

**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, 2016**

**Comprehensive Annual  
Financial Report**

**of the**

**Borough of Hillsdale School District**

**Hillsdale, New Jersey**

**For the Fiscal Year Ended June 30, 2016**

**Prepared by**

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

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
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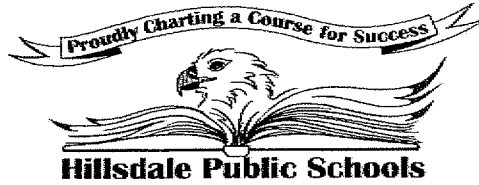
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**INTRODUCTORY SECTION**



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HILLSDALE, NJ 07642  
201-664-4512  
Fax 201-664-9049

October 18, 2016

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, 2016, 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, a roster of officials and a list of consultants and advisors. The financial section includes The Independent Auditors' Report, management's discussion and analysis, the basic financial statements and notes providing an overview of the 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *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, are 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 2015-2016 fiscal year with an average daily enrollment of 1,181 students, which is a decrease of 72 students from the previous year's enrollment.

The Honorable President and Members of  
the Board of Education  
Borough of Hillsdale School District  
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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 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 a voter of the Board of Education. 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, 2016.

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  
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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 of Education at its last organization meeting. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditors report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

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,

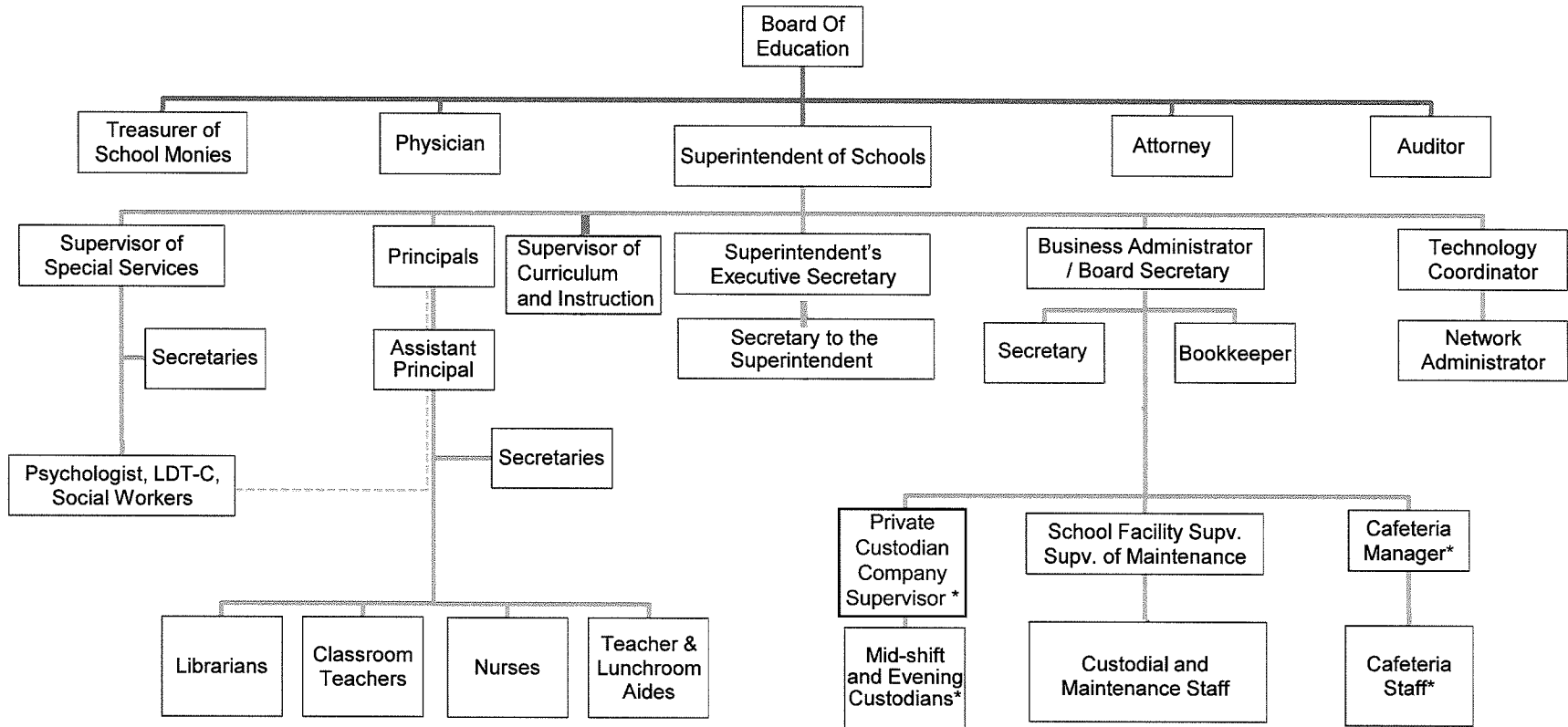
Jeffrey Feifer

Jeffrey Feifer, Ed. D  
 Interim Superintendent

Lirca Garcia

Lirca R. Garcia  
 Business Administrator/Board Secretary

# Organization Chart



\* Independent Contractor

**BOROUGH OF HILLSDALE SCHOOL DISTRICT  
ROSTER OF OFFICIALS  
JUNE 30, 2016**

<u>Members of the Board of Education</u>		<u>Term Expires</u>
Kathleen E. O'Flynn , President		2018
Timothy R. Santo, Vice President		2017
Krista Flinn		2017
Shane Svorec		2018
Salvatore Sileo		2016
<u>Other Officials</u>	<u>Title</u>	
Kevin Brentnall	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**



Mount Arlington Corporate Center  
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## 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, 2016, 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.

The Honorable President and Members  
of the Board of Education  
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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, 2016, 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, pension schedules on Exhibits L-1 through L-3 and related notes, and the budgetary comparison information in Exhibits C-1 through C-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 and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and the other information, such as the introductory and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Honorable President and Members  
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Borough of Hillsdale School District  
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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 October 18, 2016 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  
October 18, 2016

  
NISIVOCCIA LLP



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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, 2016  
(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, 2016. 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 (2015-2016) and the prior year (2014-2015) is required to be presented in the MD&A.

### **Financial Highlights**

- The District's financial status improved during the fiscal year.
- Overall revenue was \$27,483,225.
- Overall expenses were \$26,978,757.
- Actual General Fund local revenue was \$22,790 higher than expected.
- The District's outstanding long-term liabilities 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**

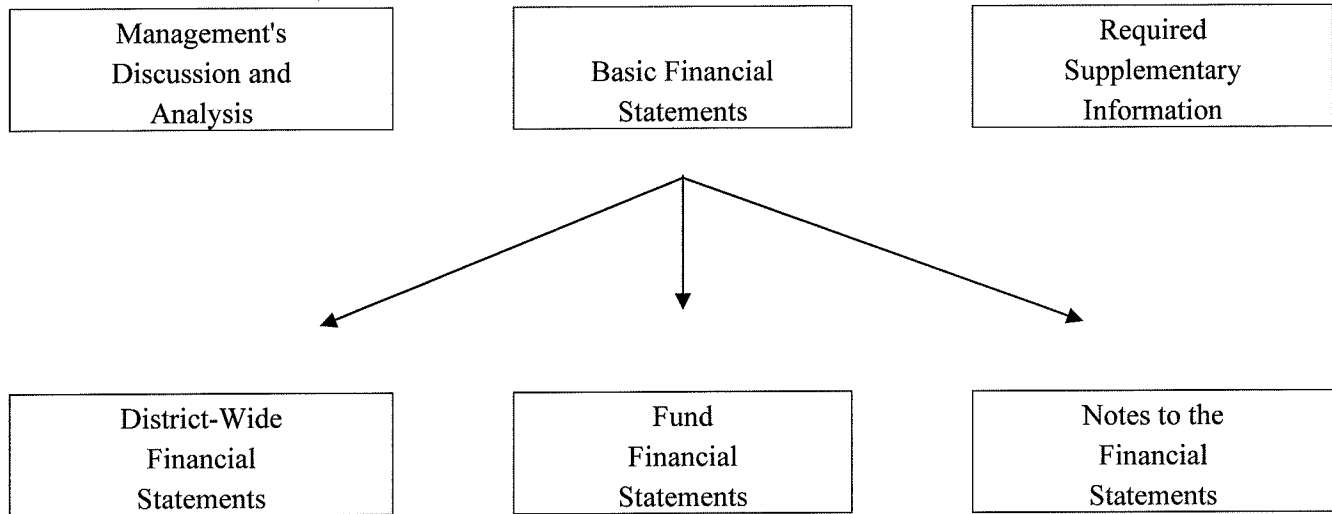


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents 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	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenue, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenue, expenses, and changes in net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
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 it is properly using certain revenue (such as federal grants).

The District has three kinds of funds:

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

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

### Notes to the Basic 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 2015/2016 is \$521,015. 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 2015/16
	2015/16	2014/2015	2015/16	2014/2015	2015/16	2014/2015	
Current and Other Assets	\$ 3,554,658	\$ 3,665,335	\$ 81,657	\$ 89,701	\$ 3,636,315	\$ 3,755,036	-3.16%
Capital Assets, Net	15,036,357	14,958,957	42,287	27,843	15,078,644	14,986,800	0.61%
Total Assets	18,591,015	18,624,292	123,944	117,544	18,714,959	18,741,836	-0.14%
Deferred Outflows of Resources	843,313	352,696			843,313	352,696	139.10%
Long-Term Liabilities	9,648,408	9,581,992			9,648,408	9,581,992	0.69%
Other Liabilities	276,809	394,371	11,404	11,808	288,213	406,179	-29.04%
Total Liabilities	9,925,217	9,976,363	11,404	11,808	9,936,621	9,988,171	-0.52%
Deferred Inflows of Resources	265,215	266,714			265,215	266,714	-0.56%
Net Position/(Deficit):							
Net Investment in Capital Assets	11,651,357	10,968,957	42,287	27,843	11,693,644	10,996,800	6.34%
Restricted	1,822,588	1,428,241			1,822,588	1,428,241	27.61%
Unrestricted	(4,230,049)	(3,663,287)	70,253	77,893	(4,159,796)	(3,585,394)	-16.02%
Total Net Position	\$ 9,243,896	\$ 8,733,911	\$ 112,540	\$ 105,736	\$ 9,356,436	\$ 8,839,647	5.85%

*Changes in Net Position.* The District's *combined* net position was \$9,356,436 on June 30, 2016, \$516,789 or 5.85% 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 increased \$6,804 (See Figure A-4).

**Figure A-4**  
**Changes in Net Position from Operating Results**

	Governmental Activities		Business-Type Activities		Total School District		Total
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	Percentage Change 2015/16
Revenue:							
Program Revenue:							
Charges for Services	\$ 47,075	\$ 47,880	\$ 200,126	\$ 201,275	\$ 247,201	\$ 249,155	-0.78%
Grants and Contributions:							
Operating	6,872,545	5,844,311	74,646	74,034	6,947,191	5,918,345	17.38%
General Revenue:							
Property Taxes	20,189,108	19,812,069			20,189,108	19,812,069	1.90%
Federal and State Aid Not Restricted	37,588	37,670			37,588	37,670	-0.22%
Other	61,778	42,388	359	324	62,137	42,712	45.48%
Total Revenue	<u>27,208,094</u>	<u>25,784,318</u>	<u>275,131</u>	<u>275,633</u>	<u>27,483,225</u>	<u>26,059,951</u>	5.46%
Expenses:							
Instruction	16,571,051	15,393,902			16,571,051	15,393,902	7.65%
Pupil and Instruction Services	4,787,068	4,371,670			4,787,068	4,371,670	9.50%
Administrative and Business	2,413,618	1,989,808			2,413,618	1,989,808	21.30%
Maintenance and Operations	1,959,349	2,170,695			1,959,349	2,170,695	-9.74%
Transportation	419,228	470,899			419,228	470,899	-10.97%
Other	547,795	593,270	280,648	268,503	828,443	861,773	-3.87%
Total Expenses	<u>26,698,109</u>	<u>24,990,244</u>	<u>280,648</u>	<u>268,503</u>	<u>26,978,757</u>	<u>25,258,747</u>	6.81%
Special Item- Capital Asset Adjustment	<u>-0-</u>	<u>-0-</u>	<u>12,321</u>	<u>-0-</u>	<u>12,321</u>	<u>-0-</u>	100.00%
Increase/(Decrease) in Net Position	<u>\$ 509,985</u>	<u>\$ 794,074</u>	<u>\$ 6,804</u>	<u>\$ 7,130</u>	<u>\$ 516,789</u>	<u>\$ 801,204</u>	-35.50%

*Revenue Sources.* The District's total revenue for the 2015/2016 school year was \$27,483,225 (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$20,189,108 of the total, or 73.46% (See Figure A-5). Another 25.51% 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 2016**

Sources of Income:	Amount	Percentage
Operating Grants and Contributions	\$ 6,947,191	25.28%
Property Taxes	20,189,108	73.46%
Federal and State Unrestricted Aid	37,588	0.14%
Charges for Services	247,201	0.90%
Other	62,137	0.23%
	<u>\$ 27,483,225</u>	<u>100.00%</u>

The total cost of all programs and services was \$26,978,757. 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 8.95% of total costs.

**Figure A-6**  
**Expenses for Fiscal Year 2016**

Expense Category:	Amount	Percentage
Instruction	\$ 16,571,051	61.43%
Pupil and Instruction Services	4,787,068	17.74%
Administrative and Business	2,413,618	8.95%
Maintenance and Operations	1,959,349	7.26%
Transportation	419,228	1.55%
Other	828,443	3.07%
	\$ 26,978,757	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 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	
	2015/2016	2014/2015	2015/2016	2014/2015
Instruction	\$ 16,571,051	\$ 15,393,902	\$10,539,299	\$10,141,653
Pupil and Instruction Services	4,787,068	4,371,670	4,881,852	3,964,221
Administrative and Business	2,413,618	1,989,808	1,460,453	1,795,319
Maintenance and Operations	1,959,349	2,170,695	1,959,349	2,170,695
Transportation	419,228	470,899	357,313	432,895
Other	547,795	593,270	580,223	593,270
	<u>\$ 26,698,109</u>	<u>\$ 24,990,244</u>	<u>\$ 19,778,489</u>	<u>\$ 19,098,053</u>

- The cost of all governmental activities this year was \$26,698,109.
- The federal and state governments subsidized certain programs with grants and contributions (\$6.9 million).
- Most of the District's costs were financed by District taxpayers.

