

BOROUGH OF HILLSDALE
BERGEN COUNTY, NEW JERSEY
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2013

BOROUGH OF HILLSDALE

TABLE OF CONTENTS

<u>Exhibits</u>		<u>Page</u>
<u>PART I</u>		
	Independent Auditor's Report	1-4
A	Comparative Balance Sheets – Regulatory Basis - Current Fund	5-6
A-1	Comparative Statements of Operations and Changes in Fund Balance - Regulatory Basis - Current Fund	7
A-2	Statement of Revenues – Regulatory Basis – Current Fund	8-9
A-3	Statement of Expenditures – Regulatory Basis – Current Fund	10-15
B	Comparative Balance Sheets – Regulatory Basis -Trust Funds	16-17
B-1	Comparative Statements of Changes in Fund Balance – Assessment Trust Fund	18
B-2	Statement of Revenues – Regulatory Basis – Assessment Trust Fund	18
B-3	Statement of Expenitures – Regulatory Basis – Assessment Trust Fund	18
C	Comparative Balance Sheets – Regulatory Basis - General Capital Fund	19
D	Comparative Balance Sheets – Regulatory Basis – Swim Pool Utility Fund	20-21
D-1	Comparative Statements of Operations and Changes in Fund Balance – Regulatory Basis – Swim Pool Utility Operating Fund	22
D-2	Statement of Revenues - Regulatory Basis – Swim Pool Utility Capital Fund	23
D-3	Statement of Expenditures – Regulatory Basis – Swim Pool Utility Operating Fund	24
E	Comparative Balance Sheets – Regulatory Basis - Public Assistance Fund	25
F	Comparative Balance Sheets – Regulatory Basis – General Fixed Assets Account Group	26
	Notes to Financial Statements	27-57
<u>Current Fund</u>		
A-4	Statement of Current Cash – Treasurer	58
A-5	Statement of Change Fund	59
A-6	Statement of Due to State of New Jersey – Senior Citizens' and Veterans' Deductions	59
A-7	Statement of Taxes Receivable and Analysis of Property Tax Levy	60
A-8	Statement of Tax Title Liens Receivable	61
A-9	Statement of Property Acquired for Taxes (at Assessed Valuation)	61
A-10	Statement of Grants Receivable	62
A-11	Statement of Due From Prosecutor's Office – DRE Coordinator	62
A-12	Statement of Deferred Charges – Emergency Authorization	63
A-13	Statement of Deferred Charges – Special Emergency Authorizations	63
A-14	Statement of Revenue Accounts Receivable	64
A-15	Statement of 2012 Appropriation Reserves	65-66
A-16	Statement of Encumbrances Payable	67
A-17	Statement of Accounts Payable	67
A-18	Statement of Prepaid Taxes	68
A-19	Statement of Tax Overpayments	68
A-20	Statement of Prepaid Cell Tower Rent	68
A-21	Statement of Miscellaneous Reserves	69
A-22	Statement of Reserve for Accumulated Absences	69
A-23	Statement of Reserve for Tax Appeals	69
A-24	Statement of Reserve for Revaluation	69
A-25	Statement of Due to State of New Jersey – Marriage License Fees	70

BOROUGH OF HILLSDALE

TABLE OF CONTENTS (Continued)

<u>Exhibits</u>		<u>Page</u>
<u>Current Fund (Continued)</u>		
A-26	Statement of Due to State of New Jersey – DCA State Training Fees	70
A-27	Statement of County Taxes Payable	70
A-28	Statement of Local School Taxes Payable	71
A-29	Statement of Regional High School Taxes Payable	71
A-30	Statement of Reserve for Unappropriated Grants	72
A-31	Statement of Reserve for Appropriated Grants	72
<u>Trust Fund</u>		
B-4	Statement of Trust Cash and Investments	73
B-5	Statement of Assessment Trust Fund Cash	74
B-6	Statement of Assessments Receivable – Assessment Trust Fund	74
B-7	Statement of Due to Current Fund – Assessment Trust Fund	74
B-8	Statement of Bond Anticipation Notes – Assessment Trust Fund	75
B-9	Statement of Due to State of New Jersey – Animal Control Trust Fund	76
B-10	Statement of Due to Current Fund – Animal Control Trust Fund	76
B-11	Statement of Reserve for Animal Control Expenditures	76
B-12	Statement of Due to Current Fund – Other Trust Fund	77
B-13	Statement of Reserve for Escrow Deposits – Other Trust Fund	77
B-14	Statement of Reserve for Medical Benefits	77
B-15	Statement of Miscellaneous Reserves – Other Trust Fund	78
B-16	Statement of Payroll Deductions and Withholdings Payable	78
B-17	Statement of Reserve for Recreation Expenditures – Recreation Trust Fund	79
B-18	Statement of Due to Current Fund – Recreation Trust Fund	79
<u>General Capital Fund</u>		
C-1	Statement of General Capital Cash – Treasurer	80
C-2	Analysis of General Capital Cash	81
C-3	Statement of Grants Receivable	82
C-4	Statement of Due from Current Fund	83
C-5	Statement of Deferred Charges to Future Taxation – Funded	83
C-6	Statement of Deferred Charges to Future Taxation – Unfunded	84
C-7	Statement of Improvement Authorizations	85
C-8	Statement of Serial Bonds Payable	86
C-9	Statement of Bond Anticipation Notes	87
C-10	Statement of Capital Improvement Fund	88
C-11	Statement of Contracts Payable	88
C-12	Statement of Reserve for Capital Improvements	89
C-13	Statement of Down Payments on Improvements	90
C-14	Statement of Reserve for Payment of Debt	90
C-15	Statement of Reserve for Municipal Open Space Fund	90
C-16	Statement of Bonds and Notes Authorized But Not Issued	91

BOROUGH OF HILLSDALE

**TABLE OF CONTENTS
(Continued)**

<u>Exhibits</u>		<u>Page</u>
<u>Swim Pool Utility</u>		
D-4	Statement of Swim Pool Utility Cash – Treasurer	92
D-5	Statement of Swim Pool Utility Capital Cash – Analysis of Cash	93
D-6	Statement of Due to Swim Pool Utility Capital Fund – Swim Pool Utility Operating Fund	94
D-7	Statement of Accrued Interest on Bonds – Swim Pool Utility Operating Fund	94
D-8	Statement of 2012 Appropriation Reserves - Swim Pool Utility Operating Fund	95
D-9	Statement of Encumbrances Payable – Swim Pool Utility Operating Fund	95
D-10	Statement of Reserve for Swim Team Expenditures – Swim Pool Utility Operating Fund	95
D-11	Statement of Fixed Capital – Swim Pool Utility Capital Fund	96
D-12	Statement of Fixed Capital Authorized and Uncompleted - Swim Pool Utility Operating Fund	96
D-13	Reserve for Capital Improvements - Swim Pool Utility Capital Fund	96
D-14	Statement of Serial Bonds - Swim Pool Utility Capital Fund	97
D-15	Statement of Reserve for Deferred Amortization - Swim Pool Utility Capital Fund	98
D-16	Statement of Reserve for Amortization - Swim Pool Utility Capital Fund	98
D-17	Statement of Improvement Authorizations – Swim Pool Utility Capital Fund	99
D-18	Statement of Contracts Payable – Swim Pool Utility Capital Fund	100
D-19	Statement of Capital Improvement Fund - Swim Pool Utility Capital Fund	100
D-20	Statement of Bonds and Notes Authorized But Not Issued – Swim Pool Utility Capital Fund	100
<u>Public Assistance Fund</u>		
E-1	Statement of Public Assistance Cash - Treasurer	101
E-2	Statement of Reserve for Public Assistance Fund	101
E-3	Statement of Due To Current Fund – Public Assistance Fund	102
E-4	Statement of Public Assistance Revenues	102
E-5	Statement of Public Assistance Expenditures	102
<u>Part II</u>		
	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 Auditor’s Report	103-104
	Schedule of Expenditures of Federal Awards, Schedule A	105
	Schedule of Expenditures of State Financial Assistance, Schedule B	106
	Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance	107
	Schedule of Findings and Responses	108-109
	Summary Schedule of Prior Year Audit Findings and Questioned Costs As Prepared by Management	110

BOROUGH OF HILLSDALE

**TABLE OF CONTENTS
(Continued)**

Exhibits

Page

Part III

Comparative Statement of Operations and Changes in Fund Balance - Current Fund	111
Statement of Operations and Changes in Fund Balance -- Swim Pool Utility Operating Fund	112
Comparative Schedule of Tax Rate Information	113
Comparison of Tax Levies and Collection	113
Delinquent Taxes and Tax Title Liens	114
Property Acquired by Tax Title Lien Liquidation	114
Comparative Schedule of Fund Balances	114
Officials in Office and Surety Bonds	115
General Comments	116-118
Recommendations	119-120

BOROUGH OF HILLSDALE

COUNTY OF BERGEN

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2013



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Borough Council
Borough of Hillsdale
Hillsdale, New Jersey

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Hillsdale, as of December 31, 2013, and the related statement of operations and changes in fund balance - regulatory basis, statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial accounting and reporting principles and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 entity'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 entity'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.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the financial statements are prepared and presented by the Borough of Hillsdale on the basis of financial accounting and reporting principles and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of New Jersey for municipal government entities.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the requirement that the Borough of Hillsdale prepare and present its financial statements on the regulatory basis of accounting as discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph above, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of Hillsdale as of December 31, 2013, or changes in financial position, or, where applicable, cash flows for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As discussed in Note 17 of the financial statements, the financial statements – regulatory basis of the Length of Service Awards Program (LOSAP) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Borough’s financial statements as of and for the year ended December 31, 2013. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 49 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2013.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited as described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph above, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the Borough of Hillsdale as of December 31, 2013, and the results of operations and changes in fund balance – regulatory basis and the revenues – regulatory basis and expenditures – regulatory basis of the various funds for the year then ended in accordance with the basis of financial accounting and reporting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Prior Year's Financial Statements Audited by Other Auditors

The financial statements of the Borough of Hillsdale as of and for the year ended December 31, 2012 were audited by other auditors whose report dated April 9, 2013 expressed an adverse opinion on the financial statements because they were not prepared and presented in accordance with accounting principles generally accepted in the United States of America but rather the regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of New Jersey for municipal government entities. Their report also expressed a modified opinion on those financial statements – regulatory basis prepared and presented in accordance with the regulatory basis of accounting. The auditor was unable to audit the financial activities of the General Fixed Assets Account Group because sufficient documentation was not available to support amounts reported in the financial statements. They were unable to satisfy themselves about the amounts reported by means of other auditing procedures.

Required Supplementary Information

The Borough has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. A management discussion and analysis is not required by the financial accounting and reporting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to supplement the regulatory basis financial statements and therefore it has not been presented by management. Our opinion on the financial statements – regulatory basis is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of Hillsdale as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, schedule of expenditures of state financial assistance and the supplementary data and letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of Hillsdale.

The supplementary schedules listed in the table of contents, schedule of expenditure of federal awards and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the financial statements as a whole on the basis of accounting described in Note 1.

The supplementary data and letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the 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 July 2, 2014 on our consideration of the Borough of Hillsdale'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 Borough of Hillsdale's internal control over financial reporting and compliance.



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants



Paul J. Lerch
Registered Municipal Accountant
RMA Number CR00457

Fair Lawn, New Jersey
July 2, 2014

**BOROUGH OF HILLSDALE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2013 AND 2012**

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
ASSETS			
Cash	A-4	\$ 4,267,275	\$ 3,656,369
Change Fund	A-5	250	250
Grants Receivable	A-10	<u>43,614</u>	<u>40,375</u>
		<u>4,311,139</u>	<u>3,696,994</u>
Receivables and Other Assets With Full Reserves			
Taxes Receivable	A-7	385,268	373,532
Tax Title Liens Receivable	A-8	17,778	19,586
Property Acquired for Taxes - Assessed Valuation	A-9	726,900	726,900
Due from Prosecutor's Office - DRE Coordinator	A-11		7,851
Revenue Accounts Receivable	A-14	9,513	20,022
Interfunds Receivable			
Assessment Trust Fund	B-7	12,234	11,888
Animal Control Trust Fund	B-10	3	
Other Trust Fund	B-12	2,470	1,738
Recreation Trust Fund	B-18	6	4
Public Assistance Trust Fund	E-3	<u>510</u>	<u>500</u>
		<u>1,154,682</u>	<u>1,162,021</u>
Deferred Charges			
Emergency Authorizations	A-12		176,816
Special Emergency Authorizations	A-13	<u>150,000</u>	<u>200,000</u>
		<u>150,000</u>	<u>376,816</u>
Total Assets		<u>\$ 5,615,821</u>	<u>\$ 5,235,831</u>

**BOROUGH OF HILLSDALE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2013 AND 2012**

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Liabilities			
Appropriation Reserves	A-3, A-15	\$ 840,976	\$ 911,008
Encumbrances Payable	A-16	253,845	364,743
Accounts Payable	A-17	4,015	
Prepaid Taxes	A-18	517,455	383,807
Tax Overpayments	A-19	5,084	11,247
Prepaid Cell Tower Rent	A-20		35,662
Miscellaneous Reserves	A-21	108,868	41,310
Reserve for Accumulated Absences	A-22	94,858	
Reserve for Tax Appeals	A-23	186,000	
Reserve for Revaluation	A-24	22,520	178,000
Due to State of New Jersey			
Senior Citizens & Veterans Deductions	A-6	2,705	4,705
Marriage Licenses Fees	A-25	53	200
DCA State Training Fees	A-26	2,250	2,593
County Taxes Payable	A-27	3,316	10,201
Local School Taxes Payable	A-28	498	498
Regional School Taxes Payable	A-29	569,763	470,392
Unappropriated Grant Reserves	A-30	46,846	29,617
Appropriated Grant Reserves	A-31	185,710	193,339
Reserve for LOSAP Contribution	B	44,460	45,828
Interfunds Payable			
General Capital Fund	C-4	<u>38,639</u>	<u>38,568</u>
		2,927,861	2,721,718
Reserve for Receivables and Other Assets	A	1,154,682	1,162,021
Fund Balance	A-1	<u>1,533,278</u>	<u>1,352,092</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 5,615,821</u>	<u>\$ 5,235,831</u>

BOROUGH OF HILLSDALE
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>Reference</u>	<u>Year 2013</u>	<u>Year 2012</u>
REVENUE AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	\$ 950,000	\$ 1,320,000
Miscellaneous Revenue Anticipated	A-2	2,583,203	2,683,418
Receipts from Delinquent Taxes	A-2	367,204	420,475
Receipts from Current Taxes	A-2	42,721,948	41,773,873
Non-Budget Revenue	A-2	19,291	244,924
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	A-15	517,351	431,724
Liquidation of Prior Year Accounts Receivables			
Due from Prosecutor's Office	A-11	7,851	
Revenue Accounts Receivable - Meadowbrook Paving	A-14	14,000	
Cancellation of Miscellaneous Reserves	A		80,420
Cancellation of Tax Overpayments	A	-	37
 Total Revenues		<u>47,180,848</u>	<u>46,954,871</u>
EXPENDITURES			
Budget Appropriations			
Operations			
Salaries and Wages	A-3	4,469,188	4,408,605
Other Expenses	A-3	5,620,166	6,258,304
Capital Improvements	A-3	127,850	246,000
Municipal Debt Service	A-3	482,912	494,454
Deferred Charges and Statutory Expenditures	A-3	1,209,465	1,140,208
County Taxes	A-27	4,025,109	4,137,079
Local School District Taxes	A-28	19,319,320	18,975,747
Regional School District Taxes	A-29	10,775,329	10,476,588
Other Debits			
Interfunds Advanced	A	1,093	20,169
Refund of Prior Year Revenue	A-4	19,230	
Cancellation of Grants Receivable	A		3,999
Prior Year Senior Citizens and Veterans Deductions Disallowed	A		3,800
Reserve for Pending Tax Appeals	A	-	16,982
 Total Expenditures		<u>46,049,662</u>	<u>46,181,935</u>
Less: Expenditures Included Above Which by Statute are			
Deferred Charges to Succeeding Year's Budget	A	-	176,816
 Total Adjusted Expenditures		<u>46,049,662</u>	<u>46,005,119</u>
 Excess in Revenue		1,131,186	949,752
 Fund Balance, January 1	A	<u>1,352,092</u>	<u>1,722,340</u>
		2,483,278	2,672,092
Decreased by:			
Utilization as Anticipated Revenue	A-1,A-2	<u>950,000</u>	<u>1,320,000</u>
 Fund Balance, December 31	A	<u>\$ 1,533,278</u>	<u>\$ 1,352,092</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HILLSDALE
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Reference	2013 Anticipated Budget	Added by N.J.S. 40A:4-87	2013 Realized	Excess or (Deficit)
Fund Balance Anticipated	A-1	\$ 950,000	-	\$ 950,000	-
Miscellaneous Revenues					
Licenses					
Alcoholic Beverages	A14	17,500		17,500	
Other	A-2	12,000		18,184	\$ 6,184
Fees and Permits	A-2	77,000		87,861	10,861
Fines and Costs					
Municipal Court	A-14	68,000		110,561	42,561
Interest and Costs on Taxes	A-14	89,000		77,830	(11,170)
Interest on Investments and Deposits	A-2	1,500		3,311	1,811
Parking Fees	A-14	59,881		76,461	16,580
Anticipated Utility Operating Surplus	A-14	185,000		185,000	
Sewer Agreement Revenue	A-14	22,000		25,248	3,248
Payments in Lieu of Taxes - Senior Housing	A-14	42,000		51,375	9,375
Police Administration Charge	A-14	50,000		50,000	
Communication Tower and Cable	A-14	250,000		319,105	69,105
Sports Assn. Cont.	A-14	8,000			(8,000)
Energy Receipts Tax	A-14	1,180,070		1,180,070	
Watershed Aid	A-14	2,303		2,303	
Uniform Construction Code Fees	A-14	216,000		239,631	23,631
Interlocal Agreement					
Pistol Range Rental - River Vale	A-14	2,185		2,186	1
Public and Private Programs Offset With Appropriations					
Municipal Alliance on Alcoholism and Drug Abuse	A-10	9,876		9,876	
Community Development - Senior Citizens	A-30	831		831	
Recycling Tonnage Grant	A-30	26,422		26,422	
Body Armor Replacement Grant	A-30	2,364		2,364	
Safety Committee Award	A-10	2,500		2,500	
Other Special Items					
Uniform Fire Safety Act	A-14	6,600		7,485	885
Recycling Revenues	A-14	55,000		47,099	(7,901)
Hillsdale BOE - Cop in School	A-14	5,000		5,000	
Pascack Valley Regional HS - Cop in School	A-14	35,000	-	35,000	-
Total Miscellaneous Revenues	A-1	2,426,032	-	2,583,203	157,171
Receipts from Delinquent Taxes	A-2	350,000	-	367,204	17,204
Amount to be Raised by Taxes for Support of Municipal Budget					
Local Tax for Municipal Purposes	A-2,A-7	8,228,914		8,547,467	318,553
Minimum Library Tax	A-2,A-7	614,723	-	614,723	-
Total Amount to be Raised by Taxes for Support of Municipal Budget	A-2	8,843,637	-	9,162,190	318,553
Total	A-3	\$ 12,569,669	\$ -	\$ 13,062,597	\$ 492,928
Non-Budget Revenue	A-1,A-2			19,291	
				\$ 13,081,888	

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HILLSDALE
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

