

**BOROUGH OF HILLSDALE  
BERGEN COUNTY, NEW JERSEY**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED DECEMBER 31, 2005**

BOROUGH OF HILLSDALE  
BERGEN COUNTY, NEW JERSEY

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BERGEN COUNTY, NEW JERSEY

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BERGEN COUNTY, NEW JERSEY

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BERGEN COUNTY, NEW JERSEY

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## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the various funds of the Borough of Hillsdale (the "Borough"), State of New Jersey, as of and for the years ended December 31, 2005 and December 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Borough's management. 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 and 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Borough prepares its financial statements on a basis of accounting practices prescribed or permitted by the *Division of Local Government Services, Department of Community Affairs, State of New Jersey*, that demonstrate compliance with a modified accrual basis, with certain exceptions, and the budget laws of State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effect on financial statements of the variances between the regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the various funds of the Borough as of December 31, 2005 and December 31, 2004, the changes in its financial position, or, where applicable, its cash flows for the years then ended. Further, the Borough has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the various funds of the Borough as of December 21, 2005 and December 31, 2004, and the results of its operations and the changes in fund balance of the individual funds for the year then ended and the revenues, expenditures and fund balances for the year ended December 31, 2005, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated April 28, 2006 on our consideration of the Borough's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matter. 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 and opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedules of expenditures of federal awards and/or state financial assistance are presented for the purposes of additional analysis as required by United States Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and State of New Jersey's Office of Management and Budget Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, and are not a required part of the financial statements. In addition, the Division of Local Government Services, Department of Community Affairs, and State of New Jersey present the supplementary financial statements presented for the various funds for purposes of additional analysis as required. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Garbarini & Co. P.C. CPA's



By: Paul C. Garbarini, CPA  
Registered Municipal Accountant  
License No. 120

April 28, 2006  
Carlstadt, New Jersey

BOROUGH OF HILLSDALE  
CURRENT FUND

COMPARATIVE STATEMENT OF FINANCIAL POSITION

A

		At December 31,	
	Reference	2005	2004
<b>ASSETS</b>			
Current Assets:			
Cash - Treasurer	A-4	\$3,213,739.47	\$248,160.78
Cash - Collector	A-7	54,561.54	42,021.51
Cash - Investments	A-4	91,483.24	3,230,903.91
Cash - Change Funds	A-6	250.00	250.00
Cash - Redemption Account	A-7	0.00	782.25
Due From State of NJ - Seniors and Veterans	A-9	482.42	
Due from Community Development	A-5	40,000.00	41,000.00
Due from Bergen County - Road & Bridge Programs	A-13	55,080.00	73,440.00
Due from State of NJ - Transportation Grant	A-13	488,878.04	273,878.04
Due from Bergen County - Open Space Grant	A-13	101,600.00	114,915.00
		4,046,074.71	4,025,351.49
Receivable and Other Assets with Full Reserves:			
Delinquent Property Taxes	A-8	233,285.25	239,139.90
Tax Title Liens	A-10	21,260.48	179,984.70
Property Aquired for Taxes	A-10A	655,700.00	
Revenue Accounts Receivable	A-13	6,541.09	10,348.45
Due from Capital Fund	C		63,437.68
	Contra	916,786.82	492,910.73
Deferred Charges:			
Emergency Authorization	A-25	30,000.00	
Revaluation	A-25	204,000.00	255,000.00
		234,000.00	255,000.00
<b>TOTAL ASSETS</b>		<b>\$5,196,861.53</b>	<b>\$4,773,262.22</b>

See Accompanying Notes to Financial Statements.

BOROUGH OF HILLSDALE  
CURRENT FUND

COMPARATIVE STATEMENT OF FINANCIAL POSITION  
(Continued)

A

		At December 31,	
	Reference	2005	2004
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Liabilities:			
Appropriation Reserves	A-3,14	\$392,411.03	\$355,120.67
Encumbrance Payable	A-14,22	176,319.65	648,638.58
Tax Overpayments	A-11	26,649.83	41,168.75
Prepaid Taxes	A-15	209,983.32	179,599.64
County Taxes - Payable	A-16	11,301.86	14,633.34
Regional High School Taxes Payable	A-18	1,651,695.33	1,146,288.57
Local School Taxes	A-17	499.98	499.98
Due to Capital Fund	C, C-4	4,421.59	
Due to Trust Fund	B,B-8	54,800.11	2,213.03
Due to State - DCA Fees	A-19	2,893.00	3,349.00
Due to State - Marriage License	A-19	250.00	225.00
Due to State of NJ - Seniors and Veterans	A-9		2,170.68
Reserve for Revaluation	A-20	255,000.00	0.00
Special Reserves	A-23	100,919.98	333,839.53
Reserve for Community Development - Receivable	A-21	40,000.00	41,000.00
Premium on Bond Anticipation Note	A-24	14,357.82	14,357.82
Due to Grant Fund	F,F-3	19,751.56	34,664.41
		2,961,255.06	2,817,769.00
Reserve for Receivable and Other Assets	Contra	916,786.82	492,910.73
Fund Balance	A-1	1,318,819.65	1,462,582.49
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>		<b>\$5,196,861.53</b>	<b>\$4,773,262.22</b>

See Accompanying Notes to Financial Statements.

BOROUGH OF HILLSDALE  
CURRENT FUND

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE

A-1

		For the Years Ended December 31,	
	Reference	2005	2004
<b>Revenue and Other Income Realized</b>			
Fund Balance Utilized	A-2	\$887,000.00	\$970,786.00
Miscellaneous Revenue Anticipated	A-2	3,405,055.96	3,538,042.41
Receipts from Delinquent Taxes	A-2	230,951.02	251,924.17
Receipts from Current Taxes	A-2	29,678,205.23	27,397,151.84
Non-Budget Revenues	A-2,4	117,775.10	151,338.78
<b>Other Credits to Income:</b>			
Unexpended Balance of Appropriations	A-3	41,400.70	35,000.00
Unexpended Balance of Appropriation Reserves	A-14	117,576.65	126,885.69
Interfunds Returned		63,437.68	
Canceled Revaluation Reserve			136,545.75
Canceled County Taxes			231.90
Canceled Overpayments			17,991.92
Canceled Special Reserves	A-23	64.26	
NJ Transp. Grant Rec-2002 Adjustment			37,500.00
<b>Total Income</b>		<b>34,541,466.60</b>	<b>32,663,398.46</b>
<b>Expenditures</b>			
Budget Appropriations	A-3	9,349,949.69	9,410,918.38
County Taxes	A-16	2,916,566.81	2,750,250.65
County Share of Added and Omitted Taxes	A-16	11,301.86	14,633.34
County Open Space	A-16	153,604.53	137,861.62
Local District School Tax	A-17	13,825,284.00	13,378,802.00
Regional School Tax	A-18	7,460,321.70	6,449,508.30
Judgments	A-11	8,707.02	7,511.85
Municipal Open Space	A-12	90,088.48	84,417.18
Prior Yr. Senior/Veteran Allowed	A-9	1,341.10	1,114.99
Misc. Bank Service Charges - Tax Collector's Account	A-7	73.15	37.75
Interfund Advance			62,000.00
Payroll- Prior Year Adjustment	A-4	4,117.25	
Cancelled Grants Receivable	A-13	6,873.85	
<b>Total Expenditures</b>		<b>33,828,229.44</b>	<b>32,297,056.06</b>
<b>Statutory Excess to Fund Balance</b>		<b>713,237.16</b>	<b>366,342.40</b>
<b>Deferred Charges to be Appropriated in Next Years Budget Emergency Authorization</b>	<b>A</b>	<b>30,000.00</b>	<b>255,000.00</b>
<b>Fund Balance January 1</b>	<b>A</b>	<b>1,462,582.49</b>	<b>1,812,026.09</b>
		<b>2,205,819.65</b>	<b>2,433,368.49</b>
<b>Decreased by:</b>			
Utilization as Anticipated Revenues	A-2	887,000.00	970,786.00
<b>Fund Balance December 31</b>	<b>A</b>	<b>\$1,318,819.65</b>	<b>\$1,462,582.49</b>

See Accompanying Notes to Financial Statements.

BOROUGH OF HILLSDALE  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

STATEMENT OF REVENUES

	Reference	Anticipated Budget	Realized	A-2 Excess or (Deficit)
Fund Balance Anticipated	A-1	\$887,000.00	\$887,000.00	\$0.00
Miscellaneous Revenues:				
Licenses:				
Alcoholic Beverages		14,550.00	14,550.00	0.00
Other		12,337.00	16,938.00	4,601.00
Fees and Permits		53,200.00	55,612.38	2,412.38
Fines and Costs:				
Municipal Court		126,000.00	88,266.73	(37,733.27)
Interest and Costs on Taxes		55,000.00	61,527.28	6,527.28
Parking Fees		24,800.00	25,977.31	1,177.31
Interest on Investments and Deposits		95,000.00	208,224.90	113,224.90
Anticipated Utility Operating Surplus		150,000.00	150,000.00	0.00
Sewer Agreement Revenue		16,274.00	17,435.41	1,161.41
Payments in Lieu of Taxes - Senior Housing		46,000.00	44,041.34	(1,958.66)
Host Community Fees		20,000.00	2,278.44	(17,721.56)
Code Enforcement - Joint Agreement				0.00
Communication Tower & Rental		123,000.00	118,668.31	(4,331.69)
Consolidated Municipal Property Tax Relief Act		384,779.00	384,779.00	0.00
Energy Receipts Tax (P.L. 1997, Chapters 162 & 167)		1,084,212.00	1,084,212.00	0.00
Supplemental Energy Receipt Taxes		57,317.00	57,317.00	0.00
Municipal Block Grant		42,663.00	42,663.00	0.00
Homeland Security		70,000.00	70,000.00	0.00
Water Shed Aid		2,303.00	2,303.00	0.00
Uniform Construction Code Fees		216,000.00	205,996.00	(10,004.00)
NJ Transportation Fund Authority Act		215,000.00	215,000.00	0.00
Grant Reserves				0.00
Municipal Alliance		9,500.00	9,500.00	0.00
Alcohol, Drug and Rehabilitation		936.21	936.21	0.00
Drunk Driving Enforcement Fund		5,358.57	5,358.57	0.00
Clean Communities		8,948.63	8,948.63	0.00
Recycling Tonnage		9,399.90	9,399.90	0.00
FAIU Grant		125.90	125.90	0.00
Environmental Water Shed		2,303.00	2,303.00	0.00
Cops in School Grant		30,000.00	30,000.00	0.00
Body Armor Replacement Fund		3,663.00	3,663.00	0.00
DRE Co-ordinator		20,600.00	20,600.00	0.00
Bergen County Recycling Assistance		9,000.00	9,000.00	0.00
Storm Water Grant- 2004		7,574.00	7,574.00	0.00
Storm Water Grant- 2005		7,574.00	7,574.00	0.00
Open Space Grant				0.00
Bergen County		25,000.00	25,000.00	0.00
Bergen County Police Policies		3,000.00	3,000.00	0.00
Environmental Grant		2,500.00		(2,500.00)
Uniform Fire Safety Act		7,585.00	9,809.15	2,224.15
Due From Capital Fund		369,623.91	369,623.91	0.00
School Reimbursement - Prior Year		14,000.00	14,249.59	249.59
Allendale Code Settlement		2,600.00	2,600.00	0.00
Police Reserve Fund Reimbursement		28,901.73		(28,901.73)
<b>Total Miscellaneous Revenues</b>	Next Pg., A-1	3,376,628.85	3,405,055.96	28,427.11
Receipts from Delinquent Taxes	Next Pg., A-1	240,000.00	230,951.02	(9,048.98)
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes Including				
Reserve for Uncollected Taxes	Next Pg., A-8	5,316,320.84	5,721,037.85	404,717.01
<b>Budget Totals</b>	A-3	\$9,819,949.69	10,244,044.83	\$424,095.14
Non-Budget Revenues	Next Pg., A-1		117,775.10	
			<u>\$10,361,819.93</u>	

See Accompanying Notes to Financial Statements.

BOROUGH OF HILLSDALE  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

STATEMENT OF REVENUES  
(CONTINUED)

A-2

<u>Amount to be Raised by Taxes for Support of Municipal Budget</u>	<u>Reference</u>	<u>Realized</u>
Allocation of Current Tax Collection:		
Revenue from Collections	A-1	\$29,678,205.23
Allocated to:		
School and County Taxes	A-12,16,17,18	24,457,167.38
		<hr/>
Balance for Support of Municipal Appropriation		5,221,037.85
 Add: Appropriation "Reserve for Uncollected Taxes"	 A-3	 500,000.00
		<hr/>
Amount for Support of Municipal Budget Appropriation	Previous Pg.	\$5,721,037.85
		<hr/> <hr/>
 Receipts from Delinquent Taxes		
Cash Received:		
Prior Year Taxes	Prev.Pg.,A-7	\$230,951.02
		<hr/> <hr/>
 <u>Analysis of Miscellaneous Revenue</u>	 <u>Reference</u>	
Cash Received - Treasurer Collector	A-4	\$3,004,591.43
- Interest on Taxes	A-7	61,527.28
Interest Due from Other Funds		1,662.94
Grants - Reserve Transfer	F-4	36,572.21
 Grants Receivable - Current Fund-State of NJ	A-13	215,000.00
Grants Receivable - Current Fund- Bergen County	A-13	25,000.00
Grants Receivable - Grant Fund	F-2	60,702.10
	Previous Pg.	\$3,405,055.96
		<hr/> <hr/>
 <u>Analysis of Non-Budget Revenues</u>		
Recycling Reimbursements		62,782.33
Refunds		738.80
Landfill Closed Account		34,407.23
Motor Vehicle Insp. Fines		1,465.50
Insurance Reimbursement		2,591.12
State of NJ Senior and Veterans - Administrative Fee / Canceled		2,880.00
Lawsuit Settlement		12,350.20
Prior Year Voided Checks		559.92
	Previous Pg., A-4	\$117,775.10
		<hr/> <hr/>

See Accompanying Notes to Financial Statements.

BOROUGH OF HILLSDALE  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

STATEMENT OF EXPENDITURES

A-3

	APPROPRIATIONS		EXPENDED		Balance Canceled
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT:					
Mayor and Council					
Salaries and Wages	\$45,000.00	\$45,000.00	\$45,000.00	\$0.00	\$
Other Expenses	13,500.00	13,500.00	12,212.33	1,287.67	
Administrative & Executive				0.00	
Salaries and Wages	190,926.00	188,826.00	187,581.58	1,244.42	
Other Expenses	0.00				
Public Information	28,500.00	29,000.00	28,776.42	223.58	
Miscellaneous	32,700.00	33,200.00	32,422.43	777.57	
Administration of Finance					
Salaries and Wages	117,902.00	115,402.00	115,282.57	119.43	
Other Expenses	27,450.00	27,450.00	20,726.83	6,723.17	
Audit Services					
Other Expenses	22,500.00	22,500.00	15,000.00	7,500.00	
Assessment of Taxes					
Salaries and Wages	29,258.00	28,258.00	26,548.50	1,709.50	
Other Expenses	8,300.00	8,900.00	7,224.61	1,675.39	
Collection of Taxes					
Salaries and Wages	46,688.00	45,588.00	45,155.86	432.14	
Other Expenses	13,100.00	12,100.00	12,099.88	0.12	
Clerk's Office					
Salaries and Wages	58,738.00	57,838.00	57,793.00	45.00	
Other Expenses	24,000.00	24,000.00	23,795.40	204.60	
Legal and Engineering Services and Costs					
Other Expenses	150,000.00	150,000.00	124,997.68	25,002.32	
Train Station					
Salaries and Wages	14,000.00	14,000.00	12,852.96	1,147.04	
Other Expenses	7,600.00	7,600.00	6,892.02	707.98	
Public Buildings and Grounds					
Salaries and Wages	71,588.00	83,188.00	82,788.00	400.00	
Other Expenses	24,050.00	24,050.00	23,290.45	759.55	
Municipal Land Use Law (NJSA 40:55D-1)					
Planning Board-Other Expenses	40,300.00	40,300.00	36,800.19	3,499.81	
Environmental Comm (RS40:56A-et, seq)					
Other Expenses	2,100.00	2,100.00	1,075.54	1,024.46	
Municipal Court					
Salaries and Wages	72,500.00	74,250.00	73,984.21	265.79	
Other Expenses	32,808.00	32,808.00	25,671.10	7,136.90	
Public Defender					
Salaries and Wages	3,700.00	3,700.00	3,468.00	232.00	
Insurance					
Unemployment Compensation	10,000.00	10,000.00	8,521.70	1,478.30	
<b>TOTAL GENERAL GOVERNMENT</b>	<b>1,087,208.00</b>	<b>1,093,558.00</b>	<b>1,029,961.26</b>	<b>63,596.74</b>	<b>0.00</b>

(Continued Next Page)

See Accompanying Notes to Financial Statements.