#### ***Business-Type Activities***

Net position from the District's business-type activity increased \$6,804 (Refer to Figure A-4). Factors contributing to these results included:

- Food service expenses exceeded revenues by \$5,517. The net increase in net position was due to a capital asset adjustment of \$12,321. 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 District's 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 2015/2016 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 2015/16
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	
Land	\$ 4,748,166	\$ 4,748,166			\$ 4,748,166	\$ 4,748,166	0.00%
Construction in Progress		46,452				46,452	100.00%
Land and Improvements	17,688	20,436			17,688	20,436	-13.45%
Buildings and Building Improvements	9,805,788	9,550,219			9,805,788	9,550,219	2.68%
Machinery and Equipment	464,715	593,684	\$ 42,287	\$ 27,843	507,002	621,527	-18.43%
<b>Total Capital Assets</b>	<b>\$ 15,036,357</b>	<b>\$ 14,958,957</b>	<b>\$ 42,287</b>	<b>\$ 27,843</b>	<b>\$ 15,078,644</b>	<b>\$ 14,986,800</b>	<b>0.61%</b>

The increase in capital assets is due to depreciation totaling \$514,580, 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 Liabilities

At year-end, the District had \$3,385,000 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 Liabilities

	Total School District		Total Percentage Change 2015/16
	2015/16	2014/15	
General Obligation Bonds (Financed with Property Taxes), Net	\$ 3,385,000	\$ 3,990,000	-15.16%
Net Pension Liabilities	5,107,207	4,475,480	14.12%
Other Liabilities	1,156,201	1,116,512	3.55%
	<b>\$ 9,648,408</b>	<b>\$ 9,581,992</b>	<b>0.69%</b>

**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, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,301,639	\$ 75,758	\$ 2,377,397
Receivables From State Government	154,847	161	155,008
Receivables From Federal Government	167,624	3,092	170,716
Receivables - Other	13,614		13,614
Inventory		2,646	2,646
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	916,934		916,934
Capital Assets, Net:			
Sites (Land)	4,748,166		4,748,166
Depreciable Land Improvements Buildings and Building Improvements and Machinery and Equipment	10,288,191	42,287	10,330,478
Total Assets	<u>18,591,015</u>	<u>123,944</u>	<u>18,714,959</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Changes in Assumptions - Pensions	548,473		548,473
Difference in Expected and Actual Experience - Pension	121,840		121,840
Changes in Proportions - Pensions	173,000		173,000
Total Deferred Outflows of Resources	<u>843,313</u>		<u>843,313</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable - Vendors	75,732		75,732
Accrued Interest Payable	58,005		58,005
Payable to State Government	43,795		43,795
Unearned Revenue	99,277	11,404	110,681
Noncurrent Liabilities:			
Due Within One Year	664,477		664,477
Due Beyond One Year	8,983,931		8,983,931
Total Liabilities	<u>9,925,217</u>	<u>11,404</u>	<u>9,936,621</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Investment Gains - Pensions	82,114		82,114
Changes in Proportions - Pensions	183,101		183,101
Total Deferred Inflows of Resources	<u>265,215</u>		<u>265,215</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	11,651,357	42,287	11,693,644
Restricted for:			
Capital Reserve	916,934		916,934
Other Purposes	905,654		905,654
Unrestricted (Deficit)	<u>(4,230,049)</u>	<u>70,253</u>	<u>(4,159,796)</u>
Total Net Position	<u>\$ 9,243,896</u>	<u>\$ 112,540</u>	<u>\$ 9,356,436</u>

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

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:						
Instruction:						
Regular	\$ 12,628,594		\$ 3,910,937	\$ (8,717,657)		\$ (8,717,657)
Special Education	3,577,721		1,991,421	(1,586,300)		(1,586,300)
Other Special Instruction	212,912		77,844	(135,068)		(135,068)
Other Instruction	151,824		51,550	(100,274)		(100,274)
Support Services:						
Tuition	885,893	\$ 23,400	281,630	(580,863)		(580,863)
Student & Instruction Related Services	3,868,747		249,732	(3,619,015)		(3,619,015)
General Administrative Services	681,974			(681,974)		(681,974)
School Administrative Services	1,185,445		271,191	(914,254)		(914,254)
Central Services	422,260			(422,260)		(422,260)
Administration Information Technology	123,939			(123,939)		(123,939)
Plant Operations and Maintenance	1,959,349			(1,959,349)		(1,959,349)
Pupil Transportation	419,228	23,675	38,240	(357,313)		(357,313)
Special Schools	32,428			(32,428)		(32,428)
Capital Outlay	32,703			(32,703)		(32,703)
Interest on Long-Term Debt	122,194			(122,194)		(122,194)
Unallocated Depreciation	392,898			(392,898)		(392,898)
Total Governmental Activities	26,698,109	47,075	6,872,545	(19,778,489)		(19,778,489)

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Business-Type Activities:						
Food Service	\$ 280,648	\$ 200,126	\$ 74,646		\$ (5,876)	\$ (5,876)
Total Business-Type Activities	280,648	200,126	74,646		(5,876)	(5,876)
Total Primary Government	<u>\$ 26,978,757</u>	<u>\$ 247,201</u>	<u>\$ 6,947,191</u>	<u>\$ (19,778,489)</u>	<u>(5,876)</u>	<u>(19,784,365)</u>
General Revenues:						
Taxes:						
				19,460,866		19,460,866
				728,242		728,242
				37,588		37,588
				61,778	359	62,137
Total General Revenues				<u>20,288,474</u>	<u>359</u>	<u>20,288,833</u>
Special Item - Capital Asset Valuation Adjustment					12,321	12,321
Change in Net Position				509,985	6,804	516,789.05
Net Position - Beginning				<u>8,733,911</u>	<u>105,736</u>	<u>8,839,647</u>
Net Position - Ending				<u>\$ 9,243,896</u>	<u>\$ 112,540</u>	<u>\$ 9,356,436</u>

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



**FUND FINANCIAL STATEMENTS**

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 2,301,362			\$ 277	\$ 2,301,639
Interfund Receivables	45,466				45,466
Receivables From State Government	154,847				154,847
Receivables From Federal Government		\$ 167,624			167,624
Restricted Cash and Cash Equivalents	916,934				916,934
<b>Total Assets</b>	<u>\$ 3,418,609</u>	<u>\$ 167,624</u>	<u>\$ -0-</u>	<u>\$ 277</u>	<u>\$ 3,586,510</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Interest Payable					
Interfund Payable		\$ 31,852			\$ 31,852
Accounts Payable - Vendors	\$ 75,732				75,732
Payable to State Government		43,795			43,795
Unearned Revenue	7,300	91,977			99,277
<b>Total Liabilities</b>	<u>83,032</u>	<u>167,624</u>			<u>250,656</u>
Fund Balances:					
Restricted for:					
Capital Reserve Account	916,934				916,934
Excess Surplus	691,091				691,091
Excess Surplus - For Subsequent Year's Expenditures	214,563				214,563
Restricted, Reported in:					
Debt Service			\$ 277		277
Assigned:					
Encumbrances	819,737				819,737
Designated for Subsequent Year's Expenditures	350,000				350,000
Unassigned	343,252				343,252
<b>Total Fund Balances</b>	<u>3,335,577</u>			<u>277</u>	<u>3,335,854</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 3,418,609</u>	<u>\$ 167,624</u>	<u>\$ -0-</u>	<u>\$ 277</u>	<u>\$ 3,586,510</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016  
(Continued)

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

Total Fund Balance	\$ 3,335,854
Capital Assets Used in Governmental Activities are not financial resources and therefore are not reported in the Funds. The cost of the assets is \$28,376,060 and the accumulated depreciation is \$13,339,703.	15,036,357
Interest on Long-Term Debt is not accrued in the Governmental Funds, but rather is recognized as an expenditure when due.	(58,005)
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(5,107,207)
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds.	
Changes in Assumptions - Pensions	548,473
Difference in Expected and Actual Experience - Pensions	121,840
Investments in Gains - Pensions	(82,114)
Changes in Proportions - Pensions	(10,101)
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.	<u>(4,541,201)</u>
Net Position of Governmental Activities	<u>\$ 9,243,896</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>					
Local Sources:					
Local Tax Levy	\$ 19,460,866			\$ 728,242	\$ 20,189,108
Tuition	23,400				23,400
Transportation	23,675				23,675
Interest on Capital Reserve	2,861				2,861
Miscellaneous	58,904	\$ 2,799	\$ 13		61,716
Total - Local Sources	19,569,706	2,799	13	728,242	20,300,760
State Sources	3,326,403	163,167		4,770	3,494,340
Federal Sources		481,702			481,702
Total Revenues	22,896,109	647,668	13	733,012	24,276,802
<b>EXPENDITURES</b>					
Current:					
Regular Instruction	7,071,436	196,768			7,268,204
Special Education Instruction	1,977,026	61,318			2,038,344
Other Special Instruction	118,476				118,476
Other Instruction	92,413				92,413
Support Services and Undistributed Costs:					
Tuition	604,263	281,630			885,893
Student & Instruction Related Services	3,082,270	107,952			3,190,222
General Administrative Services	593,166				593,166
School Administrative Services	733,611				733,611
Central Services	316,152				316,152
Administration Information Technology	110,546				110,546
Plant Operations and Maintenance	1,776,992				1,776,992
Pupil Transportation	405,106				405,106
Unallocated Benefits	5,360,586				5,360,586

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	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				128,175	128,175
Special Schools	\$ 26,206				26,206
Capital Outlay	626,806				626,806
Total Expenditures	22,895,055	\$ 647,668		733,175	24,275,898
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	1,054	-0-	\$ 13	(163)	904
OTHER FINANCING SOURCES/(USES)					
Transfers In	13				13
Transfers Out			(13)		(13)
Total Other Financing Sources/(Uses)	13	-0-	(13)		
Net Change in Fund Balances	1,067			(163)	904
Fund Balance—July 1	3,334,510			440	3,334,950
Fund Balance—June 30	\$ 3,335,577	\$ -0-	\$ -0-	\$ 277	\$ 3,335,854

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

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ 904

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	\$ (516,703)	
	Capital outlays	<u>585,249</u>	77,400

The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:

Changes in Net Pension Liability	(631,727)	
Deferred Outflows:		
Changes in Assumptions	407,740	
Difference in Expected and Actual Experience	121,840	
Changes in Proportions	(211,963)	
Deferred Inflows:		
Net Difference between projected and actual investment earnings on Pension Plan Investments	184,600	
Changes in Proportions	<u>(10,101)</u>	(139,611)

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 (+). 5,981

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 (+). (39,689)

Change in Net Position of Governmental Activities \$ 509,985

Exhibit B-4

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF NET POSITION  
JUNE 30, 2016

## ASSETS:

Current Assets:	
Cash and Cash Equivalents	\$ 75,758
Accounts Receivable:	
Federal	3,092
State	161
Inventories	<u>2,646</u>
Total Current Assets	<u>81,657</u>
Non- Current Assets:	
Capital Assets:	
Capital Assets	114,070
Less: Accumulated Depreciation	<u>(71,783)</u>
Total Non- Current Assets	<u>42,287</u>
Total Assets	<u>123,944</u>
LIABILITIES:	
Current Liabilities:	
Unearned Revenue	4,512
Unearned Revenue - Prepaid Lunches	<u>6,892</u>
Total Current Liabilities	<u>11,404</u>
Total Liabilities	<u>11,404</u>
NET POSITION:	
Net Investment in Capital Assets	42,287
Unrestricted	<u>70,253</u>
Total Net Position	<u>\$ 112,540</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS 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, 2016

Operating Revenue:	
Charges for Services:	
Daily Sales:	
Reimbursable	\$ 92,823
Non Reimbursable	<u>107,303</u>
Total Operating Revenue	<u>200,126</u>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	109,926
Cost of Sales - Non Reimbursable Programs	21,541
Salaries, Benefits and Payroll Taxes	123,286
Supplies and Materials	6,205
Miscellaneous Expenses	15,378
Depreciation Expense	<u>4,312</u>
Total Operating Expenses	<u>280,648</u>
Operating (Loss)	<u>(80,522)</u>
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	55,363
Food Distribution Program	16,289
State Sources:	
School Lunch Program	2,994
Local Sources:	
Interest Revenue	<u>359</u>
Total Non-Operating Revenue	<u>75,005</u>
Special Item - Capital Asset Valuation Adjustment	<u>12,321</u>
Change in Net Position	6,804
Net Position - Beginning of Year	<u>105,736</u>
Net Position - End of Year	<u><u>\$ 112,540</u></u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS 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, 2016

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 200,126
Payments to Food Service Vendor	(258,054)
Payments to Suppliers	<u>(1,893)</u>
Net Cash (Used for) Operating Activities	<u>(59,821)</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Equipment	<u>(6,435)</u>
Net Cash (Used for) Capital and Related Financing Activities	<u>(6,435)</u>
Cash Flows from Investing Activities:	
Interest Revenue	<u>359</u>
Net Cash Provided by Investing Activities	<u>359</u>
Cash Flows from Noncapital Financing Activities:	
Federal Sources	56,177
State Sources	<u>3,044</u>
Net Cash Provided by Noncapital Financing Activities	<u>59,221</u>
Net Decrease in Cash and Cash Equivalents	(6,676)
Cash and Cash Equivalents, July 1	<u>82,434</u>
Cash and Cash Equivalents, June 31	<u><u>\$ 75,758</u></u>
Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities:	
Operating (Loss)	\$ (80,522)
Adjustment to Reconcile Operating (Loss) to Cash (Used for) Operating Activities:	
Depreciation	4,312
Federal Food Distribution Program	16,289
Changes in Assets and Liabilities:	
Decrease/(Increase) in Inventories	504
Increase/(Decrease) in Accounts Payable	(11,808)
Increase/(Decrease) in Unearned Revenue	4,512
Increase/(Decrease) in Unearned Revenue- Prepaid Lunches	<u>6,892</u>
Net Cash (Used for) Operating Activities	<u><u>\$ (59,821)</u></u>

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized commodities from the Federal Food Distribution Program valued at \$16,289 for the fiscal year ended June 30, 2016.

Exhibit B-7

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2016

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 216,800	\$ 84,433	\$ 2,754
Total Assets	<u>216,800</u>	<u>84,433</u>	<u>2,754</u>
<b>LIABILITIES:</b>			
Payroll Deductions and Withholdings	129,864		
Interfund Payable	13,614		
Due to Student Groups	<u>73,322</u>		
Total Liabilities	<u>216,800</u>	<u>-0-</u>	<u>-0-</u>
<b>NET POSITION:</b>			
Held in Trust for Unemployment Claims and Other Purposes		<u>84,433</u>	<u>2,754</u>
Total Net Position	<u>\$ -0-</u>	<u>\$ 84,433</u>	<u>\$ 2,754</u>

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, 2016

	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>
ADDITIONS:		
Contributions:		
Plan Member	\$ 21,502	\$ 5,732
Investment Earnings:		
Interest	<u>267</u>	<u>2</u>
Total Additions	<u>21,769</u>	<u>5,734</u>
DEDUCTIONS:		
Quarterly Contribution Reports	6,156	
Flexible Spending Claims		<u>5,793</u>
Change in Net Position	15,613	(59)
Net Position - Beginning of the Year	<u>68,820</u>	<u>2,813</u>
Net Position - End of the Year	<u><u>\$ 84,433</u></u>	<u><u>\$ 2,754</u></u>

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

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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, 2016  
(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, 2016  
(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, 2016  
(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, 2016 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, 2016 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.

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 22,890,321	\$ 737,970
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that Encumbrances are Recognized as Expenditures, and Revenue Revenue is Recognized.		(90,302)
State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	79,752	
State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(73,964)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 22,896,109</u>	<u>\$ 647,668</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
 (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	\$ 22,895,055	\$ 737,970
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.		(90,302)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 22,895,055	\$ 647,668

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, 2016  
(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, 2016.

