

SCHOOL DISTRICT
OF
HIGH BRIDGE BOROUGH

High Bridge Borough School District
Board of Education
High Bridge, Hunterdon County
New Jersey

Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2010

Comprehensive Annual

Financial Report

of the

High Bridge Borough School District

Board of Education

High Bridge, New Jersey

For the Fiscal Year Ending June 30, 2010

Prepared by

High Bridge Borough School District

Board of Education

Finance Department

OUTLINE OF CAFR

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Introductory Section

HIGH BRIDGE SCHOOL DISTRICT

High Bridge ∞ New Jersey 08829

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October 27, 2010

The Honorable President Robert Imhoff and Members of the Board of Education
High Bridge Public School District
50 Thomas Street
High Bridge, New Jersey 08829

Dear Mr. Robert Imhoff and Board Members:

The comprehensive annual financial report of the High Bridge Borough School District for the fiscal year ended June 30, 2010 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the district. All disclosures necessary to enable the reader to gain an understanding of the district's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the district's organizational chart and a list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The district is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments", and the state Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payment". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations are included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES: The High Bridge School District is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement No. 3. All funds and account groups of the district are included in this report. The High Bridge Board of Education and its two schools constitute the district's reporting entity.

The district provides a full range of educational programs and services appropriate to grade levels preschool disabilities classes, ages 3 to 5, and kindergarten through eighth. These grade levels include regular education programs in addition to special education classes for classified

learning disabled students enrolled in preschool disabled, language/learning disabled, and resource center programs. During the 2009-2010 fiscal year, the district had an Average Daily Enrollment (ADE) of 399.1 students, less than a 1% decrease from the 2008-09 ADE. The following table details the changes in the student average daily enrollment of the district over the last nineteen years:

AVERAGE DAILY ENROLLMENT

Fiscal Year	Student Enrollment (ADE)	Percent Change: increase (decrease)
2009-10	399.1	(0.70)%
2008-09	401.9	1.95 %
2007-08	394.2	(6.40)%
2006-07	421.0	(5.10)%
2005-06	443.5	(3.40)%
2004-05	459.3	(1.39)%
2003-04	465.8	1.13 %
2002-03	460.6	1.12 %
2001-02	495.7	4.07 %
2000-01	476.3	0.23 %
1999-00	466.3	(6.63)%
1998-99	499.4	0.56 %
1997-98	496.6	(0.68)%
1996-97	500.0	(2.53)%
1995-96	513.0	2.04 %
1994-95	502.7	(2.49)%
1993-94	515.2	(0.35)%
1992-93	517.0	10.10 %
1991-92	464.3	(2.30)%

2. ECONOMIC CONDITION AND OUTLOOK: The Borough of High Bridge is a small suburban community, which is primarily residential with small percentages of its land dedicated for commercial business and open space. The Mayor and Council have worked diligently to develop and upgrade the downtown business area by creating a merchant center through zoning changes and incentives. Local merchants have improved their properties and have followed the Borough’s initiatives. This combined effort has resulted in a much more picturesque Main Street.

The Mayor and Council embarked upon a program in the middle 1990’s to preserve the few parcels of open space left undeveloped in the borough. Today, approximately 30% of the Borough is either open space or dedicated to recreation. Preserving open space has not only preserved the character and quality of life of the borough but kept unrestrained residential development in check. Unrestrained residential development or sprawl is one of the leading causes of an uncontrolled tax rate. This is due in part to the cost generation of school age

children, infrastructure needs and services required from the borough. As evidenced of this commitment the borough has increased its open space inventory from approximately 7 acres of open space in 1995 to approximately 496 as of 2010. Four proposed housing developments have not come to fruition.

One of the open space properties was developed into a municipal golf course and opened in June of 1999. The land acquisition and golf course construction was performed through the purchase of municipal bond anticipation notes. The debt service on the low interest notes was not required for three years. In that time the course was completed and revenue was realized to offset the required debt service. Revenue from the course of \$38,000 was also used to fund open space initiatives. By providing this capital, High Bridge was able to increase its granting percentage for Green Acres funding from 25% grant, 75% loan to a 50% grant, 50% loan. After the payment of debt service, approximately \$200,000 of golf course revenue was used to offset a portion of the municipal tax rate in 2002. Long-term outlooks are good for the golf course to be a major revenue producer for the Borough during and after debt reduction. Golf course utility bonds were issued in May 2002 to retire the bond anticipation notes. The utility bonds will be repaid with annual payments through the year 2022.

Anticipated residential development on Dewey Avenue, known as Tamaron Hollow development, was a Council of Affordable Housing (COAH) builder's remedy development with a total potential of 170 units. In 2008, the High Bridge Borough Mayor and Council successfully secured the property through Eminent Domain for the purposes of maintaining the parcel as Open Space.

The number of ratables, both commercial and residential, increased from 1458 to 1487 from the years 1995 to 2007, with the majority being new residential units built in Phase I, Tamaron Hollow. Commercial and business interests have improved in the borough since 2000. Educational costs and increased educational spending continue to drive the property tax rate as is experienced throughout the State. Increased educational spending or costs could quickly extinguish any revenue increases from the business sector or from the municipal golf course. High Bridge's current and future economic condition relies on a delicate balance of saving open space, preventing unrestrained residential development, protecting revenue sources and controlling educational and governmental spending and costs.

3. MAJOR INITIATIVES

3.1 *Program Improvement Plan*

The school district's personnel continued to assess/evaluate and implement modifications and improvements to the educational programs and services for all students.

As a result of the district's on-going curriculum/program improvement process the students at each grade continue to perform well on locally developed, national standardized and State assessment tests. The students, over the years, have consistently scored above state average on the NJASK in Language Arts Literature, Math and Science.

3.2 Staff Development

Professional Development Activities

The district staff actively participated in numerous professional development opportunities during the 2009-2010 school year based on the district's comprehensive Staff Development plan.

The staff development/professional development opportunities reflected:

- District Goals
- Staff Surveys
- No Child Left Behind District Needs Assessment
- Analysis of State/Standardized Test Results
- School Level Objectives
- Professional Improvement Plans: Alternative Assessment, Math, Writing, Technology, Responsive Classroom, Character Education, Individual Growth Plans and Curriculum Guide Revisions
- College Courses
- Coaching/Classroom Visitations

Staff development days were planned so that staff could actively participate in activities that directly related to our district and school level goals.

3.3 Special Education and Least Restrictive Environment

The Preschool Classroom Program is an inclusive program that includes special needs (IDEA), hardship (ELLI), and typical peer lottery student populations. Using the High Scope Curriculum, cooperative planning time is built into the schedule so that the teacher, aides, and therapists have ample time to discuss and plan for all students. The preschool program is supported by a class aide, one-to-one aides, school nurse, building principal, case manager, and director of special services. Some students qualify for Speech/Language, ABA, Occupational Therapy, and Physical Therapy. The program provides instruction to a wide range of ability levels from three to five years of age. The district has completed five successful years of the Preschool Inclusive Program.

The Resource Center Program offers a full range of services (K-8) from up to a half-day maximum for pullout replacement to one subject area for in-class support, full inclusion, and/or supplementary aides and services. Multi-sensory lessons and study skill strategies are infused into daily lessons and activities. The in-class support teachers' present lessons using the co-teaching model with additional flexibility to present small group parallel lessons if needed.

Lessons are differentiated and include a variety of strategies i.e. scaffolding, tiering, cooperative learning, compacting, flexible grouping, and problem-based learning. The

Inclusive Models for Occupational Therapy and Speech/Language Therapy are provided. Physical Therapy, and applied behavioral analysis social skills training are provided as a pullout service with in-class service, as necessary. Adaptive Physical Education (PE) is available. The program provides parent support groups. A thirty-day extended school year is offered to eligible students.

Our Multiply Disabled Classroom Program (opened in January 2002) is a full day program and is one of a few within a public school offered in this State (according to the CP Agency of New Jersey). Paraprofessionals, therapists, adaptive PE, LPN/Paraprofessional, and a school nurse support the classroom teacher. Multi-sensory lessons and activities are incorporated throughout the daily curriculum. The classroom is equipped with assistive technology to assist with the implementation of the New Jersey State Core Curriculum Content Standards for the severely disabled population. Focus is on developing independence, language development, academics, social/emotional development, fine/gross motor skills and functional life skills. A thirty-day extended school year is offered to eligible students. This program is open to tuition students from neighboring public school districts.

The High Bridge School District has fully implemented a Behavioral Disabilities class since September 2003. This program is designed to incorporate Applied Behavioral Analysis throughout the academic and social day. Students are mainstreamed into age appropriate grade levels for academics and specials. Paraprofessionals and therapists support this program. The special education teacher was in the first graduating class for BCBA from Rutgers University. The special education teacher acts not only as an ABA therapist for the Preschool and the Behavioral Disabilities Class, but is also available to the district students (K-8) who may be in need of an “on call” behaviorist. The facilitation of this program enables the teacher to write ABA program and model delivery of objectives that offers ongoing training to paraprofessional. This program is open to tuition students from neighboring districts.

3.4 Computer/Technology

During the 2009-2010 school year, the High Bridge School District continued to implement the goals set forth in the 2007 – 2010 district technology plan.

The initiatives successfully completed during the 2008 – 2009 were further enhanced during the 2009-2010 school year through acquisition of equipment and software technology.

4. INTERNAL ACCOUNTING CONTROLS: Management of the district is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the district are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statement in conformity with general accepted accounting principals (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the district also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the district management.

As part of the district's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial assistance programs, as well as to determine that the district has complied with applicable laws and regulations.

5. BUDGETARY CONTROLS: In addition to internal accounting controls, the district maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital project fund. The final budget amount, as amended for the fiscal year, is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase order commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2010.

6. ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principals, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the district is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements", Note 1.

7. FINANCIAL INFORMATION AT FISCAL YEAR-END: As demonstrated by the various statements and schedules included in the financial section of this report, the district continues meeting its responsibility for sound financial management. The following schedule presents a summary of the general fund, special revenue fund and debt service fund revenues for the fiscal year ended June 30, 2010 and the amount and percentage of increases in relation to prior year revenues.

Revenue Change 09-10 vs. 08-09

Revenue	2009-10 Amount	Percent of 2009-10 Budget	\$ Change from 2009	Proportion of Increase (Decrease)
Local Sources	\$ 5,337,854	68.12%	\$ 246,604	(4.84)%
State Sources	\$ 2,206,067	28.15%	\$ (352,875)	(13.79)%
Federal Sources	\$ 291,869	3.72%	\$ 159,916	121.19 %
Total	\$ 7,835,790	100.00%	\$ (53,645)	0.69%

The following schedule presents a summary of general fund, special revenue fund, and debt service fund expenditures for the fiscal year ended June 30, 2010 and the percentage of increases and decreases in relation to prior year amounts.

Expenditure Change 09-10 vs. 08-09

Expenditures	2009-10 Amount	Percent of Total	Dollar Increase/ (Decrease)	Percent of Increase/ (Decrease)
Current expense:				
Instruction	\$3,656,018	47.48 %	\$ 261,037	7.69 %
Undistributed	\$3,254,540	42.26 %	\$ (146,272)	(4.30)%
Total	\$6,910,558	89.74 %	\$ 114,765	1.69 %
Capital Outlay	\$ 37,379	0.49 %	\$ (43,638)	(53.86)%
Debt Service	\$ 607,973	7.89 %	\$ 10,645	1.78 %
Special Revenue	\$ 144,876	1.88 %	\$ 10,435	7.76 %
Total	\$7,700,786	100.00%	\$ 92,207	1.21%

8. DEBT ADMINISTRATION: On January 15, 1996, the district issued \$6,865,000 in general obligation bonds (30 year) to fund a voter-approved referendum for capital building projects at the district's two facilities. On December 1, 1997 the district issued \$1,500,000 in general obligation bonds (15 year) to fund a voter-approved referendum for the Middle School Asbestos Abatement Project. At June 30, 2010 the outstanding debt balance was \$6,005,000.

