

**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, 2018**

**Comprehensive Annual
Financial Report**

of the

Borough of Hillsdale School District

Hillsdale, New Jersey

For the Fiscal Year Ended June 30, 2018

Prepared by

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

BOROUGH OF HILLSDALE SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2018

INTRODUCTORY SECTION (UNAUDITED)

Letter of Transmittal	1
Organizational Chart.....	4
Roster of Officials.....	5
Consultants and Advisors.....	6

FINANCIAL SECTION 7

Independent Auditors' Report.....	8
-----------------------------------	---

Required Supplementary Information.....	11
---	----

Management's Discussion and Analysis (Unaudited).....	12
---	----

Basic Financial Statements (Sections A. and B.).....	22
--	----

A. District-Wide Financial Statements.....	23
A-1 Statement of Net Position	24
A-2 Statement of Activities	25

B. Fund Financial Statements	27
B-1 Balance Sheet – Governmental Funds.....	28
B-2 Statement of Revenue, Expenditures and Changes in Fund Balance – Governmental Funds	30
B-3 Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	32
B-4 Statement of Net Position – Proprietary Funds	33
B-5 Statement of Revenue, Expenses and Changes in Fund Net Position – Proprietary Funds	34
B-6 Statement of Cash Flows – Proprietary Funds.....	35
B-7 Statement of Fiduciary Net Position – Fiduciary Funds.....	36
B-8 Statement of Changes in Fiduciary Net Position – Fiduciary Funds	37

Notes to the Basic Financial Statements.....	38
--	----

Required Supplementary Information (Unaudited) 77

L. Schedules Related to Accounting and Reporting for Pensions and Postemployment Benefits Other than Pensions (Unaudited).....	78
L-1 Schedule of District's Proportionate Share of the Net Pension Liability – Public Employees Retirement System.....	78
L-2 Schedule of District Contributions – Public Employees Retirement System	79
L-3 Schedule of State's Proportionate Share of the Net Pension Liability Attributable to the District - Teachers' Pension and Annuity Fund	80
L-4 Schedule of State Contributions – Teachers' Pension and Annuity Fund.....	81
L-5 Schedules of Changes in the State's Total OPEB Liability and Related Ratios.....	82
Notes to Required Supplementary Information.....	83

BOROUGH OF HILLSDALE SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

FINANCIAL SECTION (Cont'd)

C.	Budgetary Comparison Schedules (Unaudited)	84
C-1	Budgetary Comparison Schedule – General Fund.....	85
C-2	Combining Budgetary Schedule – Special Revenue Fund	97
C-3	Budgetary Comparison Schedule - Note to Required Supplementary Information.....	98

Other Supplementary Schedules (D.-I.)

D.	School Level Schedules (Not Applicable).....	100
E.	Special Revenue Fund	101
E-1	Combining Schedule of Revenue and Expenditures Special Revenue Fund – Budgetary Basis	102
E-2	Preschool Education Aid Schedule of Expenditures Special Revenue Fund – Budgetary Basis (Not Applicable)	
F.	Capital Projects Fund	105
F-1	Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance.....	106
G.	Proprietary Funds	107
	Enterprise Fund:	
G-1	Statement of Net Position	108
G-2	Statement of Revenue, Expenses and Changes in Fund Net Position	109
G-3	Statement of Cash Flows	110
H.	Fiduciary Funds	111
H-1	Combining Statement of Fiduciary Net Position.....	112
H-2	Statement of Changes in Fiduciary Net Position	113
H-3	Student Activity Agency Fund Schedule of Receipts and Disbursements	114
H-4	Student Activity Agency Fund Statement of Activity	115
H-5	Payroll Agency Fund Schedule of Receipts and Disbursements	116
I.	Long-Term Debt.....	117
I-1	Schedule of Serial Bonds.....	118
I-2	Schedule of Obligations Under Capital Leases	119
I-3	Debt Service Fund Budgetary Comparison Schedule.....	120

STATISTICAL SECTION

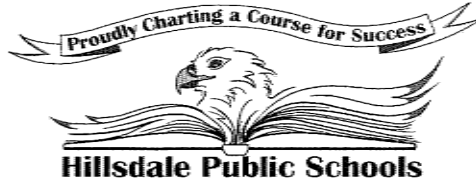
J.	Statistical Schedules (Unaudited).....	121
J-1	Net Position by Component.....	122
J-2	Changes in Net Position.....	123
J-3	Fund Balances – Governmental Funds	125
J-4	Changes in Fund Balances – Governmental Funds	126
J-5	General Fund Other Local Revenue by Source	128
J-6	Assessed Value and Actual Value of Taxable Property	129

BOROUGH OF HILLSDALE SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

FINANCIAL SECTION (Cont'd)

J-7	Direct and Overlapping Property Tax Rates.....	130
J-8	Principal Property Taxpayers	131
J-9	Property Tax Levies and Collections.....	132
J-10	Ratios of Outstanding Debt by Type	133
J-11	Ratios of Net General Bonded Debt Outstanding.....	134
J-12	Ratios of Overlapping Governmental Activities Debt.....	135
J-13	Legal Debt Margin Information.....	136
J-14	Demographic and Economic Statistics	137
J-15	Principal Employers (Not Applicable)	138
J-16	Full-Time Equivalent District Employees by Function/Program	139
J-17	Operating Statistics.....	140
J-18	School Building Information	141
J-19	Schedule of Required Maintenance for School Facilities.....	142
J-20	Insurance Schedule	143
K.	SINGLE AUDIT SECTION.....	144
K-1	Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	145
K-2	Independent Auditor's Report on Compliance for Each Major State Program and Report on Internal Control over Compliance	147
K-3	Schedule of Expenditures of Federal Awards.....	149
K-4	Schedule of Expenditures of State Awards	150
K-5	Notes to the Schedules of Expenditures of Federal and State Awards	152
K-6	Schedule of Findings and Questioned Costs.....	154
K-7	Summary Schedule of Prior Audit Findings.....	156

INTRODUCTORY SECTION



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

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

January 18, 2019

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, 2018, 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 2017-2018 fiscal year with an average daily enrollment of 1,149 students, which is a decrease of 40 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.

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, 2018.

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.

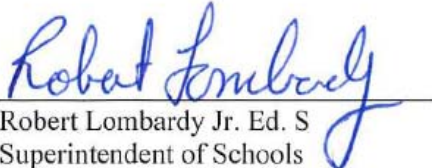
The Board is a member of the Northeast Bergen County School Board Insurance Group (the "Group"). The Group is a risk-sharing public entity risk fund that is both an insured and self-administered group of school districts established for the purpose of providing low-cost insurance coverage to its members. 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.

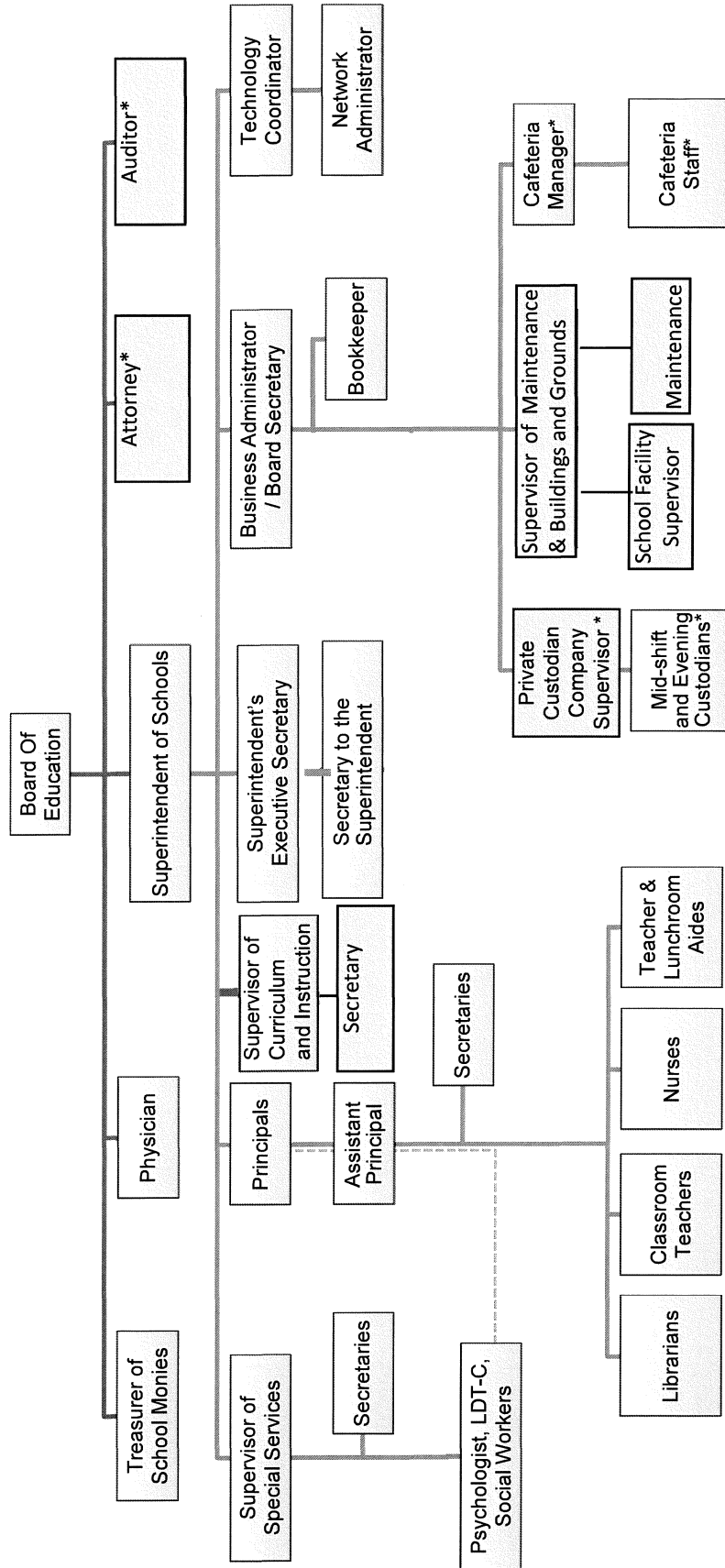
9) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Borough of Hillsdale School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the School District and thereby contributing their full support to the development and maintenance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


Robert Lombardy Jr. Ed. S
Superintendent of Schools


Lirca R. Garcia
Business Administrator/Board Secretary

Organization Chart



* Independent Contractor

**BOROUGH OF HILLSDALE SCHOOL DISTRICT
 ROSTER OF OFFICIALS
 JUNE 30, 2018**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Kathleen E. O'Flynn , President	2018
Krista Flinn, Vice President	2020
Shane Svorec	2018
Salvatore Sileo	2019
Adam Wolper (6-19-17 through 12-31-17)	2020
Christina Jennings (1-1-18 through present)	2020

Other Officials

Title

Jeffrey Feifer, Ed. D.	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, 2018, 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, 2018, 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.

Emphasis of Matter

As discussed in Note 16 to the basic financial statements, the District implemented Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, during the fiscal year ended June 30, 2018. Our opinions are not modified with respect to this matter.

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, the pension and post-employment benefit schedules in Exhibits L-1 through L-5 and the 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 sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Honorable President and Members
of the Board of Education
Borough of Hillsdale School District
Page 3

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 January 9, 2019 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
January 18, 2019


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, 2018
(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, 2018. 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 (2017-2018) and the prior year (2016-2017) 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 \$30,958,954.
- Overall expenses were \$30,845,091.
- Actual General Fund local revenue was \$51,414 lower than expected.
- The District's outstanding long-term liabilities decreased primarily due to a decrease 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

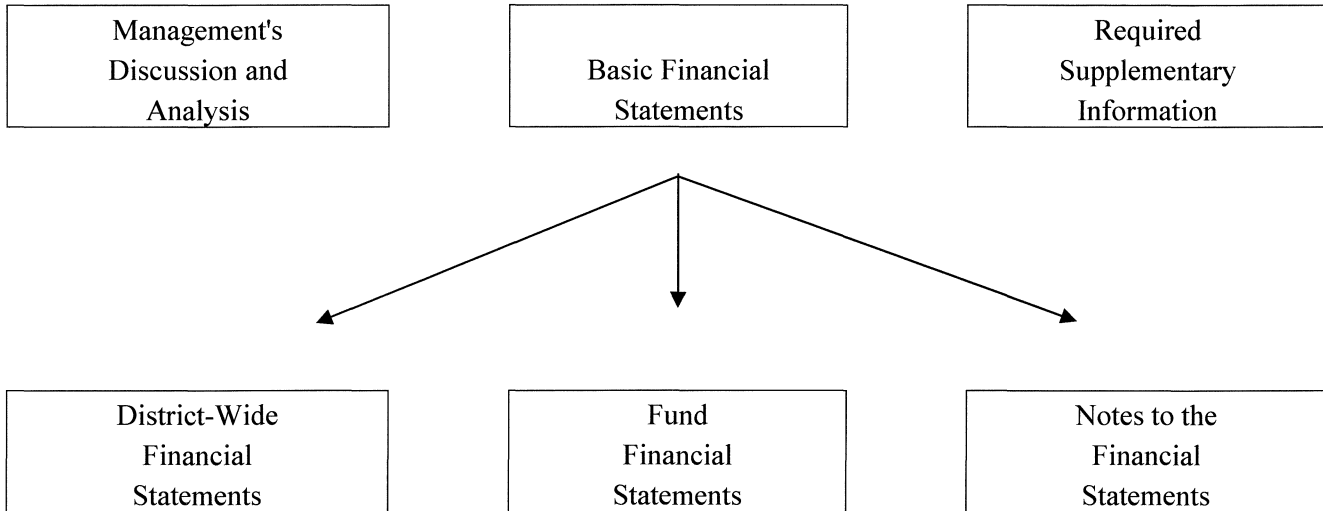


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents 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 2017/2018 is \$560,747. 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 \$370,000 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
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	Change 2017/18
Current and							
Other Assets	\$ 3,498,670	\$ 5,463,458	\$ 115,813	\$ 110,453	\$ 3,614,483	\$ 5,573,911	-35.15%
Capital Assets, Net	14,586,519	14,553,797	39,559	37,975	14,626,078	14,591,772	0.24%
Total Assets	18,085,189	20,017,255	155,372	148,428	18,240,561	20,165,683	-9.55%
Deferred Outflows							
of Resources	1,457,614	2,050,399			1,457,614	2,050,399	-28.91%
Long-Term							
Liabilities	8,504,720	10,381,768			8,504,720	10,381,768	-18.08%
Other Liabilities	454,350	2,216,587	27,701	26,707	482,051	2,243,294	-78.51%
Total Liabilities	8,959,070	12,598,355	27,701	26,707	8,986,771	12,625,062	-28.82%
Deferred Inflows							
of Resources	1,327,927	321,406			1,327,927	321,406	313.16%
Net Position/(Deficit):							
Net Investment							
in Capital Assets	12,118,748	11,763,797	39,559	37,975	12,158,307	11,801,772	3.02%
Restricted	2,080,418	2,246,977			2,080,418	2,246,977	-7.41%
Unrestricted	(4,943,360)	(4,862,881)	88,112	83,746	(4,855,248)	(4,779,135)	-1.59%
Total Net Position	\$ 9,255,806	\$ 9,147,893	\$ 127,671	\$ 121,721	\$ 9,383,477	\$ 9,269,614	1.23%