Reference

ANALYSIS OF REALIZED REVENUES

Allocation of Current Tax Collections		
Revenue from Collections	A-1, A-7	\$ 42,721,948
Less: Allocated to School, County and Special Taxes	A-27, A-28, A-29	<u>34,219,758</u>
		8,502,190
 Add: Appropriation "Reserve for Uncollected Taxes"	 A-3	 <u>660,000</u>
 Amount for Support of Municipal Budget Appropriations	 A-2	 <u>\$ 9,162,190</u>
 Licenses - Other		
Borough Clerk	A-14	\$ 265
Board of Health	A-14	<u>17,919</u>
	A-2	<u>\$ 18,184</u>
 Fees and Permits - Other		
Borough Clerk	A-14	\$ 7,652
Police Department	A-14	2,905
Zoning/Planning	A-14	35,070
Board of Health	A-14	5,570
Fire Prevention	A-14	<u>36,664</u>
	A-2	<u>\$ 87,861</u>
 Receipts from Delinquent Taxes		
Taxes	A-7	\$ 364,754
Tax Title Liens	A-8	<u>2,450</u>
	A-2	<u>\$ 367,204</u>
 Interest on Investments		
Revenue Accounts Receivable	A-14	\$ 1,514
Due from Assessment Trust Fund	B-7	346
Due from Animal Control Trust Fund	B-10	3
Due from Other Trust Fund	B-12	732
Due from Recreation Trust Fund	B-18	2
Due from Public Assistance Trust Fund	E-3	10
Due from General Capital Fund	C-4	<u>704</u>
	A-2	<u>\$ 3,311</u>
 ANALYSIS OF NON-BUDGET REVENUES		
Other Miscellaneous		\$ 17,336
Administrative Fee - Senior Citizen and Veteran Deductions		<u>1,955</u>
	A-2, A-4	<u>\$ 19,291</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HILLSDALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>2013 Appropriated</u>		<u>2013 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT					
Mayor and Council					
Salaries and Wages	\$ 45,000	\$ 45,000	\$ 45,000		
Other Expenses	5,100	5,100	3,918	\$ 1,182	
Administrative and Executive					
Salaries and Wages	79,000	79,000	70,118	8,882	
Other Expenses					
Public Information	8,000	8,000	846	7,154	
Miscellaneous	40,300	40,300	28,436	11,864	
Financial Administration					
Salaries and Wages	182,000	202,000	171,026	30,974	
Other Expenses	56,100	56,100	36,436	19,664	
Audit Services	30,000	30,000	26,000	4,000	
Collection of Taxes					
Salaries and Wages	44,000	44,000	43,788	212	
Other Expenses	11,865	11,865	7,175	4,690	
Assessment of Taxes					
Salaries and Wages	38,500	38,500	37,684	816	
Other Expenses	15,900	15,900	4,840	11,060	
Clerk's Office					
Salaries and Wages	93,000	93,000	84,419	8,581	
Other Expenses	34,760	34,760	23,027	11,733	
Legal Services					
Other Expenses	187,150	187,150	137,854	49,296	
Engineering Services					
Other Expenses	68,650	68,650	51,840	16,810	
LAND USE ADMINISTRATION					
Planning Board					
Other Expenses	4,700	4,700	3,368	1,332	
Zoning Official					
Salaries and Wages	11,000	11,000	10,390	610	
Other Expenses	500	500	159	341	
INSURANCE					
Unemployment	18,000	18,000	14,908	3,092	
General Liability Premiums	155,189	155,189	148,870	6,319	
Workers Compensation	180,143	180,143	166,878	13,265	
Group Insurance Plan for Employees	1,160,692	1,160,692	1,128,595	32,097	
PUBLIC SAFETY					
Police					
Salaries and Wages	2,765,488	2,765,488	2,514,188	251,300	
Other Expenses	72,604	72,604	67,928	4,676	
Emergency Management Services					
Salaries and Wages	2,000	2,000	2,000		
Other Expenses	4,400	4,400	3,630	770	
First Aid Organization					
Other Expenses	26,875	26,875	24,472	2,403	

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HILLSDALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

	<u>2013 Appropriated</u>		<u>2013 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Continued)					
PUBLIC SAFETY (Continued)					
Fire					
Salaries and Wages	\$ 25,000	\$ 29,300	\$ 29,226		\$ 74
Other Expenses	64,850	60,550	58,132		2,418
Fire Prevention					
Salaries and Wages	62,000	62,000	58,879		3,121
Other Expenses	10,865	10,865	10,378		487
Municipal Court					
Salaries and Wages	79,000	79,000	74,660		4,340
Other Expenses	38,112	38,112	37,687		425
Public Defender (P.L. 1997, C. 256)					
Salaries and Wages	4,200	4,200	4,080		120
Prosecutor					
Salaries and Wages	11,100	11,100	11,042		58
STREETS AND ROADS					
Road Repairs and Maintenance					
Salaries and Wages	432,900	427,400	426,704		696
Other Expenses	92,650	113,650	113,241		409
Buildings and Grounds					
Other Expenses	38,500	38,500	29,127		9,373
Sanitation					
Garbage and Trash Removal					
Salaries and Wages	5,300	5,300	3,845		1,455
Other Expenses	392,600	375,600	374,818		782
Recycling					
Other Expenses	146,000	146,000	134,471		11,529
Vehicle Maintenance	54,600	66,100	61,246		4,854
Train Station					
Other Expenses	11,000	13,000	12,183		817
HEALTH AND WELFARE					
Board of Health					
Salaries and Wages	73,000	73,000	66,824		6,176
Other Expenses	65,450	65,450	63,562		1,888
Blood Borne Pathogens	1,000	1,000			1,000
Administration of Public Assistance					
Salaries and Wages	14,500	14,500	14,326		174
Environmental Commission					
Other Expenses	325	325	290		35
PARKS AND RECREATION					
Board of Recreation Commissioners					
Salaries and Wages	15,500	16,000	15,899		101
Other Expenses	9,950	9,950	9,694		256
Senior Citizens Committee					
Salaries and Wages	23,500	23,500	23,434		66
Other Expenses	13,000	13,000	12,326		674

BOROUGH OF HILLSDALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

	<u>2013 Appropriated</u>		<u>2013 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Continued)					
RECREATION AND EDUCATION:					
Parks and Playgrounds					
Salaries and Wages	\$ 152,400	\$ 152,400	\$ 152,400		
Other Expenses	60,100	60,100	57,295	\$ 2,805	
OTHER COMMON OPERATING FUNCTIONS					
Anniversary or Holiday					
Other Expenses	3,000	3,000	2,670	330	
Accumulated Absences	90,000	90,000	86,598	3,402	
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY DEDICATED					
REVENUES (N.J.A.C. 5:23-4-17)					
Uniform Construction Code Enforcement:					
Construction Code Officials					
Salaries and Wages	126,500	126,500	124,645	1,855	
Other Expenses	68,636	68,636	33,411	35,225	
UTILITY EXPENSES & BULK PURCHASES					
Electricity and Gas	262,500	243,200	209,444	33,756	
Telephone and Telegraph	52,510	52,510	35,805	16,705	
Water	221,900	221,900	209,290	12,610	
Gasoline	103,000	88,000	61,876	26,124	-
Total Operations within "CAPS"	8,166,364	8,164,564	7,477,301	687,263	-
Contingent	25,000	25,000	22,620	2,380	-
Total Operations Including Contingent Within "CAPS"	8,191,364	8,189,564	7,499,921	689,643	-
Detail					
Salaries and Wages	4,374,888	4,394,188	4,071,175	323,013	-
Other Expenses (Including Contingent)	3,816,476	3,795,376	3,428,746	366,630	-

BOROUGH OF HILLSDALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

	<u>2013 Appropriated</u>		<u>2013 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
DEFERRED CHARGES AND STATUTORY EXPENDITURES- MUNICIPAL WITHIN "CAPS"					
Statutory Charges					
Social Security System (O.A.S.I.)	\$ 175,000	\$ 175,000	\$ 157,460	\$ 17,540	
Public Employee's Retirement System of NJ	208,130	208,130	208,130		
Police & Fireman's Retirement System of NJ	574,338	574,338	574,338		
Defined Contribution Retirement Program	5,000	5,700	5,535	165	-
Total Deferred Charges & Statutory Expenditures - Municipal Within "CAPS"	<u>962,468</u>	<u>963,168</u>	<u>945,463</u>	<u>17,705</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>9,153,832</u>	<u>9,152,732</u>	<u>8,445,384</u>	<u>707,348</u>	<u>-</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Stormwater					
Salaries and Wages	75,000	75,000	74,703	297	
Other Expenses	2,000	3,000	3,000		
Bergen County Utilities Authority					
Operating	649,850	649,950	649,850	100	
Debt Services	297,390	297,390	297,390		
Recycling Tax	14,000	14,000	13,690	310	
Other Common Operating Functions					
Reserve for Tax Appeals	108,150	108,150	37,097	71,053	
Education Functions					
Maintenance of Free Public Library	633,422	633,422	614,165	19,257	
Public Safety Functions					
Length of Service Award Program (LOSAP)	69,000	69,000	44,460	24,540	
Insurance					
Group Insurance Plan for Employees	2,825	2,825	2,825	-	-
Total Other Operations Excluded from "CAPS"	<u>1,851,637</u>	<u>1,852,737</u>	<u>1,737,180</u>	<u>115,557</u>	<u>-</u>
Interlocal Municipal Services Agreement					
Township of River Vale					
Pistol Range Rental	2,185	2,185	2,172	13	-
Total Interlocal Municipal Services Agreement	<u>2,185</u>	<u>2,185</u>	<u>2,172</u>	<u>13</u>	<u>-</u>

BOROUGH OF HILLSDALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

	<u>2013 Appropriated</u>		<u>2013 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
PUBLIC AND PRIVATE PROGRAMS OFFSET BY					
REVENUES					
Body Armor Replacement Program	\$ 2,364	\$ 2,364	\$ 2,364		
Recycling Tonnage Grant	26,422	26,422	26,422		
Community Development - Senior Citizens	831	831	831		
Safety Committee Award	2,500	2,500	2,500		
Municipal Alliance on Alcohol and Drug Abuse					
State Share	9,876	9,876	9,876		
Local Match	2,875	2,875	2,875	-	-
Total Public and Private Programs					
Offset by Revenues	<u>44,868</u>	<u>44,868</u>	<u>44,868</u>	-	-
Total Operations Excluded from "CAPS"	<u>1,898,690</u>	<u>1,899,790</u>	<u>1,784,220</u>	\$ 115,570	-
Detail					
Salaries and Wages	75,000	75,000	74,703	297	-
Other Expenses	<u>1,823,690</u>	<u>1,824,790</u>	<u>1,709,517</u>	<u>115,273</u>	-
CAPITAL IMPROVEMENTS -					
EXCLUDED FROM "CAPS"					
Capital Improvement Fund	50,000	50,000	50,000		
General Administration					
Computer Equipment and Building Improvements	25,000	25,000	12,036	12,964	
Police					
Server, Radios, Tasers and Train Camera	35,350	35,350	35,350		
Fire					
Turnout Gear, SCBA Cylinder and Computer Eq.	17,500	17,500	12,406	5,094	-
Total Capital Improvements Excluded from "CAPS"	<u>127,850</u>	<u>127,850</u>	<u>109,792</u>	<u>18,058</u>	-
MUNICIPAL DEBT SERVICE -					
EXCLUDED FROM "CAPS"					
Payment of Bond Principal	385,000	385,000	385,000		
Interest on Bonds	97,600	97,600	97,512		\$ 88
Interest on Notes	400	400	400	-	-
Total Municipal Debt Service Excluded from "CAPS"	<u>483,000</u>	<u>483,000</u>	<u>482,912</u>	-	<u>88</u>
DEFERRED CHARGES - EXCLUDED FROM "CAPS"					
Emergency Authorization	176,816	176,816	176,816		
Special Emergency Authorization	50,000	50,000	50,000		
Deficit in Assessment Trust	19,481	19,481	19,481	-	-
Total Deferred Charges Excluded from "CAPS"	<u>246,297</u>	<u>246,297</u>	<u>246,297</u>	-	-
Total General Appropriations for Municipal					
Purposes Excluded from "CAPS"	<u>2,755,837</u>	<u>2,756,937</u>	<u>2,623,221</u>	<u>133,628</u>	<u>88</u>
Subtotal General Appropriations	11,909,669	11,909,669	11,068,605	840,976	88
Reserve for Uncollected Taxes	<u>660,000</u>	<u>660,000</u>	<u>660,000</u>	-	-
Total General Appropriations	<u>\$ 12,569,669</u>	<u>\$ 12,569,669</u>	<u>\$ 11,728,605</u>	<u>\$ 840,976</u>	<u>\$ 88</u>
Reference	A-2		A-1	A, A-1	

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HILLSDALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

	<u>Reference</u>	Budget After <u>Modification</u>	Expended Paid or <u>Charged</u>
Adopted Budget	A-2	<u>\$ 12,569,669</u>	
Cash Disbursed	A-4		\$ 10,498,616
Encumbrances Payable	A-16		253,845
Reserve for LOSAP Contribution	B		44,460
Appropriated Grant Reserves	A-31		44,868
Deferred Charges	A-12, A-13		226,816
Reserve for Uncollected Taxes	A-2		<u>660,000</u>
			<u>\$ 11,728,605</u>

BOROUGH OF HILLSDALE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2013 AND 2012

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
ASSETS			
ASSESSMENT TRUST FUND			
Cash	B-4, B-5	\$ 19,033	\$ 32,407
Assessments Receivable	B-6	<u>12,682</u>	<u>19,481</u>
		<u>31,715</u>	<u>51,888</u>
ANIMAL CONTROL TRUST FUND			
Cash	B-4	<u>11,020</u>	<u>10,601</u>
		<u>11,020</u>	<u>10,601</u>
OTHER TRUST FUND			
Cash	B-4	<u>805,083</u>	<u>870,923</u>
		<u>805,083</u>	<u>870,923</u>
RECREATION TRUST FUND			
Cash	B-4	<u>133,774</u>	<u>121,218</u>
		<u>133,774</u>	<u>121,218</u>
LENGTH OF SERVICE AWARD PROGRAM FUND (UNAUDITED)			
Investments	B	881,658	730,920
Contribution Receivable	B	<u>44,460</u>	<u>45,828</u>
		<u>926,118</u>	<u>776,748</u>
Total Assets		<u>\$ 1,907,710</u>	<u>\$ 1,831,378</u>

BOROUGH OF HILLSDALE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2013 AND 2012

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
LIABILITIES, RESERVES AND FUND BALANCE			
ASSESSMENT TRUST FUND			
Reserve for Assessments Receivable	B-6	\$ 12,682	
Due to Current Fund	B-7	12,234	\$ 11,888
Bond Anticipation Notes	B-8		40,000
Fund Balance	B-1	<u>6,799</u>	<u>-</u>
		<u>31,715</u>	<u>51,888</u>
ANIMAL CONTROL TRUST FUND			
Due to State of New Jersey	B-9	226	188
Due to Current Fund	B-10	3	
Reserve for Animal Control Expenditures	B-11	<u>10,791</u>	<u>10,413</u>
		<u>11,020</u>	<u>10,601</u>
OTHER TRUST FUND			
Due to Current Fund	B-12	2,470	1,738
Reserve for:			
Escrow Deposits	B-13	161,261	176,475
Medical Benefits	B-14	31,924	31,924
Other Trust Deposits	B-15	570,225	660,786
Payroll Deductions and Withholdings Payable	B-16	<u>39,203</u>	<u>-</u>
		<u>805,083</u>	<u>870,923</u>
RECREATION TRUST FUND			
Reserve for Recreation Expenditures	B-17	133,768	121,214
Due to Current Fund	B-18	<u>6</u>	<u>4</u>
		<u>133,774</u>	<u>121,218</u>
LENGTH OF SERVICE AWARD PROGRAM FUND (UNAUDITED)			
Reserve for LOSAP	B	<u>926,118</u>	<u>776,748</u>
		<u>926,118</u>	<u>776,748</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 1,907,710</u>	<u>\$ 1,831,378</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF HILLSDALE
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE
ASSESSMENT TRUST FUND
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Balance, January 1		
Increased by:		
Collection of Unpledged Assessments	\$ 6,799	-
Balance, December 31	<u>\$ 6,799</u>	<u>-</u>

EXHIBIT B-2

**STATEMENT OF REVENUES - REGULATORY BASIS
ASSESSMENT TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Reference</u>	<u>Anticipated Budget</u>	<u>Revenue Realized</u>	<u>Excess / (Deficit)</u>
Assessment Cash		\$ 20,519	\$ 6,799	\$ (13,720)
Deficit (General Budget)		<u>19,481</u>	<u>19,481</u>	<u>-</u>
	B-2	<u>\$ 40,000</u>	<u>\$ 26,280</u>	<u>\$ (13,720)</u>

EXHIBIT B-3

**STATEMENT OF EXPENDITURES - REGULATORY BASIS
ASSESSMENT TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budget</u>	<u>Budget as Modified</u>	<u>Expended</u>	<u>Reserved</u>
Payment of Bond Anticipation Notes	\$ 40,000	\$ 40,000	\$ 40,000	\$ -
	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ -</u>
	B-1	B-1	B-8	

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF HILLSDALE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2013 AND 2012**

	<u>Reference</u>	<u>2013</u>	<u>2012</u> (Restated)
ASSETS			
Cash	C-1, C-2	\$ 497,834	\$ 480,200
Grants Receivable	C-3	399,906	263,164
Due from Current Fund	C-4	38,639	38,568
Deferred Charges to Future Taxation			
Funded	C-5	3,530,000	3,915,000
Unfunded	C-6	<u>316,144</u>	<u>181,828</u>
 Total Assets		 <u>\$ 4,782,523</u>	 <u>\$ 4,878,760</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
Improvement Authorizations			
Funded	C-7	604,068	388,940
Unfunded	C-7	115,013	247,521
Serial Bonds Payable	C-8	3,530,000	3,915,000
Bond Anticipation Notes Payable	C-9	190,000	
Capital Improvement Fund	C-10	49,143	9,143
Contracts Payable	C-11	34,562	
Reserve for Capital Improvements	C-12	64,618	64,618
Down Payments on Improvements	C-13	3,000	3,000
Reserve for Payments of Debt	C-14	4,375	4,375
Reserve for Municipal Open Space Fund	C-15	103,512	106,247
Reserve for Grants Receivable	C-3	<u>84,232</u>	<u>139,916</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 4,782,523</u>	 <u>\$ 4,878,760</u>

There were bonds and notes authorized but not issued on December 31, 2013 and 2012 of \$126,144 and \$181,828 (restated), respectively, (Exhibit C-16).

