

**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, 2017**

**Comprehensive Annual
Financial Report**

of the

Borough of Hillsdale School District

Hillsdale, New Jersey

For the Fiscal Year Ended June 30, 2017

Prepared by

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

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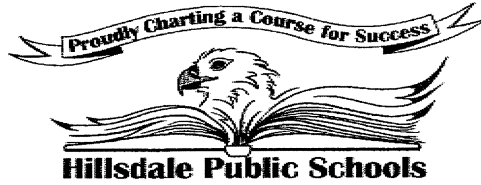
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INTRODUCTORY SECTION



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November 3, 2017

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, 2017, 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 2016-2017 fiscal year with an average daily enrollment of 1,189 students, which is an increase of 8 students from the previous year's enrollment.

2) ECONOMIC CONDITION AND OUTLOOK: The Borough of Hillsdale is almost fully developed and has not experienced nor does it expect to experience any significant growth in the immediate future. The 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 vote 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, 2017.

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.

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.

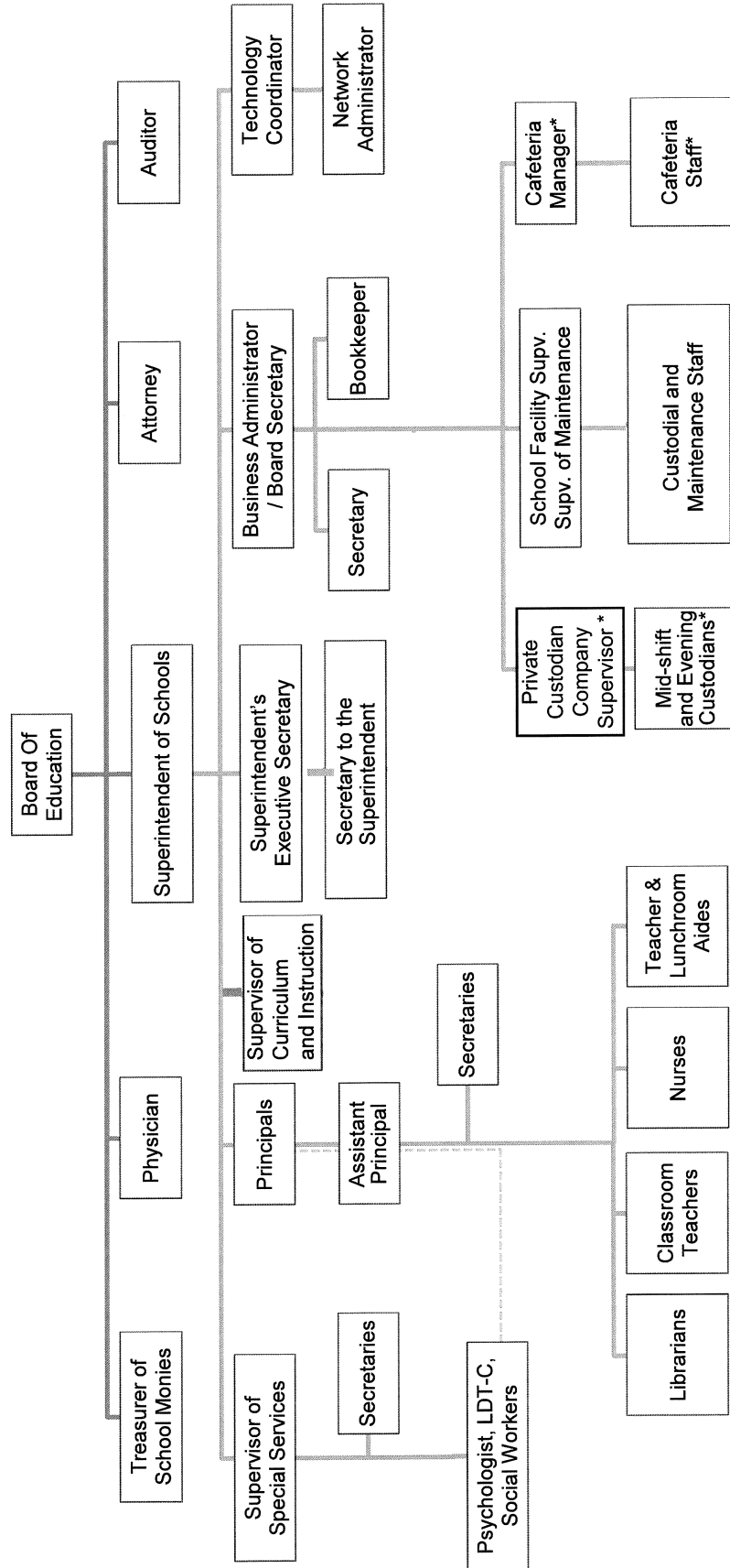
9) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Borough of Hillsdale School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the School District and thereby contributing their full support to the development and maintenance 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, 2017**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Kathleen E. O'Flynn , President	2018
Timothy R. Santo, Vice President through 5-15-17, left Board 5-31-17	2017
Krista Flinn, Vice President (as of 5-15-17)	2017
Shane Svorec	2018
Salvatore Sileo	2019
Adam Wolper	2017

Other Officials

Title

Jeffrey Feifer	Interim 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

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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2017, 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-4 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 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 November 3, 2017 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
November 3, 2017


NISIVOCCIA LLP



Francis Jones
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, 2017
(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, 2017. 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 (2016-2017) and the prior year (2015-2016) is required to be presented in the MD&A.

Financial Highlights

- The District's financial status remained relatively stable during the fiscal year.
- Overall revenue was \$29,813,575.
- Overall expenses were \$29,900,397.
- Actual General Fund local revenue was \$9,575 higher than expected.
- The District's outstanding long-term liabilities increased primarily due to an increase in pension liabilities.

Overview of the Financial Statements

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

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

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

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

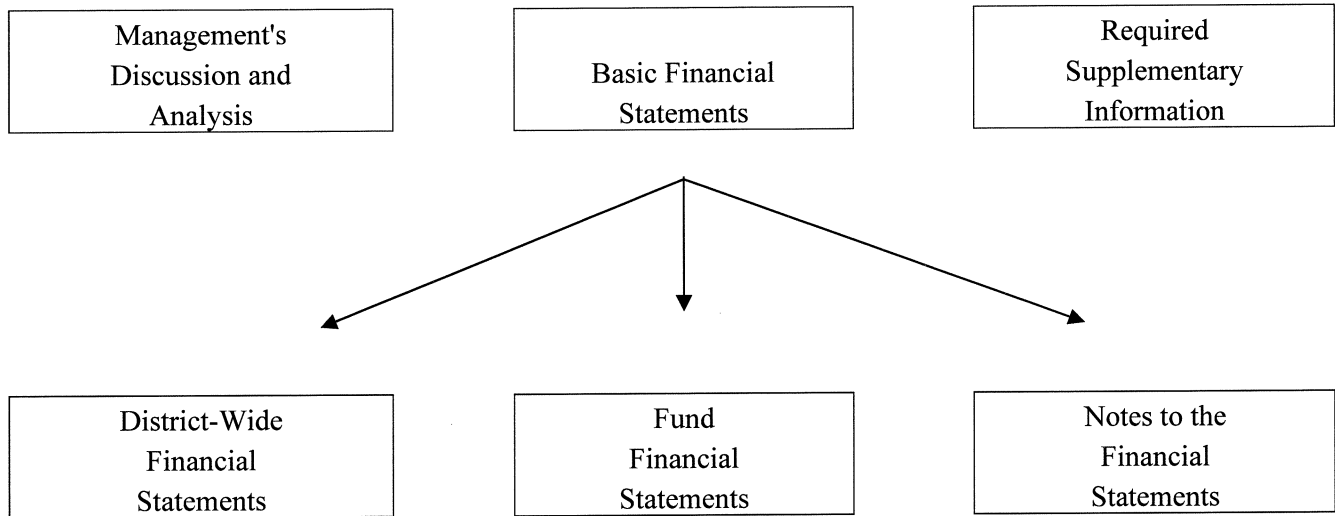


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

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

District-wide Statements

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

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

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

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

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

Fund Financial Statements

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

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that 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 2016/2017 is \$523,493. 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 \$595,000 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 2016/17
	2016/17	2015/2016	2016/17	2015/2016	2016/17	2015/2016	
Current and							
Other Assets	\$ 5,463,458	\$ 3,554,658	\$110,453	\$ 81,657	\$ 5,573,911	\$ 3,636,315	53.28%
Capital Assets, Net	14,553,797	15,036,357	37,975	42,287	14,591,772	15,078,644	-3.23%
Total Assets	<u>20,017,255</u>	<u>18,591,015</u>	<u>148,428</u>	<u>123,944</u>	<u>20,165,683</u>	<u>18,714,959</u>	7.75%
Deferred Outflows of Resources	<u>2,050,399</u>	<u>843,313</u>			<u>2,050,399</u>	<u>843,313</u>	143.14%
Long-Term Liabilities	10,381,768	9,648,408			10,381,768	9,648,408	7.60%
Other Liabilities	2,216,587	276,809	26,707	11,404	2,243,294	288,213	678.35%
Total Liabilities	<u>12,598,355</u>	<u>9,925,217</u>	<u>26,707</u>	<u>11,404</u>	<u>12,625,062</u>	<u>9,936,621</u>	27.06%
Deferred Inflows of Resources	<u>321,406</u>	<u>265,215</u>			<u>321,406</u>	<u>265,215</u>	21.19%
Net Position/(Deficit):							
Net Investment							
in Capital Assets	11,763,797	11,651,357	37,975	42,287	11,801,772	11,693,644	0.92%
Restricted	2,246,977	1,822,588			2,246,977	1,822,588	23.28%
Unrestricted	<u>(4,862,881)</u>	<u>(4,230,049)</u>	83,746	70,253	<u>(4,779,135)</u>	<u>(4,159,796)</u>	-14.89%
Total Net Position	<u>\$ 9,147,893</u>	<u>\$ 9,243,896</u>	<u>\$121,721</u>	<u>\$112,540</u>	<u>\$ 9,269,614</u>	<u>\$ 9,356,436</u>	-0.93%

Changes in Net Position. The District's combined net position was \$9,269,614 on June 30, 2017, \$86,822 or 0.93% less than the prior year (See Figure A-3). Property taxes increased as a result of increases expected in operating costs. The net position of the business-type activities increased \$9,181 (See Figure A-4).

Figure A-4
Changes in Net Position from Operating Results

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
Revenue:							
Program Revenue:							
Charges for Services	\$ 52,805	\$ 47,075	\$ 222,866	\$ 200,126	\$ 275,671	\$ 247,201	11.52%
Grants and Contributions:							
Operating	8,743,572	6,872,545	72,124	74,646	8,815,696	6,947,191	26.90%
General Revenue:							
Property Taxes	20,549,624	20,189,108			20,549,624	20,189,108	1.79%
Federal and State Aid Not Restricted	48,991	37,588			48,991	37,588	30.34%
Other	123,155	61,778	438	359	123,593	62,137	98.90%
Total Revenue	<u>29,518,147</u>	<u>27,208,094</u>	<u>295,428</u>	<u>275,131</u>	<u>29,813,575</u>	<u>27,483,225</u>	8.48%
Expenses:							
Instruction	18,758,994	16,571,051			18,758,994	16,571,051	13.20%
Pupil and Instruction Services	5,170,617	4,787,068			5,170,617	4,787,068	8.01%
Administrative and Business	2,356,072	2,413,618			2,356,072	2,413,618	-2.38%
Maintenance and Operations	2,323,710	1,959,349			2,323,710	1,959,349	18.60%
Transportation	464,553	419,228			464,553	419,228	10.81%
Other	540,204	547,795	286,247	280,648	826,451	828,443	-0.24%
Total Expenses	<u>29,614,150</u>	<u>26,698,109</u>	<u>286,247</u>	<u>280,648</u>	<u>29,900,397</u>	<u>26,978,757</u>	10.83%
Other Item-							
Capital Asset Adjustment	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>12,321</u>	<u>-0-</u>	<u>12,321</u>	-100.00%
Increase/(Decrease) in Net Position	<u>\$ (96,003)</u>	<u>\$ 509,985</u>	<u>\$ 9,181</u>	<u>\$ 6,804</u>	<u>\$ (86,822)</u>	<u>\$ 516,789</u>	-116.80%

Revenue Sources. The District's total revenue for the 2016/2017 school year was \$29,813,575 (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$20,549,624 of the total, or 68.93% (See Figure A-5). Another 29.74% 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 2017

Sources of Income:	Amount	Percentage
Operating Grants and Contributions	\$ 8,815,696	29.58%
Property Taxes	20,549,624	68.93%
Federal and State Unrestricted Aid	48,991	0.16%
Charges for Services	275,671	0.92%
Other	123,593	0.41%
	<u>\$ 29,813,575</u>	<u>100.00%</u>

The total cost of all programs and services was \$29,900,397. 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 7.88% of total costs.

