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, 2014

Comprehensive Annual Financial Report

of the

Borough of Hillsdale School District

Hillsdale, New Jersey

For the Fiscal Year Ended June 30, 2014

Prepared by

Borough of Hillsdale School District
Board of Education

BOROUGH OF HILLSDALE SCHOOL DISTRICT
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INTRODUCTORY SECTION

LIRCA GARCIA
BUSINESS ADMINISTRATOR/BOARD SECRETARY
lgarcia@hillsdaleschools.com

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

September 5, 2014

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, 2014, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (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 Non-Profit Organizations*, and the New Jersey OMB's Circular Letter 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid.* Information related to this single audit, including the 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 Governmental 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 2013-2014 fiscal year with an average daily enrollment of 1,305 students, which is a decrease of 29 students from the previous year's enrollment.

2) ECONOMIC CONDITION AND OUTLOOK: The Borough of Hillsdale is almost fully developed and has not experienced nor does it expect to experience any significant growth in the immediate future. The District has had an approximate increase in enrollment of 215 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.

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

3) 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 is 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.

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as 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, 2014.

5) 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.

The Honorable President and Members of
the Board of Education
Borough of Hillsdale School District
Page 3
September 5, 2014

6) 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.

7) 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 Bergen County 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.

8) 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 Non-Profit Organizations*, and the New Jersey OMB's Circular 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 and *Government Auditing Standards* are included in the single audit section of this report.

9) 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,

Richard A. Spirito

Richard A. Spirito
Superintendent

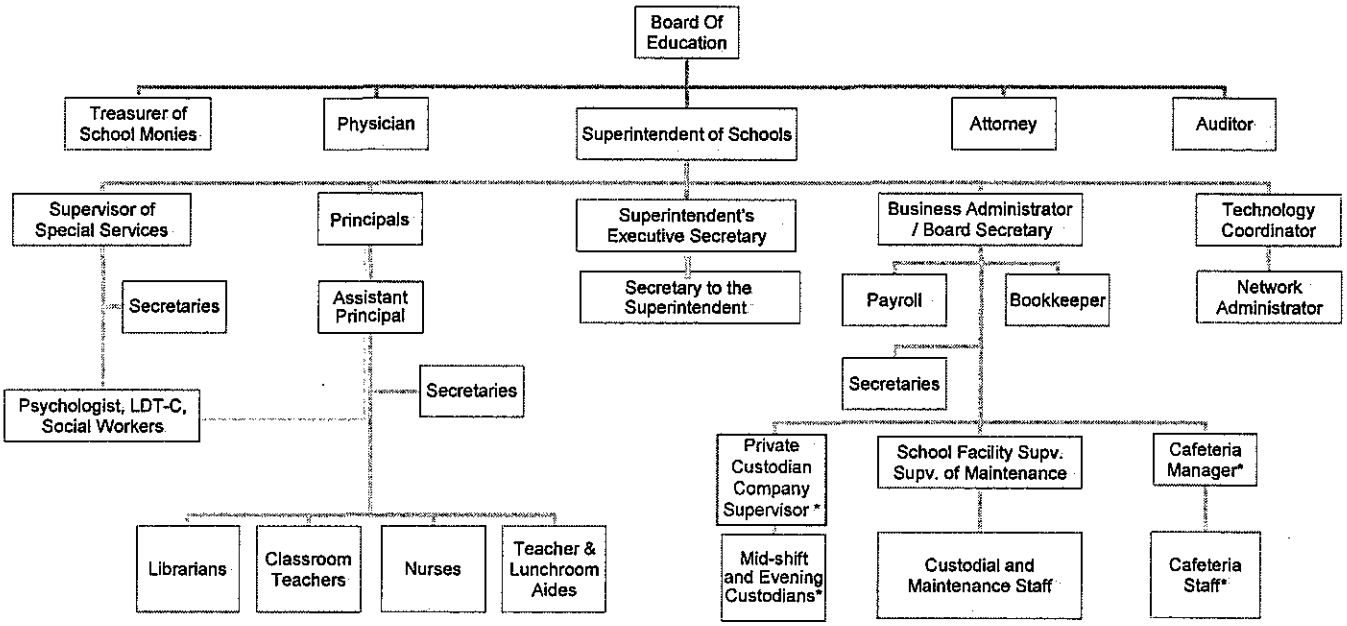
Lirca R. Garcia

Lirca R. Garcia
Business Administrator/Board Secretary

Hillsdale Board of Education
Hillsdale, New Jersey 07642-1726
Exhibit

Organization Chart

File Code: 2121



* Independent Contractor

BOROUGH OF HILLSDALE SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2014

Members of the Board of Education	Term Expires
James D. Hayden, Jr., President	2016
Maryann Martino, Vice President	2015
Kathleen E. O'Flynn	2015
Timothy R. Santo	2014
Krista Flinn	2014

Other Officials	Title
Richard A. Spirito	Superintendent of Schools
Lirca R. Garcia	Board Secretary/School Business Administrator
Kelly Ippolito	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

Capital One
Westwood Office
Westwood, NJ 07675

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

FINANCIAL SECTION

NISIVOCCIA LLP
Certified Public Accountants & Advisors

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 Fax

Independent Auditors' Report

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

Report on the Financial Statements

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 Borough of Hillsdale School District (the "District") in the County of Bergen, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Hillsdale School District, in the County of Bergen, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, which follows this report, and the budgetary comparison information in Exhibits C-1 through C-3 and I-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards, as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey's OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary schedules such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2014 on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Mount Arlington, New Jersey
September 5, 2014

NISIVOCCIA 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, 2014
(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, 2014. 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 (2013-2014) and the prior year (2012-2013) is required to be presented in the MD&A.

Financial Highlights

- The District's financial status improved during the fiscal year.
- Overall revenue was $23.3 million.
- Overall expenses were $22.3 million.
- Actual General Fund local revenue was $72,688 higher than expected.
- The District's outstanding long-term debt decreased due to the pay-down of $605,000 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

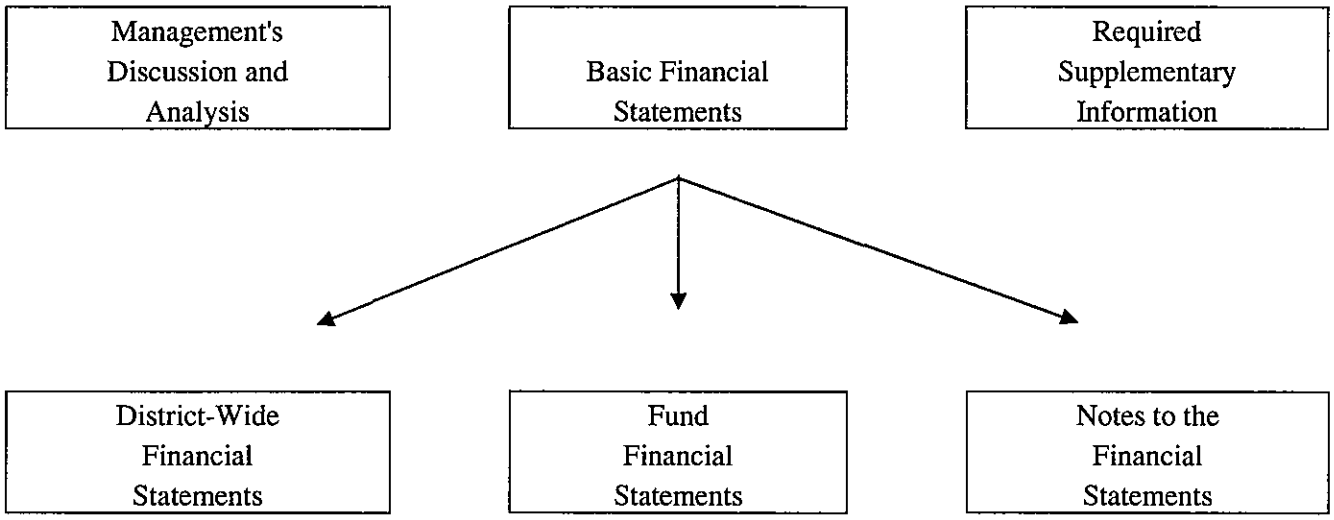


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents 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	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenue, expenditures, and changes in fund balances	• Statement of net position • Statement of revenue, expenses, changes in net position • Statement of cash flows	• Statement of fiduciary net position • Statement of changes in fiduciary net position
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 position includes all of the District's assets, deferred inflows and outflows 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 position* and how they have changed. Net position – the difference between the District's assets, deferred inflows and outflows and liabilities – is one way to measure the District's financial health or *position.*

- Over time, increases or decreases in the District's net position 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 is it 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 Position. The District's net position is 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 position for 2013/2014 is $459,728. This same amount is also factored in as an expense in the current year's financial statements. A second factor affecting the net position was the pay-down of long-term debt in the amount of $605,000 which decreased debt and increased net position.

Figure A-3
Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
Current and Other Assets	$ 3,455,466	$ 3,209,957	$ 82,891	$ 76,993	$ 3,538,357	$ 3,286,950	7.65%
Capital Assets, Net	14,897,427	14,757,011	31,820	35,798	14,929,247	14,792,809	0.92%
Total Assets	18,352,893	17,966,968	114,711	112,791	18,467,604	18,079,759	2.15%
Long-Term Debt Outstanding	5,706,879	6,382,297			5,706,879	6,382,297	-10.58%
Other Liabilities	388,577	306,252	16,105	12,891	404,682	319,143	26.80%
Total Liabilities	6,095,456	6,688,549	16,105	12,891	6,111,561	6,701,440	-8.80%
Net Position:							
Net Investment in Capital Assets	10,312,427	9,483,674	31,820	35,798	10,344,247	9,519,472	8.66%
Restricted	1,970,339	1,981,497			1,970,339	1,981,497	-0.56%
Unrestricted (Deficit)	(25,329)	(186,751)	66,786	64,102	41,457	(122,649)	133.80%
Total Net Position	$ 12,257,437	$ 11,278,420	$ 98,606	$ 99,900	$ 12,356,043	$ 11,378,320	8.59%

Changes in Net Position. The District's *combined* net position was $12,356,043 on June 30, 2014, $977,723 or 8.59% 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 position of the business-type activities decreased $1,294 (See Figure A-4).

Figure A-4
Changes in Net Position from Operating Results

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
Revenue:							
Program Revenue:							
Charges for Services			$ 222,363	$ 241,529	$ 222,363	$ 241,529	-7.94%
Grants and Contributions:							
Operating	$3,375,324	$3,559,896	71,674	72,658	3,446,998	3,632,554	-5.11%
General Revenue:							
Property Taxes	19,482,653	19,155,988			19,482,653	19,155,988	1.71%
Federal and State Aid Not Restricted	39,517	55,124			39,517	55,124	-28.31%
Other	95,244	412,945	419	400	95,663	413,345	-76.86%
Total Revenue	22,992,738	23,183,953	294,456	314,587	23,287,194	23,498,540	-0.90%
Expenses:							
Instruction	12,256,447	12,804,074			12,256,447	12,804,074	-4.28%
Pupil and Instruction Services	4,567,598	3,831,602			4,567,598	3,831,602	19.21%
Administrative and Business	2,072,418	2,062,518			2,072,418	2,062,518	0.48%
Maintenance and Operations	2,035,440	1,812,188			2,035,440	1,812,188	12.32%
Transportation	456,756	468,777			456,756	468,777	-2.56%
Other	625,062	668,004	295,750	293,915	920,812	961,919	-4.27%
Total Expenses	22,013,721	21,647,163	295,750	293,915	22,309,471	21,941,078	1.68%
Increase/(Decrease) in Net Position	$ 979,017	$1,536,790	$ (1,294)	$ 20,672	$ 977,723	$1,557,462	-37.22%

Revenue Sources. The District's total revenue for the 2013/2014 school year was $23,287,194 (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for $19,482,654 of the total, or 83.66% (See Figure A-5). Another 14.97% 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 2014

Sources of Income:	Amount	Percentage
Operating Grants and Contributions	$ 3,446,998	14.80%
Property Taxes	19,482,653	83.66%
Federal and State Unrestricted Aid	39,517	0.17%
Charges for Services	222,363	0.95%
Other	95,663	0.42%
	$ 23,287,194	100.00%

The total cost of all programs and services was $22,309,471. 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 9.29% of total costs.

Figure A-6
Expenses for Fiscal Year 2014

Expense Category:	Amount	Percentage
Instruction	$ 12,256,447	54.94%
Pupil and Instruction Services	4,567,598	20.47%
Administrative and Business	2,072,418	9.29%
Maintenance and Operations	2,035,440	9.12%
Transportation	456,756	2.05%
Other	920,812	4.13%
	$ 22,309,471	100.00%

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 saving items 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 expenses carefully. Increasing parental and student demands for new activities and programs must be evaluated thoroughly.