BOROUGH OF HILLSDALE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - SWIM POOL UTILITY FUND
AS OF DECEMBER 31, 2013 AND 2012

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
ASSETS			
OPERATING FUND			
Cash	D-4	\$ 269,688	\$ 269,570
Cash - Stonybrook Swim Team	D-4	<u>12,146</u>	<u>5,561</u>
		<u>281,834</u>	<u>275,131</u>
Total Operating Fund		<u>281,834</u>	<u>275,131</u>
CAPITAL FUND			
Cash	D-4, 5	323,554	323,424
Due from Swim Pool Operating Fund	D-6	206	336
Fixed Capital	D-11	5,124,807	4,990,554
Fixed Capital Authorized and Uncompleted	D-12	<u>352,388</u>	<u>352,388</u>
Total Capital Fund		<u>5,800,955</u>	<u>5,666,702</u>
Total Assets		<u>\$ 6,082,789</u>	<u>\$ 5,941,833</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF HILLSDALE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - SWIM POOL UTILITY FUND
AS OF DECEMBER 31, 2013 AND 2012**

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
LIABILITIES, RESERVES AND FUND BALANCES			
OPERATING FUND			
Liabilities			
Appropriation Reserves	D-3, D-8	\$ 13,500	\$ 38,346
Encumbrances Payable	D-9	103,230	18,511
Due to Swim Pool Capital Fund	D-6	206	336
Accrued Interest on Bonds	D-7	5,255	5,705
Reserve for Swim Team Expenditures	D-10	<u>12,146</u>	<u>5,560</u>
		134,337	68,458
Fund Balance	D-1	<u>147,497</u>	<u>206,673</u>
Total Operating Fund		<u>281,834</u>	<u>275,131</u>
CAPITAL FUND			
Reserve for Improvements	D-13	25,308	25,308
Serial Bonds Payable	D-14	530,000	590,000
Reserve for Deferred Amortization	D-15	375,000	315,000
Reserve for Amortization	D-16	4,523,195	4,388,942
Improvement Authorizations			
Funded	D-17	294,079	298,344
Unfunded	D-17	49,000	49,000
Contracts Payable	D-18	4,265	
Capital Improvement Fund	D-19	<u>108</u>	<u>108</u>
Total Capital Fund		<u>5,800,955</u>	<u>5,666,702</u>
Total Liabilities, Reserves and Fund Balances		<u>\$ 6,082,789</u>	<u>\$ 5,941,833</u>

There were bonds and notes authorized but not issued on December 31, 2013 and 2012 of \$49,000 and \$49,000, respectively, (Exhibit D-20).

BOROUGH OF HILLSDALE
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - SWIM POOL UTILITY OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
REVENUES AND OTHER INCOME REALIZED			
Surplus Utilized	D-2	\$ 100,000	
Membership Fees	D-2	899,094	\$ 895,738
Use of Facility Fees	D-2	39,622	44,451
Interest on Investments	D-1		69
Miscellaneous Revenue	D-2	69,899	84,259
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	D-8	<u>28,082</u>	<u>36,379</u>
 Total Income		 <u>1,136,697</u>	 <u>1,060,896</u>
EXPENDITURES			
Budget Appropriations			
Operating	D-3	696,710	713,000
Capital	D-3	140,000	66,000
Debt Service	D-3	74,163	75,815
Surplus (General Budget)	D-3	185,000	178,000
Other Debits to Income	D-1	<u>-</u>	<u>100</u>
 Total Expenditures		 <u>1,095,873</u>	 <u>1,032,915</u>
 Excess in Revenue		 40,824	 27,981
 Fund Balance, January 1	D	 <u>206,673</u>	 <u>178,692</u>
		247,497	206,673
Decreased by:			
Utilized as Anticipated Utility Revenue	D-1	<u>100,000</u>	<u>-</u>
 Fund Balance, December 31	D	 <u>\$ 147,497</u>	 <u>\$ 206,673</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HILLSDALE
STATEMENT OF REVENUES - REGULATORY BASIS
SWIM POOL UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Reference	<u>Anticipated</u>	<u>Realized</u>	Excess or (Deficit)
Surplus Anticipated	D-1, D-4	\$ 100,000	\$ 100,000	
Membership Fees	D-1,D-4	915,000	899,094	\$ (15,906)
Use of Facility	D-1, D-4	44,000	39,622	(4,378)
Miscellaneous	D-1, D-4	<u>37,410</u>	<u>69,899</u>	<u>32,489</u>
	D-3	<u>\$ 1,096,410</u>	<u>\$ 1,108,615</u>	<u>\$ 12,205</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HILLSDALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS - SWIM POOL UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013 Appropriated		Expended		
	Budget	Budget After Modification	Paid or Charged	Reserved	Cancelled
OPERATING					
Salaries and Wages	\$ 328,300	\$ 334,500	\$ 334,379	\$ 121	
Other Expenses	368,410	362,210	354,578	7,632	
CAPITAL IMPROVEMENTS					
Capital Outlay	140,000	140,000	134,253	5,747	
DEBT SERVICE					
Payment of Bond Principal	60,000	60,000	60,000		
Interest on Bonds	14,700	14,700	14,163		\$ 537
Surplus(General Budget)	185,000	185,000	185,000	-	-
	\$ 1,096,410	\$ 1,096,410	\$ 1,082,373	\$ 13,500	\$ 537
<u>Reference</u>	D-2	D-2	D-1	D, D-1	
Cash Disbursements	D-4		\$ 964,980		
Accrued Interest	D-7		14,163		
Encumbrances Payable	D-9		103,230		
			\$ 1,082,373		

**BOROUGH OF HILLSDALE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
PUBLIC ASSISTANCE FUND
AS OF DECEMBER 31, 2013 AND 2012**

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
ASSETS			
Cash	E-1	\$ 49,399	\$ 31,923
Petty Cash	E	<u>100</u>	<u>100</u>
		<u>\$ 49,499</u>	<u>\$ 32,023</u>
RESERVES			
Due to Current Fund	E-3	\$ 510	\$ 500
Reserve for Public Assistance	E-2	<u>48,989</u>	<u>31,523</u>
		<u>\$ 49,499</u>	<u>\$ 32,023</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF HILLSDALE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2013 AND 2012**

ASSETS	<u>2013</u>	<u>2012</u> (Unaudited) (Restated)
Land	\$ 36,953,400	\$ 36,953,400
Buildings and Building Improvements	4,630,700	4,630,700
Machinery and Equipment	<u>6,606,668</u>	<u>6,555,989</u>
	<u>\$ 48,190,768</u>	<u>\$ 48,140,089</u>
 FUND BALANCE		
Investment in General Fixed Assets	<u>\$ 48,190,768</u>	<u>\$ 48,140,089</u>

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of Hillsdale (the "Borough") was incorporated in 1898 and operates under an elected Mayor/Council form of government. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, swim pool operations and general administrative services.

GASB requires the financial reporting entity to include both the primary government and component units. Component units are legally separate organizations for which the Borough is financially accountable. The Borough is financially accountable for an organization if the Borough appoints a voting majority of the organization's governing board and (1) the Borough is able to significantly influence the programs or services performed or provided by the organization; or (2) the Borough is legally entitled to or can otherwise access the organization's resources; the Borough is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Borough is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Borough in that the Borough approves the budget, the issuance of debt or the levying of taxes. The Borough is not includable in any other reporting entity as a component unit.

The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Borough do not include the municipal library, volunteer fire department or volunteer ambulance squad, which are considered component units under GAAP. Complete financial statements of the above component units can be obtained by contacting the Treasurer of the respective entity.

B. Description of Regulatory Basis of Accounting

The financial statements of the Borough of Hillsdale have been prepared on a basis of accounting in conformity with accounting principles and practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a regulatory basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough accounts for its financial transactions through separate funds, which differ from the fund structure required by GAAP.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB has adopted accounting statements to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America. (GAAP). The municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements.

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

The Borough uses funds, as required by the Division, to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial administration by segregating transactions related to certain Borough functions or activities. The Borough also uses an account group, which is designed to provide accountability for certain assets that are not recorded in those Funds.

The Borough has the following funds and account group:

Current Fund – This fund is used to account for the revenues and expenditures for governmental operations of a general nature and the assets and liabilities related to such activities, including Federal and State grants not accounted for in another fund.

Trust Funds - These funds are used to account for assets held by the government in a trustee capacity. Funds held by the Borough as an agent for individuals, private organizations, or other governments are recorded in the Trust Funds.

Assessment Trust Fund - This fund is used to account for special benefit assessments levied against properties for specific purposes.

Animal Control Fund - This fund is used to account for fees collected from dog and cat licenses and expenditures which are regulated by NJS 4:19-15.11.

Other Trust Fund - This fund is established to account for the assets and resources, which are held by the Borough as a trustee or agent for individuals, private organizations, other governments and/or other funds. These funds include dedicated fees/proceeds collected, developer deposits, payroll related deposits and funds deposited with the Borough as collateral.

Recreation Trust Fund - This fund is used to account for the receipts and disbursements relating to the Borough's recreation program.

Length of Service Awards Program Fund (LOSAP) – This fund is established to account for the tax-deferred income benefits to active volunteer members of emergency service organizations of the Borough.

General Capital Fund – This fund is used to account for the receipt and disbursement of funds used and related financial transactions related to the acquisition or improvement of general capital facilities and other capital assets, other than those acquired in the Current Fund.

Swim Pool Utility Fund - This fund is used to account for the revenues and expenditures for operation of the Borough's swimming and recreational facilities and the assets and liabilities relative to such activities. Acquisition or improvement of capital facilities and other capital assets for the swim pool utility is accounted for in the capital section of the fund.

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

Public Assistance Fund - This fund is used to account for the receipt and disbursement of funds that provide assistance to certain residents of the Borough pursuant to Title 44 of New Jersey Statutes.

General Fixed Assets Account Group - This account group is used to account for all general fixed assets of the Borough, other than those accounted for in the swim pool utility fund. The Borough's infrastructure is not reported in the account group.

Comparative Data - Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Borough's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

Financial Statements – Regulatory Basis

The GASB Codification also requires the financial statements of a governmental unit to be presented in the basic financial statements in accordance with GAAP. The Borough presents the regulatory basis financial statements listed in the table of contents which are required by the Division and which differ from the basic financial statements required by GAAP. In addition, the Division requires the regulatory basis financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from reporting requirements under GAAP.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the accounting principles and practices prescribed by the Division in accordance with the regulatory basis of accounting. Measurement focus indicates the type of resources being measured. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Borough of Hillsdale follows a modified accrual basis of accounting. Under this method of accounting, revenues, except State/Federal Aid, are recognized when received and expenditures are recorded when incurred. The accounting principles and practices prescribed or permitted for municipalities by the Division ("regulatory basis of accounting") differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. The more significant differences are as follows:

Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. Investments are reported at cost and are limited by N.J.S.A. 40A:5-15.1 et seq. with the exception of LOSAP Trust Fund investments which are reported at fair value and are limited by N.J.A.C. 5:30-14.19. GAAP requires that all investments be reported at fair value.

Inventories - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. GAAP requires inventories to be recorded as assets in proprietary-type funds.

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Property Tax Revenues/Receivables - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. A penalty of up to 6% of the delinquency may be imposed on a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the fiscal year in which the charges become delinquent. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale. The Borough also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11th day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The Borough may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

Miscellaneous Revenues/Receivables - Miscellaneous revenues are recognized on a cash basis. Receivables for the miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both measurable and available).

Utility Revenues/Receivables - Utility charges are based upon an approved fee ordinance. Revenues from these sources are recognized on a cash basis. Receivables that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's swim pool utility operating fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Grant and Similar Award Revenues/Receivables - Federal and State grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough's budget. GAAP requires such revenues to be recognized as soon as all eligibility requirements imposed by the grantor or provider have been met.

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Property Acquired for Taxes – Property acquired for taxes is recorded in the Current Fund at the assessed valuation when such property was acquired, and is fully reserved. GAAP requires such property to be recorded as a capital asset in the government-wide financial statements at fair value on the date of acquisition.

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves, which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve for interfunds and, therefore, does not recognize income in the year liquidated.

Deferred Charges – Certain expenditures, operating deficits and other items are required to be deferred to budgets of succeeding years. GAAP requires expenditures, operating deficits and certain other items generally to be recognized when incurred, if measurable.

Appropriation Reserves – Appropriation reserves are recorded as liabilities and are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as additions to income. Appropriation reserves do not exist under GAAP.

Expenditures – Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with an encumbrance accounting system. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations, at December 31, are reported as expenditures through the establishment of appropriation reserves unless cancelled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, as well as expenditures related to compensated absences and claims and judgements, which are recognized when due.

Encumbrances - Contractual orders outstanding at December 31, are reported as expenditures and liabilities through the establishment of an encumbrance payable. Encumbrances do not constitute expenditures or liabilities under GAAP

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick leave are not recorded until paid; however, municipalities may establish and budget reserve funds subject to NJSA 40A:4-39 for the future payment of compensated absences. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations are recorded as a long-term obligation in the government-wide financial statements.

Tax Appeals and Other Contingent Losses - Losses arising from tax appeals and other contingent losses are recognized at the time a decision is rendered by an administrative or judicial body; however, municipalities may establish reserves transferred from tax collections or by budget appropriation for future payments of tax appeal losses. GAAP requires such amounts to be recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

**BOROUGH OF HILLSDALE
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Deferred School Taxes – School taxes raised in advance in the Current Fund for a school fiscal year (July 1 to June 30) which remain unpaid at December 31 of the calendar year levied may be deferred to fund balance to the extent of not more than 50% of the annual levy providing no requisition has been made by the school district for such amount. GAAP does not permit the deferral of unpaid school taxes to fund balance at year end.

General Fixed Assets - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the Borough of Hillsdale has developed a fixed assets accounting and reporting system. Fixed assets are defined by the Borough as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years.

Fixed assets used in governmental operations (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and sewerage and drainage systems are not capitalized.

Fixed Assets purchased after December 31, 2012 are stated as cost. Donated fixed assets are recorded at estimated fair market value at the date of donation.

Fixed Assets purchased prior to December 31, 2012 are stated as follows:

Land and Buildings	Assessed Value
Machinery and Equipment	Replacement Cost

No depreciation has been provided for in the financial statements.

Expenditures for construction in progress are recorded in the General Capital Fund until such time as the construction is completed and put into operation for general fixed assets.

Accounting for utility fund "fixed capital" remains unchanged under NJAC 5:30-5.6.

Property and equipment purchased by the swim pool utility fund is recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the Utility Capital Fund represents charges to operations for the costs of acquisitions of property, equipment and improvements. The utility does not record depreciation on fixed assets.

GAAP requires that capital assets be recorded in proprietary-type funds as well as the government-wide financial statement at historical or estimated historical cost if actual historical cost is not available. In addition, GAAP requires depreciation on capital assets to be recorded in proprietary-type funds as well as in the government-wide financial statements.

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Use of Estimates - The preparation of financial statements requires management of the Borough to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of accrued revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

Reclassifications - Certain reclassifications have been made to the December 31, 2012 balances to conform to the December 31, 2013 presentation.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting - An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Borough and approved by the State Division of Local Government Services as per N.J.S.A. 40A:4 et seq.

The Borough is not required to adopt budgets for the following funds:

Trust Funds (Except Assessment Trust Fund)
Capital Funds (General and Utility)
Public Assistance Fund

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. The Borough Council did not increase the original budget during 2013. During 2012 the Borough Council increased the original budget by \$176,816. The increase was attributable to an emergency resolution for storm damage related to Hurricane Sandy. In addition, the governing body approved several budget transfers during 2013 and 2012.

**BOROUGH OF HILLSDALE
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 3 DEPOSITS AND INVESTMENTS

The Borough considers petty cash, change funds, cash in banks, certificates of deposit and deposits with the New Jersey Cash Management Fund as cash and cash equivalents.

A. Deposits

The Borough's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Borough is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

Bank balances for interest bearing accounts are insured up to \$250,000 in the aggregate by the FDIC for each bank. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, temporary unlimited deposit insurance coverage was provided for non-interest bearing accounts from December 31, 2010 through December 31, 2012. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2013 and 2012, the book value of the Borough's deposits were \$6,389,156 and \$5,802,546 and bank and brokerage firm balances of the Borough's deposits amounted to \$6,666,863 and \$6,031,924, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2013</u>	<u>2012</u>
Insured	<u>\$ 6,666,863</u>	<u>\$ 6,031,924</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2013 and 2012, the Borough's bank balances were not exposed to custodial credit risk.

B. Investments

The Borough is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the Borough or bonds or other obligations of the school districts which are a part of the Borough or school districts located within the Borough, Local Government investment pools, and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e). In addition, the Borough is permitted to invest LOSAP Funds with the types of eligible investments authorized in NJAC 5:30-14.19. LOSAP investments include interest bearing accounts or securities, in which savings banks of New Jersey are authorized to invest their funds, New Jersey Cash Management Fund, fixed and variable individual or group annuity contracts, mutual fund shares or fixed and variable life insurance contracts.

**BOROUGH OF HILLSDALE
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 3 DEPOSITS AND INVESTMENTS

B. Investments (Continued)

As of December 31, 2013 and 2012, the Borough had the following investments:

	<u>Fair Value</u>	<u>Book Value</u>
<u>2013</u>		
Investment:		
Lincoln Financial		
Length of Service Award Program (LOSAP)	\$ <u>881,658</u>	\$ <u>881,658</u>
<u>2012</u>		
Investment:		
Lincoln Financial		
Length of Service Award Program (LOSAP)	\$ <u>730,920</u>	\$ <u>730,920</u>

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Borough does not have a policy for custodial risk. As of December 31, 2013 and 2012, \$881,658 and \$730,920 of the Borough’s investments was exposed to custodial credit risk as follows:

	<u>Fair Value (LOSAP)</u>	<u>Book Value</u>
<u>2013</u>		
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department but not in the Borough's name	\$ <u>881,658</u>	\$ <u>881,658</u>
	<u>Fair Value (LOSAP)</u>	<u>Book Value</u>
<u>2012</u>		
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department but not in the Borough's name	\$ <u>730,920</u>	\$ <u>730,920</u>

**BOROUGH OF HILLSDALE
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 3 DEPOSITS AND INVESTMENTS

B. Investments (Continued)

Interest Rate Risk – The Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1). The Borough does not have an investment policy that would further limit its investment choices.

Concentration of Credit Risk – The Borough places no limit in the amount the Borough may invest in any one issuer. More than five (5) percent of the Borough’s investments are in Lincoln Financial. These investments are 100% of the Borough’s total investments.

The fair value of the above-listed investments were based on quoted market prices.

Interest earned in the General Capital Fund, Assessment Trust Fund, Animal Control Fund and certain Other Trust Funds are assigned to the Current Fund in accordance with the regulatory basis of accounting. Interest earned in the Utility Capital Fund is assigned to the Utility Operating Fund in accordance with the regulatory basis of accounting.

NOTE 4 TAXES RECEIVABLE

Receivables at December 31, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
<u>Current</u>		
Property Taxes	\$ 385,268	\$ 373,532
Tax Title Liens	<u>17,778</u>	<u>19,586</u>
	<u>\$ 403,046</u>	<u>\$ 393,118</u>

In 2013 and 2012, the Borough collected \$367,204 and \$420,475 from delinquent taxes, which represented 93% and 94% of the prior year delinquent taxes receivable balance.

**BOROUGH OF HILLSDALE
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 5 DUE TO/FROM OTHER FUNDS

As of December 31, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>2013</u>		<u>2012</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Funds	\$ 15,223	\$ 38,639	\$ 14,130	\$ 38,568
Trust Funds				
Assessment		12,234		11,888
Recreation		6		4
Animal Control		3		
Other Trust		2,470		1,738
General Capital Fund	38,639		38,568	
Swim Pool Utility				
Operating		206		336
Capital	206		336	
Public Assistance Fund	-	510	-	500
Total	<u>\$ 54,068</u>	<u>\$ 54,068</u>	<u>\$ 53,034</u>	<u>\$ 53,034</u>

The above balances are the result of expenditures being paid by one fund on behalf of another and/or to cover cash balances which were in an overdraft position.

