

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 14, 2026

NEW ISSUE
SERIAL BONDS

RATING: STANDARD & POOR'S: "AA+"
(See "RATING" herein)

In the opinion of Rogut McCarthy LLC, Bond Counsel to the Borough, assuming compliance by the Borough with its Tax Certificate described herein, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). In addition, under existing law, interest on the Bonds is not treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals; however, interest on the Bonds that is included in the "adjusted financial statement income" of certain corporations is not excluded from the Federal corporate alternative minimum tax. In addition, Bond Counsel is further of the opinion that, under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof, interest on the Bonds and any gain from the sale of the Bonds are not includable in gross income of the holders thereof. See "TAX MATTERS" herein.

\$9,539,000* GENERAL IMPROVEMENT BONDS

BOROUGH OF HILLSDALE
IN THE COUNTY OF BERGEN, NEW JERSEY
(Book-Entry Only) (Callable)

Dated: May 1, 2026

Due: May 1, as shown on the inside cover page

The \$9,539,000* General Improvement Bonds (the "Bonds") of the Borough of Hillsdale, in the County of Bergen, New Jersey (the "Borough"), will be issued as fully registered bonds registered in the name of Cede & Co., as nominee of The Depository Trust Company, Brooklyn, New York ("DTC"), as registered owner of the Bonds, with the Bonds immobilized in the custody of DTC. Owners of beneficial interests in the Bonds will not receive physical delivery of bond certificates, but are to receive statements or other evidence of such ownership of beneficial interests from sources from which such interests were purchased. Investors may purchase beneficial interests in the Bonds in book-entry form in the denomination of \$5,000 or any integral multiple thereof (except for one odd piece in excess of \$5,000). See "THE BONDS – Book-Entry Only System" herein. So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made directly to DTC or its nominee, Cede & Co., which will remit such payments to the DTC Participants, which will, in turn, remit such payments to the owners of beneficial interests in the Bonds. Principal of the Bonds is payable on May 1 of each of the years set forth on the inside cover page, and interest on the Bonds is payable on each May 1 and November 1, commencing November 1, 2026 in each year until maturity or prior redemption. The Bonds are subject to optional redemption prior to their stated maturities. See "THE BONDS – Prior Redemption" herein.

The Bonds are general obligations of the Borough and are secured by a pledge of the full faith and credit of the Borough for the payment of the principal thereof and the interest thereon. The Borough is authorized and required by law to levy *ad valorem* taxes upon all the taxable real property within the Borough for the payment of the principal of and interest on the Bonds, without limitation as to rate or amount.

The Bonds are offered for sale upon the terms of the notice of sale and subject to the final approving opinion of Rogut McCarthy LLC, Cranford, New Jersey, Bond Counsel. It is anticipated that the Bonds in definitive form will be available for delivery to DTC in Brooklyn, New York, on or about May 1, 2026.

**ELECTRONIC BIDS VIA PARITY AND
SEALED PROPOSALS WILL BE RECEIVED
UNTIL 11:00 O'CLOCK A.M. ON APRIL 22, 2026
AT THE MUNICIPAL BUILDING, 380 HILLSDALE AVENUE
HILLSDALE, NEW JERSEY 07642**

* Preliminary, subject to change.

MATURITY SCHEDULE, INTEREST RATES, YIELDS AND CUSIP NUMBERS**

<u>Year</u>	<u>Principal*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP No.**</u>
2027	\$ 650,000			432524_____
2028	675,000			432524_____
2029	700,000			432524_____
2030	725,000			432524_____
2031	755,000			432524_____
2032	780,000			432524_____
2033	805,000			432524_____
2034	830,000			432524_____
2035	855,000			432524_____
2036	890,000			432524_____
2037	920,000			432524_____
2038	954,000			432524_____

* Preliminary, subject to change.

** Registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the Borough does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

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

MAYOR

Michael Sheinfield

BOROUGH COUNCIL

Clemente Osso, Council President

Christopher Camp

Robert Colletti, Jr.

Anthony DeRosa

Melissa Mazza Chiong

John Ruocco

BOROUGH ADMINISTRATOR

Michael Ghassali

BOROUGH CLERK

Denise Kohan, RMC, CMR

CHIEF FINANCIAL OFFICER

David Young

BOROUGH ATTORNEY

Mark Madaio, Esq.
Bergenfield, New Jersey

BOROUGH AUDITOR

Lerch, Vinci & Bliss, LLP
Fair Lawn, New Jersey

BOND COUNSEL

Rogut McCarthy LLC
Cranford, New Jersey

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No broker, dealer, salesperson or other person has been authorized by the Borough or the Underwriter to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. The information contained herein has been provided by the Borough and other sources deemed reliable; however, no representation or warranty is made as to its accuracy or completeness and such information is not to be construed as a representation of accuracy or completeness and such information is not to be construed as a representation or warranty by the Underwriter or, as to information from sources other than itself, by the Borough. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in any of the information herein since the date hereof, or the date as of which such information is given, if earlier.

References in this Official Statement to laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein, and copies of which may be inspected at the offices of the Borough during normal business hours.

The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the Borough or the Underwriter.

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**OFFICIAL STATEMENT
OF THE BOROUGH OF HILLSDALE
IN THE COUNTY OF BERGEN, NEW JERSEY
RELATING TO**

\$9,539,000* GENERAL IMPROVEMENT BONDS

INTRODUCTION

This Official Statement (the “Official Statement”) which includes the cover page and the appendices attached hereto, has been prepared by the Borough of Hillsdale (the “Borough”), in the County of Bergen (the “County”), State of New Jersey (the “State”) in connection with the sale and issuance of its \$9,539,000* General Improvement Bonds (the “Bonds”) dated May 1, 2026. This Official Statement has been executed by and on behalf of the Borough by the Chief Financial Officer and may be distributed in connection with the Bonds.

This Preliminary Official Statement is “deemed final”, as of its date, within the meaning of Rule 15c2-12 of the Securities and Exchange Commission (“Rule 15c2-12”), but is subject to (a) completion with certain pricing and other information to be made available by the Underwriter and (b) amendment. This Preliminary Official Statement, as so revised, will constitute the “final official statement” within the meaning of Rule 15c2-12.

THE BONDS

General Description

The Bonds will be dated and bear interest from May 1, 2026 and will mature on May 1 in the years and in the principal amounts as set forth on the inside cover page. Interest on the Bonds is payable on each May 1 and November 1, commencing November 1, 2026 (each, an “Interest Payment Date”), in each year until maturity or prior redemption at the respective interest rates set forth on the inside cover page of this Official Statement. Principal of and interest on the Bonds will be paid to The Depository Trust Company, Brooklyn, New York (“DTC”), acting as securities depository, by the Chief Financial Officer, as “Bond Registrar/Paying Agent”. Interest on the Bonds will be credited to the DTC Participants (as hereinafter defined) as listed on the records of DTC as of the fifteenth day of the month preceding the month in which such Interest Payment Date occurs (the “Record Dates” for the payment of interest on the Bonds).

The Bonds are issuable as fully registered book-entry bonds in the form of one certificate for each maturity of the Bonds, in the aggregate principal amount of such maturity. The Bonds will be issued in book-entry form only. Purchases of the Bonds will be made in book-entry form, in the principal amount of \$5,000 or any integral multiple thereof (except for one odd piece in excess of \$5,000). Purchasers will not receive certificates representing their interest in Bonds purchased. So long as DTC or its nominee, Cede & Co. (or any successor or assign), is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Bond Registrar/Paying Agent directly to Cede & Co. (or any successor or assign), as nominee for DTC, which will remit such payments to the participants of DTC which will in turn remit such payments to the owners of beneficial interests in the Bonds. See “THE BONDS – Book-Entry Only System” herein.

* Preliminary, subject to change.

Book-Entry Only System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each year of maturity of the Bonds, in the aggregate principal amount of each maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks and trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Borough as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Borough or the paying agent, if any, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the paying agent, if any, or the Borough, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Borough or the paying agent, if any, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Borough or the paying agent, if any. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The Borough may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Borough believes to be reliable, but the Borough takes no responsibility for the accuracy thereof.

Prior Redemption

The Bonds maturing on or before May 1, 2033 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after May 1, 2034 are subject to redemption at the option of the Borough prior to maturity, in whole on any date or in part on any Interest Payment Date, on or after May 1, 2033, upon notice as hereinafter set forth at the redemption price of 100% of the principal amount being redeemed, plus accrued interest to the date fixed for redemption.

If the Borough determines to optionally redeem a portion of the Bonds prior to maturity, such Bonds so redeemed shall be in such maturities as determined by the Borough, and within any maturity, by lot; provided, however, that the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or some multiple thereof and that, in selecting Bonds for redemption, the Bond Registrar/Paying Agent shall treat each Bond as representing that number of Bonds that is obtained by dividing the principal amount of such Bond by \$5,000.

Notice of redemption shall be given by first class mail in a sealed envelope with postage prepaid to the registered owners of the Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Bond Registrar/Paying Agent at least thirty (30) but not more than sixty (60) days before the date fixed for redemption. Such mailing is not a condition precedent to redemption and the failure to mail or to receive any redemption notice will not affect the validity of the redemption proceedings. If any Bond subject to redemption is part of a greater principal amount of the Bonds not to be redeemed, such entire amount shall be surrendered to the Bond Registrar/Paying Agent and, for that portion of the Bond not to be redeemed, a new Bond shall be issued in the name of the registered owner in an amount equal to the principal amount of the Bond surrendered less the amount to be redeemed.

SECURITY AND SOURCE OF PAYMENT

The Bonds are general obligations of the Borough, and the Borough has pledged its full faith and credit for the payment of the principal of and the interest on the Bonds. The Bonds are direct obligations of the Borough and, unless paid from other sources, the Borough is required by law to levy *ad valorem* taxes upon all the real property taxable within the Borough for the payment of the principal of and the interest on the Bonds without limitation as to rate or amount.

Enforcement of a claim for the payment of principal of or interest on bonds or notes of the Borough is subject to applicable provisions of Federal bankruptcy law and to the provisions of statutes, if any, hereafter enacted by the Congress of the United States or the Legislature of the State of New Jersey, providing extension with respect to the payment of principal of or interest on the Bonds or imposing other constraints upon enforcement of such contracts insofar as any such constraints may be constitutionally applied. Under State law, a county, municipality or other political subdivision may file a petition under Federal bankruptcy laws and a plan for readjustment of its debt, but only after first receiving the approval of the State Municipal Finance Commission, whose powers have been vested in the Local Finance Board in the Division of Local Government Services in the State of New Jersey Department of Community Affairs (the "Local Finance Board").

AUTHORIZATION FOR THE BONDS

The Bonds are authorized and are to be issued pursuant to the Local Bond Law of the State of New Jersey, N.J.S.A. 40A:2-1 et seq., as amended (the "Local Bond Law"). The Bonds also are authorized by various bond ordinances adopted by the Borough Council and by virtue of resolutions adopted by the Borough Council on March 17, 2026.

The bond ordinances included in the sale of the Bonds were published in full or in summary form after adoption along with the statement required by the Local Bond Law that the twenty (20) day period of limitation within which a suit, action or proceeding questioning the validity of the authorizing bond ordinances can be commenced, began to run from the date of the first publication of such estoppel statement. The Local Bond Law provides that after issuance, all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State, and any person shall be estopped from questioning the sale or the execution or the delivery of the Bonds by the Borough.

PURPOSE OF THE BONDS

The proceeds of the Bonds will be used to (i) currently refund \$3,368,981 of the Borough's \$3,768,000 Bond Anticipation Notes maturing on May 1, 2026 and (ii) provide funding for unfunded capital projects in the amount of \$6,170,019. The projects to be funded by the sale are listed below:

<u>Ord No.</u>	<u>Description</u>	<u>Amount</u>
15-13	Various Improvements and Acquisitions	\$ 632,074
18-14	Police Communications Desk Upgrade	162,105
19-07	Various Improvements and Acquisitions	525,483
21-15	Various Improvements and Acquisitions	98,977
22-14	Various Improvements and Acquisitions	114,896
22-17	Reconstruction of Shady Lane, Alpine Terrace and Sierra Court	290,000
23-12	Various Improvements and Acquisitions	3,115,465
25-15	Memorial Park Recreation & Athletic Facilities Project	<u>4,600,000</u>
		<u>\$ 9,539,000</u>

NO DEFAULT

No principal or interest payments on Borough indebtedness are past due. The Borough has never defaulted in the payment of any bonds or notes.

MARKET PROTECTION – BOND AND NOTE FINANCING

The Borough does not anticipate issuing any additional bonds or any tax anticipation notes during the remainder of 2026. The Borough will be renewing \$253,000 of its outstanding Swim Pool Utility Bond Anticipation Notes maturing on May 1, 2026. The Borough may issue additional bond anticipation notes for new money borrowing, as needed, during the remainder of 2026.

CERTAIN STATUTORY PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

Local Bond Law (N.J.S.A. 40A:2-1 et seq.)

The Local Bond Law governs the issuance of bonds and notes to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes. All bonds and notes issued by the Borough are general full faith and credit obligations.

The Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 et seq.)

This law regulates the non-budgetary financial activities of local governments. The Chief Financial Officer of every local unit must file annually, with the Director of the Division (the "Director"), a verified statement of the financial condition of the local unit and all constituent boards, agencies or commissions.

An independent examination of the Borough’s accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services’ “Requirements of Audit”, includes recommendations for improvement of the local units’ financial procedures and must be filed with the Director within eight months after the close of the fiscal year. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within 30 days of its completion.

Debt Limits

The net authorized bonded indebtedness of the Borough is limited by statute, subject to the exceptions noted below, to an amount equal to 3.50% of its average equalized valuation basis. The average equalized valuation basis of the Borough is set by statute as the average for the last 3 years of the equalized value of all taxable real property and improvements and certain Class II railroad property within its boundaries, as annually determined by the State Board of Taxation. Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit.

The Borough has not exceeded its statutory debt limit. On December 31, 2025 (Unaudited) the statutory net debt as a percentage of average equalized valuation was 0.380%. As noted above, the statutory limit is 3.50%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Puposés	\$ 9,670,357	\$ 293,137	\$ 9,377,220
Swim Pool Purposes	268,500	268,500	-
Local School Purposes	62,359,000	62,359,000	-
Regional School Purposes	1,340,840	1,340,840	-
	<u>\$ 73,638,697</u>	<u>\$ 64,261,477</u>	<u>\$ 9,377,220</u>

Exceptions to Debt Limits - Extensions of Credit

The Borough may exceed its debt limit with the approval of the Local Finance Board. If all or any part of a proposed debt authorization would exceed its debt limit, the Borough may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the Borough or substantially reduce the ability of the Borough to meet its obligations or to provide essential public improvements and services, or make certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, to provide for purposes in an amount not exceeding 2/3 of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

Overlapping Debt

The County debt, which overlaps the Borough, is not considered in the calculation of the debt limits of the Borough. It represents the debt outstanding at the County level for which the Borough will fund its portion of debt service through the normal payments of County taxes.

Short-Term Financing

The Borough may sell short-term “bond anticipation notes” to temporarily finance a capital improvement or project in anticipation of the issuance of bonds, if the bond ordinance or subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the ordinance, as may be amended and supplemented,

creating such capital expenditure. Bond anticipation notes may be issued for periods not greater than one year. Such notes shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original notes. At the third and at each subsequent anniversary date from the original date of issuance, the amount of notes that may be issued must be decreased by the minimum amount required for the first year's principal payment for a bond issue.

School Debt (N.J.S.A. 18A:24-1 et seq.)

New Jersey's school districts operate under the same comprehensive review and regulation as do its municipalities. Certain exceptions and differences are provided, but the state supervision of school finance closely parallels that of local governments.

School district bonds and temporary notes are issued in conformity with the cited statute, which closely parallels the Local Bond Law. Although school districts are exempted from the 5% down payment provision applicable to municipalities, they are subject to debt limits (which vary depending on the grades the school system provides), and to state regulation of their borrowing.

The Local Finance Board and the Commissioner of Education must approve any proposed authorization of debt which exceeds the statutory debt limit of a Type II district. A Type II school district has an elected board of education; a Type I school district has an appointed board and issues debt without a referendum. All authorizations of debt in a Type II school district require an approving referendum of the voters in the school district. The Borough's school district is a Type II district.

All authorizations of debt must be reported to the Division of Local Government Services by means of a Supplemental Debt Statement prior to final approval to ensure that the proposed authorization is within all applicable debt limitations.

The School Bond Reserve Act, Chapter 72 of the Laws of 1980 of the State, as amended, devotes a portion of the Fund for the Support of Free Public Schools as security for payment of school bonds.

The Municipal Finance Commission (N.J.S. 52:27-1 et seq.)

The Municipal Finance Commission was created in 1931 to assist in the financial rehabilitation of municipalities which had defaulted in their obligations. The powers of such Commission are exercised today by the Local Finance Board. Several elements of the local finance system are intended to prevent default on obligations or occurrence of severe fiscal difficulties in any local unit. Should extreme economic conditions adversely affect any local unit, the statutory provisions are available to assist in restoring the stability of the local unit.

Any holder of bonds or notes which are in default for over sixty (60) days (for payment of principal or interest) may bring action against such municipality in the Superior Court of New Jersey. Any municipality may declare itself unable to meet its obligations and bring action in such court. In either case, the court's determination that the municipality is in default or unable to meet its obligations may place the municipality under the jurisdiction of the Municipal Finance Commission.

The Municipal Finance Commission exercises direct supervision over the finances and accounts of any local unit under its jurisdiction. Such commission is authorized to appoint an auditor to examine and approve all claims against the municipality and to serve as comptroller for that community. The Commission is also directed to supervise tax collections and assessments, to approve the funding of municipal school district indebtedness, the adjustment or composition of the claims of creditors, and the readjustment of debts under the Federal Municipal Bankruptcy Act.

The Local Finance Board also serves as the “funding commission” to exercise supervision over the funding or refunding of local government debt. Any county or municipality seeking to adjust its debt service must apply to and receive the approval of such funding commission for the proposed reorganization of its debt.

Investment of Municipal Funds

Investment of funds by New Jersey municipalities is governed by State statute. Pursuant to N.J.S.A. 40A:5-15.1, municipalities are limited to purchasing the following securities: (1) direct obligations of, or obligations guaranteed by, the United States of America (“U.S. Government Securities”); (2) government money market mutual funds invested in U.S. Government Securities or obligations of New Jersey school districts, municipalities, counties and entities subject to State regulation (“local obligations”); (3) obligations of Federal Government agencies or instrumentalities having a maturity of 397 days or less, provided such obligations bear a fixed rate of interest not dependent on any index or external factor; (4) bonds or other obligations of the particular municipality or a school district encompassing the geographic area of the particular municipality; (5) bonds or other obligations having a maturity of 397 days or less (a) constituting local obligations or (b) approved by the Division of Local Government Services of the State Department of Community Affairs; (6) local government investment pools, rated in the highest rating category, investing in U.S. government securities, local obligations and repurchase agreements fully collateralized by securities set forth in (1), (3) and (5) above; (7) deposits with the New Jersey Cash Management Fund (created pursuant to N.J.S.A. 52:18A-90.4; the “Cash Management Fund”); and (8) repurchase agreements with a maximum 30 day maturity fully collateralized by securities set forth in (1) and (3) above, or local obligations. Municipalities are required to deposit their funds in interest-bearing bank accounts in banks satisfying certain security requirements set forth in N.J.S.A. 17:9-41 *et seq.*, or invest in permitted investments to the extent practicable, and may invest in bank certificates of deposit.

The Cash Management Fund is governed by regulations of the State Investment Council, a non-partisan oversight body, and is not permitted to invest in derivatives. The Cash Management Fund is permitted to invest in U.S. Government Securities, Federal Government Agency obligations, certain short-term investment-grade corporate obligations, commercial paper rated “prime”, certificates of deposit, repurchase agreements involving U.S. Government Securities and Federal Government Agency obligations and certain other types of instruments. The average maturity of the securities in the Cash Management Fund must be one year or less, and only a quarter of the securities are permitted to mature in as much as two years.

The Borough has no investments in derivatives.

MUNICIPAL BUDGET

Pursuant to the Local Budget Law (N.J.S.A. 40A:4-1 *et seq.*) the Borough is required to have a balanced budget in which debt service is included in full for each fiscal year.

The Local Budget Law (N.J.S.A. 40A:4-1 *et seq.*)

The foundation of the New Jersey local finance system is the annual cash basis budget. Every local unit must adopt a budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Items of revenue and appropriation are regulated by law and must be certified by the Director of the Division prior to final adoption of the budget. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations, among others, for certification.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review functions focusing on anticipated revenues serve to protect the solvency of all local units. Tax anticipation notes are limited in amount by law and must be paid in full within 120 days of the close of the fiscal year. The cash basis budgets of local units must be in balance, i.e., the total of anticipated revenues must equal the total of appropriations (N.J.S.A. 40A:4-22). If in any year a local unit's expenditures exceed its realized revenues for that year, then such excess must be raised in the succeeding year's budget.

Limitations on Municipal Appropriations and Tax Levy

A statute passed in 1976, as amended and supplemented (N.J.S.A. 40A:4-45.1 et seq.), commonly known as the "Cap Law", imposed limitations on increases in municipal appropriations subject to various exceptions. While the Cap Law restricts the ability of a municipality to increase its overall appropriations, the payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the Cost-of-Living Adjustment ("COLA"). Increases up to 3.5% are allowed by adoption of an ordinance whenever the COLA is less than 2.5%. If the COLA is greater than 2.5%, an increase in any amount above 2.5% will be permitted by adoption of an ordinance to 3.5% and beyond 3.5% upon passage of a referendum. The COLA is the rate of annual percentage increase in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other items including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. The Cap Law does not limit the obligation of the Borough to levy *ad valorem* taxes upon all taxable real property within the Borough to pay debt service.

Chapter 62 of the Pamphlet Laws of 2007 imposed restrictions upon the allowable annual increase in the tax levy. In general, starting with the 2008 budgets for calendar year municipalities and 2009 budgets for fiscal year municipalities, municipalities have their tax levies limited to a four percent (4%) increase. The cap calculation is subject to various adjustments, such as the value of increased assessments, and allows for an increase in the adjusted tax levy for various items, including amounts required to be added to the adjusted tax levy for increases in debt service, amounts required to replace reductions in State formula aid, certain increased pension contributions, increases greater than four percent (4%) in the reserve for uncollected taxes, and increases in health care costs in excess of four percent (4%) (but not in excess of the percentage increase in the State Health Benefits Program). The law also allows the Local Finance Board to grant waivers for extraordinary circumstances (some of which are defined in the Law) and authorizes a municipality to submit a public question to the voters for approval (by an affirmative vote of at least sixty percent (60%)) to increase the amount to be raised by taxation by more than the allowable adjusted tax levy.

For municipalities, the levy cap is in addition to the existing appropriation cap; both cap laws must be met. Neither cap law limits the obligation of the Borough to levy *ad valorem* taxes upon all taxable real property within the Borough to pay debt service.

On July 13, 2010, P.L. 2010, c. 44 was approved, effective for budget years following enactment (the 2011 budget for the Borough) reducing the tax levy cap to 2% and limiting the exclusions to amounts required to be raised by taxation for debt service as defined by law, certain pension contributions and health care costs in excess of 2% and extraordinary costs directly related to a declared emergency. Voter approval may be requested to increase the amount to be raised by taxation by more than the allowable adjusted tax levy. Chapter 44 eliminated the process for obtaining waivers for additional spending under the tax levy limitation.