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	
	2013/2014	2012/2013	2013/2014	2012/2013
Instruction	$ 12,256,447	$ 12,804,074	$ 9,716,850	$ 9,800,599
Pupil and Instruction Services	4,567,598	3,831,602	3,852,298	3,414,010
Administrative and Business	2,072,418	2,062,518	1,989,515	1,949,648
Maintenance and Operations	2,035,440	1,812,188	2,035,440	1,812,188
Transportation	456,756	468,777	419,233	442,818
Other	625,062	668,004	625,062	668,004
	$ 22,013,721	$ 21,647,163	$ 18,638,398	$ 18,087,267

- The cost of all governmental activities this year was $22,013,721.
- The federal and state governments subsidized certain programs with grants and contributions ($3.41 million).
- Most of the District's costs were financed by District taxpayers.

Business-Type Activities

Net position from the District's business-type activity decreased $1,294 (Refer to Figure A-4). Factors contributing to these results included:

- Food services expenses exceeded revenues by $1,294, accounting for the entire decrease in the net position 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 increased significantly in tuition, related services and capital outlay despite the Districts 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 decrease, 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 2013/2014 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
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
Land	$ 4,748,166	$ 4,748,166			$ 4,748,166	$ 4,748,166	0.00%
Work in Progress	107,321				107,321		100.00%
Land and Improvements	23,184	25,932			23,184	25,932	-10.60%
Buildings and Building Improvements	9,837,828	9,826,079			9,837,828	9,826,079	0.12%
Machinery and Equipment	180,928	156,834	$ 31,820	$ 35,798	212,748	192,632	10.44%
Total Capital Assets	$ 14,897,427	$ 14,757,011	$ 31,820	$ 35,798	$ 14,929,247	$ 14,792,809	0.92%

The increase in capital assets is due to depreciation totaling $459,728 offsetting 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 $4,585,000 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
	2013/14	2012/13	2013/14
General Obligation Bonds (Financed with Property Taxes)	$ 4,585,000	$ 5,190,000	-11.66%
Obligations Under Capital Leases		83,338	-100.00%
Other Liabilities	1,121,879	1,108,959	1.17%
	$ 5,706,879	$ 6,382,297	-10.58%

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 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

Exhibit A-1

BOROUGH OF HILLSDALE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	$ 2,108,572	$ 74,130	$ 2,182,702
Receivables From State Government	177,266	442	177,708
Receivables From Federal Government	142,542	4,336	146,878
Receivables - Other	26,421		26,421
Inventory		3,983	3,983
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	1,000,665		1,000,665
Unamortized Bond Issuance Costs, Net			
Capital Assets, Net:			
Sites (Land)	4,748,166		4,748,166
Work in Progress	107,321		107,321
Depreciable Land Improvements Buildings and Building Improvements and Machinery and Equipment	10,041,940	31,820	10,073,760
Total Assets	18,352,893	114,711	18,467,604
LIABILITIES			
Current Liabilities:			
Accounts Payable - Vendors	21,735	16,105	37,840
Accrued Interest Payable	138,954		138,954
Payable to State Government	56,488		56,488
Unearned Revenue	171,400		171,400
Noncurrent Liabilities:			
Due Within One Year	639,643		639,643
Due Beyond One Year	5,067,236		5,067,236
Total Liabilities	6,095,456	16,105	6,111,561
NET POSITION			
Net Investment in Capital Assets	10,312,427	31,820	10,344,247
Restricted for:			
Capital Reserve	1,000,665		1,000,665
Debt Service	10,027		10,027
Other Purposes	959,647		959,647
Unrestricted (Deficit)	(25,329)	66,786	41,457
Total Net Position	$ 12,257,437	$ 98,606	$ 12,356,043

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 FISCAL YEAR ENDED JUNE 30, 2014

		Program Revenues		Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
Instruction:						
Regular	$ 9,504,701		$ 1,245,107	$ (8,259,594)		$ (8,259,594)
Special Education	2,358,597		1,222,968	(1,135,629)		(1,135,629)
Other Special Instruction	282,164		33,673	(248,491)		(248,491)
Other Instruction	110,985		37,848	(73,137)		(73,137)
Support Services:						
Tuition	1,117,640		669,277	(448,363)		(448,363)
Student & Instruction Related Services	3,426,546		46,024	(3,380,522)		(3,380,522)
General Administrative Services	496,940			(496,940)		(496,940)
School Administrative Services	961,813		82,903	(878,910)		(878,910)
Central Services	467,903			(467,903)		(467,903)
Administration Information Technology	145,762			(145,762)		(145,762)
Plant Operations and Maintenance	2,035,440			(2,035,440)		(2,035,440)
Pupil Transportation	456,756		37,524	(419,232)		(419,232)
Special Schools	23,412			(23,412)		(23,412)
Capital Outlay	117,656			(117,656)		(117,656)
Interest on Long-Term Debt	160,953			(160,953)		(160,953)
Unallocated Depreciation	346,453			(346,453)		(346,453)
Total Governmental Activities	22,013,721		3,375,324	(18,638,398)		(18,638,398)

BOROUGH OF HILLSDALE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

		Program Revenues		Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Business-Type Activities:						
Food Service	$ 295,750	$ 222,363	$ 71,674		$ (1,713)	$ (1,713)
Total Business-Type Activities	295,750	222,363	71,674		(1,713)	(1,713)
Total Primary Government	$ 22,309,471	$ 222,363	$ 3,446,998	$ (18,638,398)	(1,713)	(18,640,111)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				18,716,186		18,716,186
Taxes Levied for Debt Service				766,468		766,468
Federal and State Aid not Restricted				39,517		39,517
Interest and Miscellaneous Income				95,244	419	95,663
Total General Revenues				19,617,415	419	19,617,834
Change in Net Position				979,017	(1,294)	977,723
Net Position - Beginning				11,278,420	99,900	11,378,320
Net Position - Ending				$ 12,257,437	$ 98,606	$ 12,356,043

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

FUND FINANCIAL STATEMENTS

Exhibit B-1

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	$ 2,060,612	$ 37,933		$ 10,027	$ 2,108,572
Interfund Receivables	26,002				26,002
Receivables From State Government	142,542				142,542
Receivables From Federal Government		177,266			177,266
Receivables - Other		419			419
Restricted Cash and Cash Equivalents	1,000,665				1,000,665
Total Assets	$ 3,229,821	$ 215,618	$ -0-	$ 10,027	$ 3,455,466
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable - Vendors	$ 21,735				$ 21,735
Payable to State Government		$ 56,488			56,488
Unearned Revenue	12,270	159,130			171,400
Total Liabilities	34,005	215,618			249,623
Fund Balances:					
Restricted for:					
Capital Reserve Account	1,000,665				1,000,665
Excess Surplus	398,790				398,790
Excess Surplus - For Subsequent Year's Expenditures	560,857				560,857
Debt Service				$ 10,027	10,027
Assigned:					
Encumbrances	912,811				912,811
Unassigned	322,693				322,693
Total Fund Balances	3,195,816			10,027	3,205,843
Total Liabilities and Fund Balances	$ 3,229,821	$ 215,618	$ -0-	$ 10,027	

Amounts Reported for Governmental Activities in the Statement of Net Position (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 $27,238,022 and the accumulated depreciation is $12,340,595.	14,897,427
Interest on Long-Term Debt is not Accrued in the Governmental Funds, but rather is recognized as an expenditure when due.	(138,954)
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.	(5,706,879)
Net Position of Governmental Activities	$ 12,257,437

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 FISCAL YEAR ENDED JUNE 30, 2014

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local Sources:					
Local Tax Levy	$ 18,716,186			$ 766,468	$ 19,482,654
Tuition	63,496				63,496
Miscellaneous	95,242		$ 3		95,245
Total - Local Sources	18,874,924		3	766,468	19,641,395
State Sources	2,621,819	$ 194,473		5,341	2,821,633
Federal Sources		416,929			416,929
Total Revenues	21,496,743	611,402	3	771,809	22,879,957
EXPENDITURES					
Current:					
Regular Instruction	6,873,450				6,873,450
Special Education Instruction	1,590,953	374,628			1,965,581
Other Special Instruction	197,723				197,723
Other Instruction	84,530				84,530
Support Services and Undistributed Costs:					
Tuition	511,859	236,774			748,633
Student & Instruction Related Services	2,918,460				2,918,460
General Administrative Services	441,756				441,756
School Administrative Services	714,191				714,191
Central Services	337,922				337,922
Administration Information Technology	133,071				133,071
Plant Operations and Maintenance	1,883,900				1,883,900
Pupil Transportation	437,422				437,422
Unallocated Benefits	4,481,223				4,481,223

BOROUGH OF HILLSDALE SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES					
Debt Service:					
Principal				$ 605,000	$ 605,000
Interest and Other Charges				166,814	166,814
Special Schools	$ 19,136				19,136
Capital Outlay	713,822				713,822
Total Expenditures	21,339,418	$ 611,402		771,814	22,722,634
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	157,325	-0-	$ 3	(5)	157,323
OTHER FINANCING SOURCES/(USES)					
Transfers In	3				3
Transfers Out			(3)		(3)
Total Other Financing Sources/(Uses)	3	-0-	(3)		
Net Change in Fund Balances	157,328			(5)	157,323
Fund Balance—July 1	3,038,488			10,032	3,048,520
Fund Balance—June 30	$ 3,195,816	$ -0-	$ -0-	$ 10,027	$ 3,205,843

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

Exhibit B-3

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 FISCAL YEAR ENDED JUNE 30, 2014

Total Net Change in Fund Balances - Governmental Funds (from B-2)		$ 157,323
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	$ (455,750)	
Capital outlays	596,166	140,416
Repayment of debt service principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.		605,000
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 (+).		5,860
Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.		83,338
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 (+).		(12,920)
Change in Net Position of Governmental Activities		$ 979,017

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

Exhibit B-4

BOROUGH OF HILLSDALE SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2014

ASSETS:	
Current Assets:	
Cash and Cash Equivalents	$ 74,130
Accounts Receivable:	
Federal	4,336
State	442
Inventories	3,983
Total Current Assets	82,891
Non- Current Assets:	
Capital Assets:	
Capital Assets	39,776
Less: Accumulated Depreciation	(7,956)
Total Non- Current Assets	31,820
Total Assets	114,711
LIABILITIES:	
Current Liabilities:	
Accounts Payable-Vendors	16,105
Total Liabilities	16,105
NET POSITION:	
Net Investment in Capital Assets	31,820
Unrestricted	66,786
Total Net Position	$ 98,606

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

Exhibit B-5

BOROUGH OF HILLSDALE SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Operating Revenue:	
Charges for Services:	
Daily Sales:	
School Lunch Program	$ 220,466
Special Events	1,897
Total Operating Revenue	222,363
Operating Expenses:	
Cost of Sales	129,310
Salaries, Benefits and Payroll Taxes	124,128
Supplies and Materials	23,363
Miscellaneous Expenses	14,971
Depreciation Expense	3,978
Total Operating Expenses	295,750
Operating (Loss)	(73,387)
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	54,479
Food Distribution Program	13,643
State Sources:	
School Lunch Program	3,552
Local Sources:	
Interest Revenue	419
Total Non-Operating Revenue	72,093
Change in Net Position	(1,294)
Net Position - Beginning of Year	99,900
Net Position - End of Year	$ 98,606

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

Exhibit B-6

BOROUGH OF HILLSDALE SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Cash Flows from Operating Activities:		
Receipts from Customers	$	223,465
Payments to Food Service Vendor		(257,607)
Payments to Suppliers		(19,385)
Net Cash (Used for) Operating Activities		(53,527)
Cash Flows from Investing Activities:		
Interest Revenue		419
Net Cash Provided by Investing Activities		419
Cash Flows from Noncapital Financing Activities:		
Federal Sources		53,608
State Sources		3,321
Net Cash Provided by Noncapital Financing Activities		56,929
Net Increase in Cash and Cash Equivalents		3,821
Cash and Cash Equivalents, July 1		70,309
Cash and Cash Equivalents, June 31	$	74,130

Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities:		
Operating (Loss)	$	(73,387)
Adjustment to Reconcile Operating (Loss) to Cash (Used for) Operating Activities:		
Depreciation		3,978
Federal Food Distribution Program		13,643
Changes in Assets and Liabilities:		
Decrease/(Increase) in Inventories		(975)
Increase/(Decrease) in Accounts Payable		3,214
Net Cash (Used for) Operating Activities	$	(53,527)

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized commodities from the Federal Food Distribution Program valued at $13,643 for the fiscal year ended June 30, 2014.