The Borough expects all interfund balances to be liquidated within one year.

NOTE 6 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Under the regulatory basis of accounting, certain expenditures are required to be deferred to budgets of succeeding years. At December 31, the following deferred charges are reported on the balance sheets of the following funds:

	<u>Balance, December 31,</u>	<u>Subsequent Year Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
<u>2013</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$150,000	\$50,000	\$100,000
<u>2012</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$200,000	\$50,000	\$150,000
Emergency Authorization	176,816	176,816	

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 7 DEFERRED SCHOOL TAXES

Under the regulatory basis of accounting, regulations allow for the deferral to fund balance of not more than 50% of the annual levy when school taxes are raised in advance for a school year and have not been requisitioned by the school district as of December 31.

	<u>2013</u> Regional High School	<u>2012</u> Regional High School
Balance of Tax	\$5,437,665	\$5,238,294
Deferred Liability	<u>4,867,902</u>	<u>4,767,902</u>
Taxes Payable	<u>\$ 569,763</u>	<u>\$ 470,392</u>

NOTE 8 FUND BALANCES APPROPRIATED

Under the regulatory basis of accounting, fund balances in the Current Fund and Utility Operating Fund are comprised of cash surplus (fund balance) and non-cash surplus (fund balance). All or part of cash surplus as of December 31 may be anticipated in the subsequent year's budget. The non-cash surplus portion of fund balance may be utilized in the subsequent year's budget with the prior written consent of the Director of the Division of Local Government Services if certain guidelines are met as to its availability. Fund balances at December 31, which were appropriated and included as anticipated revenue in their own respective fund's budget for the succeeding year were as follows:

	Fund Balance December 31, <u>2013</u>	Utilized in Subsequent Year's Budget	Fund Balance December 31, <u>2012</u>	Utilized in Subsequent Year's Budget
Current Fund				
Cash Surplus	\$ 1,339,664	\$ 1,075,000	\$ 934,901	\$ 934,901
Non-Cash Surplus	<u>193,614</u>	<u>-</u>	<u>417,191</u>	<u>15,099</u>
	<u>\$ 1,533,278</u>	<u>\$ 1,075,000</u>	<u>\$ 1,352,092</u>	<u>\$ 950,000</u>
Swim Pool Utility Operating Fund				
Cash Surplus	\$ 147,497	16,062	\$ 206,673	100,000
Non-Cash Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 147,497</u>	<u>\$ 16,062</u>	<u>\$ 206,673</u>	<u>\$ 100,000</u>

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 9 FIXED ASSETS

A. General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2013 and 2012.

	Balance December 31, <u>2012</u> (Restated)	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2013</u>
<u>2013</u>				
Land	\$ 36,953,400			\$ 36,953,400
Buildings and Building Improvements	4,630,700			4,630,700
Machinery and Equipment	<u>6,555,989</u>	\$ 50,679	-	<u>6,606,668</u>
	<u>\$ 48,140,089</u>	<u>\$ 50,679</u>	<u>\$ -</u>	<u>\$ 48,190,768</u>

	Balance December 31, <u>2011</u>	<u>Increases</u>	<u>Decreases</u>	Prior Period <u>Adjustment</u>	Balance, December 31, <u>2012</u> (Restated)
<u>2012 - Unaudited</u>					
Land	\$ 49,200,200			\$ (12,246,800)	\$ 36,953,400
Buildings and Building Improvements	4,178,200			452,500	4,630,700
Machinery and Equipment	<u>6,675,012</u>	\$ 59,217	-	(178,240)	<u>6,555,989</u>
	<u>\$ 60,053,412</u>	<u>\$ 59,217</u>	<u>\$ -</u>	<u>\$ (11,972,540)</u>	<u>\$ 48,140,089</u>

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 9 FIXED ASSETS (Continued)

B. Swim Pool Utility Fund Fixed Assets

The following is a summary of changes in the utility fund fixed assets for the years ended December 31, 2013 and 2012.

	Balance December 31, <u>2012</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2013</u>
<u>Swim Pool Utility Fund</u>				
<u>2013</u>				
Fixed Capital				
Building and Building Improvements	\$ 4,990,554	\$ 134,253	\$ -	\$ 5,124,807
	<u>\$ 4,990,554</u>	<u>\$ 134,253</u>	<u>\$ -</u>	<u>\$ 5,124,807</u>
	Balance December 31, <u>2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2012</u>
<u>2012</u>				
Fixed Capital				
Building and Building Improvements	\$ 4,942,677	\$ 47,877	\$ -	\$ 4,990,554
	<u>\$ 4,942,677</u>	<u>\$ 47,877</u>	<u>\$ -</u>	<u>\$ 4,990,554</u>

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 10 MUNICIPAL DEBT

The Local Bond Law governs the issuance of bonds and notes used to finance capital expenditures. General obligation bonds have been issued for both general capital and utility capital fund projects. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond anticipation notes, which are issued to temporarily finance capital projects, must be paid off within ten years and four months or retired by the issuance of bonds.

The Borough's debt is summarized as follows:

	<u>2013</u>	<u>2012</u>
Issued		
General		
Bonds and Notes	\$ 3,720,000	\$ 3,915,000
Assessment		
Notes		40,000
Swim Pool Utility		
Bonds	<u>530,000</u>	<u>590,000</u>
	<u>4,250,000</u>	<u>4,545,000</u>
Less Funds Temporarily Held to Pay Bonds and Notes	<u>-</u>	<u>-</u>
Net Debt Issued	4,250,000	4,545,000
Authorized But Not Issued		
General		
Bonds and Notes	126,144	181,828
Swim Pool Utility		
Bonds and Notes	<u>49,000</u>	<u>49,000</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 4,425,144</u>	<u>\$ 4,775,828</u>

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 10 MUNICIPAL DEBT (Continued)

Statutory Net Debt

The statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and indicates a statutory net debt of .209% and .226% at December 31, 2013 and 2012, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2013</u>			
General Debt	\$ 3,846,144		\$ 3,846,144
School Debt	10,126,498	\$ 10,126,498	
Utility Debt	<u>579,000</u>	<u>579,000</u>	<u>-</u>
Total	<u>\$ 14,551,642</u>	<u>\$ 10,705,498</u>	<u>\$ 3,846,144</u>

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2012</u>			
General Debt	\$ 4,136,828		\$ 4,136,828
School Debt	11,250,022	\$ 11,250,022	
Utility Debt	<u>639,000</u>	<u>639,000</u>	<u>-</u>
Total	<u>\$ 16,025,850</u>	<u>\$ 11,889,022</u>	<u>\$ 4,136,828</u>

Statutory Borrowing Power

The Borough's remaining borrowing power under N.J.S. 40A:2-6, as amended, at December 31, was as follows:

	<u>2013</u>	<u>2012</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 64,500,841	\$ 66,120,402
Net Debt	<u>3,846,144</u>	<u>4,136,828</u>
Remaining Borrowing Power	<u>\$ 60,654,697</u>	<u>\$ 61,983,574</u>

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 10 MUNICIPAL DEBT (Continued)

A. Long-Term Debt

The Borough's long-term debt consisted of the following at December 31:

General Obligation Bonds

The Borough levies ad valorem taxes to pay debt service on general obligation bonds. General obligation bonds outstanding at December 31 are as follows:

	<u>2013</u>	<u>2012</u>
\$4,290,000, 2011 Bonds, due in an annual installment of \$400,000 to \$485,000 through February 15, 2021, interest at 2.00% - 3.25%	\$ 3,530,000	\$ 3,915,000

Utility Bonds

The Borough pledges revenue from operations to pay debt service on utility bonds issued. The swim pool utility bonds outstanding at December 31 are as follows:

Swim Pool Utility

	<u>2013</u>	<u>2012</u>
\$650,000, 2011 Bonds, due in annual installments of \$60,000 to \$70,000 through February 15, 2021, interest at 2.00% - 3.25%	\$ 530,000	\$ 590,000

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2013 is as follows:

Calendar Year	General Bonds		Swim Pool Utility		Total
	Principal	Interest	Principal	Interest	
2014	\$ 400,000	\$ 89,663	\$ 60,000	\$ 13,413	\$ 563,076
2015	410,000	81,563	65,000	12,163	568,726
2016	420,000	72,738	65,000	10,782	568,520
2017	430,000	62,100	65,000	9,157	566,257
2018	450,000	50,000	65,000	7,369	572,369
2019-2021	<u>1,420,000</u>	<u>67,682</u>	<u>210,000</u>	<u>9,888</u>	<u>1,707,570</u>
Total	<u>\$ 3,530,000</u>	<u>\$ 423,746</u>	<u>\$ 530,000</u>	<u>\$ 62,772</u>	<u>\$ 4,546,518</u>

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 10 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years ended December 31, 2013 and 2012 were as follows:

	Balance, December 31, <u>2012</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2013</u>	Due Within <u>One Year</u>
<u>2013</u>					
General Capital Fund Bonds Payable	\$ 3,915,000	-	\$ 385,000	\$ 3,530,000	\$ 400,000
General Capital Fund Long-Term Liabilities	<u>\$ 3,915,000</u>	<u>\$ -</u>	<u>\$ 385,000</u>	<u>\$ 3,530,000</u>	<u>\$ 400,000</u>
Swim Pool Utility Capital Fund Bonds Payable	\$ 590,000	-	\$ 60,000	\$ 530,000	\$ 60,000
Swim Pool Utility Capital Fund Long-Term Liabilities	<u>\$ 590,000</u>	<u>\$ -</u>	<u>\$ 60,000</u>	<u>\$ 530,000</u>	<u>\$ 60,000</u>

**BOROUGH OF HILLSDALE
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 10 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Changes in Long-Term Municipal Debt (Continued)

	Balance, December 31, <u>2011</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2012</u>	Due Within <u>One Year</u>
<u>2012</u>					
General Capital Fund Bonds Payable	\$ 4,290,000	-	\$ 375,000	\$ 3,915,000	\$ 385,000
General Capital Fund Long-Term Liabilities	<u>\$ 4,290,000</u>	<u>\$ -</u>	<u>\$ 375,000</u>	<u>\$ 3,915,000</u>	<u>\$ 385,000</u>
Swim Pool Utility Capital Fund Bonds Payable	\$ 650,000	-	\$ 60,000	\$ 590,000	\$ 60,000
Swim Pool Utility Capital Fund Long-Term Liabilities	<u>\$ 650,000</u>	<u>\$ -</u>	<u>\$ 60,000</u>	<u>\$ 590,000</u>	<u>\$ 60,000</u>

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 10 MUNICIPAL DEBT (Continued)

B. Short-Term Debt

The Borough's short-term debt activity for the years ended December 31, 2013 and 2012 was as follows:

Bond Anticipation Notes

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, December 31, 2012</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2013</u>
2013						
<u>General Capital Fund</u>						
2013 Road Improvement Program	0.70%	12/18/2014		\$ 190,000		\$ 190,000
<u>Assessment Trust</u>						
Sidewalk Improvements	1.00%	2/8/2013	\$ 40,000	-	\$ 40,000	-
Total Bond Anticipation Notes Payable			\$ 40,000	\$ 190,000	\$ 40,000	\$ 190,000

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, December 31, 2011</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2012</u>
2012						
<u>General Capital Fund</u>						
Sidewalk Improvements	1.00%	2/10/2012	\$ 13,691		\$ 13,691	
<u>Assessment Trust</u>						
Sidewalk Improvements	1.00%	2/8/2013	51,309	-	11,309	\$ 40,000
Total Bond Anticipation Notes Payable			\$ 65,000	\$ -	\$ 25,000	\$ 40,000

The purpose of these short-time borrowings was to provide resources for capital construction, acquisitions or improvement projects and other purposes permitted by State Local Bond Law NJSA 40A:2 et. seq. The amounts issued for governmental activities are accounted for in the General Capital Fund. The amounts issued for the swim pool utility activities are accounted for in the Swim Pool Utility Capital Fund.

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 10 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

State law requires that notes are to be issued for a period not exceeding one year and may be renewed from time to time for additional periods, none of which shall exceed one year. All bond anticipation notes, including renewals, shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original notes. In addition any note renewed beyond the third anniversary date of the original note, requires one legally payable installment to be paid.

NOTE 11 OTHER LONG-TERM LIABILITIES

A. Compensated Absences

Under the existing policies and labor agreements of the Borough, employees are allowed to accumulate (with certain restrictions) unused vacation benefits, personal, sick leave and compensation time in lieu of overtime over the life of their working careers and to redeem such unused leave time in cash (with certain limitations) upon death, retirement or by extended absence immediately preceding retirement.

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$540,907 and \$589,435 at December 31, 2013 and 2012, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

As of December 31, 2013 and 2012, the Borough has reserved in the Current Fund \$94,858 and \$0, respectively to fund compensated absences in accordance with NJSA 40A:4-39.

B. Deferred Health Benefit Premium

On July 23, 2009, the Borough adopted resolution #09104 to elect the two-month premium delay option under the New Jersey State Health Benefits Program (SHBP). Under this option, the Borough delayed the first two month premiums totaling \$110,410.46. Should the Borough elect to terminate SHBP participation in the future or the Program ceases to exist, the Borough will be required to pay any delayed premiums immediately. As of December 31, 2013 the two-month premium delay amounted to \$123,209. The Borough has established a medical benefit account to reserve the deferred medical insurance premium. The balance in the medical benefit account was \$31,924 as of December 31, 2013 and 2012, respectively.

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all state and local government employees which includes those Borough employees who are eligible for pension coverage.

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Police and Firemen's Retirement System (PFRS) – established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after June 30, 1944. Membership is mandatory for such employees with vesting occurring after 10 years of membership.

Public Employees' Retirement System (PERS) – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement healthcare for those eligible employees whose local employers elected to do so, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and, if applicable, 25 years for post-retirement healthcare coverage.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Borough employees who are eligible for pension coverage.

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership. This provision was extended by Chapter 1, P.L. 2010, effective May 21, 2010, to new employees (Tier 2) of the PFRS and new employers who would otherwise be eligible to participate in PERS and do not work the minimum required hours but earn a base salary of at least \$5,000 are eligible for participation in the DCRP.

Other Pension Funds

The state established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local governmental employers do not appropriate funds to SACT.

The cost of living increase for PFRS and PERS are funded directly by each of the respective systems, but are currently suspended as a result of reform legislation.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems, funds, and trust. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

Basis of Accounting

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits and refunds are recognized when due and payable in accordance with the terms of the retirement systems.

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Significant Legislation

P.L. 2011, c.78, effective June 28, 2011, made various changes to the manner in which PERS and PFRS operate and to the benefit provisions of those systems.

This new legislation's provisions impacting employee pension and health benefits include:

- For new members of PERS hired on or after June 28, 2011 (Tier 5 members), the years of creditable service needed for early retirement benefits increased from 25 to 30 years and the early retirement age increased from 55 to 65. The eligibility age to qualify for a service retirement in the PERS increased from age 62 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), decreased from 65 percent of final compensation to 60 percent of final compensation after 25 years of service and from 70 percent of final compensation to 65 percent of final compensation after 30 or more years of service.
- It increased the active member contribution rates as follows: PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years; PFRS active member rates increase from 8.5 percent to 10 percent. For Fiscal Year 2013, the PERS member contribution rate was 6.64%. The phase-in of the additional incremental member contributions for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries was suspended. COLA increases may be reactivated at a future date as permitted by this law.
- It changed the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay method).

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial report may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290, or at www.state.nj/treasury/doinvest.

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including CPFPE, PERS and PFRS, is 64.5 percent with an unfunded actuarial accrued liability of \$47.2 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 56.7 percent and \$34.4 billion, respectively and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 76.1 percent and \$12.8 billion, respectively.

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Funded Status and Funding Progress (Continued)

The funded status and funding progress of the retirement systems includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2012 actuarial valuations, the date of the most recent actuarial valuations, the projected unit credit was used as actuarial cost method, and the five year average of market value was used as asset valuation method for pension trust funds. The actuarial assumptions included (a) 7.90% for investment rate of return for all the retirement systems except CPFPPF (2.00%) and (b) changes to projected salary increases, which vary by fund.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 6.50% plus an additional 1% phased-in over 7 years beginning in July 2012 for PERS, 10.0% for PFRS and 5.50% for DCRP of employees' annual compensation. The member contribution for PERS was 6.64% in fiscal year 2013.

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2013 for CPFPPF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Annual Pension Cost (APC) (Continued)

During the years ended December 31, 2013, 2012 and 2011, the Borough, was required to contribute for normal cost pension contributions, accrued liability pension contributions, early retirement incentive program contributions, deferred pension obligation contributions, and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended December 31</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2013	\$ 574,338	\$ 208,130	\$ 5,535
2012	551,334	218,874	1,602
2011	580,511	229,488	1,849

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for participating municipalities including the Borough.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and the Teacher’s Pension and Annuity (TPAF) are combined and reported as Pension and Other Employee Benefit Trust Funds in the State’s Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, PDP-State, and the PRM of the PERS are combined and reported as Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF-Local are combined and reported as Health Benefits Program Fund –Local Government classified as a cost sharing multiple-employer plan. The post-retirement benefit programs had a total of 585 state and local participating employers and contributing entities for Fiscal Year 2013.

The State of New Jersey sponsors and administers the following health benefit program covering substantially all local government employees from local participating employers.

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

State Health Benefits Program Funds (HBPF) – Local Government (including Prescription Drug Program Fund) – Certain local employers who participate in the State Health Benefits Program provide health insurance coverage to their employees at retirement. Under provisions of P.L. 1997, c.330, the State of New Jersey provides partially funded benefits to local police officers and firefighters who retire with 25 years of service (or on disability) from an employer who does not provide coverage. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program by paying the cost of the insurance for themselves and their covered dependents. Also, local employees are eligible for the PDP coverage after 60 days of employment.

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 above Fund. The financial reports may be assessed via, the New Jersey, Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

Basis of Accounting

The financial statements of the health benefit programs are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the health benefit programs. Benefits or refunds are recognized when due and payable in accordance with the terms of the health benefit programs.

Significant Legislation

P.L. 2011, c.78, effective October 2011, sets new employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to this new legislation's effective date with a minimum contribution required to be at least 1.5% of salary. For those employed on or after June 28, 2011 the 4-year phase in does not apply, and contributions based on the full percentage rate of contribution are required.

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the State had a \$51.5 billion unfunded actuarial liability for other postemployment benefits (OPEB) which is made up of \$19.3 billion for state active and retired members and \$32.2 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

The funded status and funding progress of the OPEB is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events in the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Funded Status and Funding Progress (Continued)

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2012 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included 4.50 percent for investment rate of return for the OPEB.

Post-Retirement Medical Benefits Contribution

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Public Employees' Retirement System to fund post-retirement medical benefits for those State and participating local government employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2013, there were 100,134 retirees receiving post-retirement medical benefits, and the State contributed \$1.07 billion on their behalf. The cost of these benefits is funded through contributions by the State and participating local governments in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

P.L. 1977, c. 136 provides for the State and participating local governments to pay health benefits on a pay-as-you-go basis for all enrolled retired employees, regardless of retirement date, under two provisions. The first is for employees whose pensions are based on 25 years or more of credited service (except those who elect a deferred retirement). The second is for retired employees who are eligible for a disability retirement regardless of years of service. The State and participating local governments contributed \$139.8 million for 9,404 eligible retired members for Fiscal Year 2013. This benefit covers the Police and Firemen's Retirement System.

