

**BOROUGH OF HILLSDALE**  
**BERGEN COUNTY, NEW JERSEY**  
**REPORT OF AUDIT**  
**YEAR ENDED DECEMBER 31, 2014**

# BOROUGH OF HILLSDALE

## TABLE OF CONTENTS

<u>Exhibits</u>		<u>Page</u>
<b><u>PART I</u></b>		
	Independent Auditor's Report	1-3
	Comparative Balance Sheets – Regulatory Basis - Current Fund	4-5
A	Comparative Statements of Operations and Changes in Fund Balance - Regulatory Basis - Current Fund	6
A-1	Statement of Revenues – Regulatory Basis – Current Fund	7-8
A-2	Statement of Expenditures – Regulatory Basis – Current Fund	9-14
A-3	Comparative Balance Sheets – Regulatory Basis -Trust Funds	15-16
B	Comparative Statements of Changes in Fund Balance – Assessment Trust Fund	17
B-1	Comparative Balance Sheets – Regulatory Basis - General Capital Fund	18
C	Comparative Balance Sheets – Regulatory Basis – Swim Pool Utility Fund	19-20
D	Comparative Statements of Operations and Changes in Fund Balance – Regulatory Basis – Swim Pool Utility Operating Fund	21
D-1	Statement of Revenues - Regulatory Basis – Swim Pool Utility Operating Fund	22
D-2	Statement of Expenditures – Regulatory Basis – Swim Pool Utility Operating Fund	23
D-3	Comparative Balance Sheets – Regulatory Basis - Public Assistance Fund	24
E	Comparative Balance Sheets – Regulatory Basis – General Fixed Assets Account Group	25
F		
	Notes to Financial Statements	26-55
<b><u>Current Fund</u></b>		
	Statement of Current Cash – Treasurer	56
A-4	Statement of Change Fund	57
A-5	Statement of Due to State of New Jersey – For Senior Citizens' and Veterans' Deductions	57
A-6	Statement of Taxes Receivable and Analysis of Property Tax Levy	58
A-7	Statement of Tax Title Liens Receivable	59
A-8	Statement of Property Acquired for Taxes (at Assessed Valuation)	59
A-9	Statement of Grants Receivable	60
A-10	Statement of Deferred Charges – Emergency Authorization	60
A-11	Statement of Deferred Charges – Special Emergency Authorization	60
A-12	Statement of Revenue Accounts Receivable	61
A-13	Statement of 2013 Appropriation Reserves	62-63
A-14	Statement of Encumbrances Payable	64
A-15	Statement of Accounts Payable	64
A-16	Statement of Prepaid Taxes	65
A-17	Statement of Tax Overpayments	65
A-18	Statement of Miscellaneous Reserves	66
A-19	Statement of Reserve for Accumulated Absences	66
A-20	Statement of Reserve for Tax Appeals	66
A-21	Statement of Reserve for Revaluation	66
A-22	Statement of Due to State of New Jersey – Marriage License Fees	67
A-23		

# BOROUGH OF HILLSDALE

## TABLE OF CONTENTS (Continued)

### Exhibits

### Page

#### Current Fund (Continued)

A-24	Statement of Due to State of New Jersey – DCA State Training Fees	67
A-25	Statement of County Taxes Payable	67
A-26	Statement of Local School Taxes Payable	68
A-27	Statement of Regional High School Taxes Payable	68
A-28	Statement of Reserve for Unappropriated Grants	69
A-29	Statement of Reserve for Appropriated Grants	69

#### Trust Fund

B-2	Statement of Trust Cash and Investments	70
B-3	Statement of Assessment Trust Fund Cash	71
B-4	Statement of Assessments Receivable – Assessment Trust Fund	71
B-5	Statement of Due to Current Fund – Assessment Trust Fund	71
B-6	Statement of Due to State of New Jersey – Animal Control Trust Fund	72
B-7	Statement of Due to Current Fund – Animal Control Trust Fund	72
B-8	Statement of Reserve for Animal Control Expenditures	72
B-9	Statement of Due to Current Fund – Other Trust Fund	73
B-10	Statement of Reserve for Escrow Deposits – Other Trust Fund	73
B-11	Statement of Reserve for Medical Benefits	73
B-12	Statement of Miscellaneous Reserves – Other Trust Fund	74
B-13	Statement of Payroll Deductions and Withholdings Payable	74
B-14	Statement of Reserve for Recreation Expenditures – Recreation Trust Fund	75
B-15	Statement of Due to Current Fund – Recreation Trust Fund	75

#### General Capital Fund

C-1	Statement of General Capital Cash – Treasurer	76
C-2	Analysis of General Capital Cash	77
C-3	Statement of Grants Receivable	78
C-4	Statement of Due from Current Fund	79
C-5	Statement of Deferred Charges to Future Taxation – Funded	79
C-6	Statement of Deferred Charges to Future Taxation – Unfunded	80
C-7	Statement of Improvement Authorizations	81
C-8	Statement of Serial Bonds Payable	82
C-9	Statement of Bond Anticipation Notes	83
C-10	Statement of Capital Improvement Fund	84
C-11	Statement of Contracts Payable	84
C-12	Statement of Reserve for Capital Improvements	85
C-13	Statement of Down Payments on Improvements	86
C-14	Statement of Reserve for Payment of Debt	86
C-15	Statement of Reserve for Municipal Open Space Fund	86
C-16	Statement of Bonds and Notes Authorized But Not Issued	87

# BOROUGH OF HILLSDALE

## TABLE OF CONTENTS (Continued)

<u>Exhibits</u>		<u>Page</u>
<b><u>Swim Pool Utility</u></b>		
D-4	Statement of Swim Pool Utility Cash – Treasurer	88
D-5	Statement of Swim Pool Utility Capital Cash – Analysis of Cash	89
D-6	Statement of Due to Swim Pool Utility Capital Fund – Swim Pool Utility Operating Fund	90
D-7	Statement of Accrued Interest on Bonds – Swim Pool Utility Operating Fund	90
D-8	Statement of Due from Current Fund – Swim Pool Utility Operating Fund	91
D-9	Statement of Deferred Charges – Swim Pool Utility Operating Fund	91
D-10	Statement of 2013 Appropriation Reserves – Swim Pool Utility Operating Fund	92
D-11	Statement of Encumbrances Payable – Swim Pool Utility Operating Fund	92
D-12	Statement of Reserve for Swim Team Expenditures – Swim Pool Utility Operating Fund	92
D-13	Statement of Fixed Capital – Swim Pool Utility Capital Fund	93
D-14	Statement of Fixed Capital Authorized and Uncompleted - Swim Pool Utility Capital Fund	93
D-15	Reserve for Capital Improvements - Swim Pool Utility Capital Fund	93
D-16	Statement of Serial Bonds - Swim Pool Utility Capital Fund	94
D-17	Statement of Reserve for Deferred Amortization - Swim Pool Utility Capital Fund	95
D-18	Statement of Reserve for Amortization - Swim Pool Utility Capital Fund	95
D-19	Statement of Improvement Authorizations – Swim Pool Utility Capital Fund	96
D-20	Statement of Contracts Payable – Swim Pool Utility Capital Fund	97
D-21	Statement of Capital Improvement Fund - Swim Pool Utility Capital Fund	97
D-22	Statement of Bonds and Notes Authorized But Not Issued – Swim Pool Utility Capital Fund	97
<b><u>Public Assistance Fund</u></b>		
E-1	Statement of Public Assistance Cash - Treasurer	98
E-2	Statement of Reserve for Public Assistance Fund	98
E-3	Statement of Due To Current Fund – Public Assistance Fund	99
E-4	Statement of Public Assistance Revenues	99
E-5	Statement of Public Assistance Expenditures	99
<b><u>Part II</u></b>		
	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with Government Auditing Standards – Independent Auditor’s Report	100-101
	Schedule of Expenditures of Federal Awards, Schedule A	102
	Schedule of Expenditures of State Financial Assistance, Schedule B	103
	Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance	104
	Schedule of Findings and Responses	105-108
	Summary Schedule of Prior Year Audit Findings	109

**BOROUGH OF HILLSDALE**

**TABLE OF CONTENTS  
(Continued)**

**Exhibits**

**Page**

**Part III**

Comparative Statement of Operations and Changes in Fund Balance - Current Fund	110
Statement of Operations and Changes in Fund Balance - Swim Pool Utility Operating Fund	111 112
Comparative Schedule of Tax Rate Information	112
Comparison of Tax Levies and Collection	113
Delinquent Taxes and Tax Title Liens	113
Property Acquired by Tax Title Lien Liquidation	113
Comparative Schedule of Fund Balances	114
Officials in Office and Surety Bonds	115-118
General Comments	119-120
Recommendations	

**BOROUGH OF HILLSDALE**

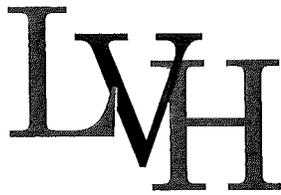
**COUNTY OF BERGEN**

**PART I**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS**

**AND SUPPLEMENTARY SCHEDULES**

**YEAR ENDED DECEMBER 31, 2014**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Hillsdale, as of December 31, 2014 and 2013, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2014, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the requirement that the Borough of Hillsdale prepare and present its financial statements on the regulatory basis of accounting as discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph above, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of Hillsdale as of December 31, 2014 and 2013, or changes in financial position, or, where applicable, cash flows for the years then ended.

***Basis for Qualified Opinion on Regulatory Basis of Accounting***

As discussed in Note 18 of the financial statements, the financial statements – regulatory basis of the Length of Service Awards Program (LOSAP) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Borough’s financial statements as of and for the years ended December 31, 2014 and 2013. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 49 percent and 49 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2014 and 2013.

***Qualified Opinion on Regulatory Basis of Accounting***

In our opinion, except for the possible effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited as described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph above, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the Borough of Hillsdale as of December 31, 2014 and 2013, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the respective revenues – regulatory basis and expenditures – regulatory basis of the various funds for the year ended December 31, 2014 in accordance with the financial accounting and reporting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

*Other Matters*

*Other Information*

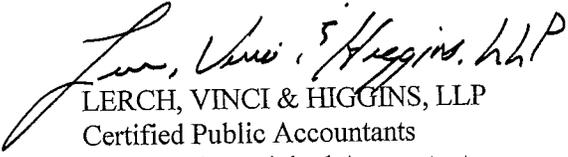
Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of Hillsdale as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, schedule of expenditures of state financial assistance and the supplementary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

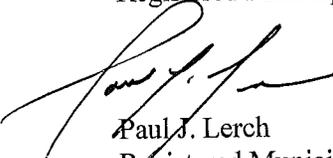
The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare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

The supplementary data and letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated August 18, 2015 on our consideration of the Borough of Hillsdale's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Hillsdale's internal control over financial reporting and compliance.

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

  
Paul J. Lerch  
Registered Municipal Accountant  
RMA Number CR00457

Fair Lawn, New Jersey  
August 18, 2015

**BOROUGH OF HILLSDALE**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**CURRENT FUND**  
**AS OF DECEMBER 31, 2014 AND 2013**

	<u>Reference</u>	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>			
Cash	A-4	\$ 4,307,572	\$ 4,267,275
Change Fund	A-5	250	250
Grants Receivable	A-10	<u>41,373</u>	<u>43,614</u>
		<u>4,349,195</u>	<u>4,311,139</u>
Receivables and Other Assets With Full Reserves			
Taxes Receivable	A-7	361,923	385,268
Tax Title Liens Receivable	A-8	11,354	17,778
Property Acquired for Taxes - Assessed Valuation	A-9	726,900	726,900
Revenue Accounts Receivable	A-13		9,513
Interfunds Receivable			
Assessment Trust Fund	B-5	12,531	12,234
Animal Control Trust Fund	B-7	4	3
Other Trust Fund	B-9	3,271	2,470
Recreation Trust Fund	B-15	34	6
Public Assistance Trust Fund	E-3	<u>505</u>	<u>510</u>
		<u>1,116,522</u>	<u>1,154,682</u>
Deferred Charges			
Emergency Authorizations	A-11	105,000	
Special Emergency Authorizations	A-12	<u>100,000</u>	<u>150,000</u>
		<u>205,000</u>	<u>150,000</u>
Total Assets		<u>\$ 5,670,717</u>	<u>\$ 5,615,821</u>

**BOROUGH OF HILLSDALE**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**CURRENT FUND**  
**AS OF DECEMBER 31, 2014 AND 2013**

	<u>Reference</u>	<u>2014</u>	<u>2013</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Appropriation Reserves	A-3, A-14	\$ 1,034,994	\$ 840,976
Encumbrances Payable	A-15	202,680	253,845
Accounts Payable	A-16		4,015
Prepaid Taxes	A-17	199,841	517,455
Tax Overpayments	A-18	250	5,084
Miscellaneous Reserves	A-19	172,266	108,868
Reserve for Accumulated Absences	A-20	53,887	94,858
Reserve for Tax Appeals	A-21	183,356	186,000
Reserve for Revaluation	A-22	22,520	22,520
Due to State of New Jersey			
Senior Citizens & Veterans Deductions	A-6	2,705	2,705
Marriage Licenses Fees	A-23	28	53
DCA State Training Fees	A-24	3,509	2,250
County Taxes Payable	A-25	3,651	3,316
Local School Taxes Payable	A-26	498	498
Regional School Taxes Payable	A-27	536,650	569,763
Unappropriated Grant Reserves	A-28	41,221	46,846
Appropriated Grant Reserves	A-29	210,950	185,710
Reserve for LOSAP Contribution	B	40,296	44,460
Interfunds Payable			
General Capital Fund	C-4	88,624	38,639
Swim Pool Utility Operating Fund	D-8	<u>57,036</u>	<u>-</u>
		2,854,962	2,927,861
Reserve for Receivables and Other Assets	A	1,116,522	1,154,682
Fund Balance	A-1	<u>1,699,233</u>	<u>1,533,278</u>
<b>Total Liabilities, Reserves and Fund Balance</b>		<u>\$ 5,670,717</u>	<u>\$ 5,615,821</u>

**BOROUGH OF HILLSDALE**  
**COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -**  
**REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>Reference</u>	<u>Year 2014</u>	<u>Year 2013</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>			
Fund Balance Utilized	A-2	\$ 1,075,000	\$ 950,000
Miscellaneous Revenue Anticipated	A-2	2,424,057	2,583,203
Receipts from Delinquent Taxes	A-2	386,837	367,204
Receipts from Current Taxes	A-2	43,341,517	42,721,948
Non-Budget Revenue	A-2	38,318	19,291
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	A-14	715,890	517,351
Liquidation of Prior Year Accounts Receivables			
Due from Prosecutor's Office	A-1		7,851
Revenue Accounts Receivable - Meadowbrook Paving	A-1		14,000
Cancellation of Appropriated Grants	A-29	814	
Cancellation of Accounts Payable	A-16	<u>3,097</u>	<u>-</u>
Total Revenues		<u>47,985,530</u>	<u>47,180,848</u>
<b>EXPENDITURES</b>			
Budget Appropriations			
Operations			
Salaries and Wages	A-3	4,371,895	4,469,188
Other Expenses	A-3	6,005,906	5,620,166
Capital Improvements	A-3	214,000	127,850
Municipal Debt Service	A-3	490,987	482,912
Deferred Charges and Statutory Expenditures	A-3	1,077,000	1,209,465
County Taxes	A-25	4,229,756	4,025,109
Local School District Taxes	A-26	19,647,362	19,319,320
Regional School District Taxes	A-27	10,809,102	10,775,329
Other Debits			
Interfunds Advanced	A	1,122	1,093
Refund of Prior Year Revenue	A-4	876	19,230
Prior Year Senior Citizens and Veterans Deductions Disallowed	A-6	<u>1,569</u>	<u>-</u>
Total Expenditures		<u>46,849,575</u>	<u>46,049,662</u>
Excess in Revenue		1,135,955	1,131,186
Adjustments to Income before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year	A-11	<u>105,000</u>	<u>-</u>
Statutory Excess to Fund Balance		1,240,955	1,131,186
Fund Balance, January 1	A	<u>1,533,278</u>	<u>1,352,092</u>
		2,774,233	2,483,278
Decreased by:			
Utilization as Anticipated Revenue	A-1,A-2	<u>1,075,000</u>	<u>950,000</u>
Fund Balance, December 31	A	<u>\$ 1,699,233</u>	<u>\$ 1,533,278</u>