Exhibit B-7

BOROUGH OF HILLSDALE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2014

	Agency	Unemployment Compensation Trust	Flexible Spending Trust
ASSETS:			
Cash and Cash Equivalents	$ 99,946	$ 59,525	$ 875
Total Assets	99,946	59,525	875
LIABILITIES:			
Accounts Payable - Vendors	8,440		
Interfund Payable	26,002		
Due to Student Groups	65,504		
Total Liabilities	99,946	-0-	-0-
NET POSITION:			
Held in Trust for Unemployment Claims and Other Purposes		59,525	875
Total Net Position	$ -0-	$ 59,525	$ 875

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

Exhibit B-8

BOROUGH OF HILLSDALE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Unemployment Compensation Trust	Flexible Spending Trust
ADDITIONS:		
Contributions:		
Board Contribution		$ 2,925
Plan Member	$ 7,891	
Investment Earnings:		
Interest	384	
Total Additions	8,275	2,925
DEDUCTIONS:		
Quarterly Contribution Reports	42,777	
Flex Spending Claims		2,250
Change in Net Position	(34,502)	675
Net Position - Beginning of the Year	94,027	200
Net Position - End of the Year	$ 59,525	$ 875

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, 2014

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, and a resulting financial benefit or burden relationship, 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 position 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, 2014
(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 financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of 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, Unemployment Compensation Insurance Trust Fund and Flexible Spending Trust

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(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 position 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.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(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 budget for the fiscal year ended June 30, 2014 was submitted to the County office and was approved by a vote of the Board of Education. 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). Budget amendments during the year ended June 30, 2014 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	$ 21,505,400	$ 724,185
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that Encumbrances are Recognized as Expenditures, and the related Revenue is Recognized.		(112,783)
State Aid Payment Recognized for GAAP Statements, not Recognized for Budgetary Purposes	68,233	
State Aid Payment Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(76,890)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	$ 21,496,743	$ 611,402

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(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	$ 21,339,418	$ 724,185
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.	.	(112,783)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 21,339,418	$ 611,402

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, 2014
(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 position, 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 unearned 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, 2014.

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, 2014
(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:

	Estimated Useful Life
Buildings and Building Improvements	30 years
Land Improvements	20 years
Machinery and Equipment	10 to 15 years
Computer and Related Technology	5 years
Vehicles	8 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures in the governmental fund upon acquisition. Capital 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 position, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. 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, 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, 2014.

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, 2014
(Continued)

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

N. Compensated Absences: (Cont'd)

In the District-wide Statement of Net Position, 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. Unearned Revenue:

Unearned 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 $3,195,816 General Fund fund balance at June 30, 2014, $912,811 is assigned for encumbrances; $1,000,665 is restricted in the capital reserve account; $560,857 is prior year excess surplus and has been appropriated and included as anticipated revenue for the year ended June 30, 2015; $398,790 is restricted as current year excess surplus and will be appropriated and included as anticipated revenue for the fiscal year ended June 30, 2016; and $322,693 is unassigned which is $76,890 less than calculated unassigned fund balance on a GAAP basis, due to the last two June state aid payments, which are not recognized until the fiscal year ended June 30, 2015.

Debt Service Fund: The Debt Service Fund fund balance at June 30, 2014 is $10,027; which is restricted and $163 of this amount has been appropriated and included as anticipated revenue for the year ended June 30, 2015.

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 $959,647 at June 30, 2014.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by $76,890 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 those 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, 2014
(Continued)

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

Q. Fund Balance Restrictions, Commitments and Assignments:

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 debt service.

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 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, 2014.

R. Deficit Fund Balances/Net Position

The District has no deficit fund balances as of June 30, 2014, but does have a deficit in unrestricted net position for governmental activities of $25,329. This deficit is not an indication that the District is facing financial difficulties and is a permitted practice by generally accepted accounting principles.

S. Net Position:

The District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, during the prior fiscal year. This statement defines net position as the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. This Statement provides guidance for reporting net position within a framework that includes deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities.

The District implemented GASB No. 65, *Items Previously Reported as Assets and Liabilities,* during the prior fiscal year. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

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

S. Net Position: (Cont'd)

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had no deferred inflows or outflows of resources at June 30, 2014.

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

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

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.

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 below.

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:

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

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

Deposits: (Cont'd)

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;

(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.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

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

As of June 30, 2014, cash and cash equivalents of the District consisted of the following:

	Unrestricted	Restricted	Total
Checking Accounts	$ 2,328,755	$ 1,000,665	$ 3,329,420
State of New Jersey Cash Management Fund	14,293		14,293
	$ 2,343,048	$ 1,000,665	$ 3,343,713

During the period ended June 30, 2014, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2014 was $3,343,713 and the bank balance was $4,001,220. The $14,293 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 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, 2014 is as follows:

Beginning Balance, July 1, 2013	$1,194,374
Interest Earnings	4,356
Increase per Board Resolution	600,000
Budgeted Withdrawals	(112,437)
Transfers to Capital Outlay per Board Resolutions	(685,628)
Ending Balance, June 30, 2014	$1,000,665

The June 30, 2014 Capital Reserve Account balance does not exceed the local support costs of uncompleted capital projects in the District's Long Range Facilities Plan ("LRFP"). The withdrawals from capital reserve account were for use in DOE approved facilities projects, consistent with the District's Long Range Facilities Plan.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

NOTE 5: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2014, the District made a County Superintendent approved transfer to the capital outlay accounts.

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2014 were as follows:

	Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	$ 4,748,166			$ 4,748,166
Work in Progress		$ 107,321		107,321
Total Capital Assets Not Being Depreciated	4,748,166	107,321		4,855,487
Capital Assets Being Depreciated:				
Land Improvements	27,482			27,482
Buildings and Building Improvements	18,894,945	366,938		19,261,883
Machinery and Equipment	2,971,263	121,907		3,093,170
Total Capital Assets Being Depreciated	21,893,690	488,845		22,382,535
Governmental Activities Capital Assets	26,641,856	596,166		27,238,022
Less Accumulated Depreciation for:				
Land Improvements	(1,550)	(2,748)		(4,298)
Buildings and Building Improvements	(9,068,866)	(355,189)		(9,424,055)
Machinery and Equipment	(2,814,429)	(97,813)		(2,912,242)
	(11,884,845)	(455,750)		(12,340,595)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	$14,757,011	$ 140,416	$ -0-	$14,897,427
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	$ 39,776			$ 39,776
Less Accumulated Depreciation	(3,978)	$ (3,978)		(7,956)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	$ 35,798	$ (3,978)	$ - 0 -	$ 31,820

The District is currently installing a new telephone system, for which $107,321 was paid in in the current year. The District also encumbered $425,818 for the new telephone system which will be added to the capital asset records in the 2014/2015 school year.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

NOTE 6. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	$ 18,234
Administrative Services	40,227
Plant Operations and Maintenance	36,714
Pupil Transportation	14,122
Unallocated	346,453
	$ 455,750

NOTE 7. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2014, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance 6/30/2013	Added	Retired	Balance 6/30/2014
Serial Bonds Payable	$ 5,190,000		$ 605,000	$ 4,585,000
Compensated Absences Payable	1,108,959	$ 25,946	13,026	1,121,879
Capital Leases Payable	83,338		83,338	
	$ 6,382,297	$ 25,946	$ 701,364	$ 5,706,879

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.

The District had bonds outstanding as of June 30, 2014 as follows:

Final Maturity	Interest Rate	Amount
06/15/2017	3.30%	$ 770,000
07/15/2023	3.00%-4.00%	3,815,000
		$4,585,000

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

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

A. Bonds Payable: (Cont'd)

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	$ 595,000	$ 313,948	$ 908,948
2016	605,000	279,662	884,662
2017	595,000	244,438	839,438
2018	370,000	208,788	578,788
2019	385,000	179,788	564,788
Thereafter:			
2020-2024	2,035,000	408,411	2,443,411

B. Bonds Authorized But Not Issued:

As of June 30, 2014, the Board had no bonds authorized but not issued.

C. Capital Leases Payable:

The District entered into a capital lease to purchase computer technology equipment in a prior year. The capital lease was for a term of three years and was retired through the General Fund at June 30, 2014.

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 $1,074,674. The current portion of this liability is $47,205.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2014, no liability existed for compensated absences in the Food Service Fund.

The compensated absence payable will be liquidated through the General Fund.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(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; or the Defined Contribution Retirement Program (DCRP). 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 non-contribution employers. The PERS is also considered a cost-sharing, multiple-employer plan. Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. As a general rule, all full-time employees are eligible to join one of the two public employees' retirement systems. However, if an employee is ineligible to enroll in the PERS or the TPAF, the employee may be eligible to enroll in the DCRP.

Employees who are members of PERS and TPAF and retire at a specified age 55 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 credible service. Vesting occurs after 8 to 10 years of service. The DCRP provides eligible members with a tax- sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

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. For PERS and TPAF, the contribution rate was 6.64% effective July 1, 2012 and increased to 6.78% effective July 1, 2013. Increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018. 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. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

District contributions to PERS amounted to $170,219, $177,161 and $211,447 or the fiscal years ended June 30, 2014, 2013 and 2012, respectively.

During the fiscal years ended 2014, 2013 and 2012, the State of New Jersey contributed $390,617, $604,499 and $299,247 to the TPAF for pension benefits on behalf of the District.

The employer contributions to DCRP for fiscal year 2014, 2013 and 2012 were $12,804, $10,734 and $6,030, respectively. The employee contributions to DCRP for fiscal year 2014, 2013 and 2012 were $29,372, $19,680 and $11,055.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

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, 2013, there were 100,134 retirees eligible for post-retirement medical benefits, and the State contributed $1.07 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of the post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126 which provides employer paid benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid $173.8 million toward Chapter 126 benefits for 17,356 eligible retired members in Fiscal Year 2013.

The State's on behalf Post-Retirement Medical Contributions to TPAF for the District amounted to $640,465, $683,535 and $662,984 for 2014, 2013 and 2012 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.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

Property, Liability and Health Benefits (Cont'd)

Selected, summarized financial information for the Group as of June 30, 2013 is as follows:

Total Assets	$	24,179,041
Net Position	$	15,231,428
Total Revenue	$	12,618,670
Total Expenses	$	10,031,344
Change in Net Position	$	2,587,326
Member Dividends	$	1,200,000

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.

Fiscal Year	District Contributions	Interest Earned	Employee Contributions	Amount Reimbursed	Ending Balance
2013-2014	$ -0-	$ 384	$ 7,891	$ 42,777	$ 59,525
2012-2013	-0-	470	18,215	22,944	94,027
2011-2012	-0-	424	17,393	42,697	98,286

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

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, 2014:

Fund	Interfund Receivable	Interfund Payable
General Fund	$ 26,002	
Fiduciary Fund		$ 26,002
	$ 26,002	$ 26,002

The interfund receivable in General Fund and the interfund payable in the Fiduciary Fund represents the balance of Payroll Agency due to General Fund.

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:

AXA Equitable
Lincoln Investment
MetLife Resources

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.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

NOTE 15. COMMITTMENTS AND CONTINGENCIES

Litigation

The Board is periodically involved in claims or lawsuits arising in the normal course of business, including claim's 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.

Grant Programs

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, 2014, there were encumbrances as detailed below in the governmental funds. All of the governmental funds are considered to be major funds.

Governmental Funds		
General Fund	Special Revenue Fund	Total
$912,811	$149,869	$ 1,062,680

On the District's Governmental Funds Balance Sheet as of June 30, 2014, $-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is $149,869 less than the actual year-end encumbrances on a budgetary basis. On the GAAP basis, encumbrances are not recognized and are reflected as either a reduction in grants receivables or an increase in unearned revenue.