Changes in Net Position. The District's combined net position was \$9,383,477 on June 30, 2018, \$113,863 or 1.23% higher 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 \$5,950 (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
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
Revenue:							
Program Revenue:							
Charges for Services	\$ 88,630	\$ 52,805	\$ 222,095	\$ 222,866	\$ 310,725	\$ 275,671	12.72%
Grants and Contributions:							
Operating	9,605,284	8,743,572	82,226	72,124	9,687,510	8,815,696	9.89%
General Revenue:							
Property Taxes	20,902,824	20,549,624			20,902,824	20,549,624	1.72%
Federal and State Aid Not Restricted	46,424	48,991			46,424	48,991	-5.24%
Other	10,876	123,155	595	438	11,471	123,593	-90.72%
Total Revenue	30,654,038	29,518,147	304,916	295,428	30,958,954	29,813,575	3.84%
Expenses:							
Instruction	19,076,351	18,758,994			19,076,351	18,758,994	1.69%
Pupil and Instruction Services	5,772,725	5,170,617			5,772,725	5,170,617	11.64%
Administrative and Business	2,523,111	2,356,072			2,523,111	2,356,072	7.09%
Maintenance and Operations	2,116,340	2,323,710			2,116,340	2,323,710	-8.92%
Transportation	515,896	464,553			515,896	464,553	11.05%
Other	541,702	540,204	298,966	286,247	840,668	826,451	1.72%
Total Expenses	30,546,125	29,614,150	298,966	286,247	30,845,091	29,900,397	3.16%
Increase/(Decrease) in Net Position	\$ 107,913	\$ (96,003)	\$ 5,950	\$ 9,181	\$ 113,863	\$ (86,822)	231.15%

Revenue Sources. The District's total revenue for the 2017/2018 school year was \$30,958,954 (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$20,902,824 of the total, or 67.52% (See Figure A-5). Another 31.44% 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 2018

Sources of Income:	Amount	Percentage
Operating Grants and Contributions	\$ 9,687,510	31.29%
Property Taxes	20,902,824	67.52%
Federal and State Unrestricted Aid	46,424	0.15%
Charges for Services	310,725	1.00%
Other	11,471	0.04%
	\$ 30,958,954	100.00%

The total cost of all programs and services was \$30,845,091. The District’s expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students (See Figure A-6). The District’s administrative and business activities accounted for 8.18% of total costs.

Figure A-6
Expenses for Fiscal Year 2018

Expense Category:	<u>Amount</u>	<u>Percentage</u>
Instruction	\$ 19,076,351	61.86%
Pupil and Instruction Services	5,772,725	18.72%
Administrative and Business	2,523,111	8.18%
Maintenance and Operations	2,116,340	6.86%
Transportation	515,896	1.67%
Other	840,668	2.73%
	<u>\$ 30,845,091</u>	<u>100.00%</u>

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District slightly increased 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	
	2017/2018	2016/2017	2017/2018	2016/2017
Instruction	\$ 19,076,351	\$ 18,758,994	\$10,977,230	\$11,041,619
Pupil and Instruction Services	5,772,725	5,170,617	4,854,895	4,539,908
Administrative and Business	2,523,111	2,356,072	2,018,153	1,972,517
Maintenance and Operations	2,116,340	2,323,710	2,048,386	2,323,710
Transportation	515,896	464,553	413,649	399,815
Other	541,702	540,204	539,898	540,204
	<u>\$ 30,546,125</u>	<u>\$ 29,614,150</u>	<u>\$ 20,852,211</u>	<u>\$ 20,817,773</u>

- The cost of all governmental activities this year was \$30,546,125.
- The federal and state governments subsidized certain programs with grants and contributions (\$9.7 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 \$5,950 (Refer to Figure A-4). Factors contributing to these results included:

- Food service revenues exceeded expenses by \$5,950. 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 in the General Fund remained stable due to careful planning and monitoring of expenditures despite significant changes in student needs and difficult economic times. Expenditures during the recent year increased significantly in related services, pupil transportation and employee benefits despite the District’s concerted effort to control costs.

Difficult economic times have had a direct impact upon the District’s revenue sources. Fringe benefit costs for all staff have increased dramatically in the past several years. Ratables in the municipality are a concern for the local tax levy in the future. Interest from General Fund investments improved as compared to years past.

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 2017/2018 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
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
Land	\$ 4,748,166	\$ 4,748,166			\$ 4,748,166	\$ 4,748,166	0.00%
Construction in Progress	32,349				32,349		100.00%
Land Improvements	12,192	14,940			12,192	14,940	-18.39%
Buildings and Building Improvements	9,352,944	9,453,930			9,352,944	9,453,930	-1.07%
Machinery and Equipment	440,868	336,761	\$ 39,559	\$ 37,975	480,427	374,736	28.20%
Total Capital Assets	\$ 14,586,519	\$ 14,553,797	\$ 39,559	\$ 37,975	\$ 14,626,078	\$ 14,591,772	0.24%

The increase in capital assets is due to depreciation totaling \$560,747, 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 \$2,420,000 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
	2017/18	2016/17	2017/18
General Obligation Bonds (Financed with Property Taxes), Net	\$ 2,420,000	\$ 2,790,000	-13.26%
Obligations Under Capital Leases	47,771		100.00%
Net Pension Liabilities	4,916,694	6,418,260	-23.40%
Other Liabilities	1,120,255	1,173,508	-4.54%
	<u>\$ 8,504,720</u>	<u>\$ 10,381,768</u>	-18.08%

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, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 2,680,000	\$ 107,924	\$ 2,787,924
Receivables From State Government	141,120	245	141,365
Receivables From Federal Government	38,197	3,824	42,021
Inventory		3,820	3,820
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	489,353		489,353
Maintenance Reserve - Cash and Cash Equivalents	150,000		150,000
Unamortized Bond Issuance Costs, Net			
Capital Assets, Net:			
Sites (Land)	4,748,166		4,748,166
Construction in Progress	32,349		32,349
Depreciable Land Improvements Buildings and Building Improvements and Machinery and Equipment	9,806,004	39,559	9,845,563
Total Assets	<u>18,085,189</u>	<u>155,372</u>	<u>18,240,561</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred Outflows Related to Pensions	<u>1,457,614</u>		<u>1,457,614</u>
Total Deferred Outflows of Resources	<u>1,457,614</u>		<u>1,457,614</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable - Vendors	233,398	14,726	248,124
Accrued Interest Payable	44,607		44,607
Payable to State Government	59,827		59,827
Unearned Revenue	116,518	12,975	129,493
Noncurrent Liabilities:			
Due Within One Year	809,479		809,479
Due Beyond One Year	7,695,241		7,695,241
Total Liabilities	<u>8,959,070</u>	<u>27,701</u>	<u>8,986,771</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	<u>1,327,927</u>		<u>1,327,927</u>
Total Deferred Inflows of Resources	<u>1,327,927</u>		<u>1,327,927</u>
NET POSITION			
Net Investment in Capital Assets	12,118,748	39,559	12,158,307
Restricted for:			
Capital Reserve	489,353		489,353
Maintenance Reserve	150,000		150,000
Other Purposes	930,629		930,629
Unrestricted (Deficit)	<u>(4,432,924)</u>	<u>88,112</u>	<u>(4,344,812)</u>
Total Net Position	<u>\$ 9,255,806</u>	<u>\$ 127,671</u>	<u>\$ 9,383,477</u>

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

BOROUGH OF HILLSDALE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating	Governmental Activities	Business-type Activities	Total
			Grants and Contributions			
Governmental Activities:						
Instruction:						
Regular	\$ 14,300,272		\$ 5,364,831	\$ (8,935,441)		\$ (8,935,441)
Special Education	4,353,181		2,556,241	(1,796,940)		(1,796,940)
Other Special Instruction	278,848		104,867	(173,981)		(173,981)
Other Instruction	144,050		73,182	(70,868)		(70,868)
Support Services:						
Tuition	838,605	\$ 28,100	244,646	(565,859)		(565,859)
Student & Instruction Related Services	4,934,120		645,084	(4,289,036)		(4,289,036)
General Administrative Services	520,603		28,423	(492,180)		(492,180)
School Administrative Services	1,403,724		434,771	(968,953)		(968,953)
Central Services	434,511		33,892	(400,619)		(400,619)
Administration Information Technology	164,273		7,872	(156,401)		(156,401)
Plant Operations and Maintenance	2,116,340		67,954	(2,048,386)		(2,048,386)
Pupil Transportation	515,896	60,530	41,717	(413,649)		(413,649)
Special Schools	17,646		1,804	(15,842)		(15,842)
Capital Outlay	21,633			(21,633)		(21,633)
Interest on Long-Term Debt	83,820			(83,820)		(83,820)
Unallocated Depreciation	418,603			(418,603)		(418,603)
Total Governmental Activities	30,546,125	88,630	9,605,284	(20,852,211)		(20,852,211)

BOROUGH OF HILLSDALE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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	\$ 292,960	\$ 222,095	\$ 76,220		\$ 5,355	\$ 5,355
Total Business-Type Activities	292,960	222,095	76,220		5,355	5,355
Total Primary Government	\$ 30,839,085	\$ 310,725	\$ 9,681,504	\$ (20,852,211)	5,355	(20,846,856)
General Revenues and Other Item:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				20,442,524		20,442,524
Taxes Levied for Debt Service				460,300		460,300
Federal and State Aid not Restricted				46,424		46,424
Interest and Miscellaneous Income				3,085	595	3,680
Cancellation of Prior Year Accounts Payable				7,791		7,791
Total General Revenues and Other Item				20,960,124	595	20,960,719
Change in Net Position				107,913	5,950	113,863
Net Position - Beginning				9,147,893	121,721	9,269,614
Net Position - Ending				\$ 9,255,806	\$ 127,671	\$ 9,383,477

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, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 2,535,351	\$ 144,649			\$ 2,680,000
Receivables From State Government	141,120				141,120
Receivables From Federal Government	17,201	20,996			38,197
Restricted Cash and Cash Equivalents	639,353				639,353
Total Assets	\$ 3,333,025	\$ 165,645	\$ -0-	\$ -0-	\$ 3,498,670
 LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable - Vendors	\$ 10,650				\$ 10,650
Payable to State Government		\$ 59,827			59,827
Unearned Revenue	10,700	105,818			116,518
Total Liabilities	21,350	165,645			186,995
Fund Balances:					
Restricted for:					
Capital Reserve Account	489,353				489,353
Maintenance Reserve Account	150,000				150,000
Excess Surplus	334,009				334,009
Excess Surplus - Subsequent Year's Expenditures	596,620				596,620
Assigned:					
Encumbrances	538,184				538,184
Subsequent Year's Expenditures	844,445				844,445
Unassigned	359,064				359,064
Total Fund Balances	3,311,675				3,311,675
Total Liabilities and Fund Balances	\$ 3,333,025	\$ 165,645	\$ -0-	\$ -0-	\$ 3,498,670

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018
(Continued)

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

Total Fund Balance	\$ 3,311,675
Capital Assets Used in Governmental Activities are not financial resources and therefore are not reported in the Funds. The cost of the assets is \$29,001,728 and the accumulated depreciation is \$14,415,209.	14,586,519
Interest on Long-Term Debt is not accrued in the Governmental Funds, but rather is recognized as an expenditure when due.	(44,607)
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(4,916,694)
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	990,544
Changes in Proportions - Pensions	95,072
Difference in Expected and Actual Experience - Pensions	115,771
Net Difference between Projected and Actual Investment Earnings - Pensions	33,479
Changes in Proportions - Pensions	(341,014)
Changes in Assumptions - Pensions	(986,913)
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>(3,588,026)</u>
Net Position of Governmental Activities	<u>\$ 9,255,806</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, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local Sources:					
Local Tax Levy	\$ 20,442,524			\$ 460,300	\$ 20,902,824
Tuition	28,100				28,100
Transportation	60,530				60,530
Interest on Capital Reserve	2,558				2,558
Miscellaneous	448	\$ 73,812	\$ 79		74,339
Total - Local Sources	20,534,160	73,812	79	460,300	21,068,351
State Sources	4,202,551	143,943			4,346,494
Federal Sources	17,201	456,082			473,283
Total Revenues	24,753,912	673,837	79	460,300	25,888,128

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES					
Current:					
Regular Instruction	7,182,885	211,724			7,394,609
Special Education Instruction	2,144,944	42,147			2,187,091
Other Special Instruction	138,446				138,446
Other Instruction	74,801				74,801
Support Services and Undistributed Costs:					
Tuition	593,959	244,646			838,605
Student & Instruction Related Services	3,691,287	175,320			3,866,607
General Administrative Services	439,840				439,840
School Administrative Services	764,020				764,020
Central Services	291,194				291,194
Administration Information Technology	141,475				141,475
Plant Operations and Maintenance	1,869,099				1,869,099
Pupil Transportation	501,774				501,774
Unallocated Benefits	6,619,474				6,619,474

BOROUGH OF HILLSDALE SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES					
Debt Service:					
Principal				\$ 370,000	\$ 370,000
Interest and Other Charges	\$ 12,521			90,300	90,300
Special Schools	578,331				12,521
Capital Outlay					578,331
Total Expenditures	<u>25,044,050</u>	<u>\$ 673,837</u>		<u>460,300</u>	<u>26,178,187</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>(290,138)</u>	<u>-0-</u>	<u>79</u>		<u>(290,059)</u>
OTHER FINANCING SOURCES/(USES)					
Cancellation of Prior Year Accounts Payable	7,791				7,791
Transfers In	79				79
Transfers Out			(79)		(79)
Capital Leases (Non-Budgeted)	73,237				73,237
Total Other Financing Sources/(Uses)	<u>81,107</u>	<u>-0-</u>	<u>(79)</u>		<u>81,028</u>
Net Change in Fund Balances	<u>(209,031)</u>				<u>(209,031)</u>
Fund Balance—July 1	<u>3,520,706</u>				<u>3,520,706</u>
Fund Balance—June 30	<u>\$ 3,311,675</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 3,311,675</u>

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

BOROUGH OF HILLSDALE SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ (209,031)

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	\$ (556,325)
	Capital outlays	32,722
		589,047

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

Deferred Outflows:

Changes in Assumptions

Difference in Expected and Actual Experience

Changes in Proportions

Net Difference between projected and actual investment earnings on Pension Plan Investments

Deferred Inflows:

Changes in Assumptions

Changes in Proportions

	1,501,566
	(338,977)
	(3,589)
	(38,965)
	(211,255)
	(986,912)
	(19,608)

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 (+).

Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.

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

Capital Lease Proceeds

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 (+).