The Borough's appropriation and tax levy increases for 2011 to 2025, inclusive, were within the limits allowed under the CAP Law, taking into account applicable adjustments and available "CAP" banks and without conducting a referendum to exceed the cap limits. The appropriation and tax levy increases in the 2026 introduced budget were within the limits allowed under the CAP Law, taking into account applicable adjustments and without conducting a referendum to exceed the cap limits.

Miscellaneous Revenues

The Local Budget Law (N.J.S.A. 40A:4-26) provides that: "No miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit."

No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation of like amount. The fiscal years for such grants rarely coincide with the municipality's fiscal year. However, grant revenue is generally not realized until received in cash.

Real Estate Taxes

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. N.J.S.A. 40A:4-29 governs anticipation of delinquent tax collections: "The maximum which may be anticipated is the sum produced by multiplication of the amount of delinquent taxes unpaid and owing to the local unit on the first day of the current fiscal year by the percentage of collection of delinquent taxes for the year immediately preceding the current fiscal year."

N.J.S.A. 40A:4-41 provides with regard to current taxes that: "Receipts from the collection of taxes levied or to be levied in the municipality, or in the case of a county for general county purposes and payable in the fiscal year, shall be anticipated in an amount which is not in excess of the percentage of taxes levied and payable during the next preceding fiscal year which was received in cash by the last day of the preceding fiscal year."

This provision and N.J.S.A. 40A:4-40 require that an additional amount (the "reserve for uncollected taxes") be added to the tax levy required to balance the budget so that when the percentage of the prior year's tax collection is applied to the combined total, the product will at least be equal to the tax levy required to balance the budget.

The reserve requirement is calculated as follows:

$$\frac{\text{Levy required to balance budget}}{\text{Prior Year's Percentage of Current Tax Collection (or lesser \%)}} = \text{Total Taxes to be Levied}$$

Chapter 28 of the Pamphlet Laws of 1997 of New Jersey amended Section 41 of the Local Budget Law to allow municipalities to reduce the reserve for uncollected taxes by taking into account prior year tax reductions resulting from tax appeal judgments awarded to property owners. Another statute, Chapter 99 of the Pamphlet Laws of 1997 of New Jersey, allows a municipality to (1) reduce the reserve for uncollected taxes by deducting receipts anticipated during the fiscal year from the sale of unpaid taxes or municipal liens when such sale is concluded in the final month of the fiscal year or (2) not budget for the reserve for uncollected taxes if it sells its total property tax levy pursuant to such statute. See "Assessment And Collection of Taxes – Tax Collection Procedure" herein for a brief discussion of Chapter 99.

Deferral of Current Expenses

Emergency appropriations (those made after the adoption of the budget and the determination of the tax rate) may be authorized by the governing body of the municipality. However, with minor exceptions, such appropriations must be included in full in the following year's budget.

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as ice, snow, and flood damage to streets, roads and bridges, which may be amortized over three years, and tax map preparation, property revaluation programs, revision and codification of ordinances, master plan preparations, and drainage map preparation for flood control purposes which may be amortized over five years. Of course, emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

Budget Transfers

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between appropriation accounts may be made only during the last two months of the year. Appropriation reserves may be transferred during the first three months of the year to the previous years' budget. Both types of transfers require a 2/3 vote of the full membership of the governing body, however, transfers cannot be made from either the down payment account or the capital improvement fund. Transfers may be made between sub-account line items within the same account at any time during the year, subject to approval by the governing body.

Operation of Utilities

Municipal public utilities are supported by the revenues generated by the respective operations of the utilities in addition to the general taxing power upon real property.

For each utility, there is established a separate budget. The anticipated revenues and appropriations for each utility are set forth in the separate budget. The budget is required to be balanced and to provide fully for debt service. The regulations regarding anticipation of revenues and deferral of charges apply equally to the budgets of the utilities.

Deficits or anticipated deficits in utility operations which cannot be provided for from utility surplus, if any, are required to be raised in the "Current" or operating budget.

Fiscal Year

The Borough's fiscal year is the calendar year. Chapter 75 of the Pamphlet Laws of 1991 of the State (codified as N.J.S.A. 40A:4-3.1) required municipalities with populations in excess of 35,000 or that received Municipal Revitalization Aid from the State in 1990 or 1991 to change their fiscal year from the calendar year to the State fiscal year (July 1 to June 30), unless an exemption was granted. Municipalities not meeting the criteria for a mandatory change had the option to choose to change to the State fiscal year. N.J.S.A. 40A:4-3.1 was amended by P.L. 2000, c. 126, to eliminate the criteria for mandatory change of the fiscal year, but to continue to grant all municipalities the option to change to the State fiscal year. In addition, P.L. 2008, c. 92, further amended N.J.S.A. 40A:4-3.1 to allow municipalities operating on a fiscal year basis to revert to a calendar year. The Borough did not meet the criteria to change to the State fiscal year and does not presently intend to optionally make such change in the future.

Budget Process

Primary responsibility for the Borough's budget process lies with the Borough Council. As prescribed by the Local Budget Law, adoption should occur by the end of March, however, extensions may be granted by the Division to any local governmental unit. In the first quarter in which the budget formulation is taking place, the Borough operates under a temporary budget which may not exceed 35% of the previous fiscal year's adopted budget. In addition to the temporary budget, the Borough may approve emergency temporary appropriations for any purpose for which appropriations may lawfully be made.

Capital Budget

In accordance with the Local Budget Law, the Borough must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period of the next ensuing six years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may contemplate over the next six years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the items were detailed.

ASSESSMENT AND COLLECTION OF TAXES

Tax Collection Procedure

Real property taxes are assessed locally, based upon an assessment at true value. The tax bill includes a levy for Borough, County and School purposes. Tax bills are mailed annually in June. Taxes are payable in four quarterly installments on February 1, May 1, August 1 and November 1. 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. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, is 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. Annually, all properties with unpaid taxes for the previous year are placed in a tax sale in accordance with the New Jersey Statutes. Annual interim tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Borough.

Chapter 99 of the Pamphlet Laws of 1997 of New Jersey allows a municipality to sell its total property tax levy to the highest bidder either by public sale with sealed bids or by public auction. The purchaser shall pay the total property tax levy bid amount in quarterly installments or in one annual installment. Property taxes will continue to be collected by the municipal tax collector and the purchaser will receive as a credit against his payment obligation, the amount of taxes paid to the tax collector. The purchaser is required to secure his payment obligation to the municipality by an irrevocable letter of credit or a surety bond. The purchaser is entitled to receive delinquent taxes and other municipal charges collected by the tax collector. The statute sets forth bidding procedures and minimum bidding terms and requires the review and approval of the sale by the Division of Local Government Services.

Tax Appeals

New Jersey statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. The taxpayer has a right to petition the Bergen County Tax Board on or before the first day of April of the current tax year for review. The Bergen County Tax Board has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the Bergen County Tax Board, appeal may be made to the Tax

Court of New Jersey, for a further hearing. Further, an assessment in excess of \$1,000,000 can be appealed directly to the Tax Court of New Jersey. State tax appeals tend to take several years prior to settlement, and any losses in tax collections from prior years are charged directly to operations or with the permission of the Local Finance Board may be financed, generally, over a three to five year period. In addition, pursuant to Assembly Bill No. 2004, signed into law on August 9, 2019, commercial tax appeal refunds exceeding \$100,000 may be paid to the property owner, with interest, in substantially equal payments within a three year period - rather than within sixty days of the final judgment (the standard period for refunds). Further, pursuant to Assembly Bill No. 862, signed into law on January 18, 2022, residential tax appeal refunds, or commercial tax appeal refunds exceeding \$100,000, may be paid to the property owner, with interest, as a credit against the balance of property taxes that become due within a three year period, with any excess after three years being paid immediately.

TAX MATTERS

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. Such requirements include requirements relating to the use and investment of proceeds of the Bonds and other amounts and rebate of certain arbitrage earnings to the United States. Noncompliance by the Borough with such requirements may cause interest on the Bonds to be included in gross income of the owners thereof retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs.

The Borough has covenanted, to the extent permitted by the Constitution and the laws of the State, to do and perform all acts and things permitted by law and necessary to assure that interest paid on the Bonds be and remain excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. The Borough’s Tax Certificate (the “Tax Certificate”), which will be delivered concurrently with the delivery of the Bonds, will contain provisions and procedures regarding compliance with the requirements of the Code. The Borough, in executing the Tax Certificate, will certify to the effect that the Borough expects and intends to comply with the provisions and procedures contained therein.

In rendering the opinion described below with respect to the Bonds, Bond Counsel has relied upon the covenant and has assumed the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate.

Tax Opinions

In the opinion of Rogut McCarthy LLC, Bond Counsel to the Borough, assuming compliance by the Borough with the Tax Certificate, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. In addition, under existing law, interest on the Bonds is not treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals; however, interest on the Bonds that is included in the “adjusted financial statement income” of certain corporations is not excluded from the Federal corporate alternative minimum tax. For other Federal tax information, see “TAX MATTERS – Additional Federal Income Tax Consequences” herein.

In the opinion of Bond Counsel, under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof, interest on the Bonds and any gain from the sale of the Bonds are not includable in gross income of the holders thereof.

Additional Federal Income Tax Consequences

Prospective purchasers of the Bonds should be aware that ownership of governmental obligations, such as the Bonds, may have collateral Federal income tax consequences for certain taxpayers, including financial institutions, property and casualty insurance companies, S Corporations, certain foreign corporations, individual recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise eligible for the earned income credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. Prospective purchasers should consult their tax advisors as to any possible collateral consequences from the ownership of the Bonds. Bond Counsel expresses no opinion regarding any such collateral Federal income tax consequences.

Proposals for Tax Changes

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

ALL POTENTIAL PURCHASERS OF THE BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE.

STATEMENT OF LITIGATION

There is no litigation pending or threatened restraining or enjoining the issuance or the delivery of the Bonds or the levy or the collection of taxes to pay the Bonds or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes. There is at present no single action pending or threatened against the Borough which would impose an undue financial burden on the Borough. In New Jersey's courts of general jurisdiction, unliquidated money damages are pleaded generally without specifying a dollar amount. The Borough is a party-defendant in certain lawsuits, none of a kind unusual for a municipality of its size, and none of which, in the opinion of the Borough Attorney, would adversely impair the Borough's ability to pay its bondholders. All of the Borough's tort actions are being defended by municipal joint insurance funds (which provide pooled private insurance coverage and self-insurance coverage to its members). The Borough is also insured for liability in excess of the limits provided by the municipal joint insurance funds. Pending municipal real estate tax appeals are limited in number and, based upon the Borough's prior experience in tax appeals, and assuming that such tax appeals are resolved adversely to the interest of the Borough, such resolution would not materially or adversely impair the Borough's ability to pay its bondholders.

LEGALITY FOR INVESTMENT

The State and all public officers, municipalities, counties, political subdivisions and public bodies, and agencies thereof, all banks, bankers, trust companies, savings and loan associations, savings banks and institutions, building and loan associations, investment companies, and other persons carrying on banking business, all insurance companies, and all executors, administrators, guardians, trustees, and other fiduciaries may legally invest any sinking funds, moneys or other funds belonging to them or within their control in any obligations of the Borough, including the Bonds, and such Bonds are authorized security for any and all public deposits.

FINANCIAL STATEMENTS

Appendix “B” to this Official Statement contains the unaudited financial statements for the year ended December 31, 2025 and the audited financial statements of the Borough for the years ended December 31, 2024 and 2023. The unaudited financial statements were compiled from the Borough’s unaudited Annual Financial Statement for the year ended December 31, 2025. The audited financial data was provided by Lerch, Vinci & Bliss, LLP, Fair Lawn, New Jersey (the “Auditor”), and is included herein in reliance upon the authority of such firm. The Auditor has consented to the inclusion of their report in this Official Statement. Copies of the complete Reports of Audit may be obtained upon request to the office of the Chief Financial Officer of the Borough.

RATING

S&P Global Ratings, acting through Standard & Poor’s Financial Services LLC (the “Rating Agency”) has assigned a rating of “AA+” to the Bonds.

The rating reflects only the view of the Rating Agency and an explanation of the significance of the rating may only be obtained from the Rating Agency at the following address: 55 Water Street, New York, New York 10041. The Borough forwarded to the Rating Agency certain information and materials concerning the Bonds and the Borough. There can be no assurance that the rating will be maintained for any given period of time or that the rating will not be raised, lowered or withdrawn entirely if, in the Rating Agency’s judgment, circumstances so warrant. Any downward change in, or withdrawal of, the rating may have an adverse effect on the marketability or market price of the Bonds.

UNDERWRITING

The Bonds have been purchased at a public sale from the Borough for resale by _____ (the “Underwriter”).

INFECTIOUS DISEASE OUTBREAK – COVID-19

In early March of 2020, the World Health Organization declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a newly discovered strain of coronavirus. On March 13, 2020, the President of the United States declared a national public health emergency to unlock federal funds and assistance to help states and local governments fight the pandemic. The Governor of the State declared a state of emergency and a public health emergency on March 9, 2020. In response to the COVID-19 pandemic, federal and State legislation and executive orders were implemented to, among other things, provide relief to state and local governments, including the American Rescue Plan Act of 2021 (the “Plan”). The pandemic and certain mitigation measures, which altered the behavior of businesses and people, have had and may continue to have negative impacts on regional, State and local economies. The national public health emergency and the State public health emergency have since ended, while the state of emergency declared by the State and several executive orders signed by the Governor remain to manage COVID-19 on an endemic level.

To date, the overall finances and operations of the Borough have not been materially adversely affected by the COVID-19 pandemic. Nonetheless, there can be no assurance regarding the extent to which the COVID-19 pandemic, or any other national health crisis or pandemic, may impact the national, State or local economies in the future, nor how any such event may materially adversely impact municipalities, including the Borough. The Borough cannot quantify any such impacts at this time.

The Plan, signed into law on March 11, 2021, provided \$1.9 trillion in relief designed to provide funding to address the COVID-19 pandemic and alleviate the economic and health effects of the COVID-19 pandemic. For municipalities with populations less than 50,000, such as the Borough, the relief funds were distributed by the State. The relief funds were received from the State in two equal payments, one within 30 days of receipt of the funding by the State and the balance no earlier than 12 months from the initial payment. The deadline to obligate the funds was December 31, 2024, and to spend them is December 31, 2026. The Borough received the full amount of its relief funds in the amount of \$1,079,819 and has utilized all of its relief funds to replace lost public sector revenues.

DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS

Absence of Litigation

Upon delivery of the Bonds, the Borough shall furnish a certificate of the Borough Attorney, dated the date of delivery of the Bonds, to the effect that there is no litigation of any nature pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Bonds. In addition, such certificate shall state that there is no litigation of any nature now pending or threatened by or against the Borough wherein an adverse judgment or ruling could have a material adverse impact on the financial condition of the Borough, or adversely affect the power of the Borough to enforce the collection of taxes or other revenues for the payment of its bonds and notes, which has not been disclosed in this Official Statement.

Legal Matters

The legality of the Bonds will be subject to the approving opinion of Rogut McCarthy LLC, Cranford, New Jersey, Bond Counsel. Such opinion will be to the effect that:

1. The Bonds have been duly authorized, executed and delivered and constitute valid and legally binding obligations of the Borough, enforceable in accordance with their terms, except as enforcement of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation or other laws relating to or affecting the enforcement of creditors’

rights generally now or hereafter in effect to the extent constitutionally applicable, and enforcement may also be subject to the exercise of judicial discretion in certain cases.

2. The Borough has pledged its full faith and credit for the payment of the principal of and interest on the Bonds, and unless paid from other sources, the Borough is authorized and required by law to levy on all real property taxable by the Borough such *ad valorem* taxes as may be necessary to pay the Bonds and the interest thereon, without limitation as to rate or amount.

Rogut McCarthy LLC has not verified the accuracy, completeness or fairness of the statements contained in this Official Statement and will not express, and has not been requested to express, an opinion as to the accuracy, completeness or fairness of such statements. See “Appendix C – Proposed Form of Bond Counsel Opinion” herein.

Certificates of Borough Officials

The original purchasers of the Bonds shall also receive a certificate, dated as of the date of delivery of the Bonds and signed by the Chief Financial Officer that (a) as of the date of the Official Statement furnished by the Borough in relation to the Bonds, said Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading, subject to the condition that while information in said Official Statement obtained from sources other than the Borough is not guaranteed as to accuracy, completeness or fairness, such officer has no reason to believe and does not believe that such information is materially inaccurate or misleading, and (b) to the knowledge of such officer, since the date of said Official Statement and since the date of the sale of the Bonds, there has been no material transactions not in the ordinary course of affairs entered into by the Borough and no material adverse change in the general affairs of the Borough or in its financial condition as shown in said Official Statement, other than as disclosed in or contemplated by said Official Statement, provided such certificate shall not include consideration of information supplied by, or that should have been supplied by, the successful bidders for the Bonds. In addition, the original purchasers of the Bonds shall also receive certificates in form satisfactory to Rogut McCarthy LLC, Bond Counsel, evidencing the proper execution and delivery of the Bonds and receipt of payment therefor and a certificate, dated as of the date of delivery of the Bonds and signed by the officers who signed the Bonds, stating that no litigation is then pending or, to the knowledge of such officers, threatened to restrain or enjoin the issuance or delivery of the Bonds or the levy or collection of taxes to pay the Bonds or the interest thereon, or questioning the validity of the statutes or the proceedings under which the Bonds are issued, and that neither the corporate existence or boundaries of the Borough, nor the title of the said officers to their office, is being contested.

SECONDARY MARKET DISCLOSURE

The Borough has agreed, pursuant to a resolution adopted on March 17, 2026, to undertake for the benefit of the Bondholders and the beneficial owners of the Bonds to provide certain secondary market disclosure information pursuant to Rule 15c2-12 to the Municipal Securities Rulemaking Board (the “MSRB”) in an electronic format, as prescribed by the MSRB. Specifically, the Borough will do the following for the benefit of the holders of the Bonds and the beneficial owners thereof:

(A) Not later than seven months after the end of the Borough’s fiscal year (presently December 31), commencing with the report for the fiscal year ending December 31, 2025, provide or cause to be provided, annual financial information with respect to the Borough consisting of (i) audited financial statements (or unaudited financial statements if audited financial statements are not then available by the date of filing, which audited financial statements will be delivered when and if available) of the Borough and (ii) certain financial information and operating data consisting of information concerning the Borough’s debt, overlapping indebtedness, tax rate, levy and collection data, property valuation, budget and fund balance of the type contained under the headings “Debt Information”, “Budget Information” and “Financial

Information” in Appendix “A” hereof. The audited financial statements will be prepared in accordance with mandated State statutory accounting principles, as in effect from time to time. Audited financial statements if not available by the filing date will be submitted separately when available.

(B) Provide or cause to be provided in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds or financial obligations of the Borough:

- (1) Principal or interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to the rights of Bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property which secures the repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Borough (the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Borough in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Borough, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Borough);
- (13) The consummation of a merger, consolidation, or acquisition involving the Borough or the sale of all or substantially all of the assets of the Borough, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a financial obligation of the Borough, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Borough, any of which affect Bondholders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Borough, any of which reflect financial difficulties.

The Borough intends the words used in paragraphs (15) and (16) and the definition of “financial obligation” to have the meanings ascribed to them in SEC Release No. 34-83885 (August 20, 2018).

(C) Provide or cause to be provided, in a timely manner, notice of a failure of the Borough to provide required annual financial information on or before the date specified above.

All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

If the Borough fails to comply with the above-described undertaking, any Bondholder or beneficial owner of the Bonds may pursue an action for specific performance to enforce the rights of all Bondholders and beneficial owners with respect to such undertaking; *provided, however*, that failure to comply with such undertaking shall not be an event of default and shall not result in any acceleration of payment of the Bonds or any liability by the Borough for monetary damages. All actions shall be instituted, had and maintained in the manner provided in this paragraph for the benefit of all Bondholders and beneficial owners of the Bonds.

The Borough reserves the right to terminate its obligation to provide annual financial information and notice of material events, as set forth above, if and when the Borough no longer remains an “obligated person” with respect to the Bonds within the meaning of Rule 15c2-12.

The undertaking may be amended by the Borough from time to time, without the consent of the Bondholders or the beneficial owners of the Bonds, in order to make modifications required in connection with a change in legal requirements, a change in law or a change in identity, nature, type of operation or status of the Borough, which in the opinion of nationally recognized bond counsel complies with Rule 15c2-12 and does not, in such bond counsel’s opinion, materially impair the interests of the Bondholders and the beneficial owners of the Bonds.

The Borough has previously entered into secondary market disclosure undertakings in accordance with Rule 15c2-12. The Borough has appointed Phoenix Advisors, Hamilton, New Jersey, to serve as continuing disclosure agent/dissemination agent to assist in the filing of certain information with the MSRB’s Electronic Municipal Market Access system (“EMMA”) as required with respect to the Bonds and future obligations.

PREPARATION OF OFFICIAL STATEMENT

The firm of Lerch, Vinci & Bliss, LLP, Fair Lawn, New Jersey, Certified Public Accountants, takes responsibility for the financial statements to the extent specified in the Accountant’s Compilation Report and the Independent Auditor’s Report.

The firm of Lerch, Vinci & Bliss, LLP, assisted in the preparation of information contained in this Official Statement and information has been obtained from sources which Lerch, Vinci & Bliss, LLP, considers to be reliable but they make no warranty, guarantee or other representation with respect to the accuracy and completeness of such information.

All other information has been obtained from sources which the Borough considers to be reliable and the Borough makes no warranty, guaranty or other representation with respect to the accuracy and completeness of such information.

APPROVAL OF OFFICIAL STATEMENT

Prior to the delivery of the Bonds, the Borough Council will have adopted a resolution approving this Official Statement, deeming it a “final official statement” for purposes of Rule 15c2-12 and directing the Chief Financial Officer to deliver a reasonable number of copies thereof in final form to the Underwriter for its use in the sale, resale or distribution of the Bonds.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including requests for information additional to that contained herein, may be directed to the Borough of Hillsdale, 380 Hillsdale Avenue, Hillsdale, New Jersey, 07642, David Young, Chief Financial Officer, (201) 666-4800.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the Borough and the purchasers or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Borough, the State or any of their agencies or authorities, since the date hereof. The information contained in this Official Statement is not guaranteed as to accuracy or completeness.

This Official Statement has been duly executed and delivered by the Chief Financial Officer on behalf of the Borough.

BOROUGH OF HILLSDALE, IN THE COUNTY OF BERGEN, NEW JERSEY

By: /s/ _____
David Young
Chief Financial Officer

Dated: April __, 2026

APPENDIX A
ECONOMIC AND DEMOGRAPHIC INFORMATION
RELATING TO THE BOROUGH

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GENERAL INFORMATION

Size and Geographical Location

The Borough of Hillsdale (the “Borough”) is a small borough, approximately 3 square miles located in Bergen County, New Jersey. It is ideally situated in the picturesque Pascack Valley of North-Eastern Bergen County. Neighboring communities include the Boroughs of Ho-Ho-Kus, Park Ridge, Saddle River, Westwood, Woodcliff Lake and the Township’s of River Vale and Washington. The Borough is within minutes of most of the main transportation corridors in the northeast and a thirty-minute ride to New York City.

The Borough’s ideal location allows its residents to enjoy a high quality of life with fine schools, recreation, restaurants and cultural activities all in close proximity. There are numerous business and commercial establishments in the Borough and neighboring communities. Many large shopping areas and hotels are located nearby and several local hospitals located near the Borough as well.

Form of Government

The Borough operates under the Mayor and Council form of government in which the mayor is elected to a four-year term and six council persons are elected at large to serve staggered three-year terms.