9. CASH MANAGEMENT: The investment policy of the district is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 2. The district has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provision so the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds

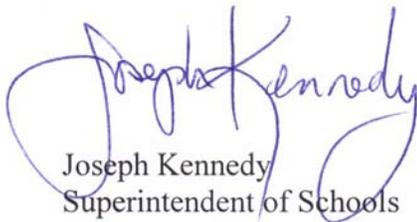
on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

10. RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision hazard and theft insurance on property and contents, and fidelity bonds.

11. OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Ardito & Co., LLP, was reappointed at the April 2010, reorganization meeting. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1996 and the related OMB Circular A-133 and state Treasury Circular Letter 04-04 OMB. The auditor's report on the general-purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

12. ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the High Bridge School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,



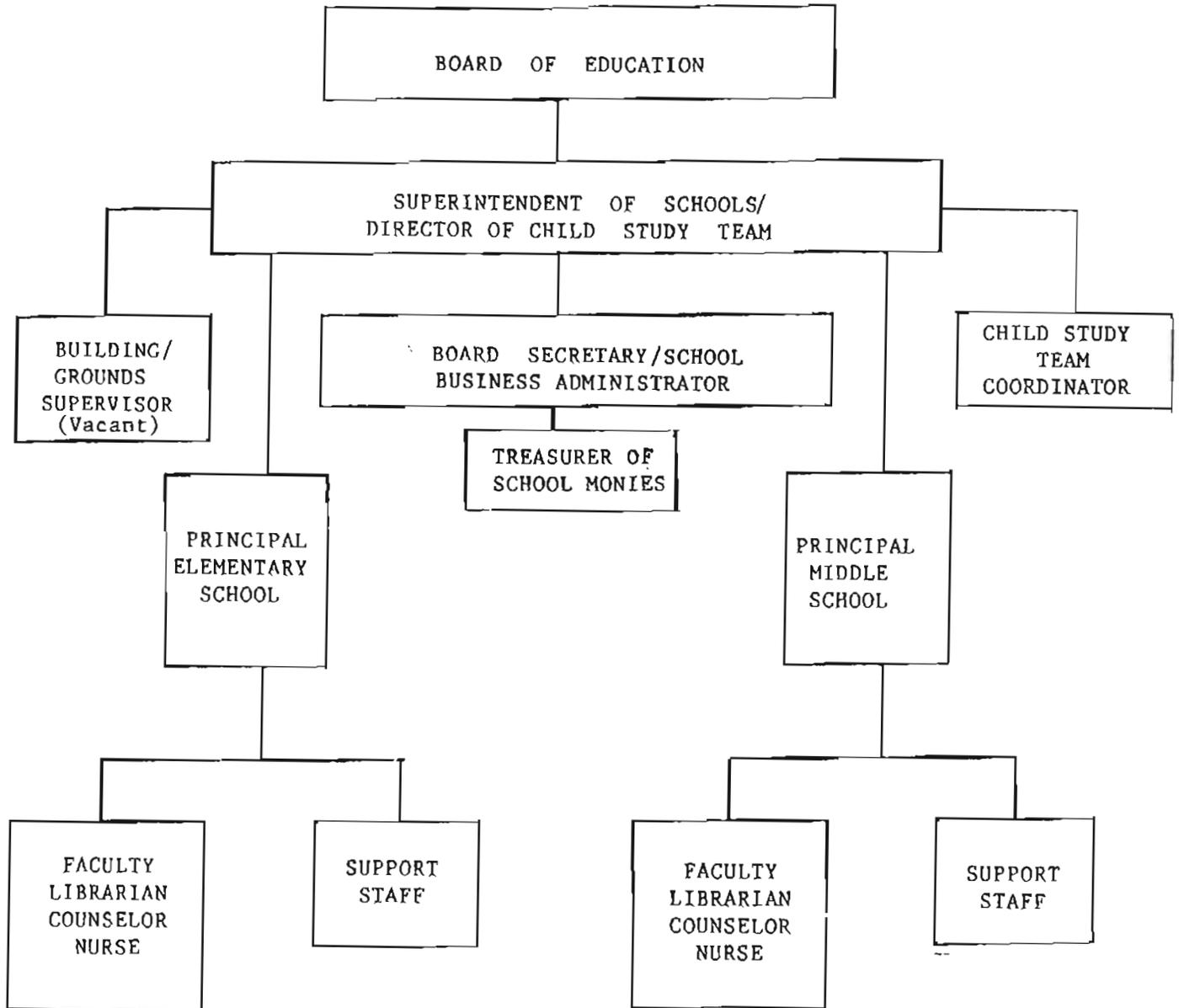
Joseph Kennedy
Superintendent of Schools



Thomas Lambe
Business Administrator / Board Secretary

HIGH BRIDGE SCHOOL DISTRICT

HIGH BRIDGE SCHOOL DISTRICT ORGANIZATIONAL CHART (UNIT CONTROL)



**HIGH BRIDGE BOROUGH SCHOOL DISTRICT
BOARD OF EDUCATION**

ROSTER OF OFFICIALS

JUNE 30, 2010

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Robert Imhoff, <i>President</i>	2011
William Stover, <i>Vice-President</i>	2012
Janice Stemple	2012
Ann Willard	2013
Larissa Critelli	2013
Karen Yaskanin-Jones	2012
Susan Conner	2013
Tamara Davis	2011
Kay Daughters-Musnuff	2012

Other Officials

Joseph Kennedy, *Superintendent of Schools*

Thomas Lambe, *School Business Administrator/Board Secretary*

Bonnie Fleming, *Treasurer of School Monies*

Schwartz, Simon, Edelstein, Celso & Kessler, LLP, *Attorneys*

**HIGH BRIDGE BOROUGH SCHOOL DISTRICT
BOARD OF EDUCATION**

CONSULTANTS AND ADVISORS

ARCHITECTS

USA Architects
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Somerville, New Jersey 08876

The Reynolds Group
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AUDIT FIRM

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Financial Section

Independent Auditor's Report



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UNQUALIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND SUPPLEMENTARY SCHEDULE OF STATE AWARDS AND OTHER SUPPLEMENTARY INFORMATION-GOVERNMENTAL ENTITY

Independent Auditor's Report

The Honorable President and
Members of the Board of Education
High Bridge Borough School District
County of Hunterdon
High Bridge, New Jersey 08829

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund and the aggregate remaining fund information of the Board of Education of the High Bridge Borough School District in the County of Hunterdon, State of New Jersey, as of and for the fiscal year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the High Bridge Borough School District Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund, and the aggregate remaining fund information of the High Bridge Borough School District Board of Education in the County of Hunterdon, State of New Jersey, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

-Continued-

In accordance with Government Auditing Standards, we have also issued our report dated October 31, 2010, on our consideration of the High Bridge Borough School District Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management Discussion and Analysis and Budgetary Comparison Information on pages 7 through 7.8, and 38 through 51 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the High Bridge Borough School District Board of Education's basic financial statements. The accompanying introductory section, and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and long-term debt schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by New Jersey OMB's Circular 04-04, ***Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid***, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Licensed Public School Accountant No. 2369
ARDITO & CO., LLP

Date: October 31, 2010

**Required Supplementary Information -
Part I**

Management's Discussion and Analysis

HIGH BRIDGE BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

The discussion and analysis of High Bridge Borough School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2010 are as follows:

- ◆ In total, net assets increased \$175,209, which represents a 2.5 percent increase from 2009.
- ◆ General revenues accounted for \$5,252,075 in revenue or 66.1 percent of all revenues. Program specific revenues in the form of charges for services, operating grants were \$2,689,435 or 33.9 of total revenues of \$7,941,510.
- ◆ Total assets of governmental activities decreased by \$88,053 as cash and cash equivalents increased by \$78,701, receivables increased by \$131,228 and capital assets decreased by \$297,392.
- ◆ The School District had \$7,766,301 in expenses; only \$2,689,435 of these expenses were offset by program specific charges for services, grants or contributions. General Revenues (primarily property taxes) of \$5,252,075 were adequate to provide for these programs.
- ◆ Among major funds, the General Fund had \$7,082,941 in revenues and \$6,947,937 in expenditures. The General Fund's surplus balance increased \$135,004 over 2009 due to extraordinary aid.

Using this Generally Accepted Accounting Principals Report (GAAP)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand High Bridge Borough School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities. The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail.

For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of High Bridge Borough School District, the General Fund is by far the most significant fund.

HIGH BRIDGE BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial positions of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District is divided into two distinct kinds of activities:

- Governmental activities--All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- Business-type Activity--This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund.

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010
 UNAUDITED

Governmental Funds

The School District’s activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District’s net assets for 2010 compared to 2009.

	Table 1	
	Net Assets	
	<u>2010</u>	<u>2009</u>
Assets		
Current and Other Assets	\$ 821,431	\$ 612,092
Capital Assets	<u>12,762,656</u>	<u>13,060,048</u>
Total Assets	<u>13,584,087</u>	<u>13,672,140</u>
Liabilities		
Long-Term Liabilities	5,749,511	6,099,685
Other Liabilities	<u>653,519</u>	<u>566,607</u>
Total Liabilities	<u>6,403,030</u>	<u>6,666,292</u>
Net Assets		
Invested in Capital Assets, Net of Debt	6,757,656	6,687,114
Restricted	117,592	3,630
Unrestricted	<u>305,809</u>	<u>315,104</u>
Total Net Assets	<u>\$ 7,181,057</u>	<u>\$ 7,005,848</u>

HIGH BRIDGE BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

Total assets increased \$88,053. Cash and cash equivalents increased by \$78,701, receivables increased by \$131,228 and capital assets decreased by \$297,392. The cash increase was due to the budget savings. Receivables increased due to federal grants reimbursements not yet received. Capital asset decreases were due to depreciation expense.

Table 2 shows the changes in net assets from fiscal year 2009.

Table 2
Changes in Net Assets

	<u>2010</u>	<u>2009</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 160,388	\$ 192,394
Operating Grants and Contributions	2,529,047	2,370,610
General Revenues:		
Property Taxes	5,230,947	5,131,387
Interest Earnings	4,087	3,877
Other	17,041	81,933
Total Revenues	<u>7,941,510</u>	<u>7,780,201</u>
Program Expenses		
Instruction	4,333,991	4,211,414
Support Services:		
Tuition	12,204	86,190
Pupils and Instructional Staff	1,613,185	1,467,184
General Administration, School Administration, Business	649,873	680,978
Operations and Maintenance of Facilities	675,263	789,653
Pupil Transportation	50,055	53,349
Business-Type Activities	103,428	105,765
Interest and Fiscal Charges	328,302	341,306
Total Expenses	<u>7,766,301</u>	<u>7,735,839</u>
Increase in Net Assets	<u>\$ 175,209</u>	<u>\$ 44,362</u>

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010
 UNAUDITED

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 65.9 percent of revenues for governmental activities for the High Bridge Borough School District for the fiscal year 2010.

Instruction comprises 55.8 percent of district expenses. Support services expenses make up 38.5 percent of the expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services compared to 2009. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3

	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2009</u>
Instruction	\$ 4,333,991	\$ 2,845,968	\$ 4,211,414	\$ 2,820,832
Support Services:				
Tuition	12,204	8,464	86,190	61,207
Pupils and Instructional Staff	1,613,185	1,039,558	1,467,184	964,471
General Administration, School Administration, Business	649,873	450,705	680,978	483,586
Operation and Maintenance of Facilities	675,263	468,314	789,653	560,761
Pupil Transportation	50,055	34,715	53,349	37,885
Business-Type Activities	103,428	6,058	105,765	6,722
Interest and Fiscal Charges	<u>328,302</u>	<u>223,084</u>	<u>341,306</u>	<u>237,371</u>
Total Expenses	<u>\$ 7,766,301</u>	<u>\$ 5,076,866</u>	<u>\$ 7,735,839</u>	<u>\$ 5,172,835</u>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student.

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to students.

General administration, school administration and business include expenses associated with administrative and financial supervision of the District.