BOROUGH OF HILLSDALE  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

STATEMENT OF EXPENDITURES

A-3

	APPROPRIATIONS		EXPENDED		Balance Canceled
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Cont'd)					
PUBLIC SAFETY:					
Fire Department					
Salaries and Wages	\$21,560.00	\$17,760.00	\$17,727.51	\$32.49	\$
Other Miscellaneous	75,750.00	74,750.00	64,200.20	10,549.80	
Fire Prevention					
Salaries and Wages	32,000.00	27,750.00	26,585.97	1,164.03	
Other Expenses	8,779.00	8,779.00	7,397.63	1,381.37	
Police Department					
Salaries and Wages	2,176,732.00	2,269,232.00	2,260,051.40	9,180.60	
Other Expenses	125,731.00	111,381.00	108,363.67	3,017.33	
Aid to Ambulance Squad	35,500.00	34,000.00	33,953.02	46.98	
Office of Emergency Management					
Salaries and Wages	1,500.00	1,500.00	1,500.00	0.00	
Other Expenses	9,650.00	6,650.00	3,692.75	2,957.25	
<b>TOTAL PUBLIC SAFETY</b>	<u>2,487,202.00</u>	<u>2,551,802.00</u>	<u>2,523,472.15</u>	<u>28,329.85</u>	<u>0.00</u>
STREETS AND ROADS:					
Road Repair and Maintenance					
Salaries and Wages	540,582.00	562,582.00	554,473.53	8,108.47	
Other Expenses	96,400.00	84,400.00	83,728.09	671.91	
<b>TOTAL STREETS AND ROADS</b>	<u>636,982.00</u>	<u>646,982.00</u>	<u>638,201.62</u>	<u>8,780.38</u>	<u>0.00</u>
SANITATION:					
Garbage & Trash Removal					
Salaries and Wages	8,500.00	8,500.00	8,500.00	0.00	
Other Expenses	651,500.00	647,500.00	647,348.13	151.87	
Recycling Costs - Other Expenses	50,000.00	72,000.00	36,651.12	35,348.88	
<b>TOTAL SANITATION</b>	<u>710,000.00</u>	<u>728,000.00</u>	<u>692,499.25</u>	<u>35,500.75</u>	<u>0.00</u>
HEALTH AND WELFARE:					
Board of Health					
Salaries and Wages	70,000.00	67,500.00	66,947.98	552.02	
Other Expenses	51,200.00	51,200.00	50,615.31	584.69	
Animal Fund	5,000.00	5,000.00	5,000.00	0.00	
Administration of Public Assistance					
Salaries and Wages	12,000.00	12,000.00	11,994.00	6.00	
Other Expenses	10,000.00	500.00	149.00	351.00	
<b>TOTAL HEALTH AND WELFARE</b>	<u>148,200.00</u>	<u>136,200.00</u>	<u>134,706.29</u>	<u>1,493.71</u>	<u>0.00</u>
RECREATION AND EDUCATION					
Senior Citizens					
Salaries and Wages	19,500.00	19,500.00	18,142.31	1,357.69	
Other Expenses	29,600.00	24,800.00	23,053.03	1,746.97	
Parks and Playgrounds					
Other Expenses	86,900.00	66,200.00	63,147.98	3,052.02	
Board of Recreation Commissions					
Salaries and Wages	49,100.00	47,800.00	41,630.00	6,170.00	
Other Expenses	55,000.00	34,450.00	29,884.76	4,565.24	
Anniversary or Holiday - Other Expenses	23,000.00	13,900.00	13,880.20	19.80	
<b>TOTAL RECREATION AND EDUCATION</b>	<u>263,100.00</u>	<u>206,650.00</u>	<u>189,738.28</u>	<u>16,911.72</u>	<u>0.00</u>

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See Accompanying Notes to Financial Statements.

BOROUGH OF HILLSDALE  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

STATEMENT OF EXPENDITURES

A-3

	APPROPRIATIONS		EXPENDED		Balance Canceled
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Cont'd)					
STATE UNIFORM CONSTRUCTION CODE:					
Construction Code Official					\$
Salaries and Wages	\$157,279.00	\$145,279.00	\$144,025.48	\$1,253.52	
Other Expenses	31,635.00	31,635.00	18,949.56	12,685.44	
Telephones	4,500.00	4,500.00	4,178.72	321.28	
Gasoline	3,000.00	3,000.00	3,000.00	0.00	
Vehicle Maintenance	900.00	900.00	520.93	379.07	
<b>TOTAL STATE UNIFORM CONSTRUCTION CODE</b>	<u>197,314.00</u>	<u>185,314.00</u>	<u>170,674.69</u>	<u>14,639.31</u>	<u>0.00</u>
Utilities					
Telephone	44,050.00	45,550.00	44,073.39	1,476.61	
Gasoline	49,000.00	50,000.00	47,463.70	2,536.30	
Gas and Electric	233,100.00	233,100.00	198,552.31	34,547.69	
Water	135,000.00	135,000.00	115,460.97	19,539.03	
Vehicle Maintenance					
Other Expenses	41,050.00	50,050.00	50,004.87	45.13	
Blood Borne Pathogens	3,925.00	3,925.00	2,900.00	1,025.00	
Revaluation	51,000.00	51,000.00	51,000.00	0.00	
<b>TOTAL OPERATIONS - WITHIN "CAPS"</b>	<u>6,087,131.00</u>	<u>6,117,131.00</u>	<u>5,888,708.78</u>	<u>228,422.22</u>	<u>\$0.00</u>
Detail:					
Salaries and Wages	3,739,053.00	3,835,453.00	3,802,032.86	33,420.14	0.00
Other Expenses (Including Contingent)	2,348,078.00	2,281,678.00	2,086,675.92	195,002.08	0.00
STATUTORY EXPENDITURES:					
Deferred Charges					
Deficit in Police Reserve Fund	28,901.73	28,901.73		0.00	28,901.73
Contributions to:					
Social Security System (O.A.S.I.)	150,000.00	150,000.00	148,456.28	1,543.72	
<b>TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"</b>	<u>178,901.73</u>	<u>178,901.73</u>	<u>148,456.28</u>	<u>30,445.45</u>	<u>28,901.73</u>
<b>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"</b>	<u>6,266,032.73</u>	<u>6,296,032.73</u>	<u>6,037,165.06</u>	<u>229,965.94</u>	<u>28,901.73</u>
OPERATIONS EXCLUDED FROM "CAPS"					
Insurance					
General Liability	124,409.00	124,409.00	89,914.37	34,494.63	
Workers Compensation	152,454.00	152,454.00	148,483.53	3,970.47	
Employee Group Health	788,600.00	788,600.00	763,005.05	25,594.95	
Maintenance of Free Public Library	509,264.00	509,264.00	487,090.07	22,173.93	
Sanitation					
Bergen County Utilities Authority					
Flow Charges	628,586.00	628,586.00	628,585.47	0.53	
Public Employees Retirement System	13,149.00	13,149.00	13,148.20	0.80	
Police and Fireman's Retirement System of NJ	89,019.00	89,019.00	89,018.80	0.20	
LOSAP Expense	65,000.00	65,000.00	(592.43)	65,592.43	
Storm Water:					
Salaries and Wages	42,746.00	42,746.00	42,746.00	0.00	
Other Expenses	13,000.00	13,000.00	4,920.50	8,079.50	
<b>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"</b>	<u>2,426,227.00</u>	<u>2,426,227.00</u>	<u>2,266,319.56</u>	<u>159,907.44</u>	<u>0.00</u>

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See Accompanying Notes to Financial Statements.

BOROUGH OF HILLSDALE  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

STATEMENT OF EXPENDITURES

A-3

	APPROPRIATIONS		EXPENDED		Balance Canceled
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
UNIFORM CONSTRUCTION CODE : APPROPRIATIONS					
OFFSET BY INCREASED FBE REVENUES					
Insurance					
Employee	15,500.00	15,500.00	15,462.35	37.65	
Workers Compensation	1,200.00	1,200.00	1,200.00	0.00	
Liability	1,200.00	1,200.00	1,200.00	0.00	
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES					
Grant Reserve					
Alcohol, Drug and Rehabilitation	936.21	936.21	936.21	0.00	
Drunk Driving Enforcement	5,358.57	5,358.57	5,358.57	0.00	
Municipal Alliance Grant	9,500.00	9,500.00	9,500.00	0.00	
Recycling Tonnage	9,399.90	9,399.90	9,399.90	0.00	
Clean Communities	8,948.63	8,948.63	8,948.63	0.00	
FAIU Grant	125.90	125.90	125.90	0.00	
Enironmental Watershed	2,303.00	2,303.00	2,303.00	0.00	
Body Armor Replacement Fund	3,663.00	3,663.00	3,663.00	0.00	
Hillsdale Board of Education- Cops in School					0.00
Salaries and Wages	30,000.00	30,000.00	30,000.00	0.00	
Bergen County Recycling Assistance					0.00
Other Expenses	9,000.00	9,000.00	9,000.00	0.00	
Open Space Grant					0.00
Bergen County	25,000.00	25,000.00	25,000.00	0.00	
DRE Grant	20,600.00	20,600.00	20,600.00	0.00	
Bergen County Police Policies	3,000.00	3,000.00	3,000.00	0.00	
Storm Water Grant - 2004	7,574.00	7,574.00	7,574.00	0.00	
Storm Water Grant- 2005	7,574.00	7,574.00	7,574.00	0.00	
Environmental Grant					0.00
Municipal Share	2,500.00	2,500.00	0.00	2,500.00	
State Share				0.00	
TOTAL PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES	145,483.21	145,483.21	142,983.21	2,500.00	0.00
TOTAL OPERATIONS - EXCLUDED FROM "CAPS"	2,589,610.21	2,589,610.21	2,427,165.12	162,445.09	0.00
Detail:					
Salaries and Wages	72,746.00	72,746.00	72,746.00	0.00	0.00
Other Expenses	2,516,864.21	2,516,864.21	2,354,419.12	162,445.09	0.00

BOROUGH OF HILLSDALE  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

STATEMENT OF EXPENDITURES

A-3

	APPROPRIATIONS		EXPENDED		Balance Canceled
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
CAPITAL IMPROVEMENTS:					
Public and Private Programs Offset by Revenues: NJ Transportation Trust Fund Authority Act	215,000.00	215,000.00	215,000.00	0.00	_____
TOTAL CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"	<u>215,000.00</u>	<u>215,000.00</u>	<u>215,000.00</u>	<u>0.00</u>	<u>0.00</u>
MUNICIPAL DEBT SERVICE-EXCLUDED FROM "CAPS"					
Payment of Bond Anticipation Notes & Capital Notes	201,994.00	201,994.00	201,994.00		0.00
Interest on Notes	47,312.75	47,312.75	34,813.78		12,498.97
TOTAL MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"	<u>249,306.75</u>	<u>249,306.75</u>	<u>236,807.78</u>	<u>0.00</u>	<u>12,498.97</u>
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES - EXCLUDED FROM "CAPS"					
	<u>3,053,916.96</u>	<u>3,053,916.96</u>	<u>2,878,972.90</u>	<u>162,445.09</u>	<u>12,498.97</u>
Subtotal General Appropriations	9,319,949.69	9,349,949.69	8,916,137.96	392,411.03	41,400.70
	Reference	A-1			
Reserve for Uncollected Taxes	500,000.00	500,000.00	500,000.00		_____
TOTAL GENERAL APPROPRIATIONS	<u>\$9,819,949.69</u>	<u>\$9,849,949.69</u>	<u>\$9,416,137.96</u>	<u>\$392,411.03</u>	<u>\$41,400.70</u>
	Reference	A-2	Below	Below	A
					A-1
Disbursements	A-4		\$8,750,681.42		
Reserve for Uncollected Taxes	A-2		500,000.00		
Encumbrances Payable	A-22		176,319.65		
Due to Grant Fund	F-5		38,602.54		
Budget Offsets	A-4		(100,465.65)		
Deferred Charges	A-24		51,000.00		
	Above		<u>\$9,416,137.96</u>		
Adopted Budget	A-2	\$9,819,949.69			
Deferred Charge- Emergency Authorization	A, A-24	<u>30,000.00</u>			
Total Budget Appropriations	Above	<u>\$9,849,949.69</u>			

See Accompanying Notes to Financial Statements.

BOROUGH OF HILLSDALE  
TRUST FUND

COMPARATIVE STATEMENT OF FINANCIAL POSITION

B

	Reference	At December 31,	
		2005	2004
<b>ASSETS</b>			
<b>Animal License Fund</b>			
Cash	B-2	\$10,656.14	\$10,542.58
		10,656.14	10,542.58
<b>Other Trust Fund</b>			
Cash - Escrow	B-2	587,943.10	543,645.08
Cash - Other Trust Fund	B-2	6,653.54	(31,219.21)
Due From Current Fund	A,B-8	54,800.11	2,213.03
		649,396.75	514,638.90
<b>Landfill Closure and Contingency Fund</b>			
Cash Equivalents	B-3	0.00	33,814.00
<b>Recreation Trust Fund</b>			
Cash	B-2	89,807.78	87,240.70
		89,807.78	87,240.70
<b>TOTAL ASSETS</b>		<b>\$749,860.67</b>	<b>\$646,236.18</b>

See Accompanying Notes to Financial Statements.

BOROUGH OF HILLSDALE  
TRUST FUND

**COMPARATIVE STATEMENT OF FINANCIAL POSITION  
(CONTINUED)**

B

		At December 31,	
	Reference	2005	2004
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
<u>Animal License Fund</u>			
Due to State of New Jersey	B-5	\$191.40	\$190.80
Reserve for Animal Fund Expenditures	B-4	10,464.74	10,351.78
		10,656.14	10,542.58
<u>Other Trust Fund</u>			
Escrow Deposits	B-7	383,408.95	348,057.15
Special Reserve Trust Funds	B-9	265,987.80	166,581.75
		649,396.75	514,638.90
<u>Landfill Closure and Contingency Fund</u>			
Fund Balance	B-1	0.00	33,814.00
<u>Recreation Trust Fund</u>			
Recreation Programs	B-10	89,807.78	87,240.70
		89,807.78	87,240.70
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>		<b>\$749,860.67</b>	<b>\$646,236.18</b>

**STATEMENT OF FUND BALANCE - LANDFILL CLOSURE AND CONTINGENCY FUND**

B-1

	<u>Reference</u>	
Balance December 31, 2004	B	\$33,814.00
Increased by:		
Interest Income	B-3	593.23
		34,407.23
Decreased by:		
Transferred to Current- Account Closed	B-3	34,407.23
		34,407.23
Balance December 31, 2005	B	(\$0.00)

See Accompanying Notes to Financial Statements.

BOROUGH OF HILLSDALE  
CAPITAL FUND  
**COMPARATIVE STATEMENT OF FINANCIAL POSITION**

C

	Reference	At December 31,	
		2005	2004
<b>ASSETS</b>			
Cash	C-2	\$1,472,608.89	\$105,953.04
Cash - Community Development	C-2	2.67	2.03
Cash Equivalents	C-2	63,142.68	2,368,016.97
Cash - Municipal Open Space	C-2	47,850.45	38,576.37
Due from Current Fund	A,C-4	4,421.59	
Due from Swim Pool Utility Fund	D		5.00
Deferred Charges to Future Taxation:			
Unfunded	C-5,11	5,772,315.36	6,039,309.36
<b>TOTAL ASSETS</b>		<b>\$7,360,341.64</b>	<b>\$8,551,862.77</b>

**LIABILITIES, RESERVES AND FUND BALANCE**

Bond Anticipation Notes	C-8,11	\$5,196,473.00	\$4,463,467.00
Improvement Authorizations:			
Funded	C-7		86,644.34
Unfunded	C-7	1,401,822.54	2,966,343.78
Reserve for Capital Improvements	C-9	122,153.68	564,045.77
Capital Improvement Fund	C-6	4,395.95	4,395.95
Encumbrances Payable	C-12	532,552.44	348,574.36
Due to Current Fund	A,C-4		63,437.68
Reserve for Municipal Open Space Fund	C-10	50,898.11	38,177.18
Premium on Bond Anticipation Notes	C-13	35,269.21	
Fund Balance	C-1	16,776.71	16,776.71
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>		<b>\$7,360,341.64</b>	<b>\$8,551,862.77</b>

There were bonds and notes authorized but not issued on December 31, 2005  
in the amount of \$575,842.36 (Exhibit C-11)

**STATEMENT OF FUND BALANCE**

C-1

	Reference	
Balance December 31, 2004	C	\$16,776.71
Increased by:		
Canceled Capital Improvement Reserve	C-9	369,623.91
		386,400.62
Decreased by:		
Transfer to Current- Appropriated in Budget	C-2	369,623.91
Balance December 31, 2005	C	\$16,776.71

See Accompanying Notes to Financial Statements

BOROUGH OF HILLSDALE  
SWIM POOL UTILITY FUND

COMPARATIVE STATEMENT OF FINANCIAL POSITION

D

		At December 31:	
	<u>Reference</u>	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>			
Operating Fund:			
Cash / Investments	D-4	\$336,383.64	\$302,780.20
Deferred Charge - Emergency Auth.	D-1	18,000.00	
Due from Utility Capital Fund	D-5	569.67	
		<hr/>	<hr/>
Total Operating Fund		354,953.31	302,780.20
Capital Fund:			
Cash	D-4	673,324.08	24,963.80
Fixed Capital	D-9	3,189,596.77	3,175,516.56
Fixed Capital Authorized and Uncompleted	D-10	786,641.79	786,641.79
Due from Utility Operating Fund	D-5		59,724.62
		<hr/>	<hr/>
Total Capital Fund		4,649,562.64	4,046,846.77
<b>TOTAL ASSETS</b>		<hr/> <hr/>	<hr/> <hr/>
		\$5,004,515.95	\$4,349,626.97
 <b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Operating Fund			
Liabilities:			
Appropriation Reserves	D-3,7	\$5,337.93	\$4,028.41
Encumbrances Payable	D-8	12,426.67	9,762.82
Due to Capital Fund	D-6		5.00
Due to Utility Capital Fund	D-5		59,724.62
Fund Balance	D-1	337,188.71	229,259.35
		<hr/>	<hr/>
Total Operating Fund		354,953.31	302,780.20
Capital Fund			
Bond Anticipation Notes	D-15	642,800.00	
Improvements Authorizations:			
Funded	D-11	37,641.79	69,841.79
Unfunded	D-11	692,765.99	716,800.00
Capital Improvement Fund	D-14	107.89	38,852.68
Encumbrance Payable	D-11	1,500.00	
Reserve Amortization	D-12	3,197,238.56	3,144,413.56
Reserve for Deferred Amortization	D-13	62,200.00	62,200.00
Reserve for Improvements	D-16	14,738.74	14,738.74
Due to Utility Operating Fund	D-5	569.67	0.00
		<hr/>	<hr/>
Total Capital Fund		4,649,562.64	4,046,846.77
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>		<hr/> <hr/>	<hr/> <hr/>
		\$5,004,515.95	\$4,349,626.97

There were bonds and notes authorized but not issued on December 31, 2005  
in the amount of \$74,000.00 (D-17)

See Accompanying Notes to Financial Statements.