BUDGETARY COMPARISON SCHEDULES

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	$ 18,716,186		$ 18,716,186	$ 18,716,186	
Tuition	28,000		28,000	63,496	$ 35,496
Transportation Fees from Individuals	18,000		18,000	27,475	9,475
Interest Earned on Capital Reserve Funds	50		50	4,357	4,307
Miscellaneous	40,000		40,000	63,410	23,410
Total - Local Sources	18,802,236		18,802,236	18,874,924	72,688
State Sources:					
Extraordinary Special Education Costs Aid	134,266		134,266	96,776	(37,490)
Categorical Special Education Aid	715,195		715,195	715,195	
Equalization Aid	12,167		12,167	12,167	
Categorical Security Aid	20,423		20,423	20,423	
Categorical Transportation Aid	31,235		31,235	31,235	
Other State Aid	23,739		23,739	23,739	
Nonpublic School Transportation Costs				7,268	7,268
TPAF Pension Payments (On-Behalf - Non-Budgeted)				390,617	390,617
TPAF Post Retirement Benefits (On-Behalf - Non-Budgeted)				640,465	640,465
TPAF Social Security (Reimbursed - Non-Budgeted)				692,591	692,591
Total State Sources	937,025		937,025	2,630,476	1,693,451
TOTAL REVENUES	19,739,261		19,739,261	21,505,400	1,766,139

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	$ 459,417	$ (4,584)	$ 454,833	$ 452,194	$ 2,639
Grades 1-5 - Salaries of Teachers	2,864,639	(166,323)	2,698,316	2,695,570	2,746
Grades 6-8 - Salaries of Teachers	2,832,715	(42,226)	2,790,489	2,775,843	14,646
Regular Programs - Home Instruction:					
Salaries of Teachers	3,000	2,900	5,900	5,625	275
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	589,363	(11,404)	577,959	575,420	2,539
Purchased Professional - Educational Services	15,000		15,000	3,358	11,642
Other Purchased Services (400-500 series)	101,000	(14,427)	86,573	86,373	200
General Supplies	191,287	8,143	199,430	183,203	16,227
Textbooks	111,165	(11,418)	99,747	69,536	30,211
Other Objects	38,175		38,175	26,328	11,847
Total Regular Programs - Instruction	7,205,761	(239,339)	6,966,422	6,873,450	92,972
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	161,605	(7,961)	153,644	128,519	25,125
Other Salaries for Instruction	71,264	8,974	80,238	80,238	
Total Learning and/or Language Disabilities	232,869	1,013	233,882	208,757	25,125
Resource Room/Resource Center:					
Salaries of Teachers	1,139,226	(14,113)	1,125,113	1,108,156	16,957
Total Resource Room/Resource Center	1,139,226	(14,113)	1,125,113	1,108,156	16,957
Auditory Impairments:					
Other Purchased Services (400-500 series)	85,927	(57,526)	28,401	22,499	5,902
Total Auditory Impairments	85,927	(57,526)	28,401	22,499	5,902

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Preschool Disabilities - Part-time:					
Salaries of Teachers	$ 115,497	$ 46,762	$ 162,259	$ 162,257	$ 2
Other Salaries for Instruction	71,515	14,442	85,957	85,904	53
General Supplies	2,097	1,570	3,667	3,380	287
Total Preschool Disabilities - Part-time	189,109	62,774	251,883	251,541	342
Total Special Education Instruction	1,647,131	(7,852)	1,639,279	1,590,953	48,326
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	62,827	57,199	120,026	119,461	565
General Supplies	500		500		500
Total Basic Skills/Remedial - Instruction	63,327	57,199	120,526	119,461	1,065
Bilingual Education - Instruction:					
Salaries of Teachers	78,942		78,942	78,262	680
General Supplies	600		600		600
Total Bilingual Education - Instruction	79,542		79,542	78,262	1,280
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	62,896		62,896	33,135	29,761
Supplies and Materials	4,000	(1,030)	2,970	2,279	691
Total School-Sponsored Cocurricular Activities - Instruction	66,896	(1,030)	65,866	35,414	30,452

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	$ 37,101		$ 37,101	$ 30,638	$ 6,463
Purchased Services (300-500 series)	4,480		4,480	4,200	280
Supplies and Materials	2,500	$ 1,502	4,002	3,446	556
Total School-Sponsored Cocurricular Athletics - Instruction	44,081	1,502	45,583	38,284	7,299
Community Service Programs:					
Salaries	6,838	12,957	19,795	10,832	8,963
Total Community Service Programs	6,838	12,957	19,795	10,832	8,963
Total Instruction	9,113,576	(176,563)	8,937,013	8,746,656	190,357
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	134,829	57,514	192,343	191,306	1,037
Tuition to County Special Services Schools and Regional Day School	15,156	29,351	44,507	44,507	
Tuition to Private Schools for the Disabled - Within the State	311,355	(70,249)	241,106	227,231	13,875
Other Tuition	53,452	(4,636)	48,816	48,815	1
Total Undistributed Expenditures - Instruction:	514,792	11,980	526,772	511,859	14,913
Attendance and Social Work Services:					
Salaries	23,621		23,621	22,409	1,212
Purchased Professional and Technical Services	5,150	2,450	7,600	7,600	
Total Attendance and Social Work Services	28,771	2,450	31,221	30,009	1,212

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Health Services:					
Salaries	$ 215,611	$ 6,782	$ 222,393	$ 220,723	$ 1,670
Purchased Professional and Technical Services	10,300		10,300	8,452	1,848
Supplies and Materials	9,546	7,407	16,953	13,083	3,870
Total Health Services	235,457	14,189	249,646	242,258	7,388
Speech, OT, PT and Related Services:					
Salaries	231,670	77,655	309,325	308,425	900
Purchased Professional - Educational Services	18,765	31,763	50,528	50,238	290
Supplies and Materials	500		500	337	163
Total Speech, OT, PT and Related Services	250,935	109,418	360,353	359,000	1,353
Other Support Services - Students - Extraordinary Services:					
Purchased Professional - Educational Services	279,108	(43,399)	235,709	197,783	37,926
Total Other Support Services - Students - Extraordinary Services	279,108	(43,399)	235,709	197,783	37,926
Guidance:					
Salaries of Other Professional Staff	376,549		376,549	375,353	1,196
Salaries of Secretarial and Clerical Assistants	71,055		71,055	68,604	2,451
Total Guidance	447,604		447,604	443,957	3,647

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Child Study Teams:					
Salaries of Other Professional Staff	$ 570,821	$ (794)	$ 570,027	$ 554,338	$ 15,689
Salaries of Secretarial and Clerical Assistants	85,743	794	86,537	85,887	650
Purchased Professional - Educational Services	246,438	(30,009)	216,429	198,187	18,242
Purchased Professional and Technical Services	27,280	20,770	48,050	42,710	5,340
Supplies and Materials	10,289		10,289	6,537	3,752
Other Objects	9,943		9,943	9,124	819
Total Child Study Teams	950,514	(9,239)	941,275	896,783	44,492
Improvement of Instructional Services:					
Salaries of Supervisors of Instruction		96,000	96,000	94,999	1,001
Salaries of Other Professional Staff	66,000	8,200	74,200	67,376	6,824
Other Purchased Services	22,507	820	23,327	17,161	6,166
Supplies and Materials	3,352	3,680	7,032		7,032
Total Improvement of Instructional Services	91,859	108,700	200,559	179,536	21,023
Educational Media Services/School Library:					
Salaries	234,240	7,089	241,329	240,439	890
Salaries of Technology Coordinators	85,000		85,000	85,000	
Purchased Professional and Technical Services	8,800	(933)	7,867	7,027	840
Other Purchased Services	1,400		1,400	746	654
Supplies and Materials	12,900	875	13,775	12,275	1,500
Other Objects	208,531	(6,158)	202,373	191,052	11,321
Total Educational Media Services/School Library	550,871	873	551,744	536,539	15,205

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Instructional Staff Training Services:					
Purchased Professional - Educational Services	$ 42,500		$ 42,500	$ 24,595	$ 17,905
Other Objects	8,000		8,000	8,000	
Total Instructional Staff Training Services	50,500		50,500	32,595	17,905
Support Services - General Administration:					
Salaries	247,271		247,271	247,007	264
Legal Services	53,267		53,267	20,232	33,035
Audit Fees	35,175		35,175	33,175	2,000
Architectural/Engineering Services	35,000	$ (20,000)	15,000	5,257	9,743
Other Purchased Professional Services	22,675		22,675	4,000	18,675
Communications/Telephone	169,945		169,945	97,512	72,433
BOE Other Purchased Services	4,000		4,000	2,025	1,975
Other Purchased Services (400-500 series)	12,000		12,000	10,893	1,107
General Supplies	10,878		10,878	7,354	3,524
BOE In- House Training/Meeting Supplies	3,500		3,500	602	2,898
Miscellaneous Expenditures	9,470		9,470	4,456	5,014
BOE Membership Dues and Fees	10,500		10,500	9,243	1,257
Total Support Services - General Administration	613,681	(20,000)	593,681	441,756	151,925
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	501,410	(67,358)	434,052	433,101	951
Salaries of Secretarial and Clerical Assistants	199,022	75,719	274,741	272,962	1,779
Other Purchased Services (400-500 series)	8,400	(1,670)	6,730	3,497	3,233
Supplies and Materials	8,700		8,700	4,631	4,069
Total Support Services - School Administration	717,532	6,691	724,223	714,191	10,032

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Central Services:					
Salaries	$ 310,057	$ 3,700	$ 313,757	$ 307,837	$ 5,920
Purchased Technical Services	12,685	(3,700)	8,985	6,375	2,610
Miscellaneous Purchased Services (400-500 series)	15,652	(1,947)	13,705	3,590	10,115
Supplies and Materials	18,242	2,200	20,442	18,146	2,296
Miscellaneous Expenditures	9,000	(1,313)	7,687	1,974	5,713
Total Central Services	365,636	(1,060)	364,576	337,922	26,654
Administration Information Technology:					
Salaries	49,939		49,939	49,939	
Purchased Technical Services	82,481	1,060	83,541	83,132	409
Total Administration Information Technology	132,420	1,060	133,480	133,071	409
Required Maintenance of School Facilities:					
Salaries	115,702		115,702	115,702	
Cleaning, Repair and Maintenance Services	152,952	78,078	231,030	193,096	37,934
General Supplies	43,437	3,354	46,791	34,771	12,020
Total Required Maintenance of School Facilities	312,091	81,432	393,523	343,569	49,954

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Custodial Services:					
Salaries	$ 292,613	$ 13,212	$ 305,825	$ 290,713	$ 15,112
Salaries of Non-Instructional Aides	110,000	(4,005)	105,995	101,627	4,368
Purchased Professional and Technical Services	8,761	(1,165)	7,596	5,510	2,086
Cleaning, Repair and Maintenance Services	571,397	33,779	605,176	573,929	31,247
Insurance	136,500	(28,110)	108,390	108,390	
General Supplies	88,231	8,401	96,632	95,470	1,162
Energy (Natural Gas)	243,861	(10,006)	233,855	115,451	118,404
Energy (Electricity)	303,020	731	303,751	225,515	78,236
Energy (Gasoline)	12,925	(2,957)	9,968	9,910	58
Other Objects	15,711	530	16,241	13,816	2,425
Total Custodial Services	1,783,019	10,410	1,793,429	1,540,331	253,098
Student Transportation Services:					
Salaries for Pupil Transportation:					
Between Home and School - Regular	28,766	(339)	28,427	23,332	5,095
Contracted Services:					
Between Home and School - Vendors	171,542	341	171,883	170,627	1,256
Other Than Between Home and School - Vendors	20,841	(2,896)	17,945	16,373	1,572
Special Education Students - Joint Agreements	247,832	(37,348)	210,484	186,698	23,786
Aid in Lieu Payments-Nonpublic Students	36,000	2,896	38,896	38,896	
Supplies and Materials	839	657	1,496	1,496	
Total Student Transportation Services	505,820	(36,689)	469,131	437,422	31,709

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Unallocated Benefits:					
Social Security Contributions	$ 229,000		$ 229,000	$ 220,913	$ 8,087
Other Retirement Contributions - PERS	232,748	$ (19,720)	213,028	170,219	42,809
Other Retirement Contributions - Regular	15,000		15,000	12,804	2,196
Workmen's Compensation	124,750	(25,000)	99,750	99,404	346
Health Benefits	2,719,081	(108,860)	2,610,221	2,199,221	411,000
Other Employee Benefits	22,305	34,803	57,108	54,989	2,119
Total Unallocated Benefits	3,342,884	(118,777)	3,224,107	2,757,550	466,557
On-Behalf Contributions:					
TPAF Pension Payments (On-Behalf - Non-Budgeted)				390,617	(390,617)
TPAF Post Retirement Benefits (On-Behalf - Non-Budgeted)				640,465	(640,465)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				692,591	(692,591)
Total On-Behalf Contributions				1,723,673	(1,723,673)
Total Personal Services - Employee Benefits	3,342,884	(118,777)	3,224,107	4,481,223	(1,257,116)
Total Undistributed Expenses	11,173,494	118,039	11,291,533	11,859,804	(568,271)
TOTAL GENERAL CURRENT EXPENSE	20,287,070	(58,524)	20,228,546	20,606,460	(377,914)

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CAPITAL OUTLAY					
Equipment:					
Regular Programs - Instruction:					
Grades 1-5		$ 6,800	$ 6,800	$ 6,800	
Grades 6-8		3,000	3,000	3,000	
Undistributed Expenditures:					
Equipment	$ 66,268	99,655	165,923	87,787	$ 78,136
Required Maintenance for School Facilities		24,467	24,467	24,320	147
Total Equipment	66,268	133,922	200,190	121,907	78,283
Facilities Acquisition and Construction Services:					
Architectural/Engineering Services		193,220	193,220	80,668	112,552
Other Purchased Professional and Technical Services	314,720	(103,220)	211,500	127,793	83,707
Construction Services	290,400	530,298	820,698	361,821	458,877
Assessment for Debt Service on SDA Funding	33,357	(10,069)	23,288	21,633	1,655
Total Facilities Acquisition and Construction Services	638,477	610,229	1,248,706	591,915	656,791
TOTAL CAPITAL OUTLAY	704,745	744,151	1,448,896	713,822	735,074
SPECIAL SCHOOLS:					
Summer School - Instruction:					
Salaries of Teachers	14,000	(369)	13,631	9,768	3,863
Other Salaries for Instruction	9,000	369	9,369	9,368	1
Total Summer School - Instruction	23,000		23,000	19,136	3,864
TOTAL SPECIAL SCHOOLS	23,000		23,000	19,136	3,864
TOTAL EXPENDITURES	21,014,815	685,627	21,700,442	21,339,418	361,024
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(1,275,554)	(685,627)	(1,961,181)	165,982	2,127,163