Change in Net Position of Governmental Activities

\$ 107,913

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, 2018

ASSETS:

Current Assets:	
Cash and Cash Equivalents	\$ 107,924
Accounts Receivable:	
Federal	3,824
State	245
Inventories	<u>3,820</u>
Total Current Assets	<u>115,813</u>
Non- Current Assets:	
Capital Assets:	
Capital Assets	117,835
Less: Accumulated Depreciation	<u>(78,276)</u>
Total Non- Current Assets	<u>39,559</u>
Total Assets	<u>155,372</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable-Vendors	14,726
Unearned Revenue - Donated Commodities	3,863
Unearned Revenue - Prepaid Sales	<u>9,112</u>
Total Current Liabilities	<u>27,701</u>
Total Liabilities	<u>27,701</u>
NET POSITION:	
Investment in Capital Assets	39,559
Unrestricted	<u>88,112</u>
Total Net Position	<u>\$ 127,671</u>

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, 2018

Operating Revenue:	
Charges for Services:	
Daily Sales:	
Reimbursable Programs	\$ 179,897
Non Reimbursable Programs	42,198
	<hr/>
Total Operating Revenue	222,095
	<hr/>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	112,647
Cost of Sales - Non Reimbursable Programs	26,423
Salaries, Benefits and Payroll Taxes	127,609
Supplies and Materials	11,458
Miscellaneous Expenses	10,401
Depreciation Expense	4,422
	<hr/>
Total Operating Expenses	292,960
	<hr/>
Operating (Loss)	(70,865)
	<hr/>
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	55,425
Food Distribution Program	17,289
State Sources:	
School Lunch Program	3,506
Local Sources:	
Interest Revenue	595
	<hr/>
Total Non-Operating Revenue	76,815
	<hr/>
Change in Net Position	5,950
	<hr/>
Net Position - Beginning of Year	121,721
	<hr/>
Net Position - End of Year	\$ 127,671
	<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, 2018

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 216,089
Payments to Food Service Vendor	(261,870)
Payments to Suppliers	<u>(8,162)</u>
Net Cash (Used for) Operating Activities	<u>(53,943)</u>
Cash Flows from Investing Activities:	
Interest Revenue	<u>595</u>
Net Cash Provided by Investing Activities	<u>595</u>
Cash Flows from Noncapital Financing Activities:	
Federal Sources	54,902
State Sources	<u>3,440</u>
Net Cash Provided by Noncapital Financing Activities	<u>58,342</u>
Net Increase in Cash and Cash Equivalents	4,994
Cash and Cash Equivalents, July 1	<u>102,930</u>
Cash and Cash Equivalents, June 31	<u>\$ 107,924</u>
Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities:	
Operating (Loss)	\$ (70,865)
Adjustment to Reconcile Operating (Loss) to Cash (Used for) Operating Activities:	
Depreciation	4,422
Federal Food Distribution Program	17,289
Changes in Assets and Liabilities:	
Decrease/(Increase) in Inventories	223
Increase/(Decrease) in Accounts Payable	544
Increase/(Decrease) in Unearned Revenue - Donated Commodities	(679)
Increase/(Decrease) in Unearned Revenue - Prepaid Sales	<u>(4,877)</u>
Net Cash (Used for) Operating Activities	<u>\$ (53,943)</u>

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received U.S.D.A. Commodities through the Federal Food Distribution Program valued at \$16,610 and utilized commodities valued at \$17,289 for the fiscal year ended June 30, 2018.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2018

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>
ASSETS:			
Cash and Cash Equivalents	\$ 105,886	\$ 84,001	\$ 878
Total Assets	<u>105,886</u>	<u>84,001</u>	<u>878</u>
LIABILITIES:			
Due to Student Groups	88,491		
Technology Initiative	<u>17,395</u>		
Total Liabilities	<u>105,886</u>	<u>-0-</u>	<u>-0-</u>
NET POSITION:			
Held in Trust for Unemployment Claims and Other Purposes		<u>84,001</u>	<u>878</u>
Total Net Position	<u>\$ -0-</u>	<u>\$ 84,001</u>	<u>\$ 878</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, 2018

	Unemployment Compensation Trust	Flexible Spending Trust
	<u> </u>	<u> </u>
ADDITIONS:		
Contributions:		
Plan Member	\$ 21,662	\$ 6,518
Investment Earnings:		
Interest	<u> 395</u>	<u> 20</u>
Total Additions	<u> 22,057</u>	<u> 6,538</u>
DEDUCTIONS:		
Quarterly Contribution Reports	12,012	
Flexible Spending Claims		<u> 7,027</u>
Change in Net Position	10,045	(489)
Net Position - Beginning of the Year	<u> 73,956</u>	<u> 1,367</u>
Net Position - End of the Year	<u> \$ 84,001</u>	<u> \$ 878</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, 2018

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, 2018
(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, 2018
(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, 2018
(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, 2018 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, 2018 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, 2018
(Continued)

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 24,755,205	\$ 673,494
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that Encumbrances are Recognized as Expenditures, and Revenue is Recognized.		343
State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	82,782	
State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(84,075)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 24,753,912</u>	<u>\$ 673,837</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 25,044,050	\$ 673,494
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.		343
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 25,044,050</u>	<u>\$ 673,837</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, 2018
(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.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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, 2018.

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 acquisition value. 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, 2018
(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, 2018.

N. Compensated Absences:

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by the Governmental Accounting Standards Board Statement. 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 \$3,311,675 General Fund fund balance at June 30, 2018, \$538,184 is assigned for encumbrances; \$489,353 is restricted in the capital reserve account; \$150,000 is restricted in the maintenance reserve account; \$596,620 is prior year excess surplus and has been appropriated and included as anticipated revenue for the year ended June 30, 2019; \$334,009 is restricted as current year excess surplus and will be appropriated and included as anticipated revenue for the fiscal year ended June 30, 2020; \$844,445 is assigned for subsequent year's expenditures; and \$359,064 is unassigned which is \$84,075 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, 2019.

Debt Service Fund: The Debt Service Fund fund balance at June 30, 2018 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 \$930,629 at June 30, 2018.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(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 \$84,075 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, maintenance reserve 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, 2018.

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, 2018.

R. Deficit Fund Balances/Net Position

The District has a deficit in unrestricted net position of \$4,432,924 in governmental activities, which is primarily due to \$1,120,255 of compensated absences payable, and net pension liability of \$4,916,694. 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, 2018
(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, 2018 related to pensions. The District had deferred inflows of resources at June 30, 2018 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, 2018
(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, 2018

(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 of the school district or bonds or other obligations of the local unit or units within which the school district is located.
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the “Local Authorities Fiscal Control Law”, P.L. 1983, c.313 (C.40A:5A-1 et seq.). Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by local units;

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

Investments (Cont'd)

- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the requirements of the "Local Authorities Fiscal Control Law," P.L. 1983, c. 313 (C.40A:5A-1 et seq.). ;
 - (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; or
- (9) Deposit of funds in accordance with the following conditions:
 - (a) The funds are initially invested through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41) designated by the school district;
 - (b) The designated public depository arranges for the deposit of the funds in deposit accounts in one or more federally insured banks, savings banks or savings and loan associations or credit unions for the account of the school district;
 - (c) 100 percent of the principal and accrued interest of each deposit is insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund;
 - (d) The designated public depository acts as custodian for the school district with respect to these deposits; and
 - (e) On the same date that the school district's funds are deposited pursuant to subparagraph (b) of this paragraph, the designated public depository receives an amount of deposits from customers of other financial institutions, wherever located, equal to the amounts of funds initially invested by the school district through the designated public depository.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

Investments (Cont'd)

As of June 30, 2018, cash and cash equivalents of the District consisted of the following:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Checking Accounts	\$ 2,964,084	\$ 639,353	\$ 3,603,437
State of New Jersey Cash Management Fund	14,605		14,605
	\$ 2,978,689	\$ 639,353	\$ 3,618,042

During the period ended June 30, 2018, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2018 was \$3,618,042 and the bank balance was \$4,173,285. The \$14,605 in the State of New Jersey Cash Management Fund is uninsured and unregistered.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by Board resolution by inclusion of \$1 on September 25, 2001 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the State Department of Education, a District may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts, or both. A District may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-5.1(d) 7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP. The activity of the capital reserve for the fiscal year ending June 30, 2018 is as follows:

Beginning Balance, July 1, 2017	\$ 959,266
Interest Earnings	2,558
Budgeted Withdrawals	(450,000)
Withdrawal by Board Resolution	(22,471)
Ending Balance, June 30, 2018	\$ 489,353

The June 30, 2018 Capital Reserve Account balance does not exceed the local support costs of uncompleted capital projects in the District's Long Range Facilities Plan ("LRFP"). The withdrawals from the capital reserve were for use in DOE approved facilities projects, consistent with the District's LRFP.

NOTE 5: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2018, 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, 2018
(Continued)

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2018 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 4,748,166			\$ 4,748,166
Construction in Progress		\$ 32,349		32,349
Total Capital Assets Not Being Depreciated	<u>4,748,166</u>	<u>32,349</u>		<u>4,780,515</u>
Capital Assets Being Depreciated:				
Land Improvements	27,482			27,482
Buildings and Building Improvements	19,984,476	277,889		20,262,365
Machinery and Equipment	3,652,557	278,809		3,931,366
Total Capital Assets Being Depreciated	<u>23,664,515</u>	<u>556,698</u>		<u>24,221,213</u>
Governmental Activities Capital Assets	<u>28,412,681</u>	<u>589,047</u>		<u>29,001,728</u>
Less Accumulated Depreciation for:				
Land Improvements	(12,542)	(2,748)		(15,290)
Buildings and Building Improvements	(10,530,546)	(378,875)		(10,909,421)
Machinery and Equipment	(3,315,796)	(174,702)		(3,490,498)
	<u>(13,858,884)</u>	<u>(556,325)</u>		<u>(14,415,209)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 14,553,797</u>	<u>\$ 32,722</u>	<u>\$ -0-</u>	<u>\$ 14,586,519</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 114,070		\$ 3,765	\$ 117,835
Less Accumulated Depreciation	(76,095)	\$ (4,422)	2,241	(78,276)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 37,975</u>	<u>\$ (4,422)</u>	<u>\$ 6,006</u>	<u>\$ 39,559</u>

The District had \$277,889 in current year additions to Building and Building Improvements and \$278,809 in Machinery and Equipment.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 6. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 21,143
Administrative Services	48,401
Plant Operations and Maintenance	54,056
Pupil Transportation	14,122
Unallocated	<u>418,603</u>
	<u><u>\$ 556,325</u></u>

NOTE 7. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2018, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance 6/30/2017	Added	Retired	Balance 6/30/2018
Serial Bonds Payable	\$ 2,790,000		\$ 370,000	\$ 2,420,000
Compensated Absences Payable	1,173,508	\$ 43,167	96,420	1,120,255
Net Pension Liability	6,418,260		1,501,566	4,916,694
Capital Leases Payable	<u> </u>	<u>73,237</u>	<u>25,466</u>	<u>47,771</u>
	<u><u>\$ 10,381,768</u></u>	<u><u>\$ 116,404</u></u>	<u><u>\$ 1,993,452</u></u>	<u><u>\$ 8,504,720</u></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, 2018 as follows:

Purpose	Maturity	Interest Rate	Amount
Refunding Bonds of 2012	07/15/2023	3.00%-4.00%	<u><u>\$ 2,420,000</u></u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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
2019	\$ 385,000	\$ 78,975	\$ 463,975
2020	400,000	67,200	467,200
2021	420,000	54,900	474,900
2022	425,000	40,100	465,100
2023	425,000	23,100	448,100
Thereafter:			
2024	<u>365,000</u>	<u>7,300</u>	<u>372,300</u>
	<u>\$ 2,420,000</u>	<u>\$ 271,575</u>	<u>\$ 2,691,575</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2018, the Board had no bonds authorized but not issued.

C. Capital Leases Payable:

The District entered into a capital lease to purchase copiers. The capital lease is for a term of three years and will be retired through the General Fund. The following is a schedule of the future minimum lease payments under the capital lease, and the present value of the net minimum lease payments at June 30, 2018.

<u>Year</u>	<u>Amount</u>
2019	\$ 25,908
2020	23,749
Less: Amount Representing Interest	<u>(1,885)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 47,771</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

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 \$1,120,255. The current portion of this liability is \$0.

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, 2018, 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, 2018 is \$-0- and the long-term portion is \$4,916,694. See Note 9 for further information on the PERS.

NOTE 8. MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account in the amount of \$150,000 was established by the Borough of Hillsdale School District on June 18, 2018. The funds for the establishment of this reserve were withdrawn from unassigned general fund balance. These funds are restricted to be used for specific activities necessary for the purpose of keeping a school facility open and safe for use or in its original condition, and for keeping its constituent buildings systems fully and efficiently functional and for keeping their warranties valid but cannot be used for routine or capital maintenance. The purpose of the reserve is to provide funds for anticipated expenditures required to maintain a building. Pursuant to N.J.A.C. 6A:26A-4.2 funds may be deposited into the maintenance reserve account at any time by board resolution to meet the required maintenance of the district by transferring unassigned general fund balance or by transferring excess, unassigned general fund balance that is anticipated to be deposited during the current year in the advertised recapitulation of balances of the subsequent year's budget that is certified for taxes. Funds may be withdrawn from the maintenance reserve account and appropriated into the required maintenance account lines at budget time or any time during the year by board resolution for use on required maintenance activities by school facility as reported in the comprehensive maintenance plan. Funds withdrawn from the maintenance reserve account are restricted to required maintenance appropriations and may not be transferred to any other line-item account. In any year that maintenance reserve account funds are withdrawn, unexpended required maintenance appropriations, up to the amount of maintenance reserve account funds withdrawn, shall be restored to the maintenance reserve account at year-end. At no time, shall the maintenance reserve account have a balance that exceeds four percent of the replacement cost of the current year of the district's school facilities. If the account exceeds this maximum amount at June 30, the excess shall be restricted and designated in the subsequent year's budget. The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

The activity of the maintenance reserve for the July 1, 2017 to June 30, 2018 fiscal year is as follows:

Beginning Balance, July 1, 2017	\$ -0-
Increase per Board Resolution	<u>150,000</u>
Ending Balance, June 30, 2018	<u>\$ 150,000</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. 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.nj.gov/treasury/pensions/financial-reports.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, 2018
(Continued)

NOTE 9. 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 \$197,206 for fiscal year 2018.