BOROUGH OF HILLSDALE  
SWIM POOL UTILITY FUND

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN OPERATING FUND BALANCE

D-1

		For the years ended December 31,	
	<u>Reference</u>	<u>2005</u>	<u>2004</u>
<b>Revenue and Other Income Realized</b>			
Fund Balance Utilized	D-2	\$0.00	\$48,000.00
Budget Revenues	D-2	761,957.76	690,679.35
Other Credits to Income:			
Appropriation Reserve Lapsed	D-7	1,644.60	7,799.74
		763,602.36	746,479.09
Total Income			
<b>Expenditures</b>			
Operating	D-3	471,673.00	439,815.00
Capital Outlay / Improvements	D-3	52,000.00	81,500.00
Emergency Authorizations	D-3		85,000.00
Surplus (General Budget)	D-3	150,000.00	140,000.00
		673,673.00	746,315.00
Total Expenditures	D-3		
Excess / (Deficit) in Revenues		89,929.36	164.09
Deferred Charges to be Appropriated in Next Years Budget Emergency Authorization	D	18,000.00	0.00
Fund Balance January 1	D	229,259.35	277,095.26
		337,188.71	277,259.35
Less: Amount of Fund Balance Utilized as Revenue			48,000.00
Fund Balance December 31	D	\$337,188.71	\$229,259.35

See Accompanying Notes to Financial Statements.

BOROUGH OF HILLSDALE  
 SWIM POOL UTILITY FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2005

**STATEMENT OF REVENUES**

D-2

	Anticipated Budget	Realized	Excess or (Deficit)
Membership Fees	596,000.00	629,990.25	33,990.25
Use of Facility	29,000.00	41,899.60	12,899.60
Interest on Investments	5,673.00	14,752.91	9,079.91
Special Activities	25,000.00	75,315.00	50,315.00
	<u>\$655,673.00</u>	<u>\$761,957.76</u>	<u>\$106,284.76</u>
Reference	D-3	Below	
Operating Fund	D-4	\$767,018.98	
Operating Fund - Refunds	D-4	(5,754.00)	
Capital Fund	D-4	692.78	
	D-1, Above	<u>\$761,957.76</u>	

See Accompanying Notes to Financial Statements.

BOROUGH OF HILLSDALE  
SWIM POOL UTILITY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

**STATEMENT OF EXPENDITURES**

D-3

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
Operating:				
Salaries and Wages	\$216,300.00	\$226,850.00	\$226,850.00	\$0.00
Other Expenses	237,373.00	244,823.00	239,485.07	5,337.93
Total Operating	453,673.00	471,673.00	466,335.07	5,337.93
Capital Improvement Fund	52,000.00	52,000.00	52,000.00	0.00
Total Capital Improvements	52,000.00	52,000.00	52,000.00	0.00
Surplus (General Budget)	150,000.00	150,000.00	150,000.00	0.00
Total Swim Pool Utility Appropriations	\$655,673.00	\$673,673.00	\$668,335.07	\$5,337.93
<u>Reference</u>	D-2	Below	Below	D
Disbursed	D-4		\$660,207.28	
Budget Refunds	D-4		(4,298.88)	
Encumbrances Payable	D-8		12,426.67	
Above			\$668,335.07	
Original Budget		\$655,673.00		
Emergency Authorization	D, D-1	18,000.00		
Above		\$673,673.00		

See Accompanying Notes to Financial Statements.

BOROUGH OF HILLSDALE  
PUBLIC ASSISTANCE FUND

COMPARATIVE STATEMENT OF FINANCIAL POSITION

E

		At December 31,	
	<u>Reference</u>	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>			
Cash	E-1	\$9,236.54	\$7,433.54
Petty Cash		100.00	100.00
<b>TOTAL ASSETS</b>		<u>\$9,336.54</u>	<u>\$7,533.54</u>
 <b>LIABILITIES, RESERVE AND FUND BALANCE</b>			
Reserve for Public Assistance Fund	E-4	\$6,726.54	\$6,726.54
Due to State of NJ - Advance	E-6	2,610.00	807.00
<b>TOTAL LIABILITIES, RESERVE AND FUND BALANCE</b>		<u>\$9,336.54</u>	<u>\$7,533.54</u>

See Accompanying Notes to Financial Statements.

BOROUGH OF HILLSDALE  
GRANT FUND  
COMPARATIVE STATEMENT OF FINANCIAL POSITION

F

		For the Year Ended December 31,	
	<u>Reference</u>	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>			
Cash	F-1	\$3,000.21	\$2,909.24
Grants Receivable	F-2	92,948.58	62,561.13
Due From Current Fund	A,F-3	19,751.56	34,664.41
		<hr/>	<hr/>
<b>TOTAL ASSETS</b>		<b>\$115,700.35</b>	<b>\$100,134.78</b>
		<hr/> <hr/>	<hr/> <hr/>
 <b>LIABILITIES</b>			
Unappropriated Reserve	F-4	\$30,810.47	\$36,572.21
Appropriated Reserve	F-5	84,889.88	63,562.57
		<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>		<b>\$115,700.35</b>	<b>\$100,134.78</b>
		<hr/> <hr/>	<hr/> <hr/>

See Accompanying Notes to Financial Statements.

BOROUGH OF HILLSDALE  
GENERAL FIXED ASSETS ACCOUNTS GROUP

**STATEMENT OF GENERAL FIXED ASSETS**  
**(Unaudited)**

G

	At December 31:	
	2005	2004
General Fixed Assets		
Land (as per assessed valuation)	\$18,000,700.00	\$17,262,170.00
Buildings and Improvements	3,249,800.00	3,249,800.00
Equipment	7,202,657.00	6,887,354.00
	<u>\$28,453,157.00</u>	<u>\$27,399,324.00</u>
Investment in General Fixed Assets	<u>\$28,453,157.00</u>	<u>\$27,399,324.00</u>

BOROUGH OF HILLSDALE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2005

**1. Summary of Significant Accounting Policies**

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB Codification establishes seven fund types and two account groups 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 financial statements of the Borough of Hillsdale (the "Borough") have been prepared in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). 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 the following separate funds, which differ from the fund structure required by GAAP.

**A. Reporting Entity**

The Borough 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, and general administrative services.

GASB has issued Statement No. 14, which requires the financial reporting entity to include both the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board and either a) the ability to impose will by the primary government or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

However, the municipalities in the State of New Jersey do not issue financial statements in accordance with GAAP, and thus, do not comply with all of the GASB pronouncements. 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 component units under GAAP.

**B. Fund Accounting**

The accounting policies of the Borough conform to the accounting principles applicable to municipalities, which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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. The accounts of the Borough are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund or account group are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues, and expenses or expenditures. The following funds and groups of accounts are used by the Borough:

Current Fund - resources and expenditures for governmental operations of a general nature.

BOROUGH OF HILLSDALE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2005  
(Continued)

1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

Trust Fund - receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created. The Division of Local Government Services regulate the accounting for these funds.

General Capital Fund - receipt and disbursement of funds for the acquisition of general capital facilities other than those acquired in the Current Fund.

Public Assistance Fund - receipt and disbursement of funds that provide assistance to certain residents of the Borough pursuant to Title 44 of New Jersey statutes.

Grant Fund - receipt and disbursement of funds from Federal and State Grants.

Swim Pool Utility Operating and Capital Funds - account for the operations and acquisition of capital facilities of the municipally-owned swim pool utility.

General Fixed Assets - The General Fixed Assets Account Group is used to account for fixed assets used in governmental fund type operations for control purposes. All fixed assets are valued at historical cost or insurable cost if the actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date of donation. No depreciation is recorded on general fixed assets.

C. Basis of Accounting

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

Revenues - Revenues are recorded when received in cash except for certain amounts, which are due from other governmental units. Receipts from Federal and State grants are realized as revenue when anticipated in the municipal budget. Receivables for property taxes are recorded with off-setting reserves on the statement of financial position of the municipality's Current Fund. Accordingly, such amounts are not recorded as revenue until collected. Other amounts, which are susceptible to accrual that are due the municipality are recorded as receivables with off-setting reserves and are recorded as revenue when received.

Miscellaneous Revenues - 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 statement of financial position of the Borough's Current Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

BOROUGH OF HILLSDALE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2005  
(Continued)

1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting (Continued)

Utility Rents - Swim pool utility membership fees are based on resident and non-resident status; number of members in the family; senior citizens, children, etc. Revenues from these sources are recognized on a cash basis. Receivables that are susceptible to accrual are recorded with offsetting reserves on the statement of financial position 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 and to be reduced by an allowance for doubtful accounts.

Grant Revenues - Federal and State grants, entitlement 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 in the accounting period when they become susceptible to accrual.

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 per N.J.S.A. 40A:4 et seq. Transfers can be made during the last two months and the first three months of the following year. The budget may also be amended by emergency appropriation, which must be raised in the succeeding years budget. Special items of revenue and corresponding expenditure may be added to the budget with special written consent from the Division of Local Government Services (Chapter 159).

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

Trust Funds  
General Capital Fund  
Public Assistance Fund

Expenditures - Expenditures are recorded in 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 canceled by the governing body. Except for unmatured interest on general long-term debt which should be recognized when due, GAAP requires expenditures, if measurable, to be recognized in the accounting period in which the fund liability is incurred.

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

Appropriation Reserves - Appropriation Reserves 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.

BOROUGH OF HILLSDALE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)

**1. Summary of Significant Accounting Policies (Continued)**

C. Basis of Accounting (Continued)

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick pay are not recorded until paid. 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 be recorded as a long-term obligation.

Property Acquired for Taxes - Property acquired for taxes is recorded in the Current Fund at the assessed valuation when such property was acquired and fully reserved. GAAP requires such property to be recorded in the General Fixed Assets Account Group at market value on the date of acquisition.

Self-Insurance Contributions - Payments to self-insurance funds are charged to current budget appropriations. GAAP requires payments to be accounted for as an operating transfer and not as an expenditure.

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.

Inventories - The cost 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 statement of financial position.

Cash and Investments - Cash includes amounts in demand deposits, as well as short-term investments, with a maturity date within one year of the date acquired by the government. Investments are stated at cost and are limited by N.J.S.A. 40A:5-15.1 to bonds or obligations of the Federal Government and bonds or other obligations of Federal or local units having a maturity date not more than twelve months from the date of purchase.

Incurred But Not Reported (IBNR) Reserves - The Borough has not created a reserve for any potential unreported losses which have taken place but for which the Borough has not received notice or report of losses. Additionally, the Borough has not recorded a liability for those claims, which have been filed but have not yet been paid. GAAP requires the establishment of reserves for such potential claims if material.

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 and not when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

Use of estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

BOROUGH OF HILLSDALE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2005  
(Continued)

**1. Summary of Significant Accounting Policies (Continued)**

C. Basis of Accounting (Continued)

General Fixed Assets – N.J.A.C. 5:30-5.6 codifies fixed asset accounting, the Technical Accounting Directive No. 86-2 (the “TAD”) took affect in 1986. This TAD required local units to create and maintain a fixed asset accounting system for their physical assets. The requirement has now been codified as N.J.A.C. 5:30-5.6. The codification updates the definition of a fixed asset to refer to the 1997 edition of the U.S. Office of Management and Budget Circular A-87, Cost Principals for State, Local and Indian Governments. The regulation continues the requirement of the local units to:

1. Place a value of all fixed assets put into service
2. Have a subsidiary ledger of detailed records of fixed assets
3. Provide property management standards to control fixed assets
4. Provide a statement of fixed assets in the annual audit.

GAAP requires that fixed assets be capitalized at historical cost or at estimated historical cost if actual historical cost is not available. Depreciation on utility fixed assets should also be recorded. Schedule G of the Financial Statement will disclose the major classes of Fixed Assets as of December 31, 2005 and December 31, 2004, no depreciation has been provided for in the financial statements.

D. Basic Financial Statements

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

BOROUGH OF HILLSDALE  
 NOTES TO FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2005  
 (Continued)

**2. Cash and Cash Equivalents**

New Jersey statutes permit the deposit of public funds in institutions which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protection Act (GUDPA) or the State of New Jersey Cash Management Fund. GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. All collateral must be deposited with the Federal Reserve Bank or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.00.

At December 31, 2005, the Borough had the following cash held by a custodial bank or financial institution:

Current Fund	\$3,359,784.25
Current Fund – Change Fund	250.00
Trust Fund	695,060.56
Capital Fund	1,583,604.69
Grant Fund	3,000.21
Public Assistance Fund	9,236.54
Public Assistance - Petty Cash	100.00
Swim Pool Utility Fund	1,009,707.72
	<u>\$6,660,743.97</u>
Municipal Court *	
- Bail Account	\$4,500.00
- Fines and Costs	14,157.31
	<u>\$18,657.31</u>

\* Municipal Court audit is under separate cover.

The carrying amount of the Borough's cash at December 31, 2005 was \$6,679,401.28 and the bank balance was \$6,769,487.44. Of the bank balance, \$200,000.00.00 was insured by the F.D.I.C. and \$6,569,487.44 was covered by the State of New Jersey, Governmental Unit Deposit Protection Act.

BOROUGH OF HILLSDALE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2005  
(Continued)

**2. Cash and Cash Equivalents (Continued)**

*Investments*

The purchase of investments by the Borough are strictly limited by the express authority of the New Jersey Local Fiscal Affairs Law, N.J.S.A. 40A:5-15.1. Permitted investments include any of the following type of securities:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
2. Government money market mutual funds;
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
5. Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
6. Local government investment pools;
7. Deposits with the State of New Jersey Cash Management Fund; or
8. Agreements for the repurchase of fully collateralized securities if:
  - a. The underlying securities are permitted investments pursuant to paragraphs 1 and 3 above;
  - b. The custody of collateral is transferred to a third party;
  - c. The maturity of the agreement is not more than 30 days;
  - d. The underlying securities are purchased through a public depository as defined in statute; and
  - e. A master repurchase agreement providing for the custody and security of collateral is executed.

BOROUGH OF HILLSDALE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2005  
(Continued)

**3. Long-Term Debt**

Summary of Municipal Debt

	<u>Year 2005</u>	<u>Year 2004</u>	<u>Year 2003</u>
Issued			
General:			
Bonds and Notes	\$5,196,473	\$4,463,467	\$4,541,000
Swim Pool Utility			
Bonds and Notes	<u>642,800</u>	<u>0</u>	<u>0</u>
Debt Issued	<u>\$5,839,273</u>	<u>\$4,463,467</u>	<u>\$4,541,000</u>
Authorized but not Issued			
General:			
Bonds and Notes	\$575,842	\$1,575,842	\$214,809
Swim Pool Utility			
Bonds and Notes	<u>74,000</u>	<u>716,800</u>	<u>74,000</u>
	<u>649,842</u>	<u>2,292,642</u>	<u>288,809</u>
Bonds and Notes Issued and Authorized but not Issued	<u>\$6,489,115</u>	<u>\$6,756,109</u>	<u>\$4,829,809</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of .375%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School Debt	\$40,112,000	\$40,112,000	\$0
General Debt	5,772,315	0	5,772,315
Swim Pool Utility Debt	<u>716,800</u>	<u>716,800</u>	<u>0</u>
	<u>\$46,601,115</u>	<u>\$40,828,800</u>	<u>\$5,772,315</u>

Net Debt \$ 5,772,315 of Equalized Valuation Basis per N.J.S.A.  
A:2-2 as amended \$ 1,538,844,763 = .375 %

BOROUGH OF HILLSDALE  
 NOTES TO FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2005  
 (Continued)

**3. Long-Term Debt (Continued)**

<u>Calculation of "Self-Liquidating Purpose", Water Utility</u>		
Cash Receipts from Fees, Rents or Other Changes		761,957.76
Deductions:		
Operating and Maintenance Cost	\$ 523,673.00	
Debt Service	-	
		523,673.00
Excess in Revenue		\$ 238,284.76

Borrowing Power Under N. J.S.A. 40A:2- As Amended

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 53,859,566.70
Net Debt	5,772,315.00
Remaining Borrowing Power	\$ 48,087,251.70

The Borough's short-term debt consisted of Bond Anticipation Notes Payable in the amount of \$5,839,273. Schedule C-8 and D-15 of the financial statements disclosed the various due dates and interest rates of the Bond Anticipation Notes Payable as of December 31, 2005.

**Interfund Receivables and Payables**

Interfund receivables and payables at December 31, 2005 were as follows:

<u>Fund Type</u>	<u>Receivables</u>	<u>Payables</u>
Current Fund		\$78,973.26
Grant Fund	19,751.56	
Trust Fund	54,800.11	
Capital Fund	4,421.59	
Swim Pool Utility Fund	569.67	569.67
Total Interfund Receivables/Payables	\$79,542.93	\$79,542.93

BOROUGH OF HILLSDALE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2005  
(Continued)

**4. Contingencies**

*Litigation*

The Borough is party to various legal proceedings, which normally occur in governmental operations. The Borough Attorney has reported that of the litigation, which remains pending, there are no matters, which will materially effect the December 31, 2005 financial position.

**5. Claims and Judgements**

The Borough participated 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, 2005, 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 any of the individual governmental funds or the overall financial position of the Borough.

**6. Risk Management**

The purpose of the Bergen County Municipal Joint Insurance Fund is to administer employee life, health, property and liability, worker's compensation, unemployment, and disability insurance programs of the Borough on a cost-reimbursement basis. This fund accounts for the risk financing activities of the Borough but does not constitute a transfer of risk from the Borough. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year and any of the three prior years.