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Other Financing Sources:					
Operating Transfer In:					
Interest Earned in Capital Projects Fund				$ 3	$ 3
Total Other Financing Sources				3	3
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures	$ (1,275,554)	$ (685,627)	$ (1,961,181)	165,985	2,127,166
Fund Balance, July 1	3,106,721		3,106,721	3,106,721	
Fund Balance, June 30	$ 1,831,167	$ (685,627)	$ 1,145,540	$ 3,272,706	$ 2,127,166

Recapitulation:	
Restricted for Excess Surplus	$ 398,790
Restricted for Excess Surplus - Designated for Subsequent Year's Expenditures	560,857
Capital Reserve	1,000,665
Assigned:	
Year End Encumbrances	912,811
Unassigned Fund Balance	399,583
	3,272,706
Reconciliation to Governmental Fund Statement (GAAP):	
Last State Aid Payments not Recognized on GAAP Basis	(76,890)
Fund Balance per Governmental Funds (GAAP)	$ 3,195,816

Exhibit C-2

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources		$ 147,984	$ 147,984	$ 134,978	$ (13,006)
State Sources		407,345	407,345	198,735	(208,610)
Federal Sources	$ 241,942	172,390	414,332	390,472	(23,860)
Total Revenues	241,942	727,719	969,661	724,185	(245,476)
EXPENDITURES:					
Instruction:					
Personal Services - Salaries		29,657	29,657	29,657	
Purchased Professional and Technical Services		28,562	28,562	18,899	9,663
Tuition	241,942	(5,168)	236,774	236,774	
General Supplies		41,172	41,172	41,080	92
Textbooks		20,843	20,843	20,467	376
Other Objects		8,360	8,360	8,301	59
Total Instruction	241,942	123,426	365,368	355,178	10,190
Support Services:					
Personal Services - Employee Benefits					
Purchased Professional and Technical Services		453,707	453,707	91,155	362,552
Other Purchased Services				140,310	(140,310)
Supplies and Materials		2,601	2,601	2,564	37
Other Objects		147,985	147,985	134,978	13,007
Total Support Services		604,293	604,293	369,007	235,286
Total Expenditures	241,942	727,719	969,661	724,185	245,476
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-

Exhibit C-3
1 of 2

BOROUGH OF HILLSDALE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

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	$ 21,505,400	$ 724,185
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that Encumbrances are Recognized as Expenditures, and the related Revenue is Recognized.		(112,783)
State Aid Payment Recognized for GAAP Statements, not Recognized for Budgetary Purposes	68,233	
State Aid Payment Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(76,890)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	$ 21,496,743	$ 611,402
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	$ 21,339,418	$ 724,185
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.		(112,783)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 21,339,418	$ 611,402

BOROUGH OF HILLSDALE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ending June 30, 2014, was submitted to the County office and was approved by a vote of the Board of Education. 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, 2014

	No Child Left Behind			IDEA
	Title I	Title II A	Title III	Part B Basic
REVENUE:				
Local Sources				
State Sources				
Federal Sources	$ 27,499	$ 32,480	$ 2,659	$ 301,861
Total Revenue	27,499	32,480	2,659	301,861
EXPENDITURES:				
Instruction:				
Salaries				
Purchased Professional and Technical Services	8,000	10,899		
Tuition				236,774
General Supplies	19,499	21,581		
Textbooks				
Other Objects				
Total Instruction	27,499	32,480		236,774
Support Services:				
Purchased Professional & Technical Services			95	65,087
Other Purchased Services				
Supplies and Materials			2,564	
Other Objects				
Total Support Services			2,659	65,087
Total Expenditures	$ 27,499	$ 32,480	$ 2,659	$ 301,861

BOROUGH OF HILLSDALE SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	IDEA	Nonpublic Auxiliary Services (Chapter 192)		Nonpublic Handicapped Services (Chapter 193)	
	Preschool	Compensatory Education	ESL	Supplementary Instruction	Examination and Classification
REVENUE:					
Local Sources					
State Sources		$ 55,896	$ 698	$ 24,631	$ 30,259
Federal Sources	$ 25,973				
Total Revenue		55,896	698	24,631	30,259
EXPENDITURES:					
Instruction:					
Salaries					
Purchased Professional and Technical Services					
Tuition					
General Supplies					
Textbooks					
Other Objects					
Total Instruction					
Support Services:					
Purchased Professional & Technical Services	25,973				
Other Purchased Services		55,896	698	24,631	30,259
Supplies and Materials					
Other Objects					
Total Support Services	25,973	55,896	698	24,631	30,259
Total Expenditures	$ 25,973	$ 55,896	$ 698	$ 24,631	$ 30,259

BOROUGH OF HILLSDALE SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Nonpublic Handicapped Services (Chapter 193) Corrective Speech	Nonpublic			Local Grants
		Technology	Textbook	Nursing	
REVENUE:					
Local Sources					$ 134,978
State Sources	$ 28,826	$ 7,541	$ 20,467	$ 30,417	
Federal Sources					
Total Revenue	28,826	7,541	20,467	30,417	134,978
EXPENDITURES:					
Instruction:					
Salaries				29,657	
Purchased Professional and Technical Services					
Tuition					
General Supplies					
Textbooks			20,467		
Other Objects		7,541		760	
Total Instruction		7,541	20,467	30,417	
Support Services:					
Purchased Professional & Technical Services					
Other Purchased Services	28,826				
Supplies and Materials					
Other Objects					134,978
Total Support Services	28,826				134,978
Total Expenditures	$ 28,826	$ 7,541	$ 20,467	$ 30,417	$ 134,978

BOROUGH OF HILLSDALE SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Totals June 30, 2014
REVENUE:	
Local Sources	$ 134,978
State Sources	198,735
Federal Sources	390,472
Total Revenue	724,185
EXPENDITURES:	
Instruction:	
Salaries	29,657
Purchased Professional and Technical Services	18,899
Tuition	236,774
General Supplies	41,080
Textbooks	20,467
Other Objects	8,301
Total Instruction	355,178
Support Services:	
Purchased Professional & Technical Services	91,155
Other Purchased Services	140,310
Supplies and Materials	2,564
Other Objects	134,978
Total Support Services	369,007
Total Expenditures	$ 724,185

CAPITAL PROJECTS FUND

Exhibit F-1

BOROUGH OF HILLSDALE SCHOOL DISTRICT
SUMMARY SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGETARY BASIS
AND PROJECT STATUS - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Revenue and Other Financing Sources:	
Interest Revenue	$ 3
Total Revenue and Other Financing Sources	3
Expenditures and Other Financing Uses:	
Operating Transfers Out:	
General Fund - Interest Earned	3
Total Expenditures and Other Financing Uses	3
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	-0-
Fund Balance - Beginning	-0-
Fund Balance - Ending	$ -0-

PROPRIETARY FUNDS

Exhibit G-1

BOROUGH OF HILLSDALE SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2014

ASSETS:	
Current Assets:	
Cash and Cash Equivalents	$ 74,130
Accounts Receivable:	
Federal	4,336
State	442
Inventories	3,983
Total Current Assets	82,891
Non- Current Assets:	
Capital Assets:	
Capital Assets Net of Accumulated Depreciation	31,820
Total Non- Current Assets	31,820
Total Assets	114,711
LIABILITIES:	
Current Liabilities:	
Accounts Payable-Vendors	16,105
Total Liabilities	16,105
NET POSITION:	
Net Investment in Capital Assets	31,820
Unrestricted	66,786
Total Net Position	$ 98,606

Exhibit G-2

BOROUGH OF HILLSDALE SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Operating Revenue:		
Charges for Services:		
Daily Sales:		
School Lunch Program	$	220,466
Special Events		1,897
Total Operating Revenue		222,363
Operating Expenses:		
Cost of Sales		129,310
Salaries, Benefits and Payroll Taxes		124,128
Supplies and Materials		23,363
Miscellaneous Expenses		14,971
Depreciation Expense		3,978
Total Operating Expenses		295,750
Operating (Loss)		(73,387)
Non-Operating Revenue:		
Federal Sources:		
National School Lunch Program		54,479
Food Distribution Program		13,643
State Sources:		
School Lunch Program		3,552
Local Sources:		
Interest Revenue		419
Total Non-Operating Revenue		72,093
Change in Net Position		(1,294)
Net Position - Beginning of Year		99,900
Net Position - End of Year	$	98,606

Exhibit G-3

BOROUGH OF HILLSDALE SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Cash Flows from Operating Activities:		
Receipts from Customers	$	223,465
Payments to Food Service Vendor		(257,607)
Payments to Suppliers		(19,385)
Net Cash (Used for) Operating Activities		(53,527)
Cash Flows from Investing Activities:		
` Interest Revenue		419
Net Cash Provided by Investing Activities		419
Cash Flows from Noncapital Financing Activities:		
Federal Sources		53,608
State Sources		3,321
Net Cash Provided by Noncapital Financing Activities		56,929
Net (Increase) in Cash and Cash Equivalents		3,821
Cash and Cash Equivalents, July 1		70,309
Cash and Cash Equivalents, June 31	$	74,130

Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities:		
Operating (Loss)	$	(73,387)
Adjustment to Reconcile Operating (Loss) to Cash (Used for) Operating Activities:		
Depreciation		3,978
Federal Food Distribution Program		13,643
Changes in Assets and Liabilities:		
Decrease/(Increase) in Inventories		(975)
Increase/(Decrease) in Accounts Payable		3,214
Net Cash (Used for) Operating Activities	$	(53,527)

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized commodities from the Federal Food Distribution Program valued at $13,643 for the fiscal year ended June 30, 2014.

FIDUCIARY FUNDS

Exhibit H-1

BOROUGH OF HILLSDALE SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2014

	Agency			Unemployment Compensation Trust	Flexible Spending Trust
	Student Activity	Payroll	Total		
ASSETS:					
Cash and Cash Equivalents	$ 73,944	26,002	$ 99,946	$ 59,525	$ 875
Total Assets	73,944	$ 26,002	99,946	59,525	875
LIABILITIES:					
Accounts Payable-Vendors	8,440		8,440		
Interfund Payable - General Fund		26,002	26,002		
Due to Student Groups	65,504		65,504		
Total Liabilities	73,944	26,002	99,946	-0-	-0-
NET ASSETS:					
Held in Trust for Unemployment Claims and Other Purposes				59,525	875
Total Net Position	$ -0-	$ -0-	$ -0-	$ 59,525	$ 875

Exhibit H-2

BOROUGH OF HILLSDALE SCHOOL DISTRICT
FIDUCIARY FUND
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Unemployment Compensation Trust	Flexible Spending Trust
ADDITIONS:		
Contributions:		
Employee Contribution		$ 2,925
Plan member	$ 7,891	
Total Contributions	7,891	2,925
Investment Earnings:		
Interest	384	
Total Additions	8,275	2,925
DEDUCTIONS:		
Quarterly Contribution Reports	42,777	
Flex Spending Claims		2,250
Total Deductions	42,777	2,250
Change in Net Position	(34,502)	675
Net Position - Beginning of the Year	94,027	200
Net Position - End of the Year	$ 59,525	$ 875

Exhibit H-3

BOROUGH OF HILLSDALE SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
ASSETS:				
Cash and Cash Equivalents	$ 54,061	$ 160,205	$ 140,322	$ 73,944
Total Assets	54,061	160,205	140,322	73,944
LIABILITIES:				
Accounts Payable		8,440		8,440
Due to Student Groups	54,061	151,765	140,322	65,504
Total Liabilities	$ 54,061	$ 160,205	$ 140,322	$ 73,944

Exhibit H-4

BOROUGH OF HILLSDALE SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Balance July 1, 2013	Cash Receipts	Cash Disbursements	Balance June 30, 2014
Elementary Schools:				
Ann B. Smith	$ 25	$ 880	$ 880	$ 25
Meadowbrook	1,582	8,775	8,472	1,885
George G. White	52,454	142,110	130,970	63,594
Total All Schools	$ 54,061	$ 151,765	$ 140,322	$ 65,504

Exhibit H-5

BOROUGH OF HILLSDALE SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
ASSETS:				
Cash and Cash Equivalents		$ 13,377,349	$ 13,351,347	$ 26,002
Total Assets	$ -0-	$ 13,377,349	$ 13,351,347	$ 26,002
LIABILITIES:				
Payroll Deductions and Withholdings		$ 5,637,838	$ 5,637,838	
Net Payroll		7,713,509	7,713,509	
Interfund Payable - General Fund		26,002		$ 26,002
Total Liabilities	$ -0-	$ 13,377,349	$ 13,351,347	$ 26,002