Figure A-6
Expenses for Fiscal Year 2017

Expense Category:	<u>Amount</u>	<u>Percentage</u>
Instruction	\$ 18,758,994	62.75%
Pupil and Instruction Services	5,170,617	17.29%
Administrative and Business	2,356,072	7.88%
Maintenance and Operations	2,323,710	7.77%
Transportation	464,553	1.55%
Other	826,451	2.76%
	<u>\$ 29,900,397</u>	<u>100.00%</u>

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District slightly decreased 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	
	2016/2017	2015/2016	2016/2017	2015/2016
Instruction	\$ 18,758,994	\$ 16,571,051	\$11,041,619	\$10,539,299
Pupil and Instruction Services	5,170,617	4,787,068	4,539,908	4,881,852
Administrative and Business	2,356,072	2,413,618	1,972,517	1,460,453
Maintenance and Operations	2,323,710	1,959,349	2,323,710	1,959,349
Transportation	464,553	419,228	399,815	357,313
Other	540,204	547,795	540,204	580,223
	<u>\$ 29,614,150</u>	<u>\$ 26,698,109</u>	<u>\$ 20,817,773</u>	<u>\$ 19,778,489</u>

- The cost of all governmental activities this year was \$29,614,150.
- The federal and state governments subsidized certain programs with grants and contributions (\$8.8 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 \$9,181 (Refer to Figure A-4). Factors contributing to these results included:

- Food service revenues exceeded expenses by \$9,181. 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 related services and plant operations and maintenance 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 are a 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 2016/2017 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 Assets and Long-term Liabilities

Figure A-8

Capital Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
Land	\$ 4,748,166	\$ 4,748,166			\$ 4,748,166	\$ 4,748,166	0.00%
Land and Improvements	14,940	17,688			14,940	17,688	-15.54%
Buildings and Building Improvements	9,453,930	9,805,788			9,453,930	9,805,788	-3.59%
Machinery and Equipment	336,761	464,715	\$ 37,975	\$ 42,287	374,736	507,002	-26.09%
Total Capital Assets	\$ 14,553,797	\$ 15,036,357	\$ 37,975	\$ 42,287	\$ 14,591,772	\$ 15,078,644	-3.23%

The decrease in capital assets is due to depreciation totaling \$523,493, offsetting the acquisition of equipment as well as building and building 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 \$2,790,000 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 2016/17
	2016/17	2015/16	
General Obligation Bonds (Financed with Property Taxes), Net	\$ 2,790,000	\$ 3,385,000	-17.58%
Net Pension Liabilities	6,418,260	5,107,207	25.67%
Other Liabilities	1,173,508	1,156,201	1.50%
	<u>\$ 10,381,768</u>	<u>\$ 9,648,408</u>	7.60%

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

BOROUGH OF HILLSDALE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 4,306,935	\$ 102,930	\$ 4,409,865
Receivables From State Government	51,131	179	51,310
Receivables From Federal Government	132,512	3,301	135,813
Receivables - Other	13,614		13,614
Inventory		4,043	4,043
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	959,266		959,266
Capital Assets, Net:			
Sites (Land)	4,748,166		4,748,166
Depreciable Land Improvements Buildings and Building Improvements and Machinery and Equipment	9,805,631	37,975	9,843,606
Total Assets	<u>20,017,255</u>	<u>148,428</u>	<u>20,165,683</u>
DEFERRED OUTFLOW OF RESOURCES			
Changes in Assumptions - Pensions	1,329,521		1,329,521
Difference in Expected and Actual Experience - Pension	119,360		119,360
Changes in Proportions - Pensions	134,036		134,036
Net Difference between Projected and Actual Investment Earnings - Pensions	244,734		244,734
District Contribution Subsequent to Measurement Date	222,748		222,748
Total Deferred Outflows of Resources	<u>2,050,399</u>		<u>2,050,399</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable - Vendors	236,173	14,182	250,355
Accrued Interest Payable	51,087		51,087
Payable to State Government	58,351		58,351
Unearned Revenue	1,870,976	12,525	1,883,501
Noncurrent Liabilities:			
Due Within One Year	803,443		803,443
Due Beyond One Year	9,578,325		9,578,325
Total Liabilities	<u>12,598,355</u>	<u>26,707</u>	<u>12,625,062</u>
DEFERRED INFLOWS OF RESOURCES			
Changes in Proportions - Pensions	321,406		321,406
Total Deferred Inflows of Resources	<u>321,406</u>		<u>321,406</u>
NET POSITION			
Net Investment in Capital Assets	11,763,797	37,975	11,801,772
Restricted for:			
Capital Reserve	959,266		959,266
Other Purposes	1,287,711		1,287,711
Unrestricted (Deficit)	(4,862,881)	83,746	(4,779,135)
Total Net Position	<u>\$ 9,147,893</u>	<u>\$ 121,721</u>	<u>\$ 9,269,614</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$ 14,152,914		\$ 5,159,943	\$ (8,992,971)		\$ (8,992,971)
Special Education	4,219,712		2,396,737	(1,822,975)		(1,822,975)
Other Special Instruction	242,666		97,114	(145,552)		(145,552)
Other Instruction	143,702		63,581	(80,121)		(80,121)
Support Services:						
Tuition	868,282	\$ 27,200	278,236	(562,846)		(562,846)
Student & Instruction Related Services	4,302,335		325,273	(3,977,062)		(3,977,062)
General Administrative Services	470,098			(470,098)		(470,098)
School Administrative Services	1,339,033		383,555	(955,478)		(955,478)
Central Services	411,762			(411,762)		(411,762)
Administration Information Technology	135,179			(135,179)		(135,179)
Plant Operations and Maintenance	2,323,710			(2,323,710)		(2,323,710)
Pupil Transportation	464,553	25,605	39,133	(399,815)		(399,815)
Special Schools	22,904			(22,904)		(22,904)
Capital Outlay	21,633			(21,633)		(21,633)
Interest on Long-Term Debt	102,177			(102,177)		(102,177)
Unallocated Depreciation	393,490			(393,490)		(393,490)
Total Governmental Activities	29,614,150	52,805	8,743,572	(20,817,773)		(20,817,773)

BOROUGH OF HILLSDALE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Business-Type Activities:						
Food Service	\$ 286,247	\$ 222,866	\$ 72,124		\$ 8,743	\$ 8,743
Total Business-Type Activities	286,247	222,866	72,124		8,743	8,743
Total Primary Government	\$ 29,900,397	\$ 275,671	\$ 8,815,696	\$ (20,817,773)	8,743	(20,809,030)
General Revenues and Other Item:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				19,850,082		19,850,082
Taxes Levied for Debt Service				699,542		699,542
Federal and State Aid not Restricted				48,991		48,991
Interest and Miscellaneous Income				59,853	438	60,291
Cancellation of Prior Year Accounts Payable				63,302		63,302
Total General Revenues and Other Item				20,721,770	438	20,722,208
Change in Net Position				(96,003)	9,181	(86,822)
Net Position - Beginning				9,243,896	112,540	9,356,436
Net Position - Ending				\$ 9,147,893	\$ 121,721	\$ 9,269,614

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, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 4,151,183	\$ 117,392		\$ 38,360	\$ 4,306,935
Interfund Receivables	13,614				13,614
Receivables From State Government	132,512				132,512
Receivables From Federal Government		51,131			51,131
Restricted Cash and Cash Equivalents	959,266				959,266
Total Assets	\$ 5,256,575	\$ 168,523	\$ -0-	\$ 38,360	\$ 5,463,458
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable - Vendors	\$ 13,425				\$ 13,425
Payable to State Government		\$ 58,351			58,351
Unearned Revenue	1,722,444	110,172		\$ 38,360	1,870,976
Total Liabilities	1,735,869	168,523		38,360	1,942,752
Fund Balances:					
Restricted for:					
Capital Reserve Account	959,266				959,266
Excess Surplus	596,620				596,620
Excess Surplus - Subsequent Year's Expenditures	691,091				691,091
Assigned:					
Encumbrances	550,517				550,517
Subsequent Year's Expenditures	384,248				384,248
Unassigned	338,964				338,964
Total Fund Balances	3,520,706				3,520,706
Total Liabilities and Fund Balances	\$ 5,256,575	\$ 168,523	\$ -0-	\$ 38,360	\$ 5,463,458

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017
(Continued)

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

Total Fund Balance	\$ 3,520,706
Capital Assets Used in Governmental Activities are not financial resources and therefore are not reported in the Funds. The cost of the assets is \$28,412,681 and the accumulated depreciation is \$13,858,884.	14,553,797
Interest on Long-Term Debt is not accrued in the Governmental Funds, but rather is recognized as an expenditure when due.	(51,087)
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(6,418,260)
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	1,329,521
Difference in Expected and Actual Experience - Pensions	119,360
Net Difference between Projected and Actual Investment Earnings - Pensions	244,734
Changes in Proportions - Pensions	(187,370)
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>(3,963,508)</u>
Net Position of Governmental Activities	<u>\$ 9,147,893</u>

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

BOROUGH OF HILLSDALE SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local Sources:					
Local Tax Levy	\$ 19,850,082			\$ 699,542	\$ 20,549,624
Tuition	27,200				27,200
Transportation	25,605				25,605
Interest on Capital Reserve	3,182				3,182
Miscellaneous	56,638	\$ 71,295	\$ 33		127,966
Total - Local Sources	19,962,707	71,295	33	699,542	20,733,577
State Sources	3,598,709	135,506		4,276	3,738,491
Federal Sources		470,628			470,628
Total Revenues	23,561,416	677,429	33	703,818	24,942,696
EXPENDITURES					
Current:					
Regular Instruction	7,098,915	206,846			7,305,761
Special Education Instruction	2,114,449	40,507			2,154,956
Other Special Instruction	120,724				120,724
Other Instruction	75,232				75,232
Support Services and Undistributed Costs:					
Tuition	590,046	278,236			868,282
Student & Instruction Related Services	3,363,496	151,840			3,515,336
General Administrative Services	417,295				417,295
School Administrative Services	744,544				744,544
Central Services	301,232				301,232
Administration Information Technology	121,111				121,111
Plant Operations and Maintenance	2,126,744				2,126,744
Pupil Transportation	450,431				450,431
Unallocated Benefits	5,839,206				5,839,206

BOROUGH OF HILLSDALE SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES					
Debt Service:					
Principal				\$ 595,000	\$ 595,000
Interest and Other Charges				109,095	109,095
Special Schools	\$ 17,943				17,943
Capital Outlay	58,254				58,254
Total Expenditures	23,439,622	\$ 677,429		704,095	24,821,146
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	121,794	-0-	\$ 33	(277)	121,550
OTHER FINANCING SOURCES/(USES)					
Cancellation of Prior Year Accounts Payable	63,302				63,302
Transfers In	33				33
Transfers Out			(33)		(33)
Total Other Financing Sources/(Uses)	63,335	-0-	(33)		63,302
Net Change in Fund Balances	185,129			(277)	184,852
Fund Balance—July 1	3,335,577			277	3,335,854
Fund Balance—June 30	\$ 3,520,706	\$ -0-	\$ -0-	\$ -0-	\$ 3,520,706

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, 2017

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ 184,852

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	\$ (519,181)
Capital outlays	<u>36,621</u>
	(482,560)

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	(1,311,053)
Deferred Outflows:	
Changes in Assumptions	781,048
Difference in Expected and Actual Experience	(2,480)
Changes in Proportions	134,036
Net Difference between projected and actual investment earnings on Pension Plan Investments	326,848
Deferred Inflows:	
Changes in Proportions	<u>(311,305)</u>

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.

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 (+).

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 (+).

6,918

(17,307)

Change in Net Position of Governmental Activities

\$ (96,003)

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

BOROUGH OF HILLSDALE SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 102,930
Accounts Receivable:	
Federal	3,301
State	179
Inventories	<u>4,043</u>

Total Current Assets	<u>110,453</u>
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Non- Current Assets:

Capital Assets:

Capital Assets	114,070
Less: Accumulated Depreciation	<u>(76,095)</u>

Total Non- Current Assets	<u>37,975</u>
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Total Assets	<u>148,428</u>
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LIABILITIES:

Current Liabilities:

Accounts Payable-Vendors	14,182
Unearned Revenue - Donated Commodities	4,542
Unearned Revenue - Prepaid Sales	<u>7,983</u>

Total Current Liabilities	<u>26,707</u>
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Total Liabilities	<u>26,707</u>
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NET POSITION:

Investment in Capital Assets	37,975
Unrestricted	<u>83,746</u>

Total Net Position	<u>\$ 121,721</u>
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THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

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, 2017

Operating Revenue:	
Charges for Services:	
Daily Sales:	
Reimbursable Programs	\$ 207,265
Non Reimbursable Programs	15,601
	<hr/>
Total Operating Revenue	222,866
	<hr/>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	128,563
Cost of Sales - Non Reimbursable Programs	9,677
Salaries, Benefits and Payroll Taxes	120,275
Supplies and Materials	8,062
Miscellaneous Expenses	15,358
Depreciation Expense	4,312
	<hr/>
Total Operating Expenses	286,247
	<hr/>
Operating (Loss)	(63,381)
	<hr/>
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	53,913
Food Distribution Program	15,282
State Sources:	
School Lunch Program	2,929
Local Sources:	
Interest Revenue	438
	<hr/>
Total Non-Operating Revenue	72,562
	<hr/>
Change in Net Position	9,181
	<hr/>
Net Position - Beginning of Year	112,540
	<hr/>
Net Position - End of Year	\$ 121,721
	<hr/> <hr/>

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

BOROUGH OF HILLSDALE SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 222,866
Payments to Food Service Vendor	(245,580)
Payments to Suppliers	(7,167)
	<hr/>
Net Cash (Used for) Operating Activities	(29,881)
	<hr/>
Cash Flows from Investing Activities:	
Interest Revenue	438
	<hr/>
Net Cash Provided by Investing Activities	438
	<hr/>
Cash Flows from Noncapital Financing Activities:	
Federal Sources	53,704
State Sources	2,911
	<hr/>
Net Cash Provided by Noncapital Financing Activities	56,615
	<hr/>
Net Increase in Cash and Cash Equivalents	27,172
	<hr/>
Cash and Cash Equivalents, July 1	75,758
	<hr/>
Cash and Cash Equivalents, June 31	\$ 102,930
	<hr/> <hr/>
Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities:	
Operating (Loss)	\$ (63,381)
Adjustment to Reconcile Operating (Loss) to Cash (Used for) Operating Activities:	
Depreciation	4,312
Federal Food Distribution Program	15,282
Changes in Assets and Liabilities:	
Decrease/(Increase) in Inventories	(1,397)
Increase/(Decrease) in Accounts Payable	14,182
Increase/(Decrease) in Unearned Revenue - Donated Commodities	30
Increase/(Decrease) in Unearned Revenue - Prepaid Sales	1,091
	<hr/>
Net Cash (Used for) Operating Activities	\$ (29,881)
	<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 \$15,282 for the fiscal year ended June 30, 2017.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2017

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>
ASSETS:			
Cash and Cash Equivalents	\$ 87,035	\$ 73,956	\$ 1,367
Total Assets	<u>87,035</u>	<u>73,956</u>	<u>1,367</u>
LIABILITIES:			
Interfund Payable Due to Student Groups	13,614 <u>73,421</u>	<u> </u>	<u> </u>
Total Liabilities	<u>87,035</u>	<u>-0-</u>	<u>-0-</u>
NET POSITION:			
Held in Trust for Unemployment Claims and Other Purposes	<u> </u>	<u>73,956</u>	<u>1,367</u>
Total Net Position	<u>\$ -0-</u>	<u>\$ 73,956</u>	<u>\$ 1,367</u>

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

BOROUGH OF HILLSDALE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>
ADDITIONS:		
Contributions:		
Plan Member	\$ 20,301	\$ 6,104
Investment Earnings:		
Interest	<u>306</u>	<u>16</u>
Total Additions	<u>20,607</u>	<u>6,120</u>
DEDUCTIONS:		
Quarterly Contribution Reports	31,084	
Flexible Spending Claims		<u>7,507</u>
Change in Net Position	(10,477)	(1,387)
Net Position - Beginning of the Year	<u>84,433</u>	<u>2,754</u>
Net Position - End of the Year	<u><u>\$ 73,956</u></u>	<u><u>\$ 1,367</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, 2017

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:

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. 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, 2017

(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.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

B. Basis of Presentation: (Cont'd)

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.