BOROUGH OF HILLSDALE  
 NOTES TO FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2005  
 (Continued)

**7. Fund Balance Appropriated**

Fund Balance December 31, 2005 which were appropriated and included as anticipated revenue for the year ending December 31, 2006 was as follows:

Current Fund	\$700,000.00
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**8. Deferred Charges to be Raised in Succeeding Budgets**

Certain expenditures are to be deferred to budgets of succeeding years. Existing deferred charges are reflected in the statement of financial positions of the various funds.

**9. Local District School, Regional High School and County Taxes**

The Borough collects school, regional county taxes and is responsible for the full amount of the levy. School, Regional and County taxes have been raised on the calendar year.

**10. Taxes Collected in Advance**

Taxes collected in advance and the amounts set forth as cash liabilities in the financial statements as follows:

	Balance <u>Dec. 31, 2005</u>	Balance <u>Dec. 31, 2004</u>
Prepaid Taxes	<u>\$209,983.32</u>	<u>\$179,599.64</u>

**11. Retirement Plans**

*Plan Description, Contribution Information, and Funding Policies*

Employees who are eligible for a pension plan are enrolled in one of three pension systems administered by the Division of Pensions, Treasury Department of the State of New Jersey. The three State-administered plans are: (1) the Public Employees' Retirement System, (2) the Consolidated Police and Firemen's Pension Fund and (3) the Police and Firemen's Retirement System. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial methods. A portion of the cost is contributed by the employees. The Borough's share of pension costs, which is based upon the amount paid or charged to the 2005 budget, amounted to \$ 102,167.00 for 2005 and \$37,253.60 for 2004.

BOROUGH OF HILLSDALE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2005  
(Continued)

**11. Retirement Plans (Continued)**

*Plan Description, Contribution Information, and Funding Policies (Continued)*

Borough employees are also covered by the Federal Insurance Contribution Act. Information as to the comparison of the actuarial computed value of vested benefit with the system's assets is not available from the State Retirement Systems and, therefore, is not presented.

*Deferred Compensation Plan*

The Borough of Hillsdale maintains a Deferred Compensation Plan in accordance with Internal Revenue Code Section 457.

Any employee of the Borough is eligible to participate in the Plan. Participation in the Plan is entirely voluntary on the part of each employee. The Borough does not and is not required to make contributions to the Plan. The Variable Annuity Life Ins. Co. & Nationwide Retirement Solutions are the Administrators of the Plan. Fund assets at December 31, 2005 totaled \$2,048,316.03.

**12. Post Employment Benefits**

The Borough of Hillsdale pays health insurance premiums for employees, who have retired according to their individual employment contracts. Currently the Borough has 16 retired employees, which have this benefit. In 2005, the cost of these health insurance premiums totaled \$ 164,814.00.

**13. Compensated Absences**

Under the existing policies and labor agreements of the Borough, certain employees are allowed to accumulate (with restrictions) unused vacation and sick pay beyond the current year. The estimated cost of any unpaid employee compensation benefits as of December 31, 2005 was \$243,535.91.

**14. Insurance**

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. There has been no reduction in insurance coverage from prior years and settlements did not exceed insurance coverage for the past three years.

The Borough is also a member of the Bergen Municipal Employee Fund (BMEF). This fund is an insured and self-administered group established for the sole purpose of providing health insurance coverage to the employees of member municipalities.

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. The fund continues to provide broader coverage than the conventional insurance market at a lower premium. The 2005 assessment for the fund was \$300,201.00 (MEL) and \$840,283.00 (BMEF).

BOROUGH OF HILLSDALE  
 NOTES TO FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2005  
 (Continued)

**15. Leases**

The Borough has not entered into any long-term lease agreements.

**16. Property Tax Calendar**

The Borough of Hillsdale property taxes are due the first of February, May, August, and November. The levy is determined upon certification of tax rate by the county. Liens are sold at a tax sale in the subsequent year. The tax sale for 2004 taxes was held on October 18, 2005.

**17. Municipal Court**

Comments concerning the Municipal Court will be found in a separate municipal audit report.

**18. Comparative Schedule of Fund Balances**

	<u>Year</u>	<u>Balance December 31</u>	<u>Budget of Succeeding Year</u>
Current Fund	2005	\$1,318,819.65	\$700,000.00
	2004	1,462,582.49	887,000.00
	2003	1,812,026.09	970,786.00
	2002	2,193,039.07	962,688.48

**19. Comparative Schedule of Tax Rate Information**

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Tax Rate	<u>\$3.52</u>	<u>\$3.26</u>	<u>\$3.02</u>	<u>\$2.87</u>
<u>Apportionment of Tax Rate</u>				
Municipal	0.643	0.565	0.551	0.529
Municipal Open Space	0.011	0.010	0.010	
County	0.354	0.336	0.313	0.325
Local School	1.631	1.585	1.493	1.384
Regional	0.881	0.764	0.653	0.632

BOROUGH OF HILLSDALE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2005  
(Continued)

**19. Comparative Schedule of Tax Rate Information (Continued)**

Assessed Valuation

2005	<u>\$847,398,387</u>
2004	<u>\$844,171,530</u>
2003	<u>\$837,609,166</u>
2002	<u>\$833,933,872</u>

**20. Comparison of Tax Levies and Collection Currently**

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 Collection</u>	<u>Percentage of Collection</u>
2005	\$29,945,639.43	\$29,678,205.23	99.11%
2004	27,672,862.24	27,397,151.84	99.00%
2003	25,435,510.91	25,174,934.65	98.98%
2002	24,016,518.88	23,770,814.19	98.98%

**21. Delinquent Taxes and Tax Title Liens**

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

<u>December Year</u>	<u>Amount of Tax Title Lien</u>	<u>Amount of Delinq. Taxes</u>	<u>Total</u>	<u>Percentage of Tax Levy</u>
2005	\$21,260.48	\$233,285.25	\$254,545.73	0.85%
2004	179,984.70	239,139.90	419,124.60	1.51%
2003	154,124.35	256,523.26	410,647.61	1.61%
2002	128,022.49	230,129.04	358,151.53	1.49%

**22. Property Acquired by Tax Title Lien Liquidation**

There were four properties acquired by liquidation in years 2005 with total assessed valuations of \$655,700.00.

BOROUGH OF HILLSDALE  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

SCHEDULE OF CASH - TREASURER

	Reference	Total	Cash	Investments	A-4
Balance December 31, 2004	A	\$3,479,064.69	\$248,160.78	\$3,230,903.91	
Increased by:					
Miscellaneous Revenue	A-2	3,004,591.43	2,989,261.79	15,329.64	
Non-Budget Revenues	A-1,A-2	117,775.10	117,775.10		
Collector	A-7	29,855,119.43	29,855,119.43		
State of New Jersey - Seniors & Veterans	A-9	144,000.00	144,000.00		
Budget Offsets	A-3	100,465.65	100,465.65		
Due to State - DCA Fees	A-19	10,570.00	10,570.00		
Due to State - Marriage License Fees	A-19	1,025.00	1,025.00		
Grants Receivable	F-2	30,314.65	30,314.65		
Grants Unappropriated	F-4	30,810.47	30,810.47		
Due to Trust Fund- Planning Board Escrow	B-8	34,872.00	34,872.00		
Transfer From Capital Fund	C-4	63,437.68	63,437.68		
Investments	Contra	9,748,750.31	6,451,750.31	3,297,000.00	
Petty Cash	Contra	800.00	800.00		
Accounts Receivable- Due from Bergen County					
Broadway Bridge Design	A-13	18,360.00	18,360.00		
Open Space	A-13	31,441.15	31,441.15		
		<u>43,192,332.87</u>	<u>39,880,003.23</u>	<u>3,312,329.64</u>	
		<u>46,671,397.56</u>	<u>40,128,164.01</u>	<u>6,543,233.55</u>	
Decreased by:					
Budget Appropriations	A-3	8,750,681.42	8,750,681.42		
Appropriation Reserves	A-14	631,182.60	631,182.60		
Disbursements- Open Space Beachwood	A-23	21,522.00	21,522.00		
Disbursements- ADA Library	A-23	33,000.00	33,000.00		
Disbursements- Flood Mitigation Brook	A-23	29,900.00	29,900.00		
Disbursements- Transportation Grant- Yesler	A-23	124,046.02	124,046.02		
Disbursements- Open Space Centennial	A-23	6,027.27	6,027.27		
Tax Overpayments	A-11	37,103.29	37,103.29		
Local District School Tax	A-17	13,825,284.00	13,825,284.00		
Regional School Tax	A-18	6,954,914.94	6,954,914.94		
County Taxes	A-16	3,084,804.68	3,084,804.68		
Municipal Open Space	A-12	84,739.84	84,739.84		
Due to State - DCA Fees	A-19	11,026.00	11,026.00		
Due to State - Marriage License Fees	A-19	1,000.00	1,000.00		
Grant Expenditures - Prior Year Fees	F-5	17,275.23	17,275.23		
Investments	Contra	9,748,750.31	3,297,000.00	6,451,750.31	
Payroll- Prior Year Adjustment	A-1	4,117.25	4,117.25		
Petty Cash	Contra	800.00	800.00		
		<u>43,366,174.85</u>	<u>36,914,424.54</u>	<u>6,451,750.31</u>	
Balance December 31, 2005	A	<u>\$3,305,222.71</u>	<u>\$3,213,739.47</u>	<u>\$91,483.24</u>	

BOROUGH OF HILLSDALE  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

SCHEDULE OF DUE FROM COMMUNITY DEVELOPMENT

A-5

	<u>Reference</u>	
Balance December 31, 2004	A	\$41,000.00
Decreased by:		
Canceled- Library Renovations	A-21	1,000.00
Balance December 31, 2005	A, Below	\$40,000.00
CD - Library Renovations		40,000.00
	Above	\$40,000.00

SCHEDULE OF CHANGE FUND

A-6

	<u>Reference</u>	
Balance December 31, 2004	A	\$250.00
Balance December 31, 2005	A, Below	\$250.00
Collector		\$50.00
Court Clerk		200.00
	Above	\$250.00

BOROUGH OF HILLSDALE  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

SCHEDULE OF CASH - COLLECTOR / REDEMPTION ACCT.

A-7

	<u>Reference</u>	<u>Total</u>	<u>Collector</u>	<u>Redemption Account</u>
Balance December 31, 2004	A	<u>\$42,803.76</u>	<u>\$42,021.51</u>	<u>\$782.25</u>
Increased by Receipts:				
2006 Taxes	A-15	209,983.32	209,983.32	
2005 Taxes	A-8	29,350,611.39	29,350,611.39	
Prior Year Taxes	A-2,8	230,951.02	230,951.02	
Tax Overpayments	A-11	13,877.35	13,877.35	
Interest on Taxes	A-2	61,527.28	61,527.28	
Intrafund	Contra	782.25	782.25	
		<u>29,867,732.61</u>	<u>29,867,732.61</u>	<u>0.00</u>
		<u>29,910,536.37</u>	<u>29,909,754.12</u>	<u>782.25</u>
Decreased by Disbursements:				
Check Order Charges	A-1	73.15	73.15	
Intrafund	Contra	782.25		782.25
Transmittal to Treasurer	A-4	29,855,119.43	29,855,119.43	
		<u>29,855,974.83</u>	<u>29,855,192.58</u>	<u>782.25</u>
Balance December 31, 2005	A	<u><u>\$54,561.54</u></u>	<u><u>\$54,561.54</u></u>	<u><u>\$0.00</u></u>

BOROUGH OF HILLSDALE  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

A-8

Year	Balance Dec. 31, 2004	2005 Levy	2004 Collections	2005 Collections	Disallowed Seniors & Vets	Canceled	Transferred To Tax Title Liens	Balance Dec. 31, 2005
1999-2002	\$4,473.88					\$4,473.88		\$0.00
2003	2,554.24			2,554.24				0.00
2004	232,111.78			228,396.78	1,341.10			5,056.10
2005		29,945,639.43	179,599.64	29,498,605.59		37,402.81	1,802.24	228,229.15
Reference	\$234,666.02	\$29,945,639.43	\$179,599.64	\$29,729,556.61	\$1,341.10	\$37,402.81	\$1,802.24	\$233,285.25
	A	Below	A-15	Below	A-1		A-10	A

Reference

Cash Receipts - Prior Year Taxes - Tax Collector	A-2,7	\$230,951.02
Cash Receipts - 2005 Taxes - Tax Collector	A-7	29,350,611.39
State of NJ - Realized		
Senior and Veterans Deductions	A-9	147,994.20
	Above	\$29,729,556.61

Analysis of 2005 Property Tax Levy

Tax Yield:		
General Purpose Tax	A-9	\$29,686,741.06
Senior Citizen's and Veteran's Deduction		147,000.00
Added Taxes (N.J.S.A. 54-4-63.1 et. seq.)		111,898.37
	Above	\$29,945,639.43

Tax Levy:

Local District School Tax (Abstract)	A-17	\$13,825,284.00
Regional High School Tax (Abstract)	A-18	7,460,321.70
County Taxes	A-16	2,916,566.81
Due County for Added Taxes	A-16	11,301.86
County Open Space	A-16	153,604.53
Municipal Open Space	A-12	90,088.48
Local Tax for Municipal Purposes	A-2	5,316,320.84
Add: Additional Taxes Levied		172,151.21
Total Tax Levy	Above	\$29,945,639.43

BOROUGH OF HILLSDALE  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

SCHEDULE OF DUE (FROM) / TO  
STATE OF NEW JERSEY PER CHAPTER 20, P.L. 1971

A-9

	<u>Reference</u>	
Balance December 31, 2004		
Due to State of New Jersey	A	\$2,170.68
Increased by:		
Cash Receipts - State of New Jersey	A-4	\$144,000.00
Senior Citizens Deductions Disallowed by Tax Collector		1,005.80
Prior Year Senior Citizens Deductions Disallowed	A-1	1,341.10
		146,346.90
		148,517.58
Decreased by:		
Senior Citizens/ Veterans Deductions Allowed by Tax Collector		2,000.00
Senior Citizens Deductions Per Tax Billing		23,750.00
Veterans Deductions Per Tax Billing		123,250.00
		149,000.00
Balance December 31, 2005		
Due From State of New Jersey	A	(\$482.42)
 <u>Calculation of Amount Realized</u>		
<u>Deductions Per Tax Billings</u>		
Senior Citizens		\$23,750.00
Veterans		123,250.00
Per Tax Billing	A-8	147,000.00
Senior Citizens & Veterans Deductions Allowed		2,000.00
		149,000.00
Less: Senior Citizens & Veterans Deductions Disallowed		(1,005.80)
Senior Citizens & Veterans Deductions Realized	A-8	\$147,994.20

BOROUGH OF HILLSDALE  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

SCHEDULE OF TAX TITLE LIENS

A-10

	<u>Reference</u>	
Balance December 31, 2004	A	\$179,984.70
Increased by:		
Transferred from Taxes	A-8	1,802.24
		181,786.94
Decreased by:		
Canceled- Assigned in 2004 Adjustment		4,356.30
Transferred to Forclosed Property		156,170.16
		160,526.46
Balance December 31, 2005	A,Below	\$21,260.48

Analysis of Balance

Block	Lot	
506	2	\$2,177.33
702	5	5,477.28
719	8	2,716.26
1303	26	233.05
1303	27	601.17
1706	40	3,497.13
1706	41	3,481.41
1706	42	3,076.85
		\$21,260.48

Above \$21,260.48

SCHEDULE OF PROPERTY ACQUIRED FOR TAXES

A-10A

	<u>Reference</u>	
Balance December 31, 2004	A	\$0.00
Increased by:		
Transferred from Tax Title Liens		655,700.00
		655,700.00
Balance December 31, 2005	A,Below	\$655,700.00

Analysis of Balance

Block	Lot	
1106	4.01	\$233,900.00
1106	4.02	145,400.00
1106	4.03	138,200.00
1106	4.04	138,200.00
		\$655,700.00

Above \$655,700.00

BOROUGH OF HILLSDALE  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

SCHEDULE OF TAX OVERPAYMENTS

A-11

	<u>Reference</u>		
Balance December 31, 2004	A		\$41,168.75
Increased by:			
Overpayments Received	A-7	\$13,877.35	
Appeals Charged to Surplus	A-1	8,707.02	
		22,584.37	
			63,753.12
Decreased by:			
Cash Refunds - Treasurer	A-4		37,103.29
			37,103.29
Balance December 31, 2005	A		\$26,649.83

SCHEDULE OF MUNICIPAL OPEN SPACE

A-12

	<u>Reference</u>		
Balance December 31, 2004			\$0.00
Increased by:			
Municipal Open Space Levy	A-1,8		90,088.48
			90,088.48
Decreased By:			
Transfer to Capital Open Space Reserve	A-4	84,739.84	
Due to Capital - Open Space Reserve	C-4	5,348.64	
		89,088.48	
			90,088.48
Balance December 31, 2005	A		\$0.00

BOROUGH OF HILLSDALE  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

A-13

	Balance Dec. 31, 2004	Accrued	Received	Cancel	Balance Dec. 31, 2005
<i>Revenue Accounts Receivable:</i>					
Municipal Court	\$10,348.45	\$6,541.09	\$10,348.45		\$6,541.09
	<u>\$10,348.45</u>	<u>\$6,541.09</u>	<u>\$10,348.45</u>		<u>\$6,541.09</u>
Reference	A				A
Due from Bergen County: Broadway Bridge Design	\$73,440.00	\$0.00	\$18,360.00		\$55,080.00
	<u>\$73,440.00</u>	<u>\$0.00</u>	<u>\$18,360.00</u>		<u>\$55,080.00</u>
Reference	A	A-2	A-4		A, A-2
Due from State of NJ:					
Transportation Grant - Yesler Paving	\$133,878.04				\$133,878.04
Cedar /Piermont Sidewalks Hillsdale Ave	140,000.00	140,000.00			140,000.00
Fairhaven Ave.		75,000.00			75,000.00
	<u>\$273,878.04</u>	<u>\$215,000.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$488,878.04</u>
Reference	A	A-2	A-4	A-1	A
Due from Bergen County:					
Open Space- Centennial	\$40,600.00				\$40,600.00
Trust Fund- Open Space	14,079.00		7,209.15	6,869.85	0.00
Open Space- Reimb. Saddlewood	36,000.00				36,000.00
Open Space- Beechwood	24,236.00		24,232.00	4.00	0.00
Open Space- Ralph Ave Tot Park		25,000.00			25,000.00
	<u>\$114,915.00</u>	<u>\$25,000.00</u>	<u>\$31,441.15</u>	<u>\$6,873.85</u>	<u>\$101,600.00</u>
Reference	A	A-2	A-4	A-1	A

