

	<u>Business-type Activities - Enterprise Funds</u> <u>Food Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 63,731
Accounts Receivable:	
Federal	4,144
State	359
Inventories	<u>9,079</u>
Total Current Assets	<u>77,313</u>
Total Assets	<u>77,313</u>
 LIABILITIES:	
Current Liabilities:	
Accounts Payable - Vendors	<u>19,007</u>
Total Liabilities	<u>19,007</u>
 NET ASSETS:	
Unrestricted	<u>58,306</u>
Total Net Assets	<u><u>\$ 58,306</u></u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF HILLSDALE SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Business-type Activities - Enterprise Funds Food Service</u>
Operating Revenue:	
Charges for Services:	
Daily Sales:	
School Lunch Program	\$ 249,347
Special Events	3,034
	<hr/>
Total Operating Revenue	252,381
	<hr/>
Operating Expenses:	
Cost of Sales	145,462
Salaries, Benefits and Payroll Taxes	119,010
Supplies and Materials	31,255
Miscellaneous Expenses	13,406
	<hr/>
Total Operating Expenses	309,133
	<hr/>
Operating (Loss)	(56,752)
	<hr/>
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	53,294
Food Distribution Program	16,561
State Sources:	
School Lunch Program	4,163
Local Sources:	
Interest Revenue	719
	<hr/>
Total Non-Operating Revenue	74,737
	<hr/>
Change in Net Assets	17,985
	<hr/>
Net Assets - Beginning of Year	40,321
	<hr/>
Net Assets - End of Year	\$ 58,306
	<hr/> <hr/>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF HILLSDALE SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Funds
	Food Service
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 252,381
Payments to Food Service Vendor	(261,138)
Payments to Suppliers	(31,255)
Net Cash (Used for) Operating Activities	(40,012)
Cash Flows from Investing Activities:	
Interest Revenue	719
Net Cash Provided by Investing Activities	719
Cash Flows from Noncapital Financing Activities:	
Federal Sources	49,467
State Sources	7,428
Net Cash Provided by Noncapital Financing Activities	56,895
Net Increase in Cash and Cash Equivalents	17,602
Cash and Cash Equivalents, July 1	46,129
Cash and Cash Equivalents, June 30	\$ 63,731
Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities:	
Operating (Loss)	\$ (56,752)
Adjustment to Reconcile Operating (Loss) to Cash (Used for) Operating Activities:	
Federal Food Distribution Program	16,561
Changes in Assets and Liabilities:	
(Increase) in Inventories	(3,642)
Increase in Accounts Payable	3,821
Net Cash (Used for) Operating Activities	\$ (40,012)

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized commodities from the Federal Food Distribution Program valued at \$16,561 for the fiscal year ended June 30, 2011.

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF HILLSDALE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2011

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>
ASSETS:		
Cash and Cash Equivalents	\$ 72,044	\$ 123,166
Interfund Receivable - General Fund	647	
Total Assets	<u>72,691</u>	<u>123,166</u>
LIABILITIES:		
Accounts Payable - Vendors	201	
Payroll Deductions and Withholdings	4,844	
Due to Student Groups	67,646	
Total Liabilities	<u>72,691</u>	<u>-0-</u>
NET ASSETS:		
Held in Trust for Unemployment Claims and Other Purposes		<u>123,166</u>
Total Net Assets	<u>\$ -0-</u>	<u>\$ 123,166</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF HILLSDALE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Unemployment Compensation Trust</u>
ADDITIONS:	
Contributions:	
Plan Member	\$ 17,191
Total Contributions	<u>17,191</u>
Investment Earnings:	
Interest	<u>1,191</u>
Net Investment Earnings	<u>1,191</u>
Total Additions	<u>18,382</u>
DEDUCTIONS:	
Quarterly Contribution Reports	<u>65,979</u>
Total Deductions	<u>65,979</u>
Change in Net Assets	(47,597)
Net Assets - Beginning of the Year	<u>170,763</u>
Net Assets - End of the Year	<u><u>\$ 123,166</u></u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

The Board 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.

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significances) should be included in the financial reporting entity. The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include elementary schools located within the Borough of Hillsdale. 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.

B. Basis of Presentation:

District-Wide Financial Statements:

The statement of net assets and the statement of activities present financial information about the District's governmental and business-type activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenue and other nonexchange transactions. Business-type activities are financed in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation: (Cont'd)

Fund Financial Statements:

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - *governmental, proprietary and fiduciary* - are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models.

The District reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the District and is used to account for all expendable financial resources not accounted for and reported in another fund.

As required by NJDOE, the District includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states 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 revenue. 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, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment.

Special Revenue Fund: The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Thus, the Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Governments (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted or committed to expenditures for specified purposes.

Capital Projects Fund: The Capital Projects Fund is used to account for and report all financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including ~~to be used for~~ the acquisition or construction of ~~major~~ capital facilities and other capital assets (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election, funds appropriated from the General Fund, and from aid provided by the state to offset the cost of approved capital projects.

Debt Service Fund: The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Additionally, the District reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the District on behalf of others and includes the Student Activities Fund, Payroll Agency Fund and Unemployment Compensation Insurance Trust Fund.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary fund:

Enterprise (Food Service) Fund: The Enterprise Fund accounts for all revenue and expenses pertaining to the Board's cafeteria operations. The food service fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

C. Measurement Focus and Basis of Accounting

The district-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

It is the District's policy, that when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, to apply restricted resources first followed by unrestricted resources. Similarly, within unrestricted fund balance, it is the District's policy to apply committed resources first followed by assigned resources and then unassigned resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net assets may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

Reports for the District's Food Service Fund are prepared following the Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with Governmental Accounting Standards Board (GASB) pronouncements.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the County office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions or the annual budgets during the year). Budget amendments during the year ended June 30, 2011 were numerous but not considered significant.

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 the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

The General Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the last two state aid payments for the current year. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize this payment on the GAAP financial statements.

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue"		
from the Budgetary Comparison Schedule	\$ 19,410,934	\$ 723,571
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that Encumbrances are Recognized as Expenditures, and the related Revenue is Recognized.		(43,588)
State Aid Payment Recognized for GAAP Statements, not Recognized for Budgetary Purposes	97,206	
State Aid Payment Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(20,461)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 19,487,679	\$ 679,983

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control: (Cont'd)

	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 19,096,687	\$ 723,571
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.		(43,588)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 19,096,687	\$ 679,983

E. Cash and Cash Equivalents and Investments:

Cash and cash equivalents include petty cash and cash in banks. Certificates of deposit with maturities of one year or less when purchased are stated at cost.

New Jersey school districts are limited as to type 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. Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

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 depository unless such funds are secured in accordance with the 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 of at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of government units. If a public depository fails, the collateral it has pledged, plus the collateral of all the other public depositories, is available to pay the full amount of their deposits to the governmental units.

F. Interfund Transactions:

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing source/uses in governmental funds and after non-operating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

F. Interfund Transactions: (Cont'd)

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net assets, except for amounts due between governmental and business-type activities, which are presented as internal balances.

G. Allowance for Uncollectible Accounts:

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

H. Encumbrances:

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as restricted, committed and/or assigned fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

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

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

I. Short-term Interfund Receivables/Payables:

Short-term interfund receivables/payables represent 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.

J. Inventories and Prepaid Expenses:

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund, are recorded as an expenditure during the year of purchase. Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2011.

K. Capital Assets:

The District has established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994, are recorded at historical cost, including ancillary charges necessary to place the asset into service. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Land has been recorded at estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

K. Capital Assets: (Cont'd)

The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line. The estimated useful lives of capital assets reported in the district-wide statements and proprietary funds are as follows:

	<u>Estimated Useful Life</u>
Buildings	30 years
Site Improvements	20 years
Machinery and Equipment	10 to 15 years
Computer and Related Technology	5 years
Vehicles	8 years

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures in the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

L. Long Term Liabilities:

In the District-wide and enterprise fund statements of net assets, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bond issuance costs, as well as applicable bond premium and discounts, are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, as expenditures in the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

M. Accrued Salaries and Wages:

The District does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year, therefore, there are no accrued salaries and wages as of June 30, 2011.

N. 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 varying amounts of vacation and sick leave in accordance with the District's personnel policy. Upon termination, employees are paid for accrued vacation. The District's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement, employees shall be paid by the District for the unused sick leave in accordance with the District's agreements with the various employee unions.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

N. Compensated Absences: (Cont'd)

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

O. Deferred Revenue:

Deferred revenue in the special revenue fund represents cash which has been received but not yet earned. See Note 1(D) regarding the special revenue fund.

P. Fund Balance Appropriated:

General Fund: Of the \$1,265,806 General Fund fund balance at June 30, 2011, \$429,917 is restricted for encumbrances; \$158,271 is restricted in the capital reserve account; \$225,608 is excess surplus and has been appropriated and included as anticipated revenue for the year ended June 30, 2012; \$93,060 is excess surplus as described below and \$358,950 is unassigned.

Capital Projects Fund: The Capital Projects Fund had no fund balance at June 30, 2011.

Debt Service Fund: The Debt Service Fund fund balance at June 30, 2011 is \$160; which is restricted and has been appropriated and included as anticipated revenue for the year ended June 30, 2012.

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 Restricted 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 restrict General Fund 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 year's budget. The District has excess surplus of \$93,060 at June 30, 2011.

The District's unrestricted/unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$20,461 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last two state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize the last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the two final state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Q. Fund Balance Restrictions, Commitments and Assignments:

The District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the current fiscal year. The objective of this standard is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions (as detailed in Note 1B). This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the District's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned. Fund balance restrictions have been established for excess surplus, capital reserve, and encumbrances.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has committed resources for year-end encumbrances at June 30, 2011.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for year-end encumbrances and for amounts designated for subsequent year's expenditures in the General Fund at June 30, 2011.

R. Deficit Fund Balances/Net Assets

The District has no deficit fund balances as of June 30, 2011, but does have a deficit in unrestricted net assets for governmental activities of \$727,755.

S. Net Assets:

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

T. Revenue - Exchange and Nonexchange Transactions:

Revenue, resulting from exchange transactions in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means within sixty days of the fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes, interest and tuition.

U. Operating Revenue and Expenses:

Operating revenue are those revenues that are generated directly from the primary activity of the Enterprise Fund. For the School District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Enterprise Fund.

V. Management Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include petty cash, change funds, amounts in deposits, money market accounts, and short-term investments with original maturities of three months or less.

Investments are stated at cost, which approximates market. The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

The GASB requires disclosure of the level of custodial credit risk assumed by the Board in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk – In accordance with its formal cash management plan, the Board ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The Board limits its investments to those authorized in its formal cash management plan which are those permitted under state statute as detailed on the following pages.

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) or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5% of the average daily balance of public funds on deposit, and

In addition to the above collateral requirement, if public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments

New Jersey statutes permit the Borough to purchase the following types of securities:

- (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, 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 local units;

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Investments (Cont'd)

- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (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 statute; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2011, cash and cash equivalents and investments of the District consisted of the following:

	<u>Cash and Cash Equivalents</u>	<u>Capital Reserve Account</u>	<u>Total</u>
Checking Accounts	\$ 1,367,403	\$ 158,271	\$ 1,525,674
Money Market	130		130
State of New Jersey Cash Management Fund	<u>9,584</u>		<u>9,584</u>
	<u>\$ 1,377,117</u>	<u>\$ 158,271</u>	<u>\$ 1,535,388</u>

During the period ended June 30, 2011, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2011 was \$1,535,388 and the bank balance was \$1,771,376. The \$9,584 in the State of New Jersey Cash Management Fund is uninsured and unregistered.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by Board resolution by inclusion of \$1 on September 25, 2001 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 State Department of Education, a District may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts, or both. A District may also appropriate additional amounts when the express

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

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. 6:23A-5.1(d)7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP. The activity of the capital reserve for the fiscal year ending June 30, 2011 is as follows:

Beginning Balance, July 1, 2010	\$ 8,205
Interest Earnings	66
Deposits	<u>150,000</u>
Ending Balance, June 30, 2011	<u>\$ 158,271</u>

The June 30, 2011 Capital Reserve Account balance does not exceed the local support costs of uncompleted capital projects in the District's Long Range Facilities Plan ("LRFP"). There were no withdrawals from the capital reserve were for use in a DOE approved facilities project, consistent with the District's LRFP.

NOTE 5: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2011, the District made an approved transfer to the capital outlay accounts.