**BOROUGH OF HILLSDALE  
STATEMENT OF REVENUES - REGULATORY BASIS  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Reference	2014 Anticipated Budget	Added by N.J.S. 40A:4-87	2014 Realized	Excess or (Deficit)
Fund Balance Anticipated	A-1	\$ 1,075,000	-	\$ 1,075,000	-
Miscellaneous Revenues					
Licenses					
Alcoholic Beverages	A-13	17,500		17,500	
Other	A-2	12,500		20,563	\$ 8,063
Fees and Permits	A-2	77,000		105,049	28,049
Fines and Costs					
Municipal Court	A-13	80,000		98,547	18,547
Interest and Costs on Taxes	A-13	77,000		81,990	4,990
Interest on Investments and Deposits	A-2	3,000		18,098	15,098
Parking Fees	A-13	60,000		61,762	1,762
Anticipated Utility Operating Surplus	A-13	185,000		127,960	(57,040)
Sewer Agreement Revenue	A-13	22,000			(22,000)
Payments in Lieu of Taxes - Senior Housing	A-13	51,000		48,205	(2,795)
Police Administration Charge	A-13	50,000		50,000	
Communication Tower and Cable	A-13	218,000		230,613	12,613
Assessment Trust Surplus	A-4	6,799		6,799	
Energy Receipts Tax	A-13	1,180,070		1,180,070	
Watershed Aid	A-13	2,303		2,303	
Uniform Construction Code Fees	A-13	220,000		199,852	(20,148)
Interlocal Agreement					
Pistol Range Rental - River Vale	A-13	2,230		2,230	
Public and Private Programs Offset With Appropriations					
Alcohol Education Rehabilitation Program	A-10		\$ 177	177	
Click It or Ticket	A-10		4,000	4,000	
Body Armor Fund	A-10		1,122	1,122	
Distracted Driving Statewide Crackdown Grant	A-10		5,000	5,000	
Association of NJ Environmental Commission	A-10		670	670	
JIF Safety Committee Award	A-10		1,500	1,500	
Community Development Grant	A-10		65,000	65,000	
Drive Sober or Get Pulled Over	A-10		5,000	5,000	
Drunk Driving Enforcement Fund	A-10		8,965	8,965	
Radon Awareness Program	A-10		1,000	1,000	
Reserve for Community Development - Senior Citizens	A-28	3,638		3,638	
Reserve for Bergen County - Rifles	A-28	7,691		7,691	
Reserve for Recycling Tonnage Grant	A-28	17,618		17,618	
Reserve for Clean Communities	A-28	17,899		17,899	
CDBG Grant	A-28	3,274		3,274	
Other Special Items					
Uniform Fire Safety Act	A-13	7,400		9,396	1,996
Recycling Revenues	A-13	47,000		20,566	(26,434)
Hillsdale BOE - Cop in School	A-13	5,000			(5,000)
Pascack Valley Regional HS - Cop in School	A-13	35,000	-	-	(35,000)
Total Miscellaneous Revenues	A-1	<u>2,408,922</u>	<u>92,434</u>	<u>2,424,057</u>	<u>(77,299)</u>
Receipts from Delinquent Taxes	A-2,A-7	<u>350,000</u>	-	<u>386,837</u>	<u>36,837</u>
Amount to be Raised by Taxes for Support of Municipal Budget					
Local Tax for Municipal Purposes	A-2	8,390,368		8,812,227	421,859
Minimum Library Tax	A-2	603,070	-	603,070	-
Total Amount to be Raised by Taxes for Support of Municipal Budget	A-2	<u>8,993,438</u>	-	<u>9,415,297</u>	<u>421,859</u>
Total	A-3	<u>\$ 12,827,360</u>	<u>\$ 92,434</u>	13,301,191	<u>\$ 381,397</u>
Non-Budget Revenue	A-1,A-2			<u>38,318</u>	
				<u>\$ 13,339,509</u>	

**BOROUGH OF HILLSDALE**  
**STATEMENT OF REVENUES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
**(Continued)**

	<u>Reference</u>	
<b>ANALYSIS OF REALIZED REVENUES</b>		
Allocation of Current Tax Collections		
Revenue from Collections	A-1,A-7	\$ 43,341,517
Less: Allocated to School, County and Special Taxes	A-25,A-26,A-27	<u>34,686,220</u>
		8,655,297
 Add: Appropriation "Reserve for Uncollected Taxes"	 A-3	 <u>760,000</u>
 Amount for Support of Municipal Budget Appropriations	 A-2	 <u>\$ 9,415,297</u>
  Licenses - Other		
Borough Clerk	A-13	\$ 285
Board of Health	A-13	<u>20,278</u>
	A-2	<u>\$ 20,563</u>
  Fees and Permits - Other		
Borough Clerk	A-13	\$ 6,085
Police Department	A-13	2,679
Zoning/Planning	A-13	51,109
Board of Health	A-13	5,649
Fire Prevention	A-13	<u>39,527</u>
	A-2	<u>\$ 105,049</u>
  Receipts from Delinquent Taxes		
Taxes	A-7	\$ 386,837
Tax Title Liens	A-8	<u>-</u>
	A-2	<u>\$ 386,837</u>
  Interest on Investments		
Revenue Accounts Receivable	A-13	\$ 14,943
Due from Assessment Trust Fund	B-5	297
Due from Animal Control Trust Fund	B-7	1
Due from Other Trust Fund	B-9	801
Due from Recreation Trust Fund	B-15	554
Due from Public Assistance Trust Fund	E-3	76
Due from General Capital Fund	C-4	<u>1,426</u>
	A-2	<u>\$ 18,098</u>
  ANALYSIS OF NON-BUDGET REVENUES		
Other Miscellaneous		\$ 36,454
Administrative Fee - Senior Citizen and Veteran Deductions		<u>1,864</u>
	A-2, A-4	<u>\$ 38,318</u>

**BOROUGH OF HILLSDALE**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>2014 Appropriated</u>		<u>2014 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
<b>OPERATIONS - WITHIN "CAPS"</b>					
<b>GENERAL GOVERNMENT</b>					
Mayor and Council	\$ 45,000	\$ 45,000	\$ 45,000		
Salaries and Wages	5,100	5,100	3,838	1,262	
Other Expenses					
Administrative and Executive	95,000	65,000	59,653	5,347	
Salaries and Wages					
Other Expenses	23,000	23,000	1,196	21,804	
Public Information	41,500	41,500	32,801	8,699	
Miscellaneous					
Financial Administration	163,000	193,000	191,273	1,727	
Salaries and Wages	66,100	65,335	22,800	37,535	\$ 5,000
Other Expenses	30,000	30,000		30,000	
Audit Services					
Collection of Taxes	44,000	44,650	44,639	11	
Salaries and Wages	11,865	11,865	8,996	2,869	
Other Expenses					
Assessment of Taxes	38,500	38,500	23,406	15,094	
Salaries and Wages	15,950	15,950	764	15,186	
Other Expenses					
Clerk's Office	128,000	128,000	113,119	14,881	
Salaries and Wages	33,400	33,400	25,112	8,288	
Other Expenses					
Legal Services	202,700	197,700	134,372	63,328	
Other Expenses					
Engineering Services	70,500	70,500	63,850	6,650	
Other Expenses					
<b>LAND USE ADMINISTRATION</b>					
Planning Board	4,700	9,700	6,600	3,100	
Other Expenses					
Zoning Official	11,000	11,000	9,893	1,107	
Salaries and Wages	6,900	6,900	5,904	996	
Other Expenses					
<b>INSURANCE</b>					
Unemployment	18,000	18,000	16,097	1,903	
General Liability Premiums	165,135	165,135	140,570	24,565	
Workers Compensation	216,502	216,502	212,753	3,749	
Group Insurance Plan for Employees	1,210,058	1,210,058	1,134,137	75,921	
<b>PUBLIC SAFETY</b>					
Police	2,677,060	2,677,060	2,538,785	138,275	
Salaries and Wages	117,425	117,425	113,350	4,075	
Other Expenses					
Emergency Management Services	2,000	2,000	2,000		
Salaries and Wages	5,250	5,250	2,993	2,257	
Other Expenses					
First Aid Organization	26,875	26,875	7,858	19,017	
Other Expenses					

**BOROUGH OF HILLSDALE**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
**(Continued)**

	<u>2014 Appropriated</u>		<u>2014 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
<b>OPERATIONS - WITHIN "CAPS" (Continued)</b>					
<b>PUBLIC SAFETY (Continued)</b>					
Fire					
Salaries and Wages	\$ 26,100	\$ 26,100	\$ 22,990		\$ 3,110
Other Expenses	77,050	77,050	68,384		8,666
Fire Prevention					
Salaries and Wages	62,500	62,500	52,877		9,623
Other Expenses	10,865	10,865	10,110		755
Municipal Court					
Salaries and Wages	75,000	74,370	71,279		3,091
Other Expenses	40,403	41,033	40,243		790
Public Defender (P.L. 1997, C. 256)					
Salaries and Wages	4,200	4,200	3,060		1,140
Prosecutor					
Salaries and Wages	11,500	11,500	11,413		87
<b>STREETS AND ROADS</b>					
Road Repairs and Maintenance					
Salaries and Wages	490,000	473,150	455,808		17,342
Other Expenses	128,000	128,000	125,278		2,722
Snow Removal - Contractual	40,000	40,000	40,000		
Buildings and Grounds					
Other Expenses	39,500	39,500	31,533		7,967
Sanitation					
Garbage and Trash Removal					
Salaries and Wages	5,300	5,300	3,791		1,509
Other Expenses	392,600	392,600	377,429		15,171
Recycling					
Other Expenses	151,000	151,000	122,598		28,402
Vehicle Maintenance					
Other Expenses	74,820	89,820	78,222		11,598
Train Station					
Other Expenses	12,800	12,800	8,024		4,776
<b>HEALTH AND WELFARE</b>					
Board of Health					
Salaries and Wages	73,000	73,000	61,994		11,006
Other Expenses	64,700	64,700	60,910		3,790
Blood Borne Pathogens					
Other Expenses	1,000	1,000			1,000
Administration of Public Assistance					
Salaries and Wages	14,500	14,615	14,613		2
Environmental Commission					
Other Expenses	325	325	325		
<b>PARKS AND RECREATION</b>					
Board of Recreation Commissioners					
Salaries and Wages	15,600	15,600	7,223		8,377
Other Expenses	6,250	6,250	5,929		321
Senior Citizens Committee					
Salaries and Wages	24,000	24,000	23,322		678
Other Expenses	14,450	14,450	10,876		3,574

**BOROUGH OF HILLSDALE**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
**(Continued)**

	<u>2014 Appropriated</u>		<u>2014 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Continued)					
RECREATION AND EDUCATION:					
Parks and Playgrounds					
Salaries and Wages	\$ 160,000	\$ 160,000	\$ 134,439	\$ 25,561	
Other Expenses	61,600	61,600	54,683	6,917	
OTHER COMMON OPERATING FUNCTIONS					
Anniversary or Holiday					
Other Expenses	4,000	4,000	3,127	873	
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY DEDICATED					
REVENUES (N.J.A.C. 5:23-4-17)					
Uniform Construction Code Enforcement:					
Construction Code Officials					
Salaries and Wages	146,500	146,500	145,680	820	
Other Expenses	54,710	54,710	23,928	30,782	
UTILITY EXPENSES & BULK PURCHASES					
Electricity and Gas	253,200	253,200	221,373	31,827	
Telephone and Telegraph	52,510	52,510	34,131	18,379	
Water	221,900	221,900	211,557	10,343	
Gasoline	88,000	88,000	71,212	16,788	-
Total Operations within "CAPS"	8,372,403	8,370,553	7,570,120	795,433	\$ 5,000
Contingent	40,727	40,727	10,000	30,727	-
Total Operations Including Contingent Within "CAPS"	8,413,130	8,411,280	7,580,120	826,160	5,000
Detail					
Salaries and Wages	4,311,760	4,295,045	4,036,257	258,788	-
Other Expenses ( Including Contingent)	4,101,370	4,116,235	3,543,863	567,372	5,000

**BOROUGH OF HILLSDALE**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
**(Continued)**

	2014 Appropriated		2014 Expended		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
<b>DEFERRED CHARGES AND STATUTORY EXPENDITURES- MUNICIPAL WITHIN "CAPS"</b>					
Statutory Charges					
Social Security System (O.A.S.I.)	\$ 175,000	\$ 175,000	\$ 165,976	\$ 9,024	
Public Employee's Retirement System of NJ	200,000	197,000	190,177	6,823	
Police & Fireman's Retirement System of NJ	541,000	541,000	519,754	21,246	
Defined Contribution Retirement Program	6,000	9,000	8,693	307	-
	<u>922,000</u>	<u>922,000</u>	<u>884,600</u>	<u>37,400</u>	<u>-</u>
Total Deferred Charges & Statutory Expenditures - Municipal Within "CAPS"					
	<u>922,000</u>	<u>922,000</u>	<u>884,600</u>	<u>37,400</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>9,335,130</u>	<u>9,333,280</u>	<u>8,464,720</u>	<u>863,560</u>	<u>\$ 5,000</u>
<b>OPERATIONS - EXCLUDED FROM "CAPS"</b>					
Stormwater					
Salaries and Wages	75,000	76,850	76,848	2	
Other Expenses	3,000	3,000	3,000		
Bergen County Utilities Authority					
Operating	647,411	647,411	647,410	1	
Debt Services	294,537	294,537	294,537		
Recycling Tax	14,000	14,000	9,404	4,596	
Other Common Operating Functions					
Reserve for Tax Appeals	58,150	58,150	11,632	46,518	
Education Functions					
Maintenance of Free Public Library	634,422	634,422	585,162	49,260	
Public Safety Functions					
Length of Service Award Program (LOSAP)	69,000	69,000	40,296	28,704	
Insurance					
Group Insurance Plan for Employees	29,367	29,367	29,367	-	-
	<u>1,824,887</u>	<u>1,826,737</u>	<u>1,697,656</u>	<u>129,081</u>	<u>-</u>
Total Other Operations Excluded from "CAPS"					
	<u>1,824,887</u>	<u>1,826,737</u>	<u>1,697,656</u>	<u>129,081</u>	<u>-</u>
Interlocal Municipal Services Agreement					
Township of River Vale					
Pistol Range Rental	2,230	2,230	1,177	1,053	-
	<u>2,230</u>	<u>2,230</u>	<u>1,177</u>	<u>1,053</u>	<u>-</u>
Total Interlocal Municipal Services Agreement					
	<u>2,230</u>	<u>2,230</u>	<u>1,177</u>	<u>1,053</u>	<u>-</u>

**BOROUGH OF HILLSDALE**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
**(Continued)**

	<u>2014 Appropriated</u>		<u>2014 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
<b>PUBLIC AND PRIVATE PROGRAMS OFFSET BY</b>					
<b>REVENUES</b>					
Body Armor Replacement Program		\$ 1,122	\$ 1,122		
Clean Communities	\$ 17,899	17,899	17,899		
Bergen County - Rifles	7,691	7,691	7,691		
Recycling Tonnage Grant	17,618	17,618	17,618		
Community Development - Senior Citizens	6,912	6,912	6,912		
Click it or Ticket		4,000	4,000		
Drive Sober		5,000	5,000		
Distracted Driver		5,000	5,000		
CDBG ADA Compliant Doors at BH		65,000	65,000		
JIF Safety Committee Award		1,500	1,500		
ANJEC Open Space Stewardship Grant		670	670		
Alcohol Drug & Rehab Current Year		177	177		
Radon Awareness Program		1,000	1,000		
Drunk Driving Enforcement Fund	-	8,965	8,965	-	-
<b>Total Public and Private Programs Offset by Revenues</b>	<u>50,120</u>	<u>142,554</u>	<u>142,554</u>	<u>-</u>	<u>-</u>
<b>Total Operations Excluded from "CAPS"</b>	<u>1,877,237</u>	<u>1,971,521</u>	<u>1,841,387</u>	<u>\$ 130,134</u>	<u>-</u>
<b>Detail</b>					
Salaries and Wages	75,000	76,850	76,848	2	-
Other Expenses	<u>1,802,237</u>	<u>1,894,671</u>	<u>1,764,539</u>	<u>130,132</u>	<u>-</u>
<b>CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"</b>					
Capital Improvement Fund	50,000	50,000	50,000		
Public Works - Salter	25,000	25,000	20,924	4,076	
Police - Computer Upgrades	70,000	70,000	70,000		
Firehouse Boiler	35,000	35,000	33,354	1,646	
2014 Road Program	100,000	100,000			\$ 100,000
Fire - Turnout gear, SCBA Cylinder and other equip	<u>34,000</u>	<u>34,000</u>	<u>23,825</u>	<u>10,175</u>	<u>-</u>
<b>Total Capital Improvements Excluded from "CAPS"</b>	<u>314,000</u>	<u>314,000</u>	<u>198,103</u>	<u>15,897</u>	<u>100,000</u>
<b>MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"</b>					
Payment of Bond Principal	400,000	400,000	400,000		
Interest on Bonds	89,663	89,663	89,662		1
Interest on Notes	<u>1,330</u>	<u>1,330</u>	<u>1,325</u>	<u>-</u>	<u>5</u>
<b>Total Municipal Debt Service Excluded from "CAPS"</b>	<u>490,993</u>	<u>490,993</u>	<u>490,987</u>	<u>-</u>	<u>6</u>

**BOROUGH OF HILLSDALE**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
**(Continued)**

	<u>2014 Appropriated</u>		<u>2014 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
DEFERRED CHARGES - EXCLUDED FROM "CAPS"					
Emergency Solid Waste Disposal		\$ 150,000	\$ 79,597	\$ 25,403	\$ 45,000
Special Emergency Authorization	\$ 50,000	50,000	50,000	-	-
Total Deferred Charges Excluded from "CAPS"	<u>50,000</u>	<u>200,000</u>	<u>129,597</u>	<u>25,403</u>	<u>45,000</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>2,732,230</u>	<u>2,976,514</u>	<u>2,660,074</u>	<u>171,434</u>	<u>145,006</u>
Subtotal General Appropriations	12,067,360	12,309,794	11,124,794	1,034,994	150,006
Reserve for Uncollected Taxes	<u>760,000</u>	<u>760,000</u>	<u>760,000</u>	-	-
Total General Appropriations	<u>\$ 12,827,360</u>	<u>\$ 13,069,794</u>	<u>\$ 11,884,794</u>	<u>\$ 1,034,994</u>	<u>\$ 150,006</u>
Reference	A-2		A-1	A, A-1	
	<u>Reference</u>				
Adopted Budget	A-2	\$ 12,827,360			
Appropriations by 40A:4-87	A-2	92,434			
Emergency Appropriation 40A:4-48	A-11	<u>150,000</u>			
		<u>\$ 13,069,794</u>			
Cash Disbursed	A-4		\$ 10,639,264		
Encumbrances Payable	A-15		202,680		
Reserve for LOSAP Contribution	B		40,296		
Appropriated Grant Reserves	A-29		142,554		
Deferred Charges	A-12		50,000		
Due to General Capital Fund	C-4		50,000		
Reserve for Uncollected Taxes	A-2		<u>760,000</u>		
			<u>\$ 11,884,794</u>		