P.L. 1997, c. 330 provides paid post-retirement health benefits to qualified retirees of the Police and Firemen's Retirement System and the Consolidated Police and Firemen's Pension Fund and to dependents of qualified retirees. The State and participating local governments are responsible for 80 percent of the premium for the category of coverage elected by the retiree under the State managed care plan or a health maintenance organization participating in the program, whichever provides the lower charge. The State and participating local governments contributed \$38.0 million in Fiscal Year 2013 to provide benefits under Chapter 330 to qualified retirees.

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Post-Retirement Medical Benefits Contribution (Continued)

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The Borough's contributions to the State Health Benefits Program Fund-Local Government for post-retirement benefits for the years ended December 31, 2013, 2012 and 2011 were \$426,037, \$356,154 and \$308,389, respectively, which equaled the required contributions for each year (or were not available). In addition, the Borough's reimbursements to eligible retired employees for Medicare Part B insurance coverage for the years ended December 31, 2013, 2012 and 2011 were \$25,824, \$25,853 and \$25,205, respectively.

NOTE 14 RISK MANAGEMENT

The Borough is exposed to various risks of loss related to general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; termination of employees and natural disasters. The Borough has obtained commercial insurance coverage to guard against these events to minimize the exposure to the Borough should they occur.

The Borough of Hillsdale is a member of the Bergen County Municipal Joint Insurance Fund (BJIF) and Municipal Excess Liability Joint Insurance Fund (MEL). The joint insurance funds are both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and worker's compensation. The Funds are risk-sharing public entity pools. The BJIF and MEL coverage amounts are on file with the Borough.

The relationship between the Borough and respective insurance funds is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Borough is contractually obligated to make all annual and supplementary contributions to the insurance funds, to report claims on a timely basis, to cooperate with the management of the funds, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the funds. Members have a contractual obligation to fund any deficit of the funds attributable to a membership year during which the municipality was a member.

The funds provide its members with risk management services, including the defense of and settlement of claims, and established reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the funds can be obtained by contacting the respective fund's Treasurer.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage in any of the prior three years.

NOTE 15 CONTINGENT LIABILITIES

The Borough is a party defendant in some lawsuits, none of a kind unusual for a municipality of its size and scope of operation. In the opinion of the Borough's Attorney, the potential claims against the Borough not covered by insurance policies would not materially affect the financial condition of the Borough.

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 15 CONTINGENT LIABILITIES (Continued)

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2013 and 2012. Amounts claimed have not yet been determined. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. The Borough expects such amounts, if any, could be material. As of December 31, 2013 and 2012, the Borough reserved \$186,000 and \$-0-, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years' budget or from fund balance.

Federal and State Awards - The Borough participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 2013 and 2012, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough.

NOTE 16 FEDERAL ARBITRAGE REGULATIONS

The Borough is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2013 and 2012, the Borough has not estimated its estimated arbitrage earnings due to the IRS, if any.

NOTE 17 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED

The Borough of Hillsdale Length of Service Award Program (the Plan) was created by a Borough ordinance adopted on August 17, 1999 pursuant to 457 (e)(11)(13) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Award Program as enacted into federal law in 1997. The voters of the Borough of Hillsdale approved the adoption of the Plan at the general election held on November 7, 1999.

The first year of eligibility for entrance into the Plan was calendar year 2000. The tax deferred income benefits for emergency services volunteers, consisting of the Volunteer Fire Department and the First Aid Organization, come from contributions made solely by the Borough on behalf of those volunteers who meet the criteria of a plan created by the governing body.

If an active member meets the year of active service requirement, a LOSAP must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,150 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services issues the permitted maximum increase annually.

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 17 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED (Continued)

The Borough of Hillsdale has contributed \$1,368 and \$1,368 for 2013 and 2012, respectively, for each eligible volunteer fire department member into the Plan. The Borough also contributed \$1,368 and \$1,368 for 2013 and 2012, respectively for each eligible volunteer first aid squad members into the Plan.

In accordance with the amendments to Section 457 of the Internal Revenue Code and the State Deferred Revenue Regulations, the Borough has placed the amounts deferred, including earnings, in a trust for the exclusive benefit of the plan participants and their beneficiaries.

Lincoln Financial is the administrator of the plan. The Borough's practical involvement in administering the plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the plan administrator.

Vesting and Benefits

A volunteer is eligible to receive a distribution of funds upon completing 5 (five) cumulative years as an active member of the volunteer organization. Certain restrictions and tax implications may result in the event of a withdrawal of funds from the Plan.

If a volunteer member does not vest and terminates their association with the emergency service organization, the funds are returned to the sponsoring agency's surplus.

Reporting Requirements

The New Jersey Administrative Code NJAC 5:30-14.49 requires that the Borough perform a separate review report of the plan in accordance with the American Institute of Certified Public Accountants (AICPA) Statements on Standards for Accounting and Auditing Review Services. Since a review does not constitute an audit, the financial statements pertaining to the Plan are presented as unaudited in this report as part of the Borough's Trust Fund.

NOTE 18 RESTATEMENTS

The December 31, 2012 General Fixed Assets Account Group has been restated as a result of an updated Borough-wide inventory appraisal report.

	<u>Balance Prior to Restatement</u>	<u>Adjustment</u>	<u>Balance Subsequent to Restatement</u>
ASSETS			
Land	\$ 49,200,200	\$ (12,246,800)	\$ 36,953,400
Buildings and Building Improvements	4,178,200	452,500	4,630,700
Machinery and Equipment	6,735,229	(179,240)	6,555,989
FUND BALANCE			
Investment in General Fixed Assets	60,113,629	(11,973,540)	48,140,089

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 18 RESTATEMENTS (Continued)

The December 31, 2012 General Capital Fund balance sheet has been restated to properly reflect the Deferred Charge Unfunded balance of improvement authorizations.

	<u>Balance Prior to Restatement</u>	<u>Adjustment</u>	<u>Balance Subsequent to Restatement</u>
ASSETS			
Deferred Charges to Future Taxation - Unfunded	\$ 283,280	\$ (101,452)	\$ 181,828
Total Assets	4,980,212	(101,452)	4,878,760
LIABILITIES, RESERVES AND FUND BALANCE			
Reserve for Grants Receivable	241,368	(101,452)	139,916
Total Liabilities, Reserves and Fund Balance	4,980,212	(101,452)	4,878,760
Bonds and Notes Authorized But Not Issued	283,280	(101,452)	181,828

NOTE 19 HURRICANE SANDY

On October 29, 2012 Hurricane Sandy, the largest Atlantic hurricane on record made landfall in New Jersey and resulted in severe damage in numerous communities and a federal disaster was declared throughout the State. The Borough has incurred significant costs in the clean up and recovery from this federal disaster. The Federal Emergency Management Agency (“FEMA”) provides emergency grant assistance (voluntary nonexchange transaction) to help government’s cope with losses. Although the Borough has applied for reimbursement from FEMA, the total amount to be received in conjunction with this event is not considered to be measurable with sufficient reliability and therefore has not been recognized in the financial statements as of December 31, 2013. As of December 31, 2013, the Borough has received \$84,011 in FEMA reimbursements relating to Hurricane Sandy which have been reflected in the financial statements.

CURRENT FUND

BOROUGH OF HILLSDALE
STATEMENT OF CURRENT CASH - TREASURER

Balance, December 31, 2012		\$ 3,656,369
Increased by Receipts:		
Taxes Receivable	\$ 42,603,145	
Tax Title Liens	2,450	
Non-Budget Revenue	19,291	
Due from State of New Jersey - Senior Citizens' and Veterans' Deductions	97,750	
Prepaid Taxes	517,455	
Grants Receivable	9,137	
Due from Prosecutor's Office - DRE Coordinator	7,851	
Revenue Accounts Receivable	2,517,751	
Tax Overpayments	5,084	
Unappropriated Grant Reserves	46,846	
Miscellaneous Reserves	159,262	
Due to State of New Jersey - Marriage License Fees	853	
Due to State of New Jersey - DCA Training Fees	10,116	
Receipts from General Capital Fund	<u>775</u>	
		<u>45,997,766</u>
		49,654,135
Decreased by Disbursements:		
2013 Budget Appropriations	10,498,616	
2012 Appropriation Reserves	203,642	
Encumbrances Payable	315,713	
County Taxes Payable	4,031,994	
Local School Taxes Payable	19,319,320	
Regional High School Taxes Payable	10,675,958	
Appropriated Grant Reserves	52,497	
Reserve for Revaluation	155,480	
Miscellaneous Reserves	91,704	
Tax Overpayments Refunded	11,247	
Due to State of New Jersey - Marriage License Fees	1,000	
Due to State of New Jersey - DCA Training Fees	10,459	
Refund of Prior Year Taxes	<u>19,230</u>	
		<u>45,386,860</u>
Balance, December 31, 2013		<u>\$ 4,267,275</u>

**BOROUGH OF HILLSDALE
STATEMENT OF CHANGE FUND**

<u>Office</u>	Balance, December 31, <u>2012</u>	Balance, December 31, <u>2013</u>
Tax Collector	\$ <u>250</u>	\$ <u>250</u>

**STATEMENT OF DUE TO STATE OF NEW JERSEY
FOR SENIOR CITIZENS' AND VETERANS' DEDUCTIONS**

Balance, December 31, 2012		\$ 4,705
Increased by:		
Received in Cash from State		<u>97,750</u>
		102,455
Decreased by:		
Senior Citizens' and Veterans' Deductions Per Tax Billings	\$ 99,000	
Senior Citizens' and Veterans' Deductions Allowed by Tax Collector	<u>750</u>	
		<u>99,750</u>
Balance, December 31, 2013		<u>\$ 2,705</u>

**BOROUGH OF HILLSDALE
STATEMENT OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY**

Year	Balance, December 31, <u>2012</u>	2013 <u>Levy</u>	Added <u>Taxes</u>	Senior Citizens' and Veterans' Deductions <u>Disallowed</u>	<u>Collected In</u>		Senior Citizens' and Veterans' Deductions <u>Allowed</u>	<u>Cancelled</u>	Transfer to Tax Title <u>Liens</u>	Balance, December 31, <u>2013</u>
					<u>2012</u>	<u>2013</u>				
2010	\$ 6,000							\$ 6,000		
2011	260							260		
2012	<u>367,272</u>	-	-	-	-	\$ 364,754	-	2,518	-	-
	373,532	-	-	-	-	364,754	-	8,778	-	-
2013	<u>-</u>	<u>\$ 43,065,497</u>	<u>\$ 54,745</u>	<u>-</u>	<u>\$ 383,807</u>	<u>42,238,391</u>	<u>\$ 99,750</u>	<u>12,384</u>	<u>\$ 642</u>	<u>\$ 385,268</u>
	<u>\$ 373,532</u>	<u>\$ 43,065,497</u>	<u>\$ 54,745</u>	<u>\$ -</u>	<u>\$ 383,807</u>	<u>\$ 42,603,145</u>	<u>\$ 99,750</u>	<u>\$ 21,162</u>	<u>\$ 642</u>	<u>\$ 385,268</u>

Analysis of 2013 Property Tax Levy

TAX YIELD

General Purpose Tax	\$ 43,065,497
Added Taxes (54:4-63.1 et seq.)	<u>54,745</u>
	<u>\$ 43,120,242</u>

TAX LEVY

Local School Taxes	\$ 19,319,320
Regional School Taxes	10,875,329
County Taxes	
County Tax	\$ 3,977,768
County Open Space Preservation	44,025
Due County for Added and Omitted Taxes (54:4-63.1 et seq.)	<u>3,316</u>
	4,025,109
Local Tax for Municipal Purposes	8,228,914
Minimum Library Tax	614,723
Add Additional Tax Levied	<u>56,847</u>
	<u>8,900,484</u>
	<u>\$ 43,120,242</u>

**BOROUGH OF HILLSDALE
STATEMENT OF TAX TITLE LIENS RECEIVABLE**

Balance, December 31, 2012	\$ 19,586
Increased by:	
Transferred from Taxes Receivable	<u>642</u>
	20,228
Decreased by:	
Redemptions	<u>2,450</u>
Balance, December 31, 2013	<u>\$ 17,778</u>

**STATEMENT OF PROPERTY ACQUIRED FOR TAXES
(AT ASSESSED VALUATION)**

Balance, December 31, 2012	<u>\$ 726,900</u>
Balance, December 31, 2013	<u>\$ 726,900</u>

**BOROUGH OF HILLSDALE
STATEMENT OF GRANTS RECEIVABLE**

	Balance December 31 <u>2012</u>	Revenue <u>Realized</u>	Cash <u>Receipts</u>	Balance December 31 <u>2013</u>
Municipal Alliance on Alcoholism & Drug Abuse	\$ 3,879	\$ 9,876	\$ 3,879	\$ 9,876
CDBG - Barrier Free Improvements to Borough Hall	25,000			25,000
Clean Communities	317		317	
Body Armor Fund	3,238		2,441	797
Safety Committee Awards		2,500	2,500	
Green Communities	3,000			3,000
Stormwater Management Grant	4,941	-	-	4,941
	<u>\$ 40,375</u>	<u>\$ 12,376</u>	<u>\$ 9,137</u>	<u>\$ 43,614</u>

EXHIBIT A-11

STATEMENT OF DUE FROM PROSECUTOR'S OFFICE - DRE COORDINATOR

Balance, December 31, 2012	<u>\$ 7,851</u>
Decreased by:	
Cash Receipts	<u>\$ 7,851</u>

BOROUGH OF HILLSDALE
STATEMENT OF DEFERRED CHARGES - EMERGENCY AUTHORIZATION

	Balance, December 31, <u>2012</u>	Amount Resulting from 2013	Raised in 2013 Budget	Balance, December 31, <u>2013</u>
2012 Emergency Authorization	\$ 176,816	\$ -	\$ 176,816	\$ -

STATEMENT OF DEFERRED CHARGE - SPECIAL EMERGENCY AUTHORIZATION

Purpose	Amount Authorized	Not Less Than 1/5 of Amount Authorized	Balance, December 31, <u>2012</u>	Raised in 2013 Budget	Balance, December 31, <u>2013</u>
Revaluation of Real Property	\$ 250,000	\$ 50,000	\$ 200,000	\$ 50,000	\$ 150,000

BOROUGH OF HILLSDALE
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, December 31, <u>2012</u>	Accrued in <u>2013</u>	<u>Decreases</u>	Balance, December 31, <u>2013</u>
Borough Clerk				
Licenses				
Alcoholic Beverages		\$ 17,500	\$ 17,500	
Other		265	265	
Fees and Permits		7,652	7,652	
Police Department				
Fees and Permits		2,905	2,905	
Planning/Zoning				
Fees and Permits		35,070	35,070	
Fire Prevention				
Fees and Permits		36,664	36,664	
Board of Health				
Licenses		17,919	17,919	
Fees and Permits		5,570	5,570	
Municipal Court				
Fines and Costs	\$ 6,022	114,052	110,561	\$ 9,513
Interest and Cost on Taxes		77,830	77,830	
Interest on Investments and Deposits		1,514	1,514	
Parking Fees		76,461	76,461	
Anticipated Utility Operating Surplus		185,000	185,000	
Sewer Agreement Revenue		25,248	25,248	
Payment in Lieu of Taxes - Senior Housing		51,375	51,375	
Police Administrative Charge		50,000	50,000	
Communication Tower and Cable		319,105	319,105	
Energy Receipts Tax		1,180,070	1,180,070	
Watershed Aid		2,303	2,303	
Uniform Construction Code Fees		239,631	239,631	
Interlocal Agreement				
Pistol Range Rental - River Vale		2,186	2,186	
Meadowbrook School Paving Reimbursement	14,000			14,000
Uniform Fire Safety Act		7,485	7,485	
Recycling Revenues		47,099	47,099	
Hillsdale BOE - Cop in School		5,000	5,000	
Pascack Valley Regional HS - Cop in School	-	35,000	35,000	-
	<u>\$ 20,022</u>	<u>\$ 2,542,904</u>	<u>\$ 2,553,413</u>	<u>\$ 9,513</u>
			\$ 2,517,751	
			<u>35,662</u>	
			<u>\$ 2,553,413</u>	

**BOROUGH OF HILLSDALE
STATEMENT OF 2012 APPROPRIATION RESERVES**

	Balance December 31, 2012	Encumbrances Payable Cancelled	Budget After Transfer or Modification	Paid or Charged	Balance Lapsed
Mayor and Council					
Salaries and Wages	\$ 6,821		\$ 6,821		\$ 6,821
Other Expenses	2,901		2,901	\$ 967	1,934
Administrative and Executive					
Salaries and Wages	6,478		6,478	747	5,731
Other Expenses					
Public Information	3,096		3,096	1,437	1,659
Miscellaneous	2,093	\$ 1,003	3,096		3,096
Financial Administration					
Salaries and Wages	15,040		15,040	200	14,840
Other Expenses	8,033		8,033	2,079	5,954
Auditing and Accounting Services	10,000		10,000	1,830	8,170
Revenue Administration					
Salaries and Wages	314		314		314
Other Expenses	2,379		1,729		1,729
Assessment of Taxes					
Salaries and Wages	9		659	659	
Other Expenses	7,611		7,611	7,450	161
Municipal Clerk					
Salaries and Wages	97		97		97
Other Expenses	9,290		9,290	2,309	6,981
Legal and Engineering					
Other Expenses	6,517		6,517	5,157	1,360
Train Station					
Salaries and Wages	793		793		793
Other Expenses	186		186		186
Planning Board					
Other Expenses	10,233		9,773	4653	5,120
Zoning Board					
Salaries and Wages			460	455	5
Other Expenses	33		33	25	8
Buildings and Grounds					
Salaries and Wages	4,719		4,719		4,719
Other Expenses	705		2,205	887	1,318
Environmental Commission					
Other Expenses	325		325		325
Municipal Court					
Salaries and Wages	226		491	490	1
Other Expenses	3,688	\$ 329	3,752		3,752
Public Defender					
Salaries and Wages	20		20		20
Prosecutor					
Salaries and Wages	121		121		121
Insurance					
Unemployment Compensation	638		638		638
General Liability	719	1,950	2,669		2,669
Workers Compensation		8,000	8,000		8,000
Group Insurance Plan for Employees	19,639		19,639	3,275	16,364
Police					
Salaries and Wages	52,682		52,682	52,386	296
Other Expenses	1,007		1,007	80	927
DRE Co-Coordinator	448		448	288	160
Emergency Management					
Other Expenses	1,863		1,863		1,863
First Aid Organization					
Other Expenses	2,225		2,225	153	2,072
Fire Department					
Other Expenses	5,503		5,503	2,207	3,296