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, 2016  
(Continued)

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

K. Capital Assets: (Cont'd)

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

	<u>Estimated Useful Life</u>
Buildings 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, 2016.

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, 2016  
(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 \$3,335,577 General Fund fund balance at June 30, 2016, \$819,737 is assigned for encumbrances; \$916,934 is restricted in the capital reserve account; \$214,563 is prior year excess surplus and has been appropriated and included as anticipated revenue for the year ended June 30, 2017; \$691,091 is restricted as current year excess surplus and will be appropriated and included as anticipated revenue for the fiscal year ended June 30, 2018; \$350,000 is designated for subsequent year's expenditures; and \$343,252 is unassigned which is \$73,964 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, 2017.

Debt Service Fund: The Debt Service Fund fund balance at June 30, 2016 is \$277, which is restricted.

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 \$905,654 at June 30, 2016.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$73,964 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, 2016  
(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 District has no committed resources at June 30, 2016

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, 2016.

R. Deficit Fund Balances/Net Position

The District has a deficit in unrestricted net position of \$4,230,049 in governmental activities, which is primarily due to \$1,156,201 of compensated absences payable, and net pension liability of \$5,107,207. This deficit does not indicate that the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

S. Net Position:

Net Position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

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 deferred outflows of resources at June 30, 2016 for the changes in assumptions in pensions. The difference in expected and actual experience in pensions and change in proportions for pensions. The District had deferred intflows of resources at June 30, 2016 for the changes in proportion in pension and the net difference between projected and actual investment earnings on pension plan investments.

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

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

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

S. Net Position: (Cont'd)

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.

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.

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

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

W. Pensions

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

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:

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

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

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

Deposits: (Cont'd)

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, 2016  
(Continued)

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

As of June 30, 2016, cash and cash equivalents of the District consisted of the following:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Checking Accounts	\$ 2,667,048	\$ 916,934	\$ 3,583,982
State of New Jersey Cash Management Fund	14,336		14,336
	<u>\$ 2,681,384</u>	<u>\$ 916,934</u>	<u>\$ 3,598,318</u>

During the period ended June 30, 2016, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2016 was \$3,598,318 and the bank balance was \$3,802,257. The \$14,336 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, 2016 is as follows:

Beginning Balance, July 1, 2015	\$ 814,075
Interest Earnings	2,859
Increase per Board Resolution	<u>100,000</u>
Ending Balance, June 30, 2016	<u>\$ 916,934</u>

The June 30, 2016 Capital Reserve Account balance does not exceed the local support costs of uncompleted capital projects in the District's Long Range Facilities Plan ("LRFP").

NOTE 5: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2016, the District made transfers to the capital outlay accounts, which did not need County Superintendent approval.



BOROUGH OF HILLSDALE SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2016 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 4,748,166			\$ 4,748,166
Construction in Progress	46,452		\$ (46,452)	
Total Capital Assets Not Being Depreciated	<u>4,794,618</u>		<u>(46,452)</u>	<u>4,748,166</u>
Capital Assets Being Depreciated:				
Land Improvements	27,482			27,482
Buildings and Building Improvements	19,342,133	\$ 569,283	55,306	19,966,722
Machinery and Equipment	3,648,544	15,966	(30,820)	3,633,690
Total Capital Assets Being Depreciated	<u>23,018,159</u>	<u>585,249</u>	<u>24,486</u>	<u>23,627,894</u>
Governmental Activities Capital Assets	<u>27,812,777</u>	<u>585,249</u>	<u>(21,966)</u>	<u>28,376,060</u>
Less Accumulated Depreciation for:				
Land Improvements	(7,046)	(2,748)		(9,794)
Buildings and Building Improvements	(9,791,914)	(369,020)		(10,160,934)
Machinery and Equipment	(3,054,860)	(144,935)	30,820	(3,168,975)
	<u>(12,853,820)</u>	<u>(516,703)</u>	<u>30,820</u>	<u>(13,339,703)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 14,958,957</u>	<u>\$ 68,546</u>	<u>\$ 8,854</u>	<u>\$ 15,036,357</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 39,776	\$ 6,435	\$ 67,859	\$ 114,070
Less Accumulated Depreciation	<u>(11,933)</u>	<u>(4,312)</u>	<u>(55,538)</u>	<u>(71,783)</u>
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 27,843</u>	<u>\$ 2,123</u>	<u>\$ 12,321</u>	<u>\$ 42,287</u>

The District completed the new roof project in the current school year. The \$46,452 of construction in progress from the 2014/2015 school year was added to the District's capital assets in the 2015/2016 school year.

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 6. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 20,374
Administrative Services	41,077
Plant Operations and Maintenance	48,232
Pupil Transportation	14,122
Unallocated	<u>392,898</u>
	<u>\$ 516,703</u>

NOTE 7. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2016, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance 6/30/2015	Added	Retired	Balance 6/30/2016
Serial Bonds Payable	\$ 3,990,000		\$ 605,000	\$ 3,385,000
Compensated Absences Payable	1,116,512	\$ 103,041	63,352	1,156,201
Net Pension Liability	<u>4,475,480</u>	<u>631,727</u>		<u>5,107,207</u>
	<u>\$ 9,581,992</u>	<u>\$ 734,768</u>	<u>\$ 668,352</u>	<u>\$ 9,648,408</u>

A. Bonds Payable:

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds and are liquidated through the debt service fund.

The District had bonds outstanding as of June 30, 2016 as follows:

<u>Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
06/15/2017	3.30%	\$ 240,000
07/15/2023	3.00%-4.00%	<u>3,145,000</u>
		<u>\$3,385,000</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(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,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 595,000	\$ 244,438	\$ 839,438
2018	370,000	208,788	578,788
2019	385,000	179,788	564,788
2020	400,000	148,800	548,800
2021	420,000	115,800	535,800
Thereafter: 2022-2024	<u>1,215,000</u>	<u>143,811</u>	<u>1,358,811</u>
	<u>\$ 3,385,000</u>	<u>\$ 1,041,425</u>	<u>\$ 4,426,425</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2016, the Board had no bonds authorized but not issued.

C. Capital Leases Payable:

The District did not enter into any capital leases as of June 30, 2016.

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 \$1,096,724. The current portion of this liability is \$59,477.

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, 2016, no liability existed for compensated absences in the Food Service Fund.

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

E. Net Pension Liability

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2016 is \$- and the long-term portion is \$5,107,207. See Note 8 for further information on the PERS.

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(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 Public Employee's Retirement System (PERS) of New Jersey, or the Teachers' Pension and Annuity Fund (TPAF); or the Defined Contribution Retirement Program (DCRP).

A. Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

Benefits Provided

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

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

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$195,600 for fiscal year 2016.

The employee contribution rate was 7.06% effective July 1, 2015. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District reported a liability of \$5,107,207 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2015, the District's proportion was 0.023%, which was a decrease of 0.001% from its proportion measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$335,204. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions - 2014	6.44	\$ 109,323	
Changes in Assumptions - 2015	5.72	439,150	
Changes in Proportion - 2014	6.44	173,000	\$ 172,999
Changes in Proportion - 2015	5.72		183,101
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - 2014	5		
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - 2015	5		82,114
Difference Between Expected and Actual Experience - 2015	5.72	<u>121,840</u>	
		<u>\$ 843,313</u>	<u>\$ 438,214</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts including changes in proportion) related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2016	107,082
2017	107,082
2018	107,082
2019	170,545
2020	<u>96,408</u>
	<u>\$ 588,199</u>

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	3.04%
Salary Increases:	
2012-2021	2.15 – 4.40% based on age
Thereafter	3.15 – 5.40% based on age
Investment Rate of Return	7.90%

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Actuarial Assumptions (Cont'd)

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

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex. U.S.	3.50%	-0.40%
REIT	4.25%	5.12%

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Discount Rate

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 3.80% as of June 30, 2015 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2015 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Fiscal Year Ended June 30, 2015		
	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
District's proportionate share of the Net Pension Liability	\$ 6,347,633	\$ 5,107,207	\$ 4,067,242

Pension plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).



BOROUGH OF HILLSDALE SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teacher's Pension and Annuity Fund (TPAF) (Cont'd)

Benefits Provided

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

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

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2015, the State's pension contribution was less than the actuarially determined amount.

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2016, the State of New Jersey contributed \$751,394 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$3,687,140.

The employee contribution rate was 7.06% effective July 1, 2015. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teacher's Pension and Annuity Fund (TPAF) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the State's proportionate share of the net pension liability associated with the District was \$60,386,505. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2015, the District's proportion was 0.095%, which was an increase of 0.003% from its proportion measured as of June 30, 2014.

District's Proportionate Share of the Net Pension Liability	\$	-0-
State's Proportionate Share of the Net Pension Liability Associated with the District		<u>60,386,505</u>
Total	\$	<u><u>60,386,505</u></u>

For the fiscal year ended June 30, 2016, the State recognized pension expense on behalf of the District in the amount of \$3,687,140 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2016 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions from the following sources:

	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions - 2014	8.5	\$ 1,999,074,013	
Changes in Assumptions - 2015	8.3	5,201,079,373	
Difference Between Expected and Actual Experience - 2014	8.5		\$ 19,039,817
Difference Between Expected and Actual Experience - 2015	8.3	321,224,871	
Net Difference Between Projected and Actual			
Investment Earnings on Pension Plan Investments - 2014	5		1,305,927,430
Net Difference Between Projected and Actual			
Investment Earnings on Pension Plan Investments - 2015	5		<u>(770,568,242)</u>
		<u>\$ 7,521,378,257</u>	<u>\$ 554,399,005</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teacher's Pension and Annuity Fund (TPAF) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Amounts reported by the State as collective deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense excluding that attributable to employer-paid members contributions as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Total</u>
2016	\$ 818,433,596
2017	818,433,596
2018	818,433,598
2019	1,253,742,742
2020	1,061,100,680
There after	<u>2,196,835,040</u>
	<u>\$ 6,966,979,252</u>

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Health Annuitant Mortality Tables for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teacher's Pension and Annuity Fund (TPAF) (Cont'd)

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Cash	5.00%	0.53%
U.S. Government Bonds	1.75%	1.39%
U.S. Credit Bonds	13.50%	2.72%
U.S. Mortgages	2.10%	2.54%
U.S. Inflation-Indexed Bonds	1.50%	1.47%
U.S. High Yield Bonds	2.00%	4.57%
U.S. Equity Market	27.25%	5.63%
Foreign-Developed Equity	12.00%	6.22%
Emerging Market Equities	6.40%	8.46%
Private Real Estate Property	4.25%	3.97%
Timber	1.00%	4.09%
Farmland	1.00%	4.61%
Private Equity	9.25%	9.15%
Commodities	1.00%	3.58%
Hedge Funds - MultiStrategy	4.00%	4.59%
Hedge Funds - Equity Hedge	4.00%	5.68%
Hedge Funds - Distressed	4.00%	4.30%

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teacher's Pension and Annuity Fund (TPAF) (Cont'd)

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.13% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90% and a municipal bond rate of 3.80% as of June 30, 2015 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the State as of June 30, 2015 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Fiscal Year Ended June 30, 2015		
	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 71,767,054	\$ 60,386,463	\$ 50,581,403

Pension Plan Fiduciary Net Position - TPAF

Detailed information about the TPAF's fiduciary net position is available in the separately issued TPAF financial statements.

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or PFRS, the employee may be eligible to enroll in the DCRP. 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 the DCRP. 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.

Employers are required to contribute at an actuarially determined rate. 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.

For DCRP, the District recognized pension expense of \$20,976 for the fiscal year ended June 30, 2016. Employee contributions to DCRP amounted to \$38,456 for the fiscal year ended June 30, 2016.

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, 2015, there were 107,314 retirees eligible for post-retirement medical benefits, and the State contributed \$1.25 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 School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pension and Benefits issues a publically available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website at <http://www.nj.gov/treasury/pensions/pdf/financial2015combined.pdf>.

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 \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

The State's on behalf Post-Retirement Medical Contributions to TPAF for the District amounted to \$894,702, \$819,999 and \$640,465 for 2016, 2015 and 2014 respectively.

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters.

Property, Liability and Health Benefits

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

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

Selected, summarized financial information for the Group as of June 30, 2015 is as follows:

Total Assets	\$ 33,128,528
Net Position	\$ 18,401,049
Total Revenue	\$ 6,861,232
Total Expenses	\$ 6,029,315
Change in Net Position	\$ 831,917
Member Dividends	\$ -0-

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

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State. The following is a summary of District contributions, interest earned, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's expendable trust fund for the current and previous two years.

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Interest Earned</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2015-2016	\$ -0-	\$ 267	\$ 21,502	\$ 6,156	\$ 84,433
2014-2015	-0-	244	29,792	20,741	68,820
2013-2014	-0-	384	7,891	42,777	59,525

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, 2016:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 45,466	
Special Revenue Fund		\$ 31,852
Fiduciary Fund		13,614
	<u>\$ 45,466</u>	<u>\$ 45,466</u>

The interfund receivable in the General Fund and the interfund payable in the Fiduciary Fund represents the balance of Payroll Agency due to the General Fund for the retro-active payroll. The interfund receivable in General Fund and the interfund payable in Special Revenue Fund represents the negative cash balance reflected in Special Revenue

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:



BOROUGH OF HILLSDALE SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 14. TAX CALENDAR

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

NOTE 15. COMMITMENTS AND CONTINGENCIES

Litigation

The Board is periodically involved in claims or lawsuits arising in the normal course of business, including claims 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, 2016, there were encumbrances as detailed below in the governmental funds. All of the governmental funds are considered to be major funds.

<u>Governmental Funds</u>		
<u>General</u>	<u>Special</u>	
<u>Fund</u>	<u>Revenue</u>	<u>Total</u>
<u>Fund</u>	<u>Fund</u>	
<u>\$ 819,737</u>	<u>\$ -0-</u>	<u>\$ 819,737</u>

On the District's Governmental Funds Balance Sheet as of June 30, 2016, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$95,519 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.

SUPPLEMENTARY SCHEDULES

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST THREE FISCAL YEARS  
UNAUDITED

	Fiscal Year Ending June 30,		
	2014	2015	2016
District's proportion of the net pension liability	0.0225910570%	0.0239039844%	0.0227512812%
District's proportionate share of the net pension liability	\$ 4,317,600	\$ 4,475,480	\$ 5,107,207
District's covered employee payroll	1,548,981.00	1,470,730.00	1,459,526.00
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	278.74%	304.30%	349.92%
Plan fiduciary net position as a percentage of the total pension liability	48.72%	52.08%	47.93%

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

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST THREE FISCAL YEARS  
UNAUDITED

	Fiscal Year Ending June 30,		
	2014	2015	2016
Contractually required contribution	\$ 170,219	\$ 197,061	\$ 195,600
Contributions in relation to the contractually required contribution	<u>(170,219)</u>	<u>(197,061)</u>	<u>(195,600)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 1,548,981	\$ 1,470,730	\$ 1,459,526
Contributions as a percentage of covered employee payroll	10.99%	13.40%	13.40%

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

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHERS' PENSION AND ANNUITY FUND  
LAST THREE FISCAL YEARS  
UNAUDITED

	Fiscal Year Ending June 30,		
	2014	2015	2016
State's proportion of the net pension liability attributable to the District	0.0935530562%	0.0923353276%	0.0955417453%
State's proportionate share of the net pension liability attributable to the District	\$ 47,280,979	\$ 49,350,227	\$ 60,386,505
District's covered employee payroll	9,479,403.00	9,120,841.00	10,006,102.00
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	498.78%	541.07%	603.50%
Plan fiduciary net position as a percentage of the total pension liability	33.76%	33.64%	28.71%

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

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.39% as of June 30, 2014 to 4.90% as of June 30, 2015. The inflation rate changed from 3.01% as of June 30, 2014 to 3.04% as of June 30, 2015.