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.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

C. Measurement Focus and Basis of Accounting (Cont'd)

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.

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, 2017 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, 2017 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.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 23,570,234	\$ 695,305
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that Encumbrances are Recognized as Expenditures, and Revenue is Recognized.		(17,876)
State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	73,964	
State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(82,782)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 23,561,416</u>	<u>\$ 677,429</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 23,439,622	\$ 695,305
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.		<u>(17,876)</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 23,439,622</u>	<u>\$ 677,429</u>

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.

The District generally records investments at fair value and records the unrealized gains and losses as part of investment income. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

E. Cash and Cash Equivalents and Investments (Cont'd)

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.

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.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

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, 2017.

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.

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

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.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Continued)

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

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, 2017.

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.

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 \$3,520,706 General Fund fund balance at June 30, 2017, \$550,517 is assigned for encumbrances; \$959,266 is restricted in the capital reserve account; \$691,091 is prior year excess surplus and has been appropriated and included as anticipated revenue for the year ended June 30, 2018; \$596,620 is restricted as current year excess surplus and will be appropriated and included as anticipated revenue for the fiscal year ended June 30, 2019; \$384,248 is assigned for subsequent year's expenditures; and \$338,964 is unassigned which is \$82,782 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, 2018.

Debt Service Fund: The Debt Service Fund fund balance at June 30, 2017 is \$0.

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 \$1,287,711 at June 30, 2017.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

P. Fund Balance Appropriated (Cont'd)

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$82,782 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.

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 and capital reserve.

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, 2017.

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 for subsequent year's expenditures in the General Fund at June 30, 2017.

R. Deficit Fund Balances/Net Position

The District has a deficit in unrestricted net position of \$4,862,881 in governmental activities, which is primarily due to \$1,173,508 of compensated absences payable, and net pension liability of \$6,418,260. This deficit does not indicate that the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

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, 2017 related to pensions. The District had deferred inflows of resources at June 30, 2017 related to pensions.

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

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

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

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

T. Revenue - Exchange and Nonexchange Transactions:

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

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

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

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

U. Operating Revenue and Expenses:

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

V. Management Estimates:

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

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.

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.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

Custodial Credit Risk – The District’s policy with respect to custodial credit risk requires that the District ensures that District funds are only deposited in financial institutions in which NJ school districts are permitted to invest their funds.

Deposits:

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

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

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

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

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

Investments

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

Investments (Cont'd)

- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); 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 section 1 of P.L. 1970, c.236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2017, cash and cash equivalents of the District consisted of the following:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Checking Accounts	\$ 4,557,807	\$ 959,266	\$ 5,517,073
State of New Jersey Cash Management Fund	14,416		14,416
	<u>\$ 4,572,223</u>	<u>\$ 959,266</u>	<u>\$ 5,531,489</u>

During the period ended June 30, 2017, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2017 was \$5,531,489 and the bank balance was \$6,008,680. The \$14,416 in the State of New Jersey Cash Management Fund is uninsured and unregistered.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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, 2017 is as follows:

Beginning Balance, July 1, 2016	\$ 916,934
Interest Earnings	3,182
Increase per Board Resolution	200,000
Transfers from Capital Reserve	<u>(160,850)</u>
Ending Balance, June 30, 2017	<u>\$ 959,266</u>

The June 30, 2017 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, 2017, the District made transfers to the capital outlay accounts, which did not require County Superintendent approval.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2017 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
Total Capital Assets Not Being Depreciated	<u>4,748,166</u>			<u>4,748,166</u>
Capital Assets Being Depreciated:				
Land Improvements	27,482			27,482
Buildings and Building Improvements	19,966,722	\$ 17,754		19,984,476
Machinery and Equipment	3,633,690	18,867		3,652,557
Total Capital Assets Being Depreciated	<u>23,627,894</u>	<u>36,621</u>		<u>23,664,515</u>
Governmental Activities Capital Assets	<u>28,376,060</u>	<u>36,621</u>		<u>28,412,681</u>
Less Accumulated Depreciation for:				
Land Improvements	(9,794)	(2,748)		(12,542)
Buildings and Building Improvements	(10,160,934)	(369,612)		(10,530,546)
Machinery and Equipment	(3,168,975)	(146,821)		(3,315,796)
	<u>(13,339,703)</u>	<u>(519,181)</u>		<u>(13,858,884)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 15,036,357</u>	<u>\$ (482,560)</u>	<u>\$ -0-</u>	<u>\$ 14,553,797</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 114,070			\$ 114,070
Less Accumulated Depreciation	(71,783)	\$ (4,312)		(76,095)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 42,287</u>	<u>\$ (4,312)</u>	<u>\$ - 0 -</u>	<u>\$ 37,975</u>

The District had \$17,754 in current year additions to Building and Building Improvements and \$18,867 in Machinery and Equipment.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 6. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 20,605
Administrative Services	41,077
Plant Operations and Maintenance	49,887
Pupil Transportation	14,122
Unallocated	<u>393,490</u>
	<u>\$ 519,181</u>

NOTE 7. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2017, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance 6/30/2016	Added	Retired	Balance 6/30/2017
Serial Bonds Payable	\$ 3,385,000		\$ 595,000	\$ 2,790,000
Compensated Absences Payable	1,156,201	\$ 72,854	55,547	1,173,508
Net Pension Liability	<u>5,107,207</u>	<u>1,311,053</u>		<u>6,418,260</u>
	<u>\$ 9,648,408</u>	<u>\$ 1,383,907</u>	<u>\$ 650,547</u>	<u>\$ 10,381,768</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, 2017 as follows:

Purpose	Maturity	Interest Rate	Amount
Refunding Bonds of 2012	07/15/2023	3.00%-4.00%	<u>\$ 2,790,000</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

A. Bonds Payable (Cont'd)

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

Fiscal Year Ending June 30,	Principal	Interest	Total
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
2022	425,000	81,675	506,675
Thereafter: 2023-2024	<u>790,000</u>	<u>62,137</u>	<u>852,137</u>
	<u>\$ 2,790,000</u>	<u>\$ 796,987</u>	<u>\$ 3,586,987</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2017, the Board had no bonds authorized but not issued.

C. Capital Leases Payable:

The District did not enter into any capital leases during the fiscal year ended June 30, 2017.

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 \$1,125,065. The current portion of this liability is \$48,443.

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, 2017, 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, 2017 is \$-0- and the long-term portion is \$6,418,260. 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, 2017
(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/annrprts.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:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and 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 with 25 or more years of service credit before age 62 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, 2017
(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. 43:15A 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 \$194,668 for fiscal year 2017.

The employee contribution rate was 7.20% effective July 1, 2016. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2017, the District reported a liability of \$6,418,260 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. 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, 2016, the District's proportion was 0.0218%, which was a decrease of 0.001% from its proportion measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the District recognized pension expense of \$574,406. At June 30, 2017, 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, 2017
(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)

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	6.44	\$ 80,679	
	2015	5.72	329,671	
	2016	5.57	919,170	
			<u>1,329,520</u>	
Changes in Proportion	2014	6.44	134,035	
	2015	5.72		\$ 144,308
	2016	5.57		177,098
			<u>134,035</u>	<u>321,406</u>
Net Difference Between Projected and Actual				
Investment Earnings on Pension Plan Investments	2014	5	(120,898)	
	2015	5	77,351	
	2016	5	288,282	
			<u>244,735</u>	<u>-0-</u>
Difference Between Expected and Actual Experience	2015	5.72	91,466	
	2016	5.57	27,894	
			<u>119,360</u>	
District Contribution Subsequent to the Measurement Date	2016	1	222,748	
			<u>\$ 2,050,398</u>	<u>\$ 321,406</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</u> <u>Ending June 30,</u>	<u>Total</u>
2017	\$ 381,302
2018	381,302
2019	441,751
2020	371,136
2021	118,124
	<u>\$ 1,693,615</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	3.08%
Salary Increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment Rate of Return	7.65%

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. 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 (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2016 are summarized in the following table:

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex. U.S.	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 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 contribution rate in the most recent fiscal year. The local employers contributed 100% of their 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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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, 2016 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:

	June 30, 2016		
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
District's proportionate share of the Net Pension Liability	\$ 7,864,828	\$ 6,418,260	\$ 5,223,992

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.

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

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

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

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 2016, 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 2017, the State of New Jersey contributed \$1,002,774 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$5,547,132.

The employee contribution rate was 7.20% effective July 1, 2016. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2017, the State's proportionate share of the net pension liability associated with the District was \$73,827,795. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. 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, 2016, the District's proportion was 0.094%, which was a decrease of 0.002% from its proportion measured as of June 30, 2015.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(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)

District's Proportionate Share of the Net Pension Liability	\$	-0-
State's Proportionate Share of the Net Pension Liability Associated with the District		73,827,795
Total	\$	73,827,795

For the fiscal year ended June 30, 2016, the State recognized pension expense on behalf of the District in the amount of \$5,547,132 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2017 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:

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	8.5	\$ 1,691,524,165	
	2015	8.3	4,488,602,746	
	2016	8.3	9,522,623,964	
			15,702,750,875	
Difference Between Expected and Actual Experience	2014	8.5		\$ 16,110,615
	2015	8.3	277,221,464	
	2016	8.3		118,421,979
			277,221,464	134,532,594
Net Difference Between Projected and Actual and Actual Investment Earnings on Pension Plan Investments	2014	5	(870,618,286)	
	2015	5	577,926,182	
	2016	5	1,727,420,767	
			1,434,728,663	
		\$ 17,414,701,002	\$ 134,532,594	

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(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:

Fiscal Year Ending June 30,	Total
2017	\$ 2,538,535,636
2018	2,538,535,636
2019	2,973,844,781
2020	2,781,202,718
2021	2,349,347,527
There after	4,098,702,110
	\$ 17,280,168,408

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. 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	7.65%

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

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

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(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 (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2016 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%	0.39%
U.S. Government Bonds	1.50%	1.28%
U.S. Credit Bonds	13.00%	2.76%
U.S. Mortgages	2.00%	2.38%
U.S. Inflation-Indexed Bonds	1.50%	1.41%
U.S. High Yield Bonds	2.00%	4.70%
U.S. Equity Market	26.00%	5.14%
Foreign-Developed Equity	13.25%	5.91%
Emerging Market Equities	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	0.50%	2.87%
Hedge Funds - MultiStrategy	5.00%	3.70%
Hedge Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 3.22% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 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

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Discount Rate – TPAF (Cont'd)

be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. The State contributed 30% of the actuarially determined contributions. 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 2029. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2029, 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 State's proportionate share of the net pension liability associated with the District as of June 30, 2016 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:

	June 30, 2016		
	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 88,166,886	\$ 73,827,795	\$ 62,118,077

Pension Plan Fiduciary Net Position - TPAF

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

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 TPAF, 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.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

C. Defined Contribution Retirement Program (DCRP) (Cont'd)

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 \$17,704 for the fiscal year ended June 30, 2017. Employee contributions to DCRP amounted to \$41,533 for the fiscal year ended June 30, 2017.

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, 2016, there were 110,512 retirees eligible for post-retirement medical benefits, and the State contributed \$1.37 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 \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in Fiscal Year 2016.

The State's on behalf Post-Retirement Medical Contributions to TPAF for the District amounted to \$865,813, \$894,702 and \$819,999 for 2017, 2016 and 2015 respectively.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(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, 2016 is as follows:

Total Assets	\$ 27,909,834
Net Position	\$ 17,959,092
Total Revenue	\$ 13,953,880
Total Expenses	\$ 11,937,228
Change in Net Position	\$ 2,016,652
Member Dividends	\$ 1,626,692

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, 2017
(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>
2016-2017	-0-	\$ 306	\$ 20,301	\$ 31,084	\$ 73,956
2015-2016	-0-	267	21,502	6,156	84,433
2014-2015	-0-	244	29,792	20,741	68,820

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, 2017:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 13,614	
Fiduciary Fund		\$ 13,614
	<u>\$ 13,614</u>	<u>\$ 13,614</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.