The employee contribution rate was 7.34% effective July 1, 2017. 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, 2018, the District reported a liability of \$4,916,694 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. 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, 2017, the District's proportion was 0.0211%, which was a decrease of 0.0005% from its proportion measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the District recognized pension expense of \$296,159. 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, 2018

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

	<u>Year of Deferral</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2014	6.44	\$ 55,775	
	2015	5.72	234,938	
	2016	5.57	699,832	
	2017	5.48	<u>990,545</u>	\$ 986,913
			<u>990,545</u>	<u>986,913</u>
Changes in Proportion	2014	6.44	95,071	
	2015	5.72		105,516
	2016	5.57		137,557
	2017	5.48		97,940
			<u>95,071</u>	<u>341,013</u>
Net Difference Between Projected and Actual				
Investment Earnings on Pension Plan Investments	2014	5	(58,916)	
	2015	5	50,260	
	2016	5	210,729	
	2017	5	(168,593)	
			<u>33,480</u>	<u>-0-</u>
Difference Between Expected and Actual Experience	2015	5.72	65,182	
	2016	5.57	21,238	
	2017	5.48	29,351	
			<u>115,771</u>	
District Contribution Subsequent to the Measurement Date	2017	1	222,748	
			<u>\$ 1,457,615</u>	<u>\$ 1,327,926</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Total</u>
2018	\$ 115,744
2019	174,661
2020	105,835
2021	(140,761)
2022	(102,596)
	<u>\$ 152,883</u>

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment Rate of Return	7.00%

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, 2016 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.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. 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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 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 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2017 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, 2017		
	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
District's proportionate share of the Net Pension Liability	\$ 6,099,492	\$ 4,916,694	\$ 3,931,276

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.nj.gov/treasury/pensions/financial-reports.shtml.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Benefits Provided

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

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

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 2018, the State's pension contribution was less than the actuarial 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 2018, the State of New Jersey contributed \$1,447,486 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$4,314,912.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Contributions (Cont'd)

The employee contribution rate was 7.34% effective July 1, 2017. 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, 2018, the State's proportionate share of the net pension liability associated with the District was \$62,286,763. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. 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, 2017, the District's proportion was 0.092%, which was a decrease of 0.002% from its proportion measured as of June 30, 2016.

District's Proportionate Share of the Net Pension Liability	\$	-0-
State's Proportionate Share of the Net Pension Liability Associated with the District		62,286,763
Total	\$	62,286,763

For the fiscal year ended June 30, 2018, the State recognized pension expense on behalf of the District in the amount of \$4,314,912 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2018 financial statements.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. 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)

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	\$ 1,383,974,317	
	2015	8.3	3,776,126,119	
	2016	8.3	8,218,154,928	
	2017	8.3		\$ 11,684,858,458
			<u>13,378,255,364</u>	<u>11,684,858,458</u>
Difference Between Expected and Actual Experience	2014	8.5		\$ 13,181,413
	2015	8.3	233,218,057	
	2016	8.3		102,199,790
	2017	8.3	207,898,332	
			<u>441,116,389</u>	<u>115,381,203</u>
Net Difference Between Projected and Actual and Actual Investment Earnings on Pension Plan Investments	2014	5	(435,309,142)	
	2015	5	385,284,122	
	2016	5	1,295,565,574	
	2017	5	(904,033,050)	
			<u>341,507,504</u>	
		<u>\$ 14,160,879,257</u>	<u>\$ 11,800,239,661</u>	

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Total</u>
2018	\$ 740,341,056
2019	1,175,650,200
2020	983,008,137
2021	551,152,948
2022	624,850,883
There after	<u>(1,714,363,628)</u>
	<u>\$ 2,360,639,596</u>

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.25%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.00%

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

The actuarial assumptions used in the July 1, 2016 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, 2018
(Continued)

NOTE 9. 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 (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. 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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.25% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 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, 2018
(Continued)

NOTE 9. 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 40% 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 2036. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2036, 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, 2017 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, 2017		
	1% Decrease (3.25%)	Current Discount Rate (4.25%)	1% Increase (5.25%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 73,998,594	\$ 62,286,734	\$ 52,638,453

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, 2018
(Continued)

NOTE 9. 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 \$24,823 for the fiscal year ended June 30, 2018. Employee contributions to DCRP amounted to \$45,374 for the fiscal year ended June 30, 2018.

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, 2017 is as follows:

Total Assets	<u>\$ 29,578,940</u>
Net Position	<u>\$ 18,287,344</u>
Total Revenue	<u>\$ 13,336,520</u>
Total Expenses	<u>\$ 11,608,268</u>
Change in Net Position	<u>\$ 1,728,252</u>
Member Dividends	<u>\$ 1,400,000</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

Property, Liability and Health Benefits (Cont'd)

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

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

New Jersey Unemployment Compensation Insurance

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Interest Earned</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017-2018	-0-	\$ 395	\$ 21,662	\$ 12,012	\$ 84,001
2016-2017	-0-	306	20,301	31,084	73,956
2015-2016	-0-	267	21,502	6,156	84,433

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. 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, 2018
(Continued)

NOTE 13. 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 14. 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, 2018, 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
\$ 538,184	\$ 113,038	\$ 651,222

On the District's Governmental Funds Balance Sheet as of June 30, 2018, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$113,038 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, 2018
(Continued)

NOTE 15. ACCOUNTS PAYABLE

	General Fund	Special Revenue Fund	District Contribution Subsequent to Measurement Date	Total Governmental Activities	Business-Type Activities Proprietary Funds
Vendors	\$ 10,650			\$ 10,650	\$ 14,726
Due to State of New Jersey		\$ 59,827	\$ 222,748	282,575	
	<u>\$ 10,650</u>	<u>\$ 59,827</u>	<u>\$ 222,748</u>	<u>\$ 293,225</u>	<u>\$ 14,726</u>

NOTE 16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)

General Information about the OPEB Plan

Plan Description and Benefits Provided

The District is in a “special funding situation”, as described in GASB Statement No. 75, in that OPEB contributions and expenses are legally required to be made by and are the sole responsibility of the State of New Jersey, not the District.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefits for the State Health Benefit Local Education Retired Education Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The State Health Benefits Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

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

The total nonemployer OPEB liability does not include certain other postemployment benefit obligations that are provided by the local education employers. The reporting of these benefits, if any, is the responsibility of the individual education employers.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

Employees Covered by Benefit Terms

At June 30, 2016, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	142,331
Active Plan Members	223,747
Total	366,078

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The total nonemployer OPEB liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016.

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%		
	TPAF/ABP	PERS	PFRS
Salary Increases:			
Through 2026	1.55 - 4.55% based on years of service	2.15 - 4.15% based on age	2.10 - 8.98% based on age
Thereafter	2.00 - 5.45% based on years of service	3.15 - 5.15% based on age	3.10 - 9.98% based on age

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Health Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 – June 30, 2015, July 1, 2010 – June 30, 2013, and July 1, 2011 – June 30, 2014 for TPAF, PFRS and PERS, respectively.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long term trend rate after nine years. For self-insured post 65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long term rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% and decreases to a 5.0% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond rate as chosen by the State of New Jersey Division of Pensions and Benefits. The source is the Bond Buyer Go 20-Bond Municipal bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Changes in the State's Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2016	\$ 57,831,784,184
Changes for Year:	
Service Cost	2,391,878,884
Interest on the Total OPEB Liability	1,699,441,736
Changes of Assumptions	(7,086,599,129)
Gross Benefit Payments by the State	(1,242,412,566)
Contributions from Members	45,748,749
Net Changes	(4,191,942,326)
Balance at June 30, 2017	\$ 53,639,841,858

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

NOTE 16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Discount Rate

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2017 and 2016, respectively, calculated using the discount rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District 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, 2017			
	At 1% Decrease (2.58%)	At Discount Rate (3.58%)	At 1% Increase (4.58%)
Total OPEB Liability Attributable to the District	\$ 53,421,284	\$ 45,002,559	\$ 38,324,746
June 30, 2016			
	At 1% Decrease (1.85%)	At Discount Rate (2.85%)	At 1% Increase (3.85%)
Total OPEB Liability Attributable to the District	\$ 58,048,803	\$ 48,453,902	\$ 40,901,485

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Healthcare Trend Rate

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2017 and 2016, respectively, calculated using the healthcare trend rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

June 30, 2017			
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 37,010,254	\$ 45,002,559	\$ 55,616,245
June 30, 2016			
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 39,757,776	\$ 48,453,902	\$ 60,079,794

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018 the District recognized OPEB expense of \$2,872,577 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Statement 75, in which there is a special funding situation.

In accordance with GASB Statement 75, as the District's proportionate share of the OPEB liability is \$-0, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2017 the State had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Assumption Changes		\$ (6,343,769,032)
Contributions Made in Fiscal Year Ending 2018 After June 30, 2017 Measurement Date	\$ 1,190,373,242	
	\$ 1,190,373,242	\$ (6,343,769,032)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	Total
2018	\$ (742,830,097)
2019	(742,830,097)
2020	(742,830,097)
2021	(742,830,097)
2022	(742,830,097)
Thereafter	(2,629,618,547)
	\$ (6,343,769,032)

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 17. TAX ABATEMENT

As defined by the Governmental Accounting Standards Board (GASB), a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. School districts are not authorized by New Jersey statute to enter into tax abatement agreements. However, the county or municipality in which the school district is situated may have entered into tax abatement agreements, and that potential must be disclosed in these financial statements. If the county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district's local tax revenue because N.J.S.A. 54:4-75 and N.J.S.A. 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school district.

For a local school district board of education or board of school estimate that has elected to raise their minimum tax levy using the required local share provisions at N.J.S.A. 18A:7F-5(b), the loss of revenue resulting from the municipality or county having entered into a tax abatement agreement is indeterminate due to the complex nature of the calculation of required local share performed by the New Jersey Department of Education based upon district property value and wealth.

The Borough of Hillsdale School District recognized revenue in the amount of \$41,160 from five payment in lieu of taxes ("PILOT") agreements. The taxes which would have been paid on these properties for 2017 without the abatements would have been \$303,645.08 of which \$135,896.33 would have been for the local school tax.

**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 FOUR 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%
			2018
			0.0211212690%
			\$ 4,916,694
			1,416,700
			347.05%
			48.10%

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 FOUR 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%
			13.41%

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 FOUR 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%
			2018
			0.0923812404%
		\$ 62,286,763	
			10,173,543
			612.24%
			25.41%

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 FOUR FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
		2018	
Contractually required contribution	\$ 2,655,506	\$ 3,687,140	\$ 5,547,132
Contributions in relation to the contractually required contribution	(516,534)	(751,394)	(1,002,774)
Contribution deficiency/(excess)	\$ 2,138,972	\$ 2,935,746	\$ 4,544,358
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%
			14.23%

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 CHANGES IN THE STATE'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TWO FISCAL YEARS
UNAUDITED

	Fiscal Years Ending	
	June 30, 2016	June 30, 2017
Total OPEB Liability		
Service Cost	\$ 1,723,999,319	\$ 2,391,878,884
Interest Cost	1,823,643,792	1,699,441,736
Changes in Assumptions	8,611,513,521	(7,086,599,129)
Member Contributions	46,273,747	45,748,749
Gross Benefit Payments	<u>(1,223,298,019)</u>	<u>(1,242,412,566)</u>
Net Change in Total OPEB Liability	10,982,132,360	(4,191,942,326)
Total OPEB Liability - Beginning	<u>46,849,651,824</u>	<u>57,831,784,184</u>
Total OPEB Liability - Ending	<u>\$ 57,831,784,184</u>	<u>\$ 53,639,841,858</u>
State's Covered Employee Payroll *	\$ 13,493,400,208	\$ 13,493,400,208
Total OPEB Liability as a Percentage of Covered Employee Payroll	429%	398%

* - Covered payroll for the fiscal years ending June 30, 2016 and June 30, 2017 is based on the payroll on the June 30, 2016 census data.

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

BOROUGH OF HILLSDALE SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.98% as of June 30, 2016 to 5.00% as of June 30, 2017. The municipal bond rate changed from 2.85% to 3.58%. The long-term expected rate of return on pension plan investments changed from 7.65% to 7.00%.

The inflation rate changed from 3.08% as of June 30, 2016 to 2.25% as of June 30, 2017.

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.22% as of June 30, 2016 to 4.25% as of June 30, 2017. The municipal bond rate changed from 2.85% to 3.58%. The long-term expected rate of return on pension plan investments changed from 7.65% to 7.00%.

The inflation rate changed from 2.50% as of June 30, 2016 to 2.25% as of June 30, 2017.

State Health Benefit Local Education Retired Employees OPEB Plan

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

BUDGETARY COMPARISON SCHEDULES

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 20,442,524	\$	\$ 20,442,524	\$ 20,442,524	\$ 100
Tuition	28,000		28,000	28,100	(14,470)
Transportation Fees from Individuals	75,000		75,000	60,530	2,508
Interest Earned on Capital Reserve Funds	50		50	448	(39,552)
Miscellaneous	40,000		40,000		
Total - Local Sources	20,585,574		20,585,574	20,534,160	(51,414)
State Sources:					
Extraordinary Special Education Costs Aid	134,266		134,266	133,580	(686)
Categorical Special Education Aid	742,271		742,271	742,271	
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				7,540	7,540
TPAF Pension Payments (On-Behalf - Non-Budgeted)				1,447,486	1,447,486
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)				35,127	35,127
TPAF Post Retirement Benefits (On-Behalf - Non-Budgeted)				957,588	957,588
TPAF Long-Term Disability Insurance Contributions (On-Behalf - Non-Budgeted)				2,049	2,049
TPAF Social Security (Reimbursed - Non-Budgeted)				748,614	748,614
Total State Sources	1,006,126		1,006,126	4,203,844	3,197,718
Federal Sources:					
Medicaid Assistance Program	17,201		17,201	17,201	
Total Federal Sources	17,201		17,201	17,201	
TOTAL REVENUES	21,608,901		21,608,901	24,755,205	3,146,304

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 579,272	\$	\$ 579,272	\$ 568,964	\$ 10,308
Grades 1-5 - Salaries of Teachers	2,959,303	38,182	2,997,485	2,987,077	10,408
Grades 6-8 - Salaries of Teachers	2,900,417	(65,634)	2,834,783	2,711,363	123,420
Regular Programs - Home Instruction:					
Salaries of Teachers	2,000	4,638	6,638	5,725	913
Purchased Professional - Educational Services	2,145	7,768	9,913	5,912	4,001
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	584,905	87,655	672,560	646,931	25,629
Purchased Professional - Educational Services	16,000	(5,953)	10,047	4,940	5,107
Other Purchased Services (400-500 series)	24,999	2,372	27,371	27,208	163
General Supplies	195,406	456	195,862	175,236	20,626
Textbooks	81,715	(16,228)	65,487	43,035	22,452
Other Objects	29,630		29,630	6,494	23,136
Total Regular Programs - Instruction	7,375,792	53,256	7,429,048	7,182,885	246,163
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	79,211	76,408	155,619	155,618	1
Other Salaries for Instruction	101,300	(15,424)	85,876	85,876	
General Supplies	3,500	(2,730)	770		770
Total Learning and/or Language Disabilities	184,011	58,254	242,265	241,494	771
Resource Room/Resource Center:					
Salaries of Teachers	1,782,080	(2,869)	1,779,211	1,736,392	42,819
General Supplies	1,500	(637)	863		863
Total Resource Room/Resource Center	1,783,580	(3,506)	1,780,074	1,736,392	43,682