**BOROUGH OF HILLSDALE
STATEMENT OF 2012 APPROPRIATION RESERVES**

	Balance December 31, 2012	Encumbrances Payable Cancelled	Budget After Transfer on Modification	Paid or Charged	Balance Lapsed
Fire Prevention					
Salaries and Wages	\$ 2,993		\$ 2,993	\$ 1,647	\$ 1,346
Other Expenses	1,229		1,229		1,229
Road Repair and Maintenance					
Salaries and Wages	2,577		5,577	5,483	94
Other Expenses	9,648		5,148	3,268	1,880
Garbage and Trash Removal					
Salaries and Wages	3,658		3,658		3,658
Other Expenses	53,467		53,467		53,467
Recycling					
Other Expenses	16,530		16,530	4,909	11,621
Board of Health					
Salaries and Wages	5,178		4,678	1,855	2,823
Other Expenses	54		554	\$ 523	31
Animal Control Services					
Other Expenses	2,000		2,000		2,000
Administration of Public Assistance					
Salaries and Wages	86		86		86
Recreation Commission					
Salaries and Wages	61		61		61
Other Expenses	15,051		15,051	836	14,215
Senior Citizens Committee					
Salaries and Wages	1,023		1,023	224	799
Other Expenses	1,591		1,591	574	1,017
Parks and Playgrounds					
Other Expenses	2,331		2,331	1,936	395
Celebration of Public Events					
Other Expenses	1,385		1,385		1,385
Construction Code Official					
Salaries and Wages	26,119		26,119	5,355	20,764
Other Expenses	24,878		24,878	10,008	14,870
Unclassified					
Gas and Electricity	98,414		98,414	44,308	54,106
Telephone and Telegraph	8,914		8,914	3,995	4,919
Water	19,453		19,453	9,675	9,778
Gas	45,305		45,305	4,620	40,685
Vehicle Maintenance					
Other Expenses	13,321		13,321	143	13,178
Blood Borne Pathogens	100		100		100
Accumulated Absences	38,858		38,858	38,858	
Contingent	25,000		25,000	25,000	
Reserve for FEMA Claims	43,559		43,559		43,559
Statutory Expenditures					
Social Security	18,732		18,732		18,732
Defined Contribution Retirement Program	3,398		3,398		3,398
Flood Emergency					
Other Expenses	250		250		250
Maintenance of Free Public Library	10,798		10,798	6,241	4,557
Length of Service Award Program	69,000		69,000	44,460	24,540
Recycling Tax	9,312		9,312	863	8,449
Bergen County Utilities Authority					
Service Charge - Contractual	90		90		90
Reserve for Tax Appeals	186,000		186,000	186,000	
Interlocal Service Agreements					
Pistol Range Rental - River Vale	9		9		9
CFO - Borough of Emerson	10,012		10,012		10,012
Unallocated	-	\$ 37,748	37,748	-	37,748
	<u>\$ 956,836</u>	<u>\$ 49,030</u>	<u>\$ 1,005,866</u>	<u>\$ 488,515</u>	<u>\$ 517,351</u>
Appropriation Reserves	\$ 911,008		Cash Disbursement	\$ 203,642	
Reserve for LOSAP Contribution	45,828		Accounts Payable	4,015	
	<u>\$ 956,836</u>		Accumulated Absences	94,858	
			Reserve for Tax Appeals	<u>186,000</u>	
				<u>\$ 488,515</u>	

**BOROUGH OF HILLSDALE
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2012		\$ 364,743
Increased by:		
Charges to 2013 Appropriations		<u>253,845</u>
		618,588
Decreased by:		
Cash Disbursements	\$ 315,713	
Cancellations	<u>49,030</u>	
		<u>364,743</u>
Balance, December 31, 2013		<u>\$ 253,845</u>

STATEMENT OF ACCOUNTS PAYABLE

Increased by:		
Transferred from 2012 Appropriation Reserves		<u>\$ 4,015</u>
Balance, December 31, 2013		<u>\$ 4,015</u>

**BOROUGH OF HILLSDALE
STATEMENT OF PREPAID TAXES**

Balance, December 31, 2012	\$ 383,807
Increased by:	
Collection of 2014 Taxes	<u>517,455</u>
	901,262
Decreased by:	
Application to 2013 Taxes	<u>383,807</u>
Balance, December 31, 2013	<u>\$ 517,455</u>

STATEMENT OF TAX OVERPAYMENTS

Balance, December 31, 2012	\$ 11,247
Increased by:	
Overpayments Received	<u>5,084</u>
	16,331
Decreased by:	
Cash Disbursements	<u>11,247</u>
Balance, December 31, 2013	<u>\$ 5,084</u>

STATEMENT OF PREPAID CELL TOWER RENT

Balance, December 31, 2012	\$ <u>35,662</u>
Decreased by:	
Realized as Current Fund Revenue	<u>\$ 35,662</u>

**BOROUGH OF HILLSDALE
STATEMENT OF MISCELLANEOUS RESERVES**

	Balance, December 31, <u>2012</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	Balance, December 31, <u>2013</u>
Open Space - Pascack Bridge	\$ 41,310			\$ 41,310
Insurance Claims		\$ 72,730	\$ 26,596	46,134
Insurance Claims - FEMA		84,011	65,108	18,903
Watershed Aid	-	<u>2,521</u>	<u>-</u>	<u>2,521</u>
	<u>\$ 41,310</u>	<u>\$ 159,262</u>	<u>\$ 91,704</u>	<u>\$ 108,868</u>

EXHIBIT A-22

STATEMENT OF RESERVE FOR ACCUMULATED ABSENCES

Increased by:		
Transferred from 2012 Appropriation Reserves		<u>\$ 94,858</u>
Balance, December 31, 2013		<u>\$ 94,858</u>

EXHIBIT A-23

STATEMENT OF RESERVE FOR TAX APPEALS

Increased by:		
Transferred from 2012 Appropriation Reserves		<u>\$ 186,000</u>
Balance, December 31, 2013		<u>\$ 186,000</u>

EXHIBIT A-24

STATEMENT OF RESERVE FOR REVALUATION

Balance, December 31, 2012	\$ 178,000
Decreased by:	
Cash Disbursements	<u>155,480</u>
Balance, December 31, 2013	<u>\$ 22,520</u>

**BOROUGH OF HILLSDALE
STATEMENT OF DUE TO STATE OF NEW JERSEY - MARRIAGE LICENSE FEES**

Balance, December 31, 2012		\$ 200
Increased by:		
Cash Receipts		<u>853</u>
		1,053
Decreased by:		
Cash Disbursements		<u>1,000</u>
Balance, December 31, 2013		<u>\$ 53</u>

STATEMENT OF DUE TO STATE OF NEW JERSEY - DCA STATE TRAINING FEES

Balance, December 31, 2012		\$ 2,593
Increased by:		
Cash Receipts		<u>10,116</u>
		12,709
Decreased by:		
Cash Disbursements		<u>10,459</u>
Balance, December 31, 2013		<u>\$ 2,250</u>

STATEMENT OF COUNTY TAXES PAYABLE

Balance, December 31, 2012		\$ 10,201
Increased by:		
2013 Levy		
County Tax	\$ 3,977,768	
County Open Space Preservation	44,025	
County Tax for Added Taxes (54:4-63.1)	<u>3,316</u>	
		<u>4,025,109</u>
		4,035,310
Decreased by:		
Payments		<u>4,031,994</u>
Balance, December 31, 2013		<u>\$ 3,316</u>

**BOROUGH OF HILLSDALE
STATEMENT OF LOCAL SCHOOL TAXES PAYABLE**

Balance, December 31, 2012		\$ 498
Increased by:		
2013 Levy		<u>19,319,320</u>
		19,319,818
Decreased by:		
Payments		<u>19,319,320</u>
Balance, December 31, 2013		<u>\$ 498</u>

STATEMENT OF REGIONAL HIGH SCHOOL TAXES PAYABLE

Balance, December 31, 2012		
School Taxes Payable	\$ 470,392	
Deferred School Taxes	<u>4,767,902</u>	
		\$ 5,238,294
Increased by:		
Levy - School Year July 1, 2013 to June 30, 2014		<u>10,875,329</u>
		16,113,623
Decreased by:		
Cash Disbursements		<u>10,675,958</u>
Balance, December 31, 2013		
School Taxes Payable	569,763	
Deferred School Taxes	<u>4,867,902</u>	
		<u>\$ 5,437,665</u>
2013 Liability for Regional High School Tax		
2013 School Taxes Paid		\$ 10,675,958
Add: School Taxes Payable, December 31, 2013		<u>569,763</u>
		11,245,721
Less: School Taxes Payable, December 31, 2012		<u>470,392</u>
Amount Charged to 2013 Operations		<u>\$ 10,775,329</u>

BOROUGH OF HILLSDALE
STATEMENT OF RESERVE FOR UNAPPROPRIATED GRANTS

	Balance December 31, <u>2012</u>	<u>Received</u>	Realized as <u>Revenue</u>	Balance December 31, <u>2013</u>
Recycling Tonnage Grant	\$ 26,422	\$ 17,618	\$ 26,422	\$ 17,618
Body Armor Fund	2,364		2,364	
Bergen County - Rifles		7,691		7,691
Clean Communities		17,899		17,899
CDBG - Senior Activities	831	3,638	831	3,638
	<u>\$ 29,617</u>	<u>\$ 46,846</u>	<u>\$ 29,617</u>	<u>\$ 46,846</u>

EXHIBIT A-31

STATEMENT OF RESERVE FOR APPROPRIATED GRANTS

	Balance December 31, <u>2012</u>	Transfer from 2013 <u>Budget</u>	Paid or <u>Charged</u>	Balance December 31, <u>2013</u>
Clean Communities Program	\$ 80,434		\$ 30,542	\$ 49,892
Recycling Tonnage Grant	32,175	\$ 26,422		58,597
Alcohol Education and Rehabilitation	1,880		339	1,541
Municipal Alliance				
Grant		9,876	5,418	4,458
Match		2,875	2,875	
CDBG - 2012	10,225			10,225
Community Development - Senior Activities	6,639	831	800	6,670
CDBG - Barrier Free Improvements to Borough Hall	25,000			25,000
GDL Enforcement Grant	543			543
Drunk Driving Enforcement Fund	17,485		8,161	9,324
Body Armor Replacement Fund	7,933	2,364	4,037	6,260
Stormwater Management	7,629			7,629
Safety Committee Awards	396	2,500	325	2,571
Green Communities	3,000	-	-	3,000
	<u>\$ 193,339</u>	<u>\$ 44,868</u>	<u>\$ 52,497</u>	<u>\$ 185,710</u>
			Cash Disbursements <u>\$ 52,497</u>	

TRUST FUND

**BOROUGH OF HILLSDALE
STATEMENT OF TRUST CASH AND INVESTMENTS**

	<u>Assessment Trust Fund</u>	<u>Animal Control Trust Fund</u>	<u>Other Trust Fund</u>	<u>Recreation Trust Fund</u>
Balance, December 31, 2012	\$ 32,407	\$ 10,601	\$ 870,923	\$ 121,218
Increased by Receipts:				
Interest Earned	\$ 346	\$ 3	\$ 732	\$ 2
Assessment Collections	6,799			
Current Fund Budget Appropriation				
Anticipated Deficit	19,481			
Animal Licenses Collected				
Municipal Share		13,668		
State Share		1,319		
Miscellaneous Reserves			211,800	
Escrow Deposits			61,790	
Payroll Deductions Payable			3,277,605	
Recreation Deposits	-	-	-	282,163
	<u>26,626</u>	<u>14,990</u>	<u>3,551,927</u>	<u>282,165</u>
	59,033	25,591	4,422,850	403,383
Decreased by:				
Expenditures Under R.S. 4:19-15.1		13,290		
Due to State of New Jersey - Animal License Fees		1,281		
Payroll Deductions Payable			3,238,402	
Recreation Expenditures				269,609
Bond Anticipation Notes	40,000			
Escrow Deposits			77,004	
Miscellaneous Reserves	-	-	302,361	-
	<u>40,000</u>	<u>14,571</u>	<u>3,617,767</u>	<u>269,609</u>
Balance, December 31, 2013	<u>\$ 19,033</u>	<u>\$ 11,020</u>	<u>\$ 805,083</u>	<u>\$ 133,774</u>

**BOROUGH OF HILLSDALE
STATEMENT OF ASSESSMENT TRUST FUND CASH**

Due to Current Fund		\$ 12,234
Fund Balance		<u>6,799</u>
		<u>\$ 19,033</u>

**STATEMENT OF ASSESSMENTS RECEIVABLE
ASSESSMENT TRUST FUND**

Improvement Description	Date of Confirmation	Balance, December 31, 2012	Increases	Cash Receipts	Balance, December 31, 2013
Ord. 06-08 Sidewalk Improvements	4/8/2008	\$ 19,481	\$ -	\$ 6,799	\$ 12,682
		<u>\$ 19,481</u>	<u>\$ -</u>	<u>\$ 6,799</u>	<u>\$ 12,682</u>

Pledged to:

Reserve for Assessments Receivable \$ 12,682

**STATEMENT OF DUE TO CURRENT FUND
ASSESSMENT TRUST FUND**

Balance, December 31, 2012		\$ 11,888
Increased by:		
Interest Earned		<u>346</u>
Balance, December 31, 2013		<u>\$ 12,234</u>

**BOROUGH OF HILLSDALE
STATEMENT OF BOND ANTICIPATION NOTES
ASSESSMENT TRUST FUND**

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Original Date of Issue</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance, December 31, 2012</u>	<u>Decreased</u>	<u>Balance, December 31, 2013</u>
06-08	Sidewalk Improvements	3/30/2007	2/10/2012	2/8/2013	1.00%	\$ 40,000	\$ 40,000	\$ -
					Budget Appropriation Assessment Trust Fund		\$ 40,000	

**BOROUGH OF HILLSDALE
STATEMENT OF DUE TO STATE OF NEW JERSEY
ANIMAL CONTROL TRUST FUND**

Balance, December 31, 2012		\$ 188
Increased by:		
2013 State Registration Fees		<u>1,319</u>
		1,507
Decreased by:		
Payments to State of New Jersey		<u>1,281</u>
Balance, December 31, 2013		<u>\$ 226</u>

**STATEMENT OF DUE TO CURRENT FUND
ANIMAL CONTROL TRUST FUND**

Increased by:		
Interest Earned		<u>\$ 3</u>
Balance, December 31, 2013		<u>\$ 3</u>

STATEMENT OF RESERVE FOR ANIMAL CONTROL EXPENDITURES

Balance, December 31, 2012		\$ 10,413
Increased by:		
Dog Licenses Issued	\$ 9,720	
Late/Replacement/Miscellaneous Fees	1,155	
Cat Licenses Issued	<u>2,793</u>	
		<u>13,668</u>
		24,081
Decreased by:		
Expenditures Under R.S. 4:19-15.11		<u>13,290</u>
Balance, December 31, 2013		<u>\$ 10,791</u>

**BOROUGH OF HILLSDALE
STATEMENT OF DUE TO CURRENT FUND
OTHER TRUST FUND**

Balance, December 31, 2012	\$ 1,738
Increased by:	
Interest Earned	<u>732</u>
Balance, December 31, 2013	<u>\$ 2,470</u>

**STATEMENT OF RESERVE FOR ESCROW DEPOSITS
OTHER TRUST FUND**

Balance, December 31, 2012	\$ 176,475
Increased by:	
Cash Receipts	<u>61,790</u>
	238,265
Decreased by:	
Cash Disbursements	<u>77,004</u>
Balance, December 31, 2013	<u>\$ 161,261</u>

STATEMENT OF RESERVE FOR MEDICAL BENEFITS

Balance, December 31, 2012	<u>\$ 31,924</u>
Balance, December 31, 2013	<u>\$ 31,924</u>

**BOROUGH OF HILLSDALE
STATEMENT OF MISCELLANEOUS RESERVES
OTHER TRUST FUND**

	Balance December 31, <u>2012</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance December 31, <u>2013</u>
Street Lighting Fund	\$ 5,199			\$ 5,199
UCA/Fire Penalties	75,169	\$ 8,500	\$ 15,288	68,381
Dedicated Fire Penalties	2,250		2,000	250
POAA	4,264	178	2,428	2,014
DARE Program	6,991	42	265	6,768
Tax Title Lien Premiums	216,800	23,000	73,100	166,700
Tax Map Revisions	300			300
Memorial Day Parade	2,886	450		3,336
Trees - Memorial	415			415
Centennial	986			986
Reserve for COAH Payments	66,983	21,330		88,313
Stonybook Police Donation	9,689	8,400	3,184	14,905
2002 Disability	60,241	3,465	14,426	49,280
Developer's Contribution	48,766	4,200	13,638	39,328
Paterson Bridge Design	22,950			22,950
Hillsdale Board of Education	298			298
Celebration of Public Events	4,477	6,420	6,412	4,485
Curbs/Roads Sidewalks	12,535	900	1,025	12,410
Senior Lunch	204			204
Snow Rider	46,015			46,015
Solicitor	275		275	
Police Reserves	73,093	133,846	168,647	38,292
Miscellaneous	-	1,069	1,673	(604)
	<u>\$ 660,786</u>	<u>\$ 211,800</u>	<u>\$ 302,361</u>	<u>\$ 570,225</u>

EXHIBIT B-16

STATEMENT OF PAYROLL DEDUCTIONS AND WITHHOLDINGS PAYABLE

Increased by:	
Payroll Deposits	\$ 3,277,605
Decreased by:	
Cash Disbursements	<u>3,238,402</u>
Balance, December 31, 2013	<u>\$ 39,203</u>

**BOROUGH OF HILLSDALE
STATEMENT OF RESERVE FOR RECREATION EXPENDITURES
RECREATION TRUST FUND**

Balance, December 31, 2012	\$ 121,214
Increased by:	
Cash Receipts	<u>282,163</u>
	403,377
Decreased by:	
Cash Disbursements	<u>269,609</u>
Balance, December 31, 2013	<u>\$ 133,768</u>

**STATEMENT OF DUE TO CURRENT FUND
RECREATION TRUST FUND**

Balance, December 31, 2012	\$ 4
Increased by:	
Interest on Investments	<u>2</u>
Balance, December 31, 2013	<u>\$ 6</u>

GENERAL CAPITAL FUND

BOROUGH OF HILLSDALE
STATEMENT OF GENERAL CAPITAL CASH - TREASURER

Balance, December 31, 2012		\$ 480,200
Increased by:		
Interest Earned	\$ 704	
Grant Proceeds	284,758	
Current Fund Budget Appropriation		
Capital Improvement Fund	50,000	
Bond Anticipation Notes	<u>190,000</u>	
		<u>525,462</u>
		1,005,662
Decreased by Disbursements:		
Improvement Authorizations	504,318	
Reserve for Municipal Open Space Fund	2,735	
Payments to Current Fund - Interest	<u>775</u>	
		<u>507,828</u>
Balance, December 31, 2013		<u>\$ 497,834</u>

**BOROUGH OF HILLSDALE
ANALYSIS OF GENERAL CAPITAL CASH**

	Balance, December 31, <u>2013</u>
Grants Receivable	\$ (315,673)
Due from Current Fund	(38,639)
Contracts Payable	34,562
Capital Improvement Fund	49,143
Reserve for Capital Improvements	64,618
Down Payments on Improvements	3,000
Reserve for Payments of Debt	4,375
Reserve for Municipal Open Space Fund	103,512

Improvement Authorizations:

<u>Ordinance Number</u>	<u>Improvement Description</u>	
03-1	Acquisition of Real Property for Open Space and Recreation	71,535
03-9	Various Capital Improvements	6,209
04-21	Various Capital Improvements	15,153
06-14	Acquisition of a Fire Pumper Truck	1,673
07-27	Various Capital Improvements	(23,273)
09-15	Various Capital Improvements	242,563
10-10	Resurfacing of Wierimus Lane	(12,486)
10-13	Resurfacing of Various Roads	105,074
11-14	2011 Road/Curb/Sidewalk/Drainage Improvement Program	83,649
12-12	Municipal Improvements	3,117
13-05	Improvements at Central Ave and Installation of ADA Ramps	75,095
13-08	2013 Road Improvement Program	<u>24,627</u>
		<u>\$ 497,834</u>