**BOROUGH OF HILLSDALE  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
TRUST FUNDS  
AS OF DECEMBER 31, 2014 AND 2013**

	<u>Reference</u>	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>			
<b>ASSESSMENT TRUST FUND</b>			
Cash	B-2, B-3	\$ 15,808	\$ 19,033
Assessments Receivable	B-4	<u>9,405</u>	<u>12,682</u>
		<u>25,213</u>	<u>31,715</u>
<b>ANIMAL CONTROL TRUST FUND</b>			
Cash	B-2	<u>13,427</u>	<u>11,020</u>
		<u>13,427</u>	<u>11,020</u>
<b>OTHER TRUST FUND</b>			
Cash	B-2	<u>874,603</u>	<u>805,083</u>
		<u>874,603</u>	<u>805,083</u>
<b>RECREATION TRUST FUND</b>			
Cash	B-2	<u>127,499</u>	<u>133,774</u>
		<u>127,499</u>	<u>133,774</u>
<b>LENGTH OF SERVICE AWARD PROGRAM FUND (UNAUDITED)</b>			
Investments	B	950,402	881,658
Contribution Receivable	B	<u>40,296</u>	<u>44,460</u>
		<u>990,698</u>	<u>926,118</u>
<b>Total Assets</b>		<u>\$ 2,031,440</u>	<u>\$ 1,907,710</u>

**BOROUGH OF HILLSDALE  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
TRUST FUNDS  
AS OF DECEMBER 31, 2014 AND 2013**

	<u>Reference</u>	<u>2014</u>	<u>2013</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
<b>ASSESSMENT TRUST FUND</b>			
Due to Current Fund	B-5	\$ 12,531	\$ 12,234
Reserve for Assessments Receivable	B-4	9,405	12,682
Fund Balance	B-1	<u>3,277</u>	<u>6,799</u>
		<u>25,213</u>	<u>31,715</u>
<b>ANIMAL CONTROL TRUST FUND</b>			
Due to State of New Jersey	B-6	192	226
Due to Current Fund	B-7	4	3
Reserve for Animal Control Expenditures	B-8	<u>13,231</u>	<u>10,791</u>
		<u>13,427</u>	<u>11,020</u>
<b>OTHER TRUST FUND</b>			
Due to Current Fund	B-9	3,271	2,470
Reserve for:			
Escrow Deposits	B-10	212,194	161,261
Medical Benefits	B-11	31,916	31,924
Other Trust Deposits	B-12	585,368	570,225
Payroll Deductions and Withholdings Payable	B-13	<u>41,854</u>	<u>39,203</u>
		<u>874,603</u>	<u>805,083</u>
<b>RECREATION TRUST FUND</b>			
Due to Current Fund	B-15	34	6
Reserve for Recreation Expenditures	B-14	<u>127,465</u>	<u>133,768</u>
		<u>127,499</u>	<u>133,774</u>
<b>LENGTH OF SERVICE AWARD PROGRAM FUND (UNAUDITED)</b>			
Reserve for LOSAP	B	<u>990,698</u>	<u>926,118</u>
		<u>990,698</u>	<u>926,118</u>
<b>Total Liabilities, Reserves and Fund Balance</b>		<u>\$ 2,031,440</u>	<u>\$ 1,907,710</u>

**BOROUGH OF HILLSDALE  
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE  
ASSESSMENT TRUST FUND  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

		<u>2014</u>	<u>2013</u>
Balance, January 1	B	\$ 6,799	
Increased by:			
Collection of Unpledged Assessments	B-2	<u>3,277</u>	<u>\$ 6,799</u>
		10,076	6,799
Decreased by:			
Anticipated 2014 Current Fund Revenue	B-2	<u>6,799</u>	<u>-</u>
Balance, December 31	B	<u>\$ 3,277</u>	<u>\$ 6,799</u>

**BOROUGH OF HILLSDALE  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
GENERAL CAPITAL FUND  
AS OF DECEMBER 31, 2014 AND 2013**

	<u>Reference</u>	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>			
Cash	C-1, C-2	\$ 695,834	\$ 497,834
Grants Receivable	C-3	542,188	399,906
Due from Current Fund	C-4	88,624	38,639
Deferred Charges to Future Taxation			
Funded	C-5	3,130,000	3,530,000
Unfunded	C-6	<u>495,822</u>	<u>316,144</u>
 Total Assets		 <u>\$ 4,952,468</u>	 <u>\$ 4,782,523</u>
 <b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Improvement Authorizations			
Funded	C-7	607,118	604,069
Unfunded	C-7	191,119	115,012
Serial Bonds Payable	C-8	3,130,000	3,530,000
Bond Anticipation Notes Payable	C-9	190,000	190,000
Capital Improvement Fund	C-10	76,174	49,143
Contracts Payable	C-11	356,038	34,562
Reserve for Capital Improvements	C-12	64,618	64,618
Down Payments on Improvements	C-13	3,000	3,000
Reserve for Payments of Debt	C-14	4,375	4,375
Reserve for Municipal Open Space Fund	C-15	103,512	103,512
Reserve for Grants Receivable	C-3	<u>226,514</u>	<u>84,232</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 4,952,468</u>	 <u>\$ 4,782,523</u>

There were bonds and notes authorized but not issued on December 31, 2014 and 2013 of \$305,822 and \$126,144, respectively, (Exhibit C-16).

**BOROUGH OF HILLSDALE**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - SWIM POOL UTILITY FUND**  
**AS OF DECEMBER 31, 2014 AND 2013**

	<u>Reference</u>	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>			
<b>OPERATING FUND</b>			
Cash	D-4	\$ 44,380	\$ 269,688
Cash - Stonybrook Swim Team	D-4	16,353	12,146
Due from Current Fund	D-8	<u>57,036</u>	<u>-</u>
		<u>117,769</u>	<u>281,834</u>
<b>Deferred Charges</b>			
Emergency Authorizations	D-9	35,000	-
Overexpenditure of Appropriations	D-9	<u>11,067</u>	<u>-</u>
		<u>46,067</u>	<u>-</u>
<b>Total Operating Fund</b>		<u>163,836</u>	<u>281,834</u>
<b>CAPITAL FUND</b>			
Cash	D-4, D-5	323,558	323,554
Due from Swim Pool Operating Fund	D-6	202	206
Fixed Capital	D-13	5,133,178	5,124,807
Fixed Capital Authorized and Uncompleted	D-14	<u>352,388</u>	<u>352,388</u>
<b>Total Capital Fund</b>		<u>5,809,326</u>	<u>5,800,955</u>
<b>Total Assets</b>		<u>\$ 5,973,162</u>	<u>\$ 6,082,789</u>

**BOROUGH OF HILLSDALE**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - SWIM POOL UTILITY FUND**  
**AS OF DECEMBER 31, 2014 AND 2013**

	<u>Reference</u>	<u>2014</u>	<u>2013</u>
LIABILITIES, RESERVES AND FUND BALANCES			
OPERATING FUND			
Liabilities			
Appropriation Reserves	D-10	\$ 13,500	\$ 13,500
Encumbrances Payable	D-11	\$ 11,041	103,230
Due to Swim Pool Capital Fund	D-6	202	206
Accrued Interest on Bonds	D-7	4,805	5,255
Reserve for Swim Team Expenditures	D-12	<u>16,353</u>	<u>12,146</u>
		32,401	134,337
Fund Balance	D-1	<u>131,435</u>	<u>147,497</u>
Total Operating Fund		<u>163,836</u>	<u>281,834</u>
CAPITAL FUND			
Reserve for Improvements	D-15	25,308	25,308
Serial Bonds Payable	D-16	470,000	530,000
Reserve for Deferred Amortization	D-17	315,000	375,000
Reserve for Amortization	D-18	4,651,566	4,523,195
Improvement Authorizations			
Funded	D-19	295,344	294,079
Unfunded	D-19	49,000	49,000
Contracts Payable	D-20	3,000	4,265
Capital Improvement Fund	D-21	<u>108</u>	<u>108</u>
Total Capital Fund		<u>5,809,326</u>	<u>5,800,955</u>
Total Liabilities, Reserves and Fund Balances		<u>\$ 5,973,162</u>	<u>\$ 6,082,789</u>

There were bonds and notes authorized but not issued on December 31, 2014 and 2013 of \$49,000 and \$49,000, respectively, (Exhibit D-22).

**BOROUGH OF HILLSDALE**  
**COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -**  
**REGULATORY BASIS - SWIM POOL UTILITY OPERATING FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>Reference</u>	<u>2014</u>	<u>2013</u>
<b>REVENUES AND OTHER INCOME REALIZED</b>			
Surplus Utilized	D-2	\$ 16,062	\$ 100,000
Membership Fees	D-2	739,809	899,094
Use of Facility Fees	D-2	34,252	39,622
BCCD ADA Pool Lift	D-2	13,854	
Miscellaneous Revenue	D-2	92,468	69,899
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	D-10	<u>35,726</u>	<u>28,082</u>
 Total Income		 <u>932,171</u>	 <u>1,136,697</u>
 <b>EXPENDITURES</b>			
Budget Appropriations			
Operating	D-3	742,167	696,710
Capital	D-3	35,595	140,000
Debt Service	D-3	72,512	74,163
Surplus (General Budget)	D-3	<u>127,964</u>	<u>185,000</u>
 Total Expenditures		 <u>978,238</u>	 <u>1,095,873</u>
 Excess (Deficit) in Revenue		 (46,067)	 40,824
 Adjustment to Income before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year	D-9	<u>46,067</u>	<u>-</u>
 Statutory Excess to Fund Balance		 -	 40,824
 Fund Balance, January 1	D	 <u>147,497</u>	 <u>206,673</u>
		147,497	247,497
 Decreased by:			
Utilized as Anticipated Utility Revenue	D-1	<u>16,062</u>	<u>100,000</u>
 Fund Balance, December 31	D	 <u>\$ 131,435</u>	 <u>\$ 147,497</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF HILLSDALE**  
**STATEMENT OF REVENUES - REGULATORY BASIS**  
**SWIM POOL UTILITY OPERATING FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	Reference	<u>Anticipated</u>	<u>Realized</u>	Excess or (Deficit)
Surplus Anticipated	D-1	\$ 16,062	\$ 16,062	
Membership Fees	D-1,D-4	899,000	739,809	\$ (159,191)
Use of Facility	D-1, D-4	39,000	34,252	(4,748)
BCCD ADA Pool Lift Grant	D-1, D-4	26,000	13,854	(12,146)
Miscellaneous	D-1, D-2	<u>40,000</u>	<u>92,468</u>	<u>52,468</u>
	D-2	<u>\$ 1,020,062</u>	<u>\$ 896,445</u>	<u>\$ (123,617)</u>
Adopted Budget	D-3	994,062		
Added by N.J.S. 40A:4-87	D-3	<u>26,000</u>		
		<u>\$ 1,020,062</u>		

Analysis of Miscellaneous Revenue

Cash Receipts	D-4	\$ 91,492
Due from Swim Pool Utility Capital Fund	D-6	<u>976</u>
		<u>\$ 92,468</u>

**BOROUGH OF HILLSDALE**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - SWIM POOL UTILITY OPERATING FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	2014 Appropriated		Expended		Over- Expended	Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved		
OPERATING						
Salaries and Wages	\$ 335,400	\$ 335,400	\$ 339,432		\$ 4,032	
Other Expenses	360,700	395,700	402,735		7,035	
CAPITAL IMPROVEMENTS						
BCCD ADA Pool Lift		26,000	13,854			\$ 12,146
Capital Outlay	40,000	40,000	21,741			18,259
DEBT SERVICE						
Payment of Bond Principal	60,000	60,000	60,000			
Interest on Bonds	12,962	12,962	12,512			450
Surplus(General Budget)	<u>185,000</u>	<u>185,000</u>	<u>127,964</u>	<u>-</u>	<u>-</u>	<u>57,036</u>
	<u>\$ 994,062</u>	<u>\$ 1,055,062</u>	<u>\$ 978,238</u>	<u>\$ -</u>	<u>\$ 11,067</u>	<u>\$ 87,891</u>

	Reference	D-2	D-3	D-1	D-9
Adopted Budget			\$ 994,062		
Emergency Authorization	D-9		35,000		
Added by N.J.S. 40A:4-87	D-2		<u>26,000</u>		
			<u>\$ 1,055,062</u>		

Cash Disbursements	D-4	\$ 954,685
Accrued Interest	D-7	12,512
Encumbrances Payable	D-11	<u>11,041</u>
		<u>\$ 978,238</u>

**BOROUGH OF HILLSDALE  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
PUBLIC ASSISTANCE FUND  
AS OF DECEMBER 31, 2014 AND 2013**

	<u>Reference</u>	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>			
Cash	E-1	\$ 63,533	\$ 49,399
Petty Cash	E	<u>100</u>	<u>100</u>
		<u>\$ 63,633</u>	<u>\$ 49,499</u>
<b>RESERVES</b>			
Due to Current Fund	E-3	\$ 505	\$ 510
Reserve for Public Assistance	E-2	<u>63,128</u>	<u>48,989</u>
		<u>\$ 63,633</u>	<u>\$ 49,499</u>

**BOROUGH OF HILLSDALE  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
GENERAL FIXED ASSETS ACCOUNT GROUP  
AS OF DECEMBER 31, 2014 AND 2013**

ASSETS	<u>2014</u>	<u>2013</u>
Land	\$ 31,585,900	\$ 36,953,400
Buildings and Building Improvements	3,545,800	4,630,700
Machinery and Equipment	<u>5,613,711</u>	<u>6,606,668</u>
	<u>\$ 40,745,411</u>	<u>\$ 48,190,768</u>
 FUND BALANCE		
Investment in General Fixed Assets	<u>\$ 40,745,411</u>	<u>\$ 48,190,768</u>

**NOTES TO FINANCIAL STATEMENTS**

**BOROUGH OF HILLSDALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

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

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

**B. Description of Regulatory Basis of Accounting**

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

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

**C. Basis of Presentation – Financial Statements**

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

**BOROUGH OF HILLSDALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Presentation – Financial Statements (Continued)**

The Borough has the following funds and account group:

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

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

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

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

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

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

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

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

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

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

General Fixed Assets Account Group - This account group is used to account for all general fixed assets of the Borough, other than those accounted for in the Swim Pool Utility Capital Fund. The Borough's infrastructure is not reported in the account group.

**BOROUGH OF HILLSDALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Presentation – Financial Statements (Continued)**

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

**Reclassifications** - Certain reclassifications have been made to the December 31, 2013 balances to conform to the December 31, 2014 presentation.

**Financial Statements – Regulatory Basis**

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

**D. Measurement Focus and Basis of Accounting**

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

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

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

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

**BOROUGH OF HILLSDALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting (Continued)**

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

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

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

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

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

**BOROUGH OF HILLSDALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting (Continued)**

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

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

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

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

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

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

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

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

**BOROUGH OF HILLSDALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting (Continued)**

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

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

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

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

Land and Buildings	Assessed Value
Machinery and Equipment	Replacement Cost

No depreciation has been provided for in the financial statements.

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

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

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

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

**BOROUGH OF HILLSDALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting (Continued)**

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

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

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

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

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2014 the Borough Council increased the original Current Fund budget by \$242,434 and the original Swim Pool Utility Operating Fund budget by \$61,000. The increases were funded by additional aid allotted to the Borough and emergency resolutions for solid waste disposal in the Current Fund and pump repairs and excess utility charges in the Swim Pool Utility Operating Fund. The Borough Council did not increase the original budget during 2013. In addition, the governing body approved several budget transfers during 2014 and 2013.

**BOROUGH OF HILLSDALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**B. Excess Expenditures Over Appropriations**

The following is a summary of expenditures in excess of available appropriations. The overexpended appropriations resulted in unfavorable variances.

<u>2014</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
<u>Swim Pool Utility Operating Fund</u>			
OPERATING			
Salaries and Wages	\$ 335,400	\$339,432	\$ 4,032
Other Expenses	395,700	402,735	7,035

In accordance with the regulatory basis of accounting, the above variances or overexpenditures were recorded as deferred charges on the balance sheet of the respective fund at year end and are required to be funded in the succeeding year's budget. GAAP does not permit the deferral of overexpenditures at year end.