BOROUGH OF HILLSDALE  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

SCHEDULE OF 2004 APPROPRIATION RESERVES

A-14

	Balance December 31, 2004	2004 Encumbrances Payable	Modified By Transfers	Paid or Charged	Lapsed	Special Reserve
Mayor and Council						
Other Expenses	363.24	4,681.92	5,045.16	5,045.16	0.00	
Administrative & Executive						
Salaries and Wages	454.95		454.95	406.94	48.01	
Other Expenses						
Public Information	5,138.45		138.45	116.00	22.45	
Miscellaneous	819.12	12,876.53	13,695.65	12,977.49	718.16	
Administration of Finance						
Salaries and Wages	6,036.48		1,036.48	679.52	356.96	
Other Expenses	12,566.68	389.73	12,756.41	12,065.98	690.43	
Audit Services						
Other Expenses	14,400.00		14,400.00	14,400.00	0.00	
Assessment of Taxes						
Salaries and Wages	778.14		278.14	261.54	16.60	
Other Expenses	288.43	370.00	2,008.43	1,977.75	30.68	
Collection of Taxes						
Salaries and Wages	356.93		356.93	290.56	66.37	
Other Expenses	0.94	355.00	355.94	355.00	0.94	
Clerk's Office						
Salaries and Wages	911.00		61.00		61.00	
Other Expenses	338.39	1,002.60	1,340.99	457.39	883.60	
Legal and Engineering Services and Costs						
Other Expenses	10,497.91	1,085.00	16,582.91	16,461.37	121.54	
Train Station						
Salaries and Wages	3,432.91	140.07	3,572.98	140.07	3,432.91	
Other Expenses						
Public Buildings and Grounds						
Salaries and Wages	967.96	1,225.65	2,193.61	1,092.06	1,101.55	
Other Expenses						
Municipal Land Use Law (NJSA 40:55D-1)						
Planning Board-Other Expenses	6,310.48	1,427.09	6,237.57	5,049.52	1,188.05	

Continued Next Page

BOROUGH OF HILLSDALE  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

SCHEDULE OF 2004 APPROPRIATION RESERVES

A-14

	Balance December 31, 2004	2004 Encumbrances Payable	Modified By Transfers	Paid or Charged	Lapsed	Special Reserve
Environmental Comm.						
Other Expenses	2,232.92		357.92	357.42	0.50	
Insurance						
Unemployment Compensation	8,594.76		8,594.76	65.03	8,529.73	
Fire Department						
Salaries and Wages	0.34		0.34		0.34	
Other Miscellaneous	14.06	11,489.50	11,503.56	11,453.33	50.23	
Fire Fighters Assistance Grant		27,618.00	27,618.00	27,618.00	0.00	
Fire Prevention						
Salaries and Wages	804.37		804.37	578.03	226.34	
Other Expenses	521.00	767.47	1,288.47	1,281.45	7.02	
Police Department						
Salaries and Wages	2,921.66		4,021.66	4,014.38	7.28	
Other Expenses	55.76	6,575.25	6,631.01	5,356.86	1,274.15	
First Aid Organization- Other Expenses		9,000.00	9,000.00	9,000.00	0.00	
Office of Emergency Management						
Other Expenses	3,053.40	7,346.71	10,400.11	6,627.13	3,772.98	
Road Repair and Maintenance						
Salaries and Wages	10,956.00		956.00	658.29	297.71	
Other Expenses	2,635.87	6,703.33	22,339.20	21,513.96	825.24	
Garbage & Trash Removal						
Salaries & Wages						
Other Expenses	315.37	59,115.20	59,430.57	57,165.20	2,265.37	
Recycling Costs - Other Expenses	24,500.00		24,500.00	24,500.00	0.00	
Board of Health						
Salaries and Wages	1,299.09		1,299.09	312.40	986.69	
Other Expenses	1,871.58	1,018.98	2,890.56	1,547.93	1,342.63	
Administration of Public Assistance						
Salaries & Wages	5.00		5.00	0.00	5.00	
Other Expenses	336.00		336.00	0.00	336.00	

Continued Next Page

BOROUGH OF HILLSDALE  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

SCHEDULE OF 2004 APPROPRIATION RESERVES

A-14

	Balance December 31, 2004	2004 Encumbrances Payable	Modified By _Transfers_	Paid or Charged	Lapsed	Special Reserve
Senior Citizens						
Salaries and Wages	35.11		35.11	0.00	35.11	
Other Expenses	627.50	2,235.90	2,863.40	2,365.16	498.24	
Parks and Playgrounds						
Other Expenses	4,275.74	861.06	5,136.80	5,037.79	99.01	
Board of Recreation Commissions						
Salaries and Wages	1,962.64		1,962.64	70.00	1,892.64	
Other Expenses	2,197.84	4,496.60	6,694.44	4,892.67	1,801.77	
Celebration of Public Events - Other Expenses	526.58	127.88	654.46	192.68	461.78	
Construction Code Official						
Salaries and Wages	1,344.06		1,344.06	579.02	765.04	
Other Expenses	131.26	95.33	226.59	190.03	36.56	
Telephones	621.33	323.21	944.54	345.73	598.81	
Gasoline	187.87		187.87		187.87	
Vehicle Maintenance						
Utilities						
Gas and Electric	18,702.66	1,382.81	27,860.47	26,476.28	1,384.19	
Gasoline	3,108.86	23.75	4,657.61	4,610.48	47.13	
Telephone		3,440.24	5,940.24	4,881.37	1,058.87	
Water	22,894.76		22,894.76	10,487.10	12,407.66	
Vehicle Maintenance						
Other Expenses	1,546.10	2,292.55	3,838.65	2,721.20	1,117.45	
OEM Flood Warning	10,330.00		10,330.00		10,330.00	
Revaluation	15,000.00	255,000.00	270,000.00	262,843.50	7,156.50	
Deferred Charges						
Contributions to:						
Social Security System (O.A.S.I.)	5,388.40		5,388.40	301.63	5,086.77	

Continued Next Page

0.00

BOROUGH OF HILLSDALE  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

SCHEDULE OF 2004 APPROPRIATION RESERVES

A-14

	Balance December 31, 2004	2004 Encumbrances Payable	Modified By Transfers	Paid or Charged	Lapsed	Special Reserve
Municipal Court						
Salaries and Wages	1,441.15		1,441.15	303.42	1,137.73	
Other Expenses	2,555.36	543.76	3,099.12	868.91	2,230.21	
Public Defender (P.L. 1997, C. 256)						
Salaries and Wages	77.38		77.38	0.00	77.38	
Insurance						
General Liability	19,436.07	24,302.31	36,213.38	25,162.28	11,051.10	
Workers Compensation	3,956.26	44,030.19	47,986.45	44,030.19	3,956.26	
Employee Group Health	31,618.43	899.20	32,517.63	24,736.39	7,781.24	
Maintenance of Free Public Library	9,766.25	692.00	10,458.25	10,458.25	0.00	
Sanitation						
Bergen County Utilities Authority						
Flow Charges	0.47		0.47		0.47	
Bloodborne Pathogen Program	809.00	2,991.00	3,800.00	38.00	3,762.00	
Police and Fireman's Retirement System of NJ	0.40		0.40		0.40	
LOSAP Expense	73,000.00		73,000.00	59,052.00	13,948.00	
Public and Private Programs Offset by Revenues:						
Bergen County Recycling Assistance		945.00	945.00	945.00	0.00	
Municipal Alliance Grant		1,000.00	1,000.00	1,000.00	0.00	
NJ Transportation Trust Fund		149,767.76	149,767.76	149,767.76	0.00	
	<u>\$355,120.67</u>	<u>\$648,638.58</u>	<u>\$1,003,759.25</u>	<u>\$886,182.60</u>	<u>\$117,576.65</u>	<u>\$0.00</u>
	A	A		Below	A-1	Below

	Reference
Cash Disbursements	A-4
Res. for Revaluation	A-20
	Above
	<u>\$886,182.60</u>

BOROUGH OF HILLSDALE  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

SCHEDULE OF PREPAID TAXES

A-15

	<u>Reference</u>	
Balance December 31, 2004	A	\$179,599.64
Increased by:		
Collection of Taxes	A-7	209,983.32
		389,582.96
Decreased by:		
Applied to 2005 Taxes	A-8	179,599.64
Balance December 31, 2005	A	\$209,983.32

SCHEDULE OF COUNTY TAXES PAYABLE

A-16

	<u>Reference</u>		
Balance December 31, 2004	A		\$14,633.34
Increased by:			
2005 Levy	A-1,8	\$2,916,566.81	
2005 Added Taxes - County Share	A-1,8	11,301.86	
2005-County Open Space	A-1,8	153,604.53	
		3,081,473.20	
			3,096,106.54
Decreased by:			
Disbursements	A-4		3,084,804.68
Balance December 31, 2005	A		\$11,301.86

BOROUGH OF HILLSDALE  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

SCHEDULE OF LOCAL DISTRICT SCHOOL TAXES PAYABLE / (PREPAID)

A-17

	<u>Reference</u>	
Balance December 31, 2004	A	\$499.98
Increased by:		
2005 Levy	A-1,2,8	13,825,284.00
		13,825,783.98
Decreased by:		
Disbursements	A-4	13,825,284.00
Balance December 31, 2005	A	\$499.98

SCHEDULE OF REGIONAL HIGH SCHOOL TAXES PAYABLE / (PREPAID)

A-18

	<u>Reference</u>	
Balance December 31, 2004	A	\$1,146,288.57
Increased by:		
2005 Levy	A-1,2,8	7,460,321.70
		8,606,610.27
Decreased by:		
Disbursements	A-4	6,954,914.94
Balance December 31, 2005	A	\$1,651,695.33

BOROUGH OF HILLSDALE  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

SCHEDULE OF DUE TO STATE OF NEW JERSEY

A-19

	Balance Dec. 31, 2004	Increased by Cash Receipts	Decreased by Cash Disbursements	Balance Dec. 31, 2005
Due to State:				
DCA Construction Code Fees	\$3,349.00	\$10,570.00	\$11,026.00	\$2,893.00
	\$3,349.00	\$10,570.00	\$11,026.00	\$2,893.00
Reference	A	A-4	A-4	A
Due to State:				
Marriage License Fees	\$225.00	\$1,025.00	\$1,000.00	\$250.00
	\$225.00	\$1,025.00	\$1,000.00	\$250.00
Reference	A	A-4	A-4	A

SCHEDULE OF RESERVE FOR REVALUATION

A-20

	<u>Reference</u>	
Balance December 31, 2004	A	\$0.00
Increased by:		
Transferred from 2004 Appropriation Reserves	A-14	255,000.00
		255,000.00
Balance December 31, 2005	A	\$255,000.00

BOROUGH OF HILLSDALE  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

SCHEDULE OF COMMUNITY DEVELOPMENT RESERVE FOR RECEIVABLE

A-21

	<u>Reference.</u>	
Balance December 31, 2004	A	\$41,000.00
Decreased by:		
Canceled	A-5	1,000.00
		<u>1,000.00</u>
Balance December 31, 2005	A	<u>\$40,000.00</u>

SCHEDULE OF ENCUMBRANCES PAYABLE

A-22

	<u>Reference</u>	
Balance December 31, 2004	A	\$648,638.58
Increased by:		
2005 Appropriations	A-3	176,319.65
		<u>176,319.65</u>
Decreased by:		
Disbursements	A-14	648,638.58
		<u>648,638.58</u>
Balance December 31, 2005	A	<u>\$176,319.65</u>

BOROUGH OF HILLSDALE  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

SCHEDULE OF SPECIAL RESERVES

A-23

	Reference		
Balance December 31, 2004	A		\$333,839.53
Decreased by:			
Disbursements- Open Space Beachwood	A-4	21,522.00	
Disbursements- ADA Library	A-4	33,000.00	
Disbursements- Flood Mitigation Brook	A-4	29,900.00	
Disbursements- Transportation Grant- Yesler	A-4	124,046.02	
Disbursements- Open Space Centennial	A-4	6,027.27	
Cancel Reserve for Transportation Grant-Yesler	A-1	64.26	
Due to Trust Fund- Broadway Bridge	B-8	18,360.00	
		232,919.55	
Balance December 31, 2005	A		\$100,919.98
Analysis of Balance:			
Reserve for Open Space-Centennial			\$12,322.98
Reserve for Open Space- Land Acquisition -2002			23,000.00
Reserve for Broadway Bridge			55,080.00
Reserve for Flood Mitigation- Brook			10,517.00
			\$100,919.98

SCHEDULE OF PREMIUM ON BOND ANTICIPATION NOTES

A-24

	Reference		
Balance December 31, 2004	A		\$14,357.82
Balance December 31, 2005	A		\$14,357.82

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION

A-25

	Balance Dec. 31, 2004	Increased by Amount Resulting in 2005	Amount in 2005 Budget	Balance Dec. 31, 2005
Special Emergency- Revaluation	\$255,000.00		\$51,000.00	\$204,000.00
Emergency Authorizations		30,000.00		30,000.00
	\$255,000.00	\$30,000.00	\$51,000.00	\$234,000.00
Reference	A	A-3	A-3	A

BOROUGH OF HILLSDALE  
TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

SCHEDULE OF CASH

B-2

	<u>Reference</u>	<u>Animal License</u>	<u>Recreation Trust</u>	<u>Other Trust</u>	<u>Escrow</u>
Balance December 31, 2004	B	<u>\$10,542.58</u>	<u>\$87,240.70</u>	<u>(\$31,219.21)</u>	<u>\$543,645.08</u>
Increased by:					
Dog License Fees	B-4	5,236.00			
State Fees	B-5	1,173.00			
Late Fees	B-4	260.00			
Cat License Fees	B-4	1,832.00			
Escrow Deposits	B-7				224,513.25
Interest Income	B-6,8	279.09	3,819.27	539.83	1,608.78
Special Reserve Trust Funds / Recreation Reserves	B-9,10		262,466.00	161,774.01	106,683.32
Due to Current Fund (Interfund)	B-8,12				
Admin. Fee	B-8				6,457.80
Budget Appropriation	B-4	5,000.00			
		<u>13,780.09</u>	<u>266,285.27</u>	<u>162,313.84</u>	<u>339,263.15</u>
		<u>24,322.67</u>	<u>353,525.97</u>	<u>131,094.63</u>	<u>882,908.23</u>
Decreased by:					
Expenditures Under R.S.4:19-15.11	B-4	12,215.04			
State Animal License Fees	B-5	1,172.40			
Special Reserve Trust Funds / Recreation Program	B-9,10		259,898.92	123,901.26	63,510.02
Escrow Expenditures	B-7				224,033.45
Transfer to Current Fund - Interest	B-6,8	279.09	3,819.27	539.83	1,518.08
Transfer to Current Fund - Admin Fee	B-8				5,903.58
		<u>13,666.53</u>	<u>263,718.19</u>	<u>124,441.09</u>	<u>294,965.13</u>
Balance December 31, 2005	B	<u>\$10,656.14</u>	<u>\$89,807.78</u>	<u>\$6,653.54</u>	<u>\$587,943.10</u>

BOROUGH OF HILLSDALE  
TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

**SCHEDULE OF CASH EQUIVALENTS  
CERTIFICATE OF DEPOSITS**

**B-3**

	<u>Reference</u>	<u>Landfill Closure</u>
Balance December 31, 2004	B	\$33,814.00
Increased by:		
Interest Income	B-1	593.23
		34,407.23
Decreases by:		
Transfer to Current Fund	B-1	34,407.23
		34,407.23
Balance December 31, 2005	B	(\$0.00)

**SCHEDULE OF RESERVE FOR ANIMAL FUND EXPENDITURES**

**B-4**

	<u>Reference</u>	
Balance December 31, 2004	B	\$10,351.78
Increased by:		
Dog License Fees	B-2	\$5,236.00
Cat License Fees	B-2	1,832.00
Late Fee	B-2	260.00
Due from Current - Budget Appropriation	B-2	5,000.00
		12,328.00
		22,679.78
Decreased by:		
Expenditures under R.S.4:19-15.11	B-2	12,215.04
		12,215.04
Balance December 31, 2005	B	\$10,464.74

**SCHEDULE OF DUE TO STATE OF NEW JERSEY - ANIMAL LICENSE FUND**

**B-5**

	<u>Reference</u>	
Balance December 31, 2004	B	\$190.80
Increased by:		
State Fees	B-2	1,173.00
		1,363.80
Decreased by:		
Remittance to State of New Jersey	B-2	1,172.40
		1,172.40
Balance December 31, 2005	B	\$191.40

BOROUGH OF HILLSDALE  
TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

SCHEDULE OF AMOUNT DUE FROM CURRENT FUND - ANIMAL LICENSE FUND

B-6

	<u>Reference</u>	
Balance December 31, 2004	A,B	\$0.00
Increased by:		
Transfer to Current Fund	B-2	279.09
		279.09
Decreased by:		
Interest Income	B-2	279.09
		279.09
Balance December 31, 2005	B	\$0.00

SCHEDULE OF ESCROW DEPOSITS

B-7

	<u>Reference</u>	
Balance December 31, 2004	B	\$348,057.15
Increased by:		
Deposits- Escrow Due from Current	B-8	34,872.00
Deposits- Escrow	B-2	224,513.25
		259,385.25
		607,442.40
Decreased by:		
Disbursements- Escrow	B-2	224,033.45
		224,033.45
Balance December 31, 2005	B	\$383,408.95