Transportation

The New Jersey Transit provides rail service to the Borough of Hillsdale. The Pascack Valley Line train station is located at Broadway and Hillsdale Avenue. It provides service to and from Hoboken Terminal with connections to other New Jersey rail lines, the PATH train and New York Waterways ferry service.

Bus services are available at Hillsdale train station and along Kinderkamack Road by New Jersey Transit and Coach USA.

There are many major interstate and local highways minutes away from Hillsdale, including the Garden State Parkway, the New Jersey Turnpike, the New York State Thruway, Interstate Highways No. 80 and 287, the Palisades Interstate Parkway and State Highway No. 17.

Public Safety

The Police Department is located at the front of Borough Hall. The Department consists of police officers, dispatchers and a records clerk/secretary.

The Hillsdale Volunteer Fire Department consists of volunteer members. The company utilizes up to date firefighting equipment and vehicles.

The Volunteer Ambulance Corps building is located on the same property as the Fire Department. The Ambulance Corps consists of volunteer members. A mutual aid agreement is in effect with surrounding municipalities. Free ambulance and rescue service to the public is operated on a 24 hour a day basis.

Utilities

PSE&G provides electric and Veolia Water provides water service. The Bergen County Utilities Authority (BCUA) collects the sewer waste and transports it to the BCUA treatment plant in Little Ferry.

Recreation

The Borough maintains a comprehensive park and recreation system. Centennial Field contains one little league baseball field, one major baseball field, two soccer fields, playground equipment and a club house. Memorial Field consists of one girls softball field, one little league field and a field house. Beechwood Parks’ components consist of one softball field, a tot park, a band shell and a nature trail. Glenbrook Park and Maple Avenue Park are small

neighborhood parks with tot play areas. Veterans Park is located in downtown Hillsdale with a Veterans and Firemen Monument, gazebo and walking paths.

Stonybrook Swim Club is located on Cedar Lane near the River Vale border and contains the four swimming pools, a playground, locker rooms, storage areas and offices, as well as a basketball court, volleyball court, picnic area and combination soccer/lacrosse field.

The Borough has an active year-round community recreation program. It is administered by a Recreation Committee and full-time Recreation Director. The Recreation Committee offers a broad, diversified program of recreation activities.

The Borough has playgrounds and parks that offer both passive and active recreational opportunities including tennis, basketball, baseball, softball and soccer.

Library

The Hillsdale Free Public Library was founded in 1935 as an association library. Hillsdale Library cards may access materials from over 72 libraries belonging to the Bergen County Cooperative Library System. The Library offers lectures, workshops, book discussions and other activities to the public. It also offers opportunities to children through special programs and to those with reading difficulties to develop an interest in using the Library and its resources.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population

Population trends for the Borough, County and the State of New Jersey since 1990 are shown below:

<u>Area</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2020</u>	<u>2024</u>
Borough of Hillsdale	9,750	10,087	10,219	10,143	10,266
County of Bergen	825,380	884,118	905,116	955,732	978,641
State of New Jersey	7,730,188	8,414,350	8,791,894	9,288,994	9,500,851

Source: New Jersey Department of Labor, Division of Labor Market and Demographic Research

Income as of 2024

	<u>Median Household Income</u>	<u>Median Family Income</u>	<u>Per Capita Income</u>
Borough of Hillsdale	\$ 186,688	\$ 200,333	\$ 70,800
County of Bergen	124,884	152,200	63,735
State of New Jersey	103,556	127,025	54,253

Source: U.S. Census Bureau, 2020 – 2024 American Community Survey – 5 Year Estimates

Labor Force, Employment and Unemployment

The New Jersey Department of Labor reported the following annual average employment information for the Borough of Hillsdale, the County of Bergen and the State of New Jersey:

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Borough of Hillsdale</u>				
2024	6,128	5,935	193	3.1%
2023	6,086	5,890	196	3.2%
2022	5,901	5,730	171	2.9%
2021	5,655	5,354	301	5.3%
2020	5,574	5,157	417	7.5%
<u>County of Bergen</u>				
2024	541,844	521,596	20,248	3.7%
2023	536,776	517,682	19,094	3.6%
2022	519,799	502,401	17,398	3.3%
2021	499,794	468,726	31,068	6.2%
2020	494,538	449,149	45,389	9.2%
<u>State of New Jersey</u>				
2024	4,898,008	4,676,064	221,944	4.5%
2023	4,867,113	4,659,779	207,334	4.3%
2022	4,756,002	4,572,879	183,123	3.9%
2021	4,654,243	4,342,075	312,168	6.7%
2020	4,643,700	4,204,301	439,399	9.5%

Source: New Jersey Department of Labor, Division of Labor Market and Demographic Research

DEBT INFORMATION

Debt Statements

The Borough must report all new authorizations of debt or changes in previously authorized debt to the Division of Local Government Services, Department of Community Affairs of the State of New Jersey (the "Division"). The Supplemental Debt Statement, as this report is known, must be submitted to the Division before final passage of any debt authorization. Before January 31 of each year the Borough must file an Annual Debt Statement with the Division. This report is made under oath and states the authorized, issued and unissued debt of the Borough as of the previous December 31. Through the Annual and Supplemental Debt Statements, the Division monitors all local borrowing.

Debt Incurring Capacity As of December 31, 2025 (Unaudited)

Municipal	
Equalized Valuation Basis (last 3 years average)	\$ 2,469,748,380
3 1/2% Borrowing Margin	86,441,193
Net Debt Issued, Outstanding and Authorized	9,377,220
Remaining Municipal Borrowing Capacity	77,063,973
Regional School	
3% Borrowing Margin	74,092,451
Debt, Issued, Outstanding and Authorized	1,340,840
Remaining School Borrowing Capacity	72,751,611
Local School	
3% Borrowing Margin	74,092,451
Debt, Issued, Outstanding and Authorized	62,359,000
Remaining School Borrowing Capacity	11,733,451

Source: Borough of Hillsdale 2025 Annual Debt Statement

Gross and Statutory Net Debt as of December 31,

<u>Year</u>	<u>Gross Debt Amount</u>	<u>Statutory Net Debt</u>	
		<u>Amount</u>	<u>Percentage</u>
2025 (Unaudited)	\$ 73,638,697	\$ 9,377,220	0.380%
2024	68,483,842	4,811,772	0.211%
2023	8,037,060	5,073,180	0.242%
2022	5,856,353	2,501,642	0.126%
2021	7,288,571	2,456,967	0.158%

Source: Borough of Hillsdale Annual Audit Reports and 2025 Annual Debt Statement

**Statement of Indebtedness
As of December 31, 2025 (Unaudited)**

GENERAL PURPOSES

Bond Anticipation Notes	\$ 3,500,000	
Bonds and Notes Authorized But Not Issued	<u>6,170,357</u>	
		\$ 9,670,357

SWIM POOL UTILITY

Bonds Anticipation Notes	268,000	
Bonds and Notes Authorized But Not Issued	<u>500</u>	
		268,500

REGIONAL SCHOOL

Bonds Issued and Outstanding		1,340,840
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LOCAL SCHOOL

Bonds Issued, Outstanding and Authorized		<u>62,359,000</u>
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TOTAL GROSS DEBT 73,638,697

STATUTORY DEDUCTIONS

Municipal Purpose	293,137	
Swim Pool Purpose	268,500	
Regional School	1,340,840	
Local School	<u>62,359,000</u>	
		<u>64,261,477</u>

TOTAL NET DEBT \$ 9,377,220

OVERLAPPING DEBT

County of Bergen (Note 1)	\$ 18,412,055	
Bergen County Utilities Authority (2)	<u>2,465,435</u>	

TOTAL OVERLAPPING DEBT \$ 20,877,490

GROSS DEBT

Per Capita (2024 - 10,266)		\$ 7,173
Percent of Net Valuation Taxable (2025 - \$1,713,997,800)		4.30%
Percent of Estimated True Value of Real Property (2025 - \$2,479,839,613)		2.97%

NET MUNICIPAL DEBT

Per Capita (2024 - 10,266)		\$ 913
Percent of Net Valuation Taxable (2025 - \$1,713,997,800)		0.55%
Percent of Estimated True Value of Real Property (2025 - \$2,479,839,613)		0.38%

OVERALL DEBT (Gross and Overlapping Debt)

Per Capita (2024 - 10,266)		\$ 9,207
Percent of Net Valuation Taxable (2025 - \$1,713,997,800)		5.51%
Percent of Estimated True Value of Real Property (2025 - \$2,479,839,613)		3.81%

Note (1) Overlapping debt was computed based upon the real property ratio of equalized valuations of the municipality to all municipalities within the County as provided in the 2025 Bergen County Abstract of Ratables published by the Bergen County Board of Taxation.

Note (2) Overlapping debt was computed based upon usage.

Source: Borough of Hillsdale 2025 Annual Debt Statement

BUDGET INFORMATION
Current Fund
(As Adopted)

	<u>2026 (1)</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Anticipated Revenues					
Fund Balance	\$ 1,890,000	\$ 2,800,000	\$ 3,870,000	\$ 2,000,000	\$ 1,517,300
Miscellaneous Revenues	3,923,887	3,963,500	3,784,929	2,802,887	3,940,440
Receipts from Delinquent Taxes	285,000	385,000	370,000	305,052	292,698
Amount to be Raised by Taxes for Support of Municipal Budget	<u>12,556,113</u>	<u>11,822,500</u>	<u>11,269,134</u>	<u>10,889,948</u>	<u>10,761,259</u>
	<u>\$ 18,655,000</u>	<u>\$ 18,971,000</u>	<u>\$ 19,294,063</u>	<u>\$ 15,997,887</u>	<u>\$ 16,511,697</u>
Appropriations					
Salaries and Wages	\$ 6,216,698	\$ 5,996,888	\$ 5,321,249	\$ 4,932,110	\$ 4,880,500
Other Expenses	9,778,169	8,938,905	8,916,600	8,638,168	8,564,658
Deferred Charges and Statutory Expenditures	1,260,917	1,342,367	1,378,816	1,215,744	1,284,454
Capital Improvement Fund	306,376	1,600,000	2,600,000	200,000	688,500
Municipal Debt Service	317,840	317,840	302,398	236,865	318,585
Reserve for Uncollected Taxes	<u>775,000</u>	<u>775,000</u>	<u>775,000</u>	<u>775,000</u>	<u>775,000</u>
	<u>\$ 18,655,000</u>	<u>\$ 18,971,000</u>	<u>\$ 19,294,063</u>	<u>\$ 15,997,887</u>	<u>\$ 16,511,697</u>

Source: Borough of Hillsdale Adopted Municipal Budgets and 2026 Budget as Introduced
(1) 2026 Budget as introduced

FINANCIAL INFORMATION

Current Fund Balance and Amounts Utilized in Succeeding Year's Budget

<u>Year</u>	<u>Fund Balance</u> <u>December 31</u>	<u>Utilized in Budget</u> <u>of Succeeding Year</u>
2025 (Unaudited)	\$ 4,151,725	\$ 1,890,000 (1)
2024	4,976,359	2,800,000
2023	6,044,685	3,870,000
2022	5,324,554	2,000,000
2021	4,299,758	1,517,300

Source: Borough of Hillsdale Annual Audit Reports and 2025 Unaudited Annual Financial Statement
(1) 2026 Budget as introduced

Current Tax Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collection During Year of Levy</u>	
		<u>Amount</u>	<u>Percent</u>
2025 (Unaudited)	\$ 57,199,261	\$ 56,970,448	99.59%
2024	54,458,473	54,017,928	99.19%
2023	52,812,747	52,417,381	99.26%
2022	51,440,200	51,108,992	99.36%
2021	50,699,338	50,376,851	99.36%

Source: Borough of Hillsdale Annual Audit Reports and 2025 Unaudited Annual Financial Statement

Delinquent Taxes

<u>Year</u>	<u>Delinquent Taxes</u>	<u>Percentage of Levy</u>
2025 (Unaudited)	\$ 288,783	0.50%
2024	411,232	0.76%
2023	378,318	0.72%
2022	305,052	0.59%
2021	292,698	0.58%

Source: Borough of Hillsdale Annual Audit Reports and 2025 Unaudited Annual Financial Statement

Assessed Valuation of Property Owned by the Borough Acquired for Taxes

<u>Year</u>	<u>Amount</u>
2025 (Unaudited)	\$ 751,900
2024	751,900
2023	751,900
2022	751,900
2021	751,900

Source: Borough of Hillsdale Annual Audit Reports and 2025 Unaudited Annual Financial Statement

Ten Largest Taxpayers

The ten largest taxpayers in the Borough and their 2026 assessed valuations are listed below:

<u>Taxpayer</u>	<u>Assessment</u>
New Creek LLC	\$ 11,172,700
Cross Roads - Hillsdale Association LLC	9,126,400
305 Paterson Street LLC	7,500,000
Patterson Street Urban Renewal LLC	6,200,000
Public Service Electric and Gas	3,100,000
Edgewood Golf Course Realty Assoc. LLC	3,069,400
Pavonia Equities, LP	3,008,100
Marsala Enterprises	2,651,000
100 Park Ave Associates, LLC	2,560,000
New Jersey Bell	2,400,000
	<u>\$ 50,787,600</u>
Percentage of 2026 Net Valuation Taxable	2.97%

Source: Borough of Hillsdale Tax Assessor.

Assessed Valuation Land Improvements by Class

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total</u>
2026	\$ 4,209,200	\$ 1,590,243,600	\$ 634,000	\$ 83,530,800	\$ 14,438,200	\$ 14,619,700	\$ 1,707,675,500
2025	4,801,800	1,585,923,300	634,000	93,580,800	14,438,200	14,619,700	1,713,997,800
2024	4,993,100	1,585,913,300	634,000	94,541,700	13,168,000	14,619,700	1,713,869,800
2023	6,116,400	1,579,957,500	634,000	96,140,600	11,944,100	14,619,700	1,709,412,300
2022	6,818,900	1,574,249,800	634,000	96,793,700	11,944,100	14,619,700	1,705,060,200

Source: Borough of Hillsdale Tax Duplicate

Assessed Valuations Net Valuation Taxable

<u>Year</u>	<u>Real Property</u>	<u>Business Personal Property</u>	<u>Net Valuation Taxable</u>	<u>Ratio of Assessed Value to True Value of Real Property</u>	<u>Total True Value of Assessed Property</u>
2026	\$ 1,707,675,500	\$ -	\$ 1,707,675,500	*	*
2025	1,713,997,800	-	1,713,997,800	69.26%	2,479,839,613
2024	1,713,869,800	-	1,713,869,800	75.95%	2,261,445,776
2023	1,709,412,300	-	1,709,412,300	81.17%	2,110,751,561
2022	1,705,060,200	5,819,616	1,710,879,816	86.66%	1,977,971,492

* Not Available

Source: Bergen County Abstract of Ratables

**Components of Real Estate Tax Rate
(per \$100 of Assessment)**

<u>Year</u>	<u>Total</u>	<u>Municipal</u>	<u>Local School</u>	<u>Regional School</u>	<u>County</u>
2025	\$ 3.330	\$ 0.689	\$ 1.511	\$ 0.791	\$ 0.339
2024	3.172	0.656	1.455	0.753	0.308
2023	3.082	0.636	1.404	0.746	0.296
2022	2.999	0.628	1.358	0.733	0.280
2021	2.966	0.622	1.330	0.733	0.281

Source: Borough of Hillsdale Annual Audit Reports and Tax Collector

**Apportionment of Tax Levy
(Including School and County Purposes)**

<u>Year</u>	<u>Total</u>	<u>Municipal</u>	<u>Local School</u>	<u>Regional School</u>	<u>County</u>
2025 (Unaudited)	\$ 57,199,261	\$ 11,944,924	\$ 25,885,480	\$ 13,569,739	\$ 5,799,118
2024	54,458,473	11,361,971	24,927,101	12,906,023	5,263,378
2023	52,812,747	11,007,644	23,994,618	12,763,815	5,046,670
2022	51,440,200	10,890,489	23,231,296	12,540,616	4,777,800
2021	50,699,338	10,737,569	22,687,977	12,502,747	4,771,045

Source: Borough of Hillsdale Annual Audit Reports and 2025 Unaudited Annual Financial Statement

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APPENDIX B
FINANCIAL STATEMENTS OF THE BOROUGH

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**UNAUDITED FINANCIAL INFORMATION OF THE BOROUGH OF HILLSDALE
FOR THE YEAR ENDED DECEMBER 31, 2025**

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DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
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ROBERT LERCH, CPA, PSA, RMA
CHRISTOPHER VINCI, CPA, PSA
CHRISTINA CUIFFO, CPA, PSA, RMA
JOHN CUIFFO, CPA, PSA, RMA
DEBRA GOLLE, CPA

ACCOUNTANT'S COMPILATION REPORT

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

Management is responsible for the accompanying balance sheets – regulatory basis of the various funds of the Borough of Hillsdale, as of December 31, 2025 and the related statement of operations and changes in fund balance – regulatory basis, the statement of revenues – regulatory basis and statement of expenditures – regulatory basis of the various funds for the year then ended in accordance with the regulatory basis of accounting. We have performed the compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements – regulatory basis nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The financial statements are prepared in accordance with the financial and accounting reporting provisions 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.

Management has elected to omit substantially all the disclosures ordinarily included in financial statements prepared in accordance with the regulatory basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Borough's assets, liabilities, fund balances, revenues and expenditures. Accordingly, the financial statements are not designed for those who are not informed about such matters.

By/s/ LERCH, VINCI & BLISS, LLP
Certified Public Accountants
Registered Municipal Accountants

Fair Lawn, New Jersey
March 30, 2026

**BOROUGH OF HILLSDALE
BALANCE SHEET - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2025 (UNAUDITED)**

ASSETS	<u>2025</u>
REGULAR FUND	
Cash	\$ 7,852,901
Due from State - Veterans and Senior Citizens	477
SLEO III Recievable	<u>64,495</u>
	<u>7,917,873</u>
Receivables and Other Assets with Full Reserves	
Delinquent Property Taxes Receivable	288,783
Property Acquired for Taxes	<u>751,900</u>
	<u>1,040,683</u>
Total Regular Fund	<u>8,958,556</u>
GRANT FUND	
Cash	346,029
Grants Receivable	<u>361,474</u>
Total Grant Fund	<u>707,503</u>
Total Assets	<u>\$ 9,666,059</u>

**BOROUGH OF HILLSDALE
BALANCE SHEET - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2025 (UNAUDITED)**

	<u>2025</u>
LIABILITIES, RESERVES AND FUND BALANCE	
REGULAR FUND	
Appropriation Reserves	\$ 1,523,635
Encumbrances Payable	520,248
Accounts Payable	610
Due to State of New Jersey	
Department of Human Services - Marriage License Fees	1,396
DCA Fees	3,440
Prepaid Taxes	255,319
County Taxes Payable	12,463
Local School District Taxes Payable	945,432
Miscellaneous Reserves	185,698
Reserve for Tax Appeals	136,943
Reserve for Revaluation	22,520
Reserve for Insurance Claims	<u>158,444</u>
Total Liabilities	3,766,148
Reserve for Receivables and Other Assets	1,040,683
Fund Balance	<u>4,151,725</u>
Total Regular Fund	<u>8,958,556</u>
GRANT FUND	
Appropriated Grant Reserves	536,177
Encumbrance Payable	89,207
Unappropriated Grant Reserves	<u>82,119</u>
Total Grant Fund	<u>707,503</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 9,666,059</u>

BOROUGH OF HILLSDALE
STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE
REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2025 (UNAUDITED)

	<u>2025</u>
REVENUES AND OTHER INCOME REALIZED	
Fund Balance Anticipated	\$ 2,800,000
Miscellaneous Revenues Anticipated	4,161,955
Receipts from Delinquent Taxes	411,232
Receipts from Current Taxes	56,970,448
Non-Budget Revenues	27,556
Other Credits to Income	
Unexpended Balance of Appropriation Reserves	<u>1,133,986</u>
 Total Revenues	 <u>65,505,177</u>
EXPENDITURES	
Municipal Budget	
Operations	15,175,809
Deferred Charges and Statutory Expenditures	1,342,367
Capital Improvements	1,600,000
Municipal Debt Service	317,840
County Taxes	5,799,118
Local District School Taxes	25,885,480
Regional School District Taxes	13,237,881
Refund of Prior Year Revenue	<u>171,316</u>
 Total Expenditures	 <u>63,529,811</u>
 Excess in Revenues	 1,975,366
 Fund Balance, January 1	 <u>4,976,359</u>
	6,951,725
Decreased by:	
Utilization as Anticipated Revenue	<u>2,800,000</u>
 Fund Balance, December 31	 <u><u>\$ 4,151,725</u></u>

BOROUGH OF HILLSDALE
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2025 (UNAUDITED)

	<u>Budget After</u>	<u>Total Revenues</u>	<u>Excess or</u>
	<u>Modification</u>	<u>Realized</u>	<u>(Deficit)</u>
Fund Balance Anticipated	\$ 2,800,000	\$ 2,800,000	-
Miscellaneous Revenues			
Licenses			-
Alcoholic Beverages	17,500	17,750	250
Other	21,000	20,504	(496)
Fees and Permits	108,000	117,377	9,377
Municipal Court	13,000	31,090	18,090
Interest and Cost on Taxes	99,000	82,212	(16,788)
Parking Meters	26,000	63,355	37,355
Interest on Investments & Deposits	633,215	526,100	(107,115)
Sewer Agreement Revenue	27,000	26,922	(78)
Payment in Lieu of Taxes - Senior Housing	58,000	48,224	(9,776)
Recycling Revenue		10,912	10,912
Police Administration Charges	125,000	154,000	29,000
Communication Tower and Cable	275,000	284,288	9,288
Energy Receipts Tax	1,194,142	1,194,142	-
Watershed Aid	2,303	2,303	-
Uniform Construction Code Fees	260,000	246,942	(13,058)
Police Pistol Range	5,178	8,305	3,127
Hillsdale BOE Class III Police Officer	78,970	66,840	(12,130)
School Resource Officer	45,000	40,000	(5,000)
Pascack Valley RHS Class III Police Officer	211,397	215,760	4,363
Shared Services - First Aid and Contracted Services	75,000	75,000	-
State and Federal Aid			-
Recycling Tonnage Grant	16,668	16,668	-
Drunk Driving Enforcement Fund	9,064	9,064	-
Clean Communities Program	26,716	26,716	-
Police Body Armor Grant	3,824	3,824	-
JIF Safety Awards	750	750	-
National Opioid Settlement	31,998	31,998	-
Municipal Alliance	676	676	-
Green Communities	2,500	2,500	-
Stormwater Assistance Grant	25,000	25,000	-
DCA Stream Stabalization	200,000	200,000	-
Other Special Items			-
Uniform Fire Stafey Act	9,000	10,117	1,117
Pension Reimbursement - Library	17,616	17,616	-
Pension Reimbursement - Sewer Utility	5,000	5,000	-
General Capital - Reserve for Payment of Debt	30,000	30,000	-
General Capital - Reserve for Payment of Notes	300,000	300,000	-
Community Benefits Payment - Patterson Street PILOT	250,000	250,000	0
Unidentified	4,203,516	4,161,955	(41,562)
Receipts from Delinquent Taxes	385,000	411,232	26,232
Amount to be Raised by Taxes for Support of			
Municipal Budget	10,997,653	11,666,265	668,612
Municipal Library	824,847	824,847	-
Total Amount to be Raised by Taxes	11,822,500	12,491,112	668,612
Total General Revenues	\$ 19,211,016	\$ 19,864,299	\$ 653,282

BOROUGH OF HILLSDALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2025 (UNAUDITED)