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Preschool Disabilities - Part-time:					
Salaries of Teachers	\$ 146,460	\$ (40,808)	\$ 105,652	\$ 105,652	
Other Salaries for Instruction	113,000	(11,982)	101,018	61,226	\$ 39,792
General Supplies	2,500	(550)	1,950	180	1,950
Other Objects		180	180		
Total Preschool Disabilities - Part-time	261,960	(53,160)	208,800	167,058	41,742
Total Special Education Instruction	2,229,551	1,588	2,231,139	2,144,944	86,195
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	79,085		79,085	70,529	8,556
General Supplies	500		500	500	
Total Basic Skills/Remedial - Instruction	79,585		79,585	70,529	9,056
Bilingual Education - Instruction:					
Salaries of Teachers	65,077	3,506	68,583	67,692	891
General Supplies	600		600	225	375
Total Bilingual Education - Instruction	65,677	3,506	69,183	67,917	1,266
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	21,000	24,076	45,076	45,076	
Supplies and Materials	5,000	(5,000)			
Total School-Sponsored Cocurricular Activities - Instruction	26,000	19,076	45,076	45,076	

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	\$ 37,843	\$ (13,999)	\$ 23,844	\$ 23,491	\$ 353
Purchased Services (300-500 series)	5,500	(2,632)	2,868	2,868	
Supplies and Materials	5,000	(3,605)	1,395	1,395	
Total School-Sponsored Cocurricular Athletics - Instruction	48,343	(20,236)	28,107	27,754	353
Community Service Programs:					
Salaries	10,000	1,160	11,160	1,971	9,189
Total Community Service Programs	10,000	1,160	11,160	1,971	9,189
Total Instruction	9,834,948	58,350	9,893,298	9,541,076	352,222
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	266,087	87,978	354,065	327,290	26,775
Tuition to County Special Services Schools and Regional Day School	75,420	(70,500)	4,920	4,920	4,920
Tuition to Private Schools for the Disabled - Within the State	442,162	(87,978)	354,184	240,657	113,527
Other Tuition	50,237		50,237	26,012	24,225
Total Undistributed Expenditures - Instruction:	833,906	(70,500)	763,406	593,959	169,447
Attendance and Social Work Services:					
Salaries	21,013	1,487	22,500	22,500	
Purchased Professional and Technical Services	5,550	521	6,071	6,071	
Total Attendance and Social Work Services	26,563	2,008	28,571	28,571	

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Health Services:					
Salaries	\$ 256,328	\$ (21,767)	\$ 234,561	\$ 234,195	\$ 366
Purchased Professional and Technical Services	11,300	694	11,994	8,805	3,189
Supplies and Materials	10,569	1,000	11,569	7,356	4,213
Total Health Services	278,197	(20,073)	258,124	250,356	7,768
Speech, OT, PT and Related Services:					
Salaries	382,403	1,450	383,853	383,806	47
Purchased Professional - Educational Services	37,766	(1,450)	36,316	35,486	830
Supplies and Materials	1,000		1,000		1,000
Total Speech, OT, PT and Related Services	421,169		421,169	419,292	1,877
Other Support Services - Students - Extraordinary Services:					
Purchased Professional - Educational Services	318,269	36,328	354,597	310,704	43,893
Total Other Support Services - Students - Extraordinary Services	318,269	36,328	354,597	310,704	43,893
Guidance:					
Salaries of Other Professional Staff	389,643	(11,595)	378,048	378,048	
Salaries of Secretarial and Clerical Assistants	49,784	(2,668)	47,116	47,114	2
Total Guidance	439,427	(14,263)	425,164	425,162	2

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Child Study Teams:					
Salaries of Other Professional Staff	\$ 580,623	\$ 7,642	\$ 588,265	\$ 578,599	\$ 9,666
Salaries of Secretarial and Clerical Assistants	99,339	2,000	101,339	99,134	2,205
Purchased Professional - Educational Services	466,507	7,182	473,689	436,448	37,241
Purchased Professional and Technical Services	159,874	116,925	276,799	229,635	47,164
Supplies and Materials	34,100	332	34,432	33,782	650
Other Objects	7,254		7,254	6,949	305
Total Child Study Teams	1,347,697	134,081	1,481,778	1,384,547	97,231
Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	100,107	(7,000)	93,107	92,772	335
Salaries of Other Professional Staff	75,028	3,000	78,028	77,063	965
Salaries of Secretarial and Clerical Assistants	50,100	2,200	52,300	52,178	122
Other Purchased Services	37,007		37,007	35,887	1,120
Supplies and Materials	4,848		4,848	1,042	3,806
Total Improvement of Instructional Services	267,090	(1,800)	265,290	258,942	6,348
Educational Media Services/School Library:					
Salaries	243,851	(9,420)	234,431	232,097	2,334
Salaries of Technology Coordinators	115,775	(20,003)	95,772	95,735	37
Purchased Professional and Technical Services	10,100	(155)	9,945	7,860	2,085
Other Purchased Services	2,500	(425)	2,075	1,189	886
Supplies and Materials	13,700	2,005	15,705	13,309	2,396
Other Objects	332,411	(83,939)	248,472	228,192	20,280
Total Educational Media Services/School Library	718,337	(111,937)	606,400	578,382	28,018

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Instructional Staff Training Services:					
Purchased Professional - Educational Services	\$ 51,500	\$ (14,437)	\$ 37,063	\$ 26,226	\$ 10,837
Other Objects	8,000	1,180	9,180	9,105	75
Total Instructional Staff Training Services	59,500	(13,257)	46,243	35,331	10,912
Support Services - General Administration:					
Salaries	259,779		259,779	197,299	62,480
Legal Services	46,739		46,739	27,168	19,571
Audit Fees	38,068		38,068	38,068	
Architectural/Engineering Services	29,949	35,000	64,949	53,848	11,101
Other Purchased Professional Services	13,150	885	14,035	14,035	
Communications/Telephone	171,776	(37,794)	133,982	79,133	54,849
BOE Other Purchased Services	4,000		4,000	2,097	1,903
Other Purchased Services (400-500 series)	12,720	1,910	14,630	12,306	2,324
General Supplies	9,809	(1)	9,808	5,373	4,435
BOE In- House Training/Meeting Supplies	3,500		3,500	195	3,305
Miscellaneous Expenditures	9,470	(6,547)	2,923	1,074	1,849
BOE Membership Dues and Fees	10,500		10,500	9,244	1,256
Total Support Services - General Administration	609,460	(6,547)	602,913	439,840	163,073
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	540,925	1,955	542,880	542,880	
Other Salaries	3,500	(2,216)	1,284	1,097	187
Salaries of Secretarial and Clerical Assistants	192,816	17,867	210,683	210,680	3
Other Purchased Services (400-500 series)	6,400		6,400	4,566	1,834
Supplies and Materials	10,400	(937)	9,463	4,797	4,666
Total Support Services - School Administration	754,041	16,669	770,710	764,020	6,690

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Central Services:					
Salaries	\$ 248,225	\$ (9,507)	\$ 238,718	\$ 235,261	\$ 3,457
Purchased Technical Services	35,000	5,000	40,000	36,390	3,610
Miscellaneous Purchased Services (400-500 series)	13,120		13,120	7,964	5,156
Supplies and Materials	18,100	(2,500)	15,600	9,713	5,887
Miscellaneous Expenditures	9,000	(2,500)	6,500	1,866	4,634
Total Central Services	323,445	(9,507)	313,938	291,194	22,744
Administration Information Technology:					
Salaries	54,643		54,643	54,643	
Purchased Technical Services	86,385	448	86,833	86,832	1
Total Administration Information Technology	141,028	448	141,476	141,475	1
Required Maintenance of School Facilities:					
Salaries	129,625	(33,000)	96,625	95,943	682
Cleaning, Repair and Maintenance Services	223,822	52,390	276,212	184,569	91,643
Lead Testing of Drinking Water	3,000	10,000	13,000	520	12,480
General Supplies	42,500		42,500	22,225	20,275
Total Required Maintenance of School Facilities	398,947	29,390	428,337	303,257	125,080

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Custodial Services:					
Salaries	\$ 234,824	\$ 79,068	\$ 313,892	\$ 308,429	\$ 5,463
Salaries of Non-Instructional Aides	99,371	(12,734)	86,637	67,329	19,308
Purchased Professional and Technical Services	10,650	8,117	18,767	4,900	13,867
Cleaning, Repair and Maintenance Services	773,823	11,773	785,596	737,788	47,808
Insurance	134,700	(11,187)	123,513	121,751	1,762
General Supplies	96,108	(4,537)	91,571	84,019	7,552
Energy (Natural Gas)	258,035	(77,693)	180,342	111,417	68,925
Energy (Electricity)	291,955	(92,000)	199,955	114,083	85,872
Energy (Gasoline)	17,760	(4,075)	13,685	308	13,377
Other Objects	16,428	1,770	18,198	15,818	2,380
Total Custodial Services	1,933,654	(101,498)	1,832,156	1,565,842	266,314
Security:					
Purchased Professional and Technical Services		16,000	16,000		16,000
Total Security		16,000	16,000		16,000
Student Transportation Services:					
Contracted Services:					
Between Home and School - Vendors	228,834	36,659	265,493	261,403	4,090
Other Than Between Home and School - Vendors	20,460	763	21,223	21,172	51
Special Education Students - Joint Agreements	222,700	(13,338)	209,362	190,199	19,163
Aid in Lieu Payments-Nonpublic Students	39,679		39,679	29,000	10,679
Supplies and Materials	839	(652)	187		187
Total Student Transportation Services	512,512	23,432	535,944	501,774	34,170

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Unallocated Benefits:					
Social Security Contributions	\$ 229,000	\$ (1,432)	\$ 227,568	\$ 215,935	\$ 11,633
Other Retirement Contributions - PERS	222,748		222,748	197,206	25,542
Other Retirement Contributions - Regular	17,000	11,000	28,000	24,823	3,177
Workmen's Compensation	105,000		105,000	80,944	24,056
Health Benefits	3,256,512	(48,333)	3,208,179	2,787,370	420,809
Other Employee Benefits	40,000	37,333	77,333	77,332	1
Unused Sick Payment to Terminated/Retired Staff	45,000		45,000	45,000	
Total Unallocated Benefits	3,915,260	(1,432)	3,913,828	3,428,610	485,218
On-Behalf Contributions:					
TPAF Pension Payments (On-Behalf - Non-Budgeted)				1,447,486	(1,447,486)
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)				35,127	(35,127)
TPAF Post Retirement Benefits (On-Behalf - Non-Budgeted)				957,588	(957,588)
TPAF Long-Term Disability Insurance Contributions (On-Behalf - Non-Budgeted)				2,049	(2,049)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				748,614	(748,614)
Total On-Behalf Contributions				3,190,864	(3,190,864)
Total Personal Services - Employee Benefits	3,915,260	(1,432)	3,913,828	6,619,474	(2,705,646)
Total Undistributed Expenses	13,298,502	(92,458)	13,206,044	14,912,122	(1,706,078)
TOTAL GENERAL CURRENT EXPENSE	23,133,450	(34,108)	23,099,342	24,453,198	(1,353,856)

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CAPITAL OUTLAY					
Equipment:					
Regular Programs - Instruction:					
Grades 6-8	\$ 9,061	\$ 853	\$ 9,914		\$ 9,914
Undistributed Expenditures:					
Support Services - Students - Special		5,380	5,380	\$ 5,380	
Required Maintenance for School Facilities		27,875	27,875	24,482	3,393
Total Equipment	9,061	34,108	43,169	29,862	13,307
Facilities Acquisition and Construction Services:					
Other Purchased Professional and Technical Services	77,563	22,470	100,033	92,237	7,796
Construction Services	400,000		400,000	361,362	38,638
Assessment for Debt Service on SDA Funding	21,633		21,633	21,633	
Total Facilities Acquisition and Construction Services	499,196	22,470	521,666	475,232	46,434
Assets Acquired Under Capital Leases (non-budgeted)					
Regular Instruction				73,237	(73,237)
Total Facilities Acquisition and Construction Services				73,237	(73,237)
TOTAL CAPITAL OUTLAY	508,257	56,578	564,835	578,331	(13,496)
SPECIAL SCHOOLS:					
Summer School - Instruction:					
Salaries of Teachers	27,000		27,000	10,998	16,002
Other Salaries for Instruction	16,000		16,000	1,523	14,477
Total Summer School - Instruction	43,000		43,000	12,521	30,479
TOTAL SPECIAL SCHOOLS	43,000		43,000	12,521	30,479
TOTAL EXPENDITURES	23,684,707	22,470	23,707,177	25,044,050	(1,336,873)
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(2,075,806)	(22,470)	(2,098,276)	(288,845)	1,809,431

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Other Financing Sources:					
Operating Transfer In:					
Capital Leases (non-budgeted)				73,237	\$ 73,237
Cancellation of Prior Year Accounts Payable				7,791	7,791
Interest Earned in Capital Projects Fund				79	79
Total Other Financing Sources				<u>81,107</u>	<u>81,107</u>
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures	\$ (2,075,806)	\$ (22,470)	\$ (2,098,276)	(207,738)	1,890,538
Fund Balance, July 1	<u>3,603,488</u>		<u>3,603,488</u>	<u>3,603,488</u>	
Fund Balance, June 30	<u>\$ 1,527,682</u>	<u>\$ (22,470)</u>	<u>\$ 1,505,212</u>	<u>\$ 3,395,750</u>	<u>\$ 1,890,538</u>
Recapitulation:					
Restricted for Excess Surplus				\$ 334,009	
Restricted for Excess Surplus - Designated for Subsequent Year's Expenditures				596,620	
Capital Reserve				489,353	
Maintenance Reserve				150,000	
Assigned:					
Year End Encumbrances				538,184	
Designated for Subsequent Year's Expenditures				844,445	
Unassigned Fund Balance				443,139	
				<u>3,395,750</u>	
Reconciliation to Governmental Fund Statement (GAAP):					
Last State Aid Payments not Recognized on GAAP Basis				(84,075)	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 3,311,675</u>	

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources		\$ 85,691	\$ 85,691	\$ 85,691	
State Sources		187,538	187,538	127,711	\$ (59,827)
Federal Sources	\$ 263,000	228,467	491,467	460,092	(31,375)
Total Revenues	263,000	501,696	764,696	673,494	(91,202)
EXPENDITURES:					
Instruction:					
Personal Services - Salaries		25,220	25,220	25,220	
Purchased Professional and Technical Services	30,000	81,743	111,743	101,928	9,815
Tuition	230,000	14,646	244,646	244,646	
General Supplies		45,932	45,932	45,932	
Textbooks		13,147	13,147	13,147	
Other Objects		28,380	28,380	28,380	
Total Instruction	260,000	209,068	469,068	459,253	9,815
Support Services:					
Purchased Professional and Technical Services		83,591	83,591	67,586	16,005
Other Purchased Services		120,791	120,791	60,964	59,827
Supplies and Materials	3,000	2,555	5,555	5,555	
Other Objects		85,691	85,691	85,691	
Total Support Services	3,000	292,628	295,628	214,241	81,387
Total Expenditures	263,000	501,696	764,696	673,494	91,202
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, 2018
(UNAUDITED)

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 24,755,205	\$ 673,494
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that Encumbrances are Recognized as Expenditures, and Revenue is Recognized.		343
State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	82,782	
State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(84,075)</u>	
 Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	 <u>\$ 24,753,912</u>	 <u>\$ 673,837</u>
 Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 25,044,050	\$ 673,494
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>343</u>
 Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	 <u>\$ 25,044,050</u>	 <u>\$ 673,837</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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, 2018, 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, 2018