**BOROUGH OF HILLSDALE
STATEMENT OF GRANTS RECEIVABLE**

<u>Grant</u>	<u>Ord. No.</u>	Balance December 31, 2012 (Restated)	<u>Grants Awarded</u>	<u>Grants Received</u>	Balance December 31, 2013
New Jersey Department of Transportation					
Wierimus Lane Resurfacing	10-10	\$ 50,000		\$ 50,000	
Ralph Avenue	11-14	73,248		61,769	\$ 11,479
2013 Road Improvement Program	13-05		\$ 211,500	117,305	94,195
Bergen County Open Space					
Centennial Field Handicap Access & Bicycle Path	09-15	6,048			6,048
Memorial Field	09-15	98,385		55,684	42,701
St. Nicholas Park	09-15	33,386			33,386
County of Bergen					
ADA Improvements	09-15	2,097			2,097
Installation of ADA Ramps	13-05	-	210,000	-	210,000
		<u>\$ 263,164</u>	<u>\$ 421,500</u>	<u>\$ 284,758</u>	<u>\$ 399,906</u>
Pledged to:					
Ordinance		\$ 123,248	\$ 421,500	\$ 229,074	\$ 417,126
Reserve for Grants Receivable		139,916	-	55,684	(17,220)
		<u>\$ 263,164</u>	<u>\$ 421,500</u>	<u>\$ 284,758</u>	<u>\$ 399,906</u>

**BOROUGH OF HILLSDALE
STATEMENT OF DUE FROM CURRENT FUND**

Balance, December 31, 2012	\$ 38,568
Increased by:	
Payments to Current Fund	<u>775</u>
	39,343
Decreased by:	
Interest Earned	<u>704</u>
Balance, December 31, 2013	<u>\$ 38,639</u>

STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance, December 31, 2012	\$ 3,915,000
Decreased by:	
2013 Budget Appropriations	
Serial Bonds	<u>385,000</u>
Balance, December 31, 2013	<u>\$ 3,530,000</u>

**BOROUGH OF HILLSDALE
STATEMENT OF SERIAL BONDS PAYABLE**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding December 31, 2013</u>			<u>Interest Rate</u>	<u>Balance, December 31, 2012</u>	<u>Decreased</u>	<u>Balance, December 31, 2013</u>
			<u>Date</u>	<u>Amount</u>					
General Improvement Bonds	2/15/2011	\$4,290,000	2014	\$ 400,000	2.00%				
			2015	410,000	2.00%				
			2016	420,000	2.25%				
			2017	430,000	2.75%				
			2018	450,000	2.75%				
			2019	460,000	3.00%				
			2020	475,000	3.00%				
			2021	485,000	3.25%	\$ 3,915,000	\$ 385,000	\$ 3,530,000	
						<u>\$ 3,915,000</u>	<u>\$ 385,000</u>	<u>\$ 3,530,000</u>	
							<u>\$ 385,000</u>		

**BOROUGH OF HILLSDALE
STATEMENT OF BOND ANTICIPATION NOTES**

Ord. No.	<u>Improvement Description</u>	<u>Original Date of Issue</u>	<u>Original Amount Issued</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Increased</u>	<u>Balance, December 31, 2013</u>
13-08	2013 Road Improvement Program	12/19/2013	\$ 190,000	12/19/2013	12/18/2014	0.70%	\$ 190,000	\$ 190,000
							\$ 190,000	\$ 190,000
						Issued for Cash	\$ 190,000	

**BOROUGH OF HILLSDALE
STATEMENT OF CAPITAL IMPROVEMENT FUND**

Balance, December 31, 2012	\$ 9,143
Increased by:	
2013 Budget Appropriation	<u>50,000</u>
	59,143
Decreased by:	
Appropriations to Finance Improvement Authorizations	<u>10,000</u>
Balance, December 31, 2013	<u>\$ 49,143</u>

STATEMENT OF CONTRACTS PAYABLE

Increased by:	
Charges to Improvement Authorizations	<u>\$ 34,562</u>
Balance, December 31, 2013	<u>\$ 34,562</u>

BOROUGH OF HILLSDALE
STATEMENT OF RESERVE FOR CAPITAL IMPROVEMENTS

	Balance December 31, <u>2012</u>	Balance December 31, <u>2013</u>
Acquisition of Fire Apparatus and Renovation of Firehouse	\$ 112	\$ 112
Office of Emergency Management	1,707	1,707
Centennial Park Development	807	807
Landfill Closure Reserve	35,099	35,099
Police Equipment	61	61
Fire Equipment	480	480
Municipal Building Improvement	20,752	20,752
Legion Flag Monument	<u>5,600</u>	<u>5,600</u>
	<u>\$ 64,618</u>	<u>\$ 64,618</u>

EXHIBIT C-13

**BOROUGH OF HILLSDALE
STATEMENT OF DOWN PAYMENTS ON IMPROVEMENTS**

Balance, December 31, 2012	\$ <u>3,000</u>
Balance, December 31, 2013	\$ <u>3,000</u>

EXHIBIT C-14

RESERVE FOR PAYMENT OF DEBT

Balance, December 31, 2012	\$ <u>4,375</u>
Balance, December 31, 2013	\$ <u>4,375</u>

EXHIBIT C-15

RESERVE FOR MUNICIPAL OPEN SPACE FUND

Balance, December 31, 2012	\$ 106,247
Decreased by: Cash Disbursements	<u>2,735</u>
Balance, December 31, 2013	\$ <u>103,512</u>

**BOROUGH OF HILLSDALE
STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED**

<u>Ord. No.</u>	<u>Improvement Description</u>	Balance December 31, <u>2012</u>	2013 <u>Authorizations</u>	Grant <u>Proceeds</u>	Notes Issued for <u>Cash</u>	Balance December 31, <u>2013</u>
7-27	Various Capital Improvements	\$ 26,005				\$ 26,005
9-15	Various Public Improvements	137,823		\$ 55,684		82,139
10-10	Resurfacing of Wierimus Lane	18,000				18,000
13-8	2013 Road Improvement Program	<u>-</u>	<u>\$ 190,000</u>	<u>-</u>	<u>\$ 190,000</u>	<u>-</u>
		<u>\$ 181,828</u>	<u>\$ 190,000</u>	<u>\$ 55,684</u>	<u>\$ 190,000</u>	<u>\$ 126,144</u>

SWIM POOL UTILITY FUND

**BOROUGH OF HILLSDALE
STATEMENT OF SWIM POOL UTILITY CASH - TREASURER**

	<u>Operating</u>	<u>Capital</u>
Balance, December 31, 2012	\$ 275,132	\$ 323,424
Increased by Receipts:		
Membership Fees	\$ 899,094	
Use of Facility Fees	39,622	
Miscellaneous Revenue	69,899	
Receipts from Swim Pool Utility Capital Fund	293	
Receipts from Swim Pool Utility Operating Fund		\$ 423
Swim Team	<u>10,813</u>	<u>-</u>
	1,019,721	423
	1,294,853	323,847
Decreased by Disbursements:		
2013 Budget Appropriations	964,980	
2012 Appropriation Reserves	10,265	
Payments to Swim Pool Utility Capital Fund	423	
Reserve for Swim Team	4,227	
Payments to Swim Pool Utility Operating Fund		293
Encumbrances Payable	18,511	
Accrued Interest	<u>14,613</u>	<u>-</u>
	1,013,019	293
Balance, December 31, 2013	<u>\$ 281,834</u>	<u>\$ 323,554</u>

**BOROUGH OF HILLSDALE
STATEMENT OF SWIM POOL UTILITY CAPITAL CASH
ANALYSIS OF CASH**

		Balance, December 31, <u>2013</u>
Capital Improvement Fund		\$ 108
Reserve for Improvements		25,308
Contracts Payable		4,265
Due to Swim Pool Utility Operating Fund		(206)
<u>Ord. #</u>	<u>Improvement Authorizations</u>	
95-9	Capital Improvements at Stonybrook	21,823
11-15	Construction of Addition to Admin. Bldg.	<u>272,256</u>
		<u>\$ 323,554</u>

**BOROUGH OF HILLSDALE
STATEMENT OF DUE TO SWIM POOL UTILITY CAPITAL FUND
SWIM POOL UTILITY OPERATING FUND**

Balance, December 31, 2012	\$	336
Increased by:		
Receipts from Swim Pool Utility Capital Fund		293
		629
Decreased by:		
Payments to Swim Pool Utility Capital Fund		423
Balance, December 31, 2013	\$	206

**STATEMENT OF ACCRUED INTEREST ON BONDS
SWIM POOL UTILITY OPERATING FUND**

Balance, December 31, 2012	\$	5,705
Increased by:		
Charged to 2013 Budget		14,163
		19,868
Decreased by:		
Cash Disbursements		14,613
Balance, December 31, 2013	\$	5,255

**BOROUGH OF HILLSDALE
STATEMENT OF 2012 APPROPRIATION RESERVES
SWIM POOL UTILITY OPERATING FUND**

	Balance, December 31, <u>2012</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Operating			
Salaries and Wages	\$ 63	\$ 50	\$ 13
Other Expenses	20,161	10,215	9,946
Capital Improvements	<u>18,123</u>	<u>-</u>	<u>18,123</u>
	<u>\$ 38,347</u>	<u>\$ 10,265</u>	<u>\$ 28,082</u>
		Cash Disbursements <u>\$ 10,265</u>	

EXHIBIT D-9

**STATEMENT OF ENCUMBRANCES PAYABLE
SWIM POOL UTILITY OPERATING FUND**

Balance, December 31, 2012	\$ 18,511
Increased by:	
Charged to 2013 Appropriations	<u>103,230</u>
	121,741
Decreased by:	
Cash Disbursements	<u>18,511</u>
Balance, December 31, 2013	<u>\$ 103,230</u>

EXHIBIT D-10

**STATEMENT OF RESERVE FOR SWIM TEAM EXPENDITURES
SWIM POOL UTILITY OPERATING FUND**

Balance, December 31, 2012	\$ 5,560
Increased by:	
Cash Receipts	<u>10,813</u>
	16,373
Decreased by:	
Cash Disbursements	<u>4,227</u>
Balance, December 31, 2013	<u>\$ 12,146</u>

**BOROUGH OF HILLSDALE
STATEMENT OF FIXED CAPITAL
SWIM POOL UTILITY CAPITAL FUND**

Balance, December 31, 2012	\$	4,990,554
Increased by:		
Capital Outlay Operating Budget		134,253
Balance, December 31, 2013	\$	5,124,807

**STATEMENT OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED
SWIM POOL UTILITY CAPITAL FUND**

Ord. No.	<u>Improvement Description</u>	Balance, December 31, <u>2012</u>	Balance, December 31, <u>2013</u>
95-9	Capital Improvements at Stonybrook	\$ 70,823	\$ 70,823
11-15	Construction of an Addition to Admin. Bldg. at Stonybrc	281,565	281,565
		\$ 352,388	\$ 352,388

**RESERVE FOR CAPITAL IMPROVEMENTS
SWIM POOL UTILITY CAPITAL FUND**

Balance, December 31, 2012	\$	25,308
Balance, December 31, 2013	\$	25,308

**BOROUGH OF HILLSDALE
STATEMENT OF SERIAL BONDS
SWIM POOL UTILITY CAPITAL FUND**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding</u>			<u>Interest Rate</u>	<u>Balance, December 31, 2012</u>	<u>Decreased</u>	<u>Balance, December 31, 2013</u>
			<u>December 31, 2013</u>	<u>Date</u>	<u>Amount</u>				
Swim Pool Utility Bonds	2/15/2011	\$ 650,000	2014	\$ 60,000	2.00%				
			2015	65,000	2.00%				
			2016	65,000	2.25%				
			2017-2018	65,000	2.75%				
			2019-2020	70,000	3.00%				
			2021	70,000	3.25%	\$ 590,000	\$ 60,000	\$ 530,000	
						<u>\$ 590,000</u>	<u>\$ 60,000</u>	<u>\$ 530,000</u>	

**BOROUGH OF HILLSDALE
STATEMENT OF RESERVE FOR DEFERRED AMORTIZATION
SWIM POOL UTILITY CAPITAL FUND**

Balance, December 31, 2012	\$ 315,000
Increased by:	
Bond Principal Paid by Budget Appropriation	<u>60,000</u>
Balance, December 31, 2013	<u>\$ 375,000</u>

**STATEMENT OF RESERVE FOR AMORTIZATION
SWIM POOL UTILITY CAPITAL FUND**

Balance, December 31, 2012	\$ 4,388,942
Increased by:	
Capital Outlay:	
Operating Budget	<u>134,253</u>
Balance, December 31, 2013	<u>\$ 4,523,195</u>

**BOROUGH OF HILLSDALE
STATEMENT OF IMPROVEMENT AUTHORIZATIONS
SWIM POOL UTILITY CAPITAL FUND**

Ord. No.	Improvement Description	Ordinance Amount	Balance, December 31, 2012		Paid or Charged	Balance, December 31, 2013	
			Funded	Unfunded		Funded	Unfunded
95-9	Capital Improvements to Stonybrook	\$ 530,000	\$ 21,823	\$ 49,000		\$ 21,823	\$ 49,000
11-15	Construction of an Addition to Admin. Bldg. at Stonybrook	285,000	<u>276,521</u>	<u>-</u>	\$ 4,265	<u>272,256</u>	<u>-</u>
			<u>\$ 298,344</u>	<u>\$ 49,000</u>	<u>\$ 4,265</u>	<u>\$ 294,079</u>	<u>\$ 49,000</u>
				Contracts Payable	<u>\$ 4,625</u>		

**BOROUGH OF HILLSDALE
STATEMENT OF CONTRACTS PAYABLE
SWIM POOL UTILITY CAPITAL FUND**

Increased by:	
Charges to Improvement Authorizations	\$ <u>4,265</u>
Balance, December 31, 2013	\$ <u><u>4,265</u></u>

**STATEMENT OF CAPITAL IMPROVEMENT FUND
SWIM POOL UTILITY CAPITAL FUND**

Balance, December 31, 2012	\$ <u>108</u>
Balance, December 31, 2013	\$ <u><u>108</u></u>

**STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
SWIM POOL UTILITY CAPITAL FUND**

<u>Ord. No.</u>	<u>Improvement Description</u>	Balance December 31, <u>2012</u>	Balance December 31, <u>2013</u>
95-9	Capital Improvements to Stonybrook	\$ <u>49,000</u>	\$ <u>49,000</u>
		\$ <u><u>49,000</u></u>	\$ <u><u>49,000</u></u>

PUBLIC ASSISTANCE FUND

**BOROUGH OF HILLSDALE
STATEMENT OF PUBLIC ASSISTANCE CASH**

Balance, December 31, 2012		\$ 31,923
Increased by Receipts:		
State Aid	\$ 156,100	
Supplemental Security Income (SSI)	1,260	
Interest	<u>25</u>	
		<u>157,385</u>
		189,308
Decreased by Disbursements:		
Public Assistance Payments	139,893	
Interest to Current	<u>16</u>	
		<u>139,909</u>
Balance, December 31, 2013		<u>\$ 49,399</u>

STATEMENT OF RESERVE FOR PUBLIC ASSISTANCE FUND

Balance, December 31, 2012		\$ 31,523
Increased by:		
State Aid	\$ 156,100	
Supplemental Security Income (SSI)	<u>1,260</u>	
		<u>157,360</u>
		188,883
Decreased by:		
Public Assistance		<u>139,893</u>
Balance, December 31, 2013		<u>\$ 48,990</u>

**BOROUGH OF HILLSDALE
PUBLIC ASSISTANCE FUND
STATEMENT OF DUE TO CURRENT FUND**

Balance, December 31, 2012	\$ 500
Increased by:	
Interest Received	<u>26</u>
	526
Decreased by:	
Interest Disbursed	<u>16</u>
Balance, December 31, 2013	<u>\$ 510</u>

STATEMENT OF PUBLIC ASSISTANCE REVENUES

State Aid	\$ 156,100
SSI Reimbursements	<u>1,260</u>
Total Revenues (PATF)	<u>157,360</u>
Total Receipts/Revenues	<u>\$ 157,360</u>

STATEMENT OF PUBLIC ASSISTANCE EXPENDITURES

Current Year Assistance	
Maintenance Payments	\$ 42,672
Temporary Rental Assistance	82,568
Emergency Assistance	7,555
Transportation	<u>6,888</u>
Total Current Year Assistance Reported	<u>139,683</u>
Assistance Overreported	<u>-</u>
Total Disbursements	<u>\$ 139,683</u>

BOROUGH OF HILLSDALE

PART II

GOVERNMENT AUDITING STANDARDS



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA

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ANDREW PARENTE, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
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LORI T. MANUKIAN, CPA, PSA
MARK SACO, CPA

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 AUDITOR'S REPORT

Honorable Mayor and Members
of the Borough Council
Borough of Hillsdale
Hillsdale, 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 audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis of the Borough of Hillsdale as of and for the year ended December 31, 2013, and the related notes to the financial statements, and have issued our report thereon dated July 2, 2014. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared and presented in accordance with accounting principles generally accepted in the United States of America but rather prepared and presented in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the requirements of the State of New Jersey for municipal government entities as described in Note 1. In addition, our report on the financial statements – regulatory basis was modified on the regulatory basis of accounting because of the presentation of the unaudited LOSAP Trust Fund financial statements.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough of Hillsdale'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 opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Borough of Hillsdale's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Hillsdale'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 Borough'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.

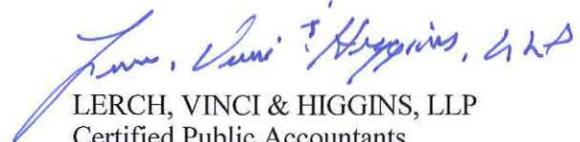
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

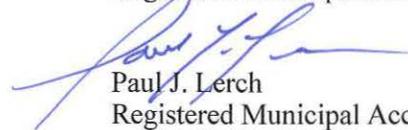
As part of obtaining reasonable assurance about whether the Borough of Hillsdale's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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 and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

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 results of that testing, and not to provide an opinion on the effectiveness of the Borough of Hillsdale'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 Borough of Hillsdale's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants



Paul J. Lerch
Registered Municipal Accountant
RMA Number CR00457

Fair Lawn, New Jersey
July 2, 2014

BOROUGH OF HILLSDALE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013

<u>Grantor</u>	<u>CFDA Number</u>	<u>State Project Number</u>	<u>Grant Award Amount</u>	<u>2013 Grant Receipts</u>	<u>Balance, December 31, 2012</u>	<u>Revenue Realized</u>	<u>Expendi- tures</u>	<u>Adjustments</u>	<u>Balance, December 31, 2013</u>	<u>Memo Cumulative Total Expenditure</u>
U.S. Department of Transportation (Passed through N.J. State Department of Transportation)										
Ralph Ave.	20.205	078-6320-480	\$ 150,000	\$ 61,769	\$ (73,248)			\$ 73,248		\$ 150,000
Werimus Lane Resurfacing	20.205	078-6320-480	200,000	50,000	(50,000)			50,000		200,000
2013 Road Program	20.205	078-6320-480	211,500	117,306		\$ 211,500	\$ 136,405		\$ 75,095	136,405
U.S. Department of Homeland Security										
FEMA Assistance	97.036	066-1200-100	84,011	84,011		84,011	65,108		18,903	65,108
U.S. Department of Housing and Urban Development										
Community Development Block Grant Pass Through Funds:	14.218	N/A								
ADA Improvements			25,000		(2,097)			27,097	25,000	
Senior Activities			4,950		3,001		800		2,201	2,749
Senior Activities			3,638		3,638				3,638	
Senior Activities			831			831			831	
Barrier Free Improvements			10,225		10,225				10,225	
					<u>\$ (108,481)</u>	<u>\$ 296,342</u>	<u>\$ 202,313</u>	<u>\$ 150,345</u>	<u>\$ 135,893</u>	

Note: This schedule is not subject to Single Audit requirements of OMB A-133.