	<u>Appropriated</u>		<u>Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS WITHIN "CAPS"					
GENERAL GOVERNMENT FUNCTIONS					
Mayor and Council					
Salaries and Wages	\$ 66,000	\$ 66,000	\$ 65,999	\$ 1	
Other Expenses	8,700	8,700	8,557	143	
Administrative and Executive					
Salaries and Wages	296,247	296,247	273,490	22,757	
Other Expenses	57,043	58,543	56,951	1,592	
Miscellaneous				-	
Financial Administration					
Salaries and Wages	141,842	141,842	124,441	17,401	
Other Expenses	56,200	56,200	23,914	32,286	
Audit Services					
Other Expenses	50,000	50,000		50,000	
Collection of Taxes					
Other Expenses	12,625	13,125	12,292	833	
Tax Assessment Administration					
Salaries and Wages	27,104	27,104	27,104	-	
Other Expenses	10,450	10,450	3,715	6,735	
Municipal Clerk's Office					
Salaries and Wages	104,241	104,241	104,008	233	
Other Expenses	42,500	42,500	33,667	8,833	
Legal Services and Costs					
Other Expenses	143,500	151,500	146,082	5,418	
Engineering Services					
Other Expenses	140,000	140,000	136,354	3,646	
Municipal Land Use Law					
Planning Board					
Salaries and Wages	18,456	18,456	17,318	1,138	
Other Expenses	40,900	40,900	10,956	29,944	
Zoning Board of Adjustment					
Salaries and Wages	37,440	37,440	36,825	615	
Affordable Housing					
Other Expenses	14,000	7,500	-	7,500	
Insurance					
General Liability	271,896	271,896	54,217	217,679	
Net Group Insurance Plan for Employees	1,472,958	1,472,958	1,382,490	90,468	
Workers Compensation Insurance	218,350	238,350	64,482	173,868	
Health Benefit Waiver	25,000	25,000	16,761	8,239	
PUBLIC SAFETY FUNCTIONS					
Police Department					
Salaries and Wages	3,089,142	3,084,142	2,914,364	169,778	
Other Expenses	217,250	217,250	215,057	2,193	
Office of Emergency Management					
Salaries and Wages	12,000	12,000	12,000		
Other Expenses	4,850	4,850	4,043	807	
First Aid Organization - Contribution					
Salaries and Wages	145,000	145,000	135,734	9,266	
Other Expenses	46,000	46,000	40,000	6,000	
Fire Protection					
Salaries and Wages	34,000	34,000	34,000	-	
Other Expenses	42,000	72,000	67,842	4,158	
Fire Prevention					
Salaries and Wages	44,444	44,444	24,966	19,478	
Other Expenses	6,575	6,575	5,919	656	

BOROUGH OF HILLSDALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2025 (UNAUDITED)

	<u>Appropriated</u>		<u>Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS WITHIN "CAPS"					
MUNICIPAL COURT					
Other Expenses	\$ 49,822	\$ 21,822	\$ 16,050	\$ 5,772	
PUBLIC WORKS FUNCTIONS					
Road Maintenance and Repairs					
Salaries and Wages	993,929	993,929	851,245	142,684	
Other Expenses	340,675	340,675	318,217	22,458	
Public Building and Grounds					
Other Expenses	112,100	112,100	96,255	15,845	
Garbage and Trash Removal					
Other Expenses	1,539,200	1,489,200	1,387,541	101,659	
Recycling					
Other Expenses	250,000	250,000	195,575	54,425	
Vehicle Maintenance					
Other Expenses	129,700	129,700	128,523	1,177	
Train Station					
Other Expenses	10,000	10,000	5,551	4,449	
HEALTH AND HUMAN SERVICES FUNCTIONS					
Public Health Services					
Salaries and Wages	43,051	43,051	41,447	1,604	
Other Expenses	77,750	89,250	85,121	4,129	
Administration of Public Assistance					
Salaries and Wages	18,754	18,754	18,754	-	
Other Expenses				-	
Environmental Commission					
Other Expenses	1,450	1,450	800	650	
PARKS AND RECREATION FUNCTIONS					
Board of Recreation Commissioners					
Salaries and Wages	116,524	116,524	114,280	2,244	
Other Expenses	18,300	18,300	13,101	5,199	
Senior Citizens					
Salaries and Wages	17,585	23,585	20,171	3,414	
Other Expenses	43,500	43,500	30,524	12,976	
Maintenance of Parks and Playgrounds					
Salaries and Wages	88,272	88,272	85,776	2,496	
Other Expenses	143,200	143,200	125,723	17,477	
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY DEDICATED REVENUES					
Uniform Construction Code Enforcement Functions					
Salaries and Wages	267,377	287,377	266,293	21,084	
Other Expenses	9,625	9,625	9,624	1	

BOROUGH OF HILLSDALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2025 (UNAUDITED)

	<u>Appropriated</u>		<u>Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS WITHIN "CAPS"					
UNCLASSIFIED					
Utilities					
Electricity	\$ 274,500	\$ 306,500	\$ 299,764	\$ 6,736	
Telephone and Telegraph	48,000	43,000	42,997	3	
Water	292,000	297,000	293,880	3,120	
Gasoline	88,500	68,500	65,030	3,470	
Celebration of Public Events	15,000	15,000	14,655	345	
Accumulated Absences	105,500	105,500	105,000	500	-
	<u>11,991,027</u>	<u>12,011,027</u>	<u>10,685,445</u>	<u>1,325,582</u>	<u>-</u>
Total Operations Within "CAPS"					
Contingent	100,000	47,500	-	47,500	-
	<u>12,091,027</u>	<u>12,058,527</u>	<u>10,685,445</u>	<u>1,373,082</u>	<u>-</u>
Total Operations Including Contingent Within "CAPS"					
Detail:					
Salaries and Wages	5,561,408	5,582,408	5,168,215	414,193	-
Other Expenses	6,529,619	6,476,119	5,517,230	958,889	-
	<u>12,091,027</u>	<u>12,058,527</u>	<u>10,685,445</u>	<u>1,373,082</u>	<u>-</u>
DEFERRED CHARGES AND STATUTORY EXPENDITURES					
Deferred Charges					
Overexpenditure of Appropriations	5,451	5,451	5,451		
Overexpenditure of Appropriation Reserves	-	-	-	-	-
	<u>5,451</u>	<u>5,451</u>	<u>5,451</u>	<u>-</u>	<u>-</u>
Total Deferred Charges - Municipal Within "CAPS"					
Statutory Expenditures					
Contribution to:					
Public Employees' Retirement System	257,018	257,018	257,018	-	
Social Security System	248,129	248,129	244,612	3,517	
Police and Firemen's Retirement Fund of NJ	814,710	814,710	814,710	-	
Unemployment Insurance	2,000	2,000	(1,209)	3,209	
Defined Contribution Retirement Plan	15,059	15,059	13,388	1,671	-
	<u>1,342,367</u>	<u>1,342,367</u>	<u>1,333,970</u>	<u>8,397</u>	<u>-</u>
Total Deferred Charges and Statutory Expenditures - Within "CAPS"					
Total General Appropriations for Municipal Purposes within "CAPS"	<u>13,433,394</u>	<u>13,400,894</u>	<u>12,019,415</u>	<u>1,381,479</u>	<u>-</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
UTILITY EXPENSES AND BULK PURCHASES					
Stormwater					
Other Expenses	22,000	24,500	24,500	-	
Bergen County Utilities Authority					
Operations	895,000	895,000	852,684	42,316	
Debt Service	234,592	234,592	234,592	-	

**BOROUGH OF HILLSDALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2025 (UNAUDITED)**

	<u>Appropriated</u>		<u>Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - EXCLUDED FROM "CAPS"					
EDUCATION FUNCTIONS					
Maintenance of Free Public Library	\$ 824,847	\$ 824,847	\$ 774,776	\$ 50,071	
LANDFILL/SOLID WASTE DISPOSAL COSTS					
Recycling Tax	15,000	15,000	9,587	5,413	
PUBLIC SAFETY FUNCTIONS					
Length of Service Awards Program	60,000	60,000	60,000	-	-
APPROP. CAP RELIEF LFN #2023-4					
Health Insurance	<u>130,042</u>	<u>130,042</u>	<u>130,042</u>	<u>-</u>	<u>-</u>
Total Other Operations - Excluded from "CAPS"	<u>2,181,481</u>	<u>2,183,981</u>	<u>2,086,181</u>	<u>97,800</u>	<u>-</u>
SHARED SERVICE AGREEMENTS					
County of Bergen					
Dispatch and 911	5,178	5,178		5,178	
Township of River Vale					
Pistol Range Rental	85,000	85,000	75,000	10,000	
Hillsdale BOE Class III Police Officers					
Salaries and Wages	63,119	63,119	58,500	4,619	
Other Expenses	15,850	15,850	6,738	9,112	
PVRHS Class III Police Officers					
Salaries and Wages	196,397	221,397	207,783	13,614	
Other Expenses	15,000	20,000	18,575	1,425	
Financial Services - Tax Collector & CFO					
Salaries and Wages	100,964	100,964	100,964		
Other Expenses	29,597	29,597	29,597	-	-
First Aid - Per Diem					
Salaries and Wages	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>-</u>	<u>-</u>
Total Shared Service Agreements	<u>586,105</u>	<u>616,105</u>	<u>572,157</u>	<u>43,948</u>	<u>-</u>
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES					
Recycling Tonnage Grant	16,668	16,668	16,668		
Drunk Driving Enforcement Fund	9,064	9,064	9,064		
Body Armor Replacement	3,824	3,824	3,824		
Clean Communities Grant	26,716	26,716	26,716		
Green Communities March	2,500	2,500	2,500		
JIF Safety Awards	750	750	750		
National Opioid Settlement	31,998	31,998	31,998		
Municipal Alliance	676	676	676		
Stormwater Assistance Grant	25,000	25,000	25,000		
Stream Stabilization	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>-</u>
Total Public and Private Programs Offset by Revenues	<u>317,196</u>	<u>317,196</u>	<u>317,196</u>	<u>-</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>3,084,782</u>	<u>3,117,282</u>	<u>2,975,534</u>	<u>141,748</u>	<u>-</u>
Detail:					
Salaries and Wages	435,480	460,480	442,247	18,233	-
Other Expenses	<u>2,649,302</u>	<u>2,656,802</u>	<u>2,533,287</u>	<u>123,515</u>	<u>-</u>

BOROUGH OF HILLSDALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2025 (UNAUDITED)

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
CAPITAL IMPROVEMENTS -					
Capital Improvement Fund	\$ 1,600,000	\$ 1,600,000	\$ 1,600,000	-	-
Total Capital Improvements	<u>1,600,000</u>	<u>1,600,000</u>	<u>1,600,000</u>	<u>-</u>	<u>-</u>
MUNICIPAL DEBT SERVICE -					
Payment of Bond Anticipation Notes	171,000	171,000	171,000		
Interest on Notes	146,840	146,840	146,432	-	408
Total Municipal Debt Service	<u>317,840</u>	<u>317,840</u>	<u>317,432</u>	<u>-</u>	<u>408</u>
DEFERRED CHARGES					
Deferred Charges					
Deferred Charges Unfunded - Ordinance 21-15	-	-	-	-	-
Total Deferred Charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>5,002,622</u>	<u>5,035,122</u>	<u>4,892,966</u>	<u>\$ 141,748</u>	<u>\$ 408</u>
Subtotal General Appropriations	18,436,016	18,436,016	16,912,381	1,523,227	\$ 408
RESERVE FOR UNCOLLECTED TAXES	<u>775,000</u>	<u>775,000</u>	<u>775,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations	<u>\$ 19,211,016</u>	<u>\$ 19,211,016</u>	<u>\$ 17,687,381</u>	<u>\$ 1,523,227</u>	<u>\$ 408</u>

**BOROUGH OF HILLSDALE
BALANCE SHEET - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2025 (UNAUDITED)**

	<u>2025</u>
ASSETS	
ANIMAL CONTROL TRUST FUND	
Cash	\$ <u>2,204</u>
	<u>2,204</u>
OTHER TRUST FUND	
Cash	<u>2,840,137</u>
	<u>2,840,137</u>
RECREATION TRUST FUND	
Cash	<u>542,805</u>
	<u>542,805</u>
Total Assets	<u>\$ 3,385,146</u>

**BOROUGH OF HILLSDALE
BALANCE SHEET - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2025 (UNAUDITED)**

2025

LIABILITIES, RESERVES AND FUND BALANCE

ANIMAL CONTROL FUND

Due to State of New Jersey	\$	135
Reserve for Animal Control Expenditures		<u>2,069</u>
		<u>2,204</u>

OTHER TRUST FUND

Due to Current Fund		1,914
Reserves for		
Escrow Deposits		417,023
Medical Benefits		31,915
Payroll Deductions and Withholdings		266,049
Miscellaneous Deposits		2,096,517
Fund Balance		<u>26,719</u>
		<u>2,840,137</u>

RECREATION TRUST FUND

Reserve for Recreation Expenditures		<u>542,805</u>
		<u>542,805</u>

Total Liabilities, Reserves and Fund Balance	\$	<u><u>3,385,146</u></u>
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**BOROUGH OF HILLSDALE
CHANGE IN FUND BALANCE - REGULATORY BASIS
OTHER TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2025 (UNAUDITED)**

	<u>2025</u>
Balance, January 1	\$ <u>26,719</u>
Balance, December 31	\$ <u><u>26,719</u></u>

**BOROUGH OF HILLSDALE
BALANCE SHEET - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2025 (UNAUDITED)**

	<u>2025</u>
ASSETS	
Cash	\$ 3,674,259
Deferred Charges to Future Taxation	
Unfunded	9,670,356
Grants Receivable	<u>569,598</u>
Total Assets	<u>\$13,914,213</u>
 LIABILITIES, RESERVES AND FUND BALANCE	
Due to Swim Pool Utility Operating Fund	
Bond Anticipation Notes Payable	\$ 3,500,000
Improvement Authorizations	
Funded	2,051,245
Unfunded	4,786,684
Contracts Payable	2,718,413
Capital Improvement Fund	254,844
Reserve for Preliminary Expenses	
Down Payments on Improvements	3,000
Reserve for Payment of Debt	293,138
Reserve for Municipal Open Space	103,512
Reserve for Grant Receivable	45,000
Fund Balance	<u>158,377</u>
Total Liabilities, Reserves and Fund Balance	<u>\$13,914,213</u>

There were bonds and notes authorized but not issued of \$6,170,357 at December 31, 2025.

BOROUGH OF HILLSDALE
STATEMENT OF CHANGE IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2025 (UNAUDITED)

	<u>2025</u>
Balance, January 1	<u>\$ 50,912</u>
Increased by:	
Funded Improvement Authorization Balances Cancelled	<u>107,465</u>
Balance, December 31	<u>\$ 158,377</u>

**BOROUGH OF HILLSDALE
BALANCE SHEET - REGULATORY BASIS
SWIM POOL UTILITY FUND
AS OF DECEMBER 31, 2025 (UNAUDITED)**

	<u>2025</u>
ASSETS	
OPERATING FUND	
Cash	\$ <u>576,895</u>
Total Operating Fund	<u>576,895</u>
CAPITAL FUND	
Cash	229,676
Fixed Capital	5,535,357
Fixed Capital Authorized and Uncompleted	<u>433,000</u>
Total Capital Fund	<u>6,198,033</u>
Total Assets	<u>\$ 6,774,928</u>

**BOROUGH OF HILLSDALE
BALANCE SHEET - REGULATORY BASIS
SWIM POOL UTILITY FUND
AS OF DECEMBER 31, 2025 (UNAUDITED)**

	<u>2025</u>
LIABILITIES, RESERVES AND FUND BALANCES	
OPERATING FUND	
Liabilities	
Appropriation Reserves	\$ 68,598
Encumbrances Payable	46,946
Accrued Interest on Bonds	6,610
Due to Accounts Payable	1,007
Reserve for Insurance Reimbursements	<u>542</u>
	123,703
Fund Balance	<u>453,192</u>
Total Operating Fund	<u>576,895</u>
CAPITAL FUND	
Liabilities:	
Bond Anticipation Notes Payable	268,000
Improvement Authorizations	
Funded	11,610
Unfunded	4,032
Encumbrances Payable	90,881
Reserve for Payment of Debt Service	3,357
Reserve for Deferred Amortization	164,500
Reserve for Amortization	5,535,357
Capital Improvement Fund	97,280
Fund Balance	<u>23,016</u>
Total Capital Fund	<u>6,198,033</u>
Total Liabilities, Reserves and Fund Balances	<u>\$ 6,774,928</u>

There were bonds and notes authorized but not issued on December 31, 2025 of \$500.

BOROUGH OF HILLSDALE
STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE -
REGULATORY BASIS
SWIM POOL UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2025 (UNAUDITED)

	<u>2025</u>
REVENUES AND OTHER INCOME REALIZED	
Fund Balance Anticipated	\$ 165,000
Rents	50,125
Membership Fees	892,287
Use of Facility Fees	21,468
Interest on Deposits	40,733
Capital Surplus	46,000
Miscellaneous Revenue	110,884
Other Credits to Income:	
Unexpended Balance of Appropriation Reserves	<u>137,708</u>
 Total Income	 <u>1,464,205</u>
EXPENDITURES	
Budget Appropriations	
Operations	1,103,000
Statutory Expenditures	41,000
Capital Improvements	97,280
Debt Service	<u>114,720</u>
 Total Expenditures	 <u>1,356,000</u>
 Excess in Revenue	 108,205
 Fund Balance, January 1	 <u>509,987</u>
	618,192
Decreased by:	
Utilized as Anticipated Utility Revenue	<u>165,000</u>
 Fund Balance, December 31	 <u><u>\$ 453,192</u></u>

BOROUGH OF HILLSDALE
STATEMENT OF CHANGE IN FUND BALANCE - REGULATORY BASIS
SWIM POOL UTILITY
FOR THE YEAR ENDED DECEMBER 31, 2025 (UNAUDITED)

	<u>2025</u>
Balance, January 1	\$ 212,016
Decrease by	
Funded Improvement Authorizations	143,000
Anticipated Revenue 2025 Swim Pool Budget	<u>46,000</u>
	<u>189,000</u>
Balance, December 31	<u>\$ 23,016</u>

**BOROUGH OF HILLSDALE
STATEMENT OF REVENUES - REGULATORY BASIS
SWIM POOL UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2025 (UNAUDITED)**

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	\$ 165,000	\$ 165,000	
Rents	64,000	50,125	\$ (13,875)
Membership Fees	875,000	892,287	17,287
Use of Facility	17,500	21,468	3,968
Interest on Investments and Deposits	56,500	40,733	(15,767)
Miscellaneous	132,000	110,884	(21,116)
Capital Surplus	46,000	46,000	-
	<u>1,356,000</u>	<u>1,326,497</u>	<u>(29,503)</u>

**BOROUGH OF HILLSDALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
SWIM POOL UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2025 (UNAUDITED)**

	<u>Appropriated</u>		<u>Expended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
OPERATING				
Salaries and Wages	\$ 473,500	\$ 473,500	\$ 441,125	\$ 32,375
Other Expenses	629,500	629,500	593,530	35,970
STATUTORY EXPENDITURES				
Contribution to:				
Public Employee's Retirement System	5,000	5,000	5,000	
Social Security System	36,000	36,000	35,747	253
CAPITAL IMPROVEMENTS				
Capital Improvement Fund	97,280	97,280	97,280	
DEBT SERVICE				
Payment on Bond Anticipation Notes	100,000	100,000	100,000	
Interest on Notes	14,720	14,720	14,720	-
	<u>\$ 1,356,000</u>	<u>\$ 1,356,000</u>	<u>\$ 1,287,402</u>	<u>\$ 68,598</u>

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**INDEPENDENT AUDITORS REPORT AND
FINANCIAL STATEMENTS OF THE BOROUGH OF HILLSDALE
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

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DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
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JULIUS B. CONSONI, CPA, PSA
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ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, RMA, PSA

ROBERT LERCH, CPA, PSA, RMA
CHRISTOPHER VINCI, CPA, PSA
CHRISTINA CUIFFO, CPA, PSA, RMA
JOHN CUIFFO, CPA, PSA, RMA
DEBRA GOLLE, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the Borough Council
Borough of Hillsdale
380 Hillsdale Avenue
Hillsdale, New Jersey 07642

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Borough of Hillsdale which comprise the balance sheets - regulatory basis of the various funds and account group as of December 31, 2024, and the related statements of operations and changes in fund balance - regulatory basis, statements of revenues - regulatory basis and statements of expenditures - regulatory basis of the various funds for the year then ended, and the related notes to the financial statements.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter discussed in the Basis for Qualified Opinion on Regulatory Basis of Accounting section of our report, the accompanying 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, 2024, and the results of operations and changes in fund balance – regulatory basis and the respective revenues – regulatory basis and expenditures – regulatory basis of the various funds for the year then ended in accordance with the financial accounting and reporting provisions and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the accompanying 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, 2024, or changes in financial position, or, where applicable, cash flows for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Borough of Hillsdale and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 year ended December 31, 2024. The LOSAP Trust Fund financial activities are included in the Borough's Trust Funds, and represent 43 percent of the assets and liabilities of the Borough's Trust Funds as of December 31, 2024.

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 by the Borough of Hillsdale on the basis of the financial accounting and reporting provisions 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 financial reporting 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 and pervasive.