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2011 were as follows:

	Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 4,732,666	\$ 15,500		\$ 4,748,166
Total Capital Assets Not Being Depreciated	<u>4,732,666</u>	<u>15,500</u>		<u>4,748,166</u>
Capital Assets Being Depreciated:				
Buildings and Building Improvements	18,463,950	48,789		18,512,739
Machinery and Equipment	<u>3,005,607</u>	<u>19,431</u>		<u>3,025,038</u>
Total Capital Assets Being Depreciated	<u>21,469,557</u>	<u>68,220</u>		<u>21,537,777</u>
Governmental Activities Capital Assets	<u>26,202,223</u>	<u>83,720</u>	\$ -0-	<u>26,285,943</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(8,088,275)	(316,968)		(8,405,243)
Machinery and Equipment	<u>(2,770,874)</u>	<u>(78,897)</u>		<u>(2,849,771)</u>
	<u>(10,859,149)</u>	<u>(395,865)</u>		<u>(11,255,014)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 15,343,074</u>	<u>\$ (312,145)</u>	\$ -0-	<u>\$ 15,030,929</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 6. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 18,234
Administrative and Business	25,881
Plant Operations and Maintenance	17,798
Pupil Transportation	14,122
Unallocated	<u>319,830</u>
	<u>\$ 395,865</u>

NOTE 7. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2011, the following changes occurred in liabilities reported in the district-wide financial statements:

	<u>Balance</u> <u>6/30/2010</u>	<u>Added</u>	<u>Defeased/ Retired</u>	<u>Balance</u> <u>6/30/2011</u>
Serial Bonds Payable	\$ 7,154,000		\$ 545,000	\$ 6,609,000
Less: Deferred Amount on Refunding	<u>(63,199)</u>		<u>(7,900)</u>	<u>(55,299)</u>
Net Serial Bonds Payable	7,090,801		537,100	6,553,701
Compensated Absences Payable	936,482	\$ 126,267	48,709	1,014,040
Capital Leases Payable	<u>125,702</u>		<u>61,855</u>	<u>63,847</u>
	<u>\$ 8,152,985</u>	<u>\$ 126,267</u>	<u>\$ 647,664</u>	<u>\$ 7,631,588</u>

A. 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 and are liquidated through the debt service fund.

On April 30, 2008, the District issued \$2,340,000 Refunding School Bonds at 3.30% for the refunding of a portion of its 1997 School Bonds issued in the original principal amounts of \$3,983,000. The District advance refunded a \$2,293,000 portion of the 1997 School Bond maturing on June 15, 2017 at 5.25%. The District's net present value savings as a result of the refunding was \$361,790 over the life of the issue. The proceeds of the issue are being held by an escrow agent until the School Bonds can be redeemed.

The District had bonds outstanding as of June 30, 2011 as follows:

<u>Final</u> <u>Maturity</u>	<u>Interest</u> <u>Rate</u>	<u>Amount</u>
06/15/2017	3.300%	\$ 1,590,000
07/15/2023	3.50%-3.75%	<u>5,019,000</u>
		<u>\$ 6,609,000</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

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

Year Ending June 30,	Principal	Interest	Total
2012	\$ 570,000	\$ 231,139	\$ 801,139
2013	590,000	211,466	801,466
2014	605,000	190,898	795,898
2015	610,000	169,679	779,679
2016	620,000	148,081	768,081
Thereafter:			
2017-2021	2,295,000	452,767	2,747,767
2022-2024	1,319,000	71,906	1,390,906
	<u>\$ 6,609,000</u>	<u>\$ 1,475,936</u>	<u>\$ 8,084,936</u>

B. Bonds Authorized But Not Issued:

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

C. Capital Leases Payable:

The District entered into a capital lease to purchase computer technology and cafeteria equipment. The capital lease is for a term of four years and will be retired through the General Fund. The following is a schedule of the future minimum lease payments under the capital lease, and the present value of the net minimum lease payments at June 30, 2011.

Payments for June 30, 2012	<u>Amount</u> \$ 65,903
Less: Amount Representing Interest	<u>(2,056)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 63,847</u>

D. Compensated Absences:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The long-term liability balance of compensated absences is \$1,014,040.

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

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 8. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey. These systems are sponsored and administered by the State of New Jersey. The TPAF is considered a cost-sharing, multiple employer plan with a special funding situation, 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 noncontribution employers. The PERS is also considered a cost-sharing, multiple-employer plan.

Employees who are members of TPAF or PERS and retire at a specified age according to the relevant tier category for that employee are entitled to a retirement benefit based upon a formula which takes "final average salary" during years of creditable service. Vesting occurs after 8 to 10 years of service.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey regulation. Employee contributions are based on percentages of 5.50% for TPAF and 5.50% for PERS of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate.

The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums. Under current statute, the District is a noncontributing employer of the TPAF.

District contributions to PERS amounted to \$177,544, \$166,561 and \$148,687 for the fiscal years ended June 30, 2011, 2010 and 2009, respectively.

The State's on behalf APC contributions to TPAF amounted to \$ - 0 - , \$ - 0 - and \$ - 0 - for 2011, 2010, and 2009, respectively which represented 100% of its net pension obligation (NPO).

NOTE 9. POST-RETIREMENT BENEFITS

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

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

(Continued)

NOTE 9. POST-RETIREMENT BENEFITS (Cont'd)

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

The State's on behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$593,314, \$552,859 and \$537,482 for 2011, 2010 and 2009 respectively.

NOTE 10. RISK MANAGEMENT

The 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.

Property, Liability and Health Benefits

The Borough of Hillsdale School District is a member of the Northeast Bergen County School Board Insurance Group, (the "Group"). This public entity risk management pool provides general liability, property and automobile coverage for its members. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. Health benefits are provided to employees through the State of New Jersey Health Benefits Plan.

The Group is a risk-sharing public entity risk pool that is an insured and self-administered group of school boards established for the purpose of providing low-cost insurance for its respective members in order to keep local property taxes to a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Group are elected. As a member of the Group, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the Group were to be exhausted, members would become responsible for their respective shares of the Group's liabilities. The Group can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body.

Selected, summarized financial information for the Group as of June 30, 2010 is as follows:

	Northeast Bergen County School Board Insurance Group
Total Assets	\$ 18,825,029
Net Assets	\$ 10,727,740
Total Revenue	\$ 12,372,141
Total Expenses	\$ 9,886,591
Change in Net Assets for the Year Ended June 30	\$ 1,185,550
Net Assets Distribution to Participating Members	\$ 1,300,000

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

Financial statements for the Group are available at the Group's Executive Director's Office:

Burton Agency
44 Bergen Street
PO Box 270
Westwood, NJ 07675
(201) 664-0310

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 is a summary of District contributions, interest earned, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's expendable trust fund for the current and previous two years.

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Interest Earned</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2010-2011	\$ -0-	\$ 1,191	\$ 17,191	\$ 65,979	\$ 123,166
2009-2010	-0-	1,406	17,571	29,242	170,763
2008-2009	-0-	2,152	16,617	11,817	181,028

NOTE 11. ECONOMIC DEPENDENCY

The Board of Education receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Board of Education's programs and activities.

NOTE 12. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balance remained on the balance sheet at June 30, 2011:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 148,663	\$ 777
Special Revenue Fund		148,533
Fiduciary Fund	647	
	<u>\$ 149,310</u>	<u>\$ 149,310</u>

The interfund receivable in General Fund and the interfund payable in Special Revenue Fund represents the grants receivable in Special Revenue Fund.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 13. DEFERRED COMPENSATION

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

Great American Life Insurance Company	MetLife Resources
AXA Equitable	New York Life
Lincoln Investment	

NOTE 14. TAX CALENDAR

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and there is an imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the current and prior year may be placed in lien at a tax sale held after December 10. Taxes are collected by the constituent municipality and are remitted to the School District on a predetermined, agreed-upon schedule.

NOTE 15. COMMITMENTS AND CONTINGENCIES

The Board is periodically involved in claims or lawsuits arising in the normal course of business, including a claim regarding employment matters. The Board does not believe that the ultimate outcome of these cases will have a material adverse effect on the District's financial position.

The District participates in federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant programs. Management of the District is not aware of any material items of noncompliance which would result in the disallowance of grant program expenditures.

Encumbrances

At June 30, 2011, there were encumbrances as detailed below in the governmental funds. All of the governmental funds are considered to be major funds:

<u>Governmental Funds</u>		
<u>General</u>	<u>Special</u>	
<u>Fund</u>	<u>Revenue</u>	<u>Total</u>
<u>Fund</u>	<u>Fund</u>	
<u>\$ 429,917</u>	<u>\$ 66,432</u>	<u>\$ 496,349</u>

BUDGETARY COMPARISON SCHEDULES

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 17,656,850		\$ 17,656,850	\$ 17,656,850	
Tuition	166,000		166,000	79,930	\$ (86,070)
Interest Earned on Capital Reserve Funds	50		50	66	16
Miscellaneous	85,920		85,920	31,138	(54,782)
Total - Local Sources	17,908,820		17,908,820	17,767,984	(140,836)
State Sources:					
Extraordinary Special Education Costs Aid	134,266		134,266	153,150	18,884
Categorical Special Education Aid	178,352		178,352	178,352	
Equalization Aid	108,512		108,512	1,520	(106,992)
Nonpublic School Transportation Costs				4,698	4,698
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)				27,934	27,934
TPAF Post Retirement Benefits (On-Behalf - Non-Budgeted)				593,314	593,314
TPAF Social Security (Reimbursed - Non-Budgeted)				683,982	683,982
Total State Sources	421,130		421,130	1,642,950	1,221,820
TOTAL REVENUES	18,329,950		18,329,950	19,410,934	1,080,984

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 498,571	\$ (62,404)	\$ 436,167	\$ 431,102	\$ 5,065
Grades 1-5 - Salaries of Teachers	2,676,318	17,515	2,693,833	2,680,464	13,369
Grades 6-8 - Salaries of Teachers	2,730,967	(24,669)	2,706,298	2,696,329	9,969
Regular Programs - Home Instruction:					
Salaries of Teachers	3,000	10,550	13,550	11,350	2,200
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	466,080	9,781	475,861	471,962	3,899
Purchased Professional - Educational Services	11,980	(800)	11,180	4,697	6,483
Other Purchased Services (400-500 series)	154,682	(10,573)	144,109	142,602	1,507
General Supplies	183,616	(42,342)	141,274	137,238	4,036
Textbooks	111,000	500	111,500	101,366	10,134
Other Objects	33,112	(15,999)	17,113	14,498	2,615
Total Regular Programs - Instruction	<u>6,869,326</u>	<u>(118,441)</u>	<u>6,750,885</u>	<u>6,691,608</u>	<u>59,277</u>
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	199,618	2,140	201,758	201,417	341
Other Salaries for Instruction	84,996	(27,528)	57,468	56,836	632
Total Learning and/or Language Disabilities	<u>284,614</u>	<u>(25,388)</u>	<u>259,226</u>	<u>258,253</u>	<u>973</u>
Resource Room/Resource Center:					
Salaries of Teachers	981,764	5,522	987,286	986,180	1,106
Other Salaries for Instruction	37,789	(37,000)	789	(51)	840
Total Resource Room/Resource Center	<u>1,019,553</u>	<u>(31,478)</u>	<u>988,075</u>	<u>986,129</u>	<u>1,946</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Preschool Disabilities - Part-time:					
Salaries of Teachers	\$ 80,807	\$ 1,127	\$ 81,934	\$ 81,678	\$ 256
Other Salaries for Instruction	35,589	10,739	46,328	46,202	126
General Supplies	<u>3,565</u>		<u>3,565</u>	<u>3,565</u>	
Total Preschool Disabilities - Part-time	<u>119,961</u>	<u>11,866</u>	<u>131,827</u>	<u>131,445</u>	<u>382</u>
Total Special Education Instruction	<u>1,424,128</u>	<u>(45,000)</u>	<u>1,379,128</u>	<u>1,375,827</u>	<u>3,301</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	68,031	440	68,471	68,406	65
General Supplies	<u>632</u>		<u>632</u>	<u>324</u>	<u>308</u>
Total Basic Skills/Remedial - Instruction	<u>68,663</u>	<u>440</u>	<u>69,103</u>	<u>68,730</u>	<u>373</u>
Bilingual Education - Instruction:					
Salaries of Teachers	77,383	(440)	76,943	76,703	240
General Supplies	<u>600</u>		<u>600</u>	<u>347</u>	<u>253</u>
Total Bilingual Education - Instruction	<u>77,983</u>	<u>(440)</u>	<u>77,543</u>	<u>77,050</u>	<u>493</u>
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	62,858	7,728	70,586	67,896	2,690
Supplies and Materials	<u>4,000</u>		<u>4,000</u>	<u>896</u>	<u>3,104</u>
Total School-Sponsored Cocurricular Activities - Instruction	<u>66,858</u>	<u>7,728</u>	<u>74,586</u>	<u>68,792</u>	<u>5,794</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	\$ 36,294	\$ 2,200	\$ 38,494	\$ 38,494	
Purchased Services (300-500 series)	5,490		5,490	3,700	\$ 1,790
Supplies and Materials	2,500	(287)	2,213	1,080	1,133
Total School-Sponsored Cocurricular Athletics - Instruction	44,284	1,913	46,197	43,274	2,923
Community Service Programs:					
Salaries	5,000	2,806	7,806	6,744	1,062
Total Community Service Programs	5,000	2,806	7,806	6,744	1,062
Total Instruction	8,556,242	(150,994)	8,405,248	8,332,025	73,223
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	274,962	108,846	383,808	382,808	1,000
Tuition to County Special Services Schools and Regional Day Schools	46,761	29,042	75,803	72,866	2,937
Tuition to Private Schools for the Disabled - Within the State	162,276	(135,319)	26,957	20,405	6,552
Other Tuition	28,733	11,667	40,400	40,399	1
Total Undistributed Expenditures - Instruction:	512,732	14,236	526,968	516,478	10,490
Attendance and Social Work Services:					
Salaries	21,883	(5,000)	16,883	16,732	151
Total Attendance and Social Work Services	21,883	(5,000)	16,883	16,732	151