**BOROUGH OF HILLSDALE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2013**

<u>State Grant Program</u>	<u>Grant Number/ Account Numbers</u>	<u>Grant Year</u>	<u>2013 Grant Receipts</u>	<u>Grant Award Amount</u>	<u>Balance, December 31, 2012</u>	<u>Revenue</u>	<u>Expended</u>	<u>Adjustment</u>	<u>Balance, December 31, 2013</u>	<u>Memo Cumulative Total Expenditures</u>
Alcohol Education and Rehabilitation	1110-448-031020-22 9735-760-098-Y900-001-X100-6020	2011		\$ 503	\$ 1,378 503		\$ 340		\$ 1,378 163	* \$ 2,440 340
Body Armor	1020-718-066-1020-001-YCIS 1020-718-066-1020-001-YCIS-6020	2011 2013	77 2,364	12,792 622 2,364	1,955 2,741	\$ 2,364	1,955 2,082	\$ 3,237	3,896 2,364	* 12,792 2,082
Drunk Driving Enforcement Fund	6400-100-078-6400 6400-100-078-6400	2012 2012		21,174 9,860	7,625 9,860		7,625 536		9,324	* 21,174 536
GDL Enforcement Grant					543				543	* 543
Clean Communities Act	4900-765-042-4900-004 4900-765-042-4900-004	2012	317	129,680 15,832	64,602 15,515		14,710 15,515		49,892	* 79,788 15,832
Recycling Tonnage Grant	4900-752-042-4900-001-V42Y-6020	2011 2013		32,175 26,422	32,175	26,422			32,175 26,422	* 32,175 26,422
Municipal Stormwater Regulation	Not Available	2012		15,475	2,688			4,941	7,629	* 7,846
Public Assistance	7550-100-054-7550-121-LLLL-6020	2012	156,100	156,100	31,523	156,100	139,893		47,730	* 108,370
Safe Committee Award	Not Available	2012 2013		2,500 2,500	396	2,500	325		71 2,500	* 2,429
Municipal Alliance on Alcohol and Drug Abuse	Not Available	2013	3,879	9,876		9,876	5,418		4,458	* 5,418
Green Communities	Not Available	2012		3,000	3,000	-	-		3,000	* 3,000
					\$ 174,504	\$ 197,262	\$ 188,399	\$ 8,178	\$ 191,545	*

Note - This schedule is not subject to the single audit requirements of New Jersey OMB 04-04.

** Not Available

**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

**BOROUGH OF HILLSDALE
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2013**

NOTE 1 GENERAL

The accompanying schedules present the activity of all federal awards and state financial assistance programs of the Borough of Hillsdale. The Borough is defined in Note 1(A) to the Borough's financial statements. All federal financial assistance received directly from federal agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are prepared and presented using the regulatory basis of accounting as prescribed for municipalities by the Division of Local Government Services, Department of Community Affairs, State of New Jersey which differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. This basis of accounting is described in Note 1 to the Borough's financial statements.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules agree with amounts reported in the Borough's financial statements. Financial assistance revenues are reported in the Borough's financial statements on a basis of accounting described above as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current Fund	\$ 84,842	\$ 41,162	\$ 126,004
General Capital Fund	211,500		211,500
Public Assistance Fund	<u>-</u>	<u>156,100</u>	<u>156,100</u>
Total Financial Awards	<u>\$ 296,342</u>	<u>\$ 197,262</u>	<u>\$ 493,604</u>

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the Borough's fiscal year and grant program year.

**BOROUGH OF HILLSDALE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013**

Part 1 – Summary of Auditors' Results

Financial Statements Section

Type of auditors' report issued on financial statements	<u>Modified (Unaudited LOSAP)</u>	
Internal control over financial reporting:		
1) Material weakness(es) identified?	___ yes	_X_ no
2) Significant Deficiency(ies) identified that are not considered to be material weakness(es)?	___ yes	_X_ none reported
Noncompliance material to basic financial statements noted?	___ yes	_X_ no

Federal Awards Section

NOT APPLICABLE

State Awards Section

NOT APPLICABLE

**BOROUGH OF HILLSDALE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2013**

Part 2 – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

There are none.

**BOROUGH OF HILLSDALE
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE YEAR ENDED DECEMBER 31, 2013**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. OMB Circular A-133 (section .315(a)(b)).

STATUS OF PRIOR YEAR FINDINGS

Finding 12-01

Some orders are made prior to being encumbered.

Current Status

Finding 12-02

The fixed assets accounting and reporting system is not being maintained

Current Status

Finding 12-03

Two capital ordinances over 5 years old with cash deficits need to be funded.

Current Status

BOROUGH OF HILLSDALE

PART III

SUPPLEMENTARY DATA

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2013

**BOROUGH OF HILLSDALE
SUPPORTING DATA**

**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE –
CURRENT FUND**

	<u>Year 2013</u>		<u>Year 2012</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 950,000	2.01 %	\$ 1,320,000	2.81 %
Miscellaneous - From Other Than Local				
Property Tax Levies	2,602,494	5.52	2,928,342	6.24
Collection of Current and Delinquent Taxes	43,089,152	91.33	42,194,348	89.86
Other Credits	<u>539,202</u>	<u>1.14</u>	<u>512,181</u>	<u>1.09</u>
Total Income	<u>47,180,848</u>	<u>100.00 %</u>	<u>46,954,871</u>	<u>100.00 %</u>
EXPENDITURES				
Budget Expenditures				
Municipal Purposes	11,909,581	25.86 %	12,547,571	27.17 %
County Taxes	4,025,109	8.74	4,137,079	8.96
Local School Taxes	19,319,320	41.95	18,975,747	41.09
Regional School Taxes	10,775,329	23.40	10,476,588	22.69
Other Expenditures	<u>20,323</u>	<u>0.04</u>	<u>44,950</u>	<u>0.09</u>
Total Expenditures	<u>46,049,662</u>	<u>100.00 %</u>	<u>46,181,935</u>	<u>100.00 %</u>
Excess in Revenues	1,131,186		772,936	
Expenditures Included Above Which by Statute are Deferred and Required to be Raised in Succeeding Year's Budget	<u>-</u>		<u>176,816</u>	
Statutory Excess to Fund Balance	1,131,186		949,752	
Fund Balance, January 1	<u>1,352,092</u>		<u>1,722,340</u>	
	2,483,278		2,672,092	
Less Utilization as Anticipated Revenue	<u>950,000</u>		<u>1,320,000</u>	
Fund Balance, December 31	<u>\$ 1,533,278</u>		<u>\$ 1,352,092</u>	

**BOROUGH OF HILLSDALE
SUPPORTING DATA**

**STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE --
SWIM POOL UTILITY OPERATING FUND**

	<u>Year 2013</u>		<u>Year 2012</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balnace Utilitized	\$ 100,000	8.79 %		
Membership Fees	899,094	79.09	\$ 895,738	84.43 %
Miscellaneous Revenue	109,521	9.63	128,779	12.14
Other Credits to Income	<u>28,082</u>	<u>2.49</u>	<u>36,379</u>	<u>3.43</u>
Total Income	<u>1,136,697</u>	<u>100.00 %</u>	<u>1,060,896</u>	<u>100.00 %</u>
EXPENDITURES				
Budget Appropriations	910,873	83.12 %	854,815	82.75 %
Surplus (General Budget)	185,000	16.88	178,000	17.23
Other Debits to Income	<u>-</u>	<u>-</u>	<u>100</u>	<u>0.02</u>
Total Expenditures	<u>1,095,873</u>	<u>100.00 %</u>	<u>1,032,915</u>	<u>100.00 %</u>
Statutory Excess to Fund Balance	40,824		27,981	
Fund Balance, January 1	<u>206,673</u>		<u>178,692</u>	
	247,497		206,673	
Less Utilization as Anticipated Revenue	<u>100,000</u>		<u>-</u>	
Fund Balance, December 31	<u>\$ 147,497</u>		<u>\$ 206,673</u>	

**BOROUGH OF HILLSDALE
SUPPORTING DATA**

Comparative Schedule of Tax Rate Information

	<u>2013 (1)</u>	<u>2012</u>	<u>2011</u>
<u>Tax Rate</u>	<u>\$2.569</u>	<u>\$2,160</u>	<u>\$2.110</u>
<u>Apportionment of Tax Rate</u>			
Municipal (Includes Library)	.528	.443	.430
County (Includes Open Space)	.240	.212	.207
Local School	1.153	.970	.946
Regional High School	.648	.535	.527
<u>Assessed Valuation</u>			
2013 (1)	<u>\$1,676,352,441</u>		
2012		<u>\$1,956,518,271</u>	
2011			<u>\$1,966,420,077</u>

(1) The Borough underwent a Resolution which became effective in 2013.

Comparison of Tax Levies and Collection

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future tax levies.

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2013	\$43,120,242	\$42,721,948	99.08%
2012	42,371,740	41,773,873	98.59%
2011	41,540,635	40,910,484	98.48%

**TOWNSHIP OF RIVER VALE
SUPPORTING DATA**

Delinquent Taxes and Tax Title Liens

This tabulation includes a comparison, expressed in percentage, of the total of delinquent taxes and tax title liens, in relation to the tax levies of the last three years.

<u>December 31 Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2013	\$17,778	\$385,268	\$403,046	0.93%
2012	19,586	373,532	393,118	0.93
2011	18,266	430,754	449,020	1.08

Property Acquired by Tax Title Lien Liquidation

No properties have been acquired in 2013 by foreclosure or deed, as a result of liquidation of tax title liens. The value of property acquired by liquidation of tax title liens at December 31, on the basis of the last assessed valuation of such properties, was as follows:

<u>Year</u>	<u>Amount</u>
2013	\$726,900
2012	726,900
2011	726,900

Comparative Schedule of Fund Balances

	<u>Year</u>	<u>Balance, December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>
<u>Current Fund</u>	2013	\$1,533,278	\$1,075,000
	2012	1,352,092	950,000
	2011	1,722,340	1,320,000
	2010	1,889,643	1,040,000
	2009	1,635,474	1,121,900
<u>Swim Pool Utility Operating Fund</u>	2013	\$147,497	\$16,062
	2012	206,673	100,000
	2011	178,692	-
	2010	412,339	349,174
	2009	337,306	-

**BOROUGH OF HILLSDALE
SUPPORTING DATA**

OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office during the period under audit:

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
Max Arnowitz	Mayor	
Thomas Kelley	Council President	
Jason DeGise	Councilman	
Douglas Frank	Councilman	
Chrisoula Looes	Councilwoman	
Larry Meyerson	Councilman	
Frank Pizzella	Councilman	
Jonathan DeJoseph	Chief Financial Officer/ Business Administrator	
Candace Schaefer	Tax Collector	
Susan Witkowski	Borough Clerk	
Patrick Wilkins	Assessor	
Warren Clark	Municipal Court Judge	
Susan Keenan	Court Administrator/Violations Clerk	
Elwood "Chip" Stalter	Police Chief	
Denise Kohan	Registrar of Vital Statistics	
Michelle Wood	Construction Official	
William Franklin	Interim DPW Superintendent	
Katherine E. Elgert	Welfare Director	
Patty Hughes	Swim Pool Manager/Community Activity Director Recreation Director	

All employees are covered by Public Employees Blanket Bond in the amount of \$1,000,000 by Bergen County Municipal Joint Insurance Fund and Municipal Excess Liability joint Insurance Fund.

*Statutory bond coverage for Tax Collector is provided by Municipal Excess Liability Joint Insurance Fund in the amount of \$1,000,000.

BOROUGH OF HILLSDALE SUPPORTING DATA

Our comments with respect to the examination and any error, omission, irregularity, violation of law, discrepancy or other nonconformity to the law or regulation found during the examination are herewith set forth.

GENERAL COMMENTS

Current Year Findings

Our audit indicated that old reconciling items remain on the bank reconciliations of the Current Fund, Assessment Trust Fund, Escrow Trust and Payroll accounts. It is recommended that old outstanding checks and other reconciling items be reviewed and be appropriately cleared of record.

Our audit indicated that a formal petty cash policy is not maintained by the Borough. It is recommended that a formal petty cash policy be implemented.

Our audit indicated that the municipal tax title lien status report did not accurately reflect actual municipal owned liens outstanding at year end. It is recommended that municipal tax title liens be reviewed to ensure that amounts reported in the tax account history reflect only those balances of municipally owned liens.

Our audit indicated that a list of foreclosed properties to support the amount reflected in the Borough's financial reporting system could not be provided for audit. It is recommended that a detail list of foreclosed properties be maintained and made available for audit.

Our audit indicated that certain animal licenses were not issued sequentially and that a certain month's state report was not filed. It is recommended that animal licenses be issued in sequential order and that monthly reports be promptly filed with State of New Jersey.

Our audit indicated that numerous reserve balances remain on the financial records of the Current, Trust, General Capital and Swim Pool Utility Capital Funds. It is recommended that reserve accounts be reviewed for proper approval or otherwise be cancelled.

Our audit indicated that balances reported in the capital improvement authorization ledger were not in agreement the general ledger control account. It is recommended that the capital improvement authorization ledger be reconciled with the appropriate general ledger accounts.

Our audit indicated that certain contract balances were not encumbered at year end and that modifications to approved contracts were not approved by governing body resolution or reflected in the Borough's financial reporting system. It is recommended that, in all instances, contracts be encumbered upon award and modifications be approved by governing body resolution and properly reflected in the financial reporting system.

Our audit indicated that public assistance case files did not always contain certain forms and documents required to determine client eligibility. It is recommended that all State mandated applications, forms and documents for public assistance, which are required to substantiate client eligibility, be completed and be retained in the respective case files.

**BOROUGH OF HILLSDALE
SUPPORTING DATA**

GENERAL COMMENTS

Current Year Findings

Our audit indicated that the Borough does not independently verify the remittance of payroll taxes made by the third party payroll provider. It is recommended that the Borough independently verify payroll taxes paid to the respective agencies by the third party payroll provider.

Our audit indicated that the Borough procured services for the disposal of vegetative waste without soliciting bids through public advertisement. It is recommended that solicitation of bids through public advertisement be sought for services pertaining to the disposal of vegetative waste.

Our audit indicated that a receipt ledger is not being maintained for monies collected by the Borough Clerk. It is recommended that a receipt ledger be maintained for monies collected by the Borough Clerk.

Our audit indicated that attendance sheets are not being maintained for certain recreation programs. It is recommended that attendance sheets be maintained for all programs administered by the Recreation Department.

Prior Year Unresolved

Our audit indicated that an improvement authorization in excess of five (5) years old is in a deficit cash position. It is recommended that improvement authorizations in excess of five (5) years old with cash deficits be funded.

Contracts and Agreements Required to be Advertised for NJS 40A:11-4

NJS 40A:11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$25,000, except by contract or agreement."

During 2013, the Governing Body approved a resolution authorizing an increase of the bid threshold to \$36,000 as the Business Administrator is the qualified purchasing agent.

The Governing Body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Borough Counsel's opinion should be sought before a commitment is made.

The minutes indicate that bids were requested by public advertising for the following:

Flood Buy-Out Demolition
Seasonal Opening and Closing
of the Municipal Pool for 2013 and 2014.
2013 Barrier Free Ramps and Sidewalk
Program
2013 Oakland St. Roadway Improvements

Grass Cutting in Public Places
Concession Stand for 2013, 2014 and 2015
2013 Central Ave. and Cross St. Improvement Program
Stony Brook Spray Pool Re-Plaster and Renovation
Internet Technology Services
Supplemental Snow Plowing

**BOROUGH OF HILLSDALE
SUPPORTING DATA**

Contracts and Agreements Required to be Advertised for NJS 40A:11-4 (Continued)

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. No such violations were detected.

The statute provides the method for authorizing interest and the maximum rates to be charged for the non-payment of taxes or assessments on or before the date when they would become delinquent.

The Governing Body on January 6, 2013 adopted the following resolution authorizing interest to be charged on delinquent taxes and assessments:

“BE IT RESOLVED, by the Mayor and Council of the Borough of Hillsdale, New Jersey, County of Bergen, that the rate of interest on all taxes delinquent taxes is set at eight (8) percent for the first (\$1,500) fifteen hundred dollars, and

“BE IT FURTHER RESOLVED, that no interest shall be charged if payment of any installment is made within ten (10) days after the date upon which the same is payable, and

“BE IT RESOLVED, that in any case where the tax is not paid within those extended days the full penalty from this date due attached.

It appears from our examination of the Collector’s record that interest was collected in accordance with the foregoing resolution.

Delinquent Taxes and Tax Title Liens

The last tax sale was held on June 19, 2013.

The following comparison is made of the number of tax title liens receivable on December 31, of the last three years:

<u>Year</u>	<u>Number of Liens</u>
2013	2
2012	3
2011	2

**BOROUGH OF HILLSDALE
SUPPORTING DATA**

RECOMMENDATIONS

It is recommended that:

- * 1. Improvement authorizations in excess of five (5) years old with cash deficits be funded.
- 2. Old outstanding checks be reviewed and be appropriately cleared of record.
- 3. A formal petty cash policy be implemented.
- 4. Municipal tax title liens be reviewed to ensure that amounts reported in the tax account history reflect only those balances of municipally owned liens.
- 5. A detail list of foreclosed properties be maintained and made available for audit.
- 6. Animal licenses be sequentially issued and monthly reports be promptly filed with State of New Jersey.
- 7. Reserve accounts be reviewed for proper approval or otherwise be cancelled.
- 8. The capital improvement authorization ledger be reconciled with the appropriate general ledger accounts.
- 9. In all instances, contracts be encumbered upon award and modifications be approved by governing body resolution and properly reflected in the financial reporting system.
- 10. All State mandated applications, forms and documents for public assistance, which are required to substantiate client eligibility, be completed and be retained in the respective case files.
- 11. The Borough independently verify payroll taxes paid to the respective agencies by the third party payroll provider.
- 12. Solicitation of bids through public advertisement be sought for services pertaining to the disposal of vegetative waste.
- 13. A receipt ledger be maintained for monies collected by the Borough Clerk.
- 14. Attendance sheets be maintained for all programs administered by the Recreation Department.

* * * * *

**BOROUGH OF HILLSDALE
SUPPORTING DATA**

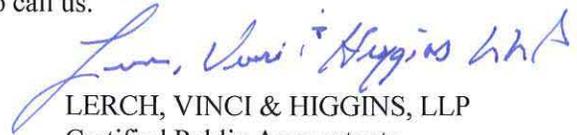
RECOMMENDATIONS

Status of Prior Year's Audit Findings/Recommendations

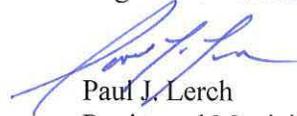
A review was performed on all prior year recommendations. Corrective action was taken on all prior year recommendations other than those denoted with an asterisk (*).

The recommendations noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Should any questions arise as to our comments and recommendations, or should you desire assistance in implementing our recommendations, please do not hesitate to call us.



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants



Paul J. Lerch
Registered Municipal Accountant
RMA Number CR00457