Prior Year Financial Statements

The financial statements of the Borough of Hillsdale as of and for the year ended December 31, 2023 were audited by other auditors whose report dated July 1, 2024 expressed an unmodified opinion on the financial statements-regulatory basis prepared in accordance with the regulatory basis of accounting. Their report also expressed an adverse opinion on the financial statements because they were not prepared in accordance with accounting principles generally accepted in the United States of America but rather the regulatory basis of accounting described in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of their report.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial accounting and reporting provisions 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 as described in Note 1. 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough of Hillsdale's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Borough of Hillsdale’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough of Hillsdale’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

By/s/

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

Fair Lawn, New Jersey
July 30, 2025

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BOROUGH OF HILLSDALE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2024 AND 2023

ASSETS	<u>2024</u>	<u>2023</u>
REGULAR FUND		
Cash	\$ 8,028,436	\$ 9,817,973
Change Fund	<u>250</u>	<u>250</u>
	<u>8,028,686</u>	<u>9,818,223</u>
Receivables and Other Assets with Full Reserves		
Delinquent Property Taxes Receivable	411,232	378,318
Property Acquired for Taxes	751,900	751,900
Revenue Accounts Receivable	1,957	12,036
Due from Other Trust Fund	2,968	
Due from Public Assistance Fund	<u>-</u>	<u>15</u>
	<u>1,168,057</u>	<u>1,142,269</u>
Deferred Charges		
Overexpenditure of Appropriations	5,451	17,011
Overexpenditure of Appropriation Reserves	<u>-</u>	<u>500</u>
	<u>5,451</u>	<u>17,511</u>
Total Regular Fund	<u>9,202,194</u>	<u>10,978,003</u>
GRANT FUND		
Cash	591,084	1,623,761
Grants Receivable	121,457	145,103
Due from Current Fund		6,507
Due from Swim Pool Utility Operating Fund		2,550
Deferred Charges - Over Expenditure	<u>-</u>	<u>39</u>
Total Grant Fund	<u>712,541</u>	<u>1,777,960</u>
Total Assets	<u>\$ 9,914,735</u>	<u>\$ 12,755,963</u>

**BOROUGH OF HILLSDALE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
LIABILITIES, RESERVES AND FUND BALANCE		
REGULAR FUND		
Appropriation Reserves	\$ 1,142,113	\$ 1,880,973
Encumbrances Payable	800,579	808,180
Accounts Payable	5,652	8,327
Due to State of New Jersey		
Senior Citizens and Veterans Deductions	23	442
Department of Human Services - Marriage License Fees	1,146	740
DCA Fees	3,337	4,053
Prepaid Taxes	210,514	180,253
Tax Overpayments		3,399
County Taxes Payable	5,680	11,059
Local School District Taxes Payable	466,248	217,880
Miscellaneous Reserves	209,930	475,873
Prepaid Revenue	53,093	
Reserve for Tax Appeals	136,943	136,943
Reserve for Revaluation	22,520	22,520
Due to Grant Fund		6,507
Due to Animal Control Trust Fund		21
Due to Other Trust Fund		18,932
Due to Recreation Trust Fund		358
Due to General Capital Fund	-	14,589
	<hr/>	<hr/>
Total Liabilities	3,057,778	3,791,049
Reserve for Receivables and Other Assets	1,168,057	1,142,269
Fund Balance	<u>4,976,359</u>	<u>6,044,685</u>
	<hr/>	<hr/>
Total Regular Fund	<u>9,202,194</u>	<u>10,978,003</u>
GRANT FUND		
Appropriated Grant Reserves	409,240	446,574
Encumbrance Payable	200,750	167,014
Unappropriated Grant Reserves	102,551	85,553
Due to General Capital Fund	-	1,078,819
	<hr/>	<hr/>
Total Grant Fund	<u>712,541</u>	<u>1,777,960</u>
	<hr/>	<hr/>
Total Liabilities, Reserves and Fund Balance	<u>\$ 9,914,735</u>	<u>\$ 12,755,963</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HILLSDALE
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE
REGULATORY BASIS
CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
REVENUES AND OTHER INCOME REALIZED		
Fund Balance Anticipated	\$ 3,870,000	\$ 2,000,000
Miscellaneous Revenues Anticipated	4,594,699	3,575,246
Receipts from Delinquent Taxes	365,521	307,613
Receipts from Current Taxes	54,017,928	52,417,381
Non-Budget Revenues	61,636	110,518
Other Credits to Income		
Interfunds Returned	15	15,800
Unexpended Balance of Appropriation Reserves	1,499,399	1,347,956
Appropriations Canceled	-	26,129
	<u>64,409,198</u>	<u>59,800,643</u>
Total Revenues		
EXPENDITURES		
Municipal Budget		
Operations	14,243,111	13,671,772
Deferred Charges and Statutory Expenditures	1,405,566	1,222,444
Capital Improvements	2,600,000	200,000
Municipal Debt Service	302,398	236,865
County Taxes	5,263,378	5,049,008
Local District School Taxes	24,927,101	23,994,618
Regional School District Taxes	12,834,919	12,652,215
Refund of Prior Year Revenue	33,534	49,794
Interfund Advances	2,968	
Prior Year Senior Citizens and Veterans Deductions Disallowed	-	3,797
	<u>61,612,975</u>	<u>57,080,513</u>
Total Expenditures		
Excess in Revenues	2,796,223	2,720,130
Adjustments to Income Before Fund Balance		
Expenditures Included Above Which are by Statute Deferred Charges to Budget of Succeeding Year	<u>5,451</u>	<u>-</u>
Statutory Excess to Fund Balance	2,801,674	2,720,130
Fund Balance, January 1	<u>6,044,685</u>	<u>5,324,555</u>
	8,846,359	8,044,685
Decreased by:		
Utilization as Anticipated Revenue	<u>3,870,000</u>	<u>2,000,000</u>
Fund Balance, December 31	<u>\$ 4,976,359</u>	<u>\$ 6,044,685</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HILLSDALE
COMPARATIVE STATEMENTS OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>		<u>2023</u>	
	<u>Budget After</u>	<u>Actual</u>	<u>Budget After</u>	<u>Actual</u>
	<u>Modification</u>		<u>Modification</u>	
Fund Balance Anticipated	\$ 3,870,000	\$ 3,870,000	\$ 2,000,000	2,000,000
Miscellaneous Revenues				
Licenses				
Alcoholic Beverages	17,500	17,500	17,650	\$ 17,500
Other	21,000	21,169	18,700	21,979
Fees and Permits	97,000	108,511	96,450	98,643
Fines and Costs - Municipal Court	29,000	13,004	38,600	29,885
Interest and Costs on Taxes	80,000	99,544	64,850	73,509
Interest on Investments and Deposits	745,000	739,766	174,200	770,797
Parking Fees	11,000	26,745	10,100	10,072
Sewer Agreement Revenue	27,000	27,337		
Payments in Lieu of Taxes - Senior Housing	51,000	58,626	45,100	53,608
Police Administration Charge	105,000	125,000	62,000	212,000
Communication Tower and Cable	190,059	281,512	316,100	265,952
Energy Receipts Tax	1,194,142	1,194,142	1,188,227	1,188,227
Municipal Relief Aid	123,088	123,088	61,557	61,557
Water Shed Aid	2,303	2,303	2,303	2,303
Uniform Construction Code Fees	244,000	875,562	262,650	244,677
Interlocal Agreement				
Pistol Range Rental - River Vale	2,600		2,600	5,266
Public and Private Programs Offset With Appropriations				
Body Armor Fund	1,780	1,780	5,752	5,752
Spotted Lanternfly Reimbursement	20,000	20,000		
JIF Safety Committee Award	1,750	1,750	1,000	1,000
Recycling Tonnage			22,646	22,646
Clean Communities			20,971	20,971
National Opioid Settlement	6,021	6,021		
Municipal Alliance	1,119	1,119		
FEMA - Hurricane Ida	34,694	34,694	124,173	124,173
Reserve for Recycling Tonnage Grant	23,228	23,228		
Reserve for Clean Communities	23,521	23,521		
Memorial Field BCOS			39,909	39,909
ANJEC OSSG - Beechwood Trail Grant			1,500	1,500
NJ Dept. of Agr - Spotted Lantern Fly Program			15,000	15,000
LRIG - Stonybrook Community Center			75,000	75,000
Stormwater Assistance Grant			15,000	15,000
Natioal Opioid Settlement			1,694	1,694
Other Special Items				
Uniform Fire Safety Act	4,000	9,439	11,100	10,950
Hillsdale BOE - Class III Police Officers	58,000	41,987	64,850	58,406
Pascaek Valley Regional HS - Class III Police Officers	127,270	146,937	151,400	127,270
Pension Reimbursement - Library	16,014	16,014		
Pension Reimbursement - Swim Utility	4,400	4,400		
General Capital Fund Balance	160,000	160,000		
Reserve for Payment of Debt Service	140,000	140,000		
Community Benefits Payment - Patterson Street PILOT	250,000	250,000	-	-
Total Miscellaneous Revenues	<u>3,811,489</u>	<u>4,594,699</u>	<u>2,911,082</u>	<u>3,575,246</u>
Receipts from Delinquent Taxes	<u>370,000</u>	<u>365,521</u>	<u>305,052</u>	<u>307,613</u>
Amount to be Raised by Taxes for Support of				
Municipal Budget	10,518,899	10,946,191	10,187,807	10,685,138
Municipal Library	<u>750,235</u>	<u>750,235</u>	<u>702,140</u>	<u>702,140</u>
Total Amount to be Raised by Taxes	<u>11,269,134</u>	<u>11,696,426</u>	<u>10,889,947</u>	<u>11,387,278</u>
Total General Revenues	<u>\$ 19,320,623</u>	<u>\$ 20,526,646</u>	<u>\$ 16,106,081</u>	<u>\$ 17,270,137</u>

The Accompanying Notes are an Integral Part of these Financial Statements

2024 STATEMENT OF EXPENDITURES

BOROUGH OF HILLSDALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Appropriated</u>		<u>Expended</u>		<u>Overexpenditures</u>
	<u>Budget</u>	Budget After <u>Modification</u>	Paid or <u>Charged</u>	<u>Reserved</u>	
OPERATIONS WITHIN "CAPS"					
GENERAL GOVERNMENT FUNCTIONS					
Mayor and Council					
Salaries and Wages	\$ 66,000	\$ 66,000	\$ 66,000		
Other Expenses	11,500	11,500	8,406	\$ 3,094	
Administrative and Executive					
Salaries and Wages	282,992	277,992	262,658	15,334	
Other Expenses	60,750	60,750	60,672	78	
Miscellaneous	3,500	3,500		3,500	
Financial Administration					
Salaries and Wages	136,950	137,450	136,950	500	
Other Expenses	66,400	66,400	46,898	19,502	
Audit Services					
Other Expenses	50,000	50,000	41,625	8,375	
Collection of Taxes					
Other Expenses	13,600	13,600	13,257	343	
Tax Assessment Administration					
Salaries and Wages	26,251	26,751	26,251	500	
Other Expenses	9,700	9,700	3,861	5,839	
Municipal Clerk's Office					
Salaries and Wages	96,309	106,709	102,210	4,499	
Other Expenses	48,500	43,500	26,692	16,808	
Legal Services and Costs					
Other Expenses	128,500	143,500	141,663	1,837	
Engineering Services					
Other Expenses	150,000	145,000	128,668	16,332	
Municipal Land Use Law					
Planning Board					
Salaries and Wages	17,875	17,875	14,639	3,236	
Other Expenses	47,900	42,900	35,570	7,330	
Zoning Board of Adjustment					
Salaries and Wages	34,279	34,279	31,164	3,115	
Insurance					
General Liability	271,090	271,090	227,736	43,354	
Workers Compensation Insurance	222,551	222,551	116,762	105,789	
Employee Group Health	1,416,306	1,416,306	1,308,752	107,554	
Health Benefit Waiver	20,000	20,000	18,681	1,319	
PUBLIC SAFETY FUNCTIONS					
Police Department					
Salaries and Wages	2,805,663	2,805,663	2,769,835	35,828	
Other Expenses	218,280	218,280	211,314	6,966	
Office of Emergency Management					
Salaries and Wages	12,000	12,000	12,000		
Other Expenses	2,950	9,950	7,978	1,972	
First Aid Organization - Contribution					
Other Expenses	260,000	260,000	248,507	11,493	
Fire Protection					
Salaries and Wages	32,000	36,000	35,565	435	
Other Expenses	55,500	51,500	41,068	10,432	
Fire Prevention					
Salaries and Wages	43,979	43,979	27,116	16,863	
Other Expenses	6,375	6,375	6,375		

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HILLSDALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Appropriated</u>		<u>Expended</u>		<u>Overexpenditures</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS WITHIN "CAPS"					
MUNICIPAL COURT					
Other Expenses	\$ 90,000	\$ 45,000	\$ 14,290	\$ 30,710	
PUBLIC WORKS FUNCTIONS					
Road Maintenance and Repairs					
Salaries and Wages	932,532	932,532	874,423	58,109	
Other Expenses	440,600	440,600	431,944	8,656	
Public Building and Grounds					
Other Expenses	142,700	142,700	124,982	17,718	
Garbage and Trash Removal					
Other Expenses	1,339,200	1,339,200	1,323,926	15,274	
Recycling					
Other Expenses	297,800	297,800	211,408	86,392	
Vehicle Maintenance					
Other Expenses	177,500	177,500	133,128	44,372	
Train Station					
Other Expenses	23,750	13,750	8,138	5,612	
HEALTH AND HUMAN SERVICES FUNCTIONS					
Public Health Services					
Salaries and Wages	84,549	84,549	78,853	5,696	
Other Expenses	72,800	85,400	79,859	5,541	
Administration of Public Assistance					
Salaries and Wages	17,000	18,250	18,164	86	
Other Expenses				-	
Environmental Commission					
Other Expenses	1,450	1,450	515	935	
PARKS AND RECREATION FUNCTIONS					
Board of Recreation Commissioners					
Salaries and Wages	120,000	107,000	98,451	8,549	
Other Expenses	26,250	26,250	14,919	11,331	
Senior Citizens					
Salaries and Wages	40,899	22,399	20,606	1,793	
Other Expenses	19,500	38,000	27,895	10,105	
Maintenance of Parks and Playgrounds					
Salaries and Wages	105,777	105,777	83,266	22,511	
Other Expenses	143,200	143,200	135,142	8,058	
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY DEDICATED REVENUES					
Uniform Construction Code Enforcement Functions					
Salaries and Wages	190,287	207,287	200,326	6,961	
Other Expenses	9,375	9,375	5,570	3,805	

BOROUGH OF HILLSDALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Overexpenditures</u>
OPERATIONS WITHIN "CAPS"					
UNCLASSIFIED					
Utilities					
Electricity	\$ 268,500	\$ 268,500	\$ 249,299	\$ 19,201	
Street Lighting				-	
Telephone and Telegraph	46,900	46,900	46,612	288	
Water	251,000	286,000	284,341	1,659	
Gasoline	101,300	76,300	73,416	2,884	
Celebration of Public Events	12,000	12,000	10,129	1,871	
Accumulated Absences	12,500	12,500	12,500	-	-
Total Operations Within "CAPS"	<u>11,585,069</u>	<u>11,571,319</u>	<u>10,740,975</u>	<u>830,344</u>	<u>-</u>
Contingent	<u>100,000</u>	<u>87,000</u>	<u>-</u>	<u>87,000</u>	<u>-</u>
Total Operations Including Contingent Within "CAPS"	<u>11,685,069</u>	<u>11,658,319</u>	<u>10,740,975</u>	<u>917,344</u>	<u>-</u>
Detail:					
Salaries and Wages	5,045,342	5,042,492	4,858,477	184,015	-
Other Expenses	6,639,727	6,615,827	5,882,498	733,329	-
DEFERRED CHARGES AND STATUTORY EXPENDITURES					
Deferred Charges					
Overexpenditure of Appropriations	17,011	17,011	17,011		
Overexpenditure of Appropriation Reserves	500	500	500	-	-
Total Deferred Charges - Municipal Within "CAPS"	<u>17,511</u>	<u>17,511</u>	<u>17,511</u>	<u>-</u>	<u>-</u>
Statutory Expenditures					
Contribution to:					
Social Security System	216,825	241,825	240,902	923	
Police and Firemen's Retirement Fund of NJ	757,479	757,479	757,479	-	
Public Employees' Retirement System	239,482	239,482	239,482	-	
Unemployment Insurance	1,800	1,800	(1,226)	3,026	
Defined Contribution Retirement Plan	14,700	16,450	14,723	1,727	-
Total Deferred Charges and Statutory Expenditures - Within "CAPS"	<u>1,247,797</u>	<u>1,274,547</u>	<u>1,268,871</u>	<u>5,676</u>	<u>-</u>
Total General Appropriations for Municipal Purposes within "CAPS"	<u>12,932,866</u>	<u>12,932,866</u>	<u>12,009,846</u>	<u>923,020</u>	<u>-</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
UTILITY EXPENSES AND BULK PURCHASES					
Stormwater					
Other Expenses	10,000	10,000	8,848	1,152	
Bergen County Utilities Authority					
Operations	975,000	975,000	881,169	93,831	
Debt Service	240,000	240,000	222,292	17,708	

BOROUGH OF HILLSDALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Overexpenditures</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
EDUCATION FUNCTIONS					
Maintenance of Free Public Library	\$ 750,235	\$ 750,235	\$ 731,248	\$ 18,987	
LANDFILL/SOLID WASTE DISPOSAL COSTS					
Recycling Tax	15,000	15,000	11,995	3,005	
PUBLIC SAFETY FUNCTIONS					
Length of Service Awards Program	<u>65,000</u>	<u>65,000</u>	<u>-</u>	<u>65,000</u>	<u>-</u>
Total Other Operations - Excluded from "CAPS"	<u>2,055,235</u>	<u>2,055,235</u>	<u>1,855,552</u>	<u>199,683</u>	<u>-</u>
SHARED SERVICE AGREEMENTS					
County of Bergen					
Dispatch and 911	75,000	75,000	75,000		
Township of River Vale					
Pistol Range Rental	1,500	1,500		1,500	
Hillsdale BOE Class III Police Officers					
Salaries and Wages	57,836	57,836	54,552	3,284	
Other Expenses	15,850	15,850	4,393	11,457	
PVRHS Class III Police Officers					
Salaries and Wages	119,792	119,792	125,243		\$ 5,451
Other Expenses	15,000	15,000	11,831	3,169	
Financial Services - Tax Collector & CFO					
Salaries and Wages	98,280	98,280	98,280		
Other Expenses	<u>28,735</u>	<u>28,735</u>	<u>28,735</u>	<u>-</u>	<u>-</u>
Total Shared Service Agreements	<u>411,993</u>	<u>411,993</u>	<u>398,034</u>	<u>19,410</u>	<u>5,451</u>
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES					
Clean Communities Grant	23,521	23,521	23,521		
FEMA Hurricane Ida	34,694	34,694	34,694		
Recycling Tonnage Grant	16,668	23,228	23,228		
JIF Safety Awards	1,750	1,750	1,750		
National Opioid Settlement	6,021	6,021	6,021		
Body Armor Replacement	1,780	1,780	1,780		
Municipal Alliance	1,119	1,119	1,119		
Spotted Lanternfly Grant	<u>-</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>-</u>
Total Public and Private Programs Offset by Revenues	<u>85,553</u>	<u>112,113</u>	<u>112,113</u>	<u>-</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>2,552,781</u>	<u>2,579,341</u>	<u>2,365,699</u>	<u>219,093</u>	<u>5,451</u>
Detail:					
Salaries and Wages	275,908	275,908	278,075	3,284	5,451
Other Expenses	<u>2,276,873</u>	<u>2,303,433</u>	<u>2,087,624</u>	<u>215,809</u>	<u>-</u>

BOROUGH OF HILLSDALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Appropriated</u>		<u>Expended</u>		<u>Overexpenditures</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
CAPITAL IMPROVEMENTS -					
Capital Improvement Fund	\$ 2,600,000	\$ 2,600,000	\$ 2,600,000	-	-
Total Capital Improvements	<u>2,600,000</u>	<u>2,600,000</u>	<u>2,600,000</u>	-	-
MUNICIPAL DEBT SERVICE -					
Payment of Bond Anticipation Notes	140,880	140,880	140,880		
Interest on Notes	<u>161,518</u>	<u>161,518</u>	<u>161,518</u>	-	-
Total Municipal Debt Service	<u>302,398</u>	<u>302,398</u>	<u>302,398</u>	-	-
DEFERRED CHARGES					
Deferred Charges					
Deferred Charges Unfunded - Ordinance 21-15	<u>131,019</u>	<u>131,019</u>	<u>131,019</u>	-	-
Total Deferred Charges	<u>131,019</u>	<u>131,019</u>	<u>131,019</u>	-	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>5,586,198</u>	<u>5,612,758</u>	<u>5,399,116</u>	\$ 219,093	\$ 5,451
Subtotal General Appropriations	18,519,064	18,545,624	17,408,962	1,142,113	\$ 5,451
RESERVE FOR UNCOLLECTED TAXES	<u>775,000</u>	<u>775,000</u>	<u>775,000</u>	-	-
Total General Appropriations	<u>\$ 19,294,064</u>	<u>\$ 19,320,624</u>	<u>\$ 18,183,962</u>	<u>\$ 1,142,113</u>	<u>\$ 5,451</u>
Adopted Budget		\$ 19,294,064			
N.J.S.A. 40A:4-87		<u>26,560</u>			
		<u>\$ 19,320,624</u>			

2023 STATEMENT OF EXPENDITURES

BOROUGH OF HILLSDALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Appropriated</u>		<u>Expended</u>		<u>Canceled</u>	<u>Overexpenditures</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>		
OPERATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT FUNCTIONS						
Mayor and Council						
Salaries and Wages	\$ 66,000	\$ 66,000	\$ 66,000			
Other Expenses	16,500	16,500	16,018	\$ 482		
Administrative and Executive						
Salaries and Wages	190,000	226,500	219,846	6,654		
Other Expenses				-		
Public Information	8,000	12,825	3,400	9,425		
Miscellaneous	45,000	48,100	55,411			7,311
Financial Administration						
Salaries and Wages	225,000	183,900	183,827	73		
Other Expenses	64,000	67,000	53,417	13,583		
Audit Services						
Other Expenses	30,000	30,000	16,000	14,000		
Collection of Taxes						
Salaries and Wages	25,000	26,100	26,010	90		
Other Expenses	14,000	12,900	7,919	4,981		
Tax Assessment Administration						
Salaries and Wages	25,000	25,500	25,480	20		
Other Expenses	12,000	12,000	3,699	8,301		
Municipal Clerk's Office						
Salaries and Wages	115,000	100,000	96,562	3,438		
Other Expenses	49,700	48,600	36,548	12,052		
Legal Services and Costs						
Other Expenses	218,500	170,425	102,803	67,622		
Engineering Services						
Other Expenses	180,000	176,500	127,031	49,469		
Municipal Land Use Law						
Planning Board						
Salaries and Wages	12,500	22,500	13,889	8,611		
Other Expenses	89,500	89,500	5,195	84,305		
Zoning Board of Adjustment						
Salaries and Wages	29,000	31,000	30,112	888		
Other Expenses	2,560	2,560	45	2,515		
Insurance						
General Liability	226,203	226,203	94,926	131,277		
Employee Group Health	1,207,375	1,207,375	1,105,284	102,091		
Workers Compensation	201,825	201,825	180,111	21,714		
Health Benefit Waiver	20,000	20,000	19,753	247		
PUBLIC SAFETY FUNCTIONS						
Police Department						
Salaries and Wages	2,619,850	2,689,850	2,689,111	739		
Other Expenses	220,200	170,200	145,845	24,355		
Office of Emergency Management						
Salaries and Wages	5,100	5,100	5,000	100		
Other Expenses	2,950	2,950	1,691	1,259		
First Aid Organization - Contribution						
Other Expenses	150,000	130,000	88,347	41,653		
Fire Protection						
Salaries and Wages	32,000	32,000	32,715		-	715
Other Expenses	61,300	61,300	38,027	23,273		
Fire Prevention						
Salaries and Wages	48,000	40,000	38,396	1,604		
Other Expenses	6,800	6,800	6,571	229		

BOROUGH OF HILLSDALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Appropriated</u>		<u>Expended</u>		<u>Canceled</u>	<u>Overexpenditures</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>		
OPERATIONS WITHIN "CAPS"						
MUNICIPAL COURT						
Salaries and Wages	\$ 86,500	\$ 86,500	\$ 78,843	\$ 7,657		
Other Expenses	6,600	6,600	2,270	4,330		
Public Defender						
Other Expenses	12,000	12,000	10,000	2,000		
Prosecutor						
Other Expenses	12,500	12,500	11,732	768		
PUBLIC WORKS FUNCTIONS						
Road Maintenance and Repairs						
Salaries and Wages	760,000	785,000	720,934	64,066		
Other Expenses	589,500	574,500	407,839	166,661		
Public Building and Grounds						
Other Expenses	116,900	123,900	107,454	16,446		
Garbage and Trash Removal						
Other Expenses	997,740	952,740	637,249	315,491		
Recycling						
Salaries and Wages				-		
Other Expenses	266,000	291,000	248,000	43,000		
Vehicle Maintenance						
Salaries and Wages				-		
Other Expenses	175,500	175,500	118,727	56,773		
Train Station						
Salaries and Wages				-		
Other Expenses	6,750	6,750	107	6,643		
HEALTH AND HUMAN SERVICES FUNCTIONS						
Public Health Services						
Salaries and Wages	77,700	81,300	81,264	36		
Other Expenses	72,800	72,800	68,206	4,594		
Administration of Public Assistance						
Salaries and Wages	18,360	18,360	17,628	732		
Other Expenses	300	300		300		
Environmental Commission						
Other Expenses	1,200	1,450	475	975		
PARKS AND RECREATION FUNCTIONS						
Board of Recreation Commissioners						
Salaries and Wages	140,000	100,000	550	99,450		
Other Expenses	10,000	20,000	19,255	745		
Senior Citizens						
Salaries and Wages	30,000	30,000	22,911	7,089		
Other Expenses	15,000	15,000	14,092	908		
Maintenance of Parks and Playgrounds						
Salaries and Wages	68,300	68,300	76,100		-	7,800
Other Expenses	173,400	166,400	88,537	77,863		
UNIFORM CONSTRUCTION CODE						
APPROPRIATIONS OFFSET BY DEDICATED REVENUES						
Uniform Construction Code Enforcement Functions						
Salaries and Wages	173,400	181,400	178,934	2,466		
Other Expenses	10,305	10,305	7,293	3,012		