Operation and maintenance of facilities activities involve keeping the school grounds, buildings and equipment in an effective working condition.

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Business-type activities includes expenses related to activities provided by the School District which are designed to provide for students to participate in food service and child care.

Interest and fiscal charges involve the transactions associated with the unallocated depreciation.

The dependence upon tax revenues is apparent. Over 65.7 percent of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 65.4 percent. The community, as a whole, is the primary support for the High Bridge Borough School District.

The School District's Funds

Information about the School District's major funds starts on page 10 (Balance Sheet/Exhibit B-1) . These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$7,835,790 and expenditures of \$7,700,786. The net change in fund balance for the year was most significant in the General Fund, an increase of \$135,004, due to extraordinary aid.

General Fund Budgeting Highlights

The School District's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of the fiscal 2010 year, the School District amended its General Fund budget as needed. The School District uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

For the General Fund, budget basis revenue and other financing sources, excluding TPAF on-behalf amount, was \$6,597,200, \$105,751 over original budgeted estimates of \$6,491,449. This difference was due primarily to extraordinary aid of \$178,395, which offset the state aid with holding of \$41,251.

The General fund revenues and other financing sources of the School District exceeded expenditures by \$140,289 (budgetary basis), again due to extraordinary aid.

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

Capital Assets

At the end of the fiscal year 2010, the School District had \$12,762,656 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2010 balances compared to 2009.

Table 4
Capital Assets (Net of Depreciation) at June 30,

	<u>2010</u>	<u>2009</u>
Land	\$ 4,826,600	\$ 4,826,600
Land Improvements	292,187	326,562
Buildings and Improvements	7,632,682	7,862,254
Machinery and Equipment	11,187	44,632
Totals	<u>\$ 12,762,656</u>	<u>\$ 13,060,048</u>

Overall capital assets decreased \$297,392 from fiscal year 2009 to fiscal year 2010. Increases in capital assets (primarily equipment) were offset by depreciation expenses for the year.

Capital improvements purchased during fiscal year 2010 totaling \$12,205.

Debt Administration

At June 30, 2010, the School District had \$6,099,685 as outstanding debt. Of this amount \$56,925 is for compensated absences, \$37,760 is for capital lease obligations, and \$6,005,000 is general obligation bond debt for the purpose of school construction.

At June 30, 2010, the School District's overall legal debt margin was \$12,917,489 and the unvoted debt margin was \$6,912,489.

For the Future

The High Bridge Borough School District is in very good financial condition presently. A major concern is the increased reliance on local property taxes in light of drastic reductions in state aid over the past few years.

High Bridge Borough School District did not successfully passed the 2010-2011 school budget. It has been increasingly difficult to balance educational needs with increases in property tax rates. The steady decrease in state aid to offset local property taxes in a predominately bedroom community is thought to be the main reason for the problem. In the past, the District garnered local support of its budget for over 10 years. This problem seems to be statewide and is not exclusive to the High Bridge Borough School District. The High Bridge Borough School District is primarily a residential community, with very few ratables, thus the burden is focused on homeowners to bear the tax burden.

HIGH BRIDGE BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

In conclusion, the High Bridge Borough School District has committed itself to financial excellence for many years. In addition, the School District's system for financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenge of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact Thomas Lambe, School Business Administrator/ Board Secretary at High Bridge Borough School District, 50 Thomas Street, High Bridge, NJ 08829.

Basic Financial Statements

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities display information about the District. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District.

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET ASSETS
JUNE 30, 2010

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Cash Equivalents	\$ 128,800	\$ 8,487	\$ 137,287
Receivables from Other Governments	671,761	2,539	674,300
Interfund Receivables	2,764		2,764
Inventory		3,450	3,450
Restricted Assets:			
Capital Reserve Account - Cash	3,629		3,629
Maintenance Reserve Account - Cash	1		1
Capital Assets, Net (Note 6):	12,762,656		12,762,656
Total Assets	13,569,611	14,476	13,584,087
LIABILITIES			
Accounts Payable	2,277		2,277
Interfund Payables	21,901	2,764	24,665
Deferred Revenue	165,869	2,238	168,107
Accrued Interest	108,296		108,296
Noncurrent Liabilities (Note 7):			
Due Within One Year	350,174		350,174
Due Beyond One Year	5,749,511		5,749,511
Total Liabilities	6,398,028	5,002	6,403,030
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	6,757,656		6,757,656
Reserved for:			
Other Purposes	117,592		117,592
Unrestricted	296,335	9,474	305,809
Total Net Assets	\$ 7,171,583	\$ 9,474	\$ 7,181,057

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit A-2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental Activities:							
Instruction:							
Regular	\$ 3,267,390	\$ 94,129	\$ 1,067,011		\$ (2,106,250)		\$ (2,106,250)
Special Education	759,047		232,627		(526,420)		(526,420)
Other Special Instruction	264,619		81,098		(183,521)		(183,521)
School Sponsored Cocurricular	42,935		13,158		(29,777)		(29,777)
Support Services:							
Tuition	12,204		3,740		(8,464)		(8,464)
Student & Instruction Related Serv.	1,613,185		573,627		(1,039,558)		(1,039,558)
School Administrative Services	197,712		60,593		(137,119)		(137,119)
General and Business Admin. Serv.	452,161		138,575		(313,586)		(313,586)
Plant Operations and Maintenance	675,263		206,949		(468,314)		(468,314)
Pupil Transportation	50,055		15,340		(34,715)		(34,715)
Interest on Long-Term Debt	297,342		105,218		(192,124)		(192,124)
Unallocated Depreciation	30,960				(30,960)		(30,960)
Total Governmental Activities	7,662,873	94,129	2,497,936		(5,070,808)		(5,070,808)
Business-Type Activities:							
Food Service	103,428	66,259	31,111			\$ (6,058)	(6,058)
Total Business-Type Activities	103,428	66,259	31,111			(6,058)	(6,058)
Total Primary Government	\$ 7,766,301	\$ 160,388	\$ 2,529,047		\$ (5,070,808)	\$ (6,058)	\$ (5,076,866)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					\$ 4,728,192		\$ 4,728,192
Taxes Levied for Debt Service					502,755		502,755
Investment Earnings					4,087		4,087
Miscellaneous Income					8,691	\$ 8,350	17,041
Total General Revenues, Special Items, Extraor. Items and Transfers					5,243,725	8,350	5,252,075
Change in Net Assets					172,917	2,292	175,209
Net Assets—Beginning					6,998,666	7,182	7,005,848
Net Assets—Ending					\$ 7,171,583	\$ 9,474	\$ 7,181,057

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

The Individual Fund statements and schedules present more detailed information for the individual fund in a format that segregates information by fund type.

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit B-1

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS				
Cash and Cash Equivalents	\$ 128,800			\$ 128,800
Restricted Cash and Cash Equivalents	3,630			3,630
Interfund Receivables	66,890			66,890
Receivables from Other Governments	237,153	\$ 206,920	\$ 227,688	671,761
TOTAL ASSETS	\$ 436,473	\$ 206,920	\$ 227,688	\$ 871,081
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable		\$ 2,277		\$ 2,277
Interfund Payable	21,901	39,434	\$ 24,692	86,027
Deferred Revenue		165,869		165,869
Total Liabilities	21,901	207,580	24,692	254,173
Fund Balances:				
Reserved for:				
Capital Reserve Account	3,629			3,629
Maintenance Reserve Account	1			1
Encumbrances	113,962			113,962
Excess Surplus	30,280			30,280
Unreserved, Reported in:				
General Fund	266,700			266,700
Special Revenue Fund		(660)		(660)
Capital Projects Fund			202,996	202,996
Debt Service Fund				-
Total Fund Balances	414,572	(660)	202,996	616,908
TOTAL LIABILITIES AND FUND BALANCE	\$ 436,473	\$ 206,920	\$ 227,688	\$ 871,081

Amounts reported for *governmental activities* in the statement of net assets (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$16,891,277 and the accumulated depreciation is \$4,128,621. 12,762,656

Accrued Interest on Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7) (108,296)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7) (6,099,685)

Net assets of governmental activities \$7,171,583

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit B-2

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local sources:					
Local Tax Levy	\$ 4,728,192			\$ 502,755	\$ 5,230,947
Tuition	94,129				94,129
Miscellaneous	12,778				12,778
Total - Local Sources	4,835,099	-		502,755	5,337,854
State Sources	2,082,124	18,725		105,218	2,206,067
Federal Sources	165,718	126,151			291,869
Total Revenues	7,082,941	144,876	-	607,973	7,835,790
EXPENDITURES					
Current:					
Regular Instruction	2,671,539	65,645			2,737,184
Special Education Instruction	700,605				700,605
Other Special Instruction	244,245				244,245
School Sponsored Cocurricular	39,629				39,629
Support services and undistributed costs:					
Tuition	12,204				12,204
Student and Instruction Related Services	1,409,748	79,231			1,488,979
School Administrative Services	182,489				182,489
Other Administrative Services	416,847			500	417,347
Plant Operations and Maintenance	623,272				623,272
Pupil Transportation	50,055				50,055
Unallocated Benefits	559,925				559,925
Transfer to Charter School	-				-
Debt Service:					
Principal				305,000	305,000
Interest and Other Charges				302,473	302,473
Capital Outlay	37,379				37,379
Total Expenditures	6,947,937	144,876	-	607,973	7,700,786
Excess (Deficiency) of Revenues Over Expenditures	135,004		-		135,004
Net Change in Fund Balances	135,004	-	-	-	135,004
Fund Balance—July 1	279,568	(660)	202,996	-	481,904
Fund Balance—June 30	\$ 414,572	\$ (660)	\$ 202,996	-	\$ 616,908

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit B-3

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ 135,004

Amounts reported for governmental activities in the statement of activities (A-2) are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.

Depreciation Expense	\$ (309,597)	
Capital Outlays	<u>12,205</u>	(297,392)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net assets and is not reported in the statement of activities. 305,000

Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net assets and is not reported in the statement of activities. 25,174

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. In the governmental funds, interest is reported when due. This is the amount by which current year's amount of interest accrual exceeds the prior year's amount. 5,131

Change in Net Assets of Governmental Activities \$ 172,917

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit B-4

STATEMENT OF PROPRIETARY NET ASSETS
 PROPRIETARY FUNDS

JUNE 30, 2010

		Business-Type Activities- Enterprise Funds	
		<u>Food Service</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash and Cash Equivalents		\$ 8,487	\$ 8,487
Accounts Receivable		2,539	2,539
Inventories		3,450	3,450
Total Current Assets		<u>14,476</u>	<u>14,476</u>
Noncurrent Assets:			
Furniture, Machinery and Equipment		139,368	139,368
Less Accumulated Depreciation		(139,368)	(139,368)
Total Noncurrent Assets		<u> </u>	<u> </u>
Total Assets		<u>14,476</u>	<u>14,476</u>
LIABILITIES			
Current liabilities:			
Accounts Payable			
Interfund Payable		2,764	2,764
Deferred Revenue		2,238	2,238
Total Current Liabilities		<u>5,002</u>	<u>5,002</u>
Total Liabilities		<u>5,002</u>	<u>5,002</u>
NET ASSETS			
Invested in Capital Assets Net of Related Debt			
Unrestricted		9,474	9,474
Total Net Assets		<u>\$ 9,474</u>	<u>\$ 9,474</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit B-5

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

	Business-type Activities- Enterprise Fund	
	Food Service	Total Enterprise
Operating Revenues:		
Charges for Services:		
Daily Sales - Reimbursable Programs	\$ 47,243	\$ 47,243
Daily Sales - Non-Reimbursable Programs	19,016	19,016
Miscellaneous	8,350	8,350
Total Operating Revenues	74,609	74,609
Operating Expenses:		
Cost of Sales	46,163	46,163
Salaries	37,889	37,889
Employee Benefits	9,033	9,033
Other Purchased Professional Services	10,343	10,343
Total Operating Expenses	103,428	103,428
Operating Income (Loss)	(28,819)	(28,819)
Nonoperating Revenues (Expenses):		
State Sources:		
State School Lunch Program	1,566	1,566
Federal Sources:		
National School Lunch Program	20,331	20,331
Special Milk Program	850	850
Food Distribution Program	8,334	8,334
Interest Income	30	30
Total Nonoperating Revenues (Expenses)	31,111	31,111
Income (Loss) Before Contributions and Transfers	2,292	2,292
Transfers In (Out)		
Change in Net Assets	2,292	2,292
Total Net Assets—Beginning	7,182	7,182
Total Net Assets—Ending	\$ 9,474	\$ 9,474