LONG-TERM DEBT

Exhibit I-1

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding June 30, 2014 Date	Amount	Interest Rate	Balance June 30, 2013	Retired or Matured	Balance June 30, 2014
Various School Improvements	07/15/03	$ 6,554,000				$ 330,000	$ 330,000	
Refunding Bonds of 1997	04/30/08	2,340,000	06/15/15	$ 270,000	3.300%			
			06/15/16	260,000	3.300%			
			06/15/17	240,000	3.300%	1,045,000	275,000	$ 770,000
Refunding Bonds of 2012	12/4/2012	3,815,000	07/15/14	325,000	3.000%			
			07/15/15	345,000	3.000%			
			07/15/16	355,000	3.000%			
			07/15/17	370,000	3.000%			
			07/15/18	385,000	3.000%			
			07/15/19	400,000	3.000%			
			07/15/20	420,000	3.000%			
			07/15/21	425,000	4.000%			
			07/15/22	425,000	4.000%			
			07/15/23	365,000	4.000%			
						3,815,000		3,815,000
						$ 5,190,000	$ 605,000	$ 4,585,000

Exhibit I-2

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

Item	Interest Rate	Original Issue	Balance July 1, 2013	Matured	Balance June 30, 2014
Technology Equipment	2.68%	$ 250,000	$ 83,338	$ 83,338	$ - 0 -
			$ 83,338	$ 83,338	$ -0-

Exhibit I-3

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	$ 766,468		$ 766,468	$ 766,468	
State Sources:					
Debt Service Aid Type II	5,341		5,341	5,341	
Total Revenues	771,809		771,809	771,809	
EXPENDITURES:					
Regular Debt Service:					
Interest	166,977		166,977	166,814	$ 163
Redemption of Principal	605,000		605,000	605,000	
Total Regular Debt Service	771,977		771,977	771,814	163
Total Expenditures	771,977		771,977	771,814	163
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(168)		(168)	(5)	163
Fund Balance, July 1	10,032		10,032	10,032	
Fund Balance, June 30	$ 9,864	$ -0-	$ 9,864	$ 10,027	$ 163

Recapitulation:

Restricted - For Subsequent Year's Expenditures	$ 163
Restricted - Other Purposes	9,864
	$ 10,027

STATISTICAL SECTION

Exhibit J-1

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

	June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities:										
Net Investment in Capital Assets	$ 7,002,560	$ 7,322,686	$ 7,481,403	$ 7,635,267	$ 7,767,828	$ 8,126,571	$ 8,413,381	$ 8,922,103	$ 9,483,673	$ 10,312,427
Restricted	688,948	318,080	279,867	247,312	669,398	588,636	907,016	1,575,041	1,981,497	1,970,339
Unrestricted/(Deficit)	(257,157)	(402,219)	(594,052)	(779,166)	(782,254)	(669,819)	(727,755)	(755,515)	(186,751)	(25,329)
Total Governmental Activities Net Position	$ 7,434,351	$ 7,238,547	$ 7,167,218	$ 7,103,413	$ 7,654,972	$ 8,045,388	$ 8,592,642	$ 9,741,629	$ 11,278,419	$ 12,257,437
Business-Type Activities:										
Net Investment in Capital Assets									$ 35,798	$ 31,820
Unrestricted	$ 28,804	$ 18,557	$ 23,348	$ 26,252	$ 30,234	$ 40,321	$ 58,306	$ 79,228	64,102	66,786
Total Business-Type Activities Net Position	$ 28,804	$ 18,557	$ 23,348	$ 26,252	$ 30,234	$ 40,321	$ 58,306	$ 79,228	$ 99,900	$ 98,606
District-Wide:										
Net Investment in Capital Assets	$ 7,002,560	$ 7,322,686	$ 7,481,403	$ 7,635,267	$ 7,767,828	$ 8,126,571	$ 8,413,381	$ 8,922,103	$ 9,519,471	$ 10,344,247
Restricted	688,948	318,080	279,867	247,312	669,398	588,636	907,016	1,575,041	1,981,497	1,970,339
Unrestricted/(Deficit)	(228,353)	(383,662)	(570,704)	(752,914)	(752,020)	(629,498)	(669,449)	(676,287)	(122,649)	41,457
Total District Net Position	$ 7,463,155	$ 7,257,104	$ 7,190,566	$ 7,129,665	$ 7,685,206	$ 8,085,709	$ 8,650,948	$ 9,820,857	$ 11,378,319	$ 12,356,043

Source: School District Financial Reports.

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

	Fiscal Year Ending June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
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	$ 9,541,595	$ 9,793,799	$ 9,504,701
Special Education	1,551,047	1,655,335	1,871,608	1,848,989	1,976,393	2,349,600	2,307,783	2,483,404	2,627,118	2,358,597
Other Special Instruction	201,542	215,189	201,255	199,601	217,540	168,290	205,686	203,890	213,159	282,164
Other Instruction	95,991	90,704	97,768	105,015	125,772	158,344	161,495	165,441	169,998	110,985
Support Services:										
Tuition	304,839	340,316	380,048	407,636	492,509	392,903	516,478	658,318	723,776	1,117,640
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	3,107,714	3,082,801	3,426,546
General Administrative Services	464,291	523,221	513,197	542,644	527,099	557,121	547,326	456,380	487,398	496,940
School Administrative Services	677,178	785,612	928,040	886,048	823,198	872,231	947,395	927,761	1,004,647	961,813
Central Services	388,113	373,021	371,233	392,166	383,728	411,104	445,344	418,417	447,184	467,903
Administration Information Technology	56,904	60,561	60,111	90,238	127,848	145,161	123,015	134,255	123,289	145,762
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	1,757,798	1,812,188	2,035,440
Pupil Transportation	463,755	478,541	543,406	555,981	610,966	595,009	546,936	421,176	468,777	456,756
Special Schools		5,720	4,823	9,082	8,891	7,202	7,500	5,542	25,025	23,412
Capital Outlay						150,363	11,075	15,763	70,066	117,656
Interest on Long-term Debt	467,246	332,349	373,450	391,372	305,831	278,492	257,666	243,304	259,439	160,953
Unallocated Depreciation	398,299	398,299	318,134	318,222	319,693	319,830	319,830	319,830	338,499	346,453
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	20,860,588	21,647,163	22,013,721
Business-Type Activities:										
Food Service	243,205	258,338	251,596	283,296	268,493	271,037	309,133	319,070	293,915	295,750
Total Business-Type Activities Expenses	243,205	258,338	251,596	283,296	268,493	271,037	309,133	319,070	293,915	295,750
Total District Expenses	16,673,689	17,720,907	19,457,701	20,276,465	19,553,442	20,921,135	20,682,393	21,179,658	21,941,078	22,309,471
Program Revenues:										
Governmental Activities:										
Charges for Services:										
Tuition	78,494	45,386	90,001				79,930	332,466	364,850	669,277
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	2,777,634	3,195,046	2,706,047
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	3,110,100	3,559,896	3,375,324

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

	Fiscal Year Ending June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
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	$ 252,942	$ 241,529	$ 222,363
Operating Grants and Contributions	49,872	49,222	53,262	61,122	60,364	69,401	74,018	86,646	72,658	71,674
Total Business-Type Activities Revenues	235,935	246,550	254,924	285,151	271,905	280,680	326,399	339,588	314,187	294,037
Total District Program Revenues	4,789,233	2,996,504	3,695,292	3,693,482	3,196,076	3,790,835	2,620,750	3,449,688	3,874,083	3,669,361
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)	(17,750,488)	(18,087,267)	(18,638,397)
Business-Type Activities	(7,270)	(11,788)	3,328	1,855	3,412	9,643	17,266	20,518	20,272	(1,713)
Total District Net (Expense)/Revenue	(11,884,456)	(14,724,403)	(15,762,409)	(16,582,983)	(16,357,366)	(17,130,300)	(18,061,643)	(17,729,970)	(18,066,995)	(18,640,110)
General Revenues and Other Changes in Net Position:										
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	18,000,000	18,354,600	18,716,186
Taxes Levied for Debt Service	569,317	789,474	810,828	817,672	756,611	786,863	747,305	795,506	801,388	766,468
Unrestricted Grants and Contributions	219,584	222,509	261,424	363,760	243,490	213,533	190,801	33,050	55,124	39,517
Interest and Miscellaneous Income	118,198	85,267	79,510	99,249	62,270	45,998	31,207	126,513	352,945	95,244
Debt Service Contribution									60,000	
Total Governmental Activities	13,976,769	14,516,811	15,694,408	16,521,033	16,912,337	17,530,359	18,626,163	18,955,069	19,624,057	19,617,415
Business-Type Activities:										
Investment Earnings	1,242	1,541	1,463	1,049	570	444	719	404	400	419
Total Business-Type Activities	1,242	1,541	1,463	1,049	570	444	719	404	400	419
Total District	13,978,011	14,518,352	15,695,871	16,522,082	16,912,907	17,530,803	18,626,882	18,955,473	19,624,457	19,617,834
Change in Net Position:										
Governmental Activities	2,099,583	(195,804)	(71,329)	(63,805)	551,559	390,416	547,254	1,204,581	1,536,790	979,017
Business-Type Activities	(6,028)	(10,247)	4,791	2,904	3,982	10,087	17,985	20,922	20,672	(1,294)
Total District	$ 2,093,555	$ (206,051)	$ (66,538)	$ (60,901)	$ 555,541	$ 400,503	$ 565,239	$ 1,225,503	$ 1,557,462	$ 977,723

Source: School District Financial Reports.

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

	June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund:										
Reserved/Restricted	$ 350,052	$ 188,974	$ 155,124	$ 243,759	$ 351,909	$ 535,387	$ 906,856	$ 967,963	$ 1,971,465	$ 1,960,312
Assigned								787,059	759,369	912,811
Unreserved/Unassigned	589,612	331,695	157,398	110,578	183,492	339,424	358,950	335,378	307,654	322,693
Total General Fund	$ 939,664	$ 520,669	$ 312,522	$ 354,337	$ 535,401	$ 874,811	$ 1,265,806	$ 2,090,400	$ 3,038,488	$ 3,195,816
All Other Governmental Funds:										
Reserved/Restricted	$ 126,411				$ 257,020	$ 6,585	$ 160	$ 262	$ 10,032	$ 10,027
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	$ 262	$ 10,032	$ 10,027

Source: School District Financial Reports.

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

	Fiscal Year Ending June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues:										
Tax Levy	$ 13,638,987	$ 14,209,035	$ 15,353,474	$ 16,058,024	$ 16,606,577	$ 17,270,828	$ 18,404,155	$ 18,795,506	$ 19,155,988	$ 19,482,654
Tuition Charges	78,494	45,386	90,001	48,210	33,849	58,544	79,930	73,528	74,466	63,496
Miscellaneous	118,198	86,767	82,666	105,512	67,677	50,463	41,635	130,960	68,780	230,223
State Sources	4,339,670	2,548,476	3,144,056	3,286,636	2,664,303	2,857,034	1,952,968	2,581,855	3,123,355	2,825,895
Federal Sources	354,718	377,101	464,579	430,982	464,102	803,645	441,826	483,320	411,372	390,472
Total Revenues	18,530,067	17,266,765	19,134,776	19,929,364	19,836,508	21,040,514	20,920,514	22,065,169	22,833,961	22,992,740
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	6,813,723	6,987,423	6,873,450
Special Education Instruction	1,243,270	1,301,475	1,380,097	1,364,059	1,561,224	1,886,180	1,755,788	1,889,936	1,934,693	1,709,357
Other Special Instruction	150,855	157,881	148,983	148,776	172,883	133,520	145,780	143,986	147,227	197,723
Other Instruction	73,572	67,903	71,548	75,220	88,073	111,295	118,810	121,489	120,739	84,530
Support Services:										
Tuition	304,839	340,316	380,048	407,636	492,509	392,903	516,478	658,318	723,776	1,117,640
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	2,603,889	2,537,006	2,918,460
General Administrative Services	419,409	475,196	457,909	486,625	475,177	496,832	467,255	411,962	434,825	441,756
School Administrative Services	525,709	600,878	635,232	626,942	638,908	669,795	696,932	723,611	733,341	714,191
Central Services	324,627	299,184	294,596	303,346	303,307	322,300	334,949	334,878	340,558	337,922
Administration Information Technology	56,904	60,561	60,111	90,238	115,594	131,002	110,474	123,555	109,117	133,071
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	1,625,424	1,681,216	1,883,900
Pupil Transportation	448,618	463,472	525,411	536,765	592,701	576,259	527,000	407,054	454,655	437,422
Unallocated Benefits	2,896,652	3,225,706	4,125,697	4,259,776	3,270,607	3,676,519	4,151,182	4,235,374	4,657,670	4,481,223
Special Schools		4,829	4,823	7,500	7,500	6,000	6,000	4,500	20,490	19,136
Capital Outlay	3,675,325	338,670	90,992	35,057	203,252	327,945	94,795	591,802	294,443	713,822
Debt Service:										
Principal	180,000	420,000	440,000	460,000	495,000	525,000	545,000	570,000	590,000	605,000
Interest and Other Charges	396,194	407,544	377,727	388,302	311,010	268,019	249,863	230,972	199,916	166,814
Total Expenditures	19,911,005	17,891,187	19,342,923	19,857,865	19,697,965	20,965,344	20,582,608	21,490,473	21,967,095	22,835,417
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,380,938)	(624,422)	(208,147)	71,499	138,543	75,170	337,906	574,696	866,866	157,323

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

	Fiscal Year Ending June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Other Financing Sources (Uses)										
Transfers In	$ 36,912	$ 10,791	$ 7,968	$ 41,459	$ 83,685	$ 448	$ 3	$ 3	$ 4	$ 3
Transfers Out	(36,912)	(10,791)	(7,968)	(41,459)	(83,685)	(448)	(3)	(3)	(4)	(3)
Refunded Bond Issued									3,815,000	
Bonds Defeased									(4,074,000)	
Bond Premium									421,311	
Bond Issuance Cost									(75,688)	
Deferred Interest									(153,824)	
Debt Service Contribution									60,000	
Insurance Reimbursement									98,193	
Capital Lease (Non-Budgeted)					275,381			250,000		
Total Other Financing Sources (Uses)	-0-	-0-	-0-	-0-	275,381	-0-	-0-	250,000	90,992	-0-
Net Change in Fund Balances	$ (1,380,938)	$ (624,422)	$ (208,147)	$ 71,499	$ 413,924	$ 75,170	$ 337,906	$ 824,696	$ 957,858	$ 157,323
Debt Service as a Percentage of Noncapital Expenditures	3.7 %	4.9 %	4.4 %	4.5 %	4.3 %	4.0 %	4.0 %	3.9 %	3.8 %	3.6 %

Source: School District Financial Reports.