BOROUGH OF HILLSDALE  
TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

SCHEDULE OF DUE (TO) / FROM CURRENT FUND - OTHER TRUST FUNDS

B-8

	Reference		
Balance December 31, 2004	B		\$2,213.03
Increased by:			
Due from Current- Planning Board Escrow	A-4, B-7	34,872.00	
Due from Current- Paterson Bridge Design	B-9	18,360.00	
Transfer to Current Fund- Int. Recreation Fund	B-2	3,819.27	
Transfer to Current Fund-Int.	B-2	1,518.08	
Transfer to Current Fund- Adm Fee	B-2	5,903.58	
		64,472.93	66,685.96
Decreased by:			
Interest Income	B-2	5,428.05	
Administration Fee	B-2	6,457.80	
		11,885.85	11,885.85
Balance December 31, 2005	B		\$54,800.11

BOROUGH OF HILLSDALE  
TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

SCHEDULE OF SPECIAL RESERVE TRUST FUNDS

B-9

	Balance Dec. 31, 2004	Receipts	Disbursements	Balance Dec. 31, 2005
Prescription Plan	\$4.72	\$0.12		4.84
Street Lighting Fund	7,756.13	780.51	163.48	8,373.16
UCA/Fire Penalties	13,686.27	11,571.77	371.77	24,886.27
BOE Gasoline	604.82	1,007.30	1,394.26	217.86
Dedicated Fire Penalty	100.00	2,427.09	27.09	2,500.00
Art Program	1,140.00	15,858.56	14,218.56	2,780.00
POAA	3,468.99	319.27	71.27	3,716.99
DARE Program	5,023.83	7,559.17	7,693.02	4,889.98
Robot Replacement	91.00	1.77	1.77	91.00
Outside Tax Title Liens Premium	11,910.96	31,350.77	350.77	42,910.96
Recreation	21,134.18	979.10	419.10	21,694.18
Tax Map Revision	1,400.00	627.96	1,262.96	765.00
Memorial Day Parade	1,896.32	1,698.39	953.39	2,641.32
Trees - Memorial	265.00	156.94	6.94	415.00
Community Development - Sr. Citizens	2,584.00	6,667.90	4,497.90	4,754.00
Centennial	1,044.22	654.35	299.89	1,398.68
Misc	576.25	188.31	88.31	676.25
Stonybrook Police Donation	5,865.00	708.78	1,461.31	5,112.47
2002 Disability	55,023.61	1,096.12		56,119.73
Developers Contributions	14,500.00	16,831.16	9,405.25	21,925.91
Paterson Bridge Design	47,408.18	18,807.61	18,807.61	47,408.18
Municipal Alliance		2,001.64	2,001.64	0.00
Town Celebration		3,748.73	13.73	3,735.00
Police Reserves	(28,901.73)	161,774.01	123,901.26	8,971.02
	<u>\$166,581.75</u>	<u>\$286,817.33</u>	<u>\$187,411.28</u>	<u>\$265,987.80</u>
Reference	B	Below	Below	B

Reference

Due from Current	B-8	\$18,360.00	
Trust Account	B-2	161,774.01	123,901.26
Escrow Account	B-2	106,683.32	63,510.02
	Above	<u>\$286,817.33</u>	<u>\$187,411.28</u>

SCHEDULE OF RECREATION FUND RESERVES

B-10

Reference

Balance December 31, 2004	B	\$87,240.70
Increased by:		
Cash Receipts	B-2	262,466.00
		<u>349,706.70</u>
Decreased by:		
Transfer to Payroll Account	B-2	259,898.92
Balance December 31, 2005	B	<u>\$89,807.78</u>

BOROUGH OF HILLSDALE  
CAPITAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

SCHEDULE OF CASH - TREASURER

C-2

	Reference	Total	Capital Account	Municipal Open Space Account	Investments	Community Development
Balance December 31, 2004	C, C-3	\$2,512,548.41	\$105,953.04	\$38,576.37	\$2,368,016.97	\$2.03
<b>Increased by Receipts:</b>						
Interfunds	Contra	2,366,785.76	2,339,785.76		27,000.00	
Transfer from Budget Appropriations	C-9	21,522.00	21,522.00			
Due To Current Fund	C-4	500,000.00	500,000.00			
Transfer from Current Fund - Open Space	C-10	84,739.84		84,739.84		
Due to Escrow	Contra	3,000.00				3,000.00
Bond Anticipation Note	C-8	5,196,473.00	5,196,473.00			
Bond Anticipation Note- Due to Swim Pool	Contra	642,800.00	642,800.00			
Bond Premium Received	C-13	35,269.21	35,269.21			
Interest Income	C-4	88,804.31	78,990.41	1,901.79	7,911.47	0.64
Transfer from Current Fund - BAN Paydown	C-8	201,994.00	201,994.00			
Transfer - Int on BANS	Contra	47,181.33	47,181.33			
Transfer from Open Space- Ban Paydown	C-8	65,000.00	65,000.00			
Due From Swim Pool Utility Fund	D-6	5.00	5.00			
<b>Total Cash Receipts</b>	C-3	<u>9,253,574.45</u>	<u>9,129,020.71</u>	<u>86,641.63</u>	<u>34,911.47</u>	<u>3,000.64</u>
		11,766,122.86	9,234,973.75	125,218.00	2,402,928.44	3,002.67
<b>Decreased by Disbursements:</b>						
Interfunds	Contra	2,366,785.76	27,000.00		2,339,785.76	
Transfer to Current Fund - Budget Revenue	C-1	369,623.91	369,623.91			
Transfer to Current Fund	C-4	563,437.68	563,437.68			
Transfer to Swim Pool Capital- BAN	Contra	642,800.00	642,800.00			
Improvement Authorizations	C-7	1,345,968.03	1,345,968.03			
Current Fund - Interest Transfer	C-4	87,877.26	87,877.26			
Capital Reserve Expenditures	C-9	215,009.65	215,009.65			
Bond Anticipation Notes Paid	C-8	4,463,467.00	4,463,467.00			
Transfer to Escrow	Contra	3,000.00				3,000.00
Paydown on Bond Anticipation Notes	C-10	65,000.00		65,000.00		
BAN Interest Paid	Contra	47,181.33	47,181.33			
Bond Interest Charged to Open Space	C-10	12,367.55		12,367.55		
<b>Total Cash Disbursements</b>	C-3	<u>10,182,518.17</u>	<u>7,762,364.86</u>	<u>77,367.55</u>	<u>2,339,785.76</u>	<u>3,000.00</u>
		\$1,583,604.69	\$1,472,608.89	\$47,850.45	\$63,142.68	\$2.67
Balance December 31, 2005	C, C-3	<u>\$1,583,604.69</u>	<u>\$1,472,608.89</u>	<u>\$47,850.45</u>	<u>\$63,142.68</u>	<u>\$2.67</u>

BOROUGH OF HILLSDALE  
CAPITAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

SCHEDULE OF ANALYSIS OF CASH

C-3

Ord. #		Balance		Receipts	Disbursements	Transfers (From)/To	Balance Dec. 31, 2005	
		Dec. 31, 2004						
	Due to Current Fund	\$63,437.68		\$588,804.31	\$651,314.94	(\$5,348.64)	(\$4,421.59)	
	Reserve for Open Space Reserve	38,177.18		84,739.84	77,367.55	5,348.64	50,898.11	
	Encumbrance Payable	348,574.36				183,978.08	532,552.44	
	Reserve for Capital Improvements	564,045.77		21,522.00	215,009.65	(248,404.44)	122,153.68	
	Capital Improvement Fund	4,395.95					4,395.95	
	Fund Balance	16,776.71			369,623.91	369,623.91	16,776.71	
	Due from Swim Pool Fund	(5.00)	5.00				0.00	
	Due From Escrow Fund	0.00	3,000.00		3,000.00		0.00	
	Interfunds	0.00	2,366,785.76		2,366,785.76		0.00	
	Due from Police Trust Fund	0.00					0.00	
	Bond Premium Received	0.00		35,269.21			35,269.21	
	Bond Anticipation Note Interest	0.00		47,181.33	47,181.33		0.00	
	Bond Anticipation Notes - Paid	0.00		4,463,467.00	4,463,467.00		0.00	
	Bond Anticipation Notes - Due to Swim Pool Capital	0.00	642,800.00		642,800.00		0.00	
	<u>Improvement Authorizations:</u>							
96-8	Purchase of Telephone Systems	(106.87)					(106.87)	
97-16	Land Purchases	0.00					0.00	
98-23	Fire Equipment	(2,615.98)					(2,615.98)	
00-01	Acq. of Real Property	0.00					0.00	
01-13	Renovation of Library	0.00			55,335.57	55,335.57	0.00	
03-01	Acq. of Real Property for Open Space and Recreation	1,176,644.34			674,914.78	2,500.00	504,229.56	
03-09	Various Capital Improvements	223,224.27			193,846.13	101,469.68	130,847.82	
04-21	Various Capital Improvements	80,000.00		1,000,000.00	421,871.55	(464,502.80)	193,625.65	
		\$2,512,548.41		\$9,253,574.45	\$10,182,518.17	(\$0.00)	\$1,583,604.69	
	Reference	C,C-2		C-2	C-2		C,C-2	

BOROUGH OF HILLSDALE  
CAPITAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

SCHEDULE OF DUE TO CURRENT FUND

	Reference		C-4
Balance December 31, 2004	A,C		\$63,437.68
Increased by:			
Transfers From Current Fund	C-2, Contra	500,000.00	
Interest Income	C-2	88,804.31	
			588,804.31
			652,241.99
Decreased by:			
Due From Current - Open Space Levy	C-10	5,348.64	
Transfer to Current Fund	Contra, C-2	500,000.00	
Transfer to Current Fund	A-4,C-2	63,437.68	
Transfer Current Fund - Interest	C-2	87,877.26	
			656,663.58
Balance December 31, 2005	A,C		(\$4,421.59)

BOROUGH OF HILLSDALE  
CAPITAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

C-5

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

Ord. #	Improvement Description	Balance Dec. 31, 2004	Improvement Authorizations	Adjustments	Funded	Balance Dec. 31, 2005	Analysis of Balance December 31, 2005	
							Unexpended Improvement Authorizations	Expended Improvement Authorizations
93-10/96-4	Renovation of Fire Truck and Improvements to Firehouse	\$402,607.81	\$		\$46,994.00	\$355,613.81	\$	\$355,613.81
96-8	Purchase of Telephone Systems	106.87				106.87		106.87
97-20/98-18	DPW Equipment	128,356.87			25,000.00	103,356.87		103,356.87
98-23	Purchase of Fire Equipment	381,231.96			37,000.00	344,231.96		344,231.96
01-13	Library Renovations	1,406,000.00			75,000.00	1,331,000.00		1,331,000.00
03-01	Acq. of Real Property for Open Space and Recreation	0.00				0.00		
03-09	Various Capital Improvements	1,170,000.00			65,000.00	1,105,000.00	504,229.56	600,770.44
04-21	Various Capital Improvements	1,031,005.85			18,000.00	1,013,005.85	183,967.33	829,038.52
		1,520,000.00				1,520,000.00	713,625.65	806,374.35
		\$6,039,309.36	\$0.00	\$0.00	\$266,994.00	\$5,772,315.36	\$1,401,822.54	\$4,370,492.82
	Reference	C	C-7		Below	C	C-7	
	Analysis of Funded:			Reference				
	Reserve For Open Space			C-10	\$65,000.00			
	Budget Appropriation			C-8	201,994.00			
				Above	\$266,994.00			

BOROUGH OF HILLSDALE  
CAPITAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

SCHEDULE OF CAPITAL IMPROVEMENT FUND

C-6

	<u>Reference</u>	
Balance December 31, 2004	C	<u>\$4,395.95</u>
Balance December 31, 2005	C	<u><u>\$4,395.95</u></u>

BOROUGH OF HILLSDALE  
CAPITAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

C-7

Ord. #	Improvement Description	Balance December 31, 2004		Prior Year Encumbrances	Improvement Authorizations/	Expended	Balance December 31, 2005	
		Funded	Unfunded				Funded	Unfunded
01-13	Renovation of Library	\$	\$0.00	\$55,335.57	\$	\$55,335.57	\$	\$0.00
03-01	Acquisition of Real Property for Open Space and Recreation	6,644.34	1,170,000.00	2,500.00		674,914.78		504,229.56
03-09	Various Capital Improvements		276,343.78	117,576.65		209,953.10		183,967.33
04-21	Various Capital Improvements	80,000.00	1,520,000.00			886,374.35		713,625.65
		<u>\$86,644.34</u>	<u>\$2,966,343.78</u>	<u>\$175,412.22</u>		<u>\$1,826,577.80</u>	<u>\$0.00</u>	<u>\$1,401,822.54</u>
	Reference	C	C	C-12	C-11	Below	C	C, C-5

Analysis of Expended

Cash Disbursements	C-2	\$1,345,968.03
Encumbrances	C-12	480,609.77
		<u>\$1,826,577.80</u>

\$0.00

BOROUGH OF HILLSDALE  
CAPITAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

SCHEDULE OF BOND ANTICIPATION NOTES

C-8

Ord. #	Purpose	Date of Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance		Decreased	Issued	Balance Dec. 31, 2005
						Dec. 31, 2004	Dec. 31, 2005			
96-4/93-10	Road Impr. & Parking Facilities/ Fire Equipment & Renov.	04/11/97	04/01/05	03/31/06	3.50%	\$402,607.81	\$402,607.81	\$402,607.81	\$355,613.81	\$355,613.81
98-23	Acq. Fire Truck	01/29/99	04/01/05	03/31/06	3.50%	378,615.98	378,615.98	378,615.98	341,615.98	341,615.98
98-18/97-15/ 97-16/97-20	Public Improvements	12/29/98	04/01/05	03/31/06	3.50%	128,356.87	128,356.87	128,356.87	103,356.87	103,356.87
01-13	Renovation of Library	04/04/02	04/01/05	03/31/06	3.50%	1,406,000.00	1,406,000.00	1,406,000.00	1,331,000.00	1,331,000.00
03-01	Acq. of Real Property for Open Space & Recreation	04/05/03	04/01/05	03/31/06	3.50%	1,170,000.00	1,170,000.00	1,170,000.00	1,105,000.00	1,105,000.00
03-09	Various Capital Improv.	04/05/03	04/01/05	03/31/06	3.50%	977,886.34	977,886.34	977,886.34	959,886.34	959,886.34
04-21	Various Capital Improvements	04/01/05	04/01/05	03/31/06	3.50%				1,000,000.00	1,000,000.00
						\$4,463,467.00	\$4,463,467.00	\$4,463,467.00	\$5,196,473.00	\$5,196,473.00
						C, C-5	C-2	C-2	C	
						Reference				
						BANS Re-Issued	C-2	\$4,196,473.00	\$4,196,473.00	
						New Issue	C-5,11	1,000,000.00		
						Paid Down- Reserve for Open Space	C-10	\$65,000.00	\$65,000.00	
						Paid Down- Budget Appropriation	A-3, C-2,5	201,994.00	201,994.00	
						Above		\$4,463,467.00	\$4,463,467.00	

BOROUGH OF HILLSDALE  
CAPITAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005  
SCHEDULE OF RESERVE FOR CAPITAL IMPROVEMENT

C-9

	Balance Dec. 31, 2004	Prior Year Encumbrances	Transfer From Appropriations	Capital Reserve Expenditures	Canceled/ Reappropriated	Encumbrance Payable	Balance Dec. 31, 2005
Down Payment on Improvement	\$9.36				\$9.36		\$0.00
Acquisition of Fire Apparatus & Renovation of Firehouse	18,849.27	33.50		1,916.00	7,073.43	1,533.50	8,359.84
Recreation Improvements	28,534.88		21,522.00	1,872.44	25,630.88	4,090.00	18,463.56
Police Dept. Equipment/Laptops	5,689.43						5,689.43
Fire Truck Fund	23,881.00						23,881.00
Municipal Roof Security	23,467.00						23,467.00
Senior Citizen Facility	251,766.81	1,108.00		1,108.00	250,766.81		1,000.00
Trees	811.25				811.25		0.00
DPW Equipment	1,081.54				1,081.54		(0.00)
Office of Emergency Management	32,827.47			1,373.19	24,488.13		6,966.15
Road Program / Bridges	86,364.28			52,802.68		4,413.80	29,147.80
Administrative Equip.	3,800.15						3,800.15
Wierinus Sewer Repair	20,000.00				20,000.00		0.00
Forest Drive Pond	200.50				200.50		0.00
Centennial Park Development	41,762.83	90,322.00		111,716.09	19,562.01	806.73	0.00
Centennial Park Development- Match		40,600.00		40,600.00			0.00
Municipal Building Improvement		5,999.20				5,999.20	0.00
Landfill Closure		35,099.44				35,099.44	0.00
Country Lane Sewer	25,000.00			3,621.25	20,000.00		1,378.75
	\$564,045.77	\$173,162.14	\$21,522.00	\$215,009.65	\$369,623.91	\$51,942.67	\$122,153.68
	C	C-12	C-2	C-2	C-1	C-12	C
Reference							

BOROUGH OF HILLSDALE  
 CAPITAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2005

SCHEDULE OF RESERVE FOR MUNICIPAL OPEN SPACE FUND

C-10

Balance December 31, 2004	C		\$38,177.18
Increased by:			
Due From Current- Municipal Open Space	C-4	5,348.64	
Transfer from Current Taxes	C-2	84,739.84	
		90,088.48	
			128,265.66
Decreased by:			
Bond Anticiaption Note Interest	C-2	12,367.55	
Paid Down Bond Ant. Notes	C-2	65,000.00	
		77,367.55	
Balance December 31, 2005	C		\$50,898.11

BOROUGH OF HILLSDALE  
CAPITAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