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit B-6

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2010

	Business-Type Activities- Enterprise Funds	
	Food Service	Total Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 66,820	66,820
Payments to Employees and Benefits	(46,922)	(46,922)
Payments to Suppliers	(43,591)	(43,591)
Net Cash Provided by (used for) Operating Activities	(23,693)	(23,693)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Sources	1,562	1,562
Federal Sources	21,105	21,105
Operating Subsidies and Transfers from Other Funds		
Net Cash Provided by (used for) Non-Capital Financing Activities	22,667	22,667
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest Income	30	30
Net Cash Provided by (used for) Non-Capital Financing Activities	30	30
Net Increase (Decrease) in Cash and Cash Equivalents	(996)	(996)
Balances—Beginning of Year	9,483	9,483
Balances—End of Year	\$ 8,487	\$ 8,487
Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:		
Operating Income (Loss)	\$ (28,819)	\$ (28,819)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:		
Federal Commodities	8,334	8,334
(Increase) Decrease in Accounts Receivable, Net	(1,079)	(1,079)
(Increase) Decrease in Inventories	(99)	(99)
Increase (Decrease) in Accounts Payable	(2,030)	(2,030)
Total Adjustments	5,126	5,126
Net Cash Provided by (used for) Operating Activities	\$ (23,693)	\$ (23,693)

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit B-7

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

JUNE 30, 2010

	Unemployment Compensation Trust	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 38,084	\$ 50,297
Interfund Receivables	<u>21,901</u>	<u>-</u>
Total Assets	<u>\$ 59,985</u>	<u>\$ 50,297</u>
LIABILITIES		
Accounts Payable		\$ 34,064
Payable to Student Groups		<u>16,233</u>
Total Liabilities		<u>50,297</u>
NET ASSETS		
Held in Trust for Unemployment Claims & Other Purposes	<u>\$ 59,985</u>	<u> </u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit B-8

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

For the Year Ended June 30, 2010

	Unemployment Compensation <u>Trust</u>
ADDITIONS	
Contributions:	
Plan Member	\$ 3,419
Employer	<u>50,000</u>
Total Contributions	<u>53,419</u>
Investment Earnings:	
Interest	<u>31</u>
Net Investment Earnings	<u>31</u>
Total Additions	<u>53,450</u>
DEDUCTIONS	
Unemployment Claims	<u>28,922</u>
Total Deductions	<u>28,922</u>
Change in Net Assets	24,528
Net Assets—Beginning of the Year	<u>35,457</u>
Net Assets—End of the Year	<u>\$ 59,985</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

Notes to Financial Statements

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (Board) of the High Bridge Borough School District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments (Statement No.34). This Statement provides for the most significant change in financial reporting in over twenty years and is scheduled for a phase-in implementation period (based on amount of revenues) starting with fiscal years ending 2002 (for larger governments). The District was not required to implement the new model until the 2003-2004 school year.

In addition, the School District has implemented GASB Statement No.37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, Statement No.38, Certain Financial Statement Note Disclosures, Statement No.40, Deposit and Investment Risk Disclosures, an amendment of GASB Statement No.3, and Statement 44, Economic Condition Reporting: The Statistical Section (GASB 44), an amendment of NCGA Statement 1, Governmental Accounting and Financial Reporting Principles is found in the Introduction, a revised statistical section in the Outline of the CAFR, and Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45). The implementation of these statements had no effect on equity balances as previously reported for the fiscal year ended June 30, 2009.

A. Reporting Entity:

The High Bridge Borough School District is a Type II district located in the County of Hunterdon, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of nine members elected to three-year terms. The purpose of the district is to educate students in grades K-8. The High Bridge Borough School District had an approximate enrollment at June 30, 2010, of 406 students.

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, is whether:

- the organization is legally separate (can sue or be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is a fiscal dependency by the organization on the District

Based on the aforementioned criteria, the District has no component units.

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting:

The School District's basic financial statements consist of District-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Basis of Presentation

District-wide Statements: The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activity of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees and charged to external parties. The statement of net assets presents the financial condition of the governmental and business-type activity of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the School District.

Fund Financial Statements: During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category—*governmental*, *proprietary*, and *fiduciary*—are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No.34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models.

GOVERNMENTAL FUNDS

The District reports the following governmental funds:

General Fund - The General Fund is the general operating fund of the District and is used to account for all expendable financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the Capital Outlay subfund.

HIGH BRIDGE BOROUGH SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting (Continued):

GOVERNMENTAL FUNDS (Continued)

As required by the New Jersey State Department of Education, the District includes budgeted Capital Outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on bonds issued to finance major property acquisition, construction and improvement programs.

PROPRIETARY FUNDS

The District reports the following proprietary fund:

Enterprise (Food Service) Fund - The Enterprise Fund accounts for all revenues and expenses pertaining to the Board's cafeteria operations. The food service fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges.

HIGH BRIDGE BOROUGH SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting (Continued):

Additionally, the District reports the following fund type:

Fiduciary Funds - The Fiduciary Funds are used to account for assets held by the District on behalf of others and include the Student Activities Fund, Payroll Agency Fund and Unemployment Compensation Trust Fund.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

District-wide, Proprietary, and Fiduciary Fund Financial Statements: The District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All governmental and business-type activities and enterprise funds of the District follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

HIGH BRIDGE BOROUGH SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office for approval and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue funds. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be approved by School Board resolution. In addition, transfers are also covered by changes in N.J.A.C. 6A:23A-2.3 that can require approval through the state department. All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Appropriations, except remaining project appropriations, encumbrances and unexpended grant appropriations, lapse at the end of each fiscal year. The capital projects fund presents the remaining project appropriations compared to current year expenditures.

Formal budgetary integration into the accounting system is employed as a management control device during the fiscal year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

D. Encumbrance Accounting:

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds, other than the special revenue fund, are reported as reservations of fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund, for which the District has received advances, are reflected in the balance sheet as deferred revenues at fiscal year end.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

HIGH BRIDGE BOROUGH SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity:

Cash and Cash Equivalents:

Cash and cash equivalents includes petty cash, change funds, amounts in deposits, money market accounts and short-term investments with original maturities of three months or less.

Interfund Transactions:

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Inventories:

Inventory purchases, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase. Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method.

Allowance for Uncollectible Accounts:

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

Capital Assets:

The District has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The School District does not possess any infrastructure. The capitalization threshold used by school districts in the State of New Jersey is \$2,000.

All reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
School Buildings	50
Building Improvements	20
Electrical/Plumbing	30
Vehicles	8
Office and Computer Equipment	5-10
Instructional Equipment	10
Grounds Equipment	15

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

Compensated Absences:

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No.16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

District employees are granted sick leave in varying amounts under the District's personnel contractual agreed policies. Sick leave benefits provide for ordinary sick pay begin vesting with the employee after twenty years of service and payable at set limits upon retirement in the state pension system.

The liability for compensated absences was accrued using the termination payment method, whereby the liability is calculated based on the amount of sick leave that is expected to become eligible for payment upon termination. The District estimates its accrued compensated absences liability based on the accumulated sick and vacation days at the balance sheet date by those employees who are currently eligible to receive termination payments. Salary related payments for the employer's share of social security and medicare taxes, as well as pension contributions, are included.

For the District-wide Statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, for the governmental funds, in the Fund Financial Statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and District-wide presentations.

Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlement received before the eligible requirements are met are also recorded as deferred revenue.

Accrued Liabilities and Long-Term Obligations:

All payables, accrued liabilities and long-term obligations are reported on the District-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Net Assets:

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance Reserves:

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances.

Revenues—Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means within sixty days of the fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest and tuition.

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Operating Revenues and Expenses:

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the School District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

Allocation of Indirect Expenses:

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense, that could not be attributed to a specific function, is considered an indirect expense and is reported separately on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Extraordinary and Special Items:

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

Management Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual amounts could differ from those estimates.

NOTE 2: CASH AND CASH EQUIVALENTS

Deposits:

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey, which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

HIGH BRIDGE BOROUGH SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 2: CASH AND CASH EQUIVALENTS (Continued):

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the district's accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the municipality would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At June 30, 2010, all of the district's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The district does not have a policy for custodial credit risk.

As of June 30, 2010, cash and cash equivalents of the District consisted of the following:

	<u>Cash and Cash Equivalents (A-1)</u>	<u>Cash and Cash Equivalents (H-1)</u>	<u>Total</u>
Capital Reserve	\$3,629		\$3,629
Maintenance Reserve	1		1
Checking Accounts	<u>137,287</u>	<u>88,381</u>	<u>225,668</u>
	<u>\$140,917</u>	<u>\$88,381</u>	<u>\$229,298</u>

The carrying amount of the Board's cash and cash equivalents at June 30, 2010, was \$229,298 and the bank balance was \$647,601. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, \$250,000 was covered by federal depository insurances and \$397,601 was covered by collateral pool.

HIGH BRIDGE BOROUGH SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 3: RECEIVABLES

Receivables at June 30, 2010, consisted of tuition charges and intergovernmental. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	Governmental Fund Financial <u>Statements</u>	Government-Wide Financial <u>Statements</u>
State Aid	\$418,276	\$418,377
Federal Aid	206,920	208,279
Due from Food Serv. Mgmt. Co.		1,079
Tuition	46,565	46,565
Gross Receivable	671,761	674,300
Less: Allow. for Uncollectibles		
Total Receivables, Net	\$671,761	\$674,300

The state aid receivable includes \$227,688 of capital grants from the SDA, formerly the EDA (Economic Development Authority), from the 2005-2006 fiscal year for school improvements. The school improvement projects have been suspended until the grants are collected and received. As such, a provision for uncollectible amounts has not been provided since adequate capital fund balance exists to liquidate uncollectible receivables.

NOTE 4: INVENTORY

Inventory in the Food Service Fund at June 30, 2010, consisted of the following:

Food	\$2,935
Supplies	<u>515</u>
	<u>\$3,450</u>

The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1996, as revised) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of nonoperating revenue in the financial statements.

NOTE 5: DEFERRED BOND ISSUANCE COSTS

In governmental funds, debt issuance costs are recognized in the current period. For the District-wide financial statements, governmental activity debt issuance costs are amortized straight-line over the life of the specific bonds (18 to 20 years). The costs associated with the issued of the various bonds are immaterial and are not amortized on the District-wide financial statements.

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 6: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 4,826,600			\$ 4,826,600
Total Capital Assets Not Being Depreciated	<u>4,826,600</u>			<u>4,826,600</u>
<i>Capital Assets Being Depreciated:</i>				
Land Improvements	687,500			687,500
Buildings and Building Improvements	10,857,623			10,857,623
Machinery and Equipment	507,349	12,205		519,554
Total at Historical Cost	<u>12,052,472</u>	<u>12,205</u>	-	<u>12,064,677</u>
Less Accumulated Depreciation for:				
Land Improvements	(360,938)	(34,375)		(395,313)
Building and Improvements	(2,995,369)	(229,572)		(3,224,941)
Equipment	(462,717)	(45,650)		(508,367)
Total Accumulated Depreciation	<u>(3,819,024)</u>	<u>(309,597)</u>	-	<u>(4,128,621)</u>
Total Capital Assets Being Depreciated, net of Accumulated Depreciation	<u>8,233,448</u>	<u>(297,392)</u>	-	<u>7,936,056</u>
Government Activity Capital Assets, Net	<u>\$ 13,060,048</u>	<u>\$ (297,392)</u>	-	<u>\$ 12,762,656</u>

On January 11, 2001, the NJ State Department of Education announced that effective July 1, 2001, the capitalization threshold used by school districts in the State of New Jersey is increased to \$2,000. The previous threshold was \$500. Applying the higher capitalization threshold retroactively (removal of old assets from the General Fixed Assets Account Group) will be permitted by the State regulations in situations where (1) the assets have been fully depreciated, or (2) the assets have exceeded their useful lives. The retirement of machinery and equipment is due to the retroactive application of the higher threshold of equipment capitalization. That is, the District has removed from their records assets with a historical cost greater than \$500 but not greater than \$2,000 that were fully depreciated or had exceeded their useful lives.