NOTE 13. DEFERRED COMPENSATION

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

AXA Equitable
Lincoln Investment

MetLife Resources

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(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, 2017, there were encumbrances as detailed below in the governmental funds. All of the governmental funds are considered to be major funds.

Governmental Funds		
General Fund	Special Revenue Fund	Total
\$ 550,517	\$ 113,382	\$ 663,899

On the District's Governmental Funds Balance Sheet as of June 30, 2017, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$113,382 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.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 16. ACCOUNTS PAYABLE

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>District Contribution Subsequent to Measurement Date</u>	<u>Total Governmental Funds</u>	<u>Business-Type Activities Proprietary Funds</u>
Vendors	\$ 13,425			\$ 13,425	\$ 14,182
Due to State of New Jersey		\$ 58,351	\$ 222,748	281,099	
	<u>\$ 13,425</u>	<u>\$ 58,351</u>	<u>\$ 222,748</u>	<u>\$ 294,524</u>	<u>\$ 14,182</u>

**SCHEDULES OF REQUIRED
SUPPLEMENTARY INFORMATION**

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,		
	2015	2016	2017
District's proportion of the net pension liability	0.0239039844%	0.0227512812%	0.0216707671%
District's proportionate share of the net pension liability	\$ 4,475,480	\$ 5,107,207	\$ 6,418,260
District's covered employee payroll	1,548,981	1,470,730	1,459,526
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	288.93%	347.26%	439.75%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%

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,		
	2015	2016	2017
Contractually required contribution	\$ 197,061	\$ 195,600	\$ 192,520
Contributions in relation to the contractually required contribution	(197,061)	(195,600)	(192,520)
Contribution deficiency/(excess)	\$ -0-	\$ -0-	\$ -0-
District's covered employee payroll	\$ 1,518,001	\$ 1,548,981	\$ 1,470,730
Contributions as a percentage of covered employee payroll	12.98%	12.63%	13.09%

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 STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ATTRIBUTABLE TO THE DISTRICT
TEACHERS' PENSION AND ANNUITY FUND
LAST THREE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
State's proportion of the net pension liability attributable to the District	0.0923353276%	0.0955417453%	0.0938492496%
State's proportionate share of the net pension liability attributable to the District	\$ 49,350,227	\$ 60,386,505	\$ 73,827,795
District's covered employee payroll	9,479,403	9,120,841	10,006,102
State's proportionate share of the net pension liability attributable to the District as a percentage of its covered employee payroll	520.60%	662.07%	737.83%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%

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 STATE CONTRIBUTIONS
TEACHERS' PENSION AND ANNUITY FUND
LAST THREE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
Contractually required contribution	\$ 2,655,506	\$ 3,687,140	\$ 5,547,132
Contributions in relation to the contractually required contribution	<u>(516,534)</u>	<u>(751,394)</u>	<u>(1,002,774)</u>
Contribution deficiency/(excess)	<u>\$ 2,138,972</u>	<u>\$ 2,935,746</u>	<u>\$ 4,544,358</u>
District's covered employee payroll	\$ 9,479,403	\$ 9,120,841	\$ 10,006,102
Contributions as a percentage of covered employee payroll	5.45%	8.24%	10.02%

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, 2017
(UNAUDITED)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.90% as of June 30, 2015 to 3.98% as of June 30, 2016. The municipal bond rate changed from 3.80% to 2.85%. The long-term expected rate of return on pension plan investments changed from 7.90% to 7.65%.

The inflation rate changed from 3.04% as of June 30, 2015 to 3.08% as of June 30, 2016. The salary increases changed from 2.15% - 4.40% for 2012 – 2021 to 1.65%-4.15% through 2026 and from 3.15%-5.40% thereafter to 2.65%-5.15% thereafter.

The mortality rates in the July 1, 2014 actuarial valuation were based on the following:

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 mortality rates in the July 1, 2015 actuarial valuation were based on the following:

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.13% as of June 30, 2015 to 3.22% as of June 30, 2016. The municipal bond rate changed from 3.80% to 2.85%. The long-term expected rate of return on pension plan investments changed from 7.90% to 7.65%.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

B. TEACHERS PENSION AND ANNUITY FUND (Cont'd)

Changes of Assumptions (Cont'd)

The mortality rates in the July 1, 2014 actuarial valuation were based on the following:

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 mortality rates in the July 1, 2015 actuarial valuation were based on the following:

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

BUDGETARY COMPARISON SCHEDULES

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 19,850,082		\$ 19,850,082	\$ 19,850,082	
Tuition	28,000		28,000	27,200	(800)
Transportation Fees from Individuals	35,000		35,000	25,605	(9,395)
Interest Earned on Capital Reserve Funds	50		50	3,182	3,132
Miscellaneous	40,000		40,000	56,638	16,638
Total - Local Sources	19,953,132		19,953,132	19,962,707	9,575
State Sources:					
Extraordinary Special Education Costs Aid	134,266		134,266	126,944	(7,322)
Categorical Special Education Aid	714,708		714,708	714,708	
Equalization Aid	11,741		11,741	11,741	
Categorical Security Aid	23,068		23,068	23,068	
Categorical Transportation Aid	34,121		34,121	34,121	
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	
Professional Learning Community Aid	11,540		11,540	11,540	
Nonpublic School Transportation Costs				5,568	5,568
TPAF Pension Payments (On-Behalf - Non-Budgeted)				1,002,774	1,002,774
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)				36,333	36,333
TPAF Post Retirement Benefits (On-Behalf - Non-Budgeted)				865,813	865,813
TPAF Long-Term Disability Insurance Contributions (On-Behalf - Non-Budgeted)				1,396	1,396
TPAF Social Security (Reimbursed - Non-Budgeted)				724,402	724,402
Total State Sources	978,563		978,563	3,607,527	2,628,964
Federal Sources:					
Medicaid Assistance Program	16,103		16,103		(16,103)
Total Federal Sources	16,103		16,103		(16,103)
TOTAL REVENUES	20,947,798		20,947,798	23,570,234	2,622,436

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 489,373	\$ 62,179	\$ 551,552	\$ 549,718	\$ 1,834
Grades 1-5 - Salaries of Teachers	2,861,380	(37,876)	2,823,504	2,804,244	19,260
Grades 6-8 - Salaries of Teachers	3,078,004	(198,144)	2,879,860	2,876,941	2,919
Regular Programs - Home Instruction:					
Salaries of Teachers	2,519	3,106	5,625	5,344	281
Purchased Professional - Educational Services		11,361	11,361	9,215	2,146
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	552,897	34,437	587,334	580,608	6,726
Purchased Professional - Educational Services	16,690		16,690	8,829	7,861
Other Purchased Services (400-500 series)	1,250	25,908	27,158	2,520	24,638
General Supplies	221,131	(26,420)	194,711	177,768	16,943
Textbooks	82,215	(348)	81,867	59,406	22,461
Other Objects	28,885		28,885	24,322	4,563
Total Regular Programs - Instruction	7,334,344	(125,797)	7,208,547	7,098,915	109,632
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	76,197	63	76,260	75,776	484
Other Salaries for Instruction	113,546	(11,927)	101,619	100,318	1,301
General Supplies	3,500	(3,073)	427		427
Total Learning and/or Language Disabilities	193,243	(14,937)	178,306	176,094	2,212
Resource Room/Resource Center:					
Salaries of Teachers	1,602,762	122,773	1,725,535	1,709,242	16,293
Total Resource Room/Resource Center	1,602,762	122,773	1,725,535	1,709,242	16,293

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Preschool Disabilities - Part-time:					
Salaries of Teachers	\$ 142,938	\$ (48,663)	\$ 94,275	\$ 94,275	\$ 11,159
Other Salaries for Instruction	141,076	(51,135)	89,941	78,782	168
Purchased Prof Ed Services	3,199		3,199	3,031	228
General Supplies	6,315	(4,360)	1,955	1,727	
Other Objects		160	160	160	
Total Preschool Disabilities - Part-time	293,528	(103,998)	189,530	177,975	11,555
Preschool Disabilities - Full-time:					
Salaries of Teachers		51,138	51,138	51,138	
Total Preschool Disabilities - Full-time		51,138	51,138	51,138	
Total Special Education Instruction	2,089,533	54,976	2,144,509	2,114,449	30,060
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	76,078		76,078	75,427	651
General Supplies	500		500		500
Total Basic Skills/Remedial - Instruction	76,578		76,578	75,427	1,151
Bilingual Education - Instruction:					
Salaries of Teachers	47,578		47,578	45,090	2,488
General Supplies	600		600	207	393
Total Bilingual Education - Instruction	48,178		48,178	45,297	2,881
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	21,000	18,253	39,253	37,496	1,757
Supplies and Materials	5,000	(691)	4,309		4,309
Total School-Sponsored Cocurricular Activities - Instruction	26,000	17,562	43,562	37,496	6,066

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
School-Sponsored Co-curricular Athletics - Instruction:					
Salaries	\$ 37,843	\$ (7,080)	\$ 30,763	\$ 30,763	
Purchased Services (300-500 series)	5,500	(422)	5,078	2,382	\$ 2,696
Supplies and Materials	5,130		5,130	783	4,347
Total School-Sponsored Co-curricular Athletics - Instruction	48,473	(7,502)	40,971	33,928	7,043
Community Service Programs:					
Salaries	10,000	3,808	13,808	3,808	10,000
Total Community Service Programs	10,000	3,808	13,808	3,808	10,000
Total Instruction	9,633,106	(56,953)	9,576,153	9,409,320	166,833
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	331,097	(44,962)	286,135	282,414	3,721
Tuition to County Special Services Schools and Regional Day School	73,620	(38,080)	35,540		35,540
Tuition to Private Schools for the Disabled - Within the State	257,085	17,912	274,997	273,922	1,075
Other Tuition	32,660	1,050	33,710	33,710	
Total Undistributed Expenditures - Instruction:	694,462	(64,080)	630,382	590,046	40,336
Attendance and Social Work Services:					
Salaries	24,648		24,648	21,012	3,636
Purchased Professional and Technical Services	5,150	380	5,530	5,530	
Total Attendance and Social Work Services	29,798	380	30,178	26,542	3,636

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Health Services:					
Salaries	\$ 247,761	\$ (380)	\$ 247,381	\$ 244,482	\$ 2,899
Purchased Professional and Technical Services	11,450		11,450	8,609	2,841
Supplies and Materials	10,028		10,028	6,014	4,014
Total Health Services	269,239	(380)	268,859	259,105	9,754
Speech, OT, PT and Related Services:					
Salaries	362,079	9,182	371,261	371,261	
Purchased Professional - Educational Services	5,135	9,329	14,464	12,307	2,157
Supplies and Materials	1,000		1,000	640	360
Total Speech, OT, PT and Related Services	368,214	18,511	386,725	384,208	2,517
Other Support Services - Students - Extraordinary Services:					
Purchased Professional - Educational Services	249,957	52,640	302,597	259,813	42,784
Total Other Support Services - Students - Extraordinary Services	249,957	52,640	302,597	259,813	42,784
Guidance:					
Salaries of Other Professional Staff	378,697	(7,071)	371,626	364,987	6,639
Salaries of Secretarial and Clerical Assistants	45,938	3,000	48,938	44,016	4,922
Total Guidance	424,635	(4,071)	420,564	409,003	11,561

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Child Study Teams:					
Salaries of Other Professional Staff	\$ 551,886	\$ 4,000	\$ 555,886	\$ 551,836	\$ 4,050
Salaries of Secretarial and Clerical Assistants	96,479		96,479	95,829	650
Purchased Professional - Educational Services	364,316	77,363	441,679	412,308	29,371
Purchased Professional and Technical Services	133,006	64,509	197,515	164,641	32,874
Supplies and Materials	13,969	27,961	41,930	16,975	24,955
Other Objects	7,280	(492)	6,788	6,655	133
Total Child Study Teams	1,166,936	173,341	1,340,277	1,248,244	92,033
Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	97,665		97,665	97,665	
Salaries of Other Professional Staff	72,150		72,150	18,351	53,799
Salaries of Secretarial and Clerical Assistants		24,892	24,892	24,892	
Other Purchased Services	33,007		33,007	25,081	7,926
Supplies and Materials	4,612		4,612	987	3,625
Total Improvement of Instructional Services	207,434	24,892	232,326	166,976	65,350
Educational Media Services/School Library:					
Salaries	199,365	46,113	245,478	238,693	6,785
Salaries of Technology Coordinators	91,000	1,500	92,500	92,500	
Purchased Professional and Technical Services	9,900	212	10,112	7,612	2,500
Other Purchased Services	2,000	(1,369)	631	631	
Supplies and Materials	13,908	1,256	15,164	13,269	1,895
Other Objects	309,789	(852)	308,937	233,659	75,278
Total Educational Media Services/School Library	625,962	46,860	672,822	586,364	86,458