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Health Services:					
Salaries	\$ 244,553	\$ (2,000)	\$ 242,553	\$ 241,398	\$ 1,155
Purchased Professional and Technical Services	10,410	(2,017)	8,393	8,230	163
Supplies and Materials	8,064	(855)	7,209	6,723	486
Total Health Services	<u>263,027</u>	<u>(4,872)</u>	<u>258,155</u>	<u>256,351</u>	<u>1,804</u>
Other Support Services - Students - Related Services:					
Salaries	204,793	3,607	208,400	207,500	900
Purchased Professional - Educational Services	29,938	1,507	31,445	28,525	2,920
Supplies and Materials	500		500	357	143
Total Other Support Services - Students - Related Services	<u>235,231</u>	<u>5,114</u>	<u>240,345</u>	<u>236,382</u>	<u>3,963</u>
Other Support Services - Students - Extraordinary Services:					
Purchased Professional - Educational Services	275,504	(55,409)	220,095	197,862	22,233
Total Other Support Services - Students - Extraordinary Services	<u>275,504</u>	<u>(55,409)</u>	<u>220,095</u>	<u>197,862</u>	<u>22,233</u>
Other Support Services - Guidance:					
Salaries of Other Professional Staff	292,802	(3,646)	289,156	287,427	1,729
Salaries of Secretarial and Clerical Assistants	49,292	1,287	50,579	50,579	
Total Other Support Services - Guidance	<u>342,094</u>	<u>(2,359)</u>	<u>339,735</u>	<u>338,006</u>	<u>1,729</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Other Support Services - Child Study Teams:					
Salaries of Other Professional Staff	\$ 514,990	\$ (2,000)	\$ 512,990	\$ 491,522	\$ 21,468
Salaries of Secretarial and Clerical Assistants	73,707		73,707	64,661	9,046
Purchased Professional - Educational Services	261,400	(8,863)	252,537	175,062	77,475
Purchased Professional and Technical Services	22,035		22,035	19,476	2,559
Supplies and Materials	8,961		8,961	6,885	2,076
Other Objects	4,767		4,767	4,546	221
Total Other Support Services - Child Study Teams	885,860	(10,863)	874,997	762,152	112,845
Improvement of Instructional Services:					
Supplies and Materials	3,500		3,500	183	3,317
Total Improvement of Instructional Services	3,500		3,500	183	3,317
Educational Media Services/School Library:					
Salaries	208,323	24,019	232,342	223,972	8,370
Salaries of Technology Coordinators	75,920	1,081	77,001	77,000	1
Purchased Professional and Technical Services	7,200		7,200	7,027	173
Other Purchased Services	800		800	700	100
Supplies and Materials	12,900	1,000	13,900	8,653	5,247
Other Objects	144,350	150,000	294,350	131,810	162,540
Total Educational Media Services/School Library	449,493	176,100	625,593	449,162	176,431

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Instructional Staff Training Services:					
Purchased Professional - Educational Services	\$ 21,132	\$ (3,885)	\$ 17,247	\$ 7,030	\$ 10,217
Other Objects	8,000	3,885	11,885	11,885	
Total Instructional Staff Training Services	29,132		29,132	18,915	10,217
Support Services - General Administration:					
Salaries	279,900		279,900	271,461	8,439
Legal Services	28,893	(11,950)	16,943	12,236	4,707
Audit Fees	33,809		33,809	33,809	
Architectural/Engineering Services	3,500	8,500	12,000		12,000
Other Purchased Professional Services	7,000	3,809	10,809	10,808	1
Communications/Telephone	101,313	(359)	100,954	94,055	6,899
Other Purchased Services (400-500 series)	22,950		22,950	22,652	298
General Supplies	13,099		13,099	5,925	7,174
Miscellaneous Expenditures	9,500		9,500	6,778	2,722
BOE Membership Dues and Fees	10,500		10,500	9,531	969
Total Support Services - General Administration	510,464		510,464	467,255	43,209
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	493,500	10,000	503,500	493,380	10,120
Salaries of Secretarial and Clerical Assistants	189,974	10,674	200,648	193,125	7,523
Other Purchased Services (400-500 series)	7,100	(774)	6,326	4,165	2,161
Supplies and Materials	9,200		9,200	6,262	2,938
Total Support Services - School Administration	699,774	19,900	719,674	696,932	22,742

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Central Services:					
Salaries	\$ 295,095		\$ 295,095	\$ 294,155	\$ 940
Purchased Technical Services	11,100		11,100	9,692	1,408
Miscellaneous Purchased Services (400-500 series)	17,637	\$ (327)	17,310	9,602	7,708
Supplies and Materials	18,000	2,240	20,240	17,077	3,163
Miscellaneous Expenditures	9,000	(9,000)			
Other Objects	10	6,587	6,597	4,423	2,174
Total Central Services	350,842	(500)	350,342	334,949	15,393
Administration Information Technology:					
Salaries	52,000		52,000	50,150	1,850
Purchased Technical Services	54,000	10,500	64,500	60,324	4,176
Total Administration Information Technology	106,000	10,500	116,500	110,474	6,026
Required Maintenance of School Facilities:					
Salaries	109,124	1	109,125	109,124	1
Cleaning, Repair and Maintenance Services	142,000	(41,632)	100,368	96,725	3,643
General Supplies	37,554	(3,969)	33,585	29,345	4,240
Other Objects		300	300	300	
Total Required Maintenance of School Facilities	288,678	(45,300)	243,378	235,494	7,884

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Custodial Services:					
Salaries	\$ 252,459	\$ 17,822	\$ 270,281	\$ 267,377	\$ 2,904
Salaries of Non-Instructional Aids	99,476	(6,624)	92,852	86,574	6,278
Purchased Professional and Technical Services	5,000	8,070	13,070	4,130	8,940
Cleaning, Repair and Maintenance Services	487,272	32,130	519,402	492,790	26,612
Other Purchased Property Services					
Insurance	125,805	(1,750)	124,055	106,593	17,462
General Supplies	85,246	819	86,065	83,748	2,317
Energy (Natural Gas)	250,167	(57,951)	192,216	113,248	78,968
Energy (Heat and Electricity)	224,360	6,063	230,423	195,266	35,157
Other Objects	10,614	580	11,194	9,707	1,487
Total Custodial Services	1,540,399	(841)	1,539,558	1,359,433	180,125
Student Transportation Services:					
Salaries for Pupil Transportation:					
Between Home and School - Regular	28,600		28,600	23,248	5,352
Contracted Services:					
Between Home and School - Vendors	169,405	4,466	173,871	173,501	370
Other Than Between Home and School - Vendors	13,900	8	13,908	10,025	3,883
Special Education Students - Joint Agreements	391,036	(104,201)	286,835	286,045	790
Aid in Lieu	51,359	(25,359)	26,000	25,536	464
Supplies and Materials	7,584	1,213	8,797	8,645	152
Total Student Transportation Services	661,884	(123,873)	538,011	527,000	11,011

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Unallocated Benefits:					
Social Security Contributions	\$ 268,775	\$ (66,125)	\$ 202,650	\$ 182,322	\$ 20,328
Other Retirement Contributions - PERS		185,754	185,754	177,544	8,210
Other Retirement Contributions - Regular	178,500	(173,059)	5,441	2,531	2,910
Workmen's Compensation	123,450		123,450	119,479	3,971
Health Benefits	2,268,355	(82,386)	2,185,969	2,181,653	4,316
Other Employee Benefits	20,300	167,530	187,830	182,423	5,407
Total Unallocated Benefits	<u>2,859,380</u>	<u>31,714</u>	<u>2,891,094</u>	<u>2,845,952</u>	<u>45,142</u>
On-Behalf Contributions:					
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)				27,934	(27,934)
TPAF Post Retirement Benefits (On-Behalf - Non-Budgeted)				593,314	(593,314)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				683,982	(683,982)
Total On-Behalf Contributions				<u>1,305,230</u>	<u>(1,305,230)</u>
Total Personal Services - Employee Benefits	<u>2,859,380</u>	<u>31,714</u>	<u>2,891,094</u>	<u>4,151,182</u>	<u>(1,260,088)</u>
Total Undistributed Expenses	<u>10,035,877</u>	<u>8,547</u>	<u>10,044,424</u>	<u>10,674,942</u>	<u>(630,518)</u>
TOTAL GENERAL CURRENT EXPENSE	<u>18,592,119</u>	<u>(142,447)</u>	<u>18,449,672</u>	<u>19,006,967</u>	<u>(557,295)</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CAPITAL OUTLAY					
Undistributed Expenditures:					
Administrative Information Technology		\$ 5,600	\$ 5,600	\$ 5,468	\$ 132
Operation and Maintenance of Plant Services		27,634	27,634	13,963	13,671
Total Equipment		<u>33,234</u>	<u>33,234</u>	<u>19,431</u>	<u>13,803</u>
Facilities Acquisition and Construction Services:					
Other Purchased Professional and Technical Services	\$ 10,283	56,881	67,164	21,683	45,481
Land and Improvements	15,500		15,500	15,500	
Other Objects	<u>27,106</u>		<u>27,106</u>	<u>27,106</u>	
Total Facilities Acquisition and Construction Services	<u>52,889</u>	<u>56,881</u>	<u>109,770</u>	<u>64,289</u>	<u>45,481</u>
TOTAL CAPITAL OUTLAY	<u>52,889</u>	<u>90,115</u>	<u>143,004</u>	<u>83,720</u>	<u>59,284</u>
SPECIAL SCHOOLS:					
Summer School - Instruction:					
Salaries of Teachers	<u>4,500</u>	<u>1,501</u>	<u>6,001</u>	<u>6,000</u>	<u>1</u>
Total Summer School - Instruction	<u>4,500</u>	<u>1,501</u>	<u>6,001</u>	<u>6,000</u>	<u>1</u>
TOTAL SPECIAL SCHOOLS	<u>4,500</u>	<u>1,501</u>	<u>6,001</u>	<u>6,000</u>	<u>1</u>
TOTAL EXPENDITURES	<u>18,649,508</u>	<u>(50,831)</u>	<u>18,598,677</u>	<u>19,096,687</u>	<u>(498,010)</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>(319,558)</u>	<u>50,831</u>	<u>(268,727)</u>	<u>314,247</u>	<u>582,974</u>
Other Financing Sources/(Uses):					
Operating Transfers In/(Out):					
Interest Earned in Capital Projects Fund				3	3
Total Other Financing Sources/(Uses)				<u>3</u>	<u>3</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing (Uses)	\$ (319,558)	\$ 50,831	\$ (268,727)	\$ 314,250	\$ 582,977
Fund Balance, July 1	972,017		972,017	972,017	
Fund Balance, June 30	\$ 652,459	\$ 50,831	\$ 703,290	\$ 1,286,267	\$ 582,977
 Recapitulation:					
Restricted for Encumbrances				\$ 429,917	
Restricted for Excess Surplus				93,060	
Restricted for Excess Surplus - Designated for Subsequent Year's Expenditures				225,608	
Capital Reserve				158,271	
Unrestricted - Unassigned				379,411	
				1,286,267	
 Reconciliation to Governmental Fund Statement (GAAP):					
Last State Aid Payment not Recognized on GAAP Basis				(20,461)	
Fund Balance per Governmental Funds (GAAP)				\$ 1,265,806	

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources		\$ 10,343	\$ 10,343	\$ 9,228	\$ (1,115)
State Sources		246,199	246,199	227,544	(18,655)
Federal Sources	\$ 287,820	199,195	487,015	486,799	(216)
Total Revenues	<u>287,820</u>	<u>455,737</u>	<u>743,557</u>	<u>723,571</u>	<u>(19,986)</u>
EXPENDITURES:					
Instruction					
Personal Services - Salaries	19,000	30,283	49,283	87,024	(37,741)
Purchased Professional and Technical Services		15,073	15,073	105,788	(90,715)
Tuition	268,820	(4,917)	263,903	270,558	(6,655)
General Supplies		69,825	69,825	31,942	37,883
Textbooks		21,940	21,940	21,875	65
Other Objects		10,990	10,990	9,875	1,115
Total Instruction	<u>287,820</u>	<u>143,194</u>	<u>431,014</u>	<u>527,062</u>	<u>(96,048)</u>
Support Services					
Personal Services - Employee Benefits		4,400	4,400	4,493	(93)
Purchased Professional and Technical Services		105,629	105,629	8,093	97,536
Other Purchased Services		198,383	198,383	179,793	18,590
Supplies and Materials		4,131	4,131	4,130	1
Other Objects					
Total Support Services		<u>312,543</u>	<u>312,543</u>	<u>196,509</u>	<u>116,034</u>
Total Expenditures	<u>287,820</u>	<u>455,737</u>	<u>743,557</u>	<u>723,571</u>	<u>19,986</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE

NOTE TO RSI

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 19,410,934	\$ 723,571
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that Encumbrances are Recognized as Expenditures, and the related Revenue is Recognized.		(43,588)
State Aid Payment Recognized for GAAP Statements, not Recognized for Budgetary Purposes	97,206	
State Aid Payment Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(20,461)	
 Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 19,487,679</u>	<u>\$ 679,983</u>
 Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 19,096,687	\$ 723,571
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.		(43,588)
 Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 19,096,687</u>	<u>\$ 679,983</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the County office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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 the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

The General Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the last two state aid payments for the current year. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

**SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)**

SPECIAL REVENUE FUND

BOROUGH OF HILLSDALE SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	No Child Left Behind			
	Title I	Title II A	Title IID	Title III
REVENUE:				
Local Sources				
State Sources				
Federal Sources	\$ 36,524	\$ 36,911	\$ 60	\$ 5,215
Total Revenue	36,524	36,911	60	5,215
EXPENDITURES:				
Instruction:				
Salaries of Teachers		22,000		
Purchased Professional and Technical Services	5,000	10,000	60	
Tuition				
General Supplies	31,524	418		
Textbooks				
Other Objects				
Total Instruction	36,524	32,418	60	
Support Services:				
Personal Services - Employee Benefits		4,493		
Purchased Professional & Technical Services				964
Other Purchased Services				121
Supplies and Materials				4,130
Total Support Services		4,493		5,215
Total Expenditures	\$ 36,524	\$ 36,911	\$ 60	\$ 5,215

BOROUGH OF HILLSDALE SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>ARRA - IDEA, Part B</u>		<u>IDEA, Part B</u>	
	<u>Basic</u>	<u>Preschool</u>	<u>Basic</u>	<u>Preschool</u>
REVENUE:				
Local Sources				
State Sources				
Federal Sources	\$ 44,870	\$ 1,933	\$ 332,670	\$ 28,616
Total Revenue	<u>44,870</u>	<u>1,933</u>	<u>332,670</u>	<u>28,616</u>
EXPENDITURES:				
Instruction:				
Salaries of Teachers	37,741	1,933		
Purchased Professional and Technical Services			90,728	
Tuition			241,942	28,616
General Supplies				
Textbooks				
Other Objects				
Total Instruction	<u>37,741</u>	<u>1,933</u>	<u>332,670</u>	<u>28,616</u>
Support Services:				
Personal Services - Employee Benefits				
Purchased Professional & Technical Services	7,129			
Other Purchased Services				
Supplies and Materials				
Total Support Services	<u>7,129</u>			
Total Expenditures	<u>\$ 44,870</u>	<u>\$ 1,933</u>	<u>\$ 332,670</u>	<u>\$ 28,616</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Nonpublic Auxiliary Services</u> <u>(Chapter 192)</u>		<u>Nonpublic Handicapped Services</u> <u>(Chapter 193)</u>		
	<u>Compensatory</u> <u>Education</u>	<u>English as a</u> <u>Second</u> <u>Language</u>	<u>Supplementary</u> <u>Instruction</u>	<u>Examination</u> <u>and</u> <u>Classification</u>	<u>Corrective</u> <u>Speech</u>
REVENUE:					
Local Sources					
State Sources	\$ 65,475	\$ 854	\$ 33,282	\$ 34,139	\$ 45,922
Federal Sources					
Total Revenue	<u>65,475</u>	<u>854</u>	<u>33,282</u>	<u>34,139</u>	<u>45,922</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers					
Purchased Professional and Technical Services					
Tuition					
General Supplies					
Textbooks					
Other Objects					
Total Instruction					
Support Services:					
Personal Services - Employee Benefits					
Purchased Professional & Technical Services					
Other Purchased Services	65,475	854	33,282	34,139	45,922
Supplies and Materials					
Total Support Services	<u>65,475</u>	<u>854</u>	<u>33,282</u>	<u>34,139</u>	<u>45,922</u>
Total Expenditures	<u>\$ 65,475</u>	<u>\$ 854</u>	<u>\$ 33,282</u>	<u>\$ 34,139</u>	<u>\$ 45,922</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Nonpublic</u>		<u>Local Grants</u>	<u>Totals June 30, 2011</u>
	<u>Textbook</u>	<u>Nursing</u>		
REVENUE:				
Local Sources			\$ 9,228	\$ 9,228
State Sources	\$ 21,875	\$ 25,997		227,544
Federal Sources				486,799
Total Revenue	<u>21,875</u>	<u>25,997</u>	<u>9,228</u>	<u>723,571</u>
EXPENDITURES:				
Instruction:				
Salaries of Teachers		25,350		87,024
Purchased Professional and Technical Services				105,788
Tuition				270,558
General Supplies				31,942
Textbooks	21,875			21,875
Other Objects		647	9,228	9,875
Total Instruction	<u>21,875</u>	<u>25,997</u>	<u>9,228</u>	<u>527,062</u>
Support Services:				
Personal Services - Employee Benefits				4,493
Purchased Professional & Technical Services				8,093
Other Purchased Services				179,793
Supplies and Materials				4,130
Total Support Services				<u>196,509</u>
Total Expenditures	<u>\$ 21,875</u>	<u>\$ 25,997</u>	<u>\$ 9,228</u>	<u>\$ 723,571</u>

CAPITAL PROJECTS FUND

BOROUGH OF HILLSDALE SCHOOL DISTRICT
SUMMARY SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGETARY BASIS
AND PROJECT STATUS - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

Revenue and Other Financing Sources:	
Interest Revenue	\$ 3
Total Revenue and Other Financing Sources	<u> 3</u>
Expenditures and Other Financing Uses:	
Equipment Purchases	11,075
Operating Transfers Out:	
General Fund - Interest Earned	<u> 3</u>
Total Expenditures and Other Financing Uses	<u> 11,078</u>
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	(11,075)
Fund Balance - Beginning	<u> 11,075</u>
Fund Balance - Ending	<u><u> \$ - 0 -</u></u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
COMPUTER TECHNOLOGY AND CAFETERIA EQUIPMENT
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
Capital Lease Proceeds	\$ 275,381		\$ 275,381	\$ 275,381
Total Revenue and Other Financing Sources	<u>275,381</u>	<u>\$ -0-</u>	<u>275,381</u>	<u>275,381</u>
Expenditures and Other Financing Uses:				
Equipment Purchases	<u>264,306</u>	<u>11,075</u>	<u>275,381</u>	<u>275,381</u>
Total Expenditures and Other Financing Uses	<u>264,306</u>	<u>11,075</u>	<u>275,381</u>	<u>275,381</u>
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	<u>\$ 11,075</u>	<u>\$ (11,075)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Additional Project Information:				
Project Number(s)	N/A			
Grant Date	N/A			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 275,381			
Change Orders	\$ -0-			
Revised Authorized Cost	\$ 275,381			
Change Order Percentage	0.00%			
Percentage Completion	100.00%			
Original Target Completion Date	September 1, 2009			
Revised Target Completion Date	September 1, 2011			

PROPRIETARY FUNDS

BOROUGH OF HILLSDALE SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 63,731
Accounts Receivable:	
Federal	4,144
State	359
Inventories	<u>9,079</u>

Total Current Assets	<u>77,313</u>
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Total Assets	<u>77,313</u>
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LIABILITIES:

Current Liabilities:

Accounts Payable	<u>19,007</u>
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Total Current Liabilities	<u>19,007</u>
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Total Liabilities	<u>19,007</u>
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NET ASSETS:

Unrestricted	<u>58,306</u>
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Total Net Assets	<u>\$ 58,306</u>
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BOROUGH OF HILLSDALE SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Operating Revenue:	
Charges for Services:	
Daily Sales:	
School Lunch Program	\$ 249,347
Special Events	3,034
	<hr/>
Total Operating Revenue	252,381
	<hr/>
Operating Expenses:	
Cost of Sales	145,462
Salaries, Benefits and Payroll Taxes	119,010
Supplies and Materials	31,255
Miscellaneous Expenses	13,406
	<hr/>
Total Operating Expenses	309,133
	<hr/>
Operating (Loss)	(56,752)
	<hr/>
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	53,294
Food Distribution Program	16,561
State Sources:	
School Lunch Program	4,163
Local Sources:	
Interest Revenue	719
	<hr/>
Total Non-Operating Revenue	74,737
	<hr/>
Change in Net Assets	17,985
	<hr/>
Net Assets - Beginning of Year	40,321
	<hr/>
Net Assets - End of Year	\$ 58,306
	<hr/> <hr/>

BOROUGH OF HILLSDALE SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 252,381
Payments to Food Service Vendor	(261,138)
Payments to Suppliers	<u>(31,255)</u>
Net Cash (Used for) Operating Activities	<u>(40,012)</u>
Cash Flows from Investing Activities:	
Interest Revenue	<u>719</u>
Net Cash Provided by Investing Activities	<u>719</u>
Cash Flows from Noncapital Financing Activities:	
Federal Sources	49,467
State Sources	<u>7,428</u>
Net Cash Provided by Noncapital Financing Activities	<u>56,895</u>
Net Increase in Cash and Cash Equivalents	17,602
Cash and Cash Equivalents, July 1	<u>46,129</u>
Cash and Cash Equivalents, June 31	<u>\$ 63,731</u>
Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities:	
Operating (Loss)	\$ (56,752)
Adjustment to Reconcile Operating (Loss) to Cash (Used for) Operating Activities:	
Federal Food Distribution Program	16,561
Changes in Assets and Liabilities:	
(Increase)/Decrease in Inventories	(3,642)
Increase/(Decrease) in Accounts Payable	<u>3,821</u>
Net Cash (Used for) Operating Activities	<u>\$ (40,012)</u>

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized commodities from the Federal Food Distribution Program valued at \$16,561 for the fiscal year ended June 30, 2011.

FIDUCIARY FUNDS

BOROUGH OF HILLSDALE SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011

	<u>Agency</u>			<u>Unemployment Compensation Trust</u>
	<u>Student Activity</u>	<u>Payroll</u>	<u>Total</u>	
ASSETS:				
Cash and Cash Equivalents	\$ 67,847	\$ 4,197	\$ 72,044	\$ 123,166
Interfund Receivable - General Fund		647	647	
Total Assets	<u>67,847</u>	<u>4,844</u>	<u>72,691</u>	<u>123,166</u>
LIABILITIES:				
Accounts Payable	201		201	
Payroll Deductions and Withholdings		4,844	4,844	
Due to Student Groups	<u>67,646</u>		<u>67,646</u>	
Total Liabilities	<u>67,847</u>	<u>4,844</u>	<u>72,691</u>	<u>-0-</u>
NET ASSETS:				
Held in Trust for Unemployment Claims and Other Purposes				<u>123,166</u>
Total Net Assets	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 123,166</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Unemployment Compensation Trust</u>
ADDITIONS:	
Contributions:	
Plan member	\$ 17,191
Total Contributions	<u>17,191</u>
Investment Earnings:	
Interest	<u>1,191</u>
Net Investment Earnings	<u>1,191</u>
Total Additions	<u>18,382</u>
DEDUCTIONS:	
Quarterly Contribution Reports	<u>65,979</u>
Total Deductions	<u>65,979</u>
Change in Net Assets	(47,597)
Net Assets - Beginning of the Year	<u>170,763</u>
Net Assets - End of the Year	<u>\$ 123,166</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
ASSETS:				
Cash and Cash Equivalents	\$ 70,728	\$ 154,472	\$ 157,353	\$ 67,847
Total Assets	<u>\$ 70,728</u>	<u>\$ 154,472</u>	<u>\$ 157,353</u>	<u>\$ 67,847</u>
LIABILITIES:				
Accounts Payable	\$ 7,829		\$ 7,628	\$ 201
Due to Student Groups	<u>62,899</u>	<u>\$ 154,472</u>	<u>149,725</u>	<u>67,646</u>
Total Liabilities	<u>\$ 70,728</u>	<u>\$ 154,472</u>	<u>\$ 157,353</u>	<u>\$ 67,847</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2011</u>
Elementary Schools:				
Ann B. Smith	\$ 175	\$ 923	\$ 995	\$ 103
Meadowbrook	2,611	12,465	13,226	1,850
George G. White	67,942	141,084	143,132	65,894
	<u>70,728</u>	<u>154,472</u>	<u>157,353</u>	<u>67,847</u>
Total Elementary Schools				
	<u>70,728</u>	<u>154,472</u>	<u>157,353</u>	<u>67,847</u>
Total All Schools	<u>\$ 70,728</u>	<u>\$ 154,472</u>	<u>\$ 157,353</u>	<u>\$ 67,847</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
ASSETS:				
Cash and Cash Equivalents		\$ 12,307,262	\$ 12,303,065	\$ 4,197
Interfund Receivable - General Fund	\$ 777	647	777	647
Total Assets	<u>\$ 777</u>	<u>\$ 12,307,909</u>	<u>\$ 12,303,842</u>	<u>\$ 4,844</u>
LIABILITIES:				
Cash Deficit	\$ 777		\$ 777	
Payroll Deductions and Withholdings		\$ 4,892,764	4,887,920	\$ 4,844
Net Payroll		7,412,456	7,412,456	
Interfund Payable - General Fund		2,689	2,689	
Total Liabilities	<u>\$ 777</u>	<u>\$ 12,307,909</u>	<u>\$ 12,303,842</u>	<u>\$ 4,844</u>