Depreciation expense was charged to functions as follows:

Regular Instruction	\$ 278,637
Unallocated	<u>30,960</u>
Total	<u>\$ 309,597</u>

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 7: LONG-TERM OBLIGATIONS

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds.

A. Long-Term Obligation Activity:

Changes in long-term obligations for the year ended June 30, 2010, are as follows:

	Balance <u>7/1/09</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/10</u>	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Debt	\$ 6,310,000		\$ (305,000)	\$ 6,005,000	\$ 325,000
Capital Lease Obligation	62,934		(25,174)	37,760	25,174
Other Liabilities:					
Compensated Absences Payable	56,925			56,925	
Total	<u>\$ 6,429,859</u>	<u>\$ -</u>	<u>\$ (330,174)</u>	<u>\$ 6,099,685</u>	<u>\$ 350,174</u>

Compensated absences and capital leases have been liquidated in the General Fund.

Interest paid on debt issued by the District is exempt from federal income taxes. Because of this, bond holders are willing to accept a lower interest rate than they would on taxable debt. The District temporarily reinvests the proceeds of such debt in higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this as arbitrage.

Earnings in excess of the yield on the debt issue are rebated to the federal government based on requirements in the Internal Revenue Code. Arbitrage rebate payable represents amounts due to the Internal Revenue Service for interest earned on unspent bond proceeds that exceeds legally allowable returns.

Rebatable arbitrage liabilities related to District debt are not recorded in governmental funds. There is no recognition in the balance sheet or income statement until rebatable amounts are due and payable to the federal government. Thus, rebatable arbitrage liabilities related to governmental debt will be accrued as incurred at least annually (at fiscal year end) on the District-wide financial statements.

HIGH BRIDGE BOROUGH SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 7: LONG-TERM OBLIGATIONS (Continued)

For the year ended June 30, 2010, it is not necessary for the Board to establish a liability for arbitrage rebate.

	Government Activities			
	<u>Issue</u>	<u>Interest</u>	<u>Date of</u>	<u>Balance</u>
	<u>Dates</u>	<u>Rates</u>	<u>Maturity</u>	<u>6/30/2010</u>
Asbestos Removal	12/1/97	4.85%	2/15/13	\$ 395,000
1999 Advance Refunding 1996 Bonds	5/1/99	4.0-5.0%	2/15/26	5,610,000
Total Bonds				\$ 6,005,000

B. Debt Service Requirements:

Debt Service requirements on serial bonds payable at June 30, 2010, is as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 325,000	\$ 288,790	\$ 613,790
2012	350,000	274,028	624,028
2013	375,000	258,042	633,042
2014	260,000	240,795	500,795
2015	285,000	229,095	514,095
Thereafter	4,410,000	1,433,321	5,843,321
	\$ 6,005,000	\$ 2,724,071	\$ 8,729,071

As of June 30, 2010, the District had no authorized but not issued bonds.

C. Advance Refunding:

The 1999 Series Refunding Bonds were issued for the purpose of advance refunding the school's 1996 School Bonds. The 1996 Bonds were originally issued to provide funding for various improvements to the elementary and middle schools. The balance outstanding on the refunded bonds was \$5,610,000 at June 30, 2010.

D. Capital Leases:

On January 1, 2007, the district entered into a lease agreement with Hunterdon County Education Services Commission for the purpose of acquiring technology equipment related to telephone and computer servers. The lease is for a term of 60 months at a monthly payment of \$2,097.80, and commenced January 1, 2007. At the end of the lease the equipment can be purchased for \$1.

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 8: PENSION PLANS

Description of Plans - All required employees of the District are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

Teachers' Pension and Annuity Fund (TPAF) - The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A.18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the District and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:66 for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years).

Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 8: PENSION PLANS (Continued)

Significant Legislation - Legislation enacted during the year ended June 30, 1997, (Chapter 115, P.L. 1997) changed the asset valuation method from market related value to full-market value. This legislation also contained a provision to reduce the employee contribution rate by 1/2 of 1% to 4.5% for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the Districts' normal contributions to the Fund may be reduced based on the revaluation of assets.

Contribution Requirements - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for both cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the District is a non-contributing employer of the TPAF.

Three-Year Trend Information for PERS

<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/2010	\$52,091	100 %	-0-
6/30/2009	\$52,628	100	-0-
6/30/2008	\$37,987	100	-0-

Three-Year Trend Information for TPAF (Paid on-behalf of the District)

<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/2010	-0-	100 %	-0-
6/30/2009	-0-	100	-0-
6/30/2008	-0-	100	-0-

During the fiscal year ended June 30, 2010, the State of New Jersey did contribute \$240,309 to the TPAF for post-retirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$250,717 during the year ended June 30, 2010, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the District-wide financial statements, and the fund-based statements and schedules as revenues and expenditures in accordance with GASB Statement No.24.

HIGH BRIDGE BOROUGH SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 9: POST-RETIREMENT BENEFITS

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2009, there were 84,590 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$116.9 million toward Chapter 126 benefits for 13,320 eligible retired members in Fiscal Year 2009.

GASB Statement #45 requires certain disclosures relating to governmental entities obligations for other post-employment benefits (OPEB), which are post-employment benefits other than pensions. The District does not provide post-employment benefits other than pension. Healthcare provided to eligible TPAF and PERS board of education retirees through the NJ State Health Benefits Program are paid by the the State of New Jersey and as such, no district OPEB liability exists.

NOTE 10: DEFERRED COMPENSATION

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the entities listed below, permits participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

Syracusa
Prudential
Lincoln National Life

NOTE 11: COMPENSATED ABSENCES

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No.16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

District employees are granted sick leave in varying amounts under the District's personnel contractual agreed policies. Sick leave benefits provide for ordinary sick pay begin vesting with the employee after twenty years of service and payable at set limits upon retirement in the state pension system.

HIGH BRIDGE BOROUGH SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 11: COMPENSATED ABSENCES (Continued)

In the district-wide *Statement of Assets*, the liabilities whose average maturities are greater than one year should be reported in two components--the amount due within one year and the amount due in more than one year.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2010, no liability existed for compensated absences in the proprietary fund types.

NOTE 12: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance - The District maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2009-2010	\$31	\$3,419	\$28,922	\$59,985
2008-2009	\$47	\$13,674	\$15,103	\$35,457
2007-2008	\$410	\$7,149	\$14,908	\$36,839

NOTE 13: CONTINGENT LIABILITIES

GRANT PROGRAMS

The Board participates in state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Board is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

LITIGATION

In the normal course of operations, the Board is involved in various civil disputes. Management is of the opinion that any outcome resulting from these actions would not have a material effect on the District's financial position.

HIGH BRIDGE BOROUGH SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 14: FUND BALANCE APPROPRIATED

General Fund (Exhibit B-1)- Of the \$414,572 General Fund fund balance at June 30, 2010, \$113,962 is reserved for encumbrances; \$3,629 has been reserved in the Capital Reserve Account; \$1 has been reserved in the Maintenance Reserve Account; \$30,280 has been reserved for excess surplus, and \$2266,700 is unreserved and undesignated.

Capital Projects Fund - Of the \$202,996 Capital Fund fund balance at June 30, 2010, \$202,996 is unreserved and undesignated. However, this balance is not supported with cash balances, but instead is a result of the accrual of state capital projects grants that have not yet been collected.

NOTE 15: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the High Bridge Borough School District Board of Education by inclusion of \$1. on October 9, 2000, for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23-2.13(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2009 to June 30, 2010 fiscal year is as follows:

Beginning Balance, July 1, 2009	\$ 3,628
Interest Earnings	1
Withdrawals by Board Resolution	
Ending Balance, June 30, 2010	\$ 3,629

NOTE 16: MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account is used to accumulate funds for the required maintenance of a facility in accordance with the EFCFA (N.J.S.A. 18A:7G-9). EFCFA requires that upon district completion of a school facilities project, the district must submit a plan for the maintenance of that facility. All such plans must include a provision for a maintenance reserve fund.

A maintenance reserve account was established by the High Bridge Borough School District Board of Education by inclusion of \$1 on June 30, 2003, for the accumulation of funds for use as maintenance reserve expenditures in subsequent fiscal years. The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 17: INTERFUND RECEIVABLES AND PAYABLES

An interfund loan of \$21,900 in the general fund was advanced to the capital reserve account from the SUI Trust account in anticipation of EDA/SCC grant proceeds. This interfund balance is expected to be liquidated in fiscal year 2011.

An interfund payable in the food service fund of \$2,764 is due to the general fund for food service fund expenditures paid by the general fund fund. This interfund balance is expected to be liquidated in fiscal year 2011.

NOTE 18: DEFICIT FUND BALANCES

The District has a deficit fund balance of \$660 in the Special Revenue Fund as of June 30, 2010, as reported in the fund statements (modified accrual basis). P.L.2003, c.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No.33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district can not recognize the last state aid payments on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the last state aid payments, the Special Revenue Fund balance deficit does not alone indicate that the district is facing financial difficulties.

NOTE 19: CALCULATION OF EXCESS SURPLUS

The designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2010 is \$30,280.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 4,728,192		\$ 4,728,192	\$ 4,728,192	
Tuition	113,250		113,250	94,129	\$ (19,121)
Miscellaneous	25,050		25,050	12,778	(12,272)
Total - Local Sources	<u>4,866,492</u>		<u>4,866,492</u>	<u>4,835,099</u>	<u>(31,393)</u>
State Sources:					
Equalization Aid	913,317	(165,718)	747,599	747,599	
Transportation Aid	12,615		12,615	12,615	
Special Education Aid	205,878		205,878	205,878	
Security Aid	26,737		26,737	26,737	
Adjustment Aid	466,410		466,410	425,159	(41,251)
Other State Aid			-	178,395	178,395
TPAF Pension (On-Behalf - Non-Budgeted)				240,309	240,309
TPAF Social Security (Reimbursed - Non-Budgeted)				250,717	250,717
Total State Sources	<u>1,624,957</u>	<u>(165,718)</u>	<u>1,459,239</u>	<u>2,087,409</u>	<u>628,170</u>
Federal Sources:					
ARRA-ESF		159,542	159,542	159,542	
ARRA-GSF		6,176	6,176	6,176	
Total Federal Sources		<u>165,718</u>	<u>165,718</u>	<u>165,718</u>	
TOTAL REVENUES	<u>6,491,449</u>	<u>-</u>	<u>6,491,449</u>	<u>7,088,226</u>	<u>596,777</u>

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	98,830	(31,516)	67,314	67,314	
Grades 1-5 - Salaries of Teachers	907,857	(15,861)	891,996	891,996	
Grades 6-8 - Salaries of Teachers	848,731	(106,465)	742,266	717,922	24,344
Regular Programs - Home Instruction:					
Salaries of Teachers	4,000	771	4,771	4,771	
Purchased Professional-Educational Services		80	80	80	
Other Purchased Services (400-500 series)	500	(500)			
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	32,320	2,725	35,045	35,045	
Purchased Professional-Educational Services	3,000	(1,435)	1,565	890	675
Purchased Technical Services	67,791	(13,513)	54,278	54,278	
Other Purchased Services (400-500 series)	5,200	(3,400)	1,800	1,800	
General Supplies	81,450	49,073	130,523	85,430	45,093
Textbooks	3,481	19,791	23,272	23,272	
Other Objects	3,545	(1,343)	2,202	1,802	400
TOTAL REGULAR PROGRAMS - INSTRUCTION	2,056,705	(101,593)	1,955,112	1,884,600	70,512
SPECIAL EDUCATION - INSTRUCTION					
Resource Room/Resource Center:					
Salaries of Teachers	500,031	14,974	515,005	515,005	
Purchased Professional-Educational Services	7,344	(7,344)	-	-	
Other Salaries for Instruction		-	-	-	
General Supplies	1,960	(45)	1,915	1,523	392
Total Resource Room/Resource Center	509,335	7,585	516,920	516,528	392