C-11

Ord. #	Improvement Description	Balance Dec. 31, 2004	2004 Authorizations	B.A.N. Issued	Down Payment	Balance Dec. 31, 2005
93-10	Renovation of Fire Truck and Improvements to Firehouse	\$	\$	\$	\$	\$
96-8	Purchase of Telephone Systems	106.87				106.87
98-23	Purchase of Fire Equipment Open Space & Recreation	2,615.98				2,615.98
03-09	General Improvements 2003	53,119.51				53,119.51
04-21	Various Capital Improvements	1,520,000.00		1,000,000.00		520,000.00
		<u>\$1,575,842.36</u>	<u>\$0.00</u>	<u>\$1,000,000.00</u>	<u>\$0.00</u>	<u>\$575,842.36</u>
	Reference		C-7	C-8	C-9	C, Below

Reconciliation:

Deferred Charges to Future Taxation

Less:

Bond Anticipation Notes

	C	\$5,772,315.36
Bond Anticipation Notes	C	5,196,473.00
		<u>\$575,842.36</u>

BOROUGH OF HILLDSALE  
CAPITAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

SCHEDULE OF ENCUMBRANCE PAYABLE

C-12

Balance December 31, 2004	C		\$348,574.36
Increased by:			
Encumbrance Payable Reserve Cap. Improv.	C-9	\$51,942.67	
Encumbrance Payable Improvement Auth.	C-7	480,609.77	
		532,552.44	
			881,126.80
Decreased by:			
Applied to Improvement Authorizations	C-7	175,412.22	
Applied to Reserve Cap. Improv.	C-9	173,162.14	
		348,574.36	
Balance December 31, 2005	C		\$532,552.44

SCHEDULE OF PREMIUMS- BOND ANTICIPATION NOTES

C-13

Balance December 31, 2004	C		\$0.00
Increased by:			
Premiums Received on BANS	C-2		35,269.21
			35,269.21
Balance December 31, 2005	C		\$35,269.21

BOROUGH OF HILLSDALE  
 SWIM POOL UTILITY FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2005

SCHEDULE OF CASH

D-4

	<u>Reference</u>	<u>Operating</u>	<u>Capital</u>
Balance December 31, 2004	D	\$302,780.20	\$24,963.80
Increased by Receipts:			
Budget Revenues	D-2	767,018.98	692.78
Bond Anticipation Note Issued	D-15		642,800.00
Budget Refunds	D-3	4,298.88	
Due to Utility Capital Fund	D-5	398.49	60,000.00
		<u>771,716.35</u>	<u>703,492.78</u>
		1,074,496.55	728,456.58
Decreased by Disbursements:			
Budget Appropriations	D-3	660,207.28	
Revenue Refunds	D-2	5,754.00	
Encumbrance Payable	D-8	9,762.82	
Improvement Authorizations Expended	D-11		54,734.01
Appropriation Reserves	D-7	2,383.81	
Due to Capital Fund	D-6	5.00	
Due to Utility Capital Fund	D-5	60,000.00	398.49
		<u>738,112.91</u>	<u>55,132.50</u>
Balance December 31, 2005	D	<u>\$336,383.64</u>	<u>\$673,324.08</u>

BOROUGH OF HILLSDALE  
 SWIM POOL UTILITY FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2005

SCHEDULE OF DUE (TO) / FROM UTILITY CAPITAL FUND

D-5

	<u>Reference</u>	
Balance December 31, 2004	D	<u>(\$59,724.62)</u>
Increased by:		
Transfer from Utility Fund	D-4	60,000.00
Interest Earned	D-4	692.78
		<u>60,692.78</u>
		968.16
Decreased by:		
Disbursement- Interest to Utility Fund	D-4	398.49
		<u>398.49</u>
Balance December 31, 2005	D	<u><u>\$569.67</u></u>

SCHEDULE OF DUE TO / (FROM) CAPITAL FUND

D-6

	<u>Reference</u>	
Balance December 31, 2004	D	\$5.00
Decreased by:		
Disbursement	D-4	5.00
		<u>5.00</u>
Balance December 31, 2005	D	<u><u>\$0.00</u></u>

BOROUGH OF HILLSDALE  
 SWIM POOL UTILITY FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2005

**SCHEDULE OF APPROPRIATION RESERVE**

D-7

	Balance Dec. 31, 2004	Transfers	Paid or Charged	Lapsed
Salaries and Wages	\$2,862.29	(\$2,800.00)	\$0.00	\$62.29
Other Expenses	235.90	2,800.00	1,558.81	1,477.09
Capital Improvement Fund	930.22		825.00	105.22
	<u>\$4,028.41</u>	<u>\$0.00</u>	<u>\$2,383.81</u>	<u>\$1,644.60</u>
Reference	D		Below, D-4	D-1
	Reference			
Cash Expended - Reserve			\$1,558.81	
Capital Improvement Expenditures - Reserve	D-9		<u>825.00</u>	
	Above, D-4		<u>\$2,383.81</u>	

**SCHEDULE OF PAYABLE ENCUMBRANCES**

D-8

	Reference		
Balance December 31, 2004	D		\$9,762.82
Increased by:			
Budget Appropriation	D-3		<u>12,426.67</u>
			22,189.49
Decreased by:			
Transfer to Reserves	D-4		<u>9,762.82</u>
Balance December 31, 2005	D		<u>\$12,426.67</u>

BOROUGH OF HILLSDALE  
SWIM POOL UTILITY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

SCHEDULES OF FIXED CAPITAL

D-9

Account	Budget Appropriations			Balance Dec. 31, 2005
	Balance Dec. 31, 2004	Capital Outlay	Prior Year	
General Equipment	\$5,525.71	\$		\$5,525.71
Renovations of Main Clubhouse	75,000.00			75,000.00
Improvements to Stonybrook Field Club	204,588.40			204,588.40
Reconstruction of Swim Pool	493,723.74			493,723.74
Acquisition of Land	1,100,000.00			1,100,000.00
Redevelopment of Stonybrook	23,784.63			23,784.63
Capital Improvements at Stonybrook	<u>1,272,894.08</u>	<u>52,825.00</u>	<u>(38,744.79)</u>	<u>1,286,974.29</u>
	<u>\$3,175,516.56</u>	<u>\$52,825.00</u>	<u>(\$38,744.79)</u>	<u>\$3,189,596.77</u>
Reference	D	Below	D-14	D
	Reference			
Capital Improvements 2005 Appropriations	D-3,12	\$52,000.00		
Capital Improvements Appropriation Reserve	D-7,12	<u>825.00</u>		
	Above	<u>\$52,825.00</u>		

BOROUGH OF HILLSDALE  
SWIM POOL UTILITY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED

D-10

Ord. No.	Improvement Description	Date	Ordinance Amount	Balance		New Authorizations	Expended	Balance	
				Dec. 31, 2004	Dec. 31, 2005			Dec. 31, 2004	Dec. 31, 2005
04-12	Construction of a New Swim Pool	3/9/04	\$675,000.00	\$675,000.00				\$675,000.00	
95-9	Capital Improvements at Stonybrook	7/11/95	\$530,000.00	111,641.79				111,641.79	
				\$786,641.79		\$0.00	\$0.00	\$786,641.79	
			Reference	D		D-11		D	

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

D-11

Ord. No.	Improvement Description	Date	Ordinance Amount	Balance		New Authorizations	Expended	Balance	
				December 31, 2004	December 31, 2005			December 31, 2004	December 31, 2005
04-12	Construction of a New Swim Pool	3/9/04	\$675,000.00	\$32,200.00	\$642,800.00		\$56,234.01	\$0.00	\$618,765.99
95-9	Capital Improvement to Stonybrook	7/11/95	\$530,000.00	37,641.79	74,000.00			37,641.79	74,000.00
				\$69,841.79	\$716,800.00	\$0.00	\$56,234.01	\$37,641.79	\$692,765.99
			Reference	D	D	D-10,16	Below	D	D

Analysis of Expended

Cash Disbursements	D-4	\$54,734.01
Encumbrances	D	1,500.00
		<u>\$56,234.01</u>

BOROUGH OF HILLSDALE  
SWIM POOL UTILITY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

**SCHEDULE OF RESERVE FOR AMORTIZATION**

D-12

	<u>Reference</u>	
Balance December 31, 2004	D	\$3,144,413.56
Increased by:		
Budget Appropriation - Capital Improvement	D-9	\$52,000.00
Budget Reserves - Capital Improvement	D-9	825.00
		52,825.00
Balance December 31, 2005	D	\$3,197,238.56

**SCHEDULE OF RESERVE FOR DEFERRED AMORTIZATION**

D-13

	<u>Reference</u>	
Balance December 31, 2004	D	\$62,200.00
Balance December 31, 2005	D	\$62,200.00

**SCHEDULE OF CAPITAL IMPROVEMENT FUND**

D-14

	<u>Reference</u>	
Balance December 31, 2004	D	\$38,852.68
Decreased by:		
Fixed Capital	D-9	38,744.79
Balance December 31, 2005	D	\$107.89

BOROUGH OF HILLSDALE  
 SWIM POOL UTILITY FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2005

SCHEDULE OF BOND ANTICIPATION NOTES

D-15

Ord. #	Purpose	Date of Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2004	Issued	Decreased	Balance Dec. 31, 2005
04-12	Construction of New Swim Pool	04/01/05	04/01/05	03/31/06	3.50%	\$0.00	\$642,800.00		\$642,800.00
						\$0.00	\$642,800.00	\$0.00	\$642,800.00
						D	D-4,17		D

BOROUGH OF HILLSDALE  
SWIM POOL UTILITY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

**SCHEDULE OF RESERVE FOR IMPROVEMENTS**

D-16

Description	Balance Dec. 31, 2004	Increased by Improvements	Balance Dec. 31, 2005
Miscellaneous	\$14,738.74	\$0.00	\$14,738.74
	<u>\$14,738.74</u>	<u>\$0.00</u>	<u>\$14,738.74</u>
	D		D

**SCHEDULE OF BONDS AND NOTES AUTHORIZED NOT ISSUED**

D-17

Ord. No.	Improvement Description	Balance Dec. 31, 2004	Bond Anticipation Note Issued	Capital Improv. Fund	Balance Dec. 31, 2005
04-12	Construction of a New Swim Pool	\$642,800.00	\$642,800.00		\$0.00
95-9	Capital Improvement to Stonybrook	74,000.00			74,000.00
		<u>\$716,800.00</u>	<u>\$642,800.00</u>	<u>\$0.00</u>	<u>\$74,000.00</u>
		D	D-15		D

BOROUGH OF HILLSDALE  
PUBLIC ASSISTANCE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

SCHEDULE OF PUBLIC ASSISTANCE CASH - TREASURER

E-1

	<u>Reference</u>		
Balance December 31, 2004	E		\$7,433.54
Increased by Receipts:			
Prior Year Voided Check	E-2,6	\$378.00	
Interest Income	E-2,5	341.31	
SSI Payment	E-2,6	1,260.00	
State Aid	E-2,6	6,200.00	
	E-2		8,179.31
			15,612.85
Decreased by Disbursements:			
Public Assistance - 2005	E-3	6,035.00	
Transfer Current Fund	E-5	341.31	
			6,376.31
			8,236.31
Balance December 31, 2005	E, Below		\$9,236.54

*Reconciliation December 31, 2005*

Balance on Deposit per Statement of:			
Commerce Bank- PATF II		\$9,636.54	
Less: Outstanding Checks		400.00	
Balance December 31, 2005	Above		\$9,236.54

BOROUGH OF HILLSDALE  
PUBLIC ASSISTANCE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

**SCHEDULE OF PUBLIC ASSISTANCE REVENUES - PATF II**

E-2

	<u>Reference</u>	
Interest Earned	E-1,5	\$341.31
Prior Year Voided Check	E-1	378.00
SSI Payment	E-1	1,260.00
State Aid	E-1	6,200.00
		-----
Total Revenues	E-1	\$8,179.31
		-----

**SCHEDULE OF PUBLIC ASSISTANCE EXPENDITURES**

E-3

	<u>Reference</u>	<u>PATF II</u>
Payments for Current Year Assistance (Reported):		
Maintenance & Temporary Rental		\$6,035.00
		-----
Total Payments Reported (GA-6 Reports)	E-6	6,035.00
		-----
SSI- Refunded	E-6	0.00
		-----
Total Disbursements (PATF)	E-1,6	\$6,035.00
		-----

**SCHEDULE OF RESERVE FOR PUBLIC ASSISTANCE**

E-4

	<u>Reference</u>	
Balance December 31, 2004	E	\$6,726.54
		-----
Balance December 31, 2005	E	\$6,726.54
		-----

BOROUGH OF HILLSDALE  
PUBLIC ASSISTANCE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

**SCHEDULE OF DUE TO CURRENT FUND**

E-5

	<u>Reference</u>	
Balance December 31, 2004	E	\$0.00
Increased by:		
Interest Income	E-1,2	341.31
		341.31
Decreased by:		
Transfer to Current Fund - Interest	E-1	341.31
		341.31
Balance December 31, 2005	A,E	\$0.00

**SCHEDULE OF DUE TO STATE OF NEW JERSEY**

E-6

	<u>Reference</u>		
Balance December 31, 2004	E		\$807.00
Increased by:			
State Aid	E-1	6,200.00	
Prior Year Voided Checks	E-1	378.00	
SSI Payment	E-1	1,260.00	
		7,838.00	
Decreased by:			
Public Assistance Expenditures	E-3	6,035.00	
SSI Reimbursement	E-3	0.00	
		6,035.00	
Balance December 31, 2005	E		\$2,610.00

BOROUGH OF HILLSDALE  
GRANT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

SCHEDULE OF CASH

F-1

	Reference	
Balance December 31, 2004	F	\$2,909.24
Increased by:		
Interest - Due Current Fund	F-3	90.97
Balance December 31, 2005	F	\$3,000.21

SCHEDULE OF GRANTS RECEIVABLE

F-2

	Reference	
Balance December 31, 2004	F	\$62,561.13
Increased by:		
Storm Water Grant		\$7,493.00
DRE Co-ordinator		20,600.00
Bergen County Recycling Assist Grant		2,609.10
Cops in School		30,000.00
	A-2, F-3	60,702.10
		123,263.23
Decreased by:		
Grant Received:		
Body Armor Replacement Fund	A-4, F-3	45.65
Current Fund - Asst. Fire Fighters Grant	A-4, F-3	30,269.00
		30,314.65
Balance December 31, 2005	F,Below	\$92,948.58
 <u>Analysis of Balance</u>		
DRE Co-ordinator		\$26,030.92
Body Armor Replacement Grant		282.36
Environmental Grant		2,500.00
Bergen County Recycling Assistance Grant		10,867.10
Storm Water Grant		7,493.00
Cops in School		45,775.20
	Above	\$92,948.58

BOROUGH OF HILLSDALE  
GRANT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

SCHEDULE OF DUE FROM CURRENT FUND

F-3

	<u>Reference</u>		
Balance December 31, 2004	F		\$34,664.41
Increased by:			
Budget Appropriation	F-5	\$81,411.00	
Grant Receivable - Received	F-2	30,314.65	
Unappropriated Grants Received	F-4	30,810.47	
		142,536.12	
			177,200.53
Decreased by:			
Current Fund Expenditures	F-5	96,655.90	
Interest Income	F-1	90.97	
Grant Receivable-Accrued	F-2	60,702.10	
		157,448.97	
Balance December 31, 2005	F		\$19,751.56

BOROUGH OF HILLSDALE  
GRANT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

**SCHEDULE OF UNAPPROPRIATED RESERVE FOR STATE GRANTS**

F-4

	<u>Balance</u> <u>Dec. 31, 2004</u>	<u>Transferred to</u> <u>2005 Budget</u> <u>Appropriations</u>	<u>Received</u>	<u>Balance</u> <u>Dec. 31, 2005</u>
Municipal Alliance Grant	\$9,500.00	\$9,500.00	\$8,500.00	\$8,500.00
Alcohol, Drug & Rehabilitation	936.21	936.21	227.13	227.13
Drunk Driving Enforcement Fund	5,358.57	5,358.57	4,367.76	4,367.76
Clean Communities Grant	8,948.63	8,948.63	8,893.26	8,893.26
Watershed Moratorium Aid	2,303.00	2,303.00		0.00
FAIU Grant	125.90	125.90	3,525.20	3,525.20
Recycling Tonnage Grant	9,399.90	9,399.90	5,297.12	5,297.12
	<u>\$36,572.21</u>	<u>\$36,572.21</u>	<u>\$30,810.47</u>	<u>\$30,810.47</u>
Reference	F	F-5, A-2	F-3, A-4	F

BOROUGH OF HILLSDALE  
GRANT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

SCHEDULE OF APPROPRIATED RESERVES FOR STATE GRANTS

F-5

Grant	Balance Dec. 31, 2004	Budget Appropriation	Expended	Balance Dec. 31, 2005
DRE Co-ordinator	\$5,390.92	\$20,600.00	\$13,436.91	\$12,554.01
Assistance to Firefighters Grant	\$7,007.15		3,112.64	3,894.51
Drunk Driving Enforcement Fund	6,363.75	5,358.57	5,117.51	6,604.81
Clean Community	14,656.96	8,948.63	948.75	22,656.84
Tree Planting Program	2,755.50			2,755.50
Municipal Alliance	8,300.60	9,500.00	6,500.00	11,300.60
Storm Water Grant		15,148.00	6,972.50	8,175.50
Recycling Grants	5,319.84	9,000.00	14,282.34	37.50
Solid Waste Grant	0.00			0.00
Alcohol, Drug & Rehabilitation Grant	2,408.63	936.21	2,345.35	999.49
Cops in School	5,003.08	30,000.00	30,000.00	5,003.08
FAIU Grant		125.90		125.90
Watershed Mortitorium		2,303.00		2,303.00
BC Police Policies		3,000.00	3,000.00	0.00
OEM Grant	925.00			925.00
Environmental Grant	5,000.00			5,000.00
Recycling Tonnage	0.00	9,399.90	9,399.90	0.00
Body Armor Replacement	431.14	3,663.00	1,540.00	2,554.14
	<u>\$63,562.57</u>	<u>\$117,983.21</u>	<u>\$96,655.90</u>	<u>\$84,889.88</u>

Reference

F

Below

Below, F-3

F

Reference

Budget Appropriation	F-3	\$81,411.00
Transfer Unappropriated Reserve	F-4	<u>36,572.21</u>
<b>Total Budget Appropriation</b>	<b>Above</b>	<b><u>\$117,983.21</u></b>
Budget Appropriations	Above	\$117,983.21
Less: Expended (Current Year)	Below	<u>79,380.67</u>
Current Year Due to Grant	A-3	<u>\$38,602.54</u>
Current Year Expenditures	Above	\$79,380.67
Reserve Expenditures	A-4	17,275.23
Total Expenditures	Above	<u>\$96,655.90</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**

The Honorable Mayor and Members  
of the Borough Council  
Borough of Hillsdale  
County of Bergen  
Hillsdale, New Jersey 07642

We have audited the financial statements of the Borough of Hillsdale ("Borough"), State of New Jersey, as of and for the years ended December 31, 2005 and December 31, 2004, and have issued our report thereon dated April 28, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States; and audit requirements prescribed by the *Division of Local Government Services, Department of Community Affairs, State of New Jersey*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Borough's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Borough's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of audit findings and recommendations.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to management of the Borough in a separate letter dated April 28, 2006.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under **Government Auditing Standards**, and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which are described in the accompanying schedule of findings and questioned costs. We also noted certain immaterial instances of noncompliance that we have reported to management of the Borough in a separate letter dated April 28, 2006.