LONG-TERM DEBT

BOROUGH OF HILLSDALE SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding June 30, 2011		Interest Rate	Balance June 30, 2010	Retired or Matured	Balance June 30, 2011
			Date	Amount				
Various School Improvements	07/15/03	\$ 6,554,000	07/15/11	300,000	3.500%	\$ 5,304,000	\$ 285,000	\$ 5,019,000
			07/15/12	315,000	3.500%			
			07/15/13	330,000	3.625%			
			07/15/14	340,000	3.625%			
			07/15/15	360,000	3.625%			
			07/15/16	375,000	3.625%			
			07/15/17	390,000	3.625%			
			07/15/18	410,000	3.625%			
			07/15/19	430,000	3.750%			
			07/15/20	450,000	3.750%			
			07/15/21	460,000	3.750%			
			07/15/22	460,000	3.750%			
			07/15/23	399,000	3.750%			
Refunding Bonds of 1997	04/30/08	2,340,000	06/15/12	270,000	3.300%	1,850,000	260,000	1,590,000
			06/15/13	275,000	3.300%			
			06/15/14	275,000	3.300%			
			06/15/15	270,000	3.300%			
			06/15/16	260,000	3.300%			
			06/15/17	240,000	3.300%			
						<u>1,850,000</u>	<u>260,000</u>	<u>1,590,000</u>
						<u>\$ 7,154,000</u>	<u>\$ 545,000</u>	<u>\$ 6,609,000</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES

<u>Item</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance July 1, 2010</u>	<u>Matured</u>	<u>Balance June 30, 2011</u>
Computer Technology and Cafeteria Equipment	3.22%	\$ 275,381	\$ 125,702	\$ 61,855	63,847
			<u>\$ 125,702</u>	<u>\$ 61,855</u>	<u>\$ 63,847</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 747,305		\$ 747,305	\$ 747,305	
State Sources:					
Debt Service Aid Type II	5,544		5,544	5,544	
Total Revenues	<u>752,849</u>		<u>752,849</u>	<u>752,849</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	250,023		250,023	249,863	\$ 160
Redemption of Principal	545,000		545,000	545,000	
Total Regular Debt Service	<u>795,023</u>		<u>795,023</u>	<u>794,863</u>	<u>160</u>
Total Expenditures	<u>795,023</u>		<u>795,023</u>	<u>794,863</u>	<u>160</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(42,174)		(42,174)	(42,014)	160
Fund Balance, July 1	42,174		42,174	42,174	
Fund Balance, June 30	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 160</u>	<u>\$ 160</u>

STATISTICAL SECTION

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the District's overall financial health.

Contents

Exhibit

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

J-1 thru J-5

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.

J-6 thru J-9

Debt Capacity

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

J-10 thru J-13

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.

J-14 thru J-15

Operating Information

These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.

J-16 thru J-20

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year. The District implemented Statement 34 in a previous fiscal year. Schedules presenting government-wide information include information beginning in the fiscal year ended June 30, 2005.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NET ASSETS BY COMPONENT
LAST SEVEN FISCAL YEARS
(accrual basis of accounting)
UNAUDITED

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
Governmental Activities:							
Invested in Capital Assets, Net of Related Debt	\$ 7,002,560	\$ 7,322,686	\$ 7,481,403	\$ 7,635,267	\$ 7,767,828	\$ 8,126,571	\$ 8,413,381
Restricted	688,948	318,080	279,867	247,312	669,398	588,636	907,016
Unrestricted/(Deficit)	(257,157)	(402,219)	(594,052)	(779,166)	(782,254)	(669,819)	(727,755)
Total Governmental Activities Net Assets	\$ 7,434,351	\$ 7,238,547	\$ 7,167,218	\$ 7,103,413	\$ 7,654,972	\$ 8,045,388	\$ 8,592,642
Business-Type Activities:							
Unrestricted	\$ 28,804	\$ 18,557	\$ 23,348	\$ 26,252	\$ 30,234	\$ 40,321	\$ 58,306
Total Business-Type Activities Net Assets	\$ 28,804	\$ 18,557	\$ 23,348	\$ 26,252	\$ 30,234	\$ 40,321	\$ 58,306
District-Wide:							
Invested in Capital Assets, Net of Related Debt	\$ 7,002,560	\$ 7,322,686	\$ 7,481,403	\$ 7,635,267	\$ 7,767,828	\$ 8,126,571	\$ 8,413,381
Restricted	688,948	318,080	279,867	247,312	669,398	588,636	907,016
Unrestricted/(Deficit)	(228,353)	(383,662)	(570,704)	(752,914)	(752,020)	(629,498)	(669,449)
Total District Net Assets	\$ 7,463,155	\$ 7,257,104	\$ 7,190,566	\$ 7,129,665	\$ 7,685,206	\$ 8,085,709	\$ 8,650,948

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
CHANGES IN NET ASSETS, LAST SEVEN FISCAL YEARS
(accrual basis of accounting)
UNAUDITED

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
Expenses:							
Governmental Activities:							
Instruction:							
Regular	\$ 7,632,976	\$ 8,067,738	\$ 9,041,077	\$ 9,531,670	\$ 8,739,663	\$ 9,268,113	\$ 9,229,404
Special Education	1,551,047	1,655,335	1,871,608	1,848,989	1,976,393	2,349,600	2,307,783
Other Special Instruction	201,542	215,189	201,255	199,601	217,540	168,290	205,686
Other Instruction	95,991	90,704	97,768	105,015	125,772	158,344	161,495
Support Services:							
Tuition	304,839	340,316	380,048	407,636	492,509	392,903	516,478
Student & Instruction Related Services	2,181,274	2,297,085	2,531,580	2,739,410	2,773,843	3,070,119	3,024,931
General Administrative Services	464,291	523,221	513,197	542,644	527,099	557,121	547,326
School Administrative Services	677,178	785,612	928,040	886,048	823,198	872,231	947,395
Central Services	388,113	373,021	371,233	392,166	383,728	411,104	445,344
Administration Information Technology	56,904	60,561	60,111	90,238	127,848	145,161	123,015
Plant Operations and Maintenance	1,547,029	1,838,878	1,970,375	1,975,095	1,851,975	1,906,216	1,721,396
Pupil Transportation	463,755	478,541	543,406	555,981	610,966	595,009	546,936
Special Schools		5,720	4,823	9,082	8,891	7,202	7,500
Capital Outlay						150,363	11,075
Interest on Long-term Debt	467,246	332,349	373,450	391,372	305,831	278,492	257,666
Unallocated Depreciation	398,299	398,299	318,134	318,222	319,693	319,830	319,830
Total Governmental Activities Expenses	16,430,484	17,462,569	19,206,105	19,993,169	19,284,949	20,650,098	20,373,260
Business-Type Activities:							
Food Service	243,205	258,338	251,596	283,296	268,493	271,037	309,133
Total Business-Type Activities Expenses	243,205	258,338	251,596	283,296	268,493	271,037	309,133
Total District Expenses	16,673,689	17,720,907	19,457,701	20,276,465	19,553,442	20,921,135	20,682,393
Program Revenues:							
Governmental Activities:							
Charges for Services:							
Tuition	78,494	45,386	90,001				79,930
Operating Grants and Contributions	2,415,798	2,621,694	3,350,367	3,408,331	2,924,171	3,510,155	2,214,421
Capital Grants and Contributions	2,059,006	82,874					
Total Governmental Activities Program Revenues	4,553,298	2,749,954	3,440,368	3,408,331	2,924,171	3,510,155	2,294,351

BOROUGH OF HILLSDALE SCHOOL DISTRICT
CHANGES IN NET ASSETS, LAST SEVEN FISCAL YEARS
(accrual basis of accounting)
UNAUDITED

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
Program Revenues: (Cont'd)							
Business-Type Activities:							
Charges for Services:							
Food Service	\$ 186,063	\$ 197,328	\$ 201,662	\$ 224,029	\$ 211,541	\$ 211,279	\$ 252,381
Operating Grants and Contributions	49,872	49,222	53,262	61,122	60,364	69,401	74,018
Total Business-Type Activities Revenues	<u>235,935</u>	<u>246,550</u>	<u>254,924</u>	<u>285,151</u>	<u>271,905</u>	<u>280,680</u>	<u>326,399</u>
Total District Program Revenues	<u>4,789,233</u>	<u>2,996,504</u>	<u>3,695,292</u>	<u>3,693,482</u>	<u>3,196,076</u>	<u>3,790,835</u>	<u>2,620,750</u>
Net (Expense)/Revenue							
Governmental Activities	(11,877,186)	(14,712,615)	(15,765,737)	(16,584,838)	(16,360,778)	(17,139,943)	(18,078,909)
Business-Type Activities	(7,270)	(11,788)	3,328	1,855	3,412	9,643	17,266
Total District Net (Expense)/Revenue	<u>(11,884,456)</u>	<u>(14,724,403)</u>	<u>(15,762,409)</u>	<u>(16,582,983)</u>	<u>(16,357,366)</u>	<u>(17,130,300)</u>	<u>(18,061,643)</u>
General Revenues and Other Changes in Net Assets:							
Governmental Activities:							
Property Taxes Levied for General Purposes, Net	13,069,670	13,419,561	14,542,646	15,240,352	15,849,966	16,483,965	17,656,850
Taxes Levied for Debt Service	569,317	789,474	810,828	817,672	756,611	786,863	747,305
Unrestricted Grants and Contributions	219,584	222,509	261,424	363,760	243,490	213,533	190,801
Interest and Miscellaneous Income	118,198	85,267	79,510	99,249	62,270	45,998	31,207
Total Governmental Activities	<u>13,976,769</u>	<u>14,516,811</u>	<u>15,694,408</u>	<u>16,521,033</u>	<u>16,912,337</u>	<u>17,530,359</u>	<u>18,626,163</u>
Business-Type Activities:							
Investment Earnings	1,242	1,541	1,463	1,049	570	444	719
Total Business-Type Activities	<u>1,242</u>	<u>1,541</u>	<u>1,463</u>	<u>1,049</u>	<u>570</u>	<u>444</u>	<u>719</u>
Total District	<u>13,978,011</u>	<u>14,518,352</u>	<u>15,695,871</u>	<u>16,522,082</u>	<u>16,912,907</u>	<u>17,530,803</u>	<u>18,626,882</u>
Change in Net Assets:							
Governmental Activities	2,099,583	(195,804)	(71,329)	(63,805)	551,559	390,416	547,254
Business-Type Activities	(6,028)	(10,247)	4,791	2,904	3,982	10,087	17,985
Total District	<u>\$ 2,093,555</u>	<u>\$ (206,051)</u>	<u>\$ (66,538)</u>	<u>\$ (60,901)</u>	<u>\$ 555,541</u>	<u>\$ 400,503</u>	<u>\$ 565,239</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
FUND BALANCES, GOVERNMENTAL FUNDS
LAST SEVEN FISCAL YEARS
(modified accrual basis of accounting)
UNAUDITED

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
General Fund:							
Reserved/Restricted	\$ 350,052	\$ 188,974	\$ 155,124	\$ 243,759	\$ 351,909	\$ 535,387	\$ 906,856
Unreserved/Unassigned	589,612	331,695	157,398	110,578	183,492	339,424	358,950
Total General Fund	\$ 939,664	\$ 520,669	\$ 312,522	\$ 354,337	\$ 535,401	\$ 874,811	\$ 1,265,806
All Other Governmental Funds:							
Reserved/Restricted	\$ 126,411				\$ 257,020	\$ 6,585	\$ 160
Unreserved/Unrestricted, Reported in:							
Capital Projects Fund	102,783	\$ 54,944	\$ 54,944	\$ 81,076	18,361	4,490	
Debt Service Fund	31,178	1	1	3,553	42,108	42,174	
Total All Other Governmental Funds	\$ 260,372	\$ 54,945	\$ 54,945	\$ 84,629	\$ 317,489	\$ 53,249	\$ 160

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST SEVEN FISCAL YEARS
(modified accrual basis of accounting)
UNAUDITED