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Autism:					
Salaries of Teachers	114,090	(7,167)	106,923	106,073	850
Other Salaries for Instruction	14,400	(6,776)	7,624	7,624	
Other Purchased Services (400-500 series)	3,000	(2,856)	144	144	
General Supplies	2,657	(182)	2,475	36	2,439
Total Autism	134,147	(16,981)	117,166	113,877	3,289
Preschool Disabilities - Part-Time:					
Salaries of Teachers	60,446	(13,587)	46,859	46,770	89
Other Salaries for Instruction	20,095	1,655	21,750	21,750	
General Supplies		1,680	1,680	1,680	
Total Preschool Disabilities - Part-Time	80,541	(10,252)	70,289	70,200	89
TOTAL SPECIAL EDUCATION - INSTRUCTION	724,023	(19,648)	704,375	700,605	3,770
Basic Skills/Remedial - Instruction					
Salaries of Teachers	187,287	52,058	239,345	238,574	771
General Supplies	1,967	(1,733)	234	234	
Total Basic Skills/Remedial - Instruction	189,254	50,325	239,579	238,808	771
Bilingual Education - Instruction					
Salaries of Teachers	4,784		4,784	4,784	
General Supplies	923	(270)	653	653	
Total Bilingual Education - Instruction	5,707	(270)	5,437	5,437	
TOTAL INSTRUCTION	2,975,689	(71,186)	2,904,503	2,829,450	75,053

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
UNDISTRIBUTED EXPENDITURES					
School-Sponsored Co/Extra Curricular Activities - Instruction:					
Salaries	37,877	(3,400)	34,477	34,477	-
Purchased Services (300-500 series)	3,000	(594)	2,406	2,406	
Supplies and Materials	800	1,946	2,746	2,746	
Other Objects	450	(450)	-	-	
Total School-Spon.Co/Extra Curric. Activities - Instruc.	42,127	(2,498)	39,629	39,629	-
Instruction:					
Tuition to Private Schools for the Disabled-Within State	91,233	(36,513)	54,720	12,204	42,516
Total Instruction	91,233	(36,513)	54,720	12,204	42,516
Health Services:					
Salaries	104,685	350	105,035	105,035	
Purchased Professional and Technical Services	8,209	(1,104)	7,105	6,885	220
Supplies and Materials	3,750	1,431	5,181	3,655	1,526
Total Health Services	116,644	677	117,321	115,575	1,746
Other Supp. Services Students-Related Services:					
Salaries	102,634	(57,414)	45,220	45,220	
Purchased Professional - Educational Services	94,800	4,630	99,430	91,879	7,551
Supplies and Materials	1,149	(251)	898	898	
Total Other Supp. Services Students-Related Services	198,583	(53,035)	145,548	137,997	7,551
Other Supp. Services Students-Extra Services:					
Salaries	155,944	10,639	166,583	166,583	
Total Other Supp. Services Students-Extra Services	155,944	10,639	166,583	166,583	
Other Supp. Services Students-Regular:					
Salaries of Other Professional Staff	119,622	(2,341)	117,281	111,010	6,271
Salaries of Secretarial and Clerical Assistants	19,288	-	19,288	19,288	
Purchased Professional - Educational Services	4,624	(1,737)	2,887	2,614	273
Supplies and Materials	1,081	(135)	946	488	458
Total Other Supp. Services Students-Regular	144,615	(4,213)	140,402	133,400	7,002

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Other Supp. Services Students-Special:					
Salaries of Other Professional Staff	254,922	47,463	302,385	302,385	
Salaries of Secretarial and Clerical Assistants	21,784	(2,297)	19,487	19,487	
Purchased Professional - Educational Services	14,500	(1,291)	13,209	8,706	4,503
Other Purchased Professional and Technical Services	4,409	(922)	3,487	3,487	
Misc. Purchased Services (400-500 series O/than Resid.Costs)	23,616	(2,706)	20,910	20,910	
Supplies and Materials	1,300	2,642	3,942	3,894	48
Other Objects	800	122	922	922	
Total Other Supp. Services Students-Special	321,331	43,011	364,342	359,791	4,551
Improvement of Instruction Services :					
Other Salaries		1,620	1,620	1,620	
Purchased Professional - Educational Services		2,183	2,183	2,183	
Supplies and Materials	500	(471)	29	29	
Total Improvement of Instruction Services	500	3,332	3,832	3,832	-
Educational Media Services/School Library:					
Salaries	151,412	(8,091)	143,321	142,890	431
Purchased Professional and Technical Services	5,191	(679)	4,512	4,435	77
Supplies and Materials	7,665	(1,770)	5,895	5,570	325
Total Educational Media Services/School Library	164,268	(10,540)	153,728	152,895	833
Instructional Staff Training Services:					
Purchased Professional - Educational Services	4,000	-	4,000	1,355	2,645
Other Purchased Services (400-500 series)	2,500	-	2,500	668	1,832
Supplies and Materials	1,250	-	1,250	33	1,217
Total Instructional Staff Training Services	7,750	-	7,750	2,056	5,694

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Supp. Services - General Administration:					
Salaries	114,904	(47,976)	66,928	66,928	
Legal Services	27,500	19,172	46,672	41,836	4,836
Audit Fees	15,440	6	15,446	15,446	
Other Purchased Professional Services	7,100	97,886	104,986	104,986	
Purchased Technical Services	7,995	(3,618)	4,377	4,377	
Communications/Telephone	16,750	3,239	19,989	19,530	459
BOE Other Purchased Services	7,852	(1,745)	6,107	6,107	
Other Purchased Services (400-500 series)	7,085	(937)	6,148	5,585	563
General Supplies	1,500	(713)	787	787	
Miscellaneous Expenditures	4,670	(1,576)	3,094	3,094	
BOE Membership Dues & Fees	7,096	(2,151)	4,945	4,720	225
Total Supp. Services - General Administration	217,892	61,587	279,479	273,396	6,083
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	188,275	(62,267)	126,008	109,459	16,549
Salaries of Secretarial and Clerical Assistants	58,614	(593)	58,021	58,021	
Other Objects	1,000	(1,000)			
Total Support Services - School Administration	247,889	(63,860)	184,029	167,480	16,549
Central Services:					
Salaries	112,545	3,253	115,798	112,956	2,842
Purchased Professional Services	1,750	(1,750)	-	-	
Purchased Technical Services	7,034	(314)	6,720	6,570	150
Misc. Purchased Services (400-500 series)	1,000	(647)	353	203	150
Supplies and Materials	1,350	214	1,564	1,275	289
Other Objects	1,200	2,777	3,977	1,077	2,900
Total Central Services	124,879	3,533	128,412	122,081	6,331

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Required Maintenance for School Facilities:					
Salaries	78,705	8,278	86,983	86,983	
Cleaning, Repair and Maintenance Services		18,203	18,203	18,203	-
Supplies and Materials		292	292	292	
Total Required Maintenance for School Facilities	78,705	26,773	105,478	105,478	-
Other Operations and Maintenance of Plant:					
Salaries	133,944	(17,580)	116,364	116,364	
Purchased Professional and Technical Services	44,972	7,592	52,564	46,288	6,276
Cleaning, Repair and Maintenance Services	39,814	68,815	108,629	68,256	40,373
Other Purchased Property Services	12,000	-	12,000	10,987	1,013
Insurance	32,300	(1,299)	31,001	31,001	
General Supplies	34,514	(294)	34,220	33,199	1,021
Energy (Natural Gas)	85,500	(30,710)	54,790	54,790	
Energy (Electricity)	90,500	13,564	104,064	104,064	
Other Objects	2,725	(1,371)	1,354	1,324	30
Total Other Operations and Maintenance of Plant	476,269	38,717	514,986	466,273	48,713
Student Transportation Services					
Salaries for Pupil Trans.(Bet.Home & Sch.)-Sp.Ed.	3,481	-	3,481	3,481	
Contracted Services (Other than Between Home and School)-Vendors	10,000	3,608	13,608	13,443	165
Contracted Services (Special Education Students)-ESCs & CTSA's	25,000	(15,256)	9,744	9,744	
Contracted Services - Aid in Lieu of Payments-Nonpublic Sch.	24,920	(1,908)	23,012	23,012	
Miscellaneous Purchased Services-Transportation		375	375	375	
Total Student Transportation Services	63,401	(13,181)	50,220	50,055	165
ALLOCATED BENEFITS					
Regular Programs-Instruction:					
Social Security Contributions	18,918	15,457	34,375	34,375	
Other Retirement Contributions - Regular	19,590	668	20,258	20,258	
Workmen's Compensation	36,635	-	36,635	36,635	
Health Benefits	513,022	163,097	676,119	676,119	
Tuition Reimbursement	28,560	(25,049)	3,511	3,511	
Other Employee Benefits		16,041	16,041	16,041	
Total Regular Programs-Instruction	616,725	170,214	786,939	786,939	

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Health Services:					
Workmen's Compensation	1,241	-	1,241	1,241	
Health Benefits	30,545	-	30,545	30,545	
Tuition Reimbursement		2,158	2,158	2,158	
Total Health Services	31,786	2,158	33,944	33,944	-
Other Support Services-Students-Related Services:					
Workmen's Compensation	1,241	-	1,241	1,241	
Health Benefits	8,849	-	8,849	8,849	
Total Other Support Services-Students-Related Services	10,090	-	10,090	10,090	
Other Support Services-Students-Extra. Services:					
Social Security Contributions	16,216	-	16,216	16,216	
Other Retirement Contributions - Regular	16,791	572	17,363	17,363	
Workmen's Compensation	7,447	-	7,447	7,447	
Health Benefits	99,185	-	99,185	99,185	
Total Other Support Services-Students-Extra. Services	139,639	572	140,211	140,211	-
Other Support Services-Students-Regular:					
Social Security Contributions	2,703	-	2,703	2,703	
Other Retirement Contributions - Regular	2,799	95	2,894	2,894	
Workmen's Compensation	2,482	-	2,482	2,482	
Health Benefits	54,464	-	54,464	54,464	
Total Other Support Services-Students-Regular	62,448	95	62,543	62,543	
Other Support Services-Students-Regular:					
Social Security Contributions	1,351	-	1,351	1,351	
Other Retirement Contributions - Regular	1,399	48	1,447	1,447	
Workmen's Compensation	3,724	-	3,724	3,724	
Health Benefits	65,280	-	65,280	65,280	
Total Other Support Services-Students-Regular	71,754	48	71,802	71,802	-

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Educational Media Services/School Library:					
Workmen's Compensation	1,351	-	1,351	1,351	
Other Retirement Contributions - Regular	1,399	48	1,447	1,447	
Workmen's Compensation	1,862	(1,228)	634	634	
Health Benefits	15,597	-	15,597	15,597	
Total Educational Media Services/School Library	20,209	(1,180)	19,029	19,029	-
Support Services - General Administration:					
Workmen's Compensation	621	(621)			
Health Benefits	15,273	-	15,273	15,273	
Total Support Services - General Administration	15,894	(621)	15,273	15,273	-
Support Services - School Administration:					
Health Benefits		15,009	15,009	15,009	
Total Support Services - School Administration	-	15,009	15,009	15,009	
Central Services:					
Workmen's Compensation	621	(621)			
Health Benefits	6,097	-	6,097	6,097	
Total Central Services	6,718	(621)	6,097	6,097	
Operation and Maintenance of Plant Services:					
Social Security Contributions	9,459	(1,957)	7,502	7,502	
Other Retirement Contributions - Regular	9,795	334	10,129	10,129	
Workmen's Compensation	4,344	(4,344)	-	-	
Health Benefits	33,890	-	33,890	33,890	
Total Operation and Maintenance of Plant Services	57,488	(5,967)	51,521	51,521	
TOTAL ALLOCATED BENEFITS	1,032,751	179,707	1,212,458	1,212,458	-