**NOTE 3 DEPOSITS AND INVESTMENTS**

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

**A. Deposits**

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

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2014 and 2013, the book value of the Borough's deposits were \$6,482,917 and \$6,389,156 and bank and brokerage firm balances of the Borough's deposits amounted to \$6,661,489 and \$6,666,863, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2014</u>	<u>2013</u>
Insured	\$ 6,661,489	\$ 6,666,863

**BOROUGH OF HILLSDALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 3 DEPOSITS AND INVESTMENTS (Continued)**

**A. Deposits (Continued)**

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2014 and 2013, the Borough’s bank balances were not exposed to custodial credit risk.

**B. Investments**

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

As of December 31, 2014 and 2013, the Borough had the following investments:

	<u>Fair Value</u>	<u>Book Value</u>
<b><u>2014</u></b>		
Investment:		
Lincoln Financial		
Length of Service Award Program (LOSAP)	\$ 950,402	\$ 950,402
<b><u>2013</u></b>		
Investment:		
Lincoln Financial		
Length of Service Award Program (LOSAP)	\$ 881,658	\$ 881,658

**BOROUGH OF HILLSDALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 3 DEPOSITS AND INVESTMENTS (Continued)**

**B. Investments (Continued)**

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Borough does not have a policy for custodial risk. As of December 31, 2014 and 2013, \$950,402 and \$881,658 of the Borough’s investments was exposed to custodial credit risk as follows:

	Fair Value (LOSAP)	Book Value
<b><u>2014</u></b>		
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department but not in the Borough's name	\$ 950,402	\$ 950,402

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

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

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

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

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

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

**BOROUGH OF HILLSDALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 4 TAXES RECEIVABLE**

Receivables at December 31, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
<u>Current</u>		
Property Taxes	\$ 361,923	\$ 385,268
Tax Title Liens	<u>11,354</u>	<u>17,778</u>
	<u>\$ 373,277</u>	<u>\$ 403,046</u>

In 2014 and 2013, the Borough collected \$386,387 and \$367,204 from delinquent taxes, which represented 96% and 93%, respectively of the prior year delinquent taxes receivable balance.

**NOTE 5 DUE TO/FROM OTHER FUNDS**

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

	<u>2014</u>		<u>2013</u>	
	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>
Current Funds	\$ 16,345	\$ 145,660	\$ 15,223	\$ 38,639
Trust Funds				
Assessment		12,531		12,234
Recreation		34		6
Animal Control		4		3
Other Trust		3,271		2,470
General Capital Fund	88,624		38,639	
Swim Pool Utility				
Operating	57,036	202		206
Capital	202		206	
Public Assistance Fund	<u>-</u>	<u>505</u>	<u>-</u>	<u>510</u>
Total	<u>\$ 162,207</u>	<u>\$ 162,207</u>	<u>\$ 54,068</u>	<u>\$ 54,068</u>

The above balances are the result of expenditures being paid by one fund on behalf of another.

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

**BOROUGH OF HILLSDALE  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 6 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS**

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

	<u>Balance</u> <u>December 31,</u>	<u>Budget</u> <u>Appropriation</u>	<u>Balance</u>
<b><u>2014</u></b>			
Current Fund			
Emergency Autorizations	\$ 105,000	\$ 105,000	
Special Emergency Authorizations (40A:4-55)	100,000	50,000	\$ 50,000
Swim Pool Utility Operating			
Emergency Autorizations	35,000	35,000	
Overexpenditure of Appropriations	11,067	11,067	
<b><u>2013</u></b>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$ 150,000	\$ 50,000	\$ 100,000

**NOTE 7 DEFERRED SCHOOL TAXES**

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

	<b><u>2014</u></b>	<b><u>2013</u></b>
	Regional <u>High School</u>	Regional <u>High School</u>
Balance of Tax	\$ 5,404,552	\$ 5,437,665
Deferred Liability	<u>4,867,902</u>	<u>4,867,902</u>
Taxes Payable	<u>\$ 536,650</u>	<u>\$ 569,763</u>

**BOROUGH OF HILLSDALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 8 FUND BALANCES APPROPRIATED**

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

	<b>2014</b>		<b>2013</b>	
	Fund Balance <u>December 31,</u>	Utilized in Subsequent <u>Year's Budget</u>	Fund Balance <u>December 31,</u>	Utilized in Subsequent <u>Year's Budget</u>
Current Fund				
Cash Surplus	\$ 1,452,850	\$ 1,075,000	\$ 1,339,664	\$ 1,075,000
Non-Cash Surplus	<u>246,373</u>	<u>-</u>	<u>193,614</u>	<u>-</u>
	<u>\$ 1,699,223</u>	<u>\$ 1,075,000</u>	<u>\$ 1,533,278</u>	<u>\$ 1,075,000</u>
Swim Pool Utility Operating Fund				
Cash Surplus	\$ 85,368	\$ 40,000	\$ 147,497	\$ 16,062
Non-Cash Surplus	<u>46,067</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 131,435</u>	<u>\$ 40,000</u>	<u>\$ 147,497</u>	<u>\$ 16,062</u>

**BOROUGH OF HILLSDALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 9 FIXED ASSETS**

**A. General Fixed Assets**

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2014 and 2013.

	Balance December 31, <u>2013</u>	<u>Increases</u>	<u>Decreases</u>	Prior Period <u>Adjustment</u>	Balance, December 31, <u>2014</u>
<b><u>2014</u></b>					
Land	\$ 36,953,400			\$ (5,367,500)	\$ 31,585,900
Buildings and Building Improvements	4,630,700			(1,084,900)	3,545,800
Machinery and Equipment	<u>6,606,668</u>	<u>\$ 253,361</u>	<u>\$ 153,966</u>	<u>(1,092,352)</u>	<u>5,613,711</u>
	<u>\$ 48,190,768</u>	<u>\$ 253,361</u>	<u>\$ 153,966</u>	<u>\$ (7,544,752)</u>	<u>\$ 40,745,411</u>
		Balance December 31, <u>2012</u> (Restated)	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2013</u>
<b><u>2013</u></b>					
Land		\$ 36,953,400			\$ 36,953,400
Buildings and Building Improvements		4,630,700			4,630,700
Machinery and Equipment		<u>6,555,989</u>	<u>\$ 50,679</u>	<u>-</u>	<u>6,606,668</u>
		<u>\$ 48,140,089</u>	<u>\$ 50,679</u>	<u>\$ -</u>	<u>\$ 48,190,768</u>

**BOROUGH OF HILLSDALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 9 FIXED ASSETS (Continued)**

**B. Swim Pool Utility Fund Fixed Assets**

The following is a summary of changes in the utility fund fixed assets for the years ended December 31, 2014 and 2013.

	Balance December 31, <u>2013</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2014</u>
<b><u>Swim Pool Utility Fund</u></b>				
<b><u>2014</u></b>				
Fixed Capital				
Building and Building Improvements	\$ 5,124,807	\$ 35,595	\$ 27,224	\$ 5,133,178
	<u>\$ 5,124,807</u>	<u>\$ 35,595</u>	<u>\$ 27,224</u>	<u>\$ 5,133,178</u>
	Balance December 31, <u>2012</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2013</u>
<b><u>2013</u></b>				
Fixed Capital				
Building and Building Improvements	\$ 4,990,554	\$ 134,253	-	\$ 5,124,807
	<u>\$ 4,990,554</u>	<u>\$ 134,253</u>	<u>\$ -</u>	<u>\$ 5,124,807</u>

**BOROUGH OF HILLSDALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 10 MUNICIPAL DEBT**

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

The Borough's debt is summarized as follows:

	<u>2014</u>	<u>2013</u>
Issued		
General		
Bonds and Notes	\$ 3,320,000	\$ 3,720,000
Swim Pool Utility Bonds	<u>470,000</u>	<u>530,000</u>
	<u>3,790,000</u>	<u>4,250,000</u>
 Less Funds Temporarily Held to Pay Bonds and Notes	 <u>4,375</u>	 <u>-</u>
 Net Debt Issued	 3,785,625	 4,250,000
 Authorized But Not Issued		
General		
Bonds and Notes	305,822	126,144
Swim Pool Utility Bonds and Notes	<u>49,000</u>	<u>49,000</u>
 Net Bonds and Notes Issued and Authorized But Not Issued	 <u>\$ 4,140,447</u>	 <u>\$ 4,425,144</u>

**BOROUGH OF HILLSDALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 10 MUNICIPAL DEBT (Continued)**

**Statutory Net Debt**

The statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and indicates a statutory net debt of .201% and .209% at December 31, 2014 and 2013, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2014</u></b>			
General Debt	\$ 3,625,822	\$ 4,375	\$ 3,621,447
School Debt	9,227,316	9,227,316	
Utility Debt	<u>519,000</u>	<u>519,000</u>	<u>-</u>
Total	<u>\$ 13,372,138</u>	<u>\$ 9,750,691</u>	<u>\$ 3,621,447</u>

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

**Statutory Borrowing Power**

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

	<u>2014</u>	<u>2013</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 63,079,464	\$ 64,500,841
Less: Net Debt	<u>3,621,447</u>	<u>3,846,144</u>
Remaining Borrowing Power	<u>\$ 59,458,017</u>	<u>\$ 60,654,697</u>

**BOROUGH OF HILLSDALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 10 MUNICIPAL DEBT (Continued)**

**A. Long-Term Debt**

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

**General Obligation Bonds**

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

	<u>2014</u>	<u>2013</u>
\$4,290,000, 2011 Bonds, due in an annual installment of \$400,000 to \$485,000 through February 15, 2021, interest at 2.00% - 3.25%	\$ 3,130,000	\$ 3,530,000

**Utility Bonds**

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

**Swim Pool Utility**

	<u>2014</u>	<u>2013</u>
\$650,000, 2011 Bonds, due in annual installments of \$60,000 to \$70,000 through February 15, 2021, interest at 2.00% - 3.25%	\$ 470,000	\$ 530,000

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2014 is as follows:

Calendar Year	General Bonds		Swim Pool Utility		Total
	Principal	Interest	Principal	Interest	
2015	\$ 410,000	\$ 81,563	\$ 65,000	\$ 12,163	\$ 568,726
2016	420,000	72,738	65,000	10,782	568,520
2017	430,000	62,100	65,000	9,157	566,257
2018	450,000	50,000	65,000	7,369	572,369
2019	460,000	36,912	70,000	5,425	572,337
2020-2021	960,000	30,770	140,000	4,463	1,135,233
Total	\$ 3,130,000	\$ 334,083	\$ 470,000	\$ 49,359	\$ 3,983,442

**BOROUGH OF HILLSDALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 10 MUNICIPAL DEBT (Continued)**

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

**Changes in Long-Term Municipal Debt**

The Borough's long-term capital debt activity for the years ended December 31, 2014 and 2013 were as follows:

	Balance, December 31, <u>2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2014</u>	Due Within <u>One Year</u>
<b><u>2014</u></b>					
General Capital Fund Bonds Payable	\$ 3,530,000	-	\$ 400,000	\$ 3,130,000	\$ 410,000
General Capital Fund Long-Term Liabilities	<u>\$ 3,530,000</u>	<u>\$ -</u>	<u>\$ 400,000</u>	<u>\$ 3,130,000</u>	<u>\$ 410,000</u>
Swim Pool Utility Capital Fund Bonds Payable	\$ 530,000	-	\$ 60,000	\$ 470,000	\$ 65,000
Swim Pool Utility Capital Fund Long-Term Liabilities	<u>\$ 530,000</u>	<u>\$ -</u>	<u>\$ 60,000</u>	<u>\$ 470,000</u>	<u>\$ 65,000</u>
	Balance, December 31, <u>2012</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2013</u>	Due Within <u>One Year</u>
<b><u>2013</u></b>					
General Capital Fund Bonds Payable	\$ 3,915,000	-	\$ 385,000	\$ 3,530,000	\$ 400,000
General Capital Fund Long-Term Liabilities	<u>\$ 3,915,000</u>	<u>\$ -</u>	<u>\$ 385,000</u>	<u>\$ 3,530,000</u>	<u>\$ 400,000</u>
Swim Pool Utility Capital Fund Bonds Payable	\$ 590,000	-	\$ 60,000	\$ 530,000	\$ 60,000
Swim Pool Utility Capital Fund Long-Term Liabilities	<u>\$ 590,000</u>	<u>\$ -</u>	<u>\$ 60,000</u>	<u>\$ 530,000</u>	<u>\$ 60,000</u>

**BOROUGH OF HILLSDALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 10 MUNICIPAL DEBT (Continued)**

**B. Short-Term Debt**

The Borough's short-term debt activity for the years ended December 31, 2014 and 2013 was as follows:

**Bond Anticipation Notes**

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, December 31, 2013</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2014</u>
<b><u>2014</u></b>						
<u>General Capital Fund</u>						
2013 Road Improvement Program	0.70%	12/18/2014	\$ 190,000		\$ 190,000	
2013 Road Improvement Program	0.70%	12/17/2015	-	\$ 190,000	-	\$ 190,000
Total Bond Anticipation Notes Payable			<u>\$ 190,000</u>	<u>\$ 190,000</u>	<u>\$ 190,000</u>	<u>\$ 190,000</u>

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

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

**BOROUGH OF HILLSDALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 10 MUNICIPAL DEBT (Continued)**

**B. Short-Term Debt (Continued)**

**Bond Anticipation Notes (Continued)**

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

**NOTE 11 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

As of December 31, the Borough had the following commitments with respect to unfinished capital projects:

<u>2014</u>	<u>Capital Project</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
	Upgrades to Police Department Computers	\$ 61,500	2015
	Kent Rd., Baylor Ave. and Saddlewood Drive Road Impvts.	342,290	2015

**NOTE 12 OTHER LONG-TERM LIABILITIES**

**A. Compensated Absences**

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

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$648,706 and \$540,907 at December 31, 2014 and 2013, respectively. These amounts which are considered material to the financial statements, are not reported either as an expenditure or liability.

As of December 31, 2014 and 2013, the Borough has reserved in the Current Fund \$53,887 and \$94,858, respectively to fund compensated absences in accordance with NJSA 40A:4-39.

**B. Deferred Health Benefit Premium**

On July 23, 2009, the Borough adopted resolution #09104 to elect the two-month premium delay option under the New Jersey State Health Benefits Program (SHBP). Under this option, the Borough delayed the first two month premiums totaling \$110,410. Should the Borough elect to terminate SHBP participation in the future or the Program ceases to exist, the Borough will be required to pay any delayed premiums immediately. As of December 31, 2014 the two-month premium delay amounted to \$121,387. The Borough has established a medical benefit account to reserve the deferred medical insurance premium. The balance in the medical benefit account was \$31,916 and \$31,924 as of December 31, 2014 and 2013, respectively.

**BOROUGH OF HILLSDALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 13 EMPLOYEE RETIREMENT SYSTEMS**

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

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

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

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

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

**Other Pension Funds**

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

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

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

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

**BOROUGH OF HILLSDALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Basis of Accounting**

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

**Significant Legislation**

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

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

- For new members of PERS hired on or after June 28, 2011 (Tier 5 members), the years of creditable service needed for early retirement benefits increased from 25 to 30 years and the early retirement age increased from 55 to 65. The eligibility age to qualify for a service retirement in the PERS increased from age 62 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), decreased from 65 percent of final compensation to 60 percent of final compensation after 25 years of service and from 70 percent of final compensation to 65 percent of final compensation after 30 or more years of service.
- It increased the active member contribution rates as follows: PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years for members hired or reappointed on or after June 28, 2011; PFRS active member rates increase from 8.5 percent to 10 percent. For Fiscal Year 2014, the PERS member contribution rate was 6.78%. The rate increased to 6.92% effective July 2014. The phase-in of the additional incremental member contributions for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries was suspended. COLA increases may be reactivated at a future date as permitted by this law.
- It changed the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay method).

**Investment Valuation**

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

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

**BOROUGH OF HILLSDALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Funded Status and Funding Progress**

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

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

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

**Actuarial Methods and Assumptions**

In the July 1, 2012 actuarial valuations, the date of the most recent actuarial valuations, the projected unit credit was used as actuarial cost method, and the five year average of market value was used as asset valuation method for pension trust funds. The actuarial assumptions included (a) 7.90% for investment rate of return for all the retirement systems except CPFPPF (2.00%) and (b) changes to projected salary increases of 4.22 percent for PERS and 6.01 percent for PFRS.

**Employer and Employee Pension Contributions**

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 6.50% plus an additional 1% phased-in over 7 years beginning in July 2013 for PERS, 10.0% for PFRS and 5.50% for DCRP of employees' annual compensation. The member contribution for PERS was 6.78% in fiscal year 2014 and 6.92% for fiscal year 2015 effective July 2014.

**Annual Pension Cost (APC)**

Per the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employees*, for the year ended June 30, 2014 for PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

**BOROUGH OF HILLSDALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Annual Pension Cost (APC) (Continued)**

During the years ended December 31, 2014, 2013 and 2012, the Borough, was required to contribute for normal cost pension contributions, accrued liability pension contributions, early retirement incentive program contributions, deferred pension obligation contributions, and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2014	\$ 517,525	\$ 190,129	\$ 8,693
2013	574,338	208,130	5,535
2012	551,334	218,874	1,602

**NOTE 14 POST-RETIREMENT MEDICAL BENEFITS**

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for participating municipalities including the Borough. The plans are classified as either single employer plans or cost sharing multiple employer defined benefit plans depending on the plan the eligible employee is covered under.