Exhibit J-5

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

Fiscal Year Ending June 30,	Interest on Investments	Tuition	Transportation Fees	Other	Total
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
2012	8,579	73,528	$ 32,100	85,831	200,038
2013	9,998	74,466	18,440	34,511	137,415
2014	11,190	63,496	27,475	56,577	158,738

Source: Borough of Hillsdale School District records.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN 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	0.91	2,058,164,361
2011	15,864,900	1,816,573,400	745,000	13,100	108,901,100	13,747,600	1,995,300	1,957,840,400	153,960,400	8,579,677	1,966,420,077	0.95	1,952,438,002
2012	15,382,100	1,809,213,560	745,000	13,100	106,992,800	13,747,600	1,995,300	1,948,089,460	153,491,400	8,428,811	1,956,518,271	0.97	1,893,124,566
2013 *	11,462,800	1,543,338,400	676,200	12,200	97,389,700	12,029,100	4,959,700	1,669,868,100	140,637,400	6,484,341	1,676,352,441	0.97	1,760,985,490

* 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.

Source: Municipal Tax Assessor

Exhibit J-7

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

	Borough of Hillsdale School District Direct Rate			Overlapping Rates			
Year Ended December 31,	Basic Rate [a]	General Obligation Debt Service [b]	Total Direct	Borough of Hillsdale	Pascack Valley Regional High School District	Bergen County	Total Direct and Overlapping Tax Rate
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
2011	0.91	0.04	0.95	0.43	0.53	0.21	2.11
2012	0.93	0.04	0.97	0.44	0.54	0.21	2.16
2013	0.93	0.04	0.97	0.53	0.83	0.24	2.57

* 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 TAXPAYERS, CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

	2014			2005	
Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value	Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value
New Creek LLC	$ 11,522,700	0.69 %	Prima II LLC	$ 4,631,100	0.55 %
Cross Roads - Hillsdale Association LLC	9,126,400	0.54 %	Cuzon Associaties	4,414,300	0.52 %
New Jersey Bell	5,466,941	0.33 %	U.S.A Waste Transfer of NJ Inc.	3,732,500	0.44 %
Edgewood Country Club, Inc.	3,069,400	0.18 %	New Jersey Bell	3,716,487	0.44 %
Pavonia Equities, LP	3,008,100	0.18 %	New Jersey Bell	2,297,100	0.27 %
Marsala Enterprises	2,651,000	0.16 %	Jack Ely Real Estate LLC	1,652,300	0.19 %
Golden Orchard Associaties, LP	2,621,200	0.16 %	R&L Investors	1,580,000	0.19 %
100 Park Ave Associates, LLC	2,560,000	0.15 %	Bank of America	1,242,200	0.15 %
Bank of America	2,200,000	0.13 %	Edgewood Country Club, Inc.	1,239,400	0.15 %
North Bergen County Corp.	1,907,100	0.11 %	Hiller & Skoglund Land Associates	1,225,700	0.14 %
Total	$ 44,132,841	2.63 %	Total	$ 25,731,087	3.04 %

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

Source: Municipal Tax Assessor

Exhibit J-9

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	
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-
2012	18,795,506	18,795,506	100.00 %	-0-
2013	19,155,988	19,155,988	100.00 %	-0-
2014	19,482,654	19,482,654	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 TEN FISCAL YEARS
UNAUDITED

	Governmental Activities				Business -Type Activities			
Fiscal Year Ended June 30,	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District	Percentage of Personal Income [a]	Per Capita [a]
2005	$ 9,447,000	$ -0-	$ 6,000	$ -0-	$ -0-	$ 9,453,000	1.74 %	$ 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	1.47 %	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	1.17 %	801.37
2010	7,154,000	-0-	125,702	-0-	-0-	7,279,702	1.17 %	739.43
2011	6,609,000	-0-	63,847	-0-	-0-	6,672,847	1.00 %	652.22
2012	6,039,000	-0-	164,502	-0-	-0-	6,203,502	0.91 %	603.10
2013	5,190,000	-0-	83,338	-0-	-0-	5,273,338	0.73 %	509.70
2014	4,585,000	-0-	-0-	-0-	-0-	4,585,000	0.63 %	439.85

[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.

Source: School District Financial Reports.

Exhibit J-11

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property [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 %	645.98
2012	6,039,000	-0-	6,039,000	0.31 %	587.11
2013	5,190,000	-0-	5,190,000	0.27 %	501.64
2014	4,585,000	-0-	4,585,000	0.27 %	439.85

[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.

Source: School District Financial Reports.

Exhibit J-12

BOROUGH OF HILLSDALE SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2014
UNAUDITED

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable [a]	Estimated Share of Overlapping Debt
Debt Repaid with Property Taxes:			
Borough of Hillsdale	$ 3,947,596	100.00 %	$ 3,947,596
Bergen County General Obligation Debt	849,429,739	1.07 %	9,065,166.39
Subtotal, Overlapping Debt			13,012,762
Borough of Hillsdale School District Direct Debt			4,585,000
Total Direct and Overlapping Debt			$ 17,597,762

[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.

Exhibit J-13

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

Legal Debt Margin Calculation for Fiscal Year 2014

Year Ended December 31,	Equalized Valuation Basis
2011	$ 1,890,172,234
2012	1,835,742,047
2013	1,802,729,245
	$ 5,528,643,526
Average Equalized Valuation of Taxable Property	$ 1,842,881,175
Debt Limit (3% of Average Equalization Value)[a]	$ 55,286,435
Net Bonded School Debt @ June 30, 2014	4,585,000
Legal Debt Margin	$ 50,701,435

	Fiscal Year				
	2005	2006	2007	2008	2009
Debt Limit	$ 41,016,568	$ 46,165,343	$ 51,873,953	$ 56,400,822	$ 59,461,845
Total Net Debt Applicable to Limit	9,447,000	9,027,000	9,059,000	8,092,924	7,679,000
Legal Debt Margin	$ 31,569,568	$ 37,138,343	$ 42,814,953	$ 48,307,898	$ 51,782,845
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	23.03 %	19.55 %	17.46 %	14.35 %	12.91 %

	Fiscal Year				
	2010	2011	2012	2013	2014
Debt Limit	$ 60,432,379	$ 60,432,379	$ 58,586,075	$ 56,674,630	$ 55,286,435
Total Net Debt Applicable to Limit	7,154,000	7,154,000	6,039,000	5,190,000	4,585,000
Legal Debt Margin	$ 53,278,379	$ 53,278,379	$ 52,547,075	$ 51,484,630	$ 50,701,435
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	11.84 %	11.84 %	10.31 %	9.16 %	8.29 %

[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.

Exhibit J-14

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

Year	Population [a]	Personal Income (thousands of dollars) [b]	Bergen County Per Capita Personal Income [c]	Unemployment Rate [d]
2004	10,002	$ 544,728,924	$ 54,462	3.70 %
2005	9,928	562,977,168	56,706	2.60 %
2006	9,848	617,607,472	62,714	2.70 %
2007	9,812	661,269,928	67,394	2.40 %
2008	9,814	669,579,778	68,227	3.20 %
2009	9,845	622,184,310	63,198	5.80%
2010	10,231	669,987,266	65,486	5.90%
2011	10,286	679,863,456	66,096	5.80%
2012	10,346	723,381,974	69,919	5.90%
2013	10,424	728,835,656	69,919 **	6.20%

** Latest Bergen County per capita personal income available (2012) 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

NOT AVAIBABLE

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 TEN FISCAL YEARS
UNAUDITED

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Instruction:										
Regular	86.20	89.70	92.00	111.00	111.00	111.00	87.10	87.10	87.15	87.15
Special Education	49.77	51.37	56.29	62.00	63.00	63.00	47.20	49.20	53.00	53.00
Support Services:										
Student & Instruction Related Services	14.50	17.30	17.30	17.30	17.30	17.30	22.80	22.80	25.74	25.74
General Administrative Services	2.00	2.00	2.00	2.00	2.00	2.00	3.60	3.60	2.50	2.50
School Administrative Services	7.00	8.00	8.00	8.00	8.50	8.50	7.80	7.80	8.00	8.00
Central Services	4.50	4.50	4.50	4.50	4.50	4.50	6.00	6.00	6.00	6.00
Plant Operations and Maintenance	28.00	34.50	34.50	33.00	18.50	18.50	9.93	9.93	10.30	10.30
Total	191.97	207.37	214.59	237.80	224.80	224.80	184.43	186.43	192.69	192.69

Source: District Personnel Records.

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

Fiscal Year	Enrollment	Operating Expenditures [a]	Cost Per Pupil	Percentage Change	Teaching Staff [b]	Pupil/Teacher Ratio Elementary Meadowbrook	Pupil/Teacher Ratio Elementary Smith	Pupil/Teacher Ratio Middle School White	Average Daily Enrollment (ADE) [c]	Average Daily Attendance (ADA) [c]	% Change in Average Daily Enrollment	Student Attendance Percentage
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	1,464	18,688,703	12,766	-3.26 %	150	1:11.0	1:11.7	1:12.0	1,461	1,402	1.60 %	95.96 %
2010	1,461	19,844,380	13,583	6.40 %	150	1:11.0	1:11.7	1:12.0	1,407	1,355	-3.70 %	96.30 %
2011	1,416	19,692,950	13,907	2.39 %	114	1:10.0	1:10.5	1:11.0	1,407	1,356	0.00 %	96.38 %
2012	1,394	20,097,699	14,417	3.67 %	112	1:09:5	1:10.0	1:11.0	1,394	1,345	-0.92 %	96.48 %
2013	1,337	20,882,736	15,619	8.34 %	116	1:10.0	1:10.5	1:11.0	1,334	1,281	-4.30 %	96.03 %
2014	1,300	21,349,781	16,423	5.15 %	119	1:10.0	1:10.5	1:11.0	1,305	1,256	-2.17 %	96.25 %

[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.

Source: Borough of Hillsdale School District records.

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

District Building	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Meadowbrook School (1962)										
Square Feet	49,622	49,622	49,622	49,622	49,622	49,622	49,622	49,622	49,622	49,622
Capacity (students)	450	450	450	450	450	450	450	450	450	450
Enrollment	424	418	405	386	386	395	390	366	256	337
Smith School (1956)										
Square Feet	44,950	44,950	44,950	44,950	44,950	44,950	44,950	44,950	44,950	44,950
Capacity (students)	464	464	464	464	464	464	464	465	465	465
Enrollment	390	393	397	410	410	413	408	378	351	333
White School (1922)										
Square Feet	66,370	66,370	66,370	66,370	66,370	66,370	66,370	66,370	66,370	66,370
Capacity (students)	752	752	752	752	752	752	752	752	752	752
Enrollment	578	634	659	642	642	638	618	650	630	630
Board Office (1999)										
Square Feet	4,820	4,820	4,820	4,820	4,820	4,820	4,820	4,820	4,820	4,820

Number of Schools at June 30, 2012
- Elementary = 2
- Middle School = 1
- Other = 1

Note: Year of original construction is shown in parentheses.
Enrollment is based on the annual October District count.