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
Revenues:							
Tax Levy	\$13,638,987	\$14,209,035	\$15,353,474	\$16,058,024	\$16,606,577	\$17,270,828	\$18,404,155
Tuition Charges	78,494	45,386	90,001	48,210	33,849	58,544	79,930
Miscellaneous	118,198	86,767	82,666	105,512	67,677	50,463	41,635
State Sources	4,339,670	2,548,476	3,144,056	3,286,636	2,664,303	2,857,034	1,952,968
Federal Sources	354,718	377,101	464,579	430,982	464,102	803,645	441,826
Total Revenues	18,530,067	17,266,765	19,134,776	19,929,364	19,836,508	21,040,514	20,920,514
Expenditures:							
Instruction:							
Regular Instruction	5,848,934	6,082,852	6,383,994	6,549,872	6,754,561	7,037,398	6,691,608
Special Education Instruction	1,243,270	1,301,475	1,380,097	1,364,059	1,561,224	1,886,180	1,755,788
Other Special Instruction	150,855	157,881	148,983	148,776	172,883	133,520	145,780
Other Instruction	73,572	67,903	71,548	75,220	88,073	111,295	118,810
Support Services:							
Tuition	304,839	340,316	380,048	407,636	492,509	392,903	516,478
Student & Instruction Related Services	1,868,560	2,000,915	2,224,436	2,375,314	2,466,371	2,656,976	2,575,767
General Administrative Services	419,409	475,196	457,909	486,625	475,177	496,832	467,255
School Administrative Services	525,709	600,878	635,232	626,942	638,908	669,795	696,932
Central Services	324,627	299,184	294,596	303,346	303,307	322,300	334,949
Administration Information Technology	56,904	60,561	60,111	90,238	115,594	131,002	110,474
Plant Operations and Maintenance	1,497,537	1,643,805	1,741,319	1,742,437	1,749,288	1,747,401	1,594,927
Pupil Transportation	448,618	463,472	525,411	536,765	592,701	576,259	527,000
Unallocated Benefits	2,896,652	3,225,706	4,125,697	4,259,776	3,270,607	3,676,519	4,151,182
Special Schools		4,829	4,823	7,500	7,500	6,000	6,000
Capital Outlay	3,675,325	338,670	90,992	35,057	203,252	327,945	94,795
Debt Service:							
Principal	180,000	420,000	440,000	460,000	495,000	525,000	545,000
Interest and Other Charges	396,194	407,544	377,727	388,302	311,010	268,019	249,863
Total Expenditures	19,911,005	17,891,187	19,342,923	19,857,865	19,697,965	20,965,344	20,582,608
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,380,938)	(624,422)	(208,147)	71,499	138,543	75,170	337,906

BOROUGH OF HILLSDALE SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST SEVEN FISCAL YEARS
(modified accrual basis of accounting)
UNAUDITED

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
Other Financing Sources (Uses)							
Transfers In	\$ 36,912	\$ 10,791	\$ 7,968	\$ 41,459	\$ 83,685	\$ 448	\$ 3
Transfers Out	(36,912)	(10,791)	(7,968)	(41,459)	(83,685)	(448)	(3)
Capital Lease Proceeds					275,381		
Total Other Financing Sources (Uses)	-0-	-0-	-0-	-0-	275,381	-0-	-0-
Net Change in Fund Balances	<u>\$ (1,380,938)</u>	<u>\$ (624,422)</u>	<u>\$ (208,147)</u>	<u>\$ 71,499</u>	<u>\$ 413,924</u>	<u>\$ 75,170</u>	<u>\$ 337,906</u>
Debt Service as a Percentage of Noncapital Expenditures	3.7 %	4.9 %	4.4 %	4.5 %	4.3 %	4.0 %	4.0 %

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
GENERAL FUND - OTHER LOCAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
UNAUDITED

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Other</u>	<u>Total</u>
2002	\$ 27,263	\$ 26,776	\$ 26,861	\$ 80,900
2003	22,654	31,412	31,683	85,749
2004	14,128	36,316	17,958	68,402
2005	41,266	78,494	40,660	160,420
2006	47,423	45,386	27,053	119,862
2007	52,060	90,001	19,482	161,543
2008	42,711	48,210	15,079	106,000
2009	21,608	33,849	38,053	93,510
2010	14,977	58,544	30,573	104,094
2011	19,531	79,930	22,104	121,565

Source: Borough of Hillsdale School District records.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST SEVEN YEARS
UNAUDITED

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Tax-Exempt Property	Add: Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2004	\$ 8,093,900	\$ 772,777,000	\$ 396,200	\$ 13,000	\$ 50,196,800	\$ 7,643,500	\$ 950,100	\$ 840,070,500	\$ 73,055,800	\$ 1,652,700	\$ 841,723,200	\$ 1.59	\$ 1,378,616,214
2005	7,840,800	776,463,400	396,200	12,400	50,529,000	7,490,000	950,100	843,681,900	73,055,800	3,716,487	847,398,387	1.63	1,536,045,340
2006	6,441,900	779,488,300	396,200	12,400	51,600,900	7,535,000	950,100	846,424,800	73,983,700	3,110,147	849,534,947	1.74	1,749,040,149
2007 *	12,213,500	1,819,107,700	1,865,800	13,100	108,183,300	14,315,500	1,995,300	1,957,694,200	151,132,300	6,745,700	1,964,439,900	0.79	1,955,372,182
2008	12,449,200	1,818,907,400	745,000	13,100	107,676,500	14,315,500	1,995,300	1,956,102,000	151,688,000	7,462,332	1,963,564,332	0.82	1,984,787,186
2009	12,081,100	1,821,722,900	745,000	13,100	109,531,700	14,315,500	1,995,300	1,960,404,600	152,331,200	7,084,084	1,967,488,684	0.86	2,058,164,361
2010	12,081,100	1,821,417,700	745,000	13,100	109,231,600	14,315,500	1,995,300	1,959,799,300	152,871,400	8,382,930	1,968,182,230	0.86	2,058,164,361

* Revaluation Year.

^a Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies.

^b Tax rates are per \$100

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each County Board of Taxation. Reassessment occurs when ordered by the County Board of Taxation.

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: Municipal Tax Assessor

BOROUGH OF HILLSDALE SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
(rate per \$100 of assessed value)
UNAUDITED

Year Ended December 31,	Borough of Hillsdale School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Borough of Hillsdale	Pascack Valley Regional High School District	Bergen County	
2001	1.25	0.04	1.29	0.52	0.62	0.30	2.73
2002	1.34	0.04	1.38	0.53	0.63	0.33	2.87
2003	1.46	0.04	1.50	0.55	0.65	0.32	3.02
2004	1.53	0.06	1.59	0.57	0.76	0.34	3.26
2005	1.56	0.07	1.63	0.64	0.88	0.36	3.51
2006	1.65	0.09	1.74	0.75	0.92	0.39	3.80
2007	0.75	0.04	0.79	0.35	0.46	0.18	1.78 *
2008	0.76	0.04	0.82	0.40	0.46	0.19	1.87
2009	0.82	0.04	0.86	0.40	0.46	0.20	1.93
2010	0.87	0.04	0.91	0.42	0.51	0.20	2.04

* Revaluation Year.

^a The District's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.

^b Rates for debt service are based on each year's requirements.

Note: NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy . The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculation.

Source: Municipal Tax Collector and School Business Administrator

BOROUGH OF HILLSDALE SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS,
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

Taxpayer	2010		Taxpayer	2001	
	Taxable Assessed Value	% of Total District Net Assessed Value		Taxable Assessed Value	% of Total District Net Assessed Value
Prima II, Inc.	\$ 10,483,100	0.53 %	New Jersey Bell	\$ 5,043,736	0.61 %
Cross Roads - Hillsdale Association LLC	9,502,100	0.48 %	Cuzon Associaties	4,414,300	0.54 %
New Jersey Bell	8,676,887	0.44 %	G. P. B. Real Estate	4,459,500	0.54 %
Edgewood Country Club, Inc.	3,880,800	0.20 %	U.S.A Waste Transfer of NJ Inc.	3,732,500	0.45 %
New Jersey Bell	3,365,700	0.17 %	New Jersey Bell	2,214,100	0.27 %
Golden Orchard Associaties, LP	3,333,200	0.17 %	R&L Investors	1,580,000	0.19 %
Bank of America	2,547,400	0.13 %	Fleet Bank	1,242,200	0.15 %
321 Broadway Associaties, LLC	3,170,100	0.16 %	Valley Fair Corporation	1,253,600	0.15 %
Marsala Enterprises	2,710,100	0.14 %	Hiller & Skoglund	1,192,700	0.15 %
USA Waste C/O Waste Management	2,278,400	0.12 %	Valley Co., Inc.	1,147,300	0.14 %
Total	\$ 49,947,787	2.54 %	Total	\$ 26,279,936	3.20 %

Note - a revaluation of the Borough was effective in 2007.

Source: Municipal Tax Assessor

BOROUGH OF HILLSDALE SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS,
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2002	\$ 11,103,183	\$ 11,103,183	100.00 %	-0-
2003	11,991,577	11,991,577	100.00 %	-0-
2004	12,882,393	12,882,393	100.00 %	-0-
2005	13,638,987	13,638,987	100.00 %	-0-
2006	14,209,035	14,209,035	100.00 %	-0-
2007	15,353,474	15,353,474	100.00 %	-0-
2008	16,058,024	16,058,024	100.00 %	-0-
2009	16,606,577	16,606,577	100.00 %	-0-
2010	17,270,828	17,270,828	100.00 %	-0-
2011	18,404,155	18,404,155	100.00 %	-0-

^a School taxes are collected by the Municipal Tax Collector. Under New Jersey State Statute, a municipality is required to remit to the school district the entire property tax balance, in the amount voted upon or certified prior to the end of the school year.

Source: Borough of Hillsdale School District records, including the Certificate and Report of Report of School Taxes (A4F form).

BOROUGH OF HILLSDALE SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST SEVEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities			Business -Type Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases			
2005	\$ 9,447,000	\$ -0-	\$ 6,000	\$ -0-	\$ -0-	\$ 9,453,000	1.73 %	\$ 945.11
2006	9,027,000	-0-	-0-	-0-	-0-	9,027,000	1.60 %	909.25
2007	8,587,000	-0-	-0-	472,000	-0-	9,059,000	1.46 %	919.88
2008	8,174,000	-0-	-0-	472,000	-0-	8,646,000	1.31 %	881.17
2009	7,679,000	-0-	185,628	-0-	-0-	7,864,628	1.18 %	801.37
2010	7,154,000	-0-	125,702	-0-	-0-	7,279,702	1.09 %	739.43
2011	6,609,000	-0-	63,847	-0-	-0-	6,672,847	1.00 %	677.79

^a See Exhibit J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

Note: Details regarding the District's outstanding debt can be found in the notes to the basic financial statements.

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST SEVEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property ^a	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2005	\$ 9,447,000	\$ -0-	\$ 9,447,000	1.12 %	\$ 944.51
2006	9,027,000	-0-	9,027,000	1.07 %	909.25
2007	8,587,000	-0-	8,587,000	1.01 %	871.95
2008	8,174,000	81,076	8,092,924	0.41 %	824.80
2009	7,679,000	-0-	7,679,000	0.39 %	782.45
2010	7,154,000	-0-	7,154,000	0.36 %	726.66
2011	6,609,000	-0-	6,609,000	0.34 %	671.31

^a See Exhibit J-6 for property tax data. This ratio is calculated using valuation data for the prior calendar year.

^b See Exhibit J-14 for population data. This ratio is calculated using population for the prior calendar year.

Note: Details regarding the District's outstanding debt can be found in the notes to the basic financial statements.

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2011
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Borough of Hillsdale	\$ 5,276,025	100.00 %	\$ 5,276,025
Bergen County General Obligation Debt	730,825,490	1.05 %	<u>7,673,667.65</u>
Subtotal, Overlapping Debt			12,949,693
Borough of Hillsdale School District Direct Debt			<u>6,609,000</u>
Total Direct and Overlapping Debt			<u><u>19,558,693</u></u>

^a For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable equalized property values. Applicable percentages were estimated by determining the portion of another governmental unit's equalized property value that is within the district's boundaries and dividing it by each unit's total equalized property value.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by residents and businesses of Hillsdale. This process recognizes that, when considering the District's ability to issue and repay long-term, the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping unit.