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

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

**BOROUGH OF HILLSDALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 14 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

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

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above Fund. The financial reports may be assessed via, the New Jersey, Division of Pensions and Benefits website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**Basis of Accounting**

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

**Significant Legislation**

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

**Investment Valuation**

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

**Funded Status and Funding Progress**

As of July 1, 2013, the most recent actuarial valuation date, the State had a \$51.5 billion unfunded actuarial liability for other postemployment benefits (OPEB) which is made up of \$19.3 billion for state active and retired members and \$32.2 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

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

**BOROUGH OF HILLSDALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 14 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

**Funded Status and Funding Progress (Continued)**

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

**Actuarial Methods and Assumptions**

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

**Post-Retirement Medical Benefits Contribution**

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

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

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

**BOROUGH OF HILLSDALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 14 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

**Post-Retirement Medical Benefits Contribution (Continued)**

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The Borough's contributions to the State Health Benefits Program Fund-Local Government for post-retirement benefits for the years ended December 31, 2014, 2013 and 2012 were \$506,159, \$426,037 and \$356,154, respectively, which equaled the required contributions for each year (or were not available). In addition, the Borough's reimbursements to eligible retired employees for Medicare Part B insurance coverage for the years ended December 31, 2014, 2013 and 2012 were \$21,069, \$25,824 and \$25,853, respectively.

**NOTE 15 RISK MANAGEMENT**

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

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

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

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

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

**BOROUGH OF HILLSDALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 16 CONTINGENT LIABILITIES**

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

**Pending Tax Appeals** - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2014 and 2013. Amounts claimed have not yet been determined. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. The Borough expects such amounts, if any, could be material. As of December 31, 2014 and 2013, the Borough reserved \$183,356 and \$186,000, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years' budget or from fund balance.

**Federal and State Awards** - The Borough participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 2014 and 2013, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough.

**NOTE 17 FEDERAL ARBITRAGE REGULATIONS**

The Borough is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2014 and 2013, the Borough has not estimated its estimated arbitrage earnings due to the IRS, if any.

**NOTE 18 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED**

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

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

**BOROUGH OF HILLSDALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 18 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED (Continued)**

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

The Borough of Hillsdale has contributed \$1,368 and \$1,368 for 2014 and 2013, respectively, for each eligible volunteer fire department member into the Plan. The Borough also contributed \$1,368 and \$1,368 for 2014 and 2013, respectively for each eligible volunteer first aid squad members into the Plan. The total Borough contributions were \$39,954 and \$44,460 for 2014 and 2013, respectively.

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

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

**Vesting and Benefits**

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

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

**Reporting Requirements**

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

**NOTE 19 SUBSEQUENT EVENTS**

**Debt Authorized**

On July 7, 2015 the Borough adopted a Bond Ordinance authorizing the issuance of \$1,404,546 in Bonds or Bond Anticipation Notes to fund certain capital projects. As of the date of this report the Borough has not issued nor awarded the sale of said bonds or notes.

**CURRENT FUND**

**BOROUGH OF HILLSDALE  
STATEMENT OF CURRENT CASH - TREASURER**

Balance, December 31, 2013		\$	4,267,275
Increased by Receipts:			
Taxes Receivable	\$	43,116,149	
Non-Budget Revenue		38,318	
Due from State of New Jersey - Senior Citizens' and Veterans' Deductions		93,181	
Prepaid Taxes		199,841	
Grants Receivable		39,155	
Revenue Accounts Receivable		2,271,549	
Tax Overpayments		7,892	
Unappropriated Grant Reserves		41,221	
Miscellaneous Reserves		64,982	
Due to State of New Jersey - Marriage License Fees		650	
Due to State of New Jersey - DCA Training Fees		9,627	
Receipts from Assessment Trust Fund		6,799	
Receipts from Recreation Trust Fund		526	
Receipts from General Capital Fund		1,411	
Receipts from Swim Pool Utility Operating Fund		57,036	
Receipts from Public Assistance Trust Fund		<u>81</u>	
			<u>45,948,418</u>
			50,215,693
Decreased by Disbursements:			
2014 Budget Appropriations	10,639,264		
2013 Appropriation Reserves	180,077		
Encumbrances Payable	243,314		
Accounts Payable	918		
County Taxes Payable	4,229,421		
Local School Taxes Payable	19,647,362		
Regional High School Taxes Payable	10,842,215		
Appropriated Grant Reserves	57,706		
Miscellaneous Reserves	1,584		
Accumulated Absences	40,971		
Reserve for Tax Appeals	2,644		
Tax Overpayments Refunded	12,726		
Due to State of New Jersey - Marriage License Fees	675		
Due to State of New Jersey - DCA Training Fees	8,368		
Refund of Prior Year Taxes	<u>876</u>		
			<u>45,908,121</u>
Balance, December 31, 2014		\$	<u><u>4,307,572</u></u>

**BOROUGH OF HILLSDALE  
STATEMENT OF CHANGE FUND**

<u>Office</u>	Balance, December 31, <u>2013</u>	Balance, December 31, <u>2014</u>
Tax Collector	\$ <u>250</u>	\$ <u>250</u>

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

Balance, December 31, 2013		\$ 2,705
Increased by:		
Received in Cash from State	\$ 93,181	
Senior Citizens' and Veterans' Deductions Disallowed by Tax Collector-2014	500	
Senior Citizens' and Veterans' Deductions Disallowed by Tax Collector-2013	<u>1,569</u>	
		<u>95,250</u>
		97,955
Decreased by:		
Senior Citizens' and Veterans' Deductions Per Tax Billings	94,500	
Senior Citizens' and Veterans' Deductions Allowed by Tax Collector	<u>750</u>	
		<u>95,250</u>
Balance, December 31, 2014		<u>\$ 2,705</u>

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

Year	Balance, December 31, 2013	2014 Levy	Added Taxes	Senior Citizens' and Veterans' Deductions Disallowed	Collected In 2013	2014	Senior Citizens' and Veterans' Deductions Allowed	Cancelled	Transfer to Tax Title Liens	Balance, December 31, 2014
2013	\$ 385,268	-	-	\$ 1,569	-	\$ 386,837	-	-	-	-
	385,268	-	-	1,569	-	386,837	-	-	-	-
2014	-	\$ 43,698,767	\$ 37,674	500	\$ 517,455	42,729,312	\$ 95,250	\$ 32,349	\$ 652	\$ 361,923
	\$ 385,268	\$ 43,698,767	\$ 37,674	\$ 2,069	\$ 517,455	\$ 43,116,149	\$ 95,250	\$ 32,349	\$ 652	\$ 361,923

Analysis of 2014 Property Tax Levy

<b>TAX YIELD</b>	
General Purpose Tax	\$ 43,698,767
Added Taxes (54:4-63.1 et seq.)	<u>37,674</u>
	\$ 43,736,441
<b>TAX LEVY</b>	
Local School Taxes	\$ 19,647,362
Regional School Taxes	10,809,102
County Taxes	
County Tax	\$ 4,180,834
County Open Space Preservation	45,271
Due County for Added and Omitted	
Taxes (54:4-63.1 et seq.)	<u>3,651</u>
	4,229,756
Local Tax for Municipal Purposes	8,390,368
Minimum Library Tax	603,070
Add Additional Tax Levied	<u>56,783</u>
	<u>9,050,221</u>
	\$ 43,736,441

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

Balance, December 31, 2013		\$ 17,778
Increased by:		
Transferred from Taxes Receivable		<u>652</u>
		18,430
Decreased by:		
Cancellations		<u>7,076</u>
Balance, December 31, 2014		<u><u>\$ 11,354</u></u>

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

Balance, December 31, 2013		<u>\$ 726,900</u>
Balance, December 31, 2014		<u><u>\$ 726,900</u></u>

**BOROUGH OF HILLSDALE  
STATEMENT OF GRANTS RECEIVABLE**

	Balance December 31 <u>2013</u>	Revenue <u>Realized</u>	Cash <u>Receipts</u>	<u>Cancelled</u>	Balance December 31 <u>2014</u>
Municipal Alliance on Alcoholism & Drug Abuse	\$ 9,876		\$ 2,444		\$ 7,432
CDBG - Barrier Free Improvements to Borough Hall	25,000				25,000
Body Armor Fund	797	\$ 1,122	1,919		
Alcohol Education Rehabilitation Program		177	177		
Click It or Ticket		4,000	2,300	\$ 1,700	
Distracted Driving Statewide Crackdown Grant		5,000	5,000		
Association of NJ Environmental Commission		670	670		
JIF Safety Committee Award		1,500	1,500		
Community Development Grant		65,000	11,248	53,752	
Drive Sober or Get Pulled Over		5,000	1,658	3,342	
Drunk Driving Enforcement Fund		8,965	8,965		
Radon Awareness Program		1,000			1,000
CDBG Grant		3,274	3,274		
Green Communities	3,000				3,000
Stormwater Management Grant	4,941	-	-	-	4,941
	<u>\$ 43,614</u>	<u>\$ 95,708</u>	<u>\$ 39,155</u>	<u>\$ 58,794</u>	<u>\$ 41,373</u>

Cancelled to Reserve for Appropriated Grant Reserves \$ 58,794

EXHIBIT A-11

**STATEMENT OF DEFERRED CHARGES - EMERGENCY AUTHORIZATION**

	Amount Resulting from 2014	Cancelled by Resolution	Balance, December 31, 2014
Solid Waste Disposal	<u>\$ 150,000</u>	<u>\$ 45,000</u>	<u>\$ 105,000</u>

EXHIBIT A-12

**STATEMENT OF DEFERRED CHARGE - SPECIAL EMERGENCY AUTHORIZATION**

<u>Purpose</u>	Amount Authorized	Not Less Than 1/5 of Amount Authorized	Balance, December 31, 2013	Raised in 2014 Budget	Balance, December 31, 2014
Revaluation of Real Property	\$ 250,000	\$ 50,000	<u>\$ 150,000</u>	<u>\$ 50,000</u>	<u>\$ 100,000</u>

**BOROUGH OF HILLSDALE**  
**STATEMENT OF REVENUE ACCOUNTS RECEIVABLE**

	Balance, December 31, <u>2013</u>	Accrued in <u>2014</u>	<u>Decreases</u>	Balance, December 31, <u>2014</u>
Borough Clerk				
Licenses				
Alcoholic Beverages		\$ 17,500	\$ 17,500	
Other		285	285	
Fees and Permits		6,085	6,085	
Police Department				
Fees and Permits		2,679	2,679	
Planning/Zoning				
Fees and Permits		51,109	51,109	
Fire Prevention				
Fees and Permits		39,527	39,527	
Board of Health				
Licenses		20,278	20,278	
Fees and Permits		5,649	5,649	
Municipal Court				
Fines and Costs	\$ 9,513	89,034	98,547	
Interest and Cost on Taxes		81,990	81,990	
Interest on Investments and Deposits		14,943	14,943	
Parking Fees		61,762	61,762	
Anticipated Utility Operating Surplus		127,960	127,960	
Payment in Lieu of Taxes - Senior Housing		48,205	48,205	
Police Administrative Charge		50,000	50,000	
Communication Tower and Cable		230,613	230,613	
Energy Receipts Tax		1,180,070	1,180,070	
Watershed Aid		2,303	2,303	
Uniform Construction Code Fees		199,852	199,852	
Interlocal Agreement				
Pistol Range Rental - River Vale		2,230	2,230	
Uniform Fire Safety Act		9,396	9,396	
Recycling Revenues	-	20,566	20,566	-
	<u>\$ 9,513</u>	<u>\$ 2,262,036</u>	<u>\$ 2,271,549</u>	<u>\$ -</u>
		Cash Receipts	<u>\$ 2,271,549</u>	

BOROUGH OF HILLSDALE  
STATEMENT OF 2013 APPROPRIATION RESERVES

	Balance December <u>31, 2013</u>	Encumbrances Payable <u>Cancelled</u>	Budget After Transfer or <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Mayor and Council					
Other Expenses	\$ 1,182		\$ 1,182	\$ 175	\$ 1,007
Administrative and Executive					
Salaries and Wages	8,882		7,382	815	6,567
Other Expenses					
Public Information	7,154		4,154		4,154
Miscellaneous	11,864	\$ 63	11,927		11,927
Financial Administration					
Salaries and Wages	30,974		9,039		9,039
Other Expenses	19,664		19,664	4,565	15,099
Auditing and Accounting Services	4,000	1,000	5,000		5,000
Revenue Administration					
Salaries and Wages	212		212		212
Other Expenses	4,690		4,690		4,690
Assessment of Taxes					
Salaries and Wages	816		2,316	2,233	83
Other Expenses	11,060		11,060	348	10,712
Municipal Clerk					
Salaries and Wages	8,581		8,581		8,581
Other Expenses	11,733		11,733	105	11,628
Legal Services					
Other Expenses	49,296		49,296	1,178	48,118
Engineering Services					
Other Expenses	16,810		16,810	5,740	11,070
Train Station					
Other Expenses	817		817		817
Planning Board					
Other Expenses	1,332		1,332	37	1,295
Zoning Board					
Salaries and Wages	610		610	498	112
Other Expenses	341		341		341
Buildings and Grounds					
Other Expenses	9,373	327	9,200		9,200
Environmental Commission					
Other Expenses	35		35		35
Municipal Court					
Salaries and Wages	4,340		4,340		4,340
Other Expenses	425		425	240	185
Public Defender					
Salaries and Wages	120		120		120
Prosecutor					
Salaries and Wages	58		58		58
Insurance					
Unemployment Compensation	3,092		3,092		3,092
General Liability	6,319		6,319		6,319
Workers Compensation	13,265		13,265	1,101	12,164
Group Insurance Plan for Employees	32,097		32,097	4,185	27,912
Police					
Salaries and Wages	251,300		245,500	16,421	229,079
Other Expenses	4,676	124	4,800		4,800
Emergency Management					
Other Expenses	770		770		770
First Aid Organization					
Other Expenses	2,403		2,403		2,403
Fire Department					
Salaries and Wages	74		74		74
Other Expenses	2,418		2,418	2,394	24

BOROUGH OF HILLSDALE  
STATEMENT OF 2013 APPROPRIATION RESERVES

	Balance December 31, 2013	Encumbrances Payable Cancelled	Budget After Transfer on Modification	Paid or Charged	Balance Lapsed
Fire Prevention					
Salaries and Wages	\$ 3,121		\$ 3,121	\$ 2,349	\$ 772
Other Expenses	487		487	95	392
Road Repair and Maintenance					
Salaries and Wages	696		22,016	21,970	46
Other Expenses	409		909	168	741
Garbage and Trash Removal					
Salaries and Wages	1,455		1,455	212	1,243
Other Expenses	782	\$ 2,720	3,502		3,502
Recycling					
Other Expenses	11,529		11,529		11,529
Board of Health					
Salaries and Wages	6,176		6,176	2,121	4,055
Other Expenses	1,888		1,888	250	1,638
Administration of Public Assistance					
Salaries and Wages	174		174		174
Recreation Commission					
Salaries and Wages	101		101		101
Other Expenses	256	151	407		407
Senior Citizens Committee					
Salaries and Wages	66		266	211	55
Other Expenses	674		674	308	366
Parks and Playgrounds					
Salaries and Wages			6,215	5,202	1,013
Other Expenses	2,805	3,632	6,437		6,437
Anniversary or Holiday					
Other Expenses	330		330		330
Construction Code Official					
Salaries and Wages	1,855		1,855	1,116	739
Other Expenses	35,225		35,225		35,225
Unclassified					
Gas and Electricity	33,756		33,756	21,243	12,513
Telephone and Telegraph	16,705		16,705	738	15,967
Water	12,610		12,610	1,312	11,298
Gas	26,124		26,124	8,417	17,707
Vehicle Maintenance					
Other Expenses	4,854		4,854	2,423	2,431
Blood Borne Pathogens	1,000		1,000	133	867
Accumulated Absences	3,402		3,402		3,402
Contingent	2,380		2,380		2,380
Statutory Expenditures					
Social Security	17,540		11,540		11,540
Public Employee's Retirement System of NJ			6,000	3,591	2,409
Defined Contribution Retirement Program	165		165		165
Stormwater					
Salaries and Wages	297		3,297	3,050	247
Maintenance of Free Public Library	19,257		19,257	19,257	-
Length of Service Award Program	69,000		69,000	44,118	24,882
Recycling Tax	310	2,514	2,824		2,824
Bergen County Utilities Authority					
Operating	100		100		100
Reserve for Tax Appeals	71,053		71,053	1,758	69,295
Interlocal Service Agreements					
Pistol Range Rental - River Vale	13		13		13
General Administration					
Computer Equipment and Building Improvements	12,964		12,964		12,964
Fire					
Turnout Gear, SCBA Cylinder and Computer Eq.	5,094	\$ -	5,094	-	5,094
	<u>\$ 885,436</u>	<u>\$ 10,531</u>	<u>\$ 895,967</u>	<u>\$ 180,077</u>	<u>\$ 715,890</u>
Appropriation Reserves	\$ 840,976		Cash Disbursement	<u>\$ 180,077</u>	
Reserve for LOSAP Contribution	44,460				
	<u>\$ 885,436</u>				

**BOROUGH OF HILLSDALE  
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2013		\$	253,845
Increased by:			
Charges to 2014 Appropriations			<u>202,680</u>
			456,525
Decreased by:			
Cash Disbursements	\$	243,314	
Cancellations		<u>10,531</u>	
			<u>253,845</u>
Balance, December 31, 2014		\$	<u><u>202,680</u></u>