	Elementary and Secondary Education Act				IDEA	
	Title I	Title II A	Title IV	Part B Basic	Preschool	
REVENUE:						
Local Sources						
State Sources						
Federal Sources	\$ 107,803	\$ 25,278	\$ 9,779	\$ 287,073	\$	\$ 30,159
Total Revenue	107,803	25,278	9,779	287,073		30,159
EXPENDITURES:						
Instruction:						
Salaries						
Purchased Professional and Technical Services	72,363	23,586	5,979	244,646		
Tuition				5,000		
General Supplies	35,440	1,692	3,800			
Textbooks						
Other Objects						
Total Instruction	107,803	25,278	9,779	249,646		
Support Services:						
Purchased Professional & Technical Services				37,427		30,159
Other Purchased Services						
Other Objects						
Total Support Services				37,427		30,159
Total Expenditures	\$ 107,803	\$ 25,278	\$ 9,779	\$ 287,073	\$	\$ 30,159

BOROUGH OF HILLSDALE SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Nonpublic Auxiliary Services (Chapter 192)		Nonpublic Handicapped Services (Chapter 193)			Nonpublic
	Compensatory Education	Supplementary Instruction	Examination and Classification	Corrective Speech	Security	
REVENUE:						
Local Sources						
State Sources	\$ 30,030	\$ 8,247	\$ 14,741	\$ 7,946	\$ 19,500	
Federal Sources						
Total Revenue	30,030	8,247	14,741	7,946		
EXPENDITURES:						
Instruction:						
Salaries						
Purchased Professional and Technical Services						
Tuition						
General Supplies						
Textbooks						
Other Objects						19,500
Total Instruction						
Support Services:						
Purchased Professional & Technical Services						
Other Purchased Services	30,030	8,247	14,741	7,946		
Other Objects						
Total Support Services	30,030	8,247	14,741	7,946		
Total Expenditures	\$ 30,030	\$ 8,247	\$ 14,741	\$ 7,946		

BOROUGH OF HILLSDALE SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Nonpublic			Totals June 30, 2018
	Technology	Textbook	Nursing	
REVENUE:				
Local Sources				85,691
State Sources	\$ 8,880	\$ 13,147	\$ 25,220	\$ 127,711
Federal Sources				460,092
Total Revenue	8,880	13,147	25,220	673,494
EXPENDITURES:				
Instruction:				
Salaries			25,220	25,220
Purchased Professional and Technical Services				101,928
Tuition				244,646
General Supplies				45,932
Textbooks		13,147		13,147
Other Objects	8,880			28,380
Total Instruction	8,880	13,147	25,220	459,253
Support Services:				
Purchased Professional & Technical Services				67,586
Other Purchased Services				60,964
Other Objects				85,691
Total Support Services				214,241
Total Expenditures	\$ 8,880	\$ 13,147	\$ 25,220	\$ 673,494

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, 2018

Revenue and Other Financing Sources:	
Interest Revenue	\$ 79
	<hr/>
Total Revenue and Other Financing Sources	79
	<hr/>
Expenditures and Other Financing Uses:	
Operating Transfers Out:	
General Fund - Interest Earned	79
	<hr/>
Total Expenditures and Other Financing Uses	79
	<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, 2018

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 107,924
Accounts Receivable:	
Federal	3,824
State	245
Inventories	3,820
	<hr/>
Total Current Assets	115,813
	<hr/>

Non- Current Assets:

Capital Assets:

Capital Assets	
Net of Accumulated Depreciation	39,559
	<hr/>

Total Non- Current Assets

39,559

Total Assets

155,372

LIABILITIES:

Current Liabilities:

Accounts Payable -Vendors	14,726
Unearned Revenue - Donated Commodities	3,863
Unearned Revenue - Prepaid Sales	9,112
	<hr/>

Total Current Liabilities

27,701

Total Liabilities

27,701

NET POSITION:

Investment in Capital Assets	39,559
Unrestricted	88,112
	<hr/>

Total Net Position

\$ 127,671

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, 2018

Operating Revenue:	
Charges for Services:	
Daily Sales:	
Daily Sales - Reimbursable Programs	\$ 179,897
Daily Sales - Non Reimbursable Programs	42,198
	<hr/>
Total Operating Revenue	222,095
	<hr/>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	112,647
Cost of Sales - Non Reimbursable Programs	26,423
Salaries, Benefits and Payroll Taxes	127,609
Supplies and Materials	11,458
Miscellaneous Expenses	10,401
Depreciation Expense	4,422
	<hr/>
Total Operating Expenses	292,960
	<hr/>
Operating (Loss)	(70,865)
	<hr/>
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	55,425
Food Distribution Program	17,289
State Sources:	
School Lunch Program	3,506
Local Sources:	
Interest Revenue	595
	<hr/>
Total Non-Operating Revenue	76,815
	<hr/>
Change in Net Position	5,950
	<hr/>
Net Position - Beginning of Year	121,721
	<hr/>
Net Position - End of Year	\$ 127,671
	<hr/> <hr/>

BOROUGH OF HILLSDALE SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 216,089
Payments to Food Service Vendor	(261,870)
Payments to Suppliers	<u>(8,162)</u>
Net Cash (Used for) Operating Activities	<u>(53,943)</u>
Cash Flows from Investing Activities:	
Interest Revenue	<u>595</u>
Net Cash Provided by Investing Activities	<u>595</u>
Cash Flows from Noncapital Financing Activities:	
Federal Sources	54,902
State Sources	<u>3,440</u>
Net Cash Provided by Noncapital Financing Activities	<u>58,342</u>
Net Increase in Cash and Cash Equivalents	4,994
Cash and Cash Equivalents, July 1	<u>102,930</u>
Cash and Cash Equivalents, June 31	<u>\$ 107,924</u>
Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities:	
Operating (Loss)	\$ (70,865)
Adjustment to Reconcile Operating (Loss) to Cash (Used for) Operating Activities:	
Depreciation	4,422
Federal Food Distribution Program	17,289
Changes in Assets and Liabilities:	
Decrease/(Increase) in Inventories	223
Increase/(Decrease) in Accounts Payable	544
Increase/(Decrease) in Unearned Revenue - Donated Commodities	(679)
Increase/(Decrease) in Unearned Revenue- Prepaid Sales	<u>(4,877)</u>
Net Cash (Used for) Operating Activities	<u>\$ (53,943)</u>

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received U.S.D.A. Commodities through the Federal Food Distribution Program valued at \$16,610 and utilized commodities valued at \$17,289 for the fiscal year ended June 30, 2018.

FIDUCIARY FUNDS

BOROUGH OF HILLSDALE SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>Student Activity Agency Fund</u>	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>
ASSETS:			
Cash and Cash Equivalents	\$ 105,886	\$ 84,001	\$ 878
Total Assets	<u>105,886</u>	<u>84,001</u>	<u>878</u>
LIABILITIES:			
Due to Student Groups	88,491		
Technology Initiative	<u>17,395</u>		
Total Liabilities	<u>105,886</u>	<u>-0-</u>	<u>-0-</u>
NET ASSETS:			
Held in Trust for Unemployment Claims and Other Purposes		<u>84,001</u>	<u>878</u>
Total Net Position	<u>\$ -0-</u>	<u>\$ 84,001</u>	<u>\$ 878</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT
FIDUCIARY FUND
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>
ADDITIONS:		
Contributions:		
Plan member	\$ 21,662	\$ 6,518
Investment Earnings:		
Interest	395	20
Total Additions	<u>22,057</u>	<u>6,538</u>
DEDUCTIONS:		
Quarterly Contribution Reports	12,012	
Flexible Spending Claims		7,027
Total Deductions	<u>12,012</u>	<u>7,027</u>
Change in Net Position	10,045	(489)
Net Position - Beginning of the Year	<u>73,956</u>	<u>1,367</u>
Net Position - End of the Year	<u>\$ 84,001</u>	<u>\$ 878</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
ASSETS:				
Cash and Cash Equivalents	\$ 73,421	\$ 130,413	\$ 97,948	\$ 105,886
Total Assets	<u>\$ 73,421</u>	<u>\$ 130,413</u>	<u>\$ 97,948</u>	<u>\$ 105,886</u>
LIABILITIES:				
Due to Student Groups	\$ 73,421	\$ 108,148	\$ 93,078	\$ 88,491
Technology Initiative		<u>22,265</u>	<u>4,870</u>	<u>17,395</u>
Total Liabilities	<u>\$ 73,421</u>	<u>\$ 130,413</u>	<u>\$ 97,948</u>	<u>\$ 105,886</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2018</u>
Elementary Schools:				
Ann B. Smith	\$ 25	\$ 1		\$ 26
Meadowbrook	1,762	12,918	\$ 13,356	1,324
George G. White	71,634	95,229	79,722	87,141
Technology Initiative	<u>-0-</u>	<u>22,265</u>	<u>4,870</u>	<u>17,395</u>
Total All Schools	<u>\$ 73,421</u>	<u>\$ 130,413</u>	<u>\$ 97,948</u>	<u>\$ 105,886</u>

BOROUGH OF HILLSDALE SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
ASSETS:				
Cash and Cash Equivalents	\$ 13,614	\$ 14,374,441	\$ 14,388,055	
Total Assets	<u>\$ 13,614</u>	<u>\$ 14,374,441</u>	<u>\$ 14,388,055</u>	<u>\$ -0-</u>
LIABILITIES:				
Payroll Deductions and Withholdings		\$ 6,397,602	\$ 6,397,602	
Net Payroll		7,976,839	7,976,839	
Interfund Payable - General Fund	\$ 13,614		13,614	
Total Liabilities	<u>\$ 13,614</u>	<u>\$ 14,374,441</u>	<u>\$ 14,388,055</u>	<u>\$ -0-</u>

LONG-TERM DEBT

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds			Interest Rate	Balance June 30, 2017	Retired or Matured	Balance June 30, 2018
			Date	Outstanding June 30, 2018 Amount	Amount				
Refunding Bonds of 2012	12/4/2012	\$ 3,815,000	07/15/18	\$ 385,000		3.000%			
			07/15/19	400,000		3.000%			
			07/15/20	420,000		3.000%			
			07/15/21	425,000		4.000%			
			07/15/22	425,000		4.000%			
			07/15/23	365,000		4.000%			
							\$ 2,790,000	\$ 370,000	\$ 2,420,000
							\$ 2,790,000	\$ 370,000	\$ 2,420,000

BOROUGH OF HILLSDALE SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Item	Interest Rate	Original Issue	Balance July 1, 2017	Issued	Matured	Balance June 30, 2018
Digital Copiers	3.90%	\$ 73,237	\$ - 0 -	\$ 73,237	\$ 25,466	\$ 47,771
			\$ - 0 -	\$ 73,237	\$ 25,466	\$ 47,771

BOROUGH OF HILLSDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 460,300		\$ 460,300	\$ 460,300	
Total Revenues	460,300		460,300	460,300	
EXPENDITURES:					
Regular Debt Service:					
Interest	90,300		90,300	90,300	
Redemption of Principal	370,000		370,000	370,000	
Total Regular Debt Service	460,300		460,300	460,300	
Total Expenditures	460,300		460,300	460,300	
Excess/(Deficiency) of Revenues Over/(Under) Expenditures					
Fund Balance, July 1	-0-		-0-	-0-	
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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities:										
Net Investment in Capital Assets	\$ 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	\$ 12,118,748
Restricted	669,398	588,636	907,016	1,575,041	1,981,497	1,970,339	1,428,241	1,822,588	2,246,977	1,569,982
Unrestricted/(Deficit)	(782,254)	(669,819)	(727,755)	(755,515)	(186,751)	(4,342,929)	(3,663,287)	(4,230,049)	(4,862,881)	(4,432,924)
Total Governmental Activities Net Position	\$ 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	\$ 9,255,806
Business-Type Activities:										
Investment in Capital Assets	\$ 30,234	\$ 40,321	\$ 58,306	\$ 79,228	\$ 35,798	\$ 31,820	\$ 27,843	\$ 42,287	\$ 37,975	\$ 39,559
Unrestricted					64,102	66,786	77,893	70,253	83,746	88,112
Total Business-Type Activities Net Position	\$ 30,234	\$ 40,321	\$ 58,306	\$ 79,228	\$ 99,900	\$ 98,606	\$ 105,736	\$ 112,540	\$ 121,721	\$ 127,671
District-Wide:										
Net Investment in Capital Assets	\$ 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	\$ 12,158,307
Restricted	669,398	588,636	907,016	1,575,041	1,981,497	1,970,339	1,428,241	1,822,588	2,246,977	1,569,982
Unrestricted/(Deficit)	(752,020)	(629,498)	(669,449)	(676,287)	(122,649)	(4,276,143)	(3,585,394)	(4,159,796)	(4,779,135)	(4,344,812)
Total District Net Position	\$ 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	\$ 9,383,477

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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses:										
Governmental Activities:										
Instruction:										
Regular	\$ 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	\$ 13,303,362
Special Education	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	4,044,204
Other Special Instruction	217,540	168,290	205,686	203,890	213,159	282,164	298,466	212,912	242,666	258,652
Other Instruction	125,772	158,344	161,495	165,441	169,998	110,985	133,354	151,824	143,702	134,172
Support Services:										
Tuition	492,509	392,903	516,478	658,318	723,776	1,117,640	696,820	885,893	868,282	838,605
Student & Instruction Related Services	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	4,603,753
General Administrative Services	527,099	557,121	547,326	456,380	487,398	496,940	434,410	681,974	470,098	492,180
School Administrative Services	823,198	872,231	947,395	927,761	1,004,647	961,813	1,019,201	1,185,445	1,339,033	1,295,007
Central Services	383,728	411,104	445,344	418,417	447,184	467,903	413,524	422,260	411,762	400,619
Administration Information Technology	127,848	145,161	123,015	134,255	123,289	145,762	123,673	123,939	135,179	156,401
Plant Operations and Maintenance	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	2,048,386
Pupil Transportation	610,966	595,009	546,936	421,176	468,777	456,756	470,899	419,228	464,553	515,896
Special Schools	8,891	7,202	7,500	5,542	25,025	23,412	29,219	32,428	22,904	15,843
Capital Outlay	305,831	150,363	11,075	15,763	70,066	117,656	129,642	32,703	21,633	21,633
Interest on Long-term Debt	319,693	278,492	257,666	243,304	259,439	160,953	71,891	122,194	102,177	83,820
Unallocated Depreciation	319,693	319,830	319,830	319,830	338,499	346,453	391,737	392,898	393,490	418,603
Total Governmental Activities Expenses	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	28,631,136
Business-Type Activities:										
Food Service	268,493	271,037	309,133	319,070	293,915	295,750	268,503	280,648	286,247	292,960
Total Business-Type Activities Expenses	268,493	271,037	309,133	319,070	293,915	295,750	268,503	280,648	286,247	292,960
Total District Expenses	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	28,924,096
Program Revenues:										
Governmental Activities:										
Charges for Services:										
Tuition	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	7,690,295
Transportation			79,930	73,528	74,466	63,496	20,600	23,400	27,200	28,100
Operating Grants and Contributions			2,294,351	3,110,100	3,559,896	3,375,324	5,892,191	6,895,945	8,796,377	7,778,925
Total Governmental Activities Program Revenues	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	7,778,925