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Instructional Staff Training Services:					
Purchased Professional - Educational Services	\$ 58,900	\$ (30,235)	\$ 28,665	\$ 15,241	\$ 13,424
Other Objects	8,000		8,000	8,000	
Total Instructional Staff Training Services	66,900	(30,235)	36,665	23,241	13,424
Support Services - General Administration:					
Salaries	257,091		257,091	190,972	66,119
Legal Services	62,744		62,744	36,005	26,739
Audit Fees	37,322		37,322	37,322	
Architectural/Engineering Services	40,000		40,000	10,050	29,950
Other Purchased Professional Services	12,950		12,950	11,235	1,715
Communications/Telephone	214,975	(9)	214,966	98,475	116,491
BOE Other Purchased Services	4,000		4,000	1,455	2,545
Other Purchased Services (400-500 series)	12,720		12,720	10,787	1,933
General Supplies	12,132		12,132	10,072	2,060
BOE In- House Training/Meeting Supplies	3,500		3,500	747	2,753
Miscellaneous Expenditures	9,470		9,470	869	8,601
BOE Membership Dues and Fees	10,500		10,500	9,306	1,194
Total Support Services - General Administration	677,404	(9)	677,395	417,295	260,100
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	527,880		527,880	527,879	1
Other Salaries	3,500		3,500	3,500	
Salaries of Secretarial and Clerical Assistants	203,633	2,398	206,031	205,970	61
Other Purchased Services (400-500 series)	6,400	9	6,409	4,611	1,798
Supplies and Materials	10,630	(4,411)	6,219	2,584	3,635
Total Support Services - School Administration	752,043	(2,004)	750,039	744,544	5,495

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Central Services:					
Salaries	\$ 294,770	\$ (22,387)	\$ 272,383	\$ 250,583	\$ 21,800
Purchased Technical Services	35,000		35,000	30,665	4,335
Miscellaneous Purchased Services (400-500 series)	13,227		13,227	6,900	6,327
Supplies and Materials	18,194		18,194	10,915	7,279
Miscellaneous Expenditures	9,000		9,000	2,169	6,831
Total Central Services	370,191	(22,387)	347,804	301,232	46,572
Administration Information Technology:					
Salaries	53,310		53,310	53,310	
Purchased Technical Services	112,000		112,000	66,485	45,515
Supplies and Materials	1,316		1,316	1,316	
Total Administration Information Technology	166,626		166,626	121,111	45,515
Required Maintenance of School Facilities:					
Salaries	125,983		125,983	125,907	76
Cleaning, Repair and Maintenance Services	254,346	148,711	403,057	352,143	50,914
Lead Testing of Drinking Water		12,200	12,200	7,600	4,600
General Supplies	61,459	(10,061)	51,398	33,008	18,390
Total Required Maintenance of School Facilities	441,788	150,850	592,638	518,658	73,980

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Custodial Services:					
Salaries	\$ 310,283	\$ 16,471	\$ 326,754	\$ 326,753	\$ 1
Salaries of Non-Instructional Aides	99,371	(13,451)	85,920	77,703	8,217
Purchased Professional and Technical Services	8,200	(3,020)	5,180	2,350	2,830
Cleaning, Repair and Maintenance Services	771,561	65	771,626	721,548	50,078
Insurance	134,700	(300)	134,400	118,900	15,500
General Supplies	109,534	(6,287)	103,247	88,558	14,689
Energy (Natural Gas)	396,391	(51,405)	344,986	103,650	241,336
Energy (Electricity)	305,459		305,459	146,596	158,863
Energy (Gasoline)	13,500	(572)	12,928	5,747	7,181
Other Objects	16,553	1,056	17,609	16,281	1,328
Total Custodial Services	2,165,552	(57,443)	2,108,109	1,608,086	500,023
Student Transportation Services:					
Contracted Services:					
Between Home and School - Vendors	186,669	63,180	249,849	224,173	25,676
Other Than Between Home and School - Vendors	20,100	(200)	19,900	14,092	5,808
Special Education Students - Joint Agreements	229,266		229,266	181,643	47,623
Aid in Lieu Payments-Nonpublic Students	45,766	(6,087)	39,679	30,498	9,181
Supplies and Materials	839	(25)	814		814
Miscellaneous Expenditures		25	25	25	
Total Student Transportation Services	482,640	56,893	539,533	450,431	89,102

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Unallocated Benefits:					
Social Security Contributions	\$ 229,000		\$ 229,000	\$ 228,712	\$ 288
Other Retirement Contributions - PERS	222,748	(704)	222,044	194,668	27,376
Other Retirement Contributions - Regular	17,000	704	17,704	17,704	
Workmen's Compensation	105,000		105,000	82,165	22,835
Health Benefits	2,747,570	(193,134)	2,554,436	2,529,775	24,661
Other Employee Benefits	116,350	43,645	159,995	155,464	4,531
Total Unallocated Benefits	3,437,668	(149,489)	3,288,179	3,208,488	79,691
On-Behalf Contributions:					
TPAF Pension Payments (On-Behalf - Non-Budgeted)				1,002,774	(1,002,774)
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)				36,333	(36,333)
TPAF Post Retirement Benefits (On-Behalf - Non-Budgeted)				865,813	(865,813)
TPAF Long-Term Disability Insurance Contributions (On-Behalf - Non-Budgeted)				1,396	(1,396)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				724,402	(724,402)
Total On-Behalf Contributions				2,630,718	(2,630,718)
Total Personal Services - Employee Benefits	3,437,668	(149,489)	3,288,179	5,839,206	(2,551,027)
Total Undistributed Expenses	12,597,449	194,269	12,791,718	13,954,105	(1,162,387)
TOTAL GENERAL CURRENT EXPENSE	22,230,555	137,316	22,367,871	23,363,425	(995,554)

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CAPITAL OUTLAY					
Equipment:					
Regular Programs - Instruction:					
Grades 6-8	\$ 4,395	\$ 11,374	\$ 11,374	\$ 2,313	\$ 9,061
Undistributed Expenditures:					
Required Maintenance for School Facilities	12,160		16,555	16,554	1
Total Equipment	<u>4,395</u>	<u>23,534</u>	<u>27,929</u>	<u>18,867</u>	<u>9,062</u>
Facilities Acquisition and Construction Services:					
Construction Services	32,465		32,465	17,754	14,711
Assessment for Debt Service on SDA Funding	21,633		21,633	21,633	
Total Facilities Acquisition and Construction Services	<u>54,098</u>		<u>54,098</u>	<u>39,387</u>	<u>14,711</u>
TOTAL CAPITAL OUTLAY	<u>58,493</u>	<u>23,534</u>	<u>82,027</u>	<u>58,254</u>	<u>23,773</u>
SPECIAL SCHOOLS:					
Summer School - Instruction:					
Salaries of Teachers	27,000		27,000	14,986	12,014
Other Salaries for Instruction	16,000		16,000	2,957	13,043
Total Summer School - Instruction	<u>43,000</u>		<u>43,000</u>	<u>17,943</u>	<u>25,057</u>
TOTAL SPECIAL SCHOOLS	<u>43,000</u>		<u>43,000</u>	<u>17,943</u>	<u>25,057</u>
TOTAL EXPENDITURES	<u>22,332,048</u>	<u>160,850</u>	<u>22,492,898</u>	<u>23,439,622</u>	<u>(946,724)</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>(1,384,250)</u>	<u>(160,850)</u>	<u>(1,545,100)</u>	<u>130,612</u>	<u>1,675,712</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Other Financing Sources:					
Operating Transfer In:					
Cancellation of Prior Year Accounts Payable				\$ 63,302	\$ 63,302
Interest Earned in Capital Projects Fund				33	33
Total Other Financing Sources				<u>63,335</u>	<u>63,335</u>
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures	\$ (1,384,250)	\$ (160,850)	\$ (1,545,100)	193,947	1,739,047
Fund Balance, July 1	<u>3,409,541</u>		<u>3,409,541</u>	<u>3,409,541</u>	
Fund Balance, June 30	<u>\$ 2,025,291</u>	<u>\$ (160,850)</u>	<u>\$ 1,864,441</u>	<u>\$ 3,603,488</u>	<u>\$ 1,739,047</u>

Recapitulation:

Restricted for Excess Surplus \$ 596,620
 Restricted for Excess Surplus - Designated for Subsequent Year's Expenditures 691,091
 Capital Reserve 959,266
 Assigned:

Year End Encumbrances 550,517
 Designated for Subsequent Year's Expenditures 384,248
 Unassigned Fund Balance 421,746
3,603,488

Reconciliation to Governmental Fund Statement (GAAP):
 Last State Aid Payments not Recognized on GAAP Basis (82,782)
 Fund Balance per Governmental Funds (GAAP) \$ 3,520,706

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources		\$ 73,575	\$ 73,575	\$ 73,575	
State Sources		207,728	207,728	149,377	\$ (58,351)
Federal Sources	\$ 263,000	236,620	499,620	472,353	(27,267)
Total Revenues	263,000	517,923	780,923	695,305	(85,618)
EXPENDITURES:					
Instruction:					
Personal Services - Salaries		27,180	27,180	27,180	
Purchased Professional and Technical Services	30,000	39,184	69,184	63,141	6,043
Tuition	230,000	48,244	278,244	278,236	8
General Supplies		93,684	93,684	83,926	9,758
Textbooks		16,485	16,485	15,876	609
Other Objects		22,536	22,536	17,751	4,785
Total Instruction	260,000	247,313	507,313	486,110	21,203
Support Services:					
Purchased Professional and Technical Services		52,855	52,855	47,050	5,805
Other Purchased Services		141,527	141,527	88,570	52,957
Supplies and Materials	3,000	2,653	5,653		5,653
Other Objects		73,575	73,575	73,575	
Total Support Services	3,000	270,610	273,610	209,195	64,415
Total Expenditures	263,000	517,923	780,923	695,305	85,618
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

BOROUGH OF HILLSDALE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(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	\$ 23,570,234	\$ 695,305
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that Encumbrances are Recognized as Expenditures, and Revenue is Recognized.		(17,876)
State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	73,964	
State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(82,782)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 23,561,416	\$ 677,429
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 23,439,622	\$ 695,305
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.		(17,876)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 23,439,622	\$ 677,429

BOROUGH OF HILLSDALE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(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, 2017, 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, 2017

	No Child Left Behind		IDEA	
	Title I	Title II A	Part B Basic	Preschool
REVENUE:				
Local Sources				
State Sources				
Federal Sources	\$ 108,796	\$ 26,916	\$ 309,705	\$ 26,936
Total Revenue	108,796	26,916	309,705	26,936
EXPENDITURES:				
Instruction:				
Salaries	45,230	17,911		
Purchased Professional and Technical Services			251,300	26,936
Tuition			11,355	
General Supplies	63,566	9,005		
Textbooks				
Other Objects				
Total Instruction	108,796	26,916	262,655	26,936
Support Services:				
Purchased Professional & Technical Services			47,050	
Other Purchased Services				
Other Objects				
Total Support Services			47,050	
Total Expenditures	\$ 108,796	\$ 26,916	\$ 309,705	\$ 26,936

BOROUGH OF HILLSDALE SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Nonpublic Auxiliary Services (Chapter 192)		Nonpublic Handicapped Services (Chapter 193)		
	Compensatory Education	Supplementary Instruction	Examination and Classification	Corrective Speech	
REVENUE:					
Local Sources					
State Sources	\$ 49,807	\$ 14,753	\$ 12,613	\$	11,397
Federal Sources					
Total Revenue	49,807	14,753	12,613		11,397
EXPENDITURES:					
Instruction:					
Salaries					
Purchased Professional and Technical Services					
Tuition					
General Supplies					
Textbooks					
Other Objects					
Total Instruction					
Support Services:					
Purchased Professional & Technical Services					
Other Purchased Services	49,807	14,753	12,613		11,397
Other Objects					
Total Support Services	49,807	14,753	12,613		11,397
Total Expenditures	\$ 49,807	\$ 14,753	\$ 12,613	\$	11,397

BOROUGH OF HILLSDALE SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Nonpublic					Local Grants
	Security	Technology	Textbook	Nursing		
REVENUE:						
Local Sources						
State Sources	\$ 10,315	\$ 7,436	\$ 15,876	\$ 27,180	\$	73,575
Federal Sources						
Total Revenue	10,315	7,436	15,876	27,180		73,575
EXPENDITURES:						
Instruction:						
Salaries						
Purchased Professional and Technical Services				27,180		
Tuition						
General Supplies						
Textbooks			15,876			
Other Objects	10,315	7,436				
Total Instruction	10,315	7,436	15,876	27,180		
Support Services:						
Purchased Professional & Technical Services						
Other Purchased Services						
Other Objects						73,575
Total Support Services						73,575
Total Expenditures	\$ 10,315	\$ 7,436	\$ 15,876	\$ 27,180	\$	73,575

BOROUGH OF HILLSDALE SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Totals June 30, 2017
REVENUE:	
Local Sources	\$ 73,575
State Sources	149,377
Federal Sources	472,353
Total Revenue	695,305
EXPENDITURES:	
Instruction:	
Salaries	27,180
Purchased Professional and Technical Services	63,141
Tuition	278,236
General Supplies	83,926
Textbooks	15,876
Other Objects	17,751
Total Instruction	486,110
Support Services:	
Purchased Professional & Technical Services	47,050
Other Purchased Services	88,570
Other Objects	73,575
Total Support Services	209,195
Total Expenditures	695,305

CAPITAL PROJECTS FUND

BOROUGH OF HILLSDALE SCHOOL DISTRICT
SUMMARY SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGETARY BASIS
AND PROJECT STATUS - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Revenue and Other Financing Sources:	
Interest Revenue	\$ 33
	<hr/>
Total Revenue and Other Financing Sources	33
	<hr/>
Expenditures and Other Financing Uses:	
Operating Transfers Out:	
General Fund - Interest Earned	33
	<hr/>
Total Expenditures and Other Financing Uses	33
	<hr/>
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	-0-
	<hr/>
Fund Balance - Beginning	-0-
	<hr/>
Fund Balance - Ending	\$ -0-
	<hr/> <hr/>

PROPRIETARY FUNDS

BOROUGH OF HILLSDALE SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 102,930
Accounts Receivable:	
Federal	3,301
State	179
Inventories	<u>4,043</u>