BOROUGH OF HILLSDALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Appropriated</u>		<u>Expended</u>		<u>Canceled</u>	<u>Overexpenditures</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>		
OPERATIONS WITHIN "CAPS"						
UNCLASSIFIED						
Utilities						
Electricity	\$ 226,000	\$ 281,000	\$ 247,325	\$ 33,675	-	-
Telephone and Telegraph	43,000	46,000	40,377	5,623	-	-
Water	228,000	248,000	235,206	12,794	-	-
Gasoline	79,445	59,445	31,536	27,909	-	-
Diesel Fuel	52,000	32,000	32,000	-	-	-
Celebration of Public Events	10,000	10,000	7,692	2,308	-	-
Accumulated Absences	12,500	12,500	12,500	-	-	-
Total Operations Within "CAPS"	<u>10,690,563</u>	<u>10,643,563</u>	<u>9,060,025</u>	<u>1,599,364</u>	<u>-</u>	<u>15,826</u>
Contingent	<u>100,000</u>	<u>100,000</u>	<u>28,463</u>	<u>71,537</u>	<u>-</u>	<u>-</u>
Total Operations Including Contingent Within "CA"	<u>10,790,563</u>	<u>10,743,563</u>	<u>9,088,488</u>	<u>1,670,901</u>	<u>-</u>	<u>15,826</u>
Detail:						
Salaries and Wages	4,746,710	4,799,310	4,604,112	203,713	-	8,515
Other Expenses	<u>6,043,853</u>	<u>5,944,253</u>	<u>4,484,376</u>	<u>1,467,188</u>	<u>-</u>	<u>7,311</u>
DEFERRED CHARGES AND STATUTORY EXPENDITURES						
Deferred Charges						
Overexpenditure of Appropriations						
Overexpenditure of Appropriation Reserves	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Deferred Charges - Municipal Within "CAPS"	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Statutory Expenditures						
Contribution to:						
Over-Expenditure of Grant Reserve	3,591	3,591	3,591	-		
Public Employees' Retirement System	238,623	238,623	193,346	45,277		
Social Security System	206,500	211,500	205,944	5,556		
Unemployment Insurance	18,000	18,000	(1,281)	19,281		
Police and Firemen's Retirement Fund of NJ	735,030	735,030	736,215		-	1,185
Defined Contribution Retirement Plan	<u>14,000</u>	<u>15,700</u>	<u>15,646</u>	<u>54</u>	<u>-</u>	<u>-</u>
Total Deferred Charges and Statutory Expenditures - Within "CAPS"	<u>1,215,744</u>	<u>1,222,444</u>	<u>1,153,461</u>	<u>70,168</u>	<u>-</u>	<u>1,185</u>
Total General Appropriations for Municipal Purposes within "CAPS"	<u>12,006,307</u>	<u>11,966,007</u>	<u>10,241,949</u>	<u>1,741,069</u>	<u>-</u>	<u>17,011</u>
OPERATIONS - EXCLUDED FROM "CAPS"						
UTILITY EXPENSES AND BULK PURCHASES						
Stormwater						
Other Expenses	750	750		750		
Bergen County Utilities Authority						
Operations	950,000	975,000	940,798	34,202		
Debt Service	<u>192,000</u>	<u>212,000</u>	<u>211,519</u>	<u>481</u>		

BOROUGH OF HILLSDALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Appropriated</u>		<u>Expended</u>		<u>Canceled</u>	<u>Overexpenditures</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>		
OPERATIONS - EXCLUDED FROM "CAPS"						
EDUCATION FUNCTIONS						
Maintenance of Free Public Library	\$ 702,140	\$ 702,140	\$ 621,216	\$ 80,924		
LANDFILL/SOLID WASTE DISPOSAL COSTS						
Recycling Tax	12,500	12,500	12,500	-		
PUBLIC SAFETY FUNCTIONS						
Length of Service Awards Program	50,000	50,000	50,000	-	-	-
APPROPRIATION CAP RELIEF LFN #2023-04						
PERS	28,542	28,542	28,542			
PFRS	69,167	69,167	69,167			
Solid Waste Collection	245,735	245,735	245,735			
Gasoline and Diesel	14,855	14,855	14,855			
Workers Compensation Insurance	5,725	5,725	5,725	-	-	-
Total Other Operations - Excluded from "CAPS"	2,271,414	2,316,414	2,200,057	116,357	-	-
SHARED SERVICE AGREEMENTS						
County of Bergen						
Dispatch and 911	75,000	75,000	75,000	-		
Township of River Vale						
Pistol Range Rental	2,600	2,600	-	2,600		
Hillsdale BOE Class III Police Officers						
Salaries and Wages	49,000	51,800	51,770	30		
Other Expenses	15,850	8,350	4,290	4,060		
PVRHS Class III Police Officers						
Salaries and Wages	136,400	136,400	124,372	12,028		
Other Expenses	15,000	15,000	10,171	4,829	-	-
Total Shared Service Agreements	293,850	289,150	265,603	23,547	-	-
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES						
Recycling Tonnage Grant	22,646	22,646	22,646			
FEMA - Hurricane Ida	124,173	124,173	124,173			
Body Armor Grant - State	5,752	5,752	5,752			
Clean Communities Grant	20,971	20,971	20,971			
JIF Safety Awards	1,000	1,000	1,000			
Memorial Field BCOS Grant	39,909	39,909	39,909			
Chapter 159:						
ANJEC OSSG - Beechwood Trail Grant	1,500	1,500	1,500			
NJ Dept. of Agr. - Spotted Lantern Fly Program	15,000	15,000	15,000			
LRIG - Stonybrook Community Center	75,000	75,000	75,000			
Stormwater Assistance Grant	15,000	15,000	15,000			
National Opioid Settlement	1,694	1,694	1,694	-	-	-
Total Public and Private Programs Offset by Revenues	322,645	322,645	322,645	-	-	-
Total Operations Excluded from "CAPS"	2,887,909	2,928,209	2,788,305	139,904	-	-
Detail:						
Salaries and Wages	185,400	188,200	176,142	12,058	-	-
Other Expenses	2,702,509	2,740,009	2,612,163	127,846	-	-

BOROUGH OF HILLSDALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Appropriated</u>		<u>Expended</u>			
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Canceled</u>	<u>Overexpenditures</u>
CAPITAL IMPROVEMENTS -						
Capital Improvement Fund	\$ 200,000	\$ 200,000	\$ 200,000	-	-	-
Total Capital Improvements	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	-	-	-
MUNICIPAL DEBT SERVICE -						
Payment of Bond Anticipation Notes	140,880	140,880	140,880			
Interest on Bonds	<u>95,985</u>	<u>95,985</u>	<u>69,856</u>	-	\$ 26,129	-
Total Municipal Debt Service	<u>236,865</u>	<u>236,865</u>	<u>210,736</u>	-	<u>26,129</u>	-
DEFERRED CHARGES						
Deferred Charges						
Deferred Charges Unfunded - Ordinance 21-15	-	-	-	-	-	-
Total Deferred Charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>3,324,774</u>	<u>3,365,074</u>	<u>3,199,041</u>	\$ 139,904	\$ 26,129	\$ -
Subtotal General Appropriations	15,331,081	15,331,081	13,440,990	1,880,973	\$ 26,129	\$ 17,011
RESERVE FOR UNCOLLECTED TAXES	<u>775,000</u>	<u>775,000</u>	<u>775,000</u>	-	-	-
Total General Appropriations	<u>\$ 16,106,081</u>	<u>\$ 16,106,081</u>	<u>\$ 14,215,990</u>	<u>\$ 1,880,973</u>	<u>\$ 26,129</u>	<u>\$ 17,011</u>

**BOROUGH OF HILLSDALE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
ASSETS		
ANIMAL CONTROL TRUST FUND		
Cash	\$ 2,094	\$ 229
Due from Current Fund		21
Due from State of New Jersey	<u>53</u>	<u>45</u>
	<u>2,147</u>	<u>295</u>
OTHER TRUST FUND		
Cash	2,687,770	2,425,171
Due from Current Fund	<u>-</u>	<u>18,932</u>
	<u>2,687,770</u>	<u>2,444,103</u>
RECREATION TRUST FUND		
Cash	439,087	303,983
Due from Current Fund	<u>-</u>	<u>358</u>
	<u>439,087</u>	<u>304,341</u>
LENGTH OF SERVICE AWARDS PROGRAM TRUST FUND (UNAUDITED)		
Investments	2,277,530	1,924,744
Contribution Receivable	<u>41,762</u>	<u>46,328</u>
	<u>2,319,292</u>	<u>1,971,072</u>
 Total Assets	 <u>\$ 5,448,296</u>	 <u>\$ 4,719,811</u>

**BOROUGH OF HILLSDALE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
LIABILITIES, RESERVES AND FUND BALANCE		
ANIMAL CONTROL FUND		
Reserve for Animal Control Expenditures	\$ 2,147	\$ 295
	<u>2,147</u>	<u>295</u>
OTHER TRUST FUND		
Due to Current Fund	2,968	
Reserves for		
Escrow Deposits	259,780	211,859
Medical Benefits	31,915	31,915
Payroll Deductions and Withholdings	3,521	3,521
Miscellaneous Deposits	2,213,702	2,050,173
Encumbrances Payable	149,168	119,919
Fund Balance	<u>26,716</u>	<u>26,716</u>
	<u>2,687,770</u>	<u>2,444,103</u>
RECREATION TRUST FUND		
Reserve for Recreation Expenditures	<u>439,087</u>	<u>304,341</u>
	<u>439,087</u>	<u>304,341</u>
LENGTH OF SERVICE AWARDS PROGRAM TRUST FUND (UNAUDITED)		
Reserve for Length of Service Awards Program	<u>2,319,292</u>	<u>1,971,072</u>
	<u>2,319,292</u>	<u>1,971,072</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 5,448,296</u>	<u>\$ 4,719,811</u>

BOROUGH OF HILLSDALE
STATEMENT OF CHANGES IN FUND BALANCE - REGULATORY BASIS
OTHER TRUST FUND
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Balance, January 1	\$ <u>26,716</u>	\$ <u>26,716</u>
Balance, December 31	\$ <u>26,716</u>	\$ <u>26,716</u>

BOROUGH OF HILLSDALE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash	\$ 5,101,170	\$ 3,795,805
Deferred Charges to Future Taxation		
Unfunded	5,241,357	5,513,256
Grants Receivable	637,300	1,108,061
Due From Current Fund		14,589
Due from Grant Fund	-	1,078,819
	-	1,078,819
 Total Assets	 <u>\$ 10,979,827</u>	 <u>\$ 11,510,530</u>
 LIABILITIES, RESERVES AND FUND BALANCE		
Due to Swim Pool Utility Operating Fund		\$ 9,905
Bond Anticipation Notes Payable	\$ 3,671,000	3,811,000
Improvement Authorizations		
Funded	3,073,602	1,693,444
Unfunded	448,697	2,940,701
Contracts Payable	2,687,678	1,793,948
Capital Improvement Fund	335,822	232,387
Reserve for Preliminary Expenses		133,000
Down Payments on Improvements	3,000	3,000
Reserve for Payment of Debt	560,604	440,076
Reserve for Municipal Open Space	103,512	103,512
Reserve for Grant Receivable	45,000	188,770
Fund Balance	50,912	160,787
	50,912	160,787
 Total Liabilities, Reserves and Fund Balance	 <u>\$ 10,979,827</u>	 <u>\$ 11,510,530</u>

There were bonds and notes authorized but not issued of \$1,701,376 and \$1,702,256 at December 31, 2024 and 2023, respectively.

BOROUGH OF HILLSDALE
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Balance, January 1	\$ 160,786	\$ 142,023
Increased by:		
Reserve for Payment of Debt	27,537	
Funded Improvement Authorization Balances Cancelled	22,589	
Cancelled Reserves	<u>-</u>	<u>18,763</u>
	<u>50,126</u>	<u>18,763</u>
	210,912	160,786
Decreased by:		
Anticipated as Current Fund Revenue	<u>160,000</u>	<u>-</u>
Balance, December 31	<u>\$ 50,912</u>	<u>\$ 160,786</u>

**BOROUGH OF HILLSDALE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
SWIM POOL UTILITY FUND
AS OF DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
ASSETS		
OPERATING FUND		
Cash	\$ 693,231	\$ 684,249
Cash - Stonybrook Swim Team	<u>19,552</u>	<u>28,148</u>
	<u>712,783</u>	<u>712,397</u>
Due from Swim Pool Utility Capital Fund		2,774
Due from General Capital Fund	-	9,905
Deferred Charges		
Overexpenditure of Appropriations	<u>1,007</u>	<u>-</u>
Total Operating Fund	<u>713,790</u>	<u>725,076</u>
CAPITAL FUND		
Cash	280,152	468,043
Fixed Capital	5,435,357	5,375,357
Fixed Capital Authorized and Uncompleted	<u>390,000</u>	<u>450,000</u>
Total Capital Fund	<u>6,105,509</u>	<u>6,293,400</u>
Total Assets	<u>\$ 6,819,299</u>	<u>\$ 7,018,476</u>

**BOROUGH OF HILLSDALE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
SWIM POOL UTILITY FUND
AS OF DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
LIABILITIES, RESERVES AND FUND BALANCES		
OPERATING FUND		
Liabilities		
Appropriation Reserves	\$ 126,753	\$ 94,750
Encumbrances Payable	44,663	44,743
Due to Grant Fund		2,550
Accrued Interest on Bonds	6,569	6,518
Reserve for Swim Team Expenditures	19,552	28,116
Reserve for Insurance Reimbursements	<u>6,266</u>	<u>-</u>
	203,803	176,677
Fund Balance	<u>509,987</u>	<u>548,399</u>
Total Operating Fund	<u>713,790</u>	<u>725,076</u>
CAPITAL FUND		
Liabilities:		
Due to Swim Pool Utility Operating Fund		2,774
Bond Anticipation Notes Payable	368,000	428,000
Improvement Authorizations		
Funded	9,787	
Unfunded	4,032	14,670
Encumbrances Payable	51,830	236,464
Reserve for Payment of Debt Service	2,987	2,619
Reserve for Deferred Amortization	21,500	21,500
Reserve for Amortization	5,435,357	5,375,357
Fund Balance	<u>212,016</u>	<u>212,016</u>
Total Capital Fund	<u>6,105,509</u>	<u>6,293,400</u>
Total Liabilities, Reserves and Fund Balances	<u>\$ 6,819,299</u>	<u>\$ 7,018,476</u>

There were bonds and notes authorized but not issued on December 31, 2024 and 2023 of \$500 and \$500, respectively.

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, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
REVENUES AND OTHER INCOME REALIZED		
Fund Balance Anticipated	\$ 163,364	
Rents	64,865	\$ 50,070
Membership Fees	877,113	831,710
Use of Facility Fees	17,725	16,597
Interest on Deposits	62,234	62,796
Miscellaneous Revenue	134,918	173,263
Other Credits to Income:		
Unexpended Balance of Appropriations		620
Unexpended Balance of Appropriation Reserves	<u>108,832</u>	<u>57,674</u>
 Total Income	 <u>1,429,051</u>	 <u>1,192,730</u>
EXPENDITURES		
Budget Appropriations		
Operations	1,085,009	1,042,986
Statutory Expenditures	40,407	-
Capital Improvements	101,500	
Debt Service	<u>78,190</u>	<u>19,550</u>
 Total Expenditures	 <u>1,305,106</u>	 <u>1,062,536</u>
 Excess in Revenue	 123,945	 130,194
Adjustment to Income before Fund Balance:		
Expenditures Included Above Which are by Statute		
Deferred Charges to Budget of Succeeding Year	<u>1,007</u>	<u>-</u>
 Statutory Excess to Fund Balance	 124,952	 130,194
 Fund Balance, January 1	 <u>548,399</u>	 <u>418,205</u>
	673,351	548,399
Decreased by:		
Utilized as Anticipated Utility Revenue	<u>163,364</u>	<u>-</u>
 Fund Balance, December 31	 <u>\$ 509,987</u>	 <u>\$ 548,399</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HILLSDALE
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Balance, January 1	\$ <u>212,016</u>	\$ <u>212,016</u>
Balance, December 31	\$ <u><u>212,016</u></u>	\$ <u><u>212,016</u></u>

BOROUGH OF HILLSDALE
COMPRATIVE STATEMENTS OF REVENUES - REGULATORY BASIS
SWIM POOL UTILITY OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>		<u>2023</u>	
	<u>Anticipated</u>	<u>Realized</u>	<u>Anticipated</u>	<u>Realized</u>
Fund Balance Anticipated	\$ 163,364	\$ 163,364	\$ -	\$ -
Rents	50,000	64,865	50,000	50,070
Membership Fees	891,824	877,113	831,707	831,710
Use of Facility	16,598	17,725	2,987	16,597
Interest on Investments and Deposits	64,140	62,234	6,508	62,796
Miscellaneous Revenue	118,173	134,918	187,334	173,263
	<u>1,304,099</u>	<u>1,320,219</u>	<u>1,078,536</u>	<u>1,134,436</u>

BOROUGH OF HILLSDALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
SWIM POOL UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Appropriated</u>		<u>Expended</u>		<u>Over- Expenditures</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATING					
Salaries and Wages	\$ 472,500	\$ 472,500	\$ 442,632	\$ 29,868	
Other Expenses	612,509	612,509	515,624	96,885	
STATUTORY EXPENDITURES					
Contribution to:					
Public Employee's Retirement System	4,400	4,400	4,400		
Social Security System	35,000	35,000	36,007	-	\$ 1,007
CAPITAL IMPROVEMENTS					
Capital Improvement Fund	101,500	101,500	101,500		
DEBT SERVICE					
Payment on Bond Anticipation Notes	60,000	60,000	60,000		
Interest on Notes	18,190	18,190	18,190	-	-
	<u>\$ 1,304,099</u>	<u>\$ 1,304,099</u>	<u>\$ 1,178,353</u>	<u>\$ 126,753</u>	<u>\$ 1,007</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HILLSDALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
SWIM POOL UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancellation</u>
OPERATING					
Salaries and Wages	\$ 426,350	\$ 426,350	\$ 395,926	\$ 30,424	
Other Expenses	616,636	616,636	552,310	64,326	
DEBT SERVICE					
Payment on Bond Anticipation Notes					
Interest on Notes	<u>19,550</u>	<u>19,550</u>	<u>18,930</u>	<u>-</u>	<u>620</u>
	<u>\$ 1,062,536</u>	<u>\$ 1,062,536</u>	<u>\$ 967,166</u>	<u>\$ 94,750</u>	<u>\$ 620</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF HILLSDALE
PUBLIC ASSISTANCE FUND
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
AS OF DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash	\$ 186	\$ 14,975
Total Assets	<u>\$ 186</u>	<u>\$ 14,975</u>
LIABILITIES AND RESERVES		
Due to Current Fund		\$ 15
Reserve for Public Assistance Expenditures	\$ 186	<u>14,960</u>
Total Liabilities and Reserves	<u>\$ 186</u>	<u>\$ 14,975</u>

BOROUGH OF HILLSDALE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u> (Restated)
ASSETS		
Land and Land Improvements	\$ 31,590,900	\$ 31,590,900
Buildings and Building Improvements	3,601,800	3,545,800
Machinery and Equipment	<u>8,638,884</u>	<u>9,059,075</u>
	<u>\$ 43,831,584</u>	<u>\$ 44,195,775</u>
FUND BALANCE		
Investment in General Fixed Assets	<u>\$ 43,831,584</u>	<u>\$ 44,195,775</u>

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

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 Mayor is elected to a four-year term and the six council members are elected at-large, two each year for terms of three years. The Mayor is the Chief Executive Officer of the Borough and as such presides over all public meetings and makes appointments to various boards. The Borough Council exercises all legislative powers including final adoption of the municipal budget and bond ordinances and confirmation of the Mayor’s appointments, and all executive authority which is not specifically provided to the Mayor, by State law. A Borough Administrator is appointed by the Borough Council and is responsible for the implementation of the policies of the Mayor and Council, for the administration of all Borough affairs and for the day to day operations of the Borough. The Borough Administrator is the Chief Administrative Officer for the Borough. 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, volunteer ambulance squad, or redevelopment agency, 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. However under the regulatory basis of accounting municipalities are required to follow GASB pronouncements with regard to disclosure requirements for notes to the financial statements.

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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

The Borough has the following funds and account group:

Current Fund (Regular Fund and Grant 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.

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 various recreation programs.

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 fund. The Borough's infrastructure is not reported in the account group.

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

Reclassifications - Certain reclassifications may have been made to the December 31, 2023 balances to conform to the December 31, 2024 presentation.

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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.

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 December 31, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale. The Borough also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11th day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The Borough may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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 fees are charged based on an ordinance approved by the governing body. 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.

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.

Funded and unfunded debt authorizations for general capital projects are also recorded as deferred charges and represent permanent long-term debt issues outstanding (funded) and temporary debt issues outstanding or unissued debt authorizations (unfunded), respectively. GAAP does not permit the recording of deferred charges for funded and unfunded debt authorizations.

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 proprietary funds and government-wide financial statements.

**BOROUGH OF HILLSDALE
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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.

Reserve for Uncollected Taxes – Reserve for Uncollected Taxes is a non-spending budget appropriation account required to provide assurance that cash collected for property taxes levied in the current year will provide sufficient cash flow to meet expected budgetary obligations. The minimum amount required to be budgeted in Reserve for Uncollected Taxes is determined utilizing the actual percentage of property taxes collected in the immediate preceding budget year, unless allowable alternative methods are utilized with the approval of the Division. A Reserve for Uncollected Taxes is not established or required under GAAP.

Pensions – The Borough appropriates in its annual budget the amount required to be paid for pension contributions as determined by the State administered pension systems. Under the regulatory basis of accounting the Borough is only required to disclose in the Notes to the Financial Statements its share of the actuarially determined net pension liabilities, deferred outflow of resources, deferred inflow of resources and pension expense (benefit) related to the State administered pension system. GAAP requires these actuarially determined amounts to be reported in the proprietary funds and government-wide financial statements.

Other Post-Employment Benefits (OPEB) – The Borough funds its employer paid post-retirement medical benefits on a pay-as-you-go basis. Under the regulatory basis of accounting the Borough is only required to disclose in the Notes to the Financial Statements its actuarially determined net OPEB liability, deferred outflow of resources, deferred inflow of resources and OPEB expense (benefit). GAAP requires these actuarially determined amounts to be reported in the proprietary funds and government-wide financial statements.

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. General fixed assets acquired under capital financing agreements are capitalized at their acquisition cost. Intangible right-to-use leased assets and intangible right-to-use IT software (SBITAs) are not capitalized.

General Fixed Assets purchased after December 31, 1985 are stated at cost. Donated fixed assets are recorded at acquisition value at the date of donation.

General Fixed Assets purchased prior to December 31, 1985 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.

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

General Fixed Assets (Continued)

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

GAAP requires that capital assets, including intangible right-to-use leased assets and intangible right-to-use IT software (SBITAs), be recorded in proprietary 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 funds as well as in the government-wide financial statements.