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.68% as of June 30, 2014 to 4.13% as of June 30, 2015.

Consistent

**BUDGETARY COMPARISON SCHEDULES**

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 19,460,866		\$ 19,460,866	\$ 19,460,866	
Tuition	28,000		28,000	23,400	\$ (4,600)
Transportation Fees from Individuals	18,000		18,000	23,675	5,675
Interest Earned on Capital Reserve Funds	50		50	2,861	2,811
Miscellaneous	40,000		40,000	58,904	18,904
Total - Local Sources	<u>19,546,916</u>		<u>19,546,916</u>	<u>19,569,706</u>	<u>22,790</u>
State Sources:					
Extraordinary Special Education Costs Aid	134,266		134,266	112,122	(22,144)
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	
Additional Adjustment Aid	23,739		23,739	23,739	
PARCC Readiness Aid	12,690		12,690	12,690	
Per Pupil Growth Aid	12,690		12,690	12,690	
Nonpublic School Transportation Costs				6,786	6,786
TPAF Pension Payments (On-Behalf - Non-Budgeted)				751,394	751,394
TPAF Post Retirement Benefits (On-Behalf - Non-Budgeted)				894,702	894,702
TPAF Social Security (Reimbursed - Non-Budgeted)				727,472	727,472
Total State Sources	<u>962,405</u>		<u>962,405</u>	<u>3,320,615</u>	<u>2,358,210</u>
TOTAL REVENUES	<u>20,509,321</u>		<u>20,509,321</u>	<u>22,890,321</u>	<u>2,381,000</u>



BOROUGH OF HILLSDALE SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 499,709	\$ (22,193)	\$ 477,516	\$ 467,108	\$ 10,408
Grades 1-5 - Salaries of Teachers	2,978,917	(186,446)	2,792,471	2,782,615	9,856
Grades 6-8 - Salaries of Teachers	2,911,705	51,265	2,962,970	2,962,969	1
Regular Programs - Home Instruction:					
Salaries of Teachers	2,000	6,000	8,000	7,073	927
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	627,324	(30,701)	596,623	596,123	500
Purchased Professional - Educational Services	16,000	(600)	15,400	6,412	8,988
Other Purchased Services (400-500 series)	1,250		1,250	357	893
General Supplies	203,266	(8,685)	194,581	161,590	32,991
Textbooks	88,395	(5,496)	82,899	72,346	10,553
Other Objects	29,010		29,010	14,843	14,167
Total Regular Programs - Instruction	<u>7,357,576</u>	<u>(196,856)</u>	<u>7,160,720</u>	<u>7,071,436</u>	<u>89,284</u>
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	172,174	(27,978)	144,196	144,196	
Other Salaries for Instruction	80,380	24,445	104,825	96,875	7,950
General Supplies	4,000	(2,040)	1,960	312	1,648
Total Learning and/or Language Disabilities	<u>256,554</u>	<u>(5,573)</u>	<u>250,981</u>	<u>241,383</u>	<u>9,598</u>
Resource Room/Resource Center:					
Salaries of Teachers	1,437,592	66,140	1,503,732	1,489,756	13,976
Total Resource Room/Resource Center	<u>1,437,592</u>	<u>66,140</u>	<u>1,503,732</u>	<u>1,489,756</u>	<u>13,976</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Preschool Disabilities - Part-time:					
Salaries of Teachers	\$ 123,278	\$ 28,775	\$ 152,053	\$ 143,839	\$ 8,214
Other Salaries for Instruction	55,704	51,000	106,704	92,988	13,716
Purchased Prof Ed Services		6,150	6,150	2,951	3,199
General Supplies	6,315	377	6,692	6,109	583
Total Preschool Disabilities - Part-time	<u>185,297</u>	<u>86,302</u>	<u>271,599</u>	<u>245,887</u>	<u>25,712</u>
Total Special Education Instruction	<u>1,879,443</u>	<u>146,869</u>	<u>2,026,312</u>	<u>1,977,026</u>	<u>49,286</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	81,533		81,533	72,499	9,034
General Supplies	500		500		500
Total Basic Skills/Remedial - Instruction	<u>82,033</u>		<u>82,033</u>	<u>72,499</u>	<u>9,534</u>
Bilingual Education - Instruction:					
Salaries of Teachers	82,764	(17,330)	65,434	45,144	20,290
General Supplies	600	233	833	833	
Total Bilingual Education - Instruction	<u>83,364</u>	<u>(17,097)</u>	<u>66,267</u>	<u>45,977</u>	<u>20,290</u>
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	21,000	17,097	38,097	38,097	
Supplies and Materials	5,000		5,000		5,000
Total School-Sponsored Cocurricular Activities - Instruction	<u>26,000</u>	<u>17,097</u>	<u>43,097</u>	<u>38,097</u>	<u>5,000</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	\$ 37,843		\$ 37,843	\$ 37,843	
Purchased Services (300-500 series)	5,000		5,000	4,544	\$ 456
Supplies and Materials	5,000		5,000	1,826	3,174
Total School-Sponsored Cocurricular Athletics - Instruction	<u>47,843</u>		<u>47,843</u>	<u>44,213</u>	<u>3,630</u>
Community Service Programs:					
Salaries	5,000	\$ 9,000	14,000	10,103	3,897
Total Community Service Programs	<u>5,000</u>	<u>9,000</u>	<u>14,000</u>	<u>10,103</u>	<u>3,897</u>
Total Instruction	<u>9,481,259</u>	<u>(40,987)</u>	<u>9,440,272</u>	<u>9,259,351</u>	<u>180,921</u>
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	360,000	20,038	380,038	364,707	15,331
Tuition to County Special Services Schools and Regional Day School	71,460	(24,038)	47,422		47,422
Tuition to Private Schools for the Disabled - Within the State	262,192	(15,447)	246,745	193,209	53,536
Other Tuition	30,900	15,447	46,347	46,347	
Total Undistributed Expenditures - Instruction:	<u>724,552</u>	<u>(4,000)</u>	<u>720,552</u>	<u>604,263</u>	<u>116,289</u>
Attendance and Social Work Services:					
Salaries	24,650	(154)	24,496	24,496	
Purchased Professional and Technical Services	5,150	154	5,304	5,304	
Total Attendance and Social Work Services	<u>29,800</u>		<u>29,800</u>	<u>29,800</u>	

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Health Services:					
Salaries	\$ 242,659		\$ 242,659	\$ 230,570	\$ 12,089
Purchased Professional and Technical Services	11,000		11,000	8,598	2,402
Supplies and Materials	9,846	\$ 300	10,146	6,507	3,639
Total Health Services	<u>263,505</u>	<u>300</u>	<u>263,805</u>	<u>245,675</u>	<u>18,130</u>
Speech, OT, PT and Related Services:					
Salaries	358,963	(6,288)	352,675	351,090	1,585
Purchased Professional - Educational Services	11,970	6,867	18,837	18,162	675
Supplies and Materials	4,000	(579)	3,421	1,936	1,485
Total Speech, OT, PT and Related Services	<u>374,933</u>	<u></u>	<u>374,933</u>	<u>371,188</u>	<u>3,745</u>
Other Support Services - Students - Extraordinary Services:					
Purchased Professional - Educational Services	216,039	(2,762)	213,277	188,321	24,956
Total Other Support Services - Students - Extraordinary Services	<u>216,039</u>	<u>(2,762)</u>	<u>213,277</u>	<u>188,321</u>	<u>24,956</u>
Guidance:					
Salaries of Other Professional Staff	353,960		353,960	350,637	3,323
Salaries of Secretarial and Clerical Assistants	75,147		75,147	66,451	8,696
Total Guidance	<u>429,107</u>	<u></u>	<u>429,107</u>	<u>417,088</u>	<u>12,019</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Child Study Teams:					
Salaries of Other Professional Staff	\$ 600,000	\$ (46,761)	\$ 553,239	\$ 540,086	\$ 13,153
Salaries of Secretarial and Clerical Assistants	93,785		93,785	91,050	2,735
Purchased Professional - Educational Services	326,578	48,209	374,787	330,903	43,884
Purchased Professional and Technical Services	124,400	(14,448)	109,952	91,577	18,375
Supplies and Materials	13,859	(82)	13,777	6,838	6,939
Other Objects	7,270	(233)	7,037	4,348	2,689
<b>Total Child Study Teams</b>	<b>1,165,892</b>	<b>(13,315)</b>	<b>1,152,577</b>	<b>1,064,802</b>	<b>87,775</b>
Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	96,796		96,796	95,606	1,190
Salaries of Other Professional Staff	73,050		73,050	72,585	465
Other Purchased Services	25,507	992	26,499	24,924	1,575
Supplies and Materials	4,348	(910)	3,438	1,712	1,726
<b>Total Improvement of Instructional Services</b>	<b>199,701</b>	<b>82</b>	<b>199,783</b>	<b>194,827</b>	<b>4,956</b>
Educational Media Services/School Library:					
Salaries	246,797	14,161	260,958	260,181	777
Salaries of Technology Coordinators	89,042		89,042	88,955	87
Purchased Professional and Technical Services	9,900	(1,148)	8,752	7,497	1,255
Other Purchased Services	2,000	(13)	1,987	534	1,453
Supplies and Materials	14,168	1,000	15,168	13,158	2,010
Other Objects	242,853	(381)	242,472	153,442	89,030
<b>Total Educational Media Services/School Library</b>	<b>604,760</b>	<b>13,619</b>	<b>618,379</b>	<b>523,767</b>	<b>94,612</b>

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Instructional Staff Training Services:					
Purchased Professional - Educational Services	\$ 51,500	\$ (3,934)	\$ 47,566	\$ 34,869	\$ 12,697
Other Objects	8,000	3,934	11,934	11,933	1
<b>Total Instructional Staff Training Services</b>	<b>59,500</b>		<b>59,500</b>	<b>46,802</b>	<b>12,698</b>
Support Services - General Administration:					
Salaries	251,268	232,924	484,192	374,067	110,125
Legal Services	46,622		46,622	23,878	22,744
Audit Fees	35,875	715	36,590	36,590	
Architectural/Engineering Services	20,000	8,435	28,435	8,435	20,000
Other Purchased Professional Services	22,305	(3,284)	19,021	8,514	10,507
Communications/Telephone	193,160	10,424	203,584	106,333	97,251
BOE Other Purchased Services	4,000		4,000	2,327	1,673
Other Purchased Services (400-500 series)	12,720		12,720	11,249	1,471
General Supplies	9,835		9,835	5,840	3,995
BOE In- House Training/Meeting Supplies	3,500	3,157	6,657	344	6,313
Miscellaneous Expenditures	9,470		9,470	6,193	3,277
BOE Membership Dues and Fees	10,500		10,500	9,396	1,104
<b>Total Support Services - General Administration</b>	<b>619,255</b>	<b>252,371</b>	<b>871,626</b>	<b>593,166</b>	<b>278,460</b>
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	411,835	101,000	512,835	497,663	15,172
Salaries of Other Professional Staff	74,000	150,928	224,928	224,928	
Salaries of Secretarial and Clerical Assistants	221,572	(215,372)	6,200	4,599	1,601
Other Purchased Services (400-500 series)	7,400		7,400	3,802	3,598
Supplies and Materials	11,392	(3,376)	8,016	2,619	5,397
<b>Total Support Services - School Administration</b>	<b>726,199</b>	<b>33,180</b>	<b>759,379</b>	<b>733,611</b>	<b>25,768</b>

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Central Services:					
Salaries	\$ 294,110		\$ 294,110	\$ 266,134	\$ 27,976
Purchased Technical Services	35,000		35,000	28,915	6,085
Miscellaneous Purchased Services (400-500 series)	13,120		13,120	5,292	7,828
Supplies and Materials	18,124	\$ 23	18,147	13,661	4,486
Miscellaneous Expenditures	9,000	(23)	8,977	2,150	6,827
Total Central Services	<u>369,354</u>		<u>369,354</u>	<u>316,152</u>	<u>53,202</u>
Administration Information Technology:					
Salaries	52,161		52,161	52,109	52
Purchased Professional Services					
Purchased Technical Services	85,000	(1,316)	83,684	58,437	25,247
Supplies and Materials		1,316	1,316		1,316
Total Administration Information Technology	<u>137,161</u>		<u>137,161</u>	<u>110,546</u>	<u>26,615</u>
Required Maintenance of School Facilities:					
Salaries	123,366		123,366	122,276	1,090
Cleaning, Repair and Maintenance Services	227,890		227,890	117,761	110,129
General Supplies	59,978		59,978	28,062	31,916
Total Required Maintenance of School Facilities	<u>411,234</u>		<u>411,234</u>	<u>268,099</u>	<u>143,135</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Custodial Services:					
Salaries	\$ 324,682		\$ 324,682	\$ 313,875	\$ 10,807
Salaries of Non-Instructional Aides	128,795		128,795	128,795	
Purchased Professional and Technical Services	8,200		8,200	4,600	3,600
Cleaning, Repair and Maintenance Services	630,944	\$ 546	631,490	586,253	45,237
Insurance	155,577		155,577	117,994	37,583
General Supplies	101,008	390	101,398	89,905	11,493
Energy (Natural Gas)	435,208	(245,895)	189,313	77,545	111,768
Energy (Electricity)	295,785		295,785	174,626	121,159
Energy (Gasoline)	13,500	(1,179)	12,321	2,378	9,943
Other Objects	15,667	633	16,300	12,922	3,378
Total Custodial Services	<u>2,109,366</u>	<u>(245,505)</u>	<u>1,863,861</u>	<u>1,508,893</u>	<u>354,968</u>
Student Transportation Services:					
Salaries for Pupil Transportation:					
Between Home and School - Regular	5,500		5,500		5,500
Contracted Services:					
Between Home and School - Vendors	184,200	180	184,380	175,488	8,892
Other Than Between Home and School - Vendors	20,100	(180)	19,920	15,347	4,573
Special Education Students - Joint Agreements	212,000		212,000	180,654	31,346
Aid in Lieu Payments-Nonpublic Students	39,679		39,679	33,592	6,087
Supplies and Materials	839		839	25	814
Total Student Transportation Services	<u>462,318</u>		<u>462,318</u>	<u>405,106</u>	<u>57,212</u>