**STATEMENT OF ACCOUNTS PAYABLE**

Balance, December 31, 2013		\$	4,015
Decreased by:			
Cash Disbursements	\$	918	
Cancellations		<u>3,097</u>	
			<u><u>\$ 4,015</u></u>

**BOROUGH OF HILLSDALE  
STATEMENT OF PREPAID TAXES**

Balance, December 31, 2013	\$ 517,455
Increased by:	
Collection of 2015 Taxes	<u>199,841</u>
	717,296
Decreased by:	
Application to 2014 Taxes	<u>517,455</u>
Balance, December 31, 2014	<u><u>\$ 199,841</u></u>

**STATEMENT OF TAX OVERPAYMENTS**

Balance, December 31, 2013	\$ 5,084
Increased by:	
Overpayments Received	<u>7,892</u>
	12,976
Decreased by:	
Cash Disbursements	<u>12,726</u>
Balance, December 31, 2014	<u><u>\$ 250</u></u>

**BOROUGH OF HILLSDALE  
STATEMENT OF MISCELLANEOUS RESERVES**

	Balance, December 31, <u>2013</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	Balance, December 31, <u>2014</u>
Open Space - Pascack Bridge	\$ 41,310			\$ 41,310
Insurance Claims	46,134	\$ 46,438		92,572
Insurance Claims - FEMA	18,903	18,544	\$ 1,584	35,863
Watershed Aid	<u>2,521</u>	<u>-</u>	<u>-</u>	<u>2,521</u>
	<u>\$ 108,868</u>	<u>\$ 64,982</u>	<u>\$ 1,584</u>	<u>\$ 172,266</u>

EXHIBIT A-20

**STATEMENT OF RESERVE FOR ACCUMULATED ABSENCES**

Balance, December 31, 2013	\$ 94,858
Decreased by:	
Cash Disbursements	<u>40,971</u>
Balance, December 31, 2014	<u>\$ 53,887</u>

EXHIBIT A-21

**STATEMENT OF RESERVE FOR TAX APPEALS**

Balance, December 31, 2013	\$ 186,000
Decreased by:	
Cash Disbursements	<u>2,644</u>
Balance, December 31, 2014	<u>\$ 183,356</u>

EXHIBIT A-22

**STATEMENT OF RESERVE FOR REVALUATION**

Balance, December 31, 2013	<u>\$ 22,520</u>
Balance, December 31, 2014	<u>\$ 22,520</u>

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

Balance, December 31, 2013	\$	53
Increased by:		
Cash Receipts		<u>650</u>
		703
Decreased by:		
Cash Disbursements		<u>675</u>
Balance, December 31, 2014	\$	<u><u>28</u></u>

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

Balance, December 31, 2013	\$	2,250
Increased by:		
Cash Receipts		<u>9,627</u>
		11,877
Decreased by:		
Cash Disbursements		<u>8,368</u>
Balance, December 31, 2014	\$	<u><u>3,509</u></u>

**STATEMENT OF COUNTY TAXES PAYABLE**

Balance, December 31, 2013	\$	3,316
Increased by:		
2014 Levy		
County Tax	\$	4,180,834
County Open Space Preservation		45,271
County Tax for Added Taxes (54:4-63.1)		<u>3,651</u>
		<u>4,229,756</u>
		4,233,072
Decreased by:		
Payments		<u>4,229,421</u>
Balance, December 31, 2014	\$	<u><u>3,651</u></u>

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

Balance, December 31, 2013	\$	498
Increased by:		
2014 Levy		<u>19,647,362</u>
		19,647,860
Decreased by:		
Payments		<u>19,647,362</u>
Balance, December 31, 2014	\$	<u>498</u>

EXHIBIT A-27

**STATEMENT OF REGIONAL HIGH SCHOOL TAXES PAYABLE**

Balance, December 31, 2013			
School Taxes Payable	\$	569,763	
Deferred School Taxes		<u>4,867,902</u>	
			\$ 5,437,665
Increased by:			
Levy - School Year July 1, 2014 to June 30, 2015			<u>10,809,102</u>
			16,246,767
Decreased by:			
Cash Disbursements			<u>10,842,215</u>
Balance, December 31, 2014			
School Taxes Payable		536,650	
Deferred School Taxes		<u>4,867,902</u>	
			<u>\$ 5,404,552</u>
2014 Liability for Regional High School Tax			
2014 School Taxes Paid			\$ 10,842,215
Add: School Taxes Payable, December 31, 2014			<u>536,650</u>
			11,378,865
Less: School Taxes Payable, December 31, 2013			<u>569,763</u>
Amount Charged to 2014 Operations			<u>\$ 10,809,102</u>

**BOROUGH OF HILLSDALE**  
**STATEMENT OF RESERVE FOR UNAPPROPRIATED GRANTS**

	Balance December 31, <u>2013</u>	<u>Received</u>	Realized as <u>Revenue</u>	Balance December 31, <u>2014</u>
Recycling Tonnage Grant	\$ 17,618	\$ 24,037	\$ 17,618	\$ 24,037
Body Armor Fund		99		99
Bergen County - Rifles	7,691		7,691	
Clean Communities	17,899	17,085	17,899	17,085
CDBG - Senior Activities	<u>3,638</u>	<u>-</u>	<u>3,638</u>	<u>-</u>
	<u>\$ 46,846</u>	<u>\$ 41,221</u>	<u>\$ 46,846</u>	<u>\$ 41,221</u>

EXHIBIT A-29

**STATEMENT OF RESERVE FOR APPROPRIATED GRANTS**

	Balance December 31, <u>2013</u>	Transfer from 2014 <u>Budget</u>	Paid or <u>Charged</u>	<u>Cancelled</u>	Balance December 31, <u>2014</u>
Clean Communities Program	\$ 49,892	\$ 17,899	\$ 435	\$ 814	\$ 66,542
Recycling Tonnage Grant	58,597	17,618	21,579		54,636
Alcohol Education and Rehabilitation	1,541	177	234		1,484
Municipal Alliance					
Grant	4,458				4,458
CDBG - 2012	10,225				10,225
Community Development - Senior Activities	6,670	6,912	800		12,782
CDBG - Barrier Free Improvements to Borough Hall	25,000				25,000
Click It or Ticket		4,000	2,300	1,700	
Distracted Driving Statewide Crackdown Grant		5,000	5,000		
Association of NJ Environmental Commission		670	618		52
JIF Safety Committee Award		1,500	668		832
Community Development Grant		65,000	11,248	53,752	
Drive Sober or Get Pulled Over		5,000	1,658	3,342	
Bergen County - Rifles		7,691			7,691
Radon Awareness Program		1,000	191		809
GDL Enforcement Grant	543				543
Drunk Driving Enforcement Fund	9,324	8,965	11,214		7,075
Body Armor Replacement Fund	6,260	1,122	1,761		5,621
Stormwater Management	7,629				7,629
Safety Committee Awards	2,571				2,571
Green Communities	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,000</u>
	<u>\$ 185,710</u>	<u>\$ 142,554</u>	<u>\$ 57,706</u>	<u>\$ 59,608</u>	<u>\$ 210,950</u>

Cash Disbursements \$ 57,706

Cancelled to Grants Receivable \$ 58,794

Cancelled to Operations 814\$ 59,608

**TRUST FUND**

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

	<u>Assessment Trust Fund</u>	<u>Animal Control Trust Fund</u>	<u>Other Trust Fund</u>	<u>Recreation Trust Fund</u>
Balance, December 31, 2013	\$ 19,033	\$ 11,020	\$ 805,083	\$ 133,774
Increased by Receipts:				
Interest Earned	297	1	801	554
Assessment Collections	3,277			
Animal Licenses Collected		15,631		
Municipal Share		1,303		
State Share			508,515	
Miscellaneous Reserves			151,192	
Escrow Deposits			4,065,641	
Payroll Deductions Payable				315,078
Recreation Deposits	3,574	16,935	4,726,149	315,632
	22,607	27,955	5,531,232	449,406
Decreased by:				
Expenditures Under R.S. 4:19-15.1		13,191		
Due to State of New Jersey - Animal License Fees		1,337		
Payroll Deductions Payable			4,062,990	321,381
Recreation Expenditures			100,259	
Escrow Deposits			8	
Medical Benefits			493,372	526
Miscellaneous Reserves				
Payments Made to Current Fund:				
Anticipated Current Fund Revenue	6,799	14,528	4,656,629	321,907
Balance, December 31, 2014	\$ 15,808	\$ 13,427	\$ 874,603	\$ 127,499

EXHIBIT B-3

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

Due to Current Fund	\$ 12,526
Fund Balance	<u>3,282</u>
	<u>\$ 15,808</u>

EXHIBIT B-4

**STATEMENT OF ASSESSMENTS RECEIVABLE  
ASSESSMENT TRUST FUND**

Improvement Description	Date of <u>Confirmation</u>	Balance, December 31, <u>2013</u>	<u>Increases</u>	Cash <u>Receipts</u>	Balance, December 31, <u>2014</u>
Ord. 06-08 Sidewalk Improvements	4/8/2008	\$ <u>12,682</u>	<u>-</u>	\$ <u>3,277</u>	\$ <u>9,405</u>
		\$ <u>12,682</u>	\$ <u>-</u>	\$ <u>3,277</u>	\$ <u>9,405</u>

Pledged to:

Reserve for Assessments Receivable	\$ <u>9,405</u>
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EXHIBIT B-5

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

Balance, December 31, 2013	\$ 12,234
Increased by:	
Interest Earned	<u>297</u>
Balance, December 31, 2014	<u>\$ 12,531</u>

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

Balance, December 31, 2013	\$	226
Increased by:		
2014 State Registration Fees		<u>1,303</u>
		1,529
Decreased by:		
Payments to State of New Jersey		<u>1,337</u>
Balance, December 31, 2014	\$	<u><u>192</u></u>

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

Balance, December 31, 2013	\$	3
Increased by:		
Interest Earned		<u>1</u>
Balance, December 31, 2014	\$	<u><u>4</u></u>

**STATEMENT OF RESERVE FOR ANIMAL CONTROL EXPENDITURES**

Balance, December 31, 2013	\$	10,791
Increased by:		
Dog Licenses Issued	\$	10,870
Late/Replacement/Miscellaneous Fees		1,404
Cat Licenses Issued		<u>3,357</u>
		<u>15,631</u>
		26,422
Decreased by:		
Expenditures Under R.S. 4:19-15.11		<u>13,191</u>
Balance, December 31, 2014	\$	<u><u>13,231</u></u>

EXHIBIT B-9

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

Balance, December 31, 2013	\$ 2,470
Increased by:	
Interest Earned	<u>801</u>
Balance, December 31, 2014	<u>\$ 3,271</u>

EXHIBIT B-10

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

Balance, December 31, 2013	\$ 161,261
Increased by:	
Cash Receipts	<u>151,192</u>
	312,453
Decreased by:	
Cash Disbursements	<u>100,259</u>
Balance, December 31, 2014	<u>\$ 212,194</u>

EXHIBIT B-11

**STATEMENT OF RESERVE FOR MEDICAL BENEFITS**

Balance, December 31, 2013	\$ 31,924
Decreased by:	
Cash Disbursements	<u>8</u>
Balance, December 31, 2014	<u>\$ 31,916</u>

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

	Balance December 31, <u>2013</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance December 31, <u>2014</u>
Street Lighting Fund	\$ 5,199			\$ 5,199
UCA/Fire Penalties	68,381	\$ 23,100	\$ 1,524	89,957
Dedicated Fire Penalties	250			250
POAA	2,014	190	329	1,875
DARE Program	6,768			6,768
Tax Title Lien Premiums	166,700	229,600	231,300	165,000
Tax Map Revisions	300			300
Memorial Day Parade	3,336	875	820	3,391
Trees - Memorial	415			415
Centennial	986			986
Reserve for COAH Payments	88,313	10,277		98,590
Stonybook Police Donation	14,905	9,150	5,780	18,275
2002 Disability	49,280	3,294	7,419	45,155
Developer's Contribution	39,328	19,709	585	58,452
Paterson Bridge Design	22,950			22,950
Hillsdale Board of Education	298			298
Celebration of Public Events	4,485	6,150	7,599	3,036
Curbs/Roads Sidewalks	12,410	28,051	14,691	25,770
Senior Lunch	204			204
Snow Rider	46,015		1,280	44,735
Police Reserves	38,292	178,119	222,045	(5,634)
Miscellaneous	(604)	-	-	(604)
	<u>\$ 570,225</u>	<u>\$ 508,515</u>	<u>\$ 493,372</u>	<u>\$ 585,368</u>

EXHIBIT B-13

**STATEMENT OF PAYROLL DEDUCTIONS AND WITHHOLDINGS PAYABLE**

Balance, December 31, 2013	\$ 39,203
Increased by:	
Payroll Deposits	<u>4,065,641</u>
	4,104,844
Decreased by:	
Cash Disbursements	<u>4,062,990</u>
Balance, December 31, 2014	<u>\$ 41,854</u>

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

Balance, December 31, 2013	\$	133,768
Increased by:		
Cash Receipts		<u>315,078</u>
		448,846
Decreased by:		
Cash Disbursements		<u>321,381</u>
Balance, December 31, 2014	\$	<u><u>127,465</u></u>

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

Balance, December 31, 2013	\$	6
Increased by:		
Interest on Investments		<u>554</u>
		560
Decreased by:		
Cash Disbursements		<u>526</u>
Balance, December 31, 2014	\$	<u><u>34</u></u>

**GENERAL CAPITAL FUND**

**BOROUGH OF HILLSDALE  
STATEMENT OF GENERAL CAPITAL CASH - TREASURER**

Balance, December 31, 2013		\$ 497,834
Increased by:		
Interest Earned	\$ 1,426	
Grant Proceeds	256,718	
Bond Anticipation Notes	<u>190,000</u>	
		<u>448,144</u>
		945,978
Decreased by Disbursements:		
Improvement Authorizations	27,220	
Contracts Payable	31,513	
Bond Anticipation Notes	190,000	
Payments to Current Fund - Interest	<u>1,411</u>	
		<u>250,144</u>
Balance, December 31, 2014		<u><u>\$ 695,834</u></u>

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

	Balance, December 31, <u>2014</u>
Grants Receivable	\$ (315,674)
Due from Current Fund	(88,624)
Contracts Payable	356,038
Capital Improvement Fund	76,174
Reserve for Capital Improvements	64,618
Down Payments on Improvements	3,000
Reserve for Payments of Debt	4,375
Reserve for Municipal Open Space Fund	103,512

## Improvement Authorizations:

<u>Ordinance Number</u>	<u>Improvement Description</u>	
03-1	Acquisition of Real Property for Open Space and Recreation	71,535
03-9	Various Capital Improvements	6,209
04-21	Various Capital Improvements	15,153
06-14	Acquisition of a Fire Pumper Truck	1,673
07-27	Various Capital Improvements	(23,273)
09-15	Various Capital Improvements	242,564
10-10	Resurfacing of Wierimus Lane	(12,486)
10-13	Resurfacing of Various Roads	105,074
11-14	2011 Road/Curb/Sidewalk/Drainage Improvement Program	83,649
12-12	Municipal Improvements	3,117
13-05	Improvements at Central Ave and Installation of ADA Ramps	78,144
13-08	2013 Road Improvement Program	24,627
14-12	2014 Road Improvement Program	(103,571)
		<u>\$ 695,834</u>

**BOROUGH OF HILLSDALE  
STATEMENT OF GRANTS RECEIVABLE**

<u>Grant</u>	<u>Ord. No.</u>	Balance December 31, <u>2013</u>	<u>Grants Awarded</u>	<u>Grants Received</u>	Balance December 31, <u>2014</u>
New Jersey Department of Transportation					
Ralph Avenue	11-14	\$ 11,479			\$ 11,479
2013 Road Improvement Program	13-05	94,195			94,195
2014 Road Improvement Program -Discretionary	14-12		\$ 250,000	\$ 107,718	142,282
2014 Road Improvement Program - Municipal Aid	14-12		149,000	149,000	
Bergen County Open Space					
Centennial Field Handicap Access & Bicycle Path	09-15	6,048			6,048
Memorial Field	09-15	42,701			42,701
St. Nicholas Park	09-15	33,386			33,386
County of Bergen					
ADA Improvements	09-15	2,097			2,097
Installation of ADA Ramps	13-05	210,000	-	-	210,000
		<u>\$ 399,906</u>	<u>\$ 399,000</u>	<u>\$ 256,718</u>	<u>\$ 542,188</u>
Pledged to:					
Ordinance		\$ 315,674			\$ 315,674
Reserve for Grants Receivable		84,232	\$ 399,000	\$ 256,718	226,514
		<u>\$ 399,906</u>	<u>\$ 399,000</u>	<u>\$ 256,718</u>	<u>\$ 542,188</u>

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

Balance, December 31, 2013		\$ 38,639
Increased by:		
Payments to Current Fund	\$ 1,411	
Budget Appropriation - Capital Improvement Fund	<u>50,000</u>	
		<u>51,411</u>
		90,050
Decreased by:		
Interest Earned		<u>1,426</u>
Balance, December 31, 2014		<u><u>\$ 88,624</u></u>

**STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED**

Balance, December 31, 2013		\$ 3,530,000
Decreased by:		
2014 Budget Appropriations		
Serial Bonds		<u>400,000</u>
Balance, December 31, 2014		<u><u>\$ 3,130,000</u></u>