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
General Capital Fund
Swim Pool Utility Capital Fund

The Borough must prepare its budget in compliance with applicable laws limiting or capping the amounts by which both the budget appropriations and the municipal tax levy can increase in the annual budget.

1977 Appropriation “CAP”: The 1977 Appropriation Cap is calculated using the formulas and provisions of N.J.S.A. 40A:4-45.1 through 4-45.43a. The law was originally adopted in 1976 and was most recently amended in 2003. Under this law, the Borough is permitted to increase its overall Current Fund appropriations (with certain exceptions) by 2.5% or the “cost of living adjustment” (COLA), whichever is less. The COLA is calculated based on the Implicit Price Deflator for Local Governments computed by the U.S. Department of Commerce. The Borough can, when the COLA is less than or equal to 2.5%, increase its allowable inside-the-cap appropriations to 3.5%, upon adoption of a COLA Rate Ordinance by the governing body and beyond 3.5% upon voter passage of a referendum. Additionally, municipalities can bank the unused appropriation increases for use in any of the next two (2) succeeding budget years.

2010 Levy “CAP”: The 2010 Levy Cap is calculated using the formulas and provisions of N.J.S.A. 40A:4-45.44 through 45.47. It established limits on the increase in the total amount to be raised by taxation for municipal purposes (municipal tax levy). The core of the levy cap formula is a 2% increase to the previous year’s amount to be raised by taxation for municipal purposes, exclusive of certain appropriations and allowable adjustments and extraordinary costs related to a declared emergency. Voter approval may be requested to increase the municipal tax levy by more than the allowable adjusted tax levy. Additionally, municipalities can bank the unused tax levy for use in any of the next three (3) succeeding budget years.

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgets and Budgetary Accounting (Continued)

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 2024 and 2023 the Borough Council increased the original budget by \$26,560 and \$108,194. The increases were funded by additional aid allotted to the Borough. In addition, the Governing Body approved several budget transfers during 2024 and 2023.

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>Modified Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
<u>2024</u>			
Current Fund			
Appropriations			
Shared Service Agreements			
PVRHS Class III Police Officers			
Salaries and Wages	\$ 119,792	\$ 125,243	\$ 5,451
Swim Pool Utility Operating Fund			
Appropriations			
Statutory Expenditures			
Social Security System	35,000	36,007	1,007
<u>2023</u>			
Current Fund			
Appropriations			
Administrative and Executive			
Other Expenses			
Miscellaneous	\$ 48,100	\$ 55,411	\$ 7,311
Fire			
Salaries and Wages	32,000	32,715	715
Parks and Playgrounds			
Salaries and Wages	68,300	76,100	7,800
Statutory Expenditures			
Police and Firemen's Retirement System	735,030	736,215	1,185
Appropriation Reserves			
Collection of Taxes			
Salaries and Wages		500	500

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.

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 3 CASH 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. Cash Deposits

The Borough’s deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), 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 deposits in excess of the FDIC or NCUSIF insured amounts. GUDPA does not protect intermingled trust funds, bail funds, withholdings from an employee’s salary or funds which may pass to the local government upon the happening of a future condition.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2024 and 2023, the book value of the Borough's deposits were \$17,843,012 and \$19,162,587 and bank and brokerage firm balances of the Borough's deposits amounted to \$17,857,844 and \$19,320,350, 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>2024</u>	<u>2023</u>
Insured	\$ 17,215,535	\$ 18,708,619
Uninsured and Uncollateralized	<u>642,309</u>	<u>611,731</u>
	<u>\$ 17,857,844</u>	<u>\$ 19,320,350</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2024 and 2023, the Borough’s bank balances of \$642,309 and \$611,731 were exposed to custodial credit risk as follows:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2024</u>	<u>2023</u>
Uninsured and Collateralized		
Collateral held by Borough's Agent in the Borough's Name	<u>\$ 642,309</u>	<u>\$ 611,731</u>

BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

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, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor; 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, Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school district, municipalities, counties, and entities subject to the “Local Authorities Fiscal Control Law, “ (C.40A:5A-1 et seq.); Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units; Local Government investment pools, deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); 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, 2024 and 2023 the Borough had the following investments:

<u>Investment Type</u>	<u>Valuation Basis</u>	<u>2024</u>	<u>2023</u>
Investment:			
Lincoln Financial LOSAP Retirement Fund (Unaudited)	Fair Value	\$ 2,277,530	\$ 1,924,744

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 credit risk. As of December 31, 2024 and 2023, \$2,277,530 and \$1,924,744 of the Borough’s investments were exposed to custodial credit risk as follows:

	<u>2024</u>	<u>2023</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department but not in the Borough's name	\$ 2,277,530	\$ 1,924,744

Interest Rate Risk – Interest rate risk is the risk that changes in the market interest rate will adversely affect the fair value of an investment. 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.

**BOROUGH OF HILLSDALE
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Credit Risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits investments as noted above (N.J.S.A. 40A:5-15.1 and NJAC 5:30-14.19). The Borough does not have an investment policy that would further limit its investment choices.

Concentration of Credit Risk – The concentration of credit risk is the risk of loss that may be caused by the Borough’s investment in a single issuer. 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 the Lincoln Financial LOSAP account. These investments are 100% of the Borough’s total investments.

Fair Value of Investments. The Borough of Hillsdale measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles (GAAP). These guidelines recognize a three-tiered fair value hierarchy as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than those in Level 1; and
- *Level 3:* Unobservable inputs.

Investments are valued based on price data obtained from observed transactions and market price quotations provided by Lincoln Financial Group. Since the value is not obtained from a quoted price in an active market the investments held by the Borough at December 31, 2024 and 2023 are categorized as Level 2.

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

NOTE 4 TAXES RECEIVABLE

Receivables at December 31, 2024 consisted of the following:

	<u>2024</u>	<u>2023</u>
<u>Current</u>		
Property Taxes	\$ <u>411,232</u>	\$ <u>378,318</u>

In 2024 and 2023, the Borough collected \$365,521 and \$307,613 from delinquent taxes which represented 97% and 100% of the delinquent tax receivable at December 31, 2023 and 2022.

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

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>2024</u>		<u>2023</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund:				
Regular	\$ 2,968		\$ 15	\$ 40,407
Grant			9,057	1,078,819
Trust Fund:				
Animal Control			21	
Other Trust		\$ 2,968	18,932	
Recreation Trust			358	
General Capital Fund			1,093,408	9,905
Swim Pool Utility Fund:				
Operating			12,679	2,550
Capital				2,774
Public Assistance Fund	-	-	-	15
Total	<u>\$ 2,968</u>	<u>\$ 2,968</u>	<u>\$ 1,134,470</u>	<u>\$ 1,134,470</u>

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

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

NOTE 6 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

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

	<u>Balance, December 31,</u>	<u>Subsequent Year Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
<u>2024</u>			
Current Fund			
Overexpenditure of Appropriations	\$5,451	\$5,451	
Swim Pool Utility			
Overexpenditure of Appropriations	1,007		\$1,007
<u>2023</u>			
Current Fund			
Overexpenditure of Appropriations	\$17,011	\$17,011	
Overexpenditure of Appropriation Reserves	500	500	
Grant Fund			
Overexpenditure of Appropriated Grant Reserve	39	39	

BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

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 school 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. The balance of unpaid school taxes levied, amount deferred and the amount reported as a liability (payable) at December 31, 2024 and 2023 are as follows:

	<u>Regional High School</u>	
	<u>2024</u>	<u>2023</u>
Balance of Tax	\$6,453,012	\$6,381,908
Deferred Liability	<u>6,453,012</u>	<u>6,381,908</u>
Taxes Payable	<u>\$ -</u>	<u>\$ -</u>

NOTE 8 FUND BALANCES APPROPRIATED

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

	<u>2024</u>		<u>2023</u>	
	Fund Balance <u>December 31,</u>	Utilized in Subsequent Year's Budget	Fund Balance <u>December 31,</u>	Utilized in Subsequent Year's Budget
Current Fund				
Cash Surplus	\$ 4,970,908	\$ 2,800,000	\$ 6,027,174	\$ 3,870,000
Non-Cash Surplus	<u>5,451</u>	<u>-</u>	<u>17,511</u>	<u>-</u>
	<u>\$ 4,976,359</u>	<u>\$ 2,800,000</u>	<u>\$ 6,044,685</u>	<u>\$ 3,870,000</u>
Swim Pool Utility Operating Fund				
Cash Surplus	\$ 508,980	\$ 165,000	\$ 548,399	\$ 163,364
Non-Cash Surplus	<u>1,007</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 509,987</u>	<u>\$ 165,000</u>	<u>\$ 548,399</u>	<u>\$ 163,364</u>

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

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, 2024 and 2023.

	Balance December 31, <u>2023</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2024</u>	
<u>2024</u>					
Land	\$ 31,590,900			\$ 31,590,900	
Buildings and Building Improvements	3,545,800	\$ 56,000		3,601,800	
Machinery and Equipment	9,059,075	1,754,722	\$ 2,174,913	8,638,884	
	<u>\$ 44,195,775</u>	<u>\$ 1,810,722</u>	<u>\$ 2,174,913</u>	<u>\$ 43,831,584</u>	
	Balance December 31, <u>2022</u>	<u>Increases</u>	<u>Decreases</u>	Prior Period Adjustment	Balance, December 31, <u>2023</u>
<u>2023</u>					
Land	\$ 37,349,300				\$ 37,349,300
Buildings and Building Improvements	8,934,957			\$ (5,758,400)	3,176,557
Machinery and Equipment	9,059,075	\$ -	\$ -	(5,389,157)	3,669,918
	<u>\$ 55,343,332</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,147,557)</u>	<u>\$ 44,195,775</u>

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, 2024 and 2023.

	Balance December 31, <u>2023</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2024</u>
Swim Pool Utility Fund				
<u>2024</u>				
Fixed Capital Swim Pool	\$ 5,375,357	\$ 60,000	\$ -	\$ 5,435,357
	<u>\$ 5,375,357</u>	<u>\$ 60,000</u>	<u>\$ -</u>	<u>\$ 5,435,357</u>
	Balance December 31, <u>2022</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2023</u>
<u>2023</u>				
Fixed Capital Swim Pool	\$ 5,375,357	\$ -	\$ -	\$ 5,375,357
	<u>\$ 5,375,357</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,375,357</u>

BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 10 MUNICIPAL DEBT

The Local Bond Law (N.J.S.A. 40A:2 et.seq.) governs the issuance of bonds and notes used to finance capital expenditures. General obligation bonds have been issued for both general capital and swim pool utility capital fund projects and acquisitions or other purposes permitted by the Local Bond Law. 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 and acquisitions or other purposes permitted by the Local Bond Law, 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>2024</u>	<u>2023</u>
Issued		
General		
Notes	\$ 3,671,000	\$ 3,811,000
Swim Pool Utility		
Notes	<u>368,000</u>	<u>428,000</u>
	4,039,000	4,239,000
Less Funds Temporarily Held to Pay Bonds and Notes	<u>560,604</u>	<u>440,076</u>
Net Debt Issued	3,478,396	3,798,924
Authorized But Not Issued		
General		
Bonds and Notes	1,701,376	1,702,256
Swim Pool Utility		
Bonds and Notes	<u>500</u>	<u>500</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 5,180,272</u>	<u>\$ 5,501,680</u>

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 10 MUNICIPAL DEBT (Continued)

Statutory Net Debt

The statement of debt condition that follows is in the format of the Borough's Annual Debt Statement and indicates a statutory net debt of .211% and .242% at December 31, 2024 and 2023, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2024</u>			
General Debt	\$ 5,372,376	\$ 560,604	\$ 4,811,772
School Debt	62,742,966	62,742,966	-
Swim Pool Utility Debt	<u>368,500</u>	<u>368,500</u>	<u>-</u>
Total	<u>\$ 68,483,842</u>	<u>\$ 63,672,070</u>	<u>\$ 4,811,772</u>

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2023</u>			
General Debt	\$ 5,513,256	\$ 440,076	\$ 5,073,180
School Debt	2,095,304	2,095,304	-
Swim Pool Utility Debt	<u>428,500</u>	<u>428,500</u>	<u>-</u>
Total	<u>\$ 8,037,060</u>	<u>\$ 2,963,880</u>	<u>\$ 5,073,180</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>2024</u>	<u>2023</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 79,634,990	\$ 73,649,475
Less: Net Debt	<u>4,811,772</u>	<u>5,073,180</u>
Remaining Borrowing Power	<u>\$ 74,823,218</u>	<u>\$ 68,576,295</u>

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 10 MUNICIPAL DEBT (Continued)

A. Short-Term Debt

The Borough's short-term debt activity for the years ended December 31, 2024 and 2023 was as follows:

Bond Anticipation Notes

	Rate	Maturity	Balance,	Renewed/	Retired/	Balance,
<u>Purpose</u>	<u>(%)</u>	<u>Date</u>	December 31, <u>2023</u>	<u>Issued</u>	<u>Redeemed</u>	December 31, <u>2024</u>
<u>2024</u>						
<u>General Capital Fund</u>						
Various Capital Improvements and Acquisitions	4.00%	8/22/2025	\$ 3,335,737	\$ 3,207,316	\$ 3,335,737	\$ 3,207,316
Police Communications Desk Upgrade	4.00%	8/22/2025	185,263	173,684	185,263	173,684
Reconstruction of Shady Lane, Alpine & Sierra	4.00%	8/22/2025	<u>290,000</u>	<u>290,000</u>	<u>290,000</u>	<u>290,000</u>
Total General Capital Fund			<u>\$ 3,811,000</u>	<u>\$ 3,671,000</u>	<u>\$ 3,811,000</u>	<u>\$ 3,671,000</u>
<u>Swim Pool Utility Capital Fund</u>						
Capital Improvements at Stony Brook	4.00%	8/22/2025	<u>\$ 428,000</u>	<u>\$ 368,000</u>	<u>\$ 428,000</u>	<u>\$ 368,000</u>
Total Swim Pool Utility Capital Fund			<u>\$ 428,000</u>	<u>\$ 368,000</u>	<u>\$ 428,000</u>	<u>\$ 368,000</u>
			Balance,	Renewed/	Retired/	Balance,
<u>Purpose</u>	<u>(%)</u>	<u>Date</u>	December 31, <u>2022</u>	<u>Issued</u>	<u>Redeemed</u>	December 31, <u>2023</u>
<u>2023</u>						
<u>General Capital Fund</u>						
Various Capital Improvements and Acquisitions	4.50%	8/23/2024	\$ 1,936,158	\$ 3,335,737	\$ 1,936,158	\$ 3,335,737
Police Communications Desk Upgrade	4.50%	8/23/2024	196,842	185,263	196,842	185,263
Reconstruction of Shady Lane, Alpine & Sierra	4.50%	8/23/2024	<u>-</u>	<u>290,000</u>	<u>-</u>	<u>290,000</u>
Total General Capital Fund			<u>\$ 2,133,000</u>	<u>\$ 3,811,000</u>	<u>\$ 2,133,000</u>	<u>\$ 3,811,000</u>
<u>Swim Pool Utility Capital Fund</u>						
Capital Improvements at Stony Brook	4.50%	8/23/2024	<u>\$ 428,000</u>	<u>\$ 428,000</u>	<u>\$ 428,000</u>	<u>\$ 428,000</u>
Total Swim Pool Utility Capital Fund			<u>\$ 428,000</u>	<u>\$ 428,000</u>	<u>\$ 428,000</u>	<u>\$ 428,000</u>

**BOROUGH OF HILLSDALE
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 10 MUNICIPAL DEBT (Continued)

A. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

The purpose of these short-term borrowings was to provide resources for capital construction, acquisitions or improvement projects and other purposes permitted by the Local Bond Law NJSA 40A:2 et. seq. The amounts issued for general 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.

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>Capital Project</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
<u>2024</u>		
Renovations to Centennial Athletic Complex	\$377,164	2025
Magnolia Avenue Resurfacing/Road Paving Program	305,873	2025
<u>2023</u>		
2021 Road Program	208,620	2024

As of December 31, the Borough has other significant commitments as follows:

<u>Purpose</u>	<u>Remaining Commitment</u>
<u>2024</u>	
Acquisition of Ladder Truck	\$1,598,520
<u>2023</u>	

There were none.

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

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 time, 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 \$417,485 and \$450,575 at December 31, 2024 and 2023, respectively. These amounts which are considered material to the financial statements, are not reported either as an expenditure or liability.

As of December 31, 2024 and 2023, the Borough has reserved in the Other Trust Fund \$80,648 and \$154,525, respectively to fund compensated absences in accordance with NJSA 40A:4-39.

Changes in Other Long-Term Liabilities

Under the regulatory basis of accounting, certain other long-term liabilities which may be considered material to the financial statements are not reported either as an expenditure or a liability. However, under the regulatory basis of accounting, these other long-term liabilities and related information are required to be disclosed in the notes to the financial statements in conformity with the disclosure requirements of the Governmental Accounting Standards Board.

The Borough’s changes in other long-term liabilities for the years ended December 31, 2024 and 2023 were as follows:

	Balance, December 31, <u>2023</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2024</u>	Due Within <u>One Year</u>
<u>2024</u>					
Compensated Absences	\$ 450,575	\$ 110,909	\$ 143,999	\$ 417,485	
Net Pension Liability					
PERS (1)	2,595,343			2,595,343	
PFRS (1)	6,286,970			6,286,970	
Net OPEB Liability (1)	<u>12,666,870</u>	<u>-</u>	<u>-</u>	<u>12,666,870</u>	<u>-</u>
 Total Other Long-Term Liabilities	 <u>\$ 21,999,758</u>	 <u>\$ 110,909</u>	 <u>\$ 143,999</u>	 <u>\$ 21,966,668</u>	 <u>\$ -</u>

(1) GASB Statement Numbers 68 Pension and 75 OPEB financial information was not provided by the State’s Division of Pensions and Benefits as of the date of audit.

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 12 OTHER LONG-TERM LIABILITIES (Continued)

Changes in Other Long-Term Liabilities (Continued)

	Balance, December 31, <u>2022</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2023</u>	Due Within <u>One Year</u>
<u>2023</u>					
Compensated Absences	\$ 447,523	\$ 101,055	\$ 98,003	\$ 450,575	
Net Pension Liability					
PERS	3,197,251		601,908	2,595,343	
PFRS	7,077,853		790,883	6,286,970	
Net OPEB Liability	<u>12,007,224</u>	<u>659,646</u>	<u>-</u>	<u>12,666,870</u>	<u>-</u>
 Total Other Long-Term Liabilities	 <u>\$ 22,729,851</u>	 <u>\$ 760,701</u>	 <u>\$ 1,490,794</u>	 <u>\$ 21,999,758</u>	 <u>\$ -</u>

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.

Consolidated Police and Firemen’s Pension Fund (CPFPPF) – established in January 1952, under the provisions of N.J.S.A. 43:16 to provide coverage to municipal police and firemen who were appointed prior to July 1, 1944. The fund is a closed system with no active members. Additionally, based on recent actuarial valuation there was no normal cost or accrued liability contributions required for the fiscal year ended June 30, 2017. CPFPPF is a cost-sharing multi-employer defined benefit plan. For additional information about CPFPPF, please refer to the State Division of Pension and Benefits (Division’s) Annual Comprehensive Financial Report (ACFR) which can be found at www.state.nj.us/treasury/pensions.

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 December 31, 1944. Membership is mandatory for such employees. PFRS is a cost-sharing multi-employer defined benefit pension plan with a special funding situation. For additional information about PFRS, please refer to the State Division of Pension and Benefits (Division’s) Annual Comprehensive Financial Report (ACFR) which can be found at www.state.nj.us/treasury/pensions.

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement benefits as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits which vest after four years of service.

The following represents the membership tiers for PFRS:

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

**BOROUGH OF HILLSDALE
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Police and Firemen’s Retirement System (PFRS) (Continued)

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tier 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years, but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case, benefits would begin at age 55 equal to 2% of final compensation for each year of service.

Public Employees’ Retirement System (PERS) – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, 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. PERS is a cost-sharing multi-employer defined benefit pension plan. For additional information about PERS, please refer to the State Division of Pension and Benefits (Division’s) Annual Comprehensive Financial Report (ACFR) which can be found at www.state.nj.us/treasury/pensions.

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death, and disability benefits. All benefits vest after ten years of service.

The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, tier 3 and 4 members with 25 or more years of service credit before age 62, and tier 5 members with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have a least 25 years of service. Deferred retirement is available to members who have at least ten years of service credit and have not reached the service retirement age for the respective tier.

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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 and employees enrolled in PERS on or after July 1, 2007 who earn in excess of established annual maximum compensation limits (equivalent to annual maximum wage for social security deductions). 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 on or after November 2, 2008 and do not earn the minimum salary required for tier 3 enrollment or do not work the minimum required hours for tier 4 and tier 5 enrollment but earn a base salary of at least \$5,000 are eligible for participation in the DCRP. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership. DCRP is a defined contribution pension plan.

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.

Measurement Focus and Basis of Accounting

The financial statements of the retirement systems are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the pension trust funds. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Investment Valuation

The Division of Investment, Department of the Treasury, State of New Jersey (Division of Investment) manages and invests certain assets of the retirement systems. Empower (formerly Prudential Retirement) is the third-party administrator for the DCRP and provides record keeping, administrative services and investment options. Investment transactions are accounted for on a trade or investment date basis. Interest and dividend income is recorded on the accrual basis, with dividends accruing on the ex-dividend date. The net increase or decrease in the fair value of investments includes the net realized and unrealized gains or losses on investments.

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.

Collective Net Pension Liability

The collective net pension liability of the participating employers for local PERS at June 30, 2024 was not available and for June 30, 2023 is \$14.6 billion, and the plan fiduciary net position as a percentage of the total pension liability is 65.22% at June 30, 2023. The collective net pension liability of the participating employers for local PFRS at June 30, 2024 was not available and for June 30, 2023 is \$13.1 billion and the plan fiduciary net position as a percentage of total pension liability is 70.16% at June 30, 2023.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2022 which were rolled forward to June 30, 2023.

Actuarial Methods and Assumptions

In the July 1, 2022 PERS and PFRS actuarial valuations, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The pension systems selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 68. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

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 for 2024 and 2023 based on 10.0% for PFRS, 7.50% for PERS and 5.50% for DCRP of employee's annual compensation.

For the years ended December 31, 2024 and 2023 for CPFPPF, which is a single-employer defined benefit plan, the annual pension cost differs from the annual required contribution. For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution. All contributions made by the Borough for 2024, 2023 and 2022 were equal to the required contributions.

**BOROUGH OF HILLSDALE
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Employer and Employee Pension Contributions (Continued)

During the years ended December 31, 2024, 2023 and 2022, the Borough, was required to contribute for normal cost pension contributions, accrued liability pension 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>
2024	\$ 757,479	\$ 239,482	\$ 14,723
2023	805,382	221,888	15,646
2022	710,174	190,059	11,561

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

The regulatory basis of accounting requires participating employers in PERS and PFRS to disclose in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, (GASB No.68)* their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions.

Under GASB Statement No. 68 local governmental employers are required to provide certain financial information based on a measurement date no earlier than the end of the employer’s prior fiscal year. The GASB No. 68 financial information from the State’s Division of Pensions and Benefits to be reported for the year ended December 31, 2024 for the measurement date of June 30, 2024 was not available as of the date of audit. Accordingly, N.J.A.C. 5:30-6.1(c)2 authorized and permits New Jersey municipalities to present the most recent available audited GASB No. 68 financial information to be incorporated into the audit and remain in compliance with the regulatory basis of accounting disclosure requirements for notes to the financial statements. As such the GASB No. 68 financial information for the year ended December 31, 2024 is not presented in the notes to the financial statements.