Sources: Assessed value data used to estimate applicable percentages provided by the Bergen County Board of Taxation; debt outstanding data provided by each governmental unit.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

Legal Debt Margin Calculation for Fiscal Year 2010

Year Ended December 31,	Equalized Valuation Basis
2008	\$ 2,042,073,285
2009	2,026,886,476
2010	1,941,548,742
	<u>\$ 6,010,508,503</u>
Average Equalized Valuation of Taxable Property	\$ 2,003,502,834
Debt Limit (3% of Average Equalization Value) ^a	60,105,085
Net Bonded School Debt @ June 30, 2011	<u>6,609,000</u>
Legal Debt Margin	<u>\$ 53,496,085</u>

	Fiscal Year				
	2002	2003	2004	2005	2006
Debt Limit	\$ 30,772,913	\$ 33,522,359	\$ 36,941,848	\$ 41,016,568	\$ 46,165,343
Total Net Debt Applicable to Limit	<u>3,408,000</u>	<u>3,243,000</u>	<u>9,627,000</u>	<u>9,447,000</u>	<u>9,027,000</u>
Legal Debt Margin	<u>\$ 27,364,913</u>	<u>\$ 30,279,359</u>	<u>\$ 27,314,848</u>	<u>\$ 31,569,568</u>	<u>\$ 37,138,343</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	11.07 %	9.67 %	26.06 %	23.03 %	19.55 %

	Fiscal Year				
	2007	2008	2009	2010	2011
Debt Limit	\$ 51,873,953	\$ 56,400,822	\$ 59,461,845	60,432,379	60,105,085
Total Net Debt Applicable to Limit	<u>9,059,000</u>	<u>8,092,924</u>	<u>7,679,000</u>	<u>7,154,000</u>	<u>6,609,000</u>
Legal Debt Margin	<u>\$ 42,814,953</u>	<u>\$ 48,307,898</u>	<u>\$ 51,782,845</u>	<u>\$ 53,278,379</u>	<u>\$ 53,496,085</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	17.46 %	14.35 %	12.91 %	11.84 %	11.00 %

^a Limit set by NJSA 18A:24-19 for a K through 8 district; other % limits would be applicable for other districts.

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

BOROUGH OF HILLSDALE SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Year	Population ^a	Personal Income (thousands of dollars) ^b	Bergen County Per Capita Personal Income ^c	Unemployment Rate ^d
2001	10,068	\$ 524,562,936	\$ 52,102	3.30 %
2002	10,039	521,335,309	51,931	4.60 %
2003	10,006	513,217,746	51,291	4.50 %
2004	10,002	546,799,338	54,669	3.70 %
2005	9,928	565,528,664	56,963	2.60 %
2006	9,848	620,630,808	63,021	2.70 %
2007	9,812	658,512,756	67,113	2.40 %
2008	9,814	664,368,544	67,696	3.20 %
2009	9,845	666,467,120	67,696 **	N/A
2010	9,845	666,467,120	67,696 **	N/A

** Latest Bergen County per capita personal income available (2008) was used for calculation purposes.

Source:

- ^a Population information provided by the US Department of Census - Population Division.
- ^b Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.
- ^c Per Capita Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.
- ^d Unemployment data provided by the NJ Department of Labor and Workforce Development.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
PRINCIPAL EMPLOYERS,
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

Employer	2010		Employer	2001	
	Employees	Percentage of Total Employment		Employees	Percentage of Total Employment
Shoprite	N/A	N/A	N/A	N/A	N/A
Kings	N/A	N/A	N/A	N/A	N/A
Waste Management	N/A	N/A	N/A	N/A	N/A
Verizon	N/A	N/A	N/A	N/A	N/A
Scholastic Bus Company	N/A	N/A	N/A	N/A	N/A
Bottle King	N/A	N/A	N/A	N/A	N/A
TD Bank	N/A	N/A	N/A	N/A	N/A
Coldwell Banker	N/A	N/A	N/A	N/A	N/A
Loving Touch Nursery School	N/A	N/A	N/A	N/A	N/A
Fornazor International	N/A	N/A	N/A	N/A	N/A
	<u>N/A</u>	<u>N/A</u>		<u>N/A</u>	<u>N/A</u>

N/A - Information is not available.

NOTE: The District was unsuccessful in its attempt to obtain information regarding the principal employers of the Borough.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST SEVEN FISCAL YEARS
UNAUDITED

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Instruction:							
Regular	86.20	89.70	92.00	111.00	111.00	111.00	87.10
Special Education	49.77	51.37	56.29	62.00	63.00	63.00	47.20
Support Services:							
Student & Instruction Related Services	14.50	17.30	17.30	17.30	17.30	17.30	22.80
General Administrative Services	2.00	2.00	2.00	2.00	2.00	2.00	3.60
School Administrative Services	7.00	8.00	8.00	8.00	8.50	8.50	7.80
Central Services	4.50	4.50	4.50	4.50	4.50	4.50	6.00
Plant Operations and Maintenance	28.00	34.50	34.50	33.00	18.50	18.50	9.93
Total	<u>191.97</u>	<u>207.37</u>	<u>214.59</u>	<u>237.80</u>	<u>224.80</u>	<u>224.80</u>	<u>184.43</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: District Personnel Records.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
OPERATING STATISTICS
LAST SEVEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary Meadowbrook	Smith	Middle School White				
2005	1,380	\$ 15,659,486	\$ 11,347	6.30 %	128	1:16.9	1:17.0	1:13.0	1,380	1,335	1.77 %	96.74 %
2006	1,452	16,724,973	11,519	1.51 %	130	1:17.0	1:17.0	1:13.0	1,452	1,405	5.22 %	96.76 %
2007	1,461	18,434,204	12,618	9.54 %	130	1:13.2	1:12.9	1:12.3	1,431	1,390	-1.45 %	97.13 %
2008	1,438	18,974,506	13,195	4.58 %	126	1:11.0	1:11.7	1:12.0	1,438	1,383	0.49 %	96.18 %
2009	1,459	18,688,703	12,809	-2.92 %	150	1:11.0	1:11.7	1:12.0	1,461	1,402	1.60 %	95.96 %
2010	1,446	19,844,380	13,724	7.14 %	150	1:11.0	1:11.7	1:12.0	1,407	1,355	-3.70 %	96.30 %
2011	1,446	19,692,950	13,619	-0.76 %	114	1:10.0	1:10.5	1:11.0	1,407	1,356	0.00 %	96.38 %

^a Operating expenditures equal total expenditures less debt service and capital outlay.

^b Teaching staff includes only full-time equivalents of certificated staff.

^c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

Note: Enrollment based on annual October District count.

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: Borough of Hillsdale School District records.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST SEVEN FISCAL YEARS
UNAUDITED

<u>District Building</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Meadowbrook School (1962)							
Square Feet	49,622	49,622	49,622	49,622	49,622	49,622	49,622
Capacity (students)	450	450	450	450	450	450	450
Enrollment	424	418	405	386	386	395	390
Smith School (1956)							
Square Feet	44,950	44,950	44,950	44,950	44,950	44,950	44,950
Capacity (students)	464	464	464	464	464	464	464
Enrollment	390	393	397	410	410	413	408
White School (1922)							
Square Feet	66,370	66,370	66,370	66,370	66,370	66,370	66,370
Capacity (students)	752	752	752	752	752	752	752
Enrollment	578	634	659	642	642	638	618
Board Office (1999)							
Square Feet	4,820	4,820	4,820	4,820	4,820	4,820	4,820

Number of Schools at June 30, 2010
 Elementary = 2
 Middle School = 1
 High School = 0
 Other = 0

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

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: Borough of Hillsdale School District Board Office.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN FISCAL YEARS
UNAUDITED

Undistributed Expenditures - Required Maintenance
 For School Facilities - Account #11-000-261-XXX:

School Facilities*	Project # (s)	Fiscal Year Ending June 30,									
		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Ann Blanche Smith	N/A	\$ 30,175	\$ 32,578	\$ 67,608	\$ 57,075	\$ 78,059	\$ 61,528	\$ 61,955	\$ 71,839	\$ 69,007	\$ 62,510
George G. White	N/A	49,904	53,878	111,810	163,167	102,713	121,195	89,198	111,929	128,093	112,532
Meadowbrook	N/A	31,607	34,123	70,815	43,746	60,760	57,189	75,288	57,898	56,689	53,713
Total School Facilities		<u>111,686</u>	<u>120,579</u>	<u>250,233</u>	<u>263,988</u>	<u>241,532</u>	<u>239,912</u>	<u>226,441</u>	<u>241,666</u>	<u>253,789</u>	<u>228,755</u>
<u>Other Facilities</u>											
Board Office	N/A	3,894	4,204	8,725	11,348	19,093	14,587	6,143	7,152	10,648	6,738
Grand Total		<u>\$ 115,580</u>	<u>\$ 124,783</u>	<u>\$ 258,958</u>	<u>\$ 275,336</u>	<u>\$ 260,625</u>	<u>\$ 254,499</u>	<u>\$ 232,584</u>	<u>\$ 248,818</u>	<u>\$ 264,437</u>	<u>\$ 235,493</u>

N/A - Not Applicable.

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

Source: Borough of Hillsdale School District records.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2011
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
Special Multi Peril - Selective Way Insurance Company:		
General Liability:		
General Aggregate	\$ 2,000,000	
Products and Completed Operations	2,000,000	
Personal and Advertising Injury	1,000,000	
Each Occurrence	1,000,000	
Fire Legal Liability Limit	1,000,000	
Medical Expense	5,000	
Commercial Property Coverage:		
Flood and Earthquake	5,000,000	\$ 50,000
Flood: Within Flood Hazard Area	1,000,000	500,000
Extra Expense	5,000,000	
Building Ordinance Demolition Cost	2,000,000	
Increase Cost of Construction	2,000,000	
Valuable Papers and Records	5,000,000	
Computer Equipment	2,500,000	
Boiler and Machinery:		
Expediting Expenses	250,000	
Hazardous Substances	250,000	
Spoilage	250,000	
Crime:		
Blanket Employee Dishonesty - Per Employee	100,000	5,000
Blanket Employee Dishonesty - Per Loss (Excess)	400,000	
Form B Forgery or Alteration	50,000	1,000
Commercial Automobile - Selective Way Insurance Company:		
Liability	1,000,000	
Personal Injury Protection		250
Medical Payments	10,000	
Uninsured Motorist	1,000,000	
Underinsured Motorist	1,000,000	
Comprehensive		1,000
Collision		1,000
School Board Legal Liability:		
Educator's Legal Liability/Employment Practices Liability	1,000,000	
Excess Workers' Compensation - Starl Insurance Co.:		
Each Accident	1,000,000	
Each Employee	1,000,000	
Policy Limit	1,000,000	
Commercial Umbrella Excess - American Alternatives Insurance Company:		
Per Occurrence	9,000,000	
Aggregate Limit	9,000,000	
Retention	10,000	

Source: Borough of Hillsdale School District records.

SINGLE AUDIT SECTION



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Independent Auditors' Report on Internal Control Over Financial Reporting and on
 Compliance and Other Matters Based on an Audit of Financial Statements Performed in
 Accordance with *Government Auditing Standards*

The Honorable President and Members
 of the Board of Education
 Borough of Hillsdale School District
 County of Bergen, New Jersey

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Borough of Hillsdale School District, in the County of Bergen (the "Board") as of, and for the fiscal year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated September 26, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Board's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

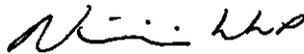
As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of

The Honorable President and Members
of the Board of Education
Borough of Hillsdale School District
Page 2

financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey. However, we noted certain matters that we have reported to the Board in the *Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance* dated September 26, 2011.

This report is intended solely for the information and use of management, the members of the Board of Education, and to meet the requirements for filing with the New Jersey State Department of Education, and other state and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Mount Arlington, New Jersey
September 26, 2011


NISIVOCIA LLP



Francis J. Jones, Jr.
Licensed Public School Accountant #1154
Certified Public Accountant



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Independent Auditors' Report on Compliance with Requirements that could have a Direct
 And Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with
 OMB Circular A-133 and New Jersey's OMB Circular NJOMB 04-04

The Honorable President and Members
 of the Board of Education
 Borough of Hillsdale School District
 County of Bergen, New Jersey

Compliance

We have audited the compliance of the Board of Education of the Borough of Hillsdale School District in the County of Bergen (the "Board") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the New Jersey State Aid/Grant *Compliance Supplement* that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2011. The Board's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; audit requirements prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey (the "Department"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*, and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, OMB Circular A-133 and New Jersey's OMB Circular NJOMB 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the requirements referred to above that that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2011.

The Honorable President and Members
of the Board of Education
Borough of Hillsdale School District
Page 2

Internal Control Over Compliance

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

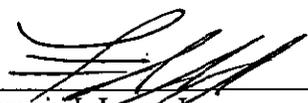
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, the members of the Board of Education, and to meet the requirements for filing with the New Jersey State Department of Education, and other federal and state awarding agencies and pass-through entities, and is not intended to be and should not be, used by anyone other than these specified parties.