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:

		Fiscal Year Ending June 30,									
School Facilities*	Project # (s)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Ann Blanche Smith	N/A	$ 57,075	$ 78,059	$ 61,528	$ 61,955	$ 71,839	$ 69,007	$ 62,510	$ 73,140	$ 85,800	$ 91,762
George G. White	N/A	163,167	102,713	121,195	89,198	111,929	128,093	112,532	122,147	137,026	161,305
Meadowbrook	N/A	43,746	60,760	57,189	75,288	57,898	56,689	53,713	63,135	82,643	84,917
Total School Facilities		263,988	241,532	239,912	226,441	241,666	253,789	228,755	258,422	305,469	337,984
Other Facilities											
Board Office	N/A	11,348	19,093	14,587	6,143	7,152	10,648	6,738	13,588	5,220	5,585
Grand Total		$ 275,336	$ 260,625	$ 254,499	$ 232,584	$ 248,818	$ 264,437	$ 235,493	$ 272,010	$ 310,689	$ 343,569

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.

Exhibit J-20

BOROUGH OF HILLSDALE SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2014
UNAUDITED

	Coverage	Deductible
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

NISIVOCCIA LLP
Certified Public Accountants & Advisors

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 Fax

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

Independent 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, in accordance with the 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 the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Hillsdale School District, in the County of Bergen (the "District") as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 5, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Mount Arlington, New Jersey
September 5, 2014

NISIVOCCIA LLP

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

NISIVOCCIA LLP
Certified Public Accountants & Advisors

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 Fax

Report on Compliance For Each Major State Program;
Report on Internal Control Over Compliance Required by OMB Circular A-133
and New Jersey's OMB Circular 04-04

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

We have audited the Borough of Hillsdale School District (the "District's") compliance with the types of compliance requirements described in the *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 the District's major state programs for the fiscal year ended June 30, 2014. The District's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey's OMB Circular 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 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 state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and NJOMB 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of District's internal control over compliance.

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

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

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

Mount Arlington, New Jersey
September 5, 2014

NISIVOCCIA 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, 2014

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period From	Grant Period To	Program or Award Amount	Balance at June 30, 2013 Unearned Revenue/ (Accounts Receivable)	Balance at June 30, 2013 Due to Grantor	Cash Received	Budgetary Expenditures	Prior Year Encumbrances Canceled	Paid to Grantor	Balance at June 30, 2014 (Accounts Receivable)	Balance at June 30, 2014 Unearned Revenue	Balance at June 30, 2014 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-2180-14	7/1/13	6/30/14	$ 27,587			$ 20,403	$ (27,499)			$ (7,096)		
Title I, Part A	84.010A	NCLB-2180-13	9/1/12	8/31/13	30,689	$ (12,202)		12,197		$ 5				
Title II - Part A	84.367A	NCLB-2180-14	7/1/13	6/30/14	32,581			32,480	(32,480)					
Title II - Part A	84.367A	NCLB-2180-13	9/1/12	8/31/13	32,777	(5,928)		5,550				(378)		
Title II - Part A-Carryover	84.367A	NCLB-2180-11	9/1/10	8/31/11	37,023	(100)						(100)		
Title II - Carryover	84.367A	NCLB-2180-10	9/1/09	8/31/10	37,194	(105)						(105)		
Title III	84.365	NCLB-2180-14	7/1/13	6/30/14	3,346			2,240	(2,659)			(419)		
Title III	84.365	NCLB-2180-13	9/1/12	8/31/13	5,223	(2,063)		1,967		96				
						(20,398)		74,837	(62,638)	101		(8,098)		
Special Education Cluster:														
I.D.E.A. Part B, Basic	84.027	IDEA-2180-14	7/1/13	6/30/14	313,183			158,247	(301,861)			(143,614)		
I.D.E.A. Part B, Basic Regular	84.027	IDEA-2180-13	9/1/12	8/31/13	333,907	(79,780)		79,780						
I.D.E.A. Part B, Preschool	84.173	IDEA-2180-14	7/1/13	6/30/14	28,051				(25,973)			(25,973)		
I.D.E.A. Part B, Preschool Regular	84.173	IDEA-2180-13	9/1/12	8/31/13	28,931	(28,931)		28,931						
Total Special Education Cluster						(108,711)		266,958	(327,834)			(169,587)		
Total U.S. Department of Education						(129,109)		341,795	(390,472)	101		(177,685)		
Total Special Revenue Fund						(129,109)		341,795	(390,472)	101		(177,685)		

BOROUGH OF HILLSDALE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period From	Grant Period To	Program or Award Amount	Balance at June 30, 2013 Unearned Revenue/ (Accounts Receivable)	Balance at June 30, 2013 Due to Grantor	Cash Received	Budgetary Expenditures	Prior Year Encumbrances Canceled	Paid to Grantor	Balance at June 30, 2014 (Accounts Receivable)	Balance at June 30, 2014 Unearned Revenue	Balance at June 30, 2014 Due to Grantor
Enterprise Fund														
U.S. Department of Agriculture -														
Passed-through State Department of Agriculture:														
Child Nutrition Cluster:														
Federal Food Distribution Program	10.555	N/A	7/1/13	6/30/14	$ 13,643			$ 13,643	$ (13,643)					
National School Lunch Program	10.555	N/A	7/1/13	6/30/14	54,479			50,143	(54,479)			$ (4,336)		
National School Lunch Program	10.555	N/A	7/1/12	6/30/13	46,956	$ (3,465)		3,465						
Total Child Nutrition Cluster						(3,465)		67,251	(68,122)			(4,336)		
Total U.S. Department of Agriculture						(3,465)		67,251	(68,122)			(4,336)		
Total Enterprise Fund						(3,465)		67,251	(68,122)			(4,336)		
TOTAL FEDERAL AWARDS						$ (132,574)	$ -0-	$ 409,045	$ (458,594)	$ 101	$ -0-	$ (182,022)	$ -0-	$ -0-

N/A - Not Available/Applicable

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

BOROUGH OF HILLSDALE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

State Grantor/Program Title	Grant or State Project Number	Grant Period From	Grant Period To	Program or Award Amount	Balance at June 30, 2013 Budgetary Unearned Revenue/ (Accounts Receivable)	Balance at June 30, 2013 Due to Grantor	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2014 GAAP (Accounts Receivable)	Balance at June 30, 2014 Due to Grantor	MEMO Budgetary Receivable	MEMO Cumulative Total Expenditures
State Department of Education:													
General Fund:													
Equalization Aid	14-495-034-5120-078	7/1/13	6/30/14	$ 12,167			$ 11,002	$ (12,167)				$ 1,165	$ 12,167
Transportation Aid	14-495-034-5120-014	7/1/13	6/30/14	31,235			28,243	(31,235)				2,992	31,235
Special Education Categorical Aid	14-495-034-5120-089	7/1/13	6/30/14	715,195			646,692	(715,195)				68,503	715,195
Security Aid	14-495-034-5120-084	7/1/13	6/30/14	20,423			18,467	(20,423)				1,956	20,423
Additional Adjustment Aid	14-495-034-5120-085	7/1/13	6/30/14	23,739			21,465	(23,739)				2,274	23,739
Extraordinary Special Education Costs	14-100-034-5120-473	7/1/13	6/30/14	96,776				(96,776)		$ (96,776)		96,776	96,776
Nonpublic Transportation Aid	14-495-034-5120-014	7/1/13	6/30/14	7,268				(7,268)		(7,268)		7,268	7,268
Reimbursed TPAF Social Security Contributions	14-495-034-5095-002	7/1/13	6/30/14	692,591			654,093	(692,591)		(38,498)		38,498	692,591
Special Education Categorical Aid	13-495-034-5120-089	7/1/12	6/30/13	802,759	$ (68,233)		68,233						802,759
Extraordinary Special Education Costs	13-100-034-5120-473	7/1/12	6/30/13	125,795	(125,795)		125,795						125,795
Nonpublic Transportation Aid	13-495-034-5120-014	7/1/12	6/30/13	4,741	(4,741)		4,741						4,741
Total General Fund State Aid					(198,769)		1,578,731	(1,599,394)		(142,542)		219,432	2,532,689
Special Revenue Fund:													
NJ Nonpublic Aid:													
Textbook Aid (Chapter 194)	14-100-034-5120-064	7/1/13	6/30/14	20,843			20,843	(20,467)			$ 376		20,467
Nursing Services (Chapter 226)	14-100-034-5120-070	7/1/13	6/30/14	30,417			30,417	(30,417)					30,417
Technology Intitative Program	14-100-034-5120-373	7/1/13	6/30/14	7,600			7,600	(7,541)			59		7,541
Auxiliary Services (Chapter 192):													
Compensatory Education	14-100-034-5120-067	7/1/13	6/30/14	79,606			79,606	(55,896)			23,710		55,896
Compensatory Education	13-100-034-5120-067	7/1/12	6/30/13	69,813		3,796			$ (3,796)				51,229
English as a Second Language	14-100-034-5120-067	7/1/13	6/30/14	1,397			1,397	(698)			699		698
English as a Second Language	13-100-034-5120-067	7/1/12	6/30/13	853		853			(853)				
Handicapped Services (Chapter 193):													
Examination and Classification	14-100-034-5120-066	7/1/13	6/30/14	43,953			43,952	(30,259)			13,693		30,259
Examination and Classification	13-100-034-5120-066	7/1/12	6/30/13	40,461		8,123			(8,123)				8,123
Supplementary Instruction	14-100-034-5120-066	7/1/13	6/30/14	34,692			34,692	(24,631)			10,061		24,631
Supplementary Instruction	13-100-034-5120-066	7/1/12	6/30/13	36,080		4,235			(4,235)				4,235
Corrective Speech	14-100-034-5120-066	7/1/13	6/30/14	36,716			36,716	(28,826)			7,890		28,826
Corrective Speech	13-100-034-5120-066	7/1/12	6/30/13	47,653		12,030			(12,030)				12,030
Total Special Revenue Fund						29,037	255,223	(198,735)	(29,037)		56,488		296,908
Debt Service Fund:													
Debt Service Aid Type II	14-495-034-5120-075	7/1/13	6/30/14	5,341			5,341	(5,341)					5,341
Total Debt Service Fund							5,341	(5,341)					5,341

BOROUGH OF HILLSDALE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

State Grantor/Program Title	Grant or State Project Number	Grant Period From	Grant Period To	Program or Award Amount	Balance at June 30, 2013 Budgetary Unearned Revenue/ (Accounts Receivable)	Balance at June 30, 2013 Due to Grantor	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2014 GAAP (Accounts Receivable)	Balance at June 30, 2014 Due to Grantor	MEMO Budgetary Receivable	MEMO Cumulative Total Expenditures
State Department of Education:													
Enterprise Fund:													
State National School Lunch Program	14-100-010-3350-023	7/1/13	6/30/14	$ 3,552			$ 3,110	$ (3,552)		$ (442)		$ 442	$ 3,552
State National School Lunch Program	13-100-010-3350-023	7/1/12	6/30/13	3,198	$ (211)		211						3,198
Total Enterprise Fund					(211)		3,321	(3,552)		(442)		442	6,750
TOTAL STATE AWARDS					$ (198,980)	$ 29,037	$ 1,842,616	$ (1,807,022)	$ (29,037)	$ (142,984)	$ 56,488	$ 219,874	$ 2,841,688

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, 2014

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, 2014. 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 OMB's Circular 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 position 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.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is ($8,657) for the general fund, and ($112,783) for the special revenue 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-Pension and Post Retirement Contributions revenue of $390,617 and $640,465, respectively. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented below:

	Federal	State	Total
General Fund		$ 2,618,302	$ 2,618,302
Special Revenue Fund	$ 390,472	198,735	589,207
Debt Service Fund		5,341	5,341
Proprietary Fund	68,122	3,552	71,674
Total Financial Assistance	$ 458,594	$2,825,930	$ 3,284,524

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, 2014. 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, 2014

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.

- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *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.*

- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

- There were no material weaknesses or significant deficiencies in internal control over major state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance Required by OMB Circular A-133 and New Jersey's OMB Circular 04-04.*

- The auditor's report on compliance for the major state programs for the District expresses an unmodified opinion on all major state programs.

- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* or OMB Circular A-133.

- The District was not subject to the single audit provisions of Federal OMB Circular A-133 for fiscal year end June 30, 2014 as grant expenditures were less than the single audit threshold of $500,000 identified in the Circular.

- The District's programs tested as major state programs for the current fiscal year consisted of the following state aid:

	State Grant Number	Grant Period	Award Amount	Budgetary Expenditures
State:				
Special Education Aid	14-495-034-5120-089	7/1/13-6/30/14	$ 715,195	$ 715,195
Equalization Aid	14-495-034-5120-078	7/1/13-6/30/14	12,167	12,167
Categorical Security Aid	14-495-034-5120-084	7/1/13-6/30/14	20,423	20,423
Additional Adjustment Aid	14-495-034-5120-085	7/1/13-6/30/14	23,739	23,739

- The threshold for distinguishing between Type A and Type B state programs was $300,000.

- The District was determined to be as a "low-risk" auditee for state programs under the provisions of section 530 of the Federal Circular.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(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:

- Not Applicable since federal expenditures were below the single audit threshold.

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 04-04.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

Status of Prior Year Findings:

The District had no prior year audit findings.