The employer allocation percentages presented are based on the ratio of the contributions made as an individual employer to the total contributions to the plan during the fiscal years ended June 30, 2023 and 2022. Employer allocation percentages have been rounded for presentation purposes.

Public Employees Retirement System (PERS)

At December 31, 2023, the Borough reported a liability of \$2,595,343, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The Borough’s proportionate share of the net pension liability was based on the ratio of the Borough’s contributions to the pension plan relative to the total contributions of all participating governmental entities during the measurement period. As of the measurement date of June 30, 2023, the Borough’s proportionate share was .01791 percent, which was a decrease of .00328 percent from its proportionate share measured as of June 30, 2022 of .02119 percent.

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

For the year ended December 31, 2023, the pension system has determined the Borough’s pension expense (benefit) to be \$(76,342), for PERS based on the actuarial valuations which is less than the actual contribution reported in the Borough’s financial statements of \$221,888. At December 31, 2023, the Borough’s deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the Borough’s financial statements are from the following sources:

	<u>2023</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 24,815	\$ 10,609
Changes of Assumptions	5,701	157,289
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	11,952	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>253,639</u>	<u>718,487</u>
Total	<u>\$ 296,107</u>	<u>\$ 886,385</u>

At December 31, 2023 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense (benefit) as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2024	\$ (144,618)
2025	(144,618)
2026	(144,618)
2027	(144,618)
2028	(11,806)
Thereafter	<u>-</u>
	<u>\$ (590,278)</u>

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The Borough’s total pension liability reported for the year ended December 31, 2023 was based on the June 30, 2023 measurement date as determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Rate for All Future Years	2.75 - 6.55%
	Based on Years of Service
Investment Rate of Return	7.00%

The actuarial assumptions used in the July 1, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on generational basis. Mortality improvement is based on Scale MP-2021.

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2023) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and actuaries. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2023, as reported for the year ended December 31, 2023, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	6.21%
Cash Equivalents	2.00%	3.31%
U.S. Treasuries	4.00%	3.31%
Investment Grade Credit	7.00%	5.19%
US Equity	28.00%	8.98%
Non-US Developed Markets Equity	12.75%	9.22%
International Small Cap Equity	1.25%	9.22%
Emerging Markets Equity	5.50%	11.13%
High Yield	4.50%	6.97%
Real Assets	3.00%	8.40%
Private Credit	8.00%	9.20%
Real Estate	8.00%	8.58%
Private Equity	13.00%	12.50%

Discount Rate

The discount rate used to measure the total pension liability for PERS was 7.00% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

Sensitivity of Net Pension Liability

The following presents the Borough’s proportionate share of the PERS net pension liability as of December 31, 2023 calculated using the discount rate of 7.00%, as well as what the Borough’s proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 6.00% or 1-percentage-point higher 8.00% than the current rate:

<u>2023</u>	1% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 3,378,584</u>	<u>\$ 2,595,343</u>	<u>\$ 1,928,701</u>

The sensitivity analysis was based on the proportionate share of the Borough’s net pension liability at December 31, 2023. A sensitivity analysis specific to the Borough’s net pension liability was not provided by the pension system.

Pension Plan Fiduciary Net Position

Detailed information about the PERS pension plan’s fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

Police and Firemen’s Retirement System (PFRS)

At December 31, 2023, the Borough reported a liability of \$6,286,970, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The Borough’s proportionate share of the net pension liability was based on the ratio of the Borough’s contributions to the pension plan relative to the total contributions of all participating governmental entities during the measurement period. As of the measurement date of June 30, 2023, the Borough’s proportionate share was .05690 percent, which was decrease of .00493 percent from its proportionate share measured as of June 30, 2022 of .06183 percent.

BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Police and Firemen’s Retirement System (PFRS) (Continued)

For the year ended December 31, 2023, the pension system has determined the Borough pension expense (benefit) to be \$265,785, for PFRS based on the actuarial valuations which is less than the actual contribution reported in the Borough’s financial statements of \$805,382. At December 31, 2023, the Borough’s deferred outflows of resources and deferred inflows of resources related to PFRS pension which are not reported on the Borough’s financial statements are from the following sources:

	2023	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 269,195	\$ 299,833
Changes of Assumptions	13,569	424,521
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	320,183	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>376,721</u>	<u>726,380</u>
Total	<u>\$ 979,668</u>	<u>\$ 1,450,734</u>

At December 31, 2023 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PFRS pension will be recognized in pension expense (benefit) as follows:

Year Ending <u>December 31,</u>	<u>Total</u>
2024	(73,296)
2025	(73,296)
2026	(73,296)
2027	(73,297)
2028	(153,342)
Thereafter	<u>(24,539)</u>
	<u>\$ (471,066)</u>

**BOROUGH OF HILLSDALE
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Police and Firemen’s Retirement System (PFRS) (Continued)

Actuarial Assumptions

The Borough’s total pension liability reported for the year ended December 31, 2023 was based on the June 30, 2023 measurement date as determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases	
Rate for All Future Years	3.25%-16.25%
	Based on Years of Service
Investment Rate of Return	7.00%

The actuarial assumptions used in the July 1, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

Mortality Rates

Employee mortality rates were based on the PubS-2010 amount-weighted mortality table with a 105.6% adjustment for males and 102.5% adjustment for females. For healthy annuitants, mortality rates were based on the PubS-2010 amount-weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females. Disability rates were based on the PubS-2010 amount-weighted mortality table with a 152.0% adjustment for males and 109.3% adjustment for females. Mortality improvement is based on Scale MP-2021.

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Police and Firemen’s Retirement System (PFRS) (Continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2023) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and actuaries. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans’ target asset allocation as of June 30, 2023, as reported for the year ended December 31, 2023, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	6.21%
Cash Equivalents	2.00%	3.31%
U.S. Treasuries	4.00%	3.31%
Investment Grade Credit	7.00%	5.19%
US Equity	28.00%	8.98%
Non-US Developed Markets Equity	12.75%	9.22%
International Small Cap Equity	1.25%	9.22%
Emerging Markets Equity	5.50%	11.13%
High Yield	4.50%	6.97%
Real Assets	3.00%	8.40%
Private Credit	8.00%	9.20%
Real Estate	8.00%	8.58%
Private Equity	13.00%	12.50%

Discount Rate

The discount rate used to measure the total pension liability for PFRS was 7.00% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 100% of the actuarially determined contributions for the State. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Police and Firemen’s Retirement System (PFRS) (Continued)

Sensitivity of Net Pension Liability

The following presents the Borough’s proportionate share of the PFRS net pension liability as of December 31, 2023 calculated using the discount rate of 7.00%, as well as what the Borough’s proportionate share of the PFRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 6.00% or 1-percentage-point higher 8.00% than the current rate:

<u>2023</u>	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Borough's Proportionate Share of the PFRS Net Pension Liability	\$ <u>8,759,792</u>	\$ <u>6,286,970</u>	\$ <u>4,227,700</u>

The sensitivity analysis was based on the proportionate share of the Borough’s net pension liability at December 31, 2023. A sensitivity analysis specific to the Borough’s net pension liability was not provided by the pension system.

Special Funding Situation – PFRS

Under N.J.S.A. 43:16A-15, the Borough is responsible for their own PFRS contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State to make contributions if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the Borough by the State under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Accordingly, the Borough’s proportionate share percentage of the net pension liability, deferred outflows and inflows determined under GASB Statement No. 68 is zero percent and the State’s proportionate share is 100% for PFRS under this legislation.

At December 31, 2023, the State’s proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,158,447. For the year ended December 31, 2023, the pension system has determined the State’s proportionate share of the pension expense attributable to the Borough for the PFRS special funding situation is \$131,771, which is less than the actual contribution the State made on behalf of the Borough of \$132,482. At December 31, 2023 (measurement date June 30, 2023) the State’s share of the PFRS net pension liability attributable to the Borough was .05690 percent, which was a decrease of .00493 percent from its proportionate share measured as of December 31, 2022 (measurement date June 30, 2022) of .06183 percent. The State’s proportionate share attributable to the Borough was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported in the Borough’s financial statements.

Pension Plan Fiduciary Net Position

Detailed information about the PFRS pension plan’s fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS

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

Plan Description and Benefits Provided

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

State Health Benefit Program Fund – Local Government Retired (the Plan) (including Prescription Drug Program Fund) – The Plan is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Annual Comprehensive Financial Report (ACFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The Plan provides medical and prescription drug to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retires with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retires and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A. 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level coverage.

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.

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Plan Membership and Contributing Employers

Membership and contributing employers/nonemployers of the defined benefit OPEB plan consisted of the following at June 30, 2023:

Active Plan Members	65,613
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	<u>34,771</u>
Total	<u>100,384</u>
Contributing Employers	574
Contributing Nonemployers	1

Measurement Focus and Basis of Accounting

The financial statements of the OPEB plan are prepared in accordance with U.S. generally accepted accounting principles as applicable to government organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the other postemployment benefit plan. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

Collective Net OPEB Liability

The collective net OPEB liability of the participating employers and the State, as the non-employer contributing entity, of the Plan at June 30, 2024 was not available and for June 30, 2023 is \$15.0 billion, and the plan fiduciary net (deficit) as a percentage of the total OPEB liability is (0.79)% at June 30, 2023.

The total OPEB liabilities were determined based on actuarial valuations as of July 1, 2022 which was rolled forward to June 30, 2023.

Actuarial Methods and Assumptions

In the July 1, 2022 OPEB actuarial valuation, the actuarial assumptions and methods used in this valuation were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The Plan selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 75. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Post-Retirement Medical Benefits Contribution

The funding policy for the OPEB plan is pay-as-you-go; therefore, there is no prefunding of the liability. However, due to premium rates being set prior to each calendar year, there can be a minimal amount of net position available to cover benefits in future years. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are collected from the State of New Jersey, participating local employers, and retired members. The State of New Jersey makes contributions to cover those employees eligible under Chapter 330, P.L. 1967, as disclosed previously. Local employers remit employer contributions on a monthly basis. Retired member contributions are generally received on a monthly basis.

The employers participating in the OPEB plan made contributions of \$431.4 million and the State of New Jersey, as the non-employer contributing entity, contributed \$55.6 million for fiscal year 2023.

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the actuarial determined contribution amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The actuarial determined contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any unfunded actuarial liabilities (or funding excess) of the plan using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan. The Borough's contributions to the State Health Benefits Program Fund-Local Government Retired Plan for post-retirement benefits for the years ended December 31, 2024, 2023 and 2022 were \$544,642, \$507,178 and \$457,472, respectively, which equaled the required contributions for each year (or were not available).

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The regulatory basis of accounting requires participating employers in the State Health Benefit Program Fund – Local Government Retired Plan to disclose in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pension (GASB No. 75)* their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense excluding that attributable to retiree-paid member contributions.

Under GASB Statement No. 75 local governmental employers are required to provide certain financial information based on a measurement date no earlier than the end of the employer's prior fiscal year. The GASB No. 75 financial information from the State's Division of Pensions and Benefits to be reported for the year ended December 31, 2024 for the measurement date of June 30, 2024 was not available as of the date of audit. Accordingly, N.J.A.C. 5:30-6.1(c)2 authorizes and permits New Jersey municipalities to present the most recent available audited GASB No. 75 financial information to be incorporated into the audit and remain in compliance with the regulatory basis of accounting disclosure requirements for notes to the financial statements. As such the GASB No. 75 financial information for the year ended December 31, 2024 is not presented in the notes to the financial statements.

The employer allocation percentages presented are based on the ratio of the plan members as an individual employer to the total plan members to the plan during the fiscal years ended June 30, 2023 and 2022. Employer allocation percentages have been rounded for presentation purposes.

At December 31, 2023, the Borough reported a liability of \$12,666,870 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2022. The Borough's proportionate share of the net OPEB liability was based on the ratio of the Borough's proportionate share of the OPEB liability attributable to the Borough at June 30, 2023 to the total OPEB liability for the State Health Benefit Program Fund – Local Government Retired Plan at June 30, 2023. As of the measurement date of June 30, 2023 the Borough's proportionate share was .08440 percent, which was an increase of .01005 percent from its proportionate share measured as of June 30, 2022 of .07435 percent.

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

For the year ended December 31, 2023, the Plan has determined the Borough’s OPEB expense (benefit) to be \$(245,479), based on the actuarial valuation which is more or less than the actual contributions reported in the Borough’s financial statements of \$507,178. At December 31, 2023, the Borough’s deferred outflows of resources and deferred inflows of resources related to the OPEB plan which are not reported on the Borough’s financial statements are from the following sources:

	2023	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 620,066	\$ 2,225,629
Changes of Assumptions	1,602,414	4,097,834
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	3,161	-
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>665,357</u>	<u>2,210,423</u>
Total	<u>\$ 2,890,998</u>	<u>\$ 8,533,886</u>

At December 31, 2023 the amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in OPEB expense (benefit) as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2024	\$ (818,664)
2025	(818,664)
2026	(818,664)
2027	(818,663)
2028	(819,454)
Thereafter	<u>(1,548,779)</u>
	<u>\$ (5,642,888)</u>

**BOROUGH OF HILLSDALE
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Actuarial Assumptions

The Borough’s total OPEB liability reported for the year ended December 31, 2023 was based on the June 30, 2023 measurement date as determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

Inflation Rate	2.50%
Salary Increases*	
PERS:	
Rate For All Future Years	2.75% to 6.55% Based on Years of Service
PFRS:	
Rate For All Future Years	3.25% to 16.25% Based on Years of Service

*Salary increases are based on years of service within the respective pension plan.

The actuarial assumptions used in the July 1, 2022 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2018 to June 30, 2021.

100% of active members are considered to participate in the plan upon retirement.

Mortality Rates

Pre-retirement and post-retirement mortality rates were based on the Pub-2010 Healthy “Safety” for PFRS and Healthy “General” for PERS classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Disability mortality rates were based on the Pub-2010 Disabled “Safety” for PFRS and Disabled “General” for PERS classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Health Care Trends

The trend rate for pre-Medicare medical benefits is initially 6.50% and decreases to a 4.50% long-term trend rate after 9 years. For post-65 medical benefits PPO, the trend is, increasing to 14.80% in Fiscal Year 2026 and decreasing to 4.50% in Fiscal Year 2033. For HMO the trend is increasing to 17.40% in Fiscal Year 2026 and decreasing to 4.50% in Fiscal Year 2033. For prescription drug benefits, the initial trend rate is 9.50% and decreases to a 4.50% long-term trend rate after 7 years. For the Medicare Part B reimbursement, the trend rate is 5.00%.

Discount Rate

The discount rate for June 30, 2023 measurement date was 3.65%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Sensitivity of Net OPEB Liability to Changes in the Discounts Rate

The following presents the Borough’s proportionate share of the net OPEB liability as of December 31, 2023 calculated using the discount rate of 3.65% as well as what the Borough’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower 2.65% or 1-percentage-point higher 4.65% than the current rate:

	1% Decrease <u>2.65%</u>	Current Discount Rate <u>3.65%</u>	1% Increase <u>4.65%</u>
Borough's Proportionate Share of the Net OPEB Liability	<u>\$ 14,672,273</u>	<u>\$ 12,666,870</u>	<u>\$ 11,053,833</u>

The sensitivity analysis was based on the proportionate share of the Borough’s net OPEB liability at December 31, 2023. A sensitivity analysis specific to the Borough’s net OPEB liability was not provided by the Plan.

Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate

The following presents the Borough’s proportionate share of the net OPEB liability as of December 31, 2023 calculated using the healthcare trend rates as disclosed above as well as what the Borough’s proportionate share of the net OPEB liability would be if it were calculated using healthcare trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Borough's Proportionate Share of the Net OPEB Liability	<u>\$ 10,765,349</u>	<u>\$ 12,666,870</u>	<u>\$ 15,101,398</u>

The sensitivity analysis was based on the proportionate share of the Borough’s net OPEB liability at December 31, 2023. A sensitivity analysis specific to the Borough’s net OPEB liability was not provided by the pension system.

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

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 insurance coverage to guard against these events to minimize the exposure to the Borough should they occur.

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

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

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

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

NOTE 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, 2024 and 2023. 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, 2024 and 2023, the Borough reserved \$136,943 and \$136,943, 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, 2024 and 2023, 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.

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

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, 2024 and 2023, the Borough has no estimated arbitrage earnings due to the IRS.

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.

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 \$1,816 and \$1,756 for 2024 and 2023, respectively, for each eligible volunteer fire department member into the Plan. The Borough also contributed \$1,816 and \$1,756 for 2024 and 2023, respectively for each eligible volunteer first aid squad members into the Plan. The total Borough contributions were \$38,250 and \$40,390 for 2024 and 2023, 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 Group 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.

**BOROUGH OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 19 TAX ABATEMENTS

For the years ended December 31, 2024 and 2023, the Borough provided property tax abatements through certain programs authorized under State statutes. These programs include the Long Term Tax Exemption Law (the “LTTE Law”), the Five-Year Exemption and Abatement Law (the “FYEA”) and the New Jersey Housing and Mortgage Financing Act (NJHMFA).

The Long Term Tax Exemption Law (NJSA 40A:20 et.seq.) is focused on broad areas of redevelopment. It allows for a longer abatement term to carry out a larger development plan through declaring an area as being “in need of redevelopment”. These long-term property abatements may last up to 30 years from completion of a project or 35 years from execution of the financial agreement. The process is initiated when the municipality passes a resolution calling for the municipal planning board to study the need for designating an area “in need of redevelopment”. Upon adopting the planning board’s recommendations and formalizing the redevelopment area designation, a municipality adopts a redevelopment plan, engages redevelopment entities to carry out the plan, and may authorize long-term tax abatements in the process. Developers submit abatement applications to the governing body for review. The financial agreement is approved through adoption of a local ordinance. The agreement exempts a project from taxation, but requires a payment in lieu of taxes (PILOTs) in an amount based generally on a percentage of project costs or revenue generated by the project, depending on the type of project. For the years ended December 31, 2024 and 2023 the Borough abated property taxes totaling \$325,377 and \$316,145, respectively under the LTTE program of which \$67,291 and \$65,240 represents the Borough’s share, respectively. The Borough received \$58,626 and \$53,608 in PILOT payments under this program for the years ended December 31, 2024 and 2023, respectively.

NOTE 20 PRIOR PERIOD ADJUSTMENT

The balance sheet of the General Fixed Assets Account Group as of December 31, 2023 has been adjusted to properly report the balance of the Borough’s fixed assets. The effect of this adjustment is a reduction in General Fixed Assets of \$11,147,557.

NOTE 21 SUBSEQUENT EVENTS

Debt Authorized

On June 17, 2025 the Borough adopted a bond ordinance authorizing the issuance \$4,600,000 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.

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APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION

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APPENDIX C

[Proposed Form of Bond Counsel Opinion]

May __, 2026

Borough Council
Borough of Hillsdale
County of Bergen, New Jersey

Dear Council Members:

We have acted as bond counsel in connection with the issuance of \$9,539,000 aggregate principal amount of General Improvement Bonds (the "Bonds") by the Borough of Hillsdale, in the County of Bergen, a municipal corporation of the State of New Jersey (the "Borough"). The Bonds are dated May 1, 2026 and comprise an issue of registered bonds. The Bonds bear interest from their date, payable on each May 1 and November 1, commencing November 1, 2026 (each, an "Interest Payment Date"), in each year until maturity or prior redemption.

The Bonds are payable in annual installments on May 1 in each year, and bear interest at the rates per annum, as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2027	\$650,000	%	2033	\$805,000	%
2028	675,000		2034	830,000	
2029	700,000		2035	855,000	
2030	725,000		2036	890,000	
2031	755,000		2037	920,000	
2032	780,000		2038	954,000	

The Bonds maturing on or before May 1, 2033 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after May 1, 2034 are subject to redemption at the option of the Borough prior to maturity, in whole on any date or in part on any Interest Payment Date, on or after May 1, 2033, upon notice as set forth in the resolutions referred to below at the redemption price of 100% of the principal amount being redeemed, plus accrued interest to the date fixed for redemption.

If the Borough determines to optionally redeem a portion of the Bonds prior to maturity, such Bonds so redeemed shall be in such maturities as determined by the Borough, and within any maturity, by lot.

The Bonds are issued pursuant to the Local Bond Law (Chapter 2 of Title 40A of the New Jersey Statutes, as amended) and pursuant to eight bond ordinances adopted by the Borough Council of the Borough on July 7, 2015 (Ord. No. 15-13), June 12, 2018 (Ord. No. 18-14), June 11, 2019 (Ord. No. 19-07), November 9, 2021 (Ord. No. 21-15), August 9, 2022 (Ord. No. 22-14), October 25, 2022 (Ord. No. 22-17), July 11, 2023 (Ord. No. 23-12) and June 17, 2025 (Ord. No. 25-15) and resolutions adopted by the Borough Council of the Borough on March 17, 2026.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. Such requirements include requirements relating to the use and investment of proceeds of the Bonds and other amounts and to the rebate of certain arbitrage earnings to the United States. Noncompliance by the Borough with such requirements may cause interest on the Bonds to be included in gross income of the owners thereof retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs.

The Borough has covenanted, to the extent permitted by the Constitution and the laws of the State of New Jersey, to do and perform all acts and things permitted by law and necessary to assure that interest paid on the Bonds be and remain excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. The Borough's Tax

Certificate (the "Tax Certificate"), which will be delivered concurrently with the delivery of the Bonds, will contain provisions and procedures regarding compliance with the requirements of the Code. The Borough, in executing the Tax Certificate, will certify to the effect that the Borough expects and intends to comply with the provisions and procedures contained therein.

As bond counsel, we have examined certified copies of the bond ordinances and resolutions referred to above and related proceedings in connection with the issuance of the Bonds. We have also examined originals (or copies certified or otherwise identified to our satisfaction) of such other instruments, certificates and documents as we have deemed necessary or appropriate for the purpose of the opinion rendered below, including the Tax Certificate executed by the Chief Financial Officer of the Borough of even date herewith. We have assumed the accuracy of the factual information and the truthfulness of the expectations set forth in the Tax Certificate and the exhibits thereto. We have also examined the executed and authenticated first numbered Bond and have assumed that all of the other Bonds have been similarly executed and authenticated. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents.

We have not prepared nor have we verified the accuracy, completeness or fairness of (i) the information set forth in the Official Statement prepared by the Borough in connection with the sale and issuance of the Bonds, or (ii) other documents of the Borough delivered to the purchasers of the Bonds, and we take no responsibility therefor.

Based on the foregoing, we are of the opinion that:

1. The Bonds have been duly authorized, executed and delivered and constitute valid and legally binding obligations of the Borough enforceable in accordance with their terms, except as enforcement of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation or other laws relating to or affecting the enforcement of creditors'

rights generally now or hereafter in effect to the extent constitutionally applicable, and enforcement may also be subject to the exercise of judicial discretion in certain cases.

2. The Borough has pledged its full faith and credit for the payment of the principal of and interest on the Bonds, and unless paid from other sources, the Borough is authorized and required by law to levy on all real property taxable by the Borough such ad valorem taxes as may be necessary to pay the Bonds and the interest thereon, without limitation as to rate or amount.

3. Assuming compliance by the Borough with its Tax Certificate, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. In addition, under existing law, interest on the Bonds is not treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals; however, interest on the Bonds that is included in the "adjusted financial statement income" of certain corporations is not excluded from the Federal corporate alternative minimum tax. In addition, under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof, interest on the Bonds and any gain from the sale of the Bonds are not includable in gross income of the holders thereof.

Very truly yours,

Rogut McCarthy LLC