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
UNALLOCATED BENEFITS:					
Social Security Contributions		20,954	20,954	13,977	6,977
Unemployment Compensation		50,218	50,218	50,218	
Health Benefits	5,755	(1,051)	4,704	4,704	
TOTAL UNALLOCATED BENEFITS	5,755	70,121	75,876	68,899	6,977
On-behalf TPAF pension Contrib. (non-budgeted)				240,309	(240,309)
Reimbursed TPAF Social Security Contrib. (non-budgeted)				250,717	(250,717)
TOTAL ON-BEHALF CONTRIBUTIONS				491,026	(491,026)
TOTAL PERSONAL SERVICES-EMPLOYEE BENEFITS	1,038,506	249,828	1,288,334	1,772,383	6,977
TOTAL UNDISTRIBUTED EXPENDITURES	3,490,536	254,257	3,744,793	4,081,108	154,711
TOTAL GENERAL CURRENT EXPENSE	6,466,225	183,071	6,649,296	6,910,558	229,764
CAPITAL OUTLAY					
Equipment:					
Equipment - Grades 1-5		9,180	9,180	9,180	
Equipment - Grades 6-8		3,025	3,025	3,025	
Undistributed Expenditures - Operations of Plant Serv.		-	-	-	
Total Equipment	-	12,205	12,205	12,205	-
Facilities Acquisition and Construction Services					
Construction Services					
Lease Purchase Agreements - Principal	25,174		25,174	25,174	
Total Facilities Acquisition and Construction Services	25,174	-	25,174	25,174	-
TOTAL CAPITAL OUTLAY	25,174	12,205	37,379	37,379	-

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
General Fund					
Transfer of Funds to Charter Schools		-			-
TOTAL EXPENDITURES	6,491,399	195,276	6,686,675	6,947,937	(261,262)
Excess (Deficiency) of Revenues Over (Under) Expenditures	50	(195,276)	(195,226)	140,289	335,515
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	50	(195,276)	(195,226)	140,289	335,515
Fund Balance, July 1	435,978		435,978	435,978	
Fund Balance, June 30	<u>\$ 436,028</u>	<u>\$ (195,276)</u>	<u>\$ 240,752</u>	<u>\$ 576,267</u>	<u>\$ 335,515</u>
Recapitulation:					
Capital Reserve				\$ 3,629	
Maintenance Reserve				1	
Encumbrances				113,962	
Excess Surplus				30,280	
Unrestricted Fund Balance				<u>428,395</u>	
Fund Balance, June 30				<u>\$ 576,267</u>	
Fund Balance per Governmental Funds(Budgetary Basis)				\$ 576,267	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis				<u>(161,695)</u>	
Fund Balance per Governmental Funds(GAAP Basis)				<u>\$ 414,572</u>	

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit C-1b

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND-ARRA**

Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
ARRA-ESF		\$ 159,542	\$ 159,542	\$ 159,542	
ARRA-GSF		6,176	6,176	6,176	
Total Federal Sources		165,718	165,718	165,718	
TOTAL REVENUES		\$ 165,718	\$ 165,718	\$ 165,718	
EXPENDITURES:					
Current Expense:					
ARRA:					
ARRA - ESF - Salaries of Teachers - Preschool/Kindergarten		\$ 6,832	\$ 6,832	\$ 6,832	
ARRA - ESF - Salaries of Teachers Grades 1-5		23,523	23,523	23,523	
ARRA - ESF - Salaries of Teachers Grades 6-8		95,893	95,893	95,893	
ARRA - ESF - Salaries of Instruction - Regular Programs		7,280	7,280	7,280	
ARRA - ESF - Salaries of Teachers - Resource Room		26,014	26,014	26,014	
ARRA - GSF - Salaries of Teachers - Resource Room		6,176	6,176	6,176	
Total ARRA		165,718	165,718	165,718	
TOTAL EXPENDITURES		\$ 165,718	\$ 165,718	\$ 165,718	
Excess (Deficiency) of Revenues Over (Under) Expenditures					

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit C-2

**BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND**

For the Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
REVENUES:					
State Sources	\$ 6,600	\$ 12,317	\$ 18,917	\$ 18,725	\$ (192)
Federal Sources	104,749	186,845	291,594	125,917	(165,677)
Total Revenues	111,349	199,162	310,511	144,642	(165,869)
EXPENDITURES:					
Instruction					
Salaries of Teachers	111,349	(21,355)	89,994	57,137	32,857
Other Salaries for Instruction		103	103	103	-
Purchased Professional and Technical Services		837	837	695	142
General Supplies		21,244	21,244	7,410	13,834
Other Objects		343	343	66	277
Total Instruction	111,349	1,172	112,521	65,411	47,110
Support Services					
Salaries of Other Professional Staff		57,438	57,438	39,916	17,522
Salaries of Secretarial & Clerical		19,910	19,910	2,955	16,955
Personal Services - Employee Benefits		10,918	10,918	5,243	5,675
Other Purchased Professional Services		77,801	77,801	28,106	49,695
Other purchased Services (400-500 series)		2,030	2,030	2,030	
Supplies & Materials		17,527	17,527	981	16,546
Total Support Services		185,624	185,624	79,231	106,393
Facilities Acquisition & Const. Serv.:					
Instructional Equipment		12,366	12,366		12,366
Total Facilities Acq. & Const. Serv.		12,366	12,366		12,366
Total Expenditures	111,349	199,162	310,511	144,642	165,869
Total Outflows	\$ 111,349	\$ 199,162	\$ 310,511	\$ 144,642	\$ 165,869
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)					
Fund Balance per Governmental Funds(Budgetary Basis)	None				
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis	(660)				
Fund Balance per Governmental Funds(GAAP Basis)	(660)				

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE**

For the Fiscal Year Ended June 30, 2010

**Explanation of Differences between Budgetary Inflows and Outflows and
GAAP Revenues and Expenditures**

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual amounts (budgetary basis) "revenue"		
from the budgetary comparison schedule (Exhibits C-1 and C-2, respectively)	\$ 7,088,226	\$ 144,642
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior Year Encumbrances	N/A	N/A
Current Year Encumbrances	N/A	(235)
Adjustment for: Prior year Final State Aid Payment excluded in State Source Revenues that is considered a revenue for GAAP reporting purposes	156,410	N/A
Adjustment for: Current Year Final State Aid Payment included in State Source Revenues that is not considered a revenue for GAAP reporting purposes	<u>(161,695)</u>	<u>(660)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. (Exhibit B-2)	<u>\$ 7,082,941</u>	<u>\$ 143,747</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C-1 and C-2, respectively)	\$ 6,947,937	\$ 144,642
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		
Prior Year Encumbrances	N/A	N/A
Current Year Encumbrances	N/A	(235)
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.	N/A	N/A
Net transfers (outflows) to general fund	<u> </u>	<u> </u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (Exhibit B-2)	<u>\$ 6,947,937</u>	<u>\$ 144,407</u>

OTHER SUPPLEMENTARY INFORMATION

**SPECIAL REVENUE FUND
DETAIL STATEMENTS**

The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS

For the Fiscal Year Ended June 30, 2010

	Title I Part A	ARRA Title I Part A	Title II Part A	Title II Part D	Title I V	IDEA Basic	ARRA IDEA Basic	Charac. Ed	Pre-Sch. Educ. Aid	Early Launch Learn. Init.	Totals
REVENUES											
State Sources								\$ 981	\$ 6,600	\$ 11,144	\$ 18,725
Federal Sources	\$13,461	\$ 6,181	\$10,545	\$ 190	\$ 695	\$ 87,295	\$ 7,550				125,917
TOTAL REVENUES	13,461	6,181	10,545	190	695	87,295	7,550	981	6,600	11,144	144,642
EXPENDITURES:											
Instruction:											
Salaries of Teachers	10,000	5,393				24,000			6,600	11,144	57,137
Other Salaries for Instruction						103					103
Purchased Profess. & Tech. Serv.					695						695
General Supplies						7,410					7,410
Other Objects						66					66
Total Instruction	10,000	5,393			695	31,579	-		6,600	11,144	65,411
Support Services:											
Salaries of Other Professional Staff						39,916					39,916
Salaries of Secretarial & Clerical						2,955					2,955
Personal Services - Employee Bene.	3,461	788				994					5,243
Purchased Professional Serv.			10,545	190		9,821	7,550				28,106
Other Purchased Services (500 Series)						2,030					2,030
Supplies and Materials								981			981
Total Support Services	3,461	788	10,545	190	-	55,716	7,550	981	-		79,231
TOTAL EXPENDITURES	13,461	6,181	10,545	190	695	87,295	7,550	981	6,600	11,144	144,642
Total Outflows	13,461	6,181	10,545	190	695	87,295	7,550	981	6,600	11,144	144,642
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)											

HIGH BRIDGE BOROUGH SCHOOL DISTRICT
Special Revenue Fund
Preschool Education Aid Schedule of Expenditures
Preschool - All Programs
Budgetary Basis
For the Fiscal Year Ended June 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance
EXPENDITURES:					
Instruction:					
Salaries of Teachers	\$ 6,600	-	\$ 6,600	\$ 6,600	\$ -
Total instruction	<u>6,600</u>	<u>-</u>	<u>6,600</u>	<u>6,600</u>	<u>-</u>
Total Expenditures	<u>\$ 6,600</u>	<u>-</u>	<u>\$ 6,600</u>	<u>6,600</u>	<u>\$ -</u>

CALCULATION OF BUDGET & CARRYOVER

Total 2009-2010 PreK Aid Allocation	\$ 6,600
Add: Actual ECPA Carryover June 30, 2009	-
Add: Budgeted Transfer From General Fund	<u>-</u>
Total Funds Available for 2009-2010 Budget	6,600
Less: 2009-2010 Budgeted PreK & ECPA (Including prior year budgeted carryover)	<u>(6,600)</u>
Available & Unbudgeted Funds as of June 30, 2010	-
Add: June 30, 2010 Unexpended PreK Aid	<u>-</u>
2009-2010 Actual Carryover - PreK Aid	<u>-</u>
2009-2010 ECPA Carryover Budgeted in 2010-10	<u><u>-</u></u>

**CAPITAL PROJECTS FUND
DETAIL STATEMENTS**

The Capital Projects Fund is used to account for the acquisition and construction of major capital facilities and equipment purchases other than those financed by proprietary funds.