BOROUGH OF HILLSDALE SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Unallocated Benefits:					
Social Security Contributions	\$ 229,000		\$ 229,000	\$ 227,508	\$ 1,492
Other Retirement Contributions - PERS	232,748	\$ (37,148)	195,600	195,600	
Other Retirement Contributions - Regular	17,000	37,148	54,148	20,976	33,172
Workmen's Compensation	105,000		105,000	92,434	12,566
Health Benefits	2,747,570	(43,479)	2,704,091	2,334,172	369,919
Other Employee Benefits	72,850	43,479	116,329	116,328	1
Total Unallocated Benefits	<u>3,404,168</u>		<u>3,404,168</u>	<u>2,987,018</u>	<u>417,150</u>
On-Behalf Contributions:					
TPAF Pension Payments (On-Behalf - Non-Budgeted)				751,394	(751,394)
TPAF Post Retirement Benefits (On-Behalf - Non-Budgeted)				894,702	(894,702)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				727,472	(727,472)
Total On-Behalf Contributions				<u>2,373,568</u>	<u>(2,373,568)</u>
Total Personal Services - Employee Benefits	<u>3,404,168</u>		<u>3,404,168</u>	<u>5,360,586</u>	<u>(1,956,418)</u>
Total Undistributed Expenses	<u>12,306,844</u>	<u>33,970</u>	<u>12,340,814</u>	<u>12,982,692</u>	<u>(641,878)</u>
TOTAL GENERAL CURRENT EXPENSE	<u>21,788,103</u>	<u>(7,017)</u>	<u>21,781,086</u>	<u>22,242,043</u>	<u>(460,957)</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CAPITAL OUTLAY					
Equipment:					
Regular Programs - Instruction:					
Grades 6-8		\$ 9,096	\$ 9,096	\$ 6,490	\$ 2,606
Undistributed Expenditures:					
Required Maintenance for School Facilities	\$ 2,876	10,995	13,871	9,475	4,396
Total Equipment	<u>2,876</u>	<u>20,091</u>	<u>22,967</u>	<u>15,965</u>	<u>7,002</u>
Facilities Acquisition and Construction Services:					
Architectural/Engineering Services	19,926		19,926	19,925	1
Construction Services	613,348		613,348	569,283	44,065
Assessment for Debt Service on SDA Funding	21,633		21,633	21,633	
Total Facilities Acquisition and Construction Services	<u>654,907</u>		<u>654,907</u>	<u>610,841</u>	<u>44,066</u>
TOTAL CAPITAL OUTLAY	<u>657,783</u>	<u>20,091</u>	<u>677,874</u>	<u>626,806</u>	<u>51,068</u>
SPECIAL SCHOOLS:					
Summer School - Instruction:					
Salaries of Teachers	27,000		27,000	14,763	12,237
Other Salaries for Instruction	16,000		16,000	11,443	4,557
Total Summer School - Instruction	<u>43,000</u>		<u>43,000</u>	<u>26,206</u>	<u>16,794</u>
TOTAL SPECIAL SCHOOLS	<u>43,000</u>		<u>43,000</u>	<u>26,206</u>	<u>16,794</u>
TOTAL EXPENDITURES	<u>22,488,886</u>	<u>13,074</u>	<u>22,501,960</u>	<u>22,895,055</u>	<u>(393,095)</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>(1,979,565)</u>	<u>(13,074)</u>	<u>(1,992,639)</u>	<u>(4,734)</u>	<u>1,987,905</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Other Financing Sources:					
Operating Transfer In:					
Interest Earned in Capital Projects Fund				\$ 13	\$ 13
Total Other Financing Sources				13	13
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures	\$ (1,979,565)	\$ (13,074)	\$ (1,992,639)	(4,721)	1,987,918
Fund Balance, July 1	3,414,262		3,414,262	3,414,262	
Fund Balance, June 30	\$ 1,434,697	\$ (13,074)	\$ 1,421,623	\$ 3,409,541	\$ 1,987,918
Recapitulation:					
Restricted for Excess Surplus				\$ 691,091	
Restricted for Excess Surplus - Designated for Subsequent Year's Expenditures				214,563	
Capital Reserve				916,934	
Assigned:					
Year End Encumbrances				819,737	
Designated for Subsequent Year's Expenditures				350,000	
Unassigned Fund Balance				417,216	
				3,409,541	
Reconciliation to Governmental Fund Statement (GAAP):					
Last State Aid Payments not Recognized on GAAP Basis				(73,964)	
Fund Balance per Governmental Funds (GAAP)				\$ 3,335,577	

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources		\$ 74,220	\$ 74,220	\$ 74,106	\$ (114)
State Sources		215,409	215,409	171,718	(43,691)
Federal Sources	\$ 263,000	237,159	500,159	492,146	(8,013)
Total Revenues	<u>263,000</u>	<u>526,788</u>	<u>789,788</u>	<u>737,970</u>	<u>(51,818)</u>
EXPENDITURES:					
Instruction:					
Personal Services - Salaries		28,520	28,520	28,520	
Purchased Professional and Technical Services	30,000	65,317	95,317	93,087	2,230
Tuition	230,000	51,630	281,630	281,630	
General Supplies		51,249	51,249	50,913	336
Textbooks		16,975	16,975	16,975	
Other Objects		16,915	16,915	16,594	321
Total Instruction	<u>260,000</u>	<u>230,606</u>	<u>490,606</u>	<u>487,719</u>	<u>2,887</u>
Support Services:					
Personal Services - Employee Benefits					
Purchased Professional and Technical Services		69,990	69,990	64,970	5,020
Other Purchased Services		152,386	152,386	109,629	42,757
Supplies and Materials	3,000	(414)	2,586	1,546	1,040
Other Objects		74,220	74,220	74,106	114
Total Support Services	<u>3,000</u>	<u>296,182</u>	<u>299,182</u>	<u>250,251</u>	<u>48,931</u>
Total Expenditures	<u>263,000</u>	<u>526,788</u>	<u>789,788</u>	<u>737,970</u>	<u>51,818</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(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	\$ 22,890,321	\$ 737,970
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that Encumbrances are Recognized as Expenditures, and Revenue Revenue is Recognized.		(90,302)
State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	79,752	
State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(73,964)	
	<u>\$ 22,896,109</u>	<u>\$ 647,668</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds		
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 22,895,055	\$ 737,970
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.		(90,302)
	<u>\$ 22,895,055</u>	<u>\$ 647,668</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds		

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(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, 2016, 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, 2016

	No Child Left Behind			IDEA
	Title I	Title II A	Title III	Part B Basic
REVENUE:				
Local Sources				
State Sources				
Federal Sources	\$ 111,284	\$ 32,716	\$ 1,546	\$ 318,389
Total Revenue	<u>111,284</u>	<u>32,716</u>	<u>1,546</u>	<u>318,389</u>
EXPENDITURES:				
Instruction:				
Salaries				
Purchased Professional and Technical Services	65,670	27,417		
Tuition				253,419
General Supplies	45,614	5,299		
Textbooks				
Other Objects				
Total Instruction	<u>111,284</u>	<u>32,716</u>		<u>253,419</u>
Support Services:				
Purchased Professional & Technical Services				64,970
Other Purchased Services				
Supplies and Materials			1,546	
Other Objects				
Total Support Services			<u>1,546</u>	<u>64,970</u>
Total Expenditures	<u>\$ 111,284</u>	<u>\$ 32,716</u>	<u>\$ 1,546</u>	<u>\$ 318,389</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	IDEA	Nonpublic Auxiliary Services (Chapter 192)	Nonpublic Handicapped Services (Chapter 193)		
	Preschool	Compensatory Education	Supplementary Instruction	Examination and Classification	Corrective Speech
REVENUE:					
Local Sources					
State Sources		\$ 44,332	\$ 15,549	\$ 25,734	\$ 24,014
Federal Sources	\$ 28,211				
Total Revenue	<u>28,211</u>	<u>44,332</u>	<u>15,549</u>	<u>25,734</u>	<u>24,014</u>
EXPENDITURES:					
Instruction:					
Salaries					
Purchased Professional and Technical Services					
Tuition	28,211				
General Supplies					
Textbooks					
Other Objects					
Total Instruction	<u>28,211</u>				
Support Services:					
Purchased Professional & Technical Services					
Other Purchased Services		44,332	15,549	25,734	24,014
Supplies and Materials					
Other Objects					
Total Support Services		<u>44,332</u>	<u>15,549</u>	<u>25,734</u>	<u>24,014</u>
Total Expenditures	<u>\$ 28,211</u>	<u>\$ 44,332</u>	<u>\$ 15,549</u>	<u>\$ 25,734</u>	<u>\$ 24,014</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Nonpublic				Local Grants
	Security	Technology	Textbook	Nursing	
REVENUE:					
Local Sources					\$ 74,106
State Sources	\$ 7,995	\$ 7,869	\$ 16,975	\$ 29,250	
Federal Sources					
Total Revenue	<u>7,995</u>	<u>7,869</u>	<u>16,975</u>	<u>29,250</u>	<u>74,106</u>
EXPENDITURES:					
Instruction:					
Salaries				28,520	
Purchased Professional and Technical Services					
Tuition					
General Supplies					
Textbooks			16,975		
Other Objects	7,995	7,869		730	
Total Instruction	<u>7,995</u>	<u>7,869</u>	<u>16,975</u>	<u>29,250</u>	
Support Services:					
Purchased Professional & Technical Services					
Other Purchased Services					
Supplies and Materials					
Other Objects					74,106
Total Support Services					<u>74,106</u>
Total Expenditures	<u>\$ 7,995</u>	<u>\$ 7,869</u>	<u>\$ 16,975</u>	<u>\$ 29,250</u>	<u>\$ 74,106</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Totals June 30, 2016
REVENUE:	
Local Sources	\$ 74,106
State Sources	171,718
Federal Sources	<u>492,146</u>
Total Revenue	<u>737,970</u>
EXPENDITURES:	
Instruction:	
Salaries	28,520
Purchased Professional and Technical Services	93,087
Tuition	281,630
General Supplies	50,913
Textbooks	16,975
Other Objects	<u>16,594</u>
Total Instruction	<u>487,719</u>
Support Services:	
Purchased Professional & Technical Services	64,970
Other Purchased Services	109,629
Supplies and Materials	1,546
Other Objects	<u>74,106</u>
Total Support Services	<u>250,251</u>
Total Expenditures	<u>\$ 737,970</u>

**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, 2016

Revenue and Other Financing Sources:	
Interest Revenue	\$ <u>13</u>
Total Revenue and Other Financing Sources	<u>13</u>
Expenditures and Other Financing Uses:	
Operating Transfers Out:	
General Fund - Interest Earned	<u>13</u>
Total Expenditures and Other Financing Uses	<u>13</u>
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	-0-
Fund Balance - Beginning	<u>-0-</u>
Fund Balance - Ending	<u><u>\$ -0-</u></u>

**PROPRIETARY FUNDS**

Exhibit G-1

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF NET POSITION  
JUNE 30, 2016

## ASSETS:

## Current Assets:

Cash and Cash Equivalents	\$	75,758
Accounts Receivable:		
Federal		3,092
State		161
Inventories		2,646

Total Current Assets		81,657
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## Non- Current Assets:

## Capital Assets:

Capital Assets		
Net of Accumulated Depreciation		42,287

Total Non- Current Assets		42,287
---------------------------	--	--------

Total Assets		123,944
--------------	--	---------

## LIABILITIES:

## Current Liabilities:

Unearned Revenue		4,512
Unearned Revenue - Prepaid Lunches		6,892

Total Current Liabilities		11,404
---------------------------	--	--------

Total Liabilities		11,404
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## NET POSITION:

Net Investment in Capital Assets		42,287
Unrestricted		70,253

Total Net Position		\$ 112,540
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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, 2016

Operating Revenue:	
Charges for Services:	
Daily Sales:	
Daily Sales - Reimbursable	\$ 92,823
Daily Sales - Non Reimbursable	107,303
	<hr/>
Total Operating Revenue	200,126
	<hr/>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	109,926
Cost of Sales - Non Reimbursable Programs	21,541
Salaries, Benefits and Payroll Taxes	123,286
Supplies and Materials	6,205
Miscellaneous Expenses	15,378
Depreciation Expense	4,312
	<hr/>
Total Operating Expenses	280,648
	<hr/>
Operating (Loss)	(80,522)
	<hr/>
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	55,363
Food Distribution Program	16,289
State Sources:	
School Lunch Program	2,994
Local Sources:	
Interest Revenue	359
	<hr/>
Total Non-Operating Revenue	75,005
	<hr/>
Special Item - Capital Asset Valuation Adjustment	12,321
	<hr/>
Change in Net Position	6,804
	<hr/>
Net Position - Beginning of Year	105,736
	<hr/>
Net Position - End of Year	\$ 112,540
	<hr/> <hr/>

Exhibit G-3

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 200,126
Payments to Food Service Vendor	(258,054)
Payments to Suppliers	(1,893)
	<hr/>
Net Cash (Used for) Operating Activities	(59,821)
	<hr/>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Equipment	(6,435)
	<hr/>
Net Cash (Used for) Capital and Related Financing Activities	(6,435)
	<hr/>
Cash Flows from Investing Activities:	
Interest Revenue	359
	<hr/>
Net Cash Provided by Investing Activities	359
	<hr/>
Cash Flows from Noncapital Financing Activities:	
Federal Sources	56,177
State Sources	3,044
	<hr/>
Net Cash Provided by Noncapital Financing Activities	59,221
	<hr/>
Net Decrease in Cash and Cash Equivalents	(6,676)
	<hr/>
Cash and Cash Equivalents, July 1	82,434
	<hr/>
Cash and Cash Equivalents, June 31	\$ 75,758
	<hr/> <hr/>
Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities:	
Operating (Loss)	\$ (80,522)
Adjustment to Reconcile Operating (Loss) to Cash (Used for) Operating Activities:	
Depreciation	4,312
Federal Food Distribution Program	16,289
Changes in Assets and Liabilities:	
Decrease/(Increase) in Inventories	504
Increase/(Decrease) in Accounts Payable	(11,808)
Increase/(Decrease) in Unearned Revenue	4,512
Increase/(Decrease) in Unearned Revenue- Prepaid Lunches	6,892
	<hr/>
Net Cash (Used for) Operating Activities	\$ (59,821)
	<hr/> <hr/>

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized commodities from the Federal Food Distribution Program valued at \$16,289 for the fiscal year ended June 30, 2016.