Total Current Assets	<u>110,453</u>
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Non- Current Assets:

Capital Assets:

Capital Assets	
Net of Accumulated Depreciation	<u>37,975</u>

Total Non- Current Assets	<u>37,975</u>
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Total Assets	<u>148,428</u>
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LIABILITIES:

Current Liabilities:

Accounts Payable -Vendors	14,182
Unearned Revenue - Donated Commodities	4,542
Unearned Revenue - Prepaid Sales	<u>7,983</u>

Total Current Liabilities	<u>26,707</u>
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Total Liabilities	<u>26,707</u>
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NET POSITION:

Investment in Capital Assets	37,975
Unrestricted	<u>83,746</u>

Total Net Position	<u>\$ 121,721</u>
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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, 2017

Operating Revenue:	
Charges for Services:	
Daily Sales:	
Daily Sales - Reimbursable Programs	\$ 207,265
Daily Sales - Non Reimbursable Programs	15,601
	<hr/>
Total Operating Revenue	222,866
	<hr/>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	128,563
Cost of Sales - Non Reimbursable Programs	9,677
Salaries, Benefits and Payroll Taxes	120,275
Supplies and Materials	8,062
Miscellaneous Expenses	15,358
Depreciation Expense	4,312
	<hr/>
Total Operating Expenses	286,247
	<hr/>
Operating (Loss)	(63,381)
	<hr/>
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	53,913
Food Distribution Program	15,282
State Sources:	
School Lunch Program	2,929
Local Sources:	
Interest Revenue	438
	<hr/>
Total Non-Operating Revenue	72,562
	<hr/>
Change in Net Position	9,181
	<hr/>
Net Position - Beginning of Year	112,540
	<hr/>
Net Position - End of Year	\$ 121,721
	<hr/> <hr/>

BOROUGH OF HILLSDALE SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 222,866
Payments to Food Service Vendor	(245,580)
Payments to Suppliers	<u>(7,167)</u>
Net Cash (Used for) Operating Activities	<u>(29,881)</u>
Cash Flows from Investing Activities:	
Interest Revenue	<u>438</u>
Net Cash Provided by Investing Activities	<u>438</u>
Cash Flows from Noncapital Financing Activities:	
Federal Sources	53,704
State Sources	<u>2,911</u>
Net Cash Provided by Noncapital Financing Activities	<u>56,615</u>
Net Increase in Cash and Cash Equivalents	27,172
Cash and Cash Equivalents, July 1	<u>75,758</u>
Cash and Cash Equivalents, June 31	<u><u>\$ 102,930</u></u>
Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities:	
Operating (Loss)	\$ (63,381)
Adjustment to Reconcile Operating (Loss) to Cash (Used for) Operating Activities:	
Depreciation	4,312
Federal Food Distribution Program	15,282
Changes in Assets and Liabilities:	
Decrease/(Increase) in Inventories	(1,397)
Increase/(Decrease) in Accounts Payable	14,182
Increase/(Decrease) in Unearned Revenue - Donated Commodities	30
Increase/(Decrease) in Unearned Revenue- Prepaid Sales	<u>1,091</u>
Net Cash (Used for) Operating Activities	<u><u>\$ (29,881)</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 \$15,282 for the fiscal year ended June 30, 2017.

FIDUCIARY FUNDS

BOROUGH OF HILLSDALE SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>Agency</u>			<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>
	<u>Student Activity</u>	<u>Payroll</u>	<u>Total</u>		
ASSETS:					
Cash and Cash Equivalents	\$ 73,421	\$ 13,614	\$ 87,035	\$ 73,956	\$ 1,367
Total Assets	<u>73,421</u>	<u>\$ 13,614</u>	<u>87,035</u>	<u>73,956</u>	<u>1,367</u>
LIABILITIES:					
Interfund Payable - General Fund Due to Student Groups	<u>73,421</u>	<u>13,614</u>	<u>13,614</u> <u>73,421</u>		
Total Liabilities	<u>73,421</u>	<u>13,614</u>	<u>87,035</u>	<u>-0-</u>	<u>-0-</u>
NET ASSETS:					
Held in Trust for Unemployment Claims and Other Purposes				<u>73,956</u>	<u>1,367</u>
Total Net Position	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 73,956</u>	<u>\$ 1,367</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT
FIDUCIARY FUND
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>
ADDITIONS:		
Contributions:		
Plan member	\$ 20,301	\$ 6,104
Investment Earnings:		
Interest	306	16
Total Additions	<u>20,607</u>	<u>6,120</u>
DEDUCTIONS:		
Quarterly Contribution Reports	31,084	
Flexible Spending Claims		7,507
Total Deductions	<u>31,084</u>	<u>7,507</u>
Change in Net Position	(10,477)	(1,387)
Net Position - Beginning of the Year	<u>84,433</u>	<u>2,754</u>
Net Position - End of the Year	<u>\$ 73,956</u>	<u>\$ 1,367</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
ASSETS:				
Cash and Cash Equivalents	\$ 73,322	\$ 152,248	\$ 152,149	\$ 73,421
Total Assets	<u>\$ 73,322</u>	<u>\$ 152,248</u>	<u>\$ 152,149</u>	<u>\$ 73,421</u>
LIABILITIES:				
Due to Student Groups	\$ 73,322	\$ 152,248	\$ 152,149	\$ 73,421
Total Liabilities	<u>\$ 73,322</u>	<u>\$ 152,248</u>	<u>\$ 152,149</u>	<u>\$ 73,421</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2017</u>
Elementary Schools:				
Ann B. Smith	\$ 25			\$ 25
Meadowbrook	2,029	\$ 8,398	\$ 8,665	1,762
George G. White	71,268	143,850	143,484	71,634
	<u>73,322</u>	<u>152,248</u>	<u>152,149</u>	<u>73,421</u>
Total All Schools	\$ 73,322	\$ 152,248	\$ 152,149	\$ 73,421

BOROUGH OF HILLSDALE SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
ASSETS:				
Cash and Cash Equivalents	\$ 143,478	\$ 14,281,420	\$ 14,411,284	\$ 13,614
Total Assets	<u>\$ 143,478</u>	<u>\$ 14,281,420</u>	<u>\$ 14,411,284</u>	<u>\$ 13,614</u>
LIABILITIES:				
Payroll Deductions and Withholdings	\$ 129,864	\$ 6,370,910	\$ 6,500,774	
Net Payroll		7,910,510	7,910,510	
Interfund Payable - General Fund	<u>13,614</u>			<u>\$ 13,614</u>
Total Liabilities	<u>\$ 143,478</u>	<u>\$ 14,281,420</u>	<u>\$ 14,411,284</u>	<u>\$ 13,614</u>

LONG-TERM DEBT

BOROUGH OF HILLSDALE SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
NOT APPLICABLE

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 699,542		\$ 699,542	\$ 699,542	
State Sources:					
Debt Service Aid Type II	4,276		4,276	4,276	
Total Revenues	703,818		703,818	703,818	
EXPENDITURES:					
Regular Debt Service:					
Interest	109,095		109,095	109,095	
Redemption of Principal	595,000		595,000	595,000	
Total Regular Debt Service	704,095		704,095	704,095	
Total Expenditures	704,095		704,095	704,095	
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(277)		(277)	(277)	
Fund Balance, July 1	277		277	277	
Fund Balance, June 30	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

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

Exhibit

Financial Trends

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

J-1 thru J-5

Revenue Capacity

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

J-6 thru J-9

Debt Capacity

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

J-10 thru J-13

Demographic and Economic Information

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

J-14 thru J-15

Operating Information

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

J-16 thru J-20

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

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

	June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities:										
Net Investment in Capital Assets	\$ 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	\$ 11,763,797
Restricted	247,312	669,398	588,636	907,016	1,575,041	1,981,497	1,970,339	1,428,241	1,822,588	2,246,977
Unrestricted/(Deficit)	(779,166)	(782,254)	(669,819)	(727,755)	(755,515)	(186,751)	(4,342,929)	(3,663,287)	(4,230,049)	(4,862,881)
Total Governmental Activities Net Position	\$ 7,103,413	\$ 7,654,972	\$ 8,045,388	\$ 8,592,642	\$ 9,741,629	\$ 11,278,419	\$ 7,939,837	\$ 8,733,911	\$ 9,243,896	\$ 9,147,893
Business-Type Activities:										
Net Investment in Capital Assets	\$ 26,252	\$ 30,234	\$ 40,321	\$ 58,306	\$ 79,228	\$ 35,798	\$ 31,820	\$ 27,843	\$ 42,287	\$ 37,975
Unrestricted						64,102	66,786	77,893	70,253	83,746
Total Business-Type Activities Net Position	\$ 26,252	\$ 30,234	\$ 40,321	\$ 58,306	\$ 79,228	\$ 99,900	\$ 98,606	\$ 105,736	\$ 112,540	\$ 121,721
District-Wide:										
Net Investment in Capital Assets	\$ 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	\$ 11,801,772
Restricted	247,312	669,398	588,636	907,016	1,575,041	1,981,497	1,970,339	1,428,241	1,822,588	2,246,977
Unrestricted/(Deficit)	(752,914)	(752,020)	(629,498)	(669,449)	(676,287)	(122,649)	(4,276,143)	(3,585,394)	(4,159,796)	(4,779,135)
Total District Net Position	\$ 7,129,665	\$ 7,685,206	\$ 8,085,709	\$ 8,650,948	\$ 9,820,857	\$ 11,378,319	\$ 8,038,443	\$ 8,839,647	\$ 9,356,436	\$ 9,269,614

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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses:										
Governmental Activities:										
Instruction:										
Regular	\$ 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	\$ 14,152,914
Special Education	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	4,219,712
Other Special Instruction	199,601	217,540	168,290	205,686	203,890	213,159	282,164	298,466	212,912	242,666
Other Instruction	105,015	125,772	158,344	161,495	165,441	169,998	110,985	133,354	151,824	143,702
Support Services:										
Tuition	407,636	492,509	392,903	516,478	658,318	723,776	1,117,640	696,820	885,893	868,282
Student & Instruction Related Services	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	4,302,335
General Administrative Services	542,644	527,099	557,121	547,326	456,380	487,398	496,940	434,410	681,974	470,098
School Administrative Services	886,048	823,198	872,231	947,395	927,761	1,004,647	961,813	1,019,201	1,185,445	1,339,033
Central Services	392,166	383,728	411,104	445,344	418,417	447,184	467,903	413,524	422,260	411,762
Administration Information Technology	90,238	127,848	145,161	123,015	134,255	123,289	145,762	123,939	123,939	135,179
Plant Operations and Maintenance	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	2,323,710
Pupil Transportation	555,981	610,966	595,009	546,936	421,176	468,777	456,756	470,899	419,228	464,553
Special Schools	9,082	8,891	7,202	7,500	5,542	25,025	23,412	29,219	32,428	22,904
Capital Outlay	391,372	305,831	150,363	11,075	15,763	70,066	117,656	129,642	32,703	21,633
Interest on Long-term Debt	318,222	319,693	278,492	257,666	243,304	259,439	160,953	71,891	122,194	102,177
Unallocated Depreciation			319,830	319,830	319,830	338,499	346,453	391,737	392,898	393,490
Total Governmental Activities Expenses	19,993,169	19,284,949	20,650,098	20,373,260	20,860,588	21,647,163	22,013,721	24,990,244	26,698,109	29,614,150
Business-Type Activities:										
Food Service	283,296	268,493	271,037	309,133	319,070	293,915	295,750	268,503	280,648	286,247
Total Business-Type Activities Expenses	283,296	268,493	271,037	309,133	319,070	293,915	295,750	268,503	280,648	286,247
Total District Expenses	20,276,465	19,553,442	20,921,135	20,682,393	21,179,658	21,941,078	22,309,471	25,258,747	26,978,757	29,900,397
Program Revenues:										
Governmental Activities:										
Charges for Services:										
Tuition				79,930	73,528	74,466	63,496	20,600	23,400	27,200
Transportation					32,100	18,440	27,475	27,280	26,675	25,605
Operating Grants and Contributions	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	8,743,572
Total Governmental Activities Program Revenues	3,408,331	2,924,171	3,510,155	2,294,351	3,110,100	3,559,896	3,375,324	5,892,191	6,895,945	8,796,377

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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Program Revenues: (Cont'd)										
Business-Type Activities:										
Charges for Services:										
Food Service	\$ 224,029	\$ 211,541	\$ 211,279	\$ 252,381	\$ 252,942	\$ 241,529	\$ 222,363	\$ 201,275	\$ 200,126	\$ 222,866
Operating Grants and Contributions	61,122	60,364	69,401	74,018	86,646	72,658	71,674	74,034	74,646	72,124
Total Business-Type Activities Revenues	285,151	271,905	280,680	326,399	339,588	314,187	294,037	275,309	274,772	294,990
Total District Program Revenues	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	9,091,367
Net (Expense)/Revenue										
Governmental Activities	(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)	(20,817,773)
Business-Type Activities	1,855	3,412	9,643	17,266	20,518	20,272	(1,713)	6,806	(5,876)	8,743
Total District Net (Expense)/Revenue	(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)	(20,809,030)
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	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	19,850,082
Taxes Levied for Debt Service	817,672	756,611	786,863	747,305	795,506	801,388	766,468	727,174	728,242	699,542
Unrestricted Grants and Contributions	363,760	243,490	213,533	190,801	33,050	55,124	39,517	37,670	37,588	48,991
Interest and Miscellaneous Income	99,249	62,270	45,998	31,207	126,513	352,945	95,244	42,388	85,453	59,853
Cancellation of Prior Year Accounts Payable										
Debt Service Contribution						60,000				63,302
Total Governmental Activities	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	20,721,770
Business-Type Activities:										
Investment Earnings	1,049	570	444	719	404	400	419	324	359	438
Special Item - Capital Asset Valuation Adjustment									12,321	
Total Business-Type Activities	1,049	570	444	719	404	400	419	324	12,680	438
Total District	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	20,722,208
Change in Net Position:										
Governmental Activities	(63,805)	551,559	390,416	547,254	1,204,581	1,536,790	979,017	794,074	509,985	(96,003)
Business-Type Activities	2,904	3,982	10,087	17,985	20,922	20,672	(1,294)	7,150	6,804	9,181
Total District	\$ (60,901)	\$ 555,541	\$ 400,503	\$ 565,239	\$ 1,225,503	\$ 1,557,462	\$ 977,723	\$ 801,204	\$ 516,789	\$ (86,822)