Mount Arlington, New Jersey
September 26, 2011


NISIVOCIA LLP


Francis J. Jones, Jr.
Licensed Public School Accountant #1154
Certified Public Accountant

BOROUGH OF HILLSDALE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2010		Cash Received	Budgetary Expenditures	Prior Year Encumbrances Canceled	Adjustments	Balance at June 30, 2011		
			From	To		Deferred Revenue/ (Accounts Receivable)	Due to Grantor					(Accounts Receivable)	Deferred Revenue	Due to Grantor
Special Revenue Fund:														
U.S. Department of Education - Passed-through State Department of Education:														
No Child Left Behind:														
Title I, Part A	84.010A	NCLB-5360-11	9/1/10	8/31/11	36,544		\$ 36,399	\$ (36,524)				\$ (125)		
Title I, Part A - Carryover	84.010A	NCLB-5360-10	9/1/09	8/31/10	30,547	\$ (4,092)	4,093			\$ (1)				
Title I	84.010A	NCLB-5360-09	9/1/08	8/31/09	18,430	78				(8)			\$ 70	
Title II - Part A	84.367A	NCLB-5360-11	9/1/10	8/31/11	37,023		23,710	(36,911)				(13,201)		
Title II - Carryover	84.367A	NCLB-5360-10	9/1/09	8/31/10	37,194	(8,055)	7,950					(105)		
Title II	84.281	NCLB-5360-08	9/1/07	8/31/08	38,366		\$ 29				(29)			
Title II	84.281	NCLB-5360-09	9/1/08	8/31/09	367,164	112								112
Title II, Part D	84.318X	NCLB-5360-11	9/1/08	8/31/09	154		154							154
Title II, Part D	84.318X	NCLB-5360-11	9/1/10	8/31/11	73		60	(60)						
Title III	84.365	NCLB-5360-10	9/1/09	8/31/11	5,216		554	(5,215)				(4,661)		
Title III - Carryover	84.365	NCLB-5360-09	9/1/08	8/31/10	4,758	(192)	192							
Title IV - Carryover	84.186A	NCLB-5360-10	9/1/07	8/31/08	3,971		879				(879)			
Title IV	84.186A	NCLB-5360-10	9/1/09	8/31/10	3,024	(607)	607							
Title V	84.186A	NCLB-5360-10	9/1/07	8/31/08	2,161		43				(43)			
						(12,756)	1,105	73,565	(78,710)		(960)	(18,092)		336
Special Education Cluster:														
I.D.E.A. Part B, Basic Regular	84.027	IDEA-5360-10	9/1/09	8/31/10	331,393	(127,580)	124,765					(2,815)		
I.D.E.A. Part B, Preschool	84.173	IDEA-5360-10	9/1/09	8/31/10	28,067	(12,286)	8,417					(3,869)		
I.D.E.A. Part B, Basic Regular	84.027	IDEA-5360-11	9/1/10	8/31/11	332,670		230,232	(332,670)				(102,438)		
I.D.E.A. Part B, Preschool	84.173	IDEA-5360-11	9/1/10	8/31/11	28,616		25,830	(28,616)				(2,786)		
ARRA - I.D.E.A. Part B, Basic	84.391	ARRA-5360-11	9/1/09	8/31/11	382,975	(20,019)	54,794	(44,870)				(10,095)		
ARRA - I.D.E.A. Part B, Preschool	84.392	ARRA-5360-11	9/1/09	8/31/11	13,855	(11,922)	12,517	(1,933)				(1,338)		
Total Special Education Cluster						(171,807)	456,555	(408,089)				(123,341)		
Total U.S. Department of Education						(184,563)	1,105	530,120	(486,799)		(960)	(141,433)		336
Total Special Revenue Fund						(184,563)	1,105	530,120	(486,799)		(960)	(141,433)		336

BOROUGH OF HILLSDALE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2010			Budgetary Expenditures	Prior Year Encumbrances Canceled	Canceled to General Fund	Balance at June 30, 2011		
			From	To		Deferred Revenue/ (Accounts Receivable)	Due to Grantor	Cash Received				(Accounts Receivable)	Deferred Revenue	Due to Grantor
<u>Enterprise Fund</u>														
U.S. Department of Agriculture - Passed-through State Department of Education:														
Child Nutrition Cluster:														
Federal Food Distribution Program	10.555	N/A	7/1/10	6/30/11	\$ 16,561			\$ 16,561	\$ (16,561)					
National School Lunch Program	10.555	N/A	7/1/10	6/30/11	53,294			49,150	(53,294)			\$ (4,144)		
National School Lunch Program	10.555	N/A	7/1/09	6/30/10	49,101	\$ (3,624)		3,624						
Total Child Nutrition Cluster						(3,624)		69,335	(69,855)			(4,144)		
Total U.S. Department of Agriculture						(3,624)		69,335	(69,855)			(4,144)		
Total Enterprise Fund						(3,624)		69,335	(69,855)			(4,144)		
TOTAL FEDERAL AWARDS						\$ (188,187)	\$ 1,105	\$ 599,455	\$ (556,654)	\$ -0-	\$ (960)	\$ (145,577)	\$ -0-	\$ 336

N/A - Not Available/Applicable

**BOROUGH OF HILLSDALE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Schedule B
1 of 2

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2010			Repayment of Prior Years' Balances	Prior Year Encumbrances Canceled	Balance at June 30, 2011		MEMO	
		From	To		Budgetary Deferred Revenue/ (Accounts Receivable)	Due to Grantor	Cash Received			Budgetary Expenditures	GAAP Accounts Receivable	Due to Grantor	Budgetary Receivable
State Department of Education:													
General Fund:													
Special Education Categorical Aid	11-495-034-5120-011	7/1/10	6/30/11	\$ 71,360			\$ 50,899	\$ (71,360)				\$ 20,461	\$ 71,360
Equalization Aid	11-495-034-5120-078	7/1/10	6/30/11	108,512			108,512	(108,512)					108,512
Extraordinary Special Education Costs	11-495-034-5120-044	7/1/10	6/30/11	153,150			19,429	(153,150)		\$ 133,721		133,721	153,150
Nonpublic Transportation Aid	11-495-034-5120-014	7/1/10	6/30/11	4,698			4,698	(4,698)					4,698
Reimbursed TPAF Social Security Contributions	11-495-034-5095-002	7/1/10	6/30/11	683,982			683,982	(683,982)					683,982
Special Education Categorical Aid	10-495-034-5120-011	7/1/09	6/30/10	843,905	\$ (70,228)		70,228						
Equalization Aid	10-495-034-5120-078	7/1/09	6/30/10	76,149	(6,337)		6,337						
Transportation Aid	10-495-034-5120-014	7/1/09	6/30/10	133,201	(11,085)		11,085						
Security Aid	10-495-034-5120-084	7/1/09	6/30/10	114,828	(9,556)		9,556						
Extraordinary Special Education Costs	10-495-034-5120-044	7/1/09	6/30/10	180,562	(180,562)		180,562						
Nonpublic School Transportation Costs	10-495-034-5120-014	7/1/09	6/30/10	3,543	(3,543)		3,543						
Total General Fund State Aid					(281,311)		1,148,831	(1,021,702)			133,721	154,182	1,021,702
Special Revenue Fund:													
NJ Nonpublic Aid:													
Textbook Aid (Chapter 194)	11-100-034-5120-064	7/1/10	6/30/11	21,940			21,940	(21,875)			\$ 65		21,875
Textbook Aid (Chapter 194)	11-100-034-5120-064	7/1/09	6/30/10	25,975					\$ 142		142		
Nursing Services (Chapter 226)	11-100-034-5120-070	7/1/10	6/30/11	25,997			25,997	(25,997)					25,997
Textbook Aid (Chapter 194)	09-100-034-5120-064	7/1/08	6/30/09	24,649		\$ 596			\$ (596)				
Auxiliary Services (Chapter 192):													
Compensatory Education	11-100-034-5120-067	7/1/10	6/30/11	68,740			68,740	(65,474)			3,266		65,474
English as a Second Language	11-100-034-5120-067	7/1/10	6/30/11	2,562			2,562	(854)			1,708		854
Compensatory Education	10-100-034-5120-067	7/1/09	6/30/10	53,166		415			(415)				
English as a Second Language	10-100-034-5120-067	7/1/09	6/30/10	2,936		1,921			(1,921)				
Handicapped Services (Chapter 193):													
Examination and Classification	11-100-034-5120-066	7/1/10	6/30/11	41,472			41,472	(34,139)			7,333		34,139
Supplementary Instruction	11-100-034-5120-066	7/1/10	6/30/11	35,576			35,576	(33,282)			2,294		33,282
Corrective Speech	11-100-034-5120-066	7/1/10	6/30/11	49,912			49,912	(45,922)			3,990		45,922
Supplementary Instruction	10-100-034-5120-066	7/1/09	6/30/10	50,819		678			(678)				
Examination and Classification	10-100-034-5120-066	7/1/09	6/30/10	39,902		2,567			(2,567)				
Corrective Speech	10-100-034-5120-066	7/1/09	6/30/10	53,264		4,067			(4,067)				
Total Special Revenue Fund							10,244	246,199	(227,543)	(10,244)	142	18,798	227,543
Debt Service Fund:													
Debt Service Aid Type II	11-100-034-5120-124	7/1/10	6/30/11	5,544			5,544	(5,544)					5,544
Total Debt Service Fund							5,544	(5,544)					5,544

BOROUGH OF HILLSDALE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

Schedule B
2 of 2

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2010			Repayment of Prior Years' Balances	Prior Year Encumbrances Canceled	Balance at June 30, 2011		MEMO		
		From	To		Budgetary Deferred Revenue/ (Accounts Receivable)	Due to Grantor	Cash Received			Budgetary Expenditures	GAAP (Accounts Receivable)	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education:														
Enterprise Fund:														
State National School Lunch Program	11-100-034-5120-122	7/1/10	6/30/11	\$ 4,163			\$ 3,804	\$ (4,163)		\$ (359)	\$ 359	\$ 4,163		
State National School Lunch Program	10-100-034-5120-122	7/1/09	6/30/10	4,364	\$ (317)		317							
Total Enterprise Fund						(317)	4,121	(4,163)		(359)	359	4,163		
TOTAL STATE AWARDS					\$ (281,628)	\$ 10,244	\$ 1,404,695	\$ (1,258,952)	\$ (10,244)	\$ 142	\$ 133,362	\$ 18,798	\$ 154,541	\$ 1,258,952

N/A - Not Available

SEE ACCOMPANYING NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the Board of Education, Borough of Hillsdale School District under programs of the federal and state governments for the fiscal year ended June 30, 2011. The information in these schedules are presented in accordance with the Federal Office of Management and Budget (OMB), *Audits of States and Local Governments and Non-Profit Organizations* and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net assets or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting with the exception of programs recorded in the Food Service Fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements. Such expenditures are recognized following the cost principles contained in federal OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governmental Units*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last two state aid payments in the current budget year, which is mandated pursuant to P.L. 2003, C.97 (A3521). For GAAP purposes that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last two state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. The capital projects fund is presented in the accompanying schedules on the budgetary basis with the exception of the revenue recognition of the Educational Facilities Construction and Financing Act grants which are realized as revenue upon their award, whereas the GAAP basis recognizes the revenue to the extent of actual expenditures.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Cont'd)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$(76,745) for the general fund, (\$43,588) for the special revenue fund and \$ - 0 - for capital projects fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Additionally, the schedule of expenditures of state awards does not include the on-behalf TPAF Non-Contributory Insurance and Post Retirement Contributions revenue of \$27,934 and \$593,314 respectively. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 1,719,695	\$ 1,719,695
Special Revenue Fund	\$ 441,826	227,729	669,555
Debt Service Fund		5,544	5,544
Proprietary Fund	<u>69,855</u>	<u>4,163</u>	<u>74,018</u>
Total Financial Assistance	<u>\$ 511,681</u>	<u>\$1,957,131</u>	<u>\$ 2,468,812</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2011. Revenue and expenditures reported under the Federal Food Distribution Program represent current year value received and current year distributions, respectively.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Summary of Auditors' Results:

- An unqualified report was issued on the District's financial statements.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District.
- The audit did not disclose any noncompliance which is material in relation to the financial statements of the District.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District's major programs.
- An unqualified report was issued on the District's compliance for major federal and state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with Federal OMB Circular A-133 *Audits of States, Local Governments and Nonprofit Organizations* and New Jersey OMB Circular NJOMB 04-04 *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*.
- The District's major programs for the current fiscal year consisted of the following federal and state awards:

	<u>CFDA/ Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>Federal:</u>				
Special Education Cluster:				
I.D.E.A. Part B, Basic	84.027	9/1/10-8/31/11	\$ 332,670	\$ 332,670
I.D.E.A. Part B, Preschool	84.173	9/1/10-8/31/11	28,616	28,616
ARRA -I.D.E.A. Part B, Basic	84.391	9/1/09-8/31/11	382,975	44,870
ARRA -I.D.E.A. Part B, Preschool	84.392	9/1/09-8/31/11	13,855	1,933
<u>State:</u>				
Categorical Special Education Aid	10-495-034-5120-089	7/1/10-6/30/11	71,360	71,360
Equalization Aid	10-495-034-5120-078	7/1/10-6/30/11	108,512	108,512
Reimbursed TPAF Social Security Contributions	10-495-034-5095-002	7/1/10-6/30/11	683,982	683,982

- The threshold for distinguishing Type A and Type B programs was \$300,000.
- The District qualified as a "low-risk" auditee under the provisions of section 530 of the Circular.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

Findings and Questioned Costs for Federal Awards:

- The audit did not disclose any findings or questioned costs for federal awards as defined in section 510(a) of the federal circular.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in section 510(a) of the federal Circular A-133 and New Jersey's OMB Circular NJOMB 04-04.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

Status of Prior Year Findings:

The District had no prior year audit findings.