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

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Program Revenues: (Cont'd)										
Business-Type Activities:										
Charges for Services:										
Food Service	\$ 211,541	\$ 211,279	\$ 252,381	\$ 252,942	\$ 241,529	\$ 222,363	\$ 201,275	\$ 200,126	\$ 222,866	\$ 222,095
Operating Grants and Contributions	60,364	69,401	74,018	86,646	72,658	71,674	74,034	74,646	72,124	76,220
Total Business-Type Activities Revenues	271,905	280,680	326,399	339,588	314,187	294,037	275,309	274,772	294,990	298,315
Total District Program Revenues	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	8,077,240
Net (Expense)/Revenue										
Governmental Activities	(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)	(20,852,211)
Business-Type Activities	3,412	9,643	17,266	20,518	20,272	(1,713)	6,806	(5,876)	8,743	5,355
Total District Net (Expense)/Revenue	(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)	(20,846,856)
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	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	20,442,524
Taxes Levied for Debt Service	756,611	786,863	747,305	795,506	801,388	766,468	727,174	728,242	699,542	460,300
Unrestricted Grants and Contributions	243,490	213,533	190,801	33,050	55,124	39,517	37,670	37,588	48,991	46,424
Interest and Miscellaneous Income	62,270	45,998	31,207	126,513	352,945	95,244	42,388	85,453	59,853	3,085
Cancellation of Prior Year Accounts Payable									63,302	7,791
Debt Service Contribution					60,000					
Total Governmental Activities	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	20,960,124
Business-Type Activities:										
Investment Earnings	570	444	719	404	400	419	324	359	438	595
Special Item - Capital Asset Valuation Adjustment								12,321		
Total Business-Type Activities	570	444	719	404	400	419	324	12,680	438	595
Total District	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	20,960,719
Change in Net Position:										
Governmental Activities	551,559	390,416	547,254	1,204,581	1,536,790	979,017	794,074	509,985	(96,003)	107,913
Business-Type Activities	3,982	10,087	17,985	20,922	20,672	(1,294)	7,130	6,804	9,181	5,950
Total District	\$ 555,541	\$ 400,503	\$ 565,239	\$ 1,225,503	\$ 1,557,462	\$ 977,723	\$ 801,204	\$ 516,789	\$ (86,822)	\$ 113,863

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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund:										
Reserved/Restricted	\$ 351,909	\$ 535,387	\$ 906,856	\$ 967,963	\$ 1,971,465	\$ 1,960,312	\$ 1,428,241	\$ 1,822,588	\$ 2,246,977	\$ 1,569,982
Assigned				787,059	759,369	912,811	1,053,311	819,737	550,517	1,382,629
Unreserved/Unassigned	183,492	339,424	358,950	335,378	307,654	322,693	852,958	693,252	723,212	359,064
Total General Fund	\$ 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	\$ 3,311,675
All Other Governmental Funds:										
Reserved/Restricted	\$ 257,020	\$ 6,585	\$ 160	\$ 262	\$ 10,032	\$ 10,027	\$ 440	\$ 277	\$ -0-	\$ -0-
Unreserved/Unrestricted, Reported in:										
Capital Projects Fund	18,361	4,490								
Debt Service Fund	42,108	42,174								
Total All Other Governmental Funds	\$ 317,489	\$ 53,249	\$ 160	\$ 262	\$ 10,032	\$ 10,027	\$ 440	\$ 277	\$ -0-	\$ -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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues:										
Tax Levy	\$ 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	\$ 20,902,824
Tuition Charges	33,849	58,544	79,930	73,528	74,466	63,496	20,600	23,400	27,200	28,100
Miscellaneous	67,677	50,463	41,635	130,960	68,780	230,223	258,533	88,252	156,753	137,427
State Sources	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	4,346,494
Federal Sources	464,102	803,645	441,826	483,320	411,372	390,472	416,715	481,702	470,628	473,283
Total Revenues	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	25,888,128
Expenditures:										
Instruction:										
Regular Instruction	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	7,394,609
Special Education Instruction	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	2,187,091
Other Special Instruction	172,883	133,520	145,780	143,986	147,227	197,723	176,454	118,476	120,724	138,446
Other Instruction	88,073	111,295	118,810	121,489	120,739	84,530	84,377	92,413	75,232	74,801
Support Services:										
Tuition	492,509	392,903	516,478	658,318	723,776	1,117,640	696,820	885,893	868,282	838,605
Student & Instruction Related Services	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	3,866,607
General Administrative Services	475,177	496,832	467,255	411,962	434,825	441,756	385,227	593,166	417,295	439,840
School Administrative Services	638,908	669,795	696,932	723,611	733,341	714,191	687,743	733,611	744,544	764,020
Central Services	303,307	322,300	334,949	334,878	340,558	337,922	312,115	316,152	301,232	291,194
Administration Information Technology	115,594	131,002	110,474	123,555	109,117	133,071	109,135	110,546	121,111	141,475
Plant Operations and Maintenance	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	1,869,099
Pupil Transportation	592,701	576,259	527,000	407,054	454,655	437,422	448,859	405,106	450,431	501,774
Unallocated Benefits	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	6,619,474
Special Schools	7,500	6,000	6,000	4,500	20,490	19,136	23,657	26,206	17,943	12,521
Capital Outlay	203,252	327,945	94,795	591,802	294,443	713,822	704,397	626,806	58,254	578,331
Debt Service:										
Principal	495,000	525,000	545,000	570,000	590,000	605,000	595,000	605,000	595,000	370,000
Interest and Other Charges	311,010	268,019	249,863	230,972	199,916	166,814	146,858	128,175	109,095	90,300
Total Expenditures	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	26,178,187
Excess (Deficiency) of Revenues Over (Under) Expenditures	138,543	75,170	337,906	574,696	866,866	157,323	129,107	904	121,550	(290,059)

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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Other Financing Sources (Uses)										
Transfers In	\$ 83,685	\$ 448	\$ 3	\$ 3	\$ 4	\$ 3	\$ 4	\$ 13	\$ 33	\$ 79
Transfers Out	(83,685)	(448)	(3)	(3)	(4)	(3)	(4)	(13)	(33)	(79)
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					63,302	73,237
Cancellation of Prior Year Accounts Payable										7,791
Total Other Financing Sources (Uses)	275,381	-0-	-0-	250,000	90,992	-0-	-0-	-0-	63,302	81,028
Net Change in Fund Balances	\$ 413,924	\$ 75,170	\$ 337,906	\$ 824,696	\$ 957,858	\$ 157,323	\$ 129,107	\$ 904	\$ 184,852	\$ (209,031)
Debt Service as a Percentage of Noncapital Expenditures	4.3 %	4.0 %	4.0 %	3.9 %	3.8 %	3.6 %	3.4 %	3.2 %	2.9 %	1.8 %

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>
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
2018	2,558	28,100	60,530	448	91,636

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		Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Tax-Exempt Property	Add: Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
	Regular	Qualified	Regular	Qualified	Regular	Qualified										
2008	\$ 12,449,200	\$ 1,818,907,400	\$ 745,000	\$ 13,100	\$ 107,676,500	\$ 14,315,500	\$ 1,995,300	\$ 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	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	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	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	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	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	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	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	140,242,900	5,840,947	1,678,068,447	1.22	1,797,317,792				
2017	10,204,700	1,550,344,000	621,800	12,200	96,744,900	12,029,100	4,959,700	140,448,700	5,839,516	1,680,755,916	1.24	1,819,081,316				

* 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,	<u>Borough of Hillsdale School District Direct Rate</u>			<u>Overlapping Rates</u>			Total Direct and Overlapping Tax Rate
	<u>Basic Rate ^a</u>	<u>General Obligation Debt Service ^b</u>	<u>Total Direct</u>	<u>Borough of Hillsdale</u>	<u>Pascack Valley Regional High School District</u>	<u>Bergen County</u>	
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
2017	1.21	0.03	1.24	0.57	0.68	0.27	2.76

* 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

	2018		2009			
	Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value	Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value
New Creek LLC		\$ 11,472,700	0.68 %	Prima II LLC	\$ 10,483,100	0.53 %
Cross Roads - Hillsdale Association LLC		9,126,400	0.54 %	Cross Roads - Hillsdale Association LLC	9,502,100	0.48 %
New Jersey Bell		5,873,363	0.35 %	New Jersey Bell	8,676,887	0.44 %
Edgewood Golf Course Realty Assoc., LLC		3,069,400	0.18 %	Edgewood Country Club, Inc.	3,880,800	0.20 %
Pavonia Equities, LP		3,008,100	0.18 %	New Jersey Bell	3,365,700	0.17 %
Marsala Enterprises		2,651,000	0.16 %	Golden Orchard Associates, LP	3,333,200	0.17 %
100 Park Ave Associates, LLC		2,560,000	0.15 %	Bank of America	2,547,400	0.13 %
New Jersey Bell, Gen. Tax Adm.		2,400,000	0.14 %	321 Broadway Associates, LLC	3,170,100	0.16 %
371 Retail Associates, LLC		2,200,000	0.13 %	Marsala Enterprises	2,710,100	0.14 %
Bank of America		2,055,000	0.12 %	U.S.A Waste C/O Waste Management	2,278,400	0.12 %
Total		\$ 44,415,963	2.63 %	Total	\$ 49,947,787	2.54 %

Note - a revaluation of the Borough was effective 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	
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-
2018	20,902,824	20,902,824	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			Bond		Business -Type Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Certificates of Participation	Capital Leases	Anticipation Notes (BANs)	Capital Leases	Capital Leases				
2009	\$ 7,679,000	-0-	\$ 185,628	\$ -0-	-0-	-0-	\$ 7,864,628	1.18 %	\$ 801.37	
2010	7,154,000	-0-	125,702	-0-	-0-	-0-	7,279,702	1.14 %	739.43	
2011	6,609,000	-0-	63,847	-0-	-0-	-0-	6,672,847	0.99 %	652.98	
2012	6,039,000	-0-	164,502	-0-	-0-	-0-	6,203,502	0.87 %	602.75	
2013	5,190,000	-0-	83,338	-0-	-0-	-0-	5,273,338	0.71 %	507.54	
2014	4,585,000	-0-	-0-	-0-	-0-	-0-	4,585,000	0.61 %	438.92	
2015	3,990,000	-0-	-0-	-0-	-0-	-0-	3,990,000	0.52 %	380.47	
2016	3,385,000	-0-	-0-	-0-	-0-	-0-	3,385,000	0.42 %	321.40	
2017	2,790,000	-0-	-0-	-0-	-0-	-0-	2,790,000	0.34 %	264.56	
2018	2,420,000	-0-	47,771	-0-	-0-	-0-	2,467,771	0.30 %	233.23	

^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		
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 %	646.74
2012	6,039,000	-0-	6,039,000	0.31 %	586.77
2013	5,190,000	-0-	5,190,000	0.27 %	499.52
2014	4,585,000	-0-	4,585,000	0.27 %	438.92
2015	3,990,000	-0-	3,990,000	0.24 %	380.47
2016	3,385,000	-0-	3,385,000	0.20 %	321.40
2017	2,790,000	-0-	2,790,000	0.17 %	264.56
2018	2,420,000	-0-	2,420,000	0.14 %	228.71

^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, 2017
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	\$ 3,574,257	100.00 %	\$ 3,574,257
Bergen County General Obligation Debt	876,045,885	1.06 %	<u>9,263,448</u>
Subtotal, Overlapping Debt			12,837,705
Borough of Hillsdale School District Direct Debt			<u>2,420,000</u>
Total Direct and Overlapping Debt			<u>\$ 15,257,705</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 2018

Year Ended December 31,	Equalized Valuation Basis
2016	\$ 1,785,683,704
2017	1,787,018,555
2018	1,797,319,990
	<u>\$ 5,370,022,249</u>
Average Equalized Valuation of Taxable Property	<u>\$ 1,790,007,416</u>
Debt Limit (3% of Average Equalization Value) ^a	\$ 53,700,222
Net Bonded School Debt at June 30, 2018	<u>2,420,000</u>
Legal Debt Margin	<u>\$ 51,280,222</u>

	Fiscal Year				
	2009	2010	2011	2012	2013
Debt Limit	\$ 59,461,845	\$ 60,432,379	\$ 60,432,379	\$ 58,586,075	\$ 56,674,630
Total Net Debt Applicable to Limit	<u>7,679,000</u>	<u>7,154,000</u>	<u>7,154,000</u>	<u>6,039,000</u>	<u>5,190,000</u>
Legal Debt Margin	<u>\$ 51,782,845</u>	<u>\$ 53,278,379</u>	<u>\$ 53,278,379</u>	<u>\$ 52,547,075</u>	<u>\$ 51,484,630</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	12.91 %	11.84 %	11.84 %	10.31 %	9.16 %

	Fiscal Year				
	2014	2015	2016	2017	2018
Debt Limit	\$ 55,286,435	\$ 54,068,112	\$ 53,567,528	\$ 53,410,421	\$ 53,700,222
Total Net Debt Applicable to Limit	<u>4,585,000</u>	<u>3,990,000</u>	<u>3,385,000</u>	<u>2,790,000</u>	<u>2,420,000</u>
Legal Debt Margin	<u>\$ 50,701,435</u>	<u>\$ 50,078,112</u>	<u>\$ 50,182,528</u>	<u>\$ 50,620,421</u>	<u>\$ 51,280,222</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	8.29 %	7.38 %	6.32 %	5.22 %	4.51 %

^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
2008	9,814	\$ 668,568,936	\$ 68,124	3.20%
2009	9,845	640,879,965	65,097	5.80%
2010	10,219	675,271,520	66,080	5.90%
2011	10,292	710,600,848	69,044	5.80%
2012	10,390	747,591,670	71,953	5.90%
2013	10,446	746,356,254	71,449	6.20%
2014	10,487	768,623,691	73,293	4.70%
2015	10,532	804,518,416	76,388	4.00%
2016	10,546	814,014,102	77,187	4.00%
2017	10,581	816,715,647	77,187 **	3.80%

** Latest Bergen County per capita personal income available (2016) 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

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Instruction:										
Regular	111.00	111.00	87.10	87.10	87.15	87.15	89.15	89.15	89.15	90.10
Special Education	63.00	63.00	47.20	49.20	53.00	53.00	54.25	56.25	57.25	58.00
Support Services:										
Student & Instruction Related Services	17.30	17.30	22.80	22.80	25.74	25.74	25.74	25.74	25.74	26.74
General Administrative Services	2.00	2.00	3.60	3.60	2.50	2.50	2.50	3.00	3.00	3.00
School Administrative Services	8.50	8.50	7.80	7.80	8.00	8.00	8.00	9.00	10.00	9.50
Central Services	4.50	4.50	6.00	6.00	6.00	6.00	6.00	3.00	2.00	2.00
Plant Operations and Maintenance	18.50	18.50	9.93	9.93	10.30	10.30	10.30	10.30	10.30	5.00
Total	224.80	224.80	184.43	186.43	192.69	192.69	195.94	196.44	197.44	194.34

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				
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 %
2018	1,149	25,139,556	21,880	8.13 %	124	1:9.4	1:9.4	1:9.4	1,149	1,102	-3.20 %	95.91 %

^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>	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Meadowbrook School (1962)										
Square Feet	49,622	49,622	49,622	49,622	49,622	49,622	49,622	49,622	49,622	49,622
Capacity (students)	450	450	450	450	450	450	450	450	450	450
Enrollment	386	395	390	366	256	337	327	327	319	319
Smith School (1956)										
Square Feet	44,950	44,950	44,950	44,950	44,950	44,950	44,950	44,950	44,950	44,950
Capacity (students)	464	464	464	465	465	465	465	465	465	465
Enrollment	410	413	408	378	351	333	309	309	294	294
White School (1922)										
Square Feet	66,370	66,370	66,370	66,370	66,370	66,370	66,370	66,370	66,370	66,370
Capacity (students)	752	752	752	752	752	752	752	752	752	752
Enrollment	642	638	618	650	630	630	621	621	576	576
Board Office (1999)										
Square Feet	4,820	4,820	4,820	4,820	4,820	4,820	4,820	4,820	4,820	4,820

Number of Schools at June 30, 2018
 Elementary = 2
 Middle School = 1
 Other = 1

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

Source: Borough of Hillsdale School District Board Office.