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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund:										
Reserved/Restricted	\$ 243,759	\$ 351,909	\$ 535,387	\$ 906,856	\$ 967,963	\$ 1,971,465	\$ 1,960,312	\$ 1,428,241	\$ 1,822,588	\$ 2,246,977
Assigned					787,059	759,369	912,811	1,053,311	819,737	550,517
Unreserved/Unassigned	110,578	183,492	339,424	358,950	335,378	307,654	322,693	852,958	693,252	723,212
Total General Fund	\$ 354,337	\$ 535,401	\$ 874,811	\$ 1,265,806	\$ 2,090,400	\$ 3,038,488	\$ 3,195,816	\$ 3,334,510	\$ 3,335,577	\$ 3,520,706
All Other Governmental Funds:										
Reserved/Restricted		\$ 257,020	\$ 6,585	\$ 160	\$ 262	\$ 10,032	\$ 10,027	\$ 440	\$ 277	\$ -0-
Unreserved/Unrestricted, Reported in:										
Capital Projects Fund	\$ 81,076	18,361	4,490							
Debt Service Fund	3,553	42,108	42,174							
Total All Other Governmental Funds	\$ 84,629	\$ 317,489	\$ 53,249	\$ 160	\$ 262	\$ 10,032	\$ 10,027	\$ 440	\$ 277	\$ -0-

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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues:										
Tax Levy	\$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	\$20,549,624
Tuition Charges	48,210	33,849	58,544	79,930	73,528	74,466	63,496	20,600	23,400	27,200
Miscellaneous	105,512	67,677	50,463	41,635	130,960	68,780	230,223	258,533	88,252	156,753
State Sources	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	3,738,491
Federal Sources	430,982	464,102	803,645	441,826	483,320	411,372	390,472	416,715	481,702	470,628
Total Revenues	19,929,364	19,836,508	21,040,514	20,920,514	22,065,169	22,833,961	22,992,740	23,645,347	24,276,802	24,942,696
Expenditures:										
Instruction:										
Regular Instruction	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	7,305,761
Special Education Instruction	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	2,154,956
Other Special Instruction	148,776	172,883	133,520	145,780	143,986	147,227	197,723	176,454	118,476	120,724
Other Instruction	75,220	88,073	111,295	118,810	121,489	120,739	84,530	84,377	92,413	75,232
Support Services:										
Tuition	407,636	492,509	392,903	516,478	658,318	723,776	1,117,640	696,820	885,893	868,282
Student & Instruction Related Services	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	3,515,336
General Administrative Services	486,625	475,177	496,832	467,255	411,962	434,825	441,756	385,227	593,166	417,295
School Administrative Services	626,942	638,908	669,795	696,932	723,611	733,341	714,191	687,743	733,611	744,544
Central Services	303,346	303,307	322,300	334,949	334,878	340,558	337,922	312,115	316,152	301,232
Administration Information Technology	90,238	115,594	131,002	110,474	123,555	109,117	133,071	109,135	110,546	121,111
Plant Operations and Maintenance	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	2,126,744
Pupil Transportation	536,765	592,701	576,259	527,000	407,054	454,655	437,422	448,859	405,106	450,431
Unallocated Benefits	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	5,839,206
Special Schools	7,500	7,500	6,000	6,000	4,500	20,490	19,136	23,657	26,206	17,943
Capital Outlay	35,057	203,252	327,945	94,795	591,802	294,443	713,822	704,397	626,806	58,254
Debt Service:										
Principal	460,000	495,000	525,000	545,000	570,000	590,000	605,000	595,000	605,000	595,000
Interest and Other Charges	388,302	311,010	268,019	249,863	230,972	199,916	166,814	146,858	128,175	109,095
Total Expenditures	19,857,865	19,697,965	20,965,344	20,582,608	21,490,473	21,967,095	22,835,417	23,516,240	24,275,898	24,821,146
Excess (Deficiency) of Revenues Over (Under) Expenditures	71,499	138,543	75,170	337,906	574,696	866,866	157,323	129,107	904	121,550

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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Other Financing Sources (Uses)										
Transfers In	\$ 41,459	\$ 83,685	\$ 448	\$ 3	\$ 3	\$ 4	\$ 3	\$ 4	\$ 13	\$ 33
Transfers Out	(41,459)	(83,685)	(448)	(3)	(3)	(4)	(3)	(4)	(13)	(33)
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					
Cancellation of Prior Year Accounts Payable										63,302
Total Other Financing Sources (Uses)	\$ -0-	\$ 275,381	\$ -0-	\$ -0-	\$ 250,000	\$ 90,992	\$ -0-	\$ -0-	\$ -0-	\$ 63,302
Net Change in Fund Balances	\$ 71,499	\$ 413,924	\$ 75,170	\$ 337,906	\$ 824,696	\$ 957,858	\$ 157,323	\$ 129,107	\$ 904	\$ 184,852
Debt Service as a Percentage of Noncapital Expenditures	4.5 %	4.3 %	4.0 %	4.0 %	3.9 %	3.8 %	3.6 %	3.4 %	3.2 %	2.9 %

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>
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
2017	6,167	27,200	25,605	53,653	112,625

Source: Borough of Hillsdale School District records.

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

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Tax-Exempt Property	Add: Public Utilities ^a	Net Valuation Taxable	Direct School Tax Rate ^b	Total	Estimated Actual (County Equalized Value)
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	1,810,828,300
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	\$	1.19	1,778,154,309
2016	10,541,400	1,547,451,500	621,800	12,200	96,611,800	12,029,100	4,959,700	1,672,227,500	140,242,900	5,840,947	1,678,068,447	\$	1.22	1,797,317,792

* Revaluation Year.

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

^b Tax rates are per \$100

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

Source: Municipal Tax Assessor

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

Year Ended December 31,	Borough of Hillsdale School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Borough of Hillsdale	Pascack Valley Regional High School District	Bergen County	
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	1.15	0.04	1.19	0.55	0.63	0.26	2.63
2016	1.18	0.04	1.22	0.56	0.68	0.26	2.71

* Revaluation Year.

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

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

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

Source: Municipal Tax Collector and School Business Administrator

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

	2017		2008	
	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 %	\$ 10,483,100	0.53 %
Cross Roads - Hillsdale Association LLC	9,126,400	0.54 %	9,502,100	0.48 %
New Jersey Bell	5,459,352	0.33 %	7,084,084	0.36 %
Edgewood Country Club, Inc.	3,069,400	0.18 %	6,718,200	0.34 %
Pavonia Equities, LP	3,008,100	0.18 %	4,226,700	0.22 %
Marsala Enterprises	2,651,000	0.16 %	3,563,900	0.18 %
Golden Orchard Associates, LP	2,621,200	0.16 %	3,365,700	0.17 %
100 Park Ave Associates, LLC	2,560,000	0.15 %	3,332,000	0.17 %
New Jersey Bell, Gen. Tax Adm.	2,400,000	0.14 %	3,170,100	0.16 %
371 Retail Associates, LLC	2,200,000	0.13 %	2,710,100	0.14 %
Total	\$ 44,618,152	2.66 %	\$ 54,155,984	2.76 %

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

Source: Municipal Tax Assessor

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
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-
2017	20,549,624	20,549,624	100.00 %	-0-

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

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

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

Fiscal Year Ended June 30,	Governmental Activities			Business -Type Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases			
2008	\$ 8,174,000	-0-	-0-	\$ 472,000	-0-	\$ 8,646,000	1.29 %	\$ 881.17
2009	7,679,000	-0-	\$ 185,628	-0-	-0-	7,864,628	1.17 %	801.37
2010	7,154,000	-0-	125,702	-0-	-0-	7,279,702	1.15 %	739.43
2011	6,609,000	-0-	63,847	-0-	-0-	6,672,847	1.00 %	651.45
2012	6,039,000	-0-	164,502	-0-	-0-	6,203,502	0.88 %	601.52
2013	5,190,000	-0-	83,338	-0-	-0-	5,273,338	0.71 %	506.95
2014	4,585,000	-0-	-0-	-0-	-0-	4,585,000	0.62 %	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	0.42 %	320.58
2017	2,790,000	-0-	-0-	-0-	-0-	2,790,000	0.35 %	265.46

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

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 ^a	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
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
2017	2,790,000	-0-	2,790,000	0.17 %	265.46

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

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

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

Source: School District Financial Reports.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2016
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Borough of Hillsdale	\$ 2,166,001	100.00 %	\$ 2,166,001
Bergen County General Obligation Debt	1,205,030,344	1.16 %	<u>14,029,013</u>
Subtotal, Overlapping Debt			16,195,014
Borough of Hillsdale School District Direct Debt			<u>2,790,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 18,985,014</u></u>

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

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

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

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

Legal Debt Margin Calculation for Fiscal Year 2017

<u>Year Ended</u> <u>December 31,</u>	<u>Equalized</u> <u>Valuation Basis</u>
2014	\$ 1,768,339,867
2015	1,785,683,704
2016	1,787,018,555
	<u>\$ 5,341,042,126</u>
Average Equalized Valuation of Taxable Property	<u>\$ 1,780,347,375.33</u>
Debt Limit (3% of Average Equalization Value) ^a	\$ 53,410,421
Net Bonded School Debt at June 30, 2017	<u>2,790,000</u>
Legal Debt Margin	<u>\$ 50,620,421</u>

	<u>Fiscal Year</u>				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Debt Limit	\$ 56,400,822	\$ 59,461,845	\$ 60,432,379	\$ 60,432,379	\$ 58,586,075
Total Net Debt Applicable to Limit	<u>8,092,924</u>	<u>7,679,000</u>	<u>7,154,000</u>	<u>7,154,000</u>	<u>6,039,000</u>
Legal Debt Margin	<u>\$ 48,307,898</u>	<u>\$ 51,782,845</u>	<u>\$ 53,278,379</u>	<u>\$ 53,278,379</u>	<u>\$ 52,547,075</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	14.35 %	12.91 %	11.84 %	11.84 %	10.31 %

	<u>Fiscal Year</u>				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Debt Limit	\$ 56,674,630	\$ 55,286,435	\$ 54,068,112	\$ 53,567,528	\$ 53,410,421
Total Net Debt Applicable to Limit	<u>5,190,000</u>	<u>4,585,000</u>	<u>3,990,000</u>	<u>3,385,000</u>	<u>2,790,000</u>
Legal Debt Margin	<u>\$ 51,484,630</u>	<u>\$ 50,701,435</u>	<u>\$ 50,078,112</u>	<u>\$ 50,182,528</u>	<u>\$ 50,620,421</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	9.16 %	8.29 %	7.38 %	6.32 %	5.22 %

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

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

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

Year	Population ^a	Personal Income (thousands of dollars) ^b	Bergen County Per Capita Personal Income ^c	Unemployment Rate ^d
2007	9,812	\$ 668,658,364	\$ 68,147	2.40 %
2008	9,814	672,730,072	68,548	3.20 %
2009	9,845	635,701,495	64,571	5.80%
2010	10,243	668,611,825	65,275	5.90%
2011	10,313	703,800,372	68,244	5.80%
2012	10,402	742,494,760	71,380	5.90%
2013	10,459	737,338,582	70,498	6.20%
2014	10,505	772,495,680	73,536	4.70%
2015	10,559	800,889,591	75,849	4.00%
2016	10,510	797,172,990	75,849 **	4.00%

** Latest Bergen County per capita personal income available (2015) was used for calculation purposes.

Source:

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

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

NOT 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>	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Instruction:										
Regular	111.00	111.00	111.00	87.10	87.10	87.15	87.15	89.15	89.15	89.15
Special Education	62.00	63.00	63.00	47.20	49.20	53.00	53.00	54.25	56.25	57.25
Support Services:										
Student & Instruction Related Services	17.30	17.30	17.30	22.80	22.80	25.74	25.74	25.74	25.74	25.74
General Administrative Services	2.00	2.00	2.00	3.60	3.60	2.50	2.50	2.50	3.00	3.00
School Administrative Services	8.00	8.50	8.50	7.80	7.80	8.00	8.00	8.00	9.00	10.00
Central Services	4.50	4.50	4.50	6.00	6.00	6.00	6.00	6.00	3.00	2.00
Plant Operations and Maintenance	33.00	18.50	18.50	9.93	9.93	10.30	10.30	10.30	10.30	10.30
Total	237.80	224.80	224.80	184.43	186.43	192.69	192.69	195.94	196.44	197.44

Source: District Personnel Records.

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

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary		Middle School				
						Meadowbrook	Smith	White				
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	22,107,748	17,588	7.09 %	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	10.33 %	124	1:9.5	1:9.5	1:9.0	1,179	1,136	-5.91 %	96.35 %
2017	1,189	24,058,797	20,234	4.28 %	122	1:9.5	1:9.5	1:9.5	1,187	1,136	0.68 %	95.70 %

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

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

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

Note: Enrollment based on annual October District count.

Source: Borough of Hillsdale School District records.