**FIDUCIARY FUNDS**

Exhibit H-1

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
FIDUCIARY FUND  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2016

	<u>Agency</u>			<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>
	<u>Student Activity</u>	<u>Payroll</u>	<u>Total</u>		
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 73,322	\$ 143,478	\$ 216,800	\$ 84,433	\$ 2,754
Total Assets	<u>73,322</u>	<u>143,478</u>	<u>216,800</u>	<u>84,433</u>	<u>2,754</u>
<b>LIABILITIES:</b>					
Payroll Deductions and Withholdings		129,864	129,864		
Interfund Payable - General Fund		13,614	13,614		
Due to Student Groups	73,322		73,322		
Total Liabilities	<u>73,322</u>	<u>143,478</u>	<u>216,800</u>	<u>-0-</u>	<u>-0-</u>
<b>NET ASSETS:</b>					
Held in Trust for Unemployment Claims and Other Purposes				84,433	2,754
Total Net Position	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 84,433</u>	<u>\$ 2,754</u>

Exhibit H-2

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
FIDUCIARY FUND  
STATEMENT OF CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>
ADDITIONS:		
Contributions:		
Plan member	\$ 21,502	\$ 5,732
Total Contributions	21,502	5,732
Investment Earnings:		
Interest	267	2
Total Additions	21,769	5,734
DEDUCTIONS:		
Quarterly Contribution Reports	6,156	
Flexible Spending Claims		5,793
Total Deductions	6,156	5,793
Change in Net Position	15,613	(59)
Net Position - Beginning of the Year	68,820	2,813
Net Position - End of the Year	<u>\$ 84,433</u>	<u>\$ 2,754</u>

Exhibit H-3

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 84,702	\$ 140,363	\$ 151,743	\$ 73,322
Total Assets	<u>\$ 84,702</u>	<u>\$ 140,363</u>	<u>\$ 151,743</u>	<u>\$ 73,322</u>
 <b>LIABILITIES:</b>				
Accounts Payable	\$ 7,685		\$ 7,685	
Due to Student Groups	<u>77,017</u>	<u>\$ 140,363</u>	<u>144,058</u>	<u>\$ 73,322</u>
Total Liabilities	<u>\$ 84,702</u>	<u>\$ 140,363</u>	<u>\$ 151,743</u>	<u>\$ 73,322</u>

Exhibit H-4

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
STATEMENT OF ACTIVITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2016</u>
Elementary Schools:				
Ann B. Smith	\$       25			\$       25
Meadowbrook	1,904	\$    12,077	\$    11,952	2,029
George G. White	<u>75,088</u>	<u>128,286</u>	<u>132,106</u>	<u>71,268</u>
 Total All Schools	 <u>\$    77,017</u>	 <u>\$   140,363</u>	 <u>\$   144,058</u>	 <u>\$     73,322</u>

Exhibit H-5

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 13,614	\$ 14,294,646	\$ 14,164,782	\$ 143,478
Total Assets	<u>\$ 13,614</u>	<u>\$ 14,294,646</u>	<u>\$ 14,164,782</u>	<u>\$ 143,478</u>
<b>LIABILITIES:</b>				
Payroll Deductions and Withholdings		\$ 6,246,698	\$ 6,116,834	\$ 129,864
Net Payroll		8,047,948	8,047,948	
Interfund Payable - General Fund	<u>\$ 13,614</u>			<u>13,614</u>
Total Liabilities	<u>\$ 13,614</u>	<u>\$ 14,294,646</u>	<u>\$ 14,164,782</u>	<u>\$ 143,478</u>



**LONG-TERM DEBT**

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding June 30, 2016		Interest Rate	Balance June 30, 2015	Retired or Matured	Balance June 30, 2016
			Date	Amount				
Refunding Bonds of 1997	04/30/08	\$ 2,340,000	06/15/17	\$ 240,000	3.300%	\$ 500,000	\$ 260,000	\$ 240,000
Refunding Bonds of 2012	12/4/2012	3,815,000	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%			
						<u>3,490,000</u>	<u>345,000</u>	<u>3,145,000</u>
						<u>\$ 3,990,000</u>	<u>\$ 605,000</u>	<u>\$ 3,385,000</u>

Exhibit I-2

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
LONG-TERM DEBT  
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
NOT APPLICABLE

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 728,242		\$ 728,242	\$ 728,242	
State Sources:					
Debt Service Aid Type II	4,770		4,770	4,770	
Total Revenues	<u>733,012</u>		<u>733,012</u>	<u>733,012</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	128,175		128,175	128,175	
Redemption of Principal	605,000		605,000	605,000	
Total Regular Debt Service	<u>733,175</u>		<u>733,175</u>	<u>733,175</u>	
Total Expenditures	<u>733,175</u>		<u>733,175</u>	<u>733,175</u>	
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(163)		(163)	(163)	
Fund Balance, July 1	<u>440</u>		<u>440</u>	<u>440</u>	
Fund Balance, June 30	<u>\$ 277</u>	<u>\$ -0-</u>	<u>\$ 277</u>	<u>\$ 277</u>	<u>\$ -0-</u>
Recapitulation:					
Restricted - Other Purposes				<u>\$ 277</u>	
				<u>\$ 277</u>	

**STATISTICAL SECTION**

**STATISTICAL SECTION**  
**(UNAUDITED)**

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

**Contents**

	<b><u>Exhibit</u></b>
<p><b>Financial Trends</b></p> <p>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.</p>	J-1 thru J-5
<p><b>Revenue Capacity</b></p> <p>These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.</p>	J-6 thru J-9
<p><b>Debt Capacity</b></p> <p>These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.</p>	J-10 thru J-13
<p><b>Demographic and Economic Information</b></p> <p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.</p>	J-14 thru J-15
<p><b>Operating Information</b></p> <p>These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.</p>	J-16 thru J-20

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

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

	June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Governmental Activities:</b>										
Net Investment in Capital Assets	\$ 7,481,403	\$ 7,635,267	\$ 7,767,828	\$ 8,126,571	\$ 8,413,381	\$ 8,922,103	\$ 9,483,673	\$ 10,312,427	\$ 10,968,957	\$ 11,651,357
Restricted	279,867	247,312	669,398	588,636	907,016	1,575,041	1,981,497	1,970,339	1,428,241	1,822,588
Unrestricted/(Deficit)	(594,052)	(779,166)	(782,254)	(669,819)	(727,755)	(755,515)	(186,751)	(4,342,929)	(3,663,287)	(4,230,049)
<b>Total Governmental Activities Net Position</b>	<u>\$ 7,167,218</u>	<u>\$ 7,103,413</u>	<u>\$ 7,654,972</u>	<u>\$ 8,045,388</u>	<u>\$ 8,592,642</u>	<u>\$ 9,741,629</u>	<u>\$ 11,278,419</u>	<u>\$ 7,939,837</u>	<u>\$ 8,733,911</u>	<u>\$ 9,243,896</u>
<b>Business-Type Activities:</b>										
Net Investment in Capital Assets							\$ 35,798	\$ 31,820	\$ 27,843	\$ 42,287
Unrestricted	\$ 23,348	\$ 26,252	\$ 30,234	\$ 40,321	\$ 58,306	\$ 79,228	64,102	66,786	77,893	70,253
<b>Total Business-Type Activities Net Position</b>	<u>\$ 23,348</u>	<u>\$ 26,252</u>	<u>\$ 30,234</u>	<u>\$ 40,321</u>	<u>\$ 58,306</u>	<u>\$ 79,228</u>	<u>\$ 99,900</u>	<u>\$ 98,606</u>	<u>\$ 105,736</u>	<u>\$ 112,540</u>
<b>District-Wide:</b>										
Net Investment in Capital Assets	\$ 7,481,403	\$ 7,635,267	\$ 7,767,828	\$ 8,126,571	\$ 8,413,381	\$ 8,922,103	\$ 9,519,471	\$ 10,344,247	\$ 10,996,800	\$ 11,693,644
Restricted	279,867	247,312	669,398	588,636	907,016	1,575,041	1,981,497	1,970,339	1,428,241	1,822,588
Unrestricted/(Deficit)	(570,704)	(752,914)	(752,020)	(629,498)	(669,449)	(676,287)	(122,649)	(4,276,143)	(3,585,394)	(4,159,796)
<b>Total District Net Position</b>	<u>\$ 7,190,566</u>	<u>\$ 7,129,665</u>	<u>\$ 7,685,206</u>	<u>\$ 8,085,709</u>	<u>\$ 8,650,948</u>	<u>\$ 9,820,857</u>	<u>\$ 11,378,319</u>	<u>\$ 8,038,443</u>	<u>\$ 8,839,647</u>	<u>\$ 9,356,436</u>

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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses:										
Governmental Activities:										
Instruction:										
Regular	\$ 9,041,077	\$ 9,531,670	\$ 8,739,663	\$ 9,268,113	\$ 9,229,404	\$ 9,541,595	\$ 9,793,799	\$ 9,504,701	\$ 11,373,913	\$ 12,628,594
Special Education	1,871,608	1,848,989	1,976,393	2,349,600	2,307,783	2,483,404	2,627,118	2,358,597	3,588,169	3,577,721
Other Special Instruction	201,255	199,601	217,540	168,290	205,686	203,890	213,159	282,164	298,466	212,912
Other Instruction	97,768	105,015	125,772	158,344	161,495	165,441	169,998	110,985	133,354	151,824
Support Services:										
Tuition	380,048	407,636	492,509	392,903	516,478	658,318	723,776	1,117,640	696,820	885,893
Student & Instruction Related Services	2,531,580	2,739,410	2,773,843	3,070,119	3,024,931	3,107,714	3,082,801	3,426,546	3,645,631	3,868,747
General Administrative Services	513,197	542,644	527,099	557,121	547,326	456,380	487,398	496,940	434,410	681,974
School Administrative Services	928,040	886,048	823,198	872,231	947,395	927,761	1,004,647	961,813	1,019,201	1,185,445
Central Services	371,233	392,166	383,728	411,104	445,344	418,417	447,184	467,903	413,524	422,260
Administration Information Technology	60,111	90,238	127,848	145,161	123,015	134,255	123,289	145,762	122,673	123,939
Plant Operations and Maintenance	1,970,375	1,975,095	1,851,975	1,906,216	1,721,396	1,757,798	1,812,188	2,035,440	2,170,695	1,959,349
Pupil Transportation	543,406	555,981	610,966	595,009	546,936	421,176	468,777	456,756	470,899	419,228
Special Schools	4,823	9,082	8,891	7,202	7,500	5,542	25,025	23,412	29,219	32,428
Capital Outlay				150,363	11,075	15,763	70,066	117,656	129,642	32,703
Interest on Long-term Debt	373,450	391,372	305,831	278,492	257,666	243,304	259,439	160,953	71,891	122,194
Unallocated Depreciation	318,134	318,222	319,693	319,830	319,830	319,830	338,499	346,453	391,737	392,898
<b>Total Governmental Activities Expenses</b>	<b>19,206,105</b>	<b>19,993,169</b>	<b>19,284,949</b>	<b>20,650,098</b>	<b>20,373,260</b>	<b>20,860,588</b>	<b>21,647,163</b>	<b>22,013,721</b>	<b>24,990,244</b>	<b>26,698,109</b>
Business-Type Activities:										
Food Service	251,596	283,296	268,493	271,037	309,133	319,070	293,915	295,750	268,503	280,648
<b>Total Business-Type Activities Expenses</b>	<b>251,596</b>	<b>283,296</b>	<b>268,493</b>	<b>271,037</b>	<b>309,133</b>	<b>319,070</b>	<b>293,915</b>	<b>295,750</b>	<b>268,503</b>	<b>280,648</b>
<b>Total District Expenses</b>	<b>19,457,701</b>	<b>20,276,465</b>	<b>19,553,442</b>	<b>20,921,135</b>	<b>20,682,393</b>	<b>21,179,658</b>	<b>21,941,078</b>	<b>22,309,471</b>	<b>25,258,747</b>	<b>26,978,757</b>
Program Revenues:										
Governmental Activities:										
Charges for Services:										
Tuition	90,001				79,930	73,528	74,466	63,496	20,600	23,400
Transportation						32,100	18,440	27,475	27,280	26,675
Operating Grants and Contributions	3,350,367	3,408,331	2,924,171	3,510,155	2,214,421	3,004,472	3,466,990	3,284,353	5,844,311	6,845,870
<b>Total Governmental Activities Program Revenues</b>	<b>3,440,368</b>	<b>3,408,331</b>	<b>2,924,171</b>	<b>3,510,155</b>	<b>2,294,351</b>	<b>3,110,100</b>	<b>3,559,896</b>	<b>3,375,324</b>	<b>5,892,191</b>	<b>6,895,945</b>



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

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Program Revenues: (Cont'd)										
Business-Type Activities:										
Charges for Services:										
Food Service	\$ 201,662	\$ 224,029	\$ 211,541	\$ 211,279	\$ 252,381	\$ 252,942	\$ 241,529	\$ 222,363	\$ 201,275	\$ 200,126
Operating Grants and Contributions	53,262	61,122	60,364	69,401	74,018	86,646	72,658	71,674	74,034	74,646
Total Business-Type Activities Revenues	254,924	285,151	271,905	280,680	326,399	339,588	314,187	294,037	275,309	274,772
Total District Program Revenues	3,695,292	3,693,482	3,196,076	3,790,835	2,620,750	3,449,688	3,874,083	3,669,361	6,167,500	7,170,717
Net (Expense)/Revenue										
Governmental Activities	(15,765,737)	(16,584,838)	(16,360,778)	(17,139,943)	(18,078,909)	(17,750,488)	(18,087,267)	(18,638,397)	(19,098,053)	(19,802,164)
Business-Type Activities	3,328	1,855	3,412	9,643	17,266	20,518	20,272	(1,713)	6,806	(5,876)
Total District Net (Expense)/Revenue	(15,762,409)	(16,582,983)	(16,357,366)	(17,130,300)	(18,061,643)	(17,729,970)	(18,066,995)	(18,640,110)	(19,091,247)	(19,808,040)
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	14,542,646	15,240,352	15,849,966	16,483,965	17,656,850	18,000,000	18,354,600	18,716,186	19,084,895	19,460,866
Taxes Levied for Debt Service	810,828	817,672	756,611	786,863	747,305	795,506	801,388	766,468	727,174	728,242
Unrestricted Grants and Contributions	261,424	363,760	243,490	213,533	190,801	33,050	55,124	39,517	37,670	37,588
Interest and Miscellaneous Income	79,510	99,249	62,270	45,998	31,207	126,513	352,945	95,244	42,388	85,453
Debt Service Contribution							60,000			
Total Governmental Activities	15,694,408	16,521,033	16,912,337	17,530,359	18,626,163	18,955,069	19,624,057	19,617,415	19,892,127	20,312,149
Business-Type Activities:										
Investment Earnings	1,463	1,049	570	444	719	404	400	419	324	359
Special Item - Capital Asset Valuation Adjustment										12,321
Total Business-Type Activities	1,463	1,049	570	444	719	404	400	419	324	12,680
Total District	15,695,871	16,522,082	16,912,907	17,530,803	18,626,882	18,955,473	19,624,457	19,617,834	19,892,451	20,324,829
Change in Net Position:										
Governmental Activities	(71,329)	(63,805)	551,559	390,416	547,254	1,204,581	1,536,790	979,017	794,074	509,985
Business-Type Activities	4,791	2,904	3,982	10,087	17,985	20,922	20,672	(1,294)	7,130	6,804
Total District	\$ (66,538)	\$ (60,901)	\$ 555,541	\$ 400,503	\$ 565,239	\$ 1,225,503	\$ 1,557,462	\$ 977,723	\$ 801,204	\$ 516,789