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

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

School Facilities*	Project # (s)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Ann Blanche Smith	N/A	\$ 71,839	\$ 69,007	\$ 62,510	\$ 73,140	\$ 85,800	\$ 91,762	\$ 95,321	\$ 84,790	\$ 93,033	\$ 91,002
George G. White	N/A	111,929	128,093	112,532	122,147	137,026	161,305	206,640	102,914	327,830	114,179
Meadowbrook	N/A	57,898	56,689	53,713	63,135	82,643	84,917	90,214	73,428	105,413	87,834
Total School Facilities		241,666	253,789	228,755	258,422	305,469	337,984	392,175	261,132	526,276	293,015
<u>Other Facilities</u>											
Board Office	N/A	7,152	10,648	6,738	13,588	5,220	5,585	8,301	6,967	8,936	10,242
Grand Total		\$ 248,818	\$ 264,437	\$ 235,493	\$ 272,010	\$ 310,689	\$ 343,569	\$ 400,476	\$ 268,099	\$ 535,212	\$ 303,257

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, 2018
UNAUDITED

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

Source: Borough of Hillsdale School District records.

SINGLE AUDIT SECTION



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax

Lawrence Business Center
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Hillsdale School District, in the County of Bergen (the "District") as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 18, 2019.

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
January 18, 2019


NISIVOCCIA LLP



Francis Jones
Licensed Public School Accountant #1154
Certified Public Accountant



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax

Lawrence Business Center
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

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

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, 2018. 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.

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

Opinion on Each Major State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2018.

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
January 18, 2019


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, 2018**

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, 2017		Cash Received	Budgetary Expenditures	Prior Year Encumbrances Cancelled	Paid to Grantor	Balance at June 30, 2018		Amount Provided to Subrecipients
			From	To		Unearned Revenue/ (Accounts Receivable)	Due to Grantor					(Accounts Receivable)	Unearned Revenue	
General Fund:														
U. S. Department of Health and Human Services: Passed-Through State Department of Human Services: Medicaid Cluster: Medicaid Assistance Program	93.778	N/A	7/01/17	6/30/18	\$ 17,201		\$ (28,559)	\$ 92,010	(107,803)			\$ (17,201)		
Total General Fund														
Special Revenue Fund:														
U.S. Department of Education - Passed-through State Department of Education: Elementary and Secondary Education Act: Title I, Part A	84.010A	ESEA-2180-18	7/1/17	6/30/18	109,052		\$ (28,559)	\$ 28,559	(107,803)			(15,793)		
Title I, Part A	84.010A	ESEA-2180-17	7/1/16	6/30/17	109,408			28,559						
Title II - Part A	84.367A	ESEA-2180-18	7/1/17	6/30/18	32,706		(474)	16,926	(25,278)			(8,352)		
Title II - Part A	84.367A	ESEA-2180-17	7/1/16	6/30/17	32,959			397	(77)					
Title IV	84.186A	ESEA-2180-18	7/1/17	6/30/18	10,000		(29,033)	8,159	(9,779)			(1,620)		
								146,051	(142,860)			(25,842)		
Special Education Cluster:														
I.D.E.A. Part B, Basic	84.027	IDEA-2180-18	7/1/17	6/30/18	301,795		(29,475)	270,523	(287,073)			(16,550)		
I.D.E.A. Part B, Basic	84.027	IDEA-2180-17	7/1/16	6/30/17	320,449			29,475						
I.D.E.A. Part B, Preschool	84.173	IDEA-2180-18	7/1/17	6/30/18	31,442		(10,010)	30,159	(30,159)					
I.D.E.A. Part B, Preschool	84.173	IDEA-2180-17	7/1/16	6/30/17	30,297		(39,485)	10,010	(317,232)			(16,550)		
Total Special Education Cluster								340,167	(317,232)			(16,550)		
Total U.S. Department of Education								486,218	(460,092)			(42,392)		
Total Special Revenue Fund								486,218	(460,092)			(42,392)		
Enterprise Fund														
U.S. Department of Agriculture - Passed-through State Department of Agriculture: Child Nutrition Cluster: Federal Food Distribution Program	10.555	N/A	7/1/17	6/30/18	\$ 16,610		4,542	16,610	(12,747)			\$ 3,863		
Federal Food Distribution Program	10.555	N/A	7/1/16	6/30/17	15,282				(4,542)					
National School Lunch Program	10.555	N/A	7/1/17	6/30/18	55,425		(3,301)	51,601	(55,425)			(3,824)		
National School Lunch Program	10.555	N/A	7/1/16	6/30/17	53,913		1,241	3,301						
Total Child Nutrition Cluster								71,512	(72,714)			(3,824)		
Total U.S. Department of Agriculture								71,512	(72,714)			(3,824)		
Total Enterprise Fund								71,512	(72,714)			(3,824)		
TOTAL FEDERAL AWARDS							\$ (67,277)	\$ 557,730	\$ (550,007)	\$ -0-	\$ -0-	\$ (63,417)	\$ 3,863	\$ -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, 2018

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2017		Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2018		MEMO Cumulative Total Expenditures
		From	To		Budgetary Unearned Revenue/ (Accounts Receivable)	Due to Grantor				GAAP (Accounts Receivable)	Due to Grantor	
State Department of Education:												
General Fund:												
Equalization Aid	18-495-034-5120-078	7/1/17	6/30/18	\$ 11,741	\$	\$	10,609	(11,741)		\$	1,132	11,741
Transportation Aid	18-495-034-5120-014	7/1/17	6/30/18	34,121			30,831	(34,121)			3,290	34,121
Special Education Categorical Aid	18-495-034-5120-089	7/1/17	6/30/18	742,271			670,692	(742,271)			71,579	742,271
Security Aid	18-495-034-5120-084	7/1/17	6/30/18	23,068			20,844	(23,068)			2,224	23,068
Additional Adjustment Aid	18-495-034-5120-085	7/1/17	6/30/18	23,739			21,450	(23,739)			2,289	23,739
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17	6/30/18	12,690			11,466	(12,690)			1,224	12,690
PARCC Readiness	18-495-034-5120-098	7/1/17	6/30/18	12,690			11,466	(12,690)			1,224	12,690
Professional Learning Community Aid	18-495-034-5120-101	7/1/17	6/30/18	11,540			10,427	(11,540)			1,113	11,540
Extraordinary Special Education Costs	18-495-034-5120-044	7/1/17	6/30/18	133,580				(133,580)		\$ (133,580)		133,580
Nonpublic Transportation Aid	18-495-034-5120-044	7/1/17	6/30/18	7,540				(7,540)		(7,540)		7,540
Reimbursed TPAF Social Security Contributions	18-495-034-5094-003	7/1/17	6/30/18	748,614			748,614	(748,614)				748,614
On-Behalf TPAF Post Retirement Contributions	18-495-034-5094-001	7/1/17	6/30/18	957,588			957,588	(957,588)				957,588
On-Behalf Long Term Disability Insurance Contributions	18-495-034-5094-001	7/1/17	6/30/18	2,049			2,049	(2,049)				2,049
On-Behalf TPAF Pension Contributions	18-495-034-5094-002	7/1/17	6/30/18	1,447,486			1,447,486	(1,447,486)				1,447,486
On-Behalf TPAF Non-Contributory Insurance	18-495-034-5094-004	7/1/17	6/30/18	35,127			35,127	(35,127)				35,127
Special Education Categorical Aid	17-495-034-5120-089	7/1/16	6/30/17	716,708		\$ (70,076)	70,076	(748,614)				715,195
Extraordinary Special Education Costs	17-495-034-5120-044	7/1/16	6/30/17	126,944		(126,944)	126,944	(957,588)				112,122
Nonpublic Transportation Aid	17-495-034-5120-014	7/1/16	6/30/17	5,568		(5,568)	5,568	(2,049)				6,786
Equalization Aid	17-495-034-5120-078	7/1/16	6/30/17	11,741		(1,151)	1,151	(1,447,486)				12,167
Transportation Aid	17-495-034-5120-014	7/1/16	6/30/17	34,121		(3,346)	3,346	(35,127)				31,235
Security Aid	17-495-034-5120-084	7/1/16	6/30/17	23,068		(2,262)	2,262	(1,447,486)				20,423
Additional Adjustment Aid	17-495-034-5120-085	7/1/16	6/30/17	23,739		(2,328)	2,328	(1,447,486)				23,739
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16	6/30/17	12,690		(1,244)	1,244	(12,690)				12,690
PARCC Readiness	17-495-034-5120-098	7/1/16	6/30/17	12,690		(1,244)	1,244	(12,690)				12,690
Professional Learning Community Aid	17-495-034-5120-101	7/1/16	6/30/17	11,540		(1,131)	1,131	(133,580)				11,540
Total General Fund State Aid						(215,294)	4,193,943	(4,203,844)		(141,120)	225,195	5,162,431
Special Revenue Fund:												
NJ Nonpublic Aid:												
Textbook Aid (Chapter 194)	18-100-034-5120-064	7/1/17	6/30/18	13,147			13,147	(13,147)				13,147
Nursing Services (Chapter 194)	17-100-034-5120-064	7/1/16	6/30/17	16,485					\$ (609)			16,975
Technology Initiative Program	18-100-034-5120-070	7/1/17	6/30/18	25,220			25,220	(25,220)				25,220
Security	18-100-034-5120-373	7/1/17	6/30/18	8,880			8,880	(8,880)				8,880
Auxiliary Services (Chapter 192):	18-100-034-5120-509	7/1/17	6/30/18	15,100			19,500	(19,500)				19,500
Compensatory Education	18-100-034-5120-067	7/1/17	6/30/18	45,178			45,178	(30,030)				7,995
English as a Second Language	17-100-034-5120-067	7/1/16	6/30/17	55,540						\$ 15,148		30,030
Non-Public Home Instruction	18-100-034-5120-067	7/1/16	6/30/17	2,741			2,741	(2,741)				44,332
Handicapped Services (Chapter 193):	18-100-034-5120-066	7/1/16	6/30/17	2,043						2,043		
Examination and Classification	18-100-034-5120-066	7/1/17	6/30/18	30,391			30,391	(14,741)				14,741
Supplementary Instruction	17-100-034-5120-066	7/1/16	6/30/17	31,334				(18,721)				12,613
Corrective Speech	18-100-034-5120-066	7/1/17	6/30/18	22,756			16,652	(8,247)				8,247
Handicapped Services (Chapter 193):	18-100-034-5120-066	7/1/17	6/30/18	28,570			28,570	(7,946)				14,753
Corrective Speech	17-100-034-5120-066	7/1/16	6/30/17	29,156				(17,759)				7,946
Total Special Revenue Fund						2,043	58,351	(127,711)		2,043	59,827	235,776

BOROUGH OF HILLSDALE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

State Grantor/Program Title	Grant or State Project Number	Grant Period From To	Program or Award Amount	Balance at June 30, 2017		Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2018		MEMO	
				Budgetary Unearned Revenue/ (Accounts Receivable)	Due to Grantor				GAAP (Accounts Receivable)	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
Enterprise Fund:												
State National School Lunch Program	18-100-010-3350-023	7/1/17 6/30/18	\$ 3,506		\$ 3,261	\$ (3,506)			\$ (245)	\$ 245	\$ 3,506	
State National School Lunch Program	17-100-010-3350-023	7/1/16 6/30/17	2,929	(179)	179						2,929	
Total Enterprise Fund				(179)	3,440	(3,506)			(245)	245	6,435	
Total State Department of Education:				\$ (213,430)	\$ 58,351	\$ (4,335,061)		\$ (58,351)	\$ (139,322)	\$ 59,827	\$ 5,404,642	
Less: On-Behalf TPAF Pension System Contributions:												
On-Behalf TPAF Post Retirement Contributions	18-495-034-5094-001	7/1/17 6/30/18	(957,588)			957,588						
On-Behalf Long Term Disability Insurance Contributions	18-495-034-5094-001	7/1/17 6/30/18	(2,049)			2,049						
On-Behalf TPAF Pension Contributions	18-495-034-5094-002	7/1/17 6/30/18	(1,447,486)			1,447,486						
On-Behalf TPAF Non-Contributory Insurance	18-495-034-5094-004	7/1/17 6/30/18	(35,127)			35,127						
Subtotal - On-Behalf TPAF Pension System Contributions						2,442,250						
Total State Awards (Net of On-Behalf TPAF Pension System Contributions)						\$ (1,892,811)						

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, 2018

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, 2018. 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, 2018
(Continued)

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$1,293) for the general fund, and \$343 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	\$ 17,201	\$ 4,202,551	\$ 4,219,752
Special Revenue Fund	456,082	143,943	600,025
Proprietary Fund	<u>72,714</u>	<u>3,506</u>	<u>76,220</u>
Total Financial Assistance	<u>\$ 545,997</u>	<u>\$ 4,350,000</u>	<u>\$ 4,895,997</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, 2018.

BOROUGH OF HILLSDALE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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, 2018 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	18-495-034-5120-089	7/1/17-6/30/18	\$ 742,271	\$ 742,271
Equalization Aid	18-495-034-5120-078	7/1/17-6/30/18	11,741	11,741
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	23,068	23,068
Additional Adjustment Aid	18-495-034-5120-085	7/1/17-6/30/18	23,739	23,739
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	12,690	12,690
PARCC Readiness	18-495-034-5120-098	7/1/17-6/30/18	12,690	12,690
Professional Learning				
Community Aid	18-495-034-5120-101	7/1/17-6/30/18	11,540	11,540
Reimbursed TPAF Social Security Contributions	18-495-034-5094-003	7/1/17-6/30/18	748,614	748,614

- 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, 2018
(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, 2018

Status of Prior Year Findings:

The District had no prior year audit findings.