This report is intended solely for the information and use of the Borough's management, council members, others within the organization, the DLGS, and federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Garbarini & Co. P.C. CPA's



By: Paul C. Garbarini, CPA  
Registered Municipal Accountant  
License No. 120

April 28, 2006  
Carlstadt, New Jersey

BOROUGH OF HILLSDALE  
 SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE  
 FOR THE YEAR ENDED DECEMBER 31, 2005

Schedule I-1

	Pass -Through Entry ID#	Federal Account Numbers	Grant Period	Cash Received	Program Expenditures	Cancelled	Accounts Receivable
<b>FEDERAL GRANT PROGRAMS</b>							
<b>Major and Non-Major Programs</b>							
U.S. Dept. of Housing & Urban Development (Passed through County Dep. of Community Development) Community Development Block Grant - Library/ Library Restrooms	66-1160-100-111-05	20.600	10/01/04-10/31/05	30,269.00	13,436.91	\$1,000.00	26,030.92
Law and Public Div. of Highway Traffic Safe State and Community Highway State Incentive Grants (DRE Co-ordinator)	042-4801-100-442-05	66.605	01/01/05-12/31/05	7,655.00	3,112.64		7,493.00
Assistance to Firefighters Grant					29,900.00		0.00
Storm Water Grant							
FEMA- Flood Mitigation							
<b>Total Major and Non-Major Federal Grant Programs</b>				<u>\$37,924.00</u>	<u>\$86,422.05</u>	<u>\$1,000.00</u>	<u>\$73,523.92</u>

BOROUGH OF HILLSDALE  
 SCHEDULE OF STATE FINANCIAL ASSISTANCE  
 FOR THE YEAR ENDED DECEMBER 31, 2005

Schedule I-2

	Pass -Through Entity ID#	State Account Numbers	Grant Period	Cash Received	Program Expenditures	Cancelled	Accounts Receivable
<b>STATE GRANT PROGRAMS</b>							
<b>Major and Non-Major Programs</b>							
<b>Transportation State Aid Highway Projects</b>							
Highway Planning and Construction Program							
Yesler			01/01/04-12/31/05		124,046.02	64.26	133,878.04
Hillsdale Ave			01/01/05-12/31/05		140,000.00		140,000.00
Fairhaven Ave.			01/01/05-12/31/05		75,000.00		75,000.00
Cedar/Piermont Sidewalks			01/01/04-12/31/04		Prior Year Expended		140,000.00
<b>Municipal Court</b>							
Alcohol Drug & Rehabilitation		098-9735-760-001-05	01/01/05-12/31/05	227.13	2,345.35		0.00
<b>Law and Public Safety</b>							
Division of Criminal Justice							
Body Armor Replacement Fund		066-1020-718-001-05	01/01/05-12/31/05	3,708.65	1,540.00		282.36
Division of Highway Traffic, Safe State & Community Highway Program							
Alcohol Education and Public Awareness Coordinators (DDEF)		066-1160-100-118-05	01/01/05-12/31/05	4,367.76	5,117.51		
NJ State Police SLA HEOP Grant Payment (OEM)		066-1200-100-845-05	01/01/05-12/31/05	0.00	0.00		
<b>Environmental Solid Waste Administration</b>							
Clean Community		042-4900-765-004-05	01/01/05-12/31/05	8,893.26	948.75		
Recycling Tonnage Grant		042-4900-752-001-06	01/01/05-12/31/05	5,297.12	9,399.90		
<b>Division of State Library</b>							
Per Capita Library Aid (Direct aid to Library)		* 074-2541-100-006-05	01/01/05-12/31/05	10,297.00	10,297.00		
<b>Department of Human Services:</b>							
Division of Family Development - General Assistance		054-7550-100-121-05	01/01/05-12/31/05	6,200.00	6,035.00		
<b>Department of Treasury:</b>							
Watershed Moratorium Offset Aid		082-2078-100-039-05	01/01/04-12/31/04	0.00	0.00		
<b>Total Major and Non-Major State Grant Programs</b>				<u>\$38,990.92</u>	<u>\$374,729.53</u>	<u>\$64.26</u>	<u>\$489,160.40</u>

\* Received directly by library

BOROUGH OF HILLSDALE  
SCHEDULE OF COUNTY/ OTHER FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED DECEMBER 31, 2005

Schedule 1-3

COUNTY/ OTHER GRANT PROGRAMS	Pass -Through Entry ID#	County Account Numbers	Grant Period	Cash Received	Program Expenditures	Cancelled	Accounts Receivable
<b>Major and Non-Major Programs</b>							
Bergen County Open Space - Beechwood			01/01/03-12/31/05	\$24,232.00	\$21,522.00	\$4.00	\$0.00
Bergen County Open Space - Centennial		006-910-785-20-31	01/01/04-12/31/05	18,360.00	6,027.27		40,600.00
Bergen County Open Space- Saddlewood			01/01/04-12/31/05	0.00	0.00		36,000.00
Bergen County Open Space- Trust Fund			01/01/03-12/31/05	7,209.15	0.00	\$6,869.85	0.00
Bergen County Open Space- Ralph Avenue Tot Park			01/01/05-12/31/05	0.00	25,000.00		25,000.00
Bergen County - Broadway Bridge Design			01/01/04-12/31/05	18,360.00	18,360.00		55,080.00
Bergen County Police Policies			01/01/05-12/31/05	\$3,000.00	3,000.00		
Bergen County Division of the Treasury: Department of Health Services Municipal Alliance Grant			01/01/05-12/31/05	8,500.00	6,500.00		
Bergen County Recycling Assistance			01/01/05-12/31/05	6,390.90	14,282.34		10,867.10
FAU- Bergen County			01/01/05-12/31/05	3,525.20	0.00		
Hillsdale Board of Education- Cops in School			01/01/05-12/31/05	0.00	30,000.00		45,775.20
<b>Total Major and Non-Major County/ Other Grant Programs</b>				<u>\$89,577.25</u>	<u>\$124,691.61</u>	<u>\$6,873.85</u>	<u>\$213,322.30</u>
<b>TOTAL MAJOR AND NON-MAJOR ASSISTANCE</b>				<u>\$166,492.17</u>	<u>\$585,843.19</u>	<u>\$7,938.11</u>	<u>\$776,006.62</u>

BOROUGH OF HILLSDALE  
 NOTES TO THE SCHEDULES OF EXPENDITURES  
 OF FEDERAL AND STATE FINANCIAL ASSISTANCE  
 FOR THE YEAR ENDED DECEMBER 31, 2005

**1. General**

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

**2. Basis of Accounting**

The accompanying schedules are presented using the modified accrual 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 generally accepted accounting principles (GAAP) applicable to local government units. This basis of accounting is described in Note 1C of the Borough's financial statements.

**3. Relationship of Financial Statements**

Program expenditures reported in the accompanying schedules agree with amounts reported in the Borough's financial statements, exclusive of the unappropriated reserves. Financial assistance awards are reported in the Borough's financial statements on a basis of accounting described above as follows:

	<u>State</u>	<u>Federal</u>	<u>County</u>	<u>Total</u>
Current Fund	\$339,046.02	\$62,900.00	\$70,909.27	\$472,855.29
Grant Fund	19,351.51	23,522.05	53,782.34	96,655.90
Public Assistance Fund	6,035.00	0.00	0.00	6,035.00
	<u>\$364,432.53</u>	<u>\$86,422.05</u>	<u>\$124,691.61</u>	<u>\$575,546.19</u>

**4. Relationship to Federal and State Financial Reports**

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

**5. State Loans Outstanding**

The Borough's state loans outstanding at December 31, 2005, which are not required to be reported on the schedule of expenditures of state financial assistance, are as follows:

<u>Loan Program</u>	<u>State Account Number</u>	<u>State</u>
	NONE	

BOROUGH OF HILLSDALE  
OFFICIALS IN OFFICE AND SURETY BONDS  
AT DECEMBER 31, 2005

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
Dennis S. Deutsch	Mayor	
Marie D. Hanlon	Councilmember – President	
James W. Bogle III	Councilmember	
Donna Chapman	Councilmember	
Frank Prospero III	Councilmember	
Kenneth R. Rush	Councilmember	
John Sapanara	Councilmember	
Harold Karns	Administrator	\$ 100,000
Colleen Ennis	Chief Financial Officer Assistant Administrator Tax Collector	\$ 100,000
Robert P. Sandt	Borough Clerk	
Clementina McDonald	Assistant Tax Collector	\$ 150,000
Richard Mohr	Assessor	
Warren Clark	Municipal Court Judge	\$ 10,000
John Kindergan	Court Administrator/Violations Clerk	\$ 15,000
Maureen Adkinson	Deputy Court Administrator	\$ 15,000
Frank Mikulski	Police Chief	
Richard Odierna	Recreation Director	
GINNA Sapanara	Registrar of Vital Statistics	
Michelle Wood	Construction Official	
Keith Durie	DPW Superintendent	
Katherine E. Elgert	Welfare Director	
Patty Hughes	Swim Pool Manager/Community Activity Director	\$ 1,000,000 - Blanket Bond

Note 1: Individual bonds were written by the Ohio Casualty Insurance Company and Selective Insurance Company and were in force for the period under audit. All other listed official are covered by an employee Blanket Position Bond provided through the Bergen County Municipal Joint Insurance Fund.

\*Swimming Pool Commission employees were covered by Public Employees Blanket Bond in the amount of \$1,000,000 by the Aetna Casualty and Surety Company.

Borough of Hillsdale  
General Comments  
For the Year Ended December 31, 2005

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

NJS40A:11-4 states "Every contract awarded by the contracting agents, for the provision or performance of any goods or services, the cost of which in the aggregate exceed the bid threshold [40A:11-3 "a contract year the total sum of \$21,000...If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L.1971, c.198 (C.40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$29,000.]", shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefor, except as is provided otherwise in this act or specifically by any other law."

NJS40A:11-9 states "The governing body of any contracting unit may by ordinance, in the case of a municipality, by ordinance or resolution, as the case may be, in the case of a county, or by resolution in all other cases, establish the office of purchasing agent, or a purchasing department or a purchasing board, with the authority, responsibility, and accountability as its contracting agent, for the purchasing activity for the contract in unit, to prepare public advertising for bids and to receive bids for the provision or performance of goods or services on behalf of the contracting unit and to award contracts permitted pursuant to subsection a. of section 3 of P.L.1971, c. 198 (C.40A:11-3) in the name of the contracting unit, and conduct any activities as may be necessary or appropriate to the purchasing function of the contracting unit."

The Governing Body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed \$21,000.00 within the calendar year or any twelve-month period. Where questions arise as to whether any contract or agreement might result in a violation of the statute, the Borough Attorney's opinion should be sought before a commitment is made.

The minutes indicate that resolutions were adopted and advertised, authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S. 40A:11-5.

Our examination of expenditures did not reveal any individual payments, contracts or agreements in excess of \$21,000.00 "for the performance of any work, or the furnishing or hiring of any materials or supplies," other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of NJS 40A:11-6.

Expenditure of \$3150.00 or more and less than \$21,000 Per N.J.S.A. 40A:11-6.1

N.J.S.A 40A:11-6.1 states, "a. For all contracts that in the aggregate are less than the bid threshold but 15 percent or more of that amount, and for those contracts that are for subject matter enumerated in subsection (1) of section 5 of P.L.1971, c.198 (C.40A:11-5), except for paragraph (a) of that subsection professional services and paragraph (b) of the subsection concerning work by employees of the contracting unit, the contracting agent shall award the contract after soliciting at least two competitive quotations, if practicable. The award shall be made to a vendor whose response is most advantageous, price and other factors considered. The contracting agent shall retain the record of the quotation solicitation and shall include a copy of the record with the voucher used to pay the vendor. d. Whenever two or more responses to a request of a contracting agent offer equal prices and are the lowest responsible bids or proposals, the contracting unit may award the contract to the vendor whose response, in the discretion of the contracting unit, is the most advantageous, price and other factors considered. In such a case, the award resolution or purchase order documentation shall explain why the vendor selected is the most advantageous."

Collection of Interest of Delinquent Taxes and Assessments

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

The Governing Body on January 1, 2005 adopted the following resolution authorizing interest to be charged on delinquent taxes:

WHEREAS, N.J.S.A. 54:4-67 permits the governing body of each municipality to fix the rate of interest to be charged for nonpayment of taxes or assessments subject to any abatement or discount for the late payment of taxes as provided by law; and

WHEREAS N.J.S.A. 54:4-67 has been amended to permit the fixing of said rate of 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00 and allows an additional penalty of 6% be collected against a delinquency prior to the end of the calendar year;

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Borough Council of the Borough of Hillsdale, County of Bergen, State of New Jersey as follows:

1. The Tax Collector is hereby authorized and directed to charge 8% per annum on the first \$1,500.00 of taxes becoming delinquent after due date and 18% per annum on any amount of taxes in excess of \$1,500.00 becoming delinquent after due date and if a delinquency is in excess of \$10,000.00 and remains in arrears beyond December 31, and additional penalty of 6% shall be charged against the delinquency. Real estate taxes for 2005 will be advertised for sale after April 1, 2006.
2. Effective January 1, 2005 there will be a ten-day grace period of quarterly tax payments made by cash, check or money order.
3. Any payments not made in accordance with paragraph two of this resolution shall be charged interest from the due date as set forth in paragraph one of this resolution.

It appears from an examination of the Collector's records, that interest was collected in accordance with the foregoing resolution.

Borough of Hillsdale  
Summary Schedule of Prior Year Audit Findings – 2004  
Year Ended December 31, 2005

“NONE”

\* Reported from prior year's audit

Borough of Hillsdale  
Audit Findings and Recommendations  
For the Year Ended December 31, 2005

“NONE”

Borough of Hillsdale  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2005

Summary of Auditor's Results

Financial Statement Section

A) Type of Auditors Report Issued	<u>Unqualified - Statutory basis</u>		
B) Internal Control over Financial Reporting			
1) Material weakness identified	<u>Yes</u>	<u>X</u>	<u>No</u>
2) Were reportable conditions identified that were not considered to be material weaknesses?	<u>Yes</u>	<u>X</u>	<u>No</u>
C) Noncompliance material to financial statements notes?	<u>Yes</u>	<u>X</u>	<u>No</u>

Federal Awards Section

D) Dollar threshold used to determine Type A Program	<u>\$300,000</u>		
E) Auditee qualified as low-risk auditee?	<u>X</u>	<u>Yes</u>	<u>No</u>
F) Type of auditor's report on compliance for major programs	<u>G.A.S. - unqualified</u>		
G) Internal Control over major programs			
1) Material weakness identified	<u>Yes</u>	<u>X</u>	<u>No</u>
2) Were reportable conditions identified that were not considered to be material weaknesses?	<u>Yes</u>	<u>X</u>	<u>No</u>
H) Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 [section 510(e)]?	<u>Yes</u>	<u>X</u>	<u>No</u>
I) Identification of major programs	<u>No Major Federal Programs</u>		

Borough of Hillsdale  
Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended December 31, 2005

Summary of Auditor's Results (Continued)

State Awards Section

J) Dollar threshold used to determine Type A Program	<u>\$300,000</u>		
K) Audited qualified as low-risk auditee?	<u>X</u>	<u>Yes</u>	<u>No</u>
L) Type of auditor's report on compliance for major Programs	<u>G.A.S. – unqualified</u>		
M) Internal Control over Compliance			
1) Material weakness identified	<u>Yes</u>	<u>X</u>	<u>No</u>
2) Were reportable conditions identified that Were not considered to be material weaknesses?	<u>Yes</u>	<u>X</u>	<u>No</u>
N) Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 04-04, as amended?	<u>Yes</u>	<u>X</u>	<u>No</u>
O) Identification of major programs			

Grant Number

Name of State Program

Transportation State Aid Highway Projects

Borough of Hillsdale  
Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended December 31, 2005

Part 2 - Schedule of Federal and State Awards Findings and Questioned Costs

(This section identifies the reportable conditions, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB Circular 04-04, as amended.)

No reportable conditions, material weaknesses or material instances of non-compliance were noted.

Status of Prior Year Findings

(This section identifies the status of prior year findings related to the 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)] and New Jersey OMB Circular 04-04, as amended.)

NONE

**Appreciation**

We desire to express our appreciation of the assistance and courtesies rendered by the Borough Officials and employees during the year.

\*\*\*\*\*

April 28, 2006