**BOROUGH OF HILLSDALE  
STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED**

<u>Ord. No.</u>	<u>Improvement Description</u>	Balance December 31, 2013	2014 Authorizations	Grant Proceeds	Balance December 31, 2014	Bond Anticipation Notes	<u>Expenditures</u>	<u>Unexpended Improvement Authorizations</u>
07-27	Various Capital Improvements	\$ 26,005			\$ 26,005		\$ 23,273	\$ 2,732
09-15	Various Capital Improvements	82,139			82,139			82,139
10-10	Resurfacing of Wierimus Lane	18,000			18,000		12,486	5,514
13-08	2013 Road Improvement Program	190,000			190,000	\$ 190,000		
14-12	2014 Road Improvement Program	-	\$ 436,396	\$ 256,718	179,678	-	103,571	76,107
		<u>\$ 316,144</u>	<u>\$ 436,396</u>	<u>\$ 256,718</u>	<u>\$ 495,822</u>	<u>\$ 190,000</u>	<u>\$ 139,330</u>	<u>\$ 166,492</u>
								\$ 191,119
								<u>24,627</u>
								<u>\$ 166,492</u>

Improvement Authorizations - Unfunded  
Less: Unexpended Note Proceeds  
Ordinance 13-08



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

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	Maturities of Bonds			<u>Decreased</u>	Balance, December 31, <u>2014</u>
			<u>Date</u>	<u>Outstanding December 31, 2014 Amount</u>	<u>Interest Rate</u>		
General Improvement Bonds	2/15/2011	\$ 4,290,000	2015	\$ 410,000	2.00%		
			2016	420,000	2.25%		
			2017	430,000	2.75%		
			2018	450,000	2.75%		
			2019	460,000	3.00%		
			2020	475,000	3.00%		
			2021	485,000	3.25%	\$ 400,000	\$ 3,130,000
						\$ 400,000	\$ 3,130,000
						<u>400,000</u>	<u>3,130,000</u>
						<u>400,000</u>	<u>3,130,000</u>

Paid by Budget Appropriation \$ 400,000

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

Ord. No.	Improvement Description	Original Date of Issue	Original Amount Issued	Date of Issue	Date of Maturity	Interest Rate	Balance, December 31, 2013	Increased	Decreased	Balance, December 31, 2014
13-08	2013 Road Improvement Program	12/19/2013	\$ 190,000	12/19/2013 12/18/2014	12/18/2014 12/17/2015	0.70% 0.70%	\$ 190,000	\$ 190,000	\$ 190,000	\$ 190,000
							\$ 190,000	\$ 190,000	\$ 190,000	\$ 190,000

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

Balance, December 31, 2013		\$ 49,143
Increased by:		
2014 Budget Appropriation		<u>50,000</u>
		99,143
Decreased by:		
Appropriations to Finance Improvement Authorizations		<u>22,969</u>
Balance, December 31, 2014		<u><u>\$ 76,174</u></u>

**STATEMENT OF CONTRACTS PAYABLE**

Balance, December 31, 2013		\$ 34,562
Increased by:		
Charges to Improvement Authorizations		<u>356,038</u>
		390,600
Decreased by:		
Cash Disbursements	\$ 31,513	
Cancellations	<u>3,049</u>	
		<u>34,562</u>
Balance, December 31, 2014		<u><u>\$ 356,038</u></u>

**BOROUGH OF HILLSDALE**  
**STATEMENT OF RESERVE FOR CAPITAL IMPROVEMENTS**

	Balance December 31, <u>2013</u>	Balance December 31, <u>2014</u>
Acquisition of Fire Apparatus and Renovation of Firehouse	\$ 112	\$ 112
Office of Emergency Management	1,707	1,707
Centennial Park Development	807	807
Landfill Closure Reserve	35,099	35,099
Police Equipment	61	61
Fire Equipment	480	480
Municipal Building Improvement	20,752	20,752
Legion Flag Monument	<u>5,600</u>	<u>5,600</u>
	<u>\$ 64,618</u>	<u>\$ 64,618</u>

EXHIBIT C-13

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

Balance, December 31, 2013	\$ <u>3,000</u>
Balance, December 31, 2014	\$ <u>3,000</u>

EXHIBIT C-14

**RESERVE FOR PAYMENT OF DEBT**

Balance, December 31, 2013	\$ <u>4,375</u>
Balance, December 31, 2014	\$ <u>4,375</u>

EXHIBIT C-15

**RESERVE FOR MUNICIPAL OPEN SPACE FUND**

Balance, December 31, 2013	\$ <u>103,512</u>
Balance, December 31, 2014	\$ <u>103,512</u>

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

<u>Ord. No.</u>	<u>Improvement Description</u>	Balance December 31, <u>2013</u>	2014 <u>Authorizations</u>	Grant <u>Proceeds</u>	Balance December 31, <u>2014</u>
7-27	Various Capital Improvements	\$ 26,005			\$ 26,005
9-15	Various Public Improvements	82,139			82,139
10-10	Resurfacing of Wierimus Lane	18,000			18,000
14-12	2014 Road Improvement Program	-	\$ 436,396	\$ 256,718	<u>179,678</u>
		<u>\$ 126,144</u>	<u>\$ 436,396</u>	<u>\$ 256,718</u>	<u>\$ 305,822</u>

**SWIM POOL UTILITY FUND**

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

	<u>Operating</u>		<u>Capital</u>
Balance, December 31, 2013	\$ 281,834		\$ 323,554
Increased by Receipts:			
Membership Fees	\$ 739,809		
Use of Facility Fees	34,252		
BCCD ADA Pool Lift Grant	13,854		
Miscellaneous Revenue	91,492	\$ 976	
Receipts from Swim Pool Utility Capital Fund	972		
Swim Team	<u>16,219</u>		<u>-</u>
	<u>896,598</u>		<u>976</u>
	1,178,432		324,530
Decreased by Disbursements:			
2014 Budget Appropriations	954,685		
2013 Appropriation Reserves	7,632		
Reserve for Swim Team	12,012		
Payments to Current Fund	57,036		
Payments to Swim Pool Utility Operating Fund		972	
Encumbrances Payable	73,372		
Accrued Interest	<u>12,962</u>		<u>-</u>
	<u>1,117,699</u>		<u>972</u>
Balance, December 31, 2014	<u>\$ 60,733</u>		<u>\$ 323,558</u>

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

	Balance, December 31, <u>2014</u>
Capital Improvement Fund	\$ 108
Reserve for Improvements	25,308
Contracts Payable	3,000
Due from Swim Pool Utility Operating Fund	(202)
<u>Ord. #</u>	<u>Improvement Authorizations</u>
95-9	Capital Improvements at Stonybrook
11-15	Construction of Addition to Admin. Bldg.
	21,823
	<u>273,521</u>
	<u>\$ 323,558</u>

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

Balance, December 31, 2013	\$	206
Increased by:		
Receipts from Swim Pool Utility Capital Fund		972
		1,178
Decreased by:		
Interest Earned in Swim Pool Utility Capital Fund		976
Balance, December 31, 2014	\$	202

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

Balance, December 31, 2013	\$	5,255
Increased by:		
Charged to 2014 Budget		12,512
		17,767
Decreased by:		
Cash Disbursements		12,962
Balance, December 31, 2014	\$	4,805

**BOROUGH OF HILLSDALE  
STATEMENT OF DUE FROM CURRENT FUND  
SWIM POOL UTILITY OPERATING FUND**

Increased By:	
Cash Disbursements	\$ <u>57,036</u>
Balance, December 31, 2014	\$ <u>57,036</u>

**STATEMENT OF DEFERRED CHARGES  
SWIM POOL UTILITY OPERATING FUND**

	<u>Amount Resulting from 2014</u>	<u>Balance, December 31, 2014</u>
Emergency Authorizations	\$ 35,000	\$ 35,000
Overexpenditure of Appropriation	<u>11,067</u>	<u>11,067</u>
	<u>\$ 46,067</u>	<u>\$ 46,067</u>

**BOROUGH OF HILLSDALE  
STATEMENT OF 2013 APPROPRIATION RESERVES  
SWIM POOL UTILITY OPERATING FUND**

	Balance, December 31, <u>2013</u>	Encumbrances <u>Cancelled</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Operating				
Salaries and Wages	\$ 121	\$ 2,634		\$ 2,755
Other Expenses	7,632		\$ 7,632	
Capital Improvements	<u>5,747</u>	<u>27,224</u>	<u>-</u>	<u>32,971</u>
	<u>\$ 13,500</u>	<u>\$ 29,858</u>	<u>\$ 7,632</u>	<u>\$ 35,726</u>
		Cash Disbursements	<u>\$ 7,632</u>	

EXHIBIT D-11

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

Balance, December 31, 2013	\$ 103,230
Increased by:	
Charged to 2014 Appropriations	<u>11,041</u>
	114,271
Decreased by:	
Cancelled Encumbrances	\$ 29,858
Cash Disbursements	<u>73,372</u>
	<u>103,230</u>
Balance, December 31, 2014	<u>\$ 11,041</u>

EXHIBIT D-12

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

Balance, December 31, 2013	\$ 12,146
Increased by:	
Cash Receipts	<u>16,219</u>
	28,365
Decreased by:	
Cash Disbursements	<u>12,012</u>
Balance, December 31, 2014	<u>\$ 16,353</u>

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

Balance, December 31, 2013		\$ 5,124,807
Increased by:		
Capital Outlay Operating Budget		<u>35,595</u>
		5,160,402
Decreased by:		
Capital Outlay Operating Budget - Cancelled Encumbrances		<u>27,224</u>
		5,133,178
Balance, December 31, 2014		<u>\$ 5,133,178</u>

EXHIBIT D-14

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

		Balance, December 31, <u>2013</u>	Balance, December 31, <u>2014</u>
Ord. <u>No.</u>	<u>Improvement Description</u>		
95-9	Capital Improvements at Stonybrook	\$ 70,823	\$ 70,823
11-15	Construction of an Addition to Admin. Bldg. at Stonybr	<u>281,565</u>	<u>281,565</u>
		<u>\$ 352,388</u>	<u>\$ 352,388</u>

EXHIBIT D-15

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

Balance, December 31, 2013		<u>\$ 25,308</u>
Balance, December 31, 2014		<u>\$ 25,308</u>



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

Balance, December 31, 2013		\$ 375,000
Decreased by:		
Prior Period Adjustment		<u>60,000</u>
Balance, December 31, 2014		<u>\$ 315,000</u>

Analysis of Balance

Ordinance 1995-09		\$ 30,000
Ordinance 2011-15		<u>285,000</u>
		<u>\$ 315,000</u>

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

Balance, December 31, 2013		\$ 4,523,195
Increased by:		
Prior Period Adjustment	\$ 60,000	
Serial Bonds Paid by Operating Budget	60,000	
Capital Outlay Operating Budget	<u>35,595</u>	
		<u>155,595</u>
		4,678,790
Decreased by:		
Capital Outlay Operating Budget - Cancelled Encumbrances		<u>27,224</u>
Balance, December 31, 2014		<u>\$ 4,651,566</u>

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

Ord. No.	<u>Improvement Description</u>	<u>Ordinance Amount</u>	<u>Balance, December 31, 2013</u>		<u>Contracts Payable Cancelled</u>	<u>Balance, December 31, 2014</u>	
			<u>Funded</u>	<u>Unfunded</u>		<u>Funded</u>	<u>Unfunded</u>
95-9	Capital Improvements to Stonybrook	\$ 530,000	\$ 21,823	\$ 49,000		\$ 21,823	\$ 49,000
11-15	Construction of an Addition to Admin. Bldg. at Stonybrook	285,000	<u>272,256</u>	-	\$ 1,265	<u>273,521</u>	-
			<u>\$ 294,079</u>	<u>\$ 49,000</u>	<u>\$ 1,265</u>	<u>\$ 295,344</u>	<u>\$ 49,000</u>
					<u>\$ 1,265</u>		

Contracts Payable

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

Balance, December 31, 2013	\$	4,265
Decreased by:		
Cancellations - Restored to Improvement Authorizations		1,265
Balance, December 31, 2014	\$	3,000

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

Balance, December 31, 2013	\$	108
Balance, December 31, 2014	\$	108

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

<u>Ord. No.</u>	<u>Improvement Description</u>	Balance December 31, <u>2013</u>	Balance December 31, <u>2014</u>
95-9	Capital Improvements to Stonybrook	\$ 49,000	\$ 49,000
		\$ 49,000	\$ 49,000

**PUBLIC ASSISTANCE FUND**

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

Balance, December 31, 2013		\$ 49,399
Increased by Receipts:		
State Aid	\$ 187,500	
Interest	<u>76</u>	
		<u>187,576</u>
		236,975
Decreased by Disbursements:		
Public Assistance Payments	173,361	
Interest to Current Fund	<u>81</u>	
		<u>173,442</u>
Balance, December 31, 2014		<u>\$ 63,533</u>

**STATEMENT OF RESERVE FOR PUBLIC ASSISTANCE FUND**

Balance, December 31, 2013		\$ 48,989
Increased by:		
State Aid		<u>187,500</u>
		236,489
Decreased by:		
Public Assistance		<u>173,361</u>
Balance, December 31, 2014		<u>\$ 63,128</u>

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

Balance, December 31, 2013	\$	510
Increased by:		
Interest Received		<u>76</u>
		586
Decreased by:		
Interest Disbursed		<u>81</u>
Balance, December 31, 2014	\$	<u>505</u>

EXHIBIT E-4

**STATEMENT OF PUBLIC ASSISTANCE REVENUES**

State Aid	\$	<u>187,500</u>
Total Revenues (PATF)		<u>187,500</u>
Total Receipts/Revenues	\$	<u>187,500</u>

EXHIBIT E-5

**STATEMENT OF PUBLIC ASSISTANCE EXPENDITURES**

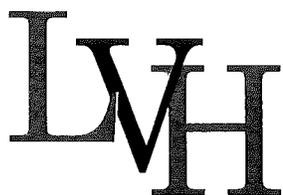
Current Year Assistance	\$	45,967
Maintenance Payments		112,398
Temporary Rental Assistance		8,318
Emergency Assistance		<u>6,888</u>
Transportation		173,571
Total Current Year Assistance Reported		173,571
Assistance Over Reported		<u>(210)</u>
Total Disbursements	\$	<u>173,361</u>

**BOROUGH OF HILLSDALE**



**PART II**

**GOVERNMENT AUDITING STANDARDS**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

### INDEPENDENT AUDITOR’S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis of the Borough of Hillsdale as of and for the year ended December 31, 2014, and the related notes to the financial statements, and have issued our report thereon dated August 18, 2015. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared and presented in accordance with accounting principles generally accepted in the United States of America but rather prepared and presented in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the requirements of the State of New Jersey for municipal government entities as described in Note 1. In addition, our report on the financial statements – regulatory basis was modified on the regulatory basis of accounting because of the presentation of the unaudited LOSAP Trust Fund financial statements.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Borough of Hillsdale’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Borough of Hillsdale’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Hillsdale’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Borough’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and responses as items 2014-001 and 2014-002 that we consider to be significant deficiencies in internal control over financial reporting.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Hillsdale’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 and which are described in the accompanying schedule of findings and responses as items 2014-001 and 2014-002.

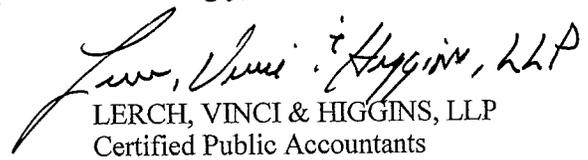
We also noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Borough of Hillsdale in Part III of this report of audit entitled, “Letter of Comments and Recommendations”.