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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund:										
Reserved/Restricted	\$ 155,124	\$ 243,759	\$ 351,909	\$ 535,387	\$ 906,856	\$ 967,963	\$ 1,971,465	\$ 1,960,312	\$ 1,428,241	\$ 1,822,588
Assigned						787,059	759,369	912,811	1,053,311	819,737
Unreserved/Unassigned	157,398	110,578	183,492	339,424	358,950	335,378	307,654	322,693	852,958	693,252
Total General Fund	<u>\$ 312,522</u>	<u>\$ 354,337</u>	<u>\$ 535,401</u>	<u>\$ 874,811</u>	<u>\$ 1,265,806</u>	<u>\$ 2,090,400</u>	<u>\$ 3,038,488</u>	<u>\$ 3,195,816</u>	<u>\$ 3,334,510</u>	<u>\$ 3,335,577</u>
All Other Governmental Funds:										
Reserved/Restricted			\$ 257,020	\$ 6,585	\$ 160	\$ 262	\$ 10,032	\$ 10,027	\$ 440	\$ 277
Unreserved/Unrestricted, Reported in:										
Capital Projects Fund	\$ 54,944	\$ 81,076	18,361	4,490						
Debt Service Fund	1	3,553	42,108	42,174						
Total All Other Governmental Funds	<u>\$ 54,945</u>	<u>\$ 84,629</u>	<u>\$ 317,489</u>	<u>\$ 53,249</u>	<u>\$ 160</u>	<u>\$ 262</u>	<u>\$ 10,032</u>	<u>\$ 10,027</u>	<u>\$ 440</u>	<u>\$ 277</u>

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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues:</b>										
Tax Levy	\$ 15,353,474	\$ 16,058,024	\$ 16,606,577	\$ 17,270,828	\$ 18,404,155	\$ 18,795,506	\$ 19,155,988	\$ 19,482,654	\$ 19,812,069	\$ 20,189,108
Tuition Charges	90,001	48,210	33,849	58,544	79,930	73,528	74,466	63,496	20,600	23,400
Miscellaneous	82,666	105,512	67,677	50,463	41,635	130,960	68,780	230,223	258,533	88,252
State Sources	3,144,056	3,286,636	2,664,303	2,857,034	1,952,968	2,581,855	3,123,355	2,825,895	3,137,430	3,494,340
Federal Sources	464,579	430,982	464,102	803,645	441,826	483,320	411,372	390,472	416,715	481,702
<b>Total Revenues</b>	<b>19,134,776</b>	<b>19,929,364</b>	<b>19,836,508</b>	<b>21,040,514</b>	<b>20,920,514</b>	<b>22,065,169</b>	<b>22,833,961</b>	<b>22,992,740</b>	<b>23,645,347</b>	<b>24,276,802</b>
<b>Expenditures:</b>										
<b>Instruction:</b>										
Regular Instruction	6,383,994	6,549,872	6,754,561	7,037,398	6,691,608	6,813,723	6,987,423	6,873,450	6,868,712	7,268,204
Special Education Instruction	1,380,097	1,364,059	1,561,224	1,886,180	1,755,788	1,889,936	1,934,693	1,709,357	2,382,651	2,038,344
Other Special Instruction	148,983	148,776	172,883	133,520	145,780	143,986	147,227	197,723	176,454	118,476
Other Instruction	71,548	75,220	88,073	111,295	118,810	121,489	120,739	84,530	84,377	92,413
<b>Support Services:</b>										
Tuition	380,048	407,636	492,509	392,903	516,478	658,318	723,776	1,117,640	696,820	885,893
Student & Instruction Related Services	2,224,436	2,375,314	2,466,371	2,656,976	2,575,767	2,603,889	2,537,006	2,918,460	3,024,974	3,190,222
General Administrative Services	457,909	486,625	475,177	496,832	467,255	411,962	434,825	441,756	385,227	593,166
School Administrative Services	635,232	626,942	638,908	669,795	696,932	723,611	733,341	714,191	687,743	733,611
Central Services	294,596	303,346	303,307	322,300	334,949	334,878	340,558	337,922	312,115	316,152
Administration Information Technology	60,111	90,238	115,594	131,002	110,474	123,555	109,117	133,071	109,135	110,546
Plant Operations and Maintenance	1,741,319	1,742,437	1,749,288	1,747,401	1,594,927	1,625,424	1,681,216	1,883,900	1,995,186	1,776,992
Pupil Transportation	525,411	536,765	592,701	576,259	527,000	407,054	454,655	437,422	448,859	405,106
Unallocated Benefits	4,125,697	4,259,776	3,270,607	3,676,519	4,151,182	4,235,374	4,657,670	4,481,223	4,874,075	5,360,586
Special Schools	4,823	7,500	7,500	6,000	6,000	4,500	20,490	19,136	23,657	26,206
Capital Outlay	90,992	35,057	203,252	327,945	94,795	591,802	294,443	713,822	704,397	626,806
<b>Debt Service:</b>										
Principal	440,000	460,000	495,000	525,000	545,000	570,000	590,000	605,000	595,000	605,000
Interest and Other Charges	377,727	388,302	311,010	268,019	249,863	230,972	199,916	166,814	146,858	128,175
<b>Total Expenditures</b>	<b>19,342,923</b>	<b>19,857,865</b>	<b>19,697,965</b>	<b>20,965,344</b>	<b>20,582,608</b>	<b>21,490,473</b>	<b>21,967,095</b>	<b>22,835,417</b>	<b>23,516,240</b>	<b>24,275,898</b>
<b>Excess (Deficiency) of Revenues</b>										
Over (Under) Expenditures	(208,147)	71,499	138,543	75,170	337,906	574,696	866,866	157,323	129,107	904

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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Other Financing Sources (Uses)										
Transfers In	\$ 7,968	\$ 41,459	\$ 83,685	\$ 448	\$ 3	\$ 3	\$ 4	\$ 3	\$ 4	\$ 13
Transfers Out	(7,968)	(41,459)	(83,685)	(448)	(3)	(3)	(4)	(3)	(4)	(13)
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-	275,381	-0-	-0-	250,000	90,992	-0-	-0-	-0-
Net Change in Fund Balances	<u>\$ (208,147)</u>	<u>\$ 71,499</u>	<u>\$ 413,924</u>	<u>\$ 75,170</u>	<u>\$ 337,906</u>	<u>\$ 824,696</u>	<u>\$ 957,858</u>	<u>\$ 157,323</u>	<u>\$ 129,107</u>	<u>\$ 904</u>
Debt Service as a Percentage of Noncapital Expenditures	4.4 %	4.5 %	4.3 %	4.0 %	4.0 %	3.9 %	3.8 %	3.6 %	3.4 %	3.2 %

Source: School District Financial Reports.

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Transportation</u> <u>Fees</u>	<u>Other</u>	<u>Total</u>
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
2015	9,963	20,600	27,280	5,141	62,984
2016	10,630	23,400	23,675	51,135	108,840

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 <sup>a</sup>	Net Valuation Taxable	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
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	1.15	1,760,985,490
2014	10,606,300	1,543,881,100	621,800	12,200	97,025,800	12,029,100	4,959,700	1,669,136,000	140,724,900	5,466,941	1,674,602,941	1.17	1,674,602,941
2015	10,606,300	1,544,839,900	621,800	12,200	96,902,400	12,029,100	4,959,700	1,669,971,400	140,595,200	5,459,352	1,675,430,752	1.00	1,675,430,752

\* Revaluation Year.

<sup>a</sup> Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies.

<sup>b</sup> 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

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

Year Ended December 31,	Borough of Hillsdale School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	Total Direct	Borough of Hillsdale	Pascack Valley Regional High School District	Bergen County	
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	* 1.11	0.05	1.15	0.53	0.65	0.24	2.57
2014	1.13	0.04	1.17	0.54	0.65	0.25	2.61
2015	0.96	0.04	1.00	0.55	0.82	0.26	2.63

\* Revaluation Year.

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

<sup>b</sup> 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

Taxpayer	2016		Taxpayer	2007	
	Taxable Assessed Value	% of Total District Net Assessed Value		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 Associates	4,414,300	0.52 %
New Jersey Bell	5,459,352	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	3,110,147	0.37 %
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 Associates, 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	<u>\$ 44,125,252</u>	<u>2.63 %</u>	Total	<u>\$ 25,124,747</u>	<u>2.96 %</u>

Note - a revaluation of the Borough was effective in 2007 and in 2013.

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 <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
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-
2015	19,812,069	19,812,069	100.00 %	-0-
2016	20,189,108	20,189,108	100.00 %	-0-

<sup>a</sup> 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

Fiscal Year Ended June 30,	Governmental Activities			Business -Type Activities		Total District	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases			
2007	\$ 8,587,000	-0-	-0-	\$ 472,000	-0-	\$ 9,059,000	1.46 %	\$ 919.88
2008	8,174,000	-0-	-0-	472,000	-0-	8,646,000	1.30 %	881.17
2009	7,679,000	-0-	\$ 185,628	-0-	-0-	7,864,628	1.19 %	801.37
2010	7,154,000	-0-	125,702	-0-	-0-	7,279,702	1.16 %	739.43
2011	6,609,000	-0-	63,847	-0-	-0-	6,672,847	1.02 %	651.45
2012	6,039,000	-0-	164,502	-0-	-0-	6,203,502	0.89 %	601.52
2013	5,190,000	-0-	83,338	-0-	-0-	5,273,338	0.73 %	506.95
2014	4,585,000	-0-	-0-	-0-	-0-	4,585,000	0.63 %	438.38
2015	3,990,000	-0-	-0-	-0-	-0-	3,990,000	0.52 %	379.82
2016	3,385,000	-0-	-0-	-0-	-0-	3,385,000	0.44 %	320.58

<sup>a</sup> 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.

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 <sup>a</sup>	Per Capita <sup>b</sup>
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
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 %	645.22
2012	6,039,000	-0-	6,039,000	0.31 %	585.57
2013	5,190,000	-0-	5,190,000	0.27 %	498.94
2014	4,585,000	-0-	4,585,000	0.27 %	438.38
2015	3,990,000	-0-	3,990,000	0.24 %	379.82
2016	3,385,000	-0-	3,385,000	0.20 %	320.58

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

<sup>b</sup> 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.

Exhibit J-12

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2015  
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Borough of Hillsdale	\$ 2,305,993	100.00 %	\$ 2,305,993
Bergen County General Obligation Debt	963,604,537	1.16 %	<u>11,204,428</u>
Subtotal, Overlapping Debt			13,510,421
Borough of Hillsdale School District Direct Debt			<u>3,385,000</u>
Total Direct and Overlapping Debt			<u>\$ 16,895,421</u>

<sup>a</sup> 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 2016

<u>Year Ended</u> <u>December 31,</u>	<u>Equalized</u> <u>Valuation Basis</u>
2013	\$ 1,802,729,245
2014	1,768,339,867
2015	1,785,683,704
	<u>\$ 5,356,752,816</u>
Average Equalized Valuation of Taxable Property	<u>\$ 1,785,584,272</u>
Debt Limit (3% of Average Equalization Value) <sup>a</sup>	\$ 53,567,528
Net Bonded School Debt at June 30, 2016	<u>3,385,000</u>
Legal Debt Margin	<u>\$ 50,182,528</u>

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

	<u>Fiscal Year</u>				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Debt Limit	\$ 58,586,075	\$ 56,674,630	\$ 55,286,435	\$ 54,068,112	\$ 53,567,528
Total Net Debt Applicable to Limit	<u>6,039,000</u>	<u>5,190,000</u>	<u>4,585,000</u>	<u>3,990,000</u>	<u>3,385,000</u>
Legal Debt Margin	<u>\$ 52,547,075</u>	<u>\$ 51,484,630</u>	<u>\$ 50,701,435</u>	<u>\$ 50,078,112</u>	<u>\$ 50,182,528</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	10.31 %	9.16 %	8.29 %	7.38 %	6.32 %

<sup>a</sup> 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 <sup>a</sup>	Personal Income (thousands of dollars) <sup>b</sup>	Bergen County Per Capita Personal Income <sup>c</sup>	Unemployment Rate <sup>d</sup>
2006	9,848	\$ 621,438,344	\$ 63,103	2.70 %
2007	9,812	662,741,728	67,544	2.40 %
2008	9,814	660,786,434	67,331	3.20 %
2009	9,845	628,839,530	63,874	5.80%
2010	10,243	654,374,055	63,885	5.90%
2011	10,313	693,528,624	67,248	5.80%
2012	10,402	720,660,962	69,281	5.90%
2013	10,459	726,848,205	69,495	6.20%
2014	10,505	772,495,680	73,536	4.70%
2015	10,559	776,466,624	73,536 **	4.00%

\*\* Latest Bergen County per capita personal income available (2014) was used for calculation purposes.

## Source:

- <sup>a</sup> Population information provided by the US Department of Census - Population Division.
- <sup>b</sup> Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.
- <sup>c</sup> Per Capita Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.
- <sup>d</sup> 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 AVAILABLE

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

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

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Instruction:										
Regular	92.00	111.00	111.00	111.00	87.10	87.10	87.15	87.15	89.15	89.15
Special Education	56.29	62.00	63.00	63.00	47.20	49.20	53.00	53.00	54.25	56.25
Support Services:										
Student & Instruction Related Services	17.30	17.30	17.30	17.30	22.80	22.80	25.74	25.74	25.74	25.74
General Administrative Services	2.00	2.00	2.00	2.00	3.60	3.60	2.50	2.50	2.50	3.00
School Administrative Services	8.00	8.00	8.50	8.50	7.80	7.80	8.00	8.00	8.00	9.00
Central Services	4.50	4.50	4.50	4.50	6.00	6.00	6.00	6.00	6.00	3.00
Plant Operations and Maintenance	34.50	33.00	18.50	18.50	9.93	9.93	10.30	10.30	10.30	10.30
Total	<u>214.59</u>	<u>237.80</u>	<u>224.80</u>	<u>224.80</u>	<u>184.43</u>	<u>186.43</u>	<u>192.69</u>	<u>192.69</u>	<u>195.94</u>	<u>196.44</u>

Source: District Personnel Records.



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

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Smith	Middle School White				
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 %
2015	1,257	22,088,668	17,573	7.00 %	119	1:10.0	1:10.5	1:11.0	1,253	1,207	-3.98 %	96.33 %
2016	1,181	22,915,917	19,404	10.42 %	124	1:9.5	1:9.5	1:9.0	1,179	1,136	-5.91 %	96.35 %

<sup>a</sup> Operating expenditures equal total expenditures less debt service and capital outlay.

<sup>b</sup> Teaching staff includes only full-time equivalents of certificated staff.

<sup>c</sup> 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

<u>District Building</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
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	405	386	386	395	390	366	256	337	327	327
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	465	465	465	465	465
Enrollment	397	410	410	413	408	378	351	333	309	309
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	659	642	642	638	618	650	630	630	621	621
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, 2016

- 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:

<u>School Facilities*</u>	<u>Project # (s)</u>	<u>Fiscal Year Ending June 30,</u>									
		<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Ann Blanche Smith	N/A	\$ 61,528	\$ 61,955	\$ 71,839	\$ 69,007	\$ 62,510	\$ 73,140	\$ 85,800	\$ 91,762	\$ 95,321	\$ 84,790
George G. White	N/A	121,195	89,198	111,929	128,093	112,532	122,147	137,026	161,305	206,640	102,914
Meadowbrook	N/A	57,189	75,288	57,898	56,689	53,713	63,135	82,643	84,917	90,214	73,428
Total School Facilities		<u>239,912</u>	<u>226,441</u>	<u>241,666</u>	<u>253,789</u>	<u>228,755</u>	<u>258,422</u>	<u>305,469</u>	<u>337,984</u>	<u>392,175</u>	<u>261,132</u>
<u>Other Facilities</u>											
Board Office	N/A	14,587	6,143	7,152	10,648	6,738	13,588	5,220	5,585	8,301	6,967
Grand Total		<u>\$ 254,499</u>	<u>\$ 232,584</u>	<u>\$ 248,818</u>	<u>\$ 264,437</u>	<u>\$ 235,493</u>	<u>\$ 272,010</u>	<u>\$ 310,689</u>	<u>\$ 343,569</u>	<u>\$ 400,476</u>	<u>\$ 268,099</u>

N/A - Not Applicable.