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

<u>District Building</u>	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Meadowbrook School (1962)	49,622	49,622	49,622	49,622	49,622	49,622	49,622	49,622	49,622	49,622
Square Feet	450	450	450	450	450	450	450	450	450	450
Capacity (students)	386	386	395	390	366	256	337	327	327	319
Enrollment										
Smith School (1956)	44,950	44,950	44,950	44,950	44,950	44,950	44,950	44,950	44,950	44,950
Square Feet	464	464	464	464	465	465	465	465	465	465
Capacity (students)	410	410	413	408	378	351	333	309	309	294
Enrollment										
White School (1922)	66,370	66,370	66,370	66,370	66,370	66,370	66,370	66,370	66,370	66,370
Square Feet	752	752	752	752	752	752	752	752	752	752
Capacity (students)	642	642	638	618	650	630	630	621	621	576
Enrollment										
Board Office (1999)	4,820	4,820	4,820	4,820	4,820	4,820	4,820	4,820	4,820	4,820
Square Feet										

Number of Schools at June 30, 2017
 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-XXXX:

School Facilities*	Project # (s)	Fiscal Year Ending June 30,									
		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Ann Blanche Smith	N/A	\$ 61,955	\$ 71,839	\$ 69,007	\$ 62,510	\$ 73,140	\$ 85,800	\$ 91,762	\$ 95,321	\$ 84,790	\$ 93,033
George G. White	N/A	89,198	111,929	128,093	112,532	122,147	137,026	161,305	206,640	102,914	327,830
Meadowbrook	N/A	75,288	57,898	56,689	53,713	63,135	82,643	84,917	90,214	73,428	105,413
Total School Facilities		<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>526,276</u>
<u>Other Facilities</u>											
Board Office	N/A	6,143	7,152	10,648	6,738	13,588	5,220	5,585	8,301	6,967	8,936
Grand Total		<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>	<u>\$ 535,212</u>

N/A - Not Applicable.

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

Source: Borough of Hillsdale School District records.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2017
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

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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 3, 2017.

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
November 3, 2017


NISIVOCCIA LLP



Francis Jones
Licensed Public School Accountant #1154
Certified Public Accountant

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, 2017. 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 federal and state statutes, regulations, and the terms and conditions of its federal and state awards 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.

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, 2017.

Report on Internal Control Over Compliance

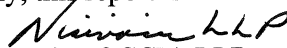
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the 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
November 3, 2017


NISIVOCCIA LLP



Francis Jones
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, 2017**

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, 2016		Cash Received	Budgetary Expenditures	Prior Year Encumbrances Canceled	Paid to Grantor	Balance at June 30, 2017		Amount Provided to Subrecipients
			From	To		Unearned/ Revenue/ (Accounts Receivable)	Due to Grantor					(Accounts Receivable)	Unearned Revenue	
Special Revenue Fund:														
U.S. Department of Education -														
Passed-through State Department of														
Education:														
No Child Left Behind:														
	84.010A	NCLB-2180-17	7/1/16	6/30/17	\$ 109,408		\$ 80,237	\$ (108,796)					\$ (28,559)	
	84.010A	NCLB-2180-16	7/1/15	6/30/16	111,951		82,387							
	84.367A	NCLB-2180-17	7/1/16	6/30/17	32,959		26,442	(26,916)					(474)	
	84.367A	NCLB-2180-16	7/1/15	6/30/16	33,582		21,237							
							210,303	(135,712)					(29,033)	
Special Education Cluster:														
	84.027	IDEA-2180-17	7/1/16	6/30/17	320,449		280,230	(309,705)					(29,475)	
	84.027	IDEA-2180-16	7/1/15	6/30/16	332,796		68,776							
	84.173	IDEA-2180-17	7/1/16	6/30/17	30,297		16,926	(26,936)					(10,010)	
	84.173	IDEA-2180-16	7/1/15	6/30/16	28,211		10,886							
							376,818	(336,641)					(39,485)	
							587,121	(472,353)					(68,518)	
							587,121	(472,353)					(68,518)	
Enterprise Fund														
U.S. Department of Agriculture -														
Passed-through State Department of														
Agriculture:														
Child Nutrition Cluster:														
	10.555	N/A	7/1/16	6/30/17	\$ 15,282		\$ 15,312	\$ (15,282)					\$ 4,542	
	10.555	N/A	7/1/16	6/30/17	53,913		50,612	(53,913)					(3,301)	
	10.555	N/A	7/1/15	6/30/16	55,363		3,092							
							69,016	(69,195)					(3,301)	
							1,420						(3,301)	
							69,016	(69,195)					(3,301)	
							1,420						(3,301)	
							69,016	(69,195)					(3,301)	
							656,137	(541,548)					(71,819)	
							-0-	-0-					-0-	
							\$ (181,866)	\$ (541,548)					\$ (71,819)	\$ 4,542
														-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, 2017

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2016		Due to Grantor	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Prior Year Encumbrances Canceled	Balance at June 30, 2017 (GAAP (Accounts Receivable))	Due to Grantor	Budgetary Receivable	MEMO Cumulative Total Expenditures
		From	To		Budgetary Unearned Revenue/ (Accounts Receivable)	Unearned Revenue/ (Accounts Receivable)									
State Department of Education:															
General Fund:															
Equalization Aid	17-495-034-5120-078	7/1/16	6/30/17	\$ 11,741	\$	10,590	\$	(11,741)						\$ 1,151	\$ 11,741
Transportation Aid	17-495-034-5120-014	7/1/16	6/30/17	34,121		30,775		(34,121)						3,346	34,121
Special Education Categorical Aid	17-495-034-5120-089	7/1/16	6/30/17	714,708		644,632		(714,708)						70,076	714,708
Security Aid	17-495-034-5120-084	7/1/16	6/30/17	23,068		20,806		(23,068)						2,262	23,068
Additional Adjustment Aid	17-495-034-5120-085	7/1/16	6/30/17	23,739		21,411		(23,739)						2,328	23,739
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16	6/30/17	12,690		11,446		(12,690)						1,244	12,690
PARCC Readiness	17-495-034-5120-098	7/1/16	6/30/17	12,690		11,446		(12,690)						1,244	12,690
Professional Learning Community Aid	17-495-034-5120-101	7/1/16	6/30/17	11,540		10,409		(11,540)						1,131	11,540
Extraordinary Special Education Costs	17-495-034-5120-044	7/1/16	6/30/17	126,944				(126,944)				\$ (126,944)		126,944	126,944
Nonpublic Transportation Aid	17-495-034-5120-014	7/1/16	6/30/17	5,568				(5,568)				(5,568)		5,568	5,568
Reimbursed TPAF Social Security Contributions	17-495-034-5094-003	7/1/16	6/30/17	724,402		724,402		(724,402)							724,402
On-Behalf TPAF Post Retirement Contributions	17-495-034-5094-001	7/1/16	6/30/17	865,813		865,813		(865,813)							865,813
On-Behalf Long Term Disability Insurance Contributions	17-495-034-5094-001	7/1/16	6/30/17	1,396		1,396		(1,396)							1,396
On-Behalf TPAF Pension Contributions	17-495-034-5094-002	7/1/16	6/30/17	1,002,774		1,002,774		(1,002,774)							1,002,774
On-Behalf TPAF Non-Contributory Insurance	17-495-034-5094-003	7/1/16	6/30/17	36,333		36,333		(36,333)							36,333
Special Education Categorical Aid	16-495-034-5120-089	7/1/15	6/30/16	715,195		63,877									715,195
Extraordinary Special Education Costs	16-100-034-5120-473	7/1/15	6/30/16	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
Equalization Aid	16-495-034-5120-078	7/1/15	6/30/16	12,167		1,087		(1,087)							12,167
Transportation Aid	16-495-034-5120-014	7/1/15	6/30/16	31,235		(2,790)									31,235
Security Aid	16-495-034-5120-084	7/1/15	6/30/16	20,823		1,824		(1,824)							20,823
Additional Adjustment Aid	16-495-034-5120-085	7/1/15	6/30/16	23,739		2,120		(2,120)							23,739
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15	6/30/16	12,690		1,133		(1,133)							12,690
PARCC Readiness	16-495-034-5120-098	7/1/15	6/30/16	12,690		1,133		(1,133)							12,690
Reimbursed TPAF Social Security Contributions	16-495-034-5095-002	7/1/15	6/30/16	727,472		35,939									727,472
Total General Fund State Aid						3,621,044		(3,607,527)				(132,512)		215,294	5,282,046
Special Revenue Fund:															
NJ Nonpublic Aid:															
Textbook Aid (Chapter 194)	17-100-034-5120-064	7/1/16	6/30/17	16,485				(15,876)							15,876
Textbook Aid (Chapter 194)	16-100-034-5120-064	7/1/15	6/30/16	17,701									\$ 609		16,975
Nursing Services (Chapter 226)	17-100-034-5120-070	7/1/16	6/30/17	27,180		27,180		(27,180)							27,180
Technology Initiative Program	17-100-034-5120-373	7/1/16	6/30/17	7,436		7,436		(7,436)							7,436
Technology Initiative Program	16-100-034-5120-373	7/1/15	6/30/16	8,060											7,869
Security	17-100-034-5120-509	7/1/16	6/30/17	15,100		15,100		(10,315)							10,315
Security	16-100-034-5120-509	7/1/15	6/30/16	8,125											7,995
Auxiliary Services (Chapter 192):															
Compensatory Education	17-100-034-5120-067	7/1/16	6/30/17	55,540		55,540		(49,807)							49,807
Compensatory Education	16-100-034-5120-067	7/1/15	6/30/16	54,992											44,332
English as a Second Language	17-100-034-5120-067	7/1/16	6/30/17	2,741		2,741									2,741
English as a Second Language	16-100-034-5120-067	7/1/15	6/30/16	863											
Non-Public Home Instruction	17-100-034-5120-067	7/1/16	6/30/17	2,043											2,043
Handicapped Services (Chapter 193):															
Examination and Classification	17-100-034-5120-066	7/1/16	6/30/17	31,334		31,334		(12,613)							12,613
Examination and Classification	16-100-034-5120-066	7/1/15	6/30/16	34,944											25,734
Supplementary Instruction	17-100-034-5120-066	7/1/16	6/30/17	22,756		22,756		(14,753)							14,753
Supplementary Instruction	16-100-034-5120-066	7/1/15	6/30/16	29,703											15,549
Corrective Speech	17-100-034-5120-066	7/1/16	6/30/17	29,156		29,156		(11,397)							11,397
Corrective Speech	16-100-034-5120-066	7/1/15	6/30/16	31,771											24,014
Total Special Revenue Fund						209,771		(149,377)				2,043		58,351	291,845

BOROUGH OF HILLSDALE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2016		Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Prior Year Encumbrances Canceled	Balance at June 30, 2017		MEMO	
		From	To		Budgetary Unencumbered Revenue/(Accounts Receivable)	Due to Grantor					GAAP (Accounts Receivable)	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education: Debt Service Fund: Debt Service Aid Type II	17-495-034-5120-075	7/1/16	6/30/17	\$ 4,276	\$ 4,276	\$ (4,276)								\$ 4,276
Total Debt Service Fund					4,276	(4,276)								4,276
Enterprise Fund: State National School Lunch Program State National School Lunch Program	17-100-010-3350-023 16-100-010-3350-023	7/1/16 7/1/15	6/30/17 6/30/16	2,929 2,994	2,750 161	(2,929)					\$ (179)	\$ 179	\$ 179	2,929 2,994
Total Enterprise Fund						(2,929)					(179)	179	179	5,923
Total State Department of Education:					\$ 43,795	\$ (3,764,109)	\$ 3,838,002		\$ (43,795)		\$ (130,648)	\$ 58,351	\$ 215,473	\$ 5,584,090
Less: On-Behalf TPAF Pension System Contributions:														
On-Behalf TPAF Post Retirement Contributions	17-495-034-5094-001	7/1/16	6/30/17	(865,813)		865,813								
On-Behalf Long Term Disability Insurance Contributions	17-495-034-5094-001	7/1/16	6/30/17	(1,396)		1,396								
On-Behalf TPAF Pension Contributions	17-495-034-5094-002	7/1/16	6/30/17	(1,002,774)		1,002,774								
On-Behalf TPAF Non-Contributory Insurance	17-495-034-5094-003	7/1/16	6/30/17	(36,333)		36,333								
Subtotal - On-Behalf TPAF Pension System Contributions						1,906,316								
Total State Awards (Net of On-Behalf TPAF Pension System Contributions)						\$ (1,857,793)								

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, 2017

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, 2017. 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 not 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, 2017
(Continued)

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$8,818) for the general fund, and (\$17,876) 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. 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		\$ 3,598,709	\$ 3,598,709
Special Revenue Fund	\$ 470,628	135,506	606,134
Debt Service Fund		4,276	4,276
Proprietary Fund	<u>69,195</u>	<u>2,929</u>	<u>72,124</u>
Total Financial Assistance	<u>\$ 539,823</u>	<u>\$ 3,741,420</u>	<u>\$ 4,281,243</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, 2017.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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, 2017 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	17-495-034-5120-089	7/1/16-6/30/17	\$ 714,708	\$ 714,708
Equalization Aid	17-495-034-5120-078	7/1/16-6/30/17	11,741	11,741
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	23,068	23,068
Additional Adjustment Aid	17-495-034-5120-085	7/1/16-6/30/17	23,739	23,739
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	12,690	12,690
PARCC Readiness	17-495-034-5120-098	7/1/16-6/30/17	12,690	12,690
Professional Learning Community Aid	17-495-034-5120-101	7/1/16-6/30/17	11,540	11,540

- 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, 2017
(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, 2017

Status of Prior Year Findings:

The District had no prior year audit findings.