### Borough of Hillsdale’s Responses to Findings

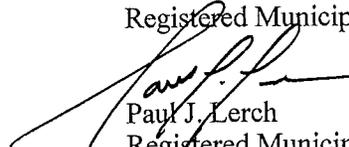
The Borough of Hillsdale’s responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Borough of Hillsdale’s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough of Hillsdale’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Hillsdale’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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



Paul J. Lerch  
Registered Municipal Accountant  
RMA Number CR00457

Fair Lawn, New Jersey  
August 18, 2015

**BOROUGH OF HILLSDALE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

Grantor	CFDA Number	State Project Number	Grant Award Amount	2014 Grant Receipts	Balance, December 31, 2013	Revenue Realized	Expenditures	Adjustments	Balance, December 31, 2014	Memo Cumulative Total Expenditure
U.S. Department of Transportation (Passed through N.J. State Department of Transportation) 2013 Road Program (Ord. 13-08)	20.205	078-6320-480	\$ 211,500	\$ 107,718	\$ 75,095	\$ 250,000	\$ 107,718	\$ -	\$ 75,095	\$ 136,405
2014 Road Program - Discretionary (Ord. 14-12)	20.205	078-6320-480	250,000	\$ 149,000	-	149,000	149,000	-	142,282	107,718
2014 Road Program (Ord. 14-12)	20.205	078-6320-480	149,000	149,000	-	149,000	149,000	-	-	149,000
U.S. Department of Transportation (Passed through State Department of Law and Public Safety) Click It or Ticket It Drive Sober Get Pulled Over	20.616 20.601	66-1160-100-161 66-1160-100-057	4,000 5,000	2,300 1,658	-	4,000 5,000	2,300 1,658	(1,700) (3,342)	- -	2,300 1,658
U.S. Department of Homeland Security FEMA Assistance	97.036	066-1200-100	18,544	18,554	18,903	18,544	1,584	-	35,863	1,584
U.S. Department of Housing and Urban Development Community Development Block Grant Pass Through Funds: ADA Improvements	14.218	N/A	25,000	-	25,000	-	800	-	25,000	-
Senior Activities			4,950	-	2,201	-	-	-	1,401	3,549
Senior Activities			3,638	-	3,638	-	-	-	3,638	-
Senior Activities			831	-	831	-	-	-	831	-
Senior Activities			3,638	-	-	3,638	-	-	3,638	-
Senior Activities			3,274	-	-	3,274	-	-	3,274	-
Senior Activities			10,225	-	10,225	-	-	-	10,225	-
Barrier Free Improvements			65,000	-	-	65,000	11,248	(53,752)	-	11,248
Barrier Free Improvements			65,000	11,248	-	-	-	-	-	-
			\$ 498,456	\$ 274,308	\$ (58,794)	\$ 301,247				

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



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

**BOROUGH OF HILLSDALE  
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
YEAR ENDED DECEMBER 31, 2014**

**NOTE 1 GENERAL**

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

**NOTE 2 BASIS OF ACCOUNTING**

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

**NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS**

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current Fund	\$ 99,456	\$ 52,451	\$ 151,907
General Capital Fund	399,000		399,000
Public Assistance Fund	<u>-</u>	<u>187,500</u>	<u>187,500</u>
Total Financial Awards	<u>\$ 498,456</u>	<u>\$ 239,951</u>	<u>\$ 738,407</u>

**NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

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

**BOROUGH OF HILLSDALE  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

*Part 1 – Summary of Auditors' Results*

**Financial Statements Section**

Type of auditors' report issued on financial statements

Modified (Unaudited LOSAP)

Internal control over financial reporting:

1) Material weakness(es) identified?

     yes        X   no

2) Significant Deficiency(ies) identified that are not considered to be material weakness(es)?

  X   yes           none reported

Noncompliance material to basic financial statements noted?

  X   yes           no

**Federal Awards Section**

NOT APPLICABLE

**State Awards Section**

NOT APPLICABLE

**BOROUGH OF HILLSDALE  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**Part 2 – Schedule of Financial Statement Findings**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Chapter 5.18-5.20 of *Government Auditing Standards*.

**Finding 2014-001**

The Borough's integrated general ledger system for the Current Fund, General Capital Fund, Swim Pool Utility Funds, and the Recreation Trust Fund was not utilized for the year end close-out. A spreadsheet with cash receipt and cash disbursement activity was provided for audit for these funds.

**Criteria or Specific Requirement**

General Ledger Accounting Systems NJAC 5:30-5.7.

**Condition**

The general ledger accounting system was not maintained and utilized for year-end close out.

**Context**

Financial transactions of the Current Fund, General Capital Fund, Swim Pool Utility Funds and the Recreation Trust Fund were recorded on a daily basis; however the integrated general ledger system for these funds were not reconciled with the subsidiary reports at year end.

**Effect**

The Borough's integrated general ledger system for these funds didn't accurately reflect the Borough's financial activity at year-end.

**Cause**

The Borough bypassed the integrated general ledger system for these funds at year end and created a manual spreadsheet of their cash receipt and disbursement activity..

**Recommendation**

Internal controls over the general ledger accounting system be enhanced to ensure a self-balancing integrated general ledger system is utilized for the Current Fund, General Capital Fund, Swim Pool Utility Funds, and Recreation Trust Fund.

**View of Responsible Officials and Planned Corrective Action**

Management has reviewed this finding and has indicated corrective action will be developed and implemented to address this finding.

**BOROUGH OF HILLSDALE  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**Part 2 – Schedule of Financial Statement Findings**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Chapter 5.18-5.20 of *Government Auditing Standards*.

**Finding 2014-002** – Our audit revealed expenditures in excess of available appropriations in the Swim Pool Operating Fund.

**Criteria or Specific Requirement** – N.J.S.A. 40A:4-57.

**Condition** – 2014 expenditures in the Swim Pool Operating Fund exceeded available appropriations.

**Context** – Expenditures exceeded available 2014 budget appropriations by \$11,067.

**Effect** – Funds were expended in excess of available appropriations resulting in a deferred charge which is required to be raised in the subsequent year's budget.

**Cause** – Proper procedures were not followed to ensure that approved appropriations were made available prior to incurring 2014 expenditures.

**Recommendation** – Budget modifications be made in the Swim Pool Operating Fund prior to the overexpenditure of available appropriations.

**View of Responsible Officials and Planned Corrective Action** – Management has reviewed this finding and has indicated corrective action has been developed and implemented to address this finding.

**BOROUGH OF HILLSDALE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

*Part 3 – Schedule of Federal and State Award Findings and Questioned Costs*

This section identifies the significant deficiencies, 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's Circular 15-08, as amended.

**CURRENT YEAR FEDERAL AWARDS**

Not Applicable

**CURRENT YEAR STATE AWARDS**

Not Applicable.

**BOROUGH OF HILLSDALE  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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*, US OMB Circular A-133 and NJ OMB Circular 15-08.

**STATUS OF PRIOR YEAR FINDINGS**

There were none.

**BOROUGH OF HILLSDALE**



**PART III**

**SUPPLEMENTARY DATA**

**LETTER OF COMMENTS AND RECOMMENDATIONS**

**YEAR ENDED DECEMBER 31, 2014**

**BOROUGH OF HILLSDALE  
SUPPORTING DATA**

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

	<u>Year 2014</u>		<u>Year 2013</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>				
Fund Balance Utilized	\$ 1,075,000	2.24 %	\$ 950,000	2.01 %
Miscellaneous - From Other Than Local				
Property Tax Levies	2,462,375	5.13	2,602,494	5.52
Collection of Current and Delinquent Taxes	43,728,354	91.13	43,089,152	91.33
Other Credits	<u>719,801</u>	<u>1.50</u>	<u>539,202</u>	<u>1.14</u>
Total Income	<u>47,985,530</u>	<u>100.00 %</u>	<u>47,180,848</u>	<u>100.00 %</u>
<b>EXPENDITURES</b>				
Budget Expenditures				
Municipal Purposes	12,159,788	25.95 %	11,909,581	25.86 %
County Taxes	4,229,756	9.03	4,025,109	8.74
Local School Taxes	19,647,362	41.94	19,319,320	41.95
Regional School Taxes	10,809,102	23.07	10,775,329	23.40
Other Expenditures	<u>3,567</u>	<u>0.01</u>	<u>20,323</u>	<u>0.05</u>
Total Expenditures	<u>46,849,575</u>	<u>100.00 %</u>	<u>46,049,662</u>	<u>100.00 %</u>
Excess in Revenues	1,135,955		1,131,186	
Expenditures Included Above Which by Statute are Deferred and Required to be Raised in Succeeding Year's Budget	<u>105,000</u>		<u>-</u>	
Statutory Excess to Fund Balance	1,240,955		1,131,186	
Fund Balance, January 1	<u>1,533,278</u>		<u>1,352,092</u>	
	2,774,233		2,483,278	
Less Utilization as Anticipated Revenue	<u>1,075,000</u>		<u>950,000</u>	
Fund Balance, December 31	<u>\$ 1,699,233</u>		<u>\$ 1,533,278</u>	

**BOROUGH OF HILLSDALE  
SUPPORTING DATA**

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

	<u>Year 2014</u>		<u>Year 2013</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilitized	\$ 16,062	1.72 %	\$ 100,000	8.79 %
Membership Fees	739,809	79.36	899,094	79.09
Miscellaneous Revenue	140,574	15.08	109,521	9.63
Other Credits to Income	<u>35,726</u>	<u>3.84</u>	<u>28,082</u>	<u>2.49</u>
 Total Income	 <u>932,171</u>	 <u>100.00</u> %	 <u>1,136,697</u>	 <u>100.00</u> %
EXPENDITURES				
Budget Appropriations	850,274	86.92 %	910,873	83.12 %
Surplus (General Budget)	<u>127,964</u>	<u>13.08</u>	<u>185,000</u>	<u>16.88</u>
 Total Expenditures	 <u>978,238</u>	 <u>100.00</u> %	 <u>1,095,873</u>	 <u>100.00</u> %
Excess (Deficit) in Revenue	(46,067)		40,824	
Adjustment to Income before Fund Balance:				
Expenditures Included Above Which are by Statute				
Deferred Charges to Budget of Succeeding Year	<u>46,067</u>		<u>-</u>	
Statutory Excess to Fund Balance	-		40,824	
Fund Balance, January 1	<u>147,497</u>		<u>206,673</u>	
	147,497		247,497	
Less Utilization as Anticipated Revenue	<u>16,062</u>		<u>100,000</u>	
Fund Balance, December 31	<u>\$ 131,435</u>		<u>\$ 147,497</u>	

**BOROUGH OF HILLSDALE  
SUPPORTING DATA**

**Comparative Schedule of Tax Rate Information**

	<u>2014</u>	<u>2013 (1)</u>	<u>2012</u>
<u>Tax Rate</u>	<u>\$2.609</u>	<u>\$2.569</u>	<u>\$2,160</u>

Apportionment of Tax Rate

Municipal (Includes Library)	.537	.528	.443
County (Includes Open Space)	.253	.240	.212
Local School	1.174	1.153	.970
Regional High School	.645	.648	.535

Assessed Valuation

2014	<u>\$1,674,602,941</u>	
2013 (1)		<u>\$1,676,352,441</u>
2012		<u>\$1,956,518,271</u>

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

**Comparison of Tax Levies and Collection**

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

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2014	\$43,736,441	\$43,341,517	99.09%
2013	43,120,242	42,721,948	99.08%
2012	42,371,740	41,773,873	98.59%

**TOWNSHIP OF RIVER VALE  
SUPPORTING DATA**

**Delinquent Taxes and Tax Title Liens**

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

<u>December 31 Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2014	\$11,354	\$361,923	\$373,277	0.85%
2013	17,778	385,268	403,046	0.93
2012	19,586	373,532	393,118	0.93

**Property Acquired by Tax Title Lien Liquidation**

No properties have been acquired in 2014 by foreclosure or deed, as a result of liquidation of tax title liens. The value of property acquired by liquidation of tax title liens at December 31, on the basis of the last assessed valuation of such properties, was as follows:

<u>Year</u>	<u>Amount</u>
2014	\$726,900
2013	726,900
2012	726,900

**Comparative Schedule of Fund Balances**

	<u>Year</u>	<u>Balance, December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>
<u>Current Fund</u>	2014	\$1,699,233	\$1,075,000
	2013	1,533,278	1,075,000
	2012	1,352,092	950,000
	2011	1,722,340	1,320,000
	2010	1,889,643	1,040,000
<u>Swim Pool Utility Operating Fund</u>	2014	\$131,435	\$40,000
	2013	147,497	16,062
	2012	206,673	100,000
	2011	178,692	-
	2010	412,339	349,174

**BOROUGH OF HILLSDALE  
SUPPORTING DATA**

**OFFICIALS IN OFFICE AND SURETY BONDS**

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

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

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

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

**BOROUGH OF HILLSDALE  
SUPPORTING DATA**

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

**GENERAL COMMENTS**

**Prior Year Findings Unresolved**

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

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

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

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

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

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

**Current Year Findings**

Our audit of grant receivables in the Current Fund and General Capital Fund revealed numerous account balances which appear old and inactive. It is recommended that appropriate action be taken to clear of record the grants receivables in the Current Fund and General Capital Fund.

Our audit of Police Outside Duty Services revealed the following:

- a) A deficit balance in the amount of \$5,625.
- b) Amounts due from various vendors for services rendered in 2014 and 2013.
- c) Administrative fees are not transferred to the Current Fund in exact amounts as earned.

It is recommended that action be taken to collect amounts due from various police outside duty service vendors in order to eliminate the reserve balance deficit and administrative fees be transferred to the Current Fund in exact amounts as earned.

**BOROUGH OF HILLSDALE  
SUPPORTING DATA**

**GENERAL COMMENTS**

**Current Year Findings (Continued)**

Our audit of the Public Assistance Trust Fund revealed that GA-6 and GA-6A State reports were not subsequently adjusted to reflect voided checks and lease agreements were not available to support monthly rental payments. It is recommended that Public Assistance GA-6 and GA-6A State reports be adjusted to reflect voided checks and lease agreements be obtained to support the monthly rental payments.

Our audit of emergency contract awards revealed written notification of the emergency was not on file and the contract award was not approved by resolution of the governing body. It is recommended that written notification of the existing emergency be obtained and emergency contract awards in excess of the bid threshold be approved by resolution of the governing body.

Our audit revealed that the award of a professional service contract for Planning Board attorney services was not subsequently advertised or approved by resolution of the governing body. It is recommended that the professional service contract for the Planning Board attorney be subsequently advertised in the official newspaper and approved by resolution of the governing body.

Our audit of checks issued from the municipal bail account contained only one authorized check signature. It is recommended that checks issued from the municipal bail account contain two authorized check signatures.

Our audit of the Recreation Trust Fund revealed that fees collected were not charged in accordance with the fee ordinance. It is recommended that Recreation Trust Fund fees be charged in accordance with the fee ordinance.

Our audit of the Swim Pool fees collected revealed the following:

- a) Fees collected were not charged in accordance with the fee ordinance.
- b) Monthly reports were not prepared by Pool personnel and reconciled to the Treasurer's receipts.

It is recommended that Swim Pool fees collected be in accordance with the fee ordinance. In addition, monthly reports be prepared by Swim Pool personnel and reconciled to the Treasurer's receipts.

Our audit of the municipal departments revealed that prenumbered receipts were not issued for each fee collected and monthly reports were not prepared and reconciled to the Treasurer's receipts. It is recommended that prenumbered receipts be issued for each fee collected by the municipal departments and monthly reports be prepared and reconciled to the Treasurer's receipts.

**BOROUGH OF HILLSDALE  
SUPPORTING DATA**

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

NJS 40A:11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$17,000, except by contract or agreement."

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

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

Janitorial Services  
Kent Rd., Baylor Ave. and Saddlewood Dr. Roadway Improvements  
Supplemental Snow Pl

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

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

The Governing Body on January 5, 2014 adopted the following resolution authorizing interest to be charged on delinquent taxes and assessments:

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

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

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

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

**BOROUGH OF HILLSDALE  
SUPPORTING DATA**

**Delinquent Taxes and Tax Title Liens**

The last tax sale was held on June 19, 2014.

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

<u>Year</u>	<u>Number of Liens</u>
2014	2
2013	2
2012	3

**BOROUGH OF HILLSDALE  
SUPPORTING DATA**

**RECOMMENDATIONS**

It is recommended that:

1. Internal controls over the general ledger accounting system be enhanced to ensure a self-balancing integrated general ledger system is utilized for the Current Fund, General Capital Fund, Swim Pool Utility Funds, and Recreation Trust Fund.
2. Budget modifications be made in the Swim Pool Operating Fund prior to the overexpenditure of available appropriations.
- \* 3. Old outstanding checks be reviewed and be appropriately cleared of record.
- \* 4. A detail list of foreclosed properties be maintained and made available for audit.
- \* 5. Reserve accounts be reviewed for proper approval or otherwise be cancelled.
- \* 6. The capital improvement authorization ledger be reconciled with the appropriate general ledger accounts.
- \* 7. A receipt ledger be maintained for monies collected by the Borough Clerk.
- \* 8. Improvement authorizations in excess of five (5) years old with cash deficits be funded.
9. Appropriate action be taken to clear of record the grants receivables in the Current Fund and General Capital Fund.
10. Action be taken to collect amounts due from various police outside duty service vendors in order to eliminate the reserve balance deficit and administrative fees be transferred to the Current Fund in exact amounts as earned.
11. Public Assistance GA-6 and GA-6A State reports be adjusted to reflect voided checks and lease agreements be obtained to support the monthly rental payments.
12. Written notification of the existing emergency be obtained and emergency contract awards in excess of the bid threshold be approved by resolution of the governing body.
13. The professional service contract for the Planning Board attorney be subsequently advertised in the official newspaper and approved by resolution of the governing body.
14. Checks issued from the municipal bail account contain two authorized check signatures.

**BOROUGH OF HILLSDALE  
SUPPORTING DATA**

**RECOMMENDATIONS**

It is recommended that:

15. Recreation Trust Fund fees be charged in accordance with the fee ordinance
16. Swim Pool fees collected be in accordance with the fee ordinance. In addition, monthly reports be prepared by Swim Pool personnel and reconciled to the Treasurer's receipts.
17. Prenumbered receipts be issued for each fee collected by the municipal departments and monthly reports be prepared and reconciled to the Treasurer's receipts.

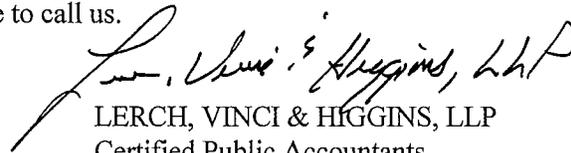
\* \* \* \* \*

Status of Prior Year's Audit Findings/Recommendations

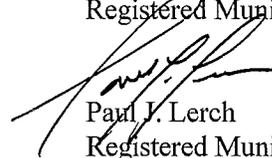
A review was performed on all prior year recommendations. Corrective action was taken on all prior year recommendations other than those denoted with an asterisk (\*).

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

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



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



Paul J. Lerch  
Registered Municipal Accountant  
RMA Number CR00457