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

Source: Borough of Hillsdale School District records.

Exhibit J-20

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2016  
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
Special Multi Peril - Selective Way Insurance Company:		
General Liability:		
General Aggregate	\$ 2,000,000	
Products and Completed Operations	2,000,000	
Personal and Advertising Injury	1,000,000	
Each Occurrence	1,000,000	
Fire Legal Liability Limit	1,000,000	
Medical Expense	5,000	
Commercial Property Coverage:		
Flood and Earthquake	5,000,000	\$ 50,000
Flood: Within Flood Hazard Area	1,000,000	500,000
Extra Expense	5,000,000	
Building Ordinance Demolition Cost	2,000,000	
Increase Cost of Construction	2,000,000	
Valuable Papers and Records	5,000,000	
Computer Equipment	2,500,000	
Boiler and Machinery:		
Expediting Expenses	250,000	
Hazardous Substances	250,000	
Spoilage	250,000	
Crime:		
Blanket Employee Dishonesty - Per Employee	100,000	5,000
Blanket Employee Dishonesty - Per Loss (Excess)	400,000	
Form B Forgery or Alteration	50,000	1,000
Commercial Automobile - Selective Way Insurance Company:		
Liability	1,000,000	5,000
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**



Mount Arlington Corporate Center  
 200 Valley Road, Suite 300  
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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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 18, 2016.

**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.

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

### 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  
October 18, 2016

  
NISIVOCCIA LLP



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



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Report on Compliance For Each Major State Program;  
 Report on Internal Control Over Compliance

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 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, 2016. 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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, the Uniform Guidance, and New Jersey's OMB Circular 15-08 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.



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

### ***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, 2016.

### **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 the Uniform Guidance and NJOMB 15-08, 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.

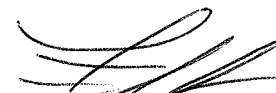
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 the Uniform Guidance or NJOMB 15-08. Accordingly, this report is not suitable for any other purpose.

Mount Arlington, New Jersey  
October 18, 2016

  
NISIVOCIA LLP



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Francis L. 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, 2016**

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2015			Budgetary Expenditures	Prior Year Encumbrances Canceled	Paid to Grantor	Balance at June 30, 2016			Amount Provided to Subrecipients
			From	To		Unearned Revenue/ (Accounts Receivable)	Due to Grantor	Cash Received				(Accounts Receivable)	Unearned Revenue	Due to Grantor	
<b>Special Revenue Fund:</b>															
U.S. Department of Education -															
Passed-through State Department of															
Education:															
No Child Left Behind:															
Title I, Part A	84.010A	NCLB-2180-16	7/1/15	6/30/16	\$ 111,951			\$ 28,897	\$ (111,284)			\$ (82,387)			
Title I, Part A	84.010A	NCLB-2180-15	7/1/14	6/30/15	39,715	\$ (7,484)		7,089		\$ 395					
Title II - Part A	84.367A	NCLB-2180-16	7/1/15	6/30/16	33,582			11,479	(32,716)			(21,237)			
Title II - Part A-Carryover	84.367A	NCLB-2180-15	7/1/14	6/30/15	32,925	(8,922)		8,284		638					
Title II - Part A-Carryover	84.367A	NCLB-2180-13	9/1/12	8/31/13	32,777	(378)				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-2180-16	7/1/15	6/30/16	1,973			1,546	(1,546)						
Title III	84.365	NCLB-2180-15	7/1/14	6/30/15	3,581	(2,882)		2,797		85					
Title III-Carryover	84.365	NCLB-2180-14	7/1/13	6/30/14	3,346	(238)				238					
						(20,109)		60,092	(145,546)	1,939		(103,624)			
Special Education Cluster:															
I.D.E.A. Part B, Basic	84.027	IDEA-2180-16	7/1/15	6/30/16	332,796			249,613	(318,389)			(68,776)			
I.D.E.A. Part B, Basic	84.027	IDEA-2180-15	7/1/14	6/30/15	330,367	(33,793)		33,793							
I.D.E.A. Part B, Preschool	84.173	IDEA-2180-16	7/1/15	6/30/16	28,211			17,325	(28,211)			(10,886)			
Total Special Education Cluster						(33,793)		300,731	(346,600)			(79,662)			
Total U.S. Department of Education															
						(53,902)		360,823	(492,146)	1,939		(183,286)			
Total Special Revenue Fund															
						(53,902)		360,823	(492,146)	1,939		(183,286)			
<b>Enterprise Fund</b>															
U.S. Department of Agriculture -															
Passed-through State Department of															
Agriculture:															
Child Nutrition Cluster:															
Federal Food Distribution Program	10.555	N/A	7/1/15	6/30/16	\$ 16,289			\$ 16,289	(16,289)						
National School Lunch Program	10.555	N/A	7/1/15	6/30/16	55,363			52,271	(55,363)			\$ (3,092)			
National School Lunch Program	10.555	N/A	7/1/14	6/30/15	55,131	(3,906)		3,906							
Total Child Nutrition Cluster						(3,906)		72,466	(71,652)			(3,092)			
Total U.S. Department of Agriculture															
						(3,906)		72,466	(71,652)			(3,092)			
Total Enterprise Fund															
						(3,906)		72,466	(71,652)			(3,092)			
<b>TOTAL FEDERAL AWARDS</b>															
						\$ (57,808)	\$ -0-	\$ 433,289	\$ (563,798)	\$ 1,939	\$ -0-	\$ (186,378)	\$ -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, 2016**

Schedule B  
1 of 2

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2015			Repayment of Prior Years' Balances	Prior Year Encumbrances Canceled	Balance at June 30, 2016		MEMO	
		From	To		Budgetary Unearned Revenue/ (Accounts Receivable)	Due to Grantor	Cash Received			Budgetary Expenditures	GAAP (Accounts Receivable)	Due to Grantor	Budgetary Receivable
<b>State Department of Education:</b>													
<b>General Fund:</b>													
Equalization Aid	16-495-034-5120-078	7/1/15	6/30/16	\$ 12,167			\$ 11,080	\$ (12,167)			\$ 1,087	\$ 12,167	
Transportation Aid	16-495-034-5120-014	7/1/15	6/30/16	31,235			28,445	(31,235)			2,790	31,235	
Special Education Categorical Aid	16-495-034-5120-089	7/1/15	6/30/16	715,195			651,318	(715,195)			63,877	715,195	
Security Aid	16-495-034-5120-084	7/1/15	6/30/16	20,423			18,599	(20,423)			1,824	20,423	
Additional Adjustment Aid	16-495-034-5120-085	7/1/15	6/30/16	23,739			21,619	(23,739)			2,120	23,739	
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15	6/30/16	12,690			11,557	(12,690)			1,133	12,690	
PARCC Readiness	16-495-034-5120-098	7/1/15	6/30/16	12,690			11,557	(12,690)			1,133	12,690	
Extraordinary Special Education Costs	16-495-034-5120-044	7/1/15	6/30/16	112,122				(112,122)		\$ (112,122)	112,122	112,122	
Nonpublic Transportation Aid	16-495-034-5120-014	7/1/15	6/30/16	6,786				(6,786)		(6,786)	6,786	6,786	
Reimbursed TPAF Social Security Contributions	16-495-034-5094-003	7/1/15	6/30/16	727,472			691,533	(727,472)		(35,939)	35,939	727,472	
Special Education Categorical Aid	15-495-034-5120-089	7/1/14	6/30/15	715,195	\$ (68,875)		68,875					715,195	
Extraordinary Special Education Costs	15-100-034-5120-473	7/1/14	6/30/15	68,353	(68,353)		68,353					68,353	
Nonpublic Transportation Aid	15-495-034-5120-014	7/1/14	6/30/15	6,786	(6,786)		6,786					6,786	
Equalization Aid	15-495-034-5120-078	7/1/14	6/30/15	12,167	(1,171)		1,171					12,167	
Transportation Aid	15-495-034-5120-014	7/1/14	6/30/15	31,235	(3,009)		3,009					31,235	
Security Aid	15-495-034-5120-084	7/1/14	6/30/15	20,423	(1,967)		1,967					20,423	
Additional Adjustment Aid	15-495-034-5120-085	7/1/14	6/30/15	23,739	(2,286)		2,286					23,739	
Per Pupil Growth Aid	15-495-034-5120-097	7/1/14	6/30/15	12,690	(1,222)		1,222					12,690	
PARCC Readiness	15-495-034-5120-098	7/1/14	6/30/15	12,690	(1,222)		1,222					12,690	
Reimbursed TPAF Social Security Contributions	15-495-034-5095-002	7/1/14	6/30/15	675,867	(52,496)		52,496					675,867	
<b>Total General Fund State Aid</b>					<b>(207,387)</b>		<b>1,653,095</b>	<b>(1,674,519)</b>		<b>(154,847)</b>	<b>228,811</b>	<b>3,253,664</b>	
<b>Special Revenue Fund:</b>													
<b>NJ Nonpublic Aid:</b>													
Textbook Aid (Chapter 194)	16-100-034-5120-064	7/1/15	6/30/16	17,701			17,701	(16,975)	\$ 64	\$ 790		16,975	
Textbook Aid (Chapter 194)	15-100-034-5120-064	7/1/14	6/30/15	20,615		\$ 427			\$ (427)			20,188	
Nursing Services (Chapter 226)	16-100-034-5120-070	7/1/15	6/30/16	29,250			29,250	(29,250)				29,250	
Technology Initiative Program	16-100-034-5120-373	7/1/15	6/30/16	8,060			8,060	(7,869)	40		231	7,869	
Technology Initiative Program	15-100-034-5120-373	7/1/14	6/30/15	11,072		3			(3)			11,069	
Security	16-100-034-5120-509	7/1/15	6/30/16	8,125			8,125	(7,995)			130	7,995	
<b>Auxiliary Services (Chapter 192):</b>													
Compensatory Education	16-100-034-5120-067	7/1/15	6/30/16	54,992			54,992	(44,332)			10,660	44,332	
Compensatory Education	15-100-034-5120-067	7/1/14	6/30/15	70,768		15,587			(15,587)			55,181	
English as a Second Language	16-100-034-5120-067	7/1/15	6/30/16	863			863				863		
English as a Second Language	15-100-034-5120-067	7/1/14	6/30/15	4,293		1,644			(1,644)			2,649	
<b>Handicapped Services (Chapter 193):</b>													
Examination and Classification	16-100-034-5120-066	7/1/15	6/30/16	34,944			34,944	(25,734)			9,210	25,734	
Examination and Classification	15-100-034-5120-066	7/1/14	6/30/15	43,770		10,815			(10,815)			32,955	
Supplementary Instruction	16-100-034-5120-066	7/1/15	6/30/16	29,703			29,703	(15,549)			14,154	15,549	
Supplementary Instruction	15-100-034-5120-066	7/1/14	6/30/15	37,666		15,459			(15,459)			22,207	
Corrective Speech	16-100-034-5120-066	7/1/15	6/30/16	31,771			31,771	(24,014)			7,757	24,014	
Corrective Speech	15-100-034-5120-066	7/1/14	6/30/15	40,641		11,044			(11,044)			29,597	
<b>Total Special Revenue Fund</b>						<b>54,979</b>	<b>215,409</b>	<b>(171,718)</b>	<b>(54,979)</b>	<b>104</b>	<b>43,795</b>	<b>347,724</b>	
<b>Debt Service Fund:</b>													
Debt Service Aid Type II	16-495-034-5120-075	7/1/15	6/30/16	4,770			4,770	(4,770)				4,770	
<b>Total Debt Service Fund</b>						<b>4,770</b>	<b>(4,770)</b>					<b>4,770</b>	

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

Schedule B  
2 of 2

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2015			Repayment of Prior Years' Balances	Prior Year Encumbrances Canceled	Balance at June 30, 2016		MEMO		
		From	To		Budgetary Unearned Revenue/ (Accounts Receivable)	Due to Grantor	Cash Received			Budgetary Expenditures	GAAP (Accounts Receivable)	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education:														
Enterprise Fund:														
State National School Lunch Program	16-100-010-3350-023	7/1/15	6/30/16	\$ 2,994			\$ 2,833	\$ (2,994)		\$ (161)	\$ 161	\$ 2,994		
State National School Lunch Program	15-100-010-3350-023	7/1/14	6/30/15	3,010	\$ (211)		211					3,010		
Total Enterprise Fund					(211)		3,044	(2,994)		(161)	161	6,004		
TOTAL STATE AWARDS					\$ (207,598)	\$ 54,979	\$ 1,876,318	\$ (1,854,001)	\$ (54,979)	\$ 104	\$ (155,008)	\$ 43,795	\$ 228,972	\$ 3,612,162

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, 2016

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, 2016. The information in these schedules is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and New Jersey's OMB Circular 15-08, *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 on the accrual basis of accounting. These bases of accounting are described in Note 1 to the District's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3. INDIRECT COST RATE

The District has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the general fund and the special revenue 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 N.J.S.A. 18A:22-44.2. For GAAP purposes these payments are 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, 2016  
(Continued)

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Cont'd)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$5,788 for the general fund, and (\$90,302) 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 Pension and Post Retirement Contributions revenue of \$751,394 and \$894,702, respectively. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 3,326,403	\$ 3,326,403
Special Revenue Fund	\$ 481,702	163,167	644,869
Debt Service Fund		4,770	4,770
Proprietary Fund	<u>71,652</u>	<u>2,994</u>	<u>74,646</u>
Total Financial Assistance	<u>\$ 553,354</u>	<u>\$ 3,497,334</u>	<u>\$ 4,050,688</u>

NOTE 5. 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 6. OTHER

Revenue and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. 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, 2016.

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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*.
- The auditor's report on compliance for the major state programs for the District expresses an unmodified opinion on all major state programs.
- The District was not subject to the single audit provisions of the Uniform Guidance for fiscal year end June 30, 2016 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Uniform Guidance.
- The District's programs tested as major state programs for the current fiscal year consisted of the following state aid:

<u>State:</u>	<u>State Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
Special Education Categorical Aid	16-495-034-5120-089	7/1/15-6/30/16	\$ 715,195	\$ 715,195
Equalization Aid	16-495-034-5120-078	7/1/15-6/30/16	12,167	12,167
Security Aid	16-495-034-5120-084	7/1/15-6/30/16	20,423	20,423
Additional Adjustment Aid	16-495-034-5120-085	7/1/15-6/30/16	23,739	23,739
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15-6/30/16	12,690	12,690
PARCC Readiness	16-495-034-5120-098	7/1/15-6/30/16	12,690	12,690

- The threshold for distinguishing between Type A and Type B state programs was \$750,000.
- The District was determined to be as a "low-risk" auditee for state programs.

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(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 audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.



BOROUGH OF HILLSDALE SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016

Status of Prior Year Findings:

The District had no prior year audit findings.