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit F-1

**CAPITAL PROJECTS FUND
SUMMARY STATEMENT OF PROJECT EXPENDITURES**

For the Fiscal Year Ended June 30, 2010

<u>Issue/Project Title</u>	<u>Approval</u>	<u>Original Date</u>	<u>Appropriations</u>	<u>Expenditures to Date</u>		<u>Unexpended Balance June 30, 2010</u>
				<u>Prior Years</u>	<u>Current Year</u>	
Elementary School Improvements	Board of Education	3/8/04	\$ 69,400	\$ 16,556		\$ 52,844
Middle School Improvements	Board of Education	3/8/04	485,720	335,568		150,152
Totals			<u>\$ 555,120</u>	<u>352,124</u>	<u>\$ -</u>	<u>\$ 202,996</u>
					Fund Balance	<u>202,996</u>

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit F-2

**CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE-BUDGETARY BASIS**

For the Fiscal Year Ended June 30, 2010

Fund Balance - beginning	<u>\$ 202,996</u>
Fund Balance - ending	<u>\$ 202,996</u>

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit F-2a

CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,
AND PROJECT STATUS-BUDGETARY BASIS
MIDDLE SCHOOL IMPROVEMENTS

From Inception and for the Fiscal Year Ended June 30, 2010

	<u>Prior</u> <u>Periods</u>	<u>Current</u> <u>Year</u>	<u>Totals</u>	<u>Revised</u> <u>Authorized</u> <u>Costs</u>
Revenues and Other Financing Sources				
State Sources - SCC Grant	\$ 194,288		\$ 194,288	\$ 194,288
Transfer from capital outlay	291,432		291,432	291,432
Total Revenues	<u>485,720</u>	-	<u>485,720</u>	<u>485,720</u>
Expenditures and Other Financing Sources				
Purchased professional and technical services	\$ 10,616		\$ 10,616	\$ 10,616
Construction services	324,952		324,952	475,104
Total Expenditures	<u>335,568</u>	-	<u>335,568</u>	<u>485,720</u>
Excess(deficiency) of revenues over(under) expenditures			<u>\$ 150,152</u>	<u>\$ 150,152</u>

Additional project information:

Project number	SP# 2140-055-04-00HB
Grant Date	6/18/2004
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$485,720
Additional Authorized Cost	N/A
Revised Authorized Cost	\$485,720
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	69%
Original Target Completion Date	9/30/05
Revised Target Completion Date	Undetermined

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit F-2b

CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,
AND PROJECT STATUS-BUDGETARY BASIS
ELEMENTARY SCHOOL IMPROVEMENTS

From Inception and for the Fiscal Year Ended June 30, 2010

	<u>Prior</u>	<u>Current</u>	<u>Totals</u>	<u>Revised</u>
	<u>Periods</u>	<u>Year</u>		<u>Authorized</u>
				<u>Costs</u>
Revenues and Other Financing Sources				
State Sources - SCC Grant	\$ 27,760		\$ 27,760	\$ 27,760
Transfer from capital outlay	41,640		41,640	41,640
Total Revenues	<u>69,400</u>	-	<u>69,400</u>	<u>69,400</u>
Expenditures and Other Financing Sources				
Purchased professional and technical services	\$ 4,594		\$ 4,594	\$ 4,594
Construction services	11,962		11,962	64,806
Total Expenditures	<u>16,556</u>	-	<u>16,556</u>	<u>69,400</u>
Excess(deficiency) of revenues over(under) expenditures			<u>\$ 52,844</u>	<u>\$ 52,844</u>

Additional project information:

Project number	SP# 2140-060-04-00HC
Grant Date	6/18/2004
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$69,400
Additional Authorized Cost	N/A
Revised Authorized Cost	\$69,400
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	24%
Original Target Completion Date	9/30/05
Revised Target Completion Date	Undetermined

<p style="text-align: center;">PROPRIETARY FUND DETAIL STATEMENTS</p>
--

Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the district's board is that the costs of providing goods or services be financed through user charges.

Food Services Fund - This fund provides for the operation of food services in all schools within the school district.

THIS SECTION HAS ALREADY BEEN INCLUDED IN STATEMENTS B-4, B-5 AND B-6.

<p style="text-align: center;">FIDUCIARY FUND DETAIL STATEMENTS</p>
--

Fiduciary Funds are used to account for funds received by the school district for a specific purpose.

Agency Funds are used to account for assets held by the school district as an agent for individuals, private organizations, other governments and/or other funds.

Student Activity Fund - This agency fund is used to account for student funds held at the schools.

Payroll Fund - This agency fund is used to account for the payroll transactions of the school district.

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010**

	UNEMPLOYMENT COMPENSATION INSURANCE TRUST	AGENCY FUNDS STUDENT ACTIVITY	PAYROLL AGENCY	TOTALS
ASSETS:				
Cash and Cash Equivalents	\$38,084	\$16,233	\$ 34,064	\$88,381
Interfund Receivable	21,901			21,901
TOTAL ASSETS	\$59,985	\$16,233	\$34,064	\$110,282
LIABILITIES:				
Liabilities:				
Payroll Deductions and Withholdings Payable to Student Groups			\$34,064	\$34,064
		\$16,233		16,233
Total Liabilities		16,233	34,064	50,297
NET ASSETS				
Held in Trust for Unemployment Claims and Other Purposes	\$59,985			59,985
TOTAL LIABILITIES AND NET ASSETS	\$59,985	\$16,233	\$34,064	\$110,282

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit H-2

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010**

	UNEMPLOYMENT COMPENSATION INSURANCE <u>TRUST</u>	<u>TOTALS</u>
ADDITIONS		
Contributions:		
Plan Member	\$ 3,419	\$ 3,419
Employer	<u>50,000</u>	<u>50,000</u>
Total Contributions	<u>53,419</u>	<u>53,419</u>
Investment Earnings:		
Interest	<u>31</u>	<u>31</u>
Net Investment Earnings	<u>31</u>	<u>31</u>
Total Additions	<u>53,450</u>	<u>53,450</u>
DEDUCTIONS		
Unemployment Claims	<u>28,922</u>	<u>28,922</u>
Total Deductions	<u>28,922</u>	<u>28,922</u>
Change in Net Assets	24,528	24,528
Net Assets—Beginning of the Year	<u>35,457</u>	<u>35,457</u>
Net Assets—End of the Year	<u>\$ 59,985</u>	<u>\$ 59,985</u>

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit H-3

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
STUDENT ACTIVITY AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>BALANCE</u> <u>JULY 1, 2009</u>	<u>TRANSFERS</u>	<u>CASH</u> <u>RECEIPTS</u>	<u>CASH</u> <u>DISBURSEMENTS</u>	<u>BALANCE</u> <u>JUNE 30, 2010</u>
Student Activity	\$ 15,130		\$ 59,258	\$ 58,155	\$ 16,233

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit H-4

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
PAYROLL AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>BALANCE</u> <u>JULY 1, 2009</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2010</u>
ASSETS:				
Cash and Cash Equivalents	\$ (1,711)	\$ 4,642,899	\$ 4,607,124	\$ 34,064
Total Assets	<u>\$ (1,711)</u>	<u>\$ 4,642,899</u>	<u>\$ 4,607,124</u>	<u>\$ 34,064</u>
LIABILITIES:				
Payroll Deductions and Withholdings	\$ (1,711)	\$ 1,769,738	\$ 1,733,963	\$ 34,064
Salaries and Wages	<u>-</u>	<u>2,873,161</u>	<u>2,873,161</u>	<u>-</u>
Total Liabilities	<u>\$ (1,711)</u>	<u>\$ 4,642,899</u>	<u>\$ 4,607,124</u>	<u>\$ 34,064</u>

LONG-TERM DEBT SCHEDULES

The Long-Term Schedules are used to reflect the outstanding principal balances of the general long-term liabilities of the school district. This includes serial bonds outstanding and obligations under capital leases.

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit I-1

**SCHEDULE OF SERIAL BONDS
AS OF ENDED JUNE 30, 2010**

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>ANNUAL MATURITIES</u>		<u>INTEREST RATE</u>	<u>BALANCE JULY 1, 2009</u>	<u>RETIRED</u>	<u>BALANCE JUNE 30, 2010</u>
			<u>DATE</u>	<u>AMOUNT</u>				
Asbestos Removal Program	12/1/97	1,500,000	2/15/11	\$125,000	4.85%	\$ 515,000	\$ 120,000	\$ 395,000
			2/15/12	130,000				
			2/15/13	140,000				
Advance Refunding - Series of 96 Bonds	5/1/99	6,405,000	2/15/11	\$200,000	4.00% to 5.00%	5,795,000	185,000	5,610,000
			2/15/12	220,000				
			2/15/13	235,000				
			2/15/14	260,000				
			2/15/15	285,000				
			2/15/16	300,000				
			2/15/17	315,000				
			2/15/18	335,000				
			2/15/19	355,000				
			2/15/20	375,000				
			2/15/21	395,000				
			2/15/22	415,000				
			2/15/23	440,000				
			2/15/24	465,000				
2/15/25	495,000							
2/15/26	520,000							
Total						<u>\$ 6,310,000</u>	<u>\$ 305,000</u>	<u>\$ 6,005,000</u>

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit I-2

**SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<u>SERIES</u>	<u>INTEREST RATE PAYABLE</u>	<u>LEASE TERM</u>	<u>AMOUNT OF ORIGINAL ISSUE</u>	<u>AMOUNT OUTSTANDING 7/1/2009</u>	<u>ADDITIONS</u>	<u>RETIRED CURRENT YEAR PRINCIPAL PAYMENTS</u>	<u>AMOUNT OUTSTANDING 6/30/2010</u>
Technology Equipment/Cisco Systems/Server	0.00%	5 Years	\$ 125,867	\$ 62,934		\$ 25,174	\$ 37,760
Total				\$ 62,934	\$ -	\$ 25,174	\$ 37,760

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit I-3

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND**

For the Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative) Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 502,755		\$ 502,755	\$ 502,755	
State Sources:					
Debt Service Aid Type II	105,218		105,218	105,218	
Total - State Sources	105,218		105,218	105,218	
TOTAL REVENUES	607,973		607,973	607,973	
EXPENDITURES:					
Regular Debt Service:					
Interest	302,473		302,473	302,473	
Redemption of Principal	305,000		305,000	305,000	
Fiduciary Fees	500		500	500	
Total Regular Debt Service	607,973	-	607,973	607,973	-
TOTAL EXPENDITURES	607,973		607,973	607,973	
Fund Balance, July 1					
Fund Balance, June 30					
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Budgeted Fund Balance					

High Bridge Borough School District
Statistical Section

<u>Contents</u>	<u>Page</u>
Financial Trends (J-1 thru J-5) These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	65-70
Revenue Capacity (J-6 thru J-9) These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	71-74
Debt Capacity (J-10 thru J-13) These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.	75-78
Demographic and Economic Information (J-14 and J-15) These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	79-80
Operating Information (J-16 thru J-20) These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	81-85

Sources:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The district implemented GASB Statement 34 in the fiscal year ending June 30, 2004; schedules presenting district-wide information include information beginning in that year.

**High Bridge Borough School District
Net Assets by Component,
Last Eight Fiscal Years**

(accrual basis of accounting)

Exhibit J-1

	Fiscal Year Ending June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities	N/A							
Invested in capital assets, net of related debt		\$ 6,039,507	\$ 6,497,904	\$ 6,604,755	\$ 6,684,755	\$ 6,666,492	\$ 6,687,114	\$ 6,757,656
Restricted		382,257	111,213	4,766	4,920	4,920	3,630	117,592
Unrestricted		(301,750)	(87,600)	48,636	57,549	282,244	307,922	296,335
Total governmental activities net assets	<u>-</u>	<u>\$ 6,120,014</u>	<u>\$ 6,521,517</u>	<u>\$ 6,658,157</u>	<u>\$ 6,747,224</u>	<u>\$ 6,953,656</u>	<u>\$ 6,998,666</u>	<u>\$ 7,171,583</u>
Business-type activities								
Invested in capital assets, net of related debt	-	\$ 55,747	\$ 41,761	\$ 27,824	\$ 13,887	\$ -	-	-
Restricted	-	-	-	-	-	-	-	-
Unrestricted		3,738	7,953	11,757	12,203	7,830	\$ 7,182	\$ 9,474
Total business-type activities net assets	<u>-</u>	<u>\$ 59,485</u>	<u>\$ 49,714</u>	<u>\$ 39,581</u>	<u>\$ 26,090</u>	<u>\$ 7,830</u>	<u>\$ 7,182</u>	<u>\$ 9,474</u>
District-wide								
Invested in capital assets, net of related debt	-	\$ 6,095,254	\$ 6,539,665	\$ 6,632,579	\$ 6,698,642	\$ 6,666,492	\$ 6,687,114	\$ 6,757,656
Restricted	-	382,257	111,213	4,766	4,920	4,920	3,630	117,592
Unrestricted	-	(298,012)	(79,647)	60,393	69,752	290,074	315,104	305,809
Total district net assets	<u>-</u>	<u>\$ 6,179,499</u>	<u>\$ 6,571,231</u>	<u>\$ 6,697,738</u>	<u>\$ 6,773,314</u>	<u>\$ 6,961,486</u>	<u>\$ 7,005,848</u>	<u>\$ 7,181,057</u>

Source: CAFR Schedule A-1

High Bridge Borough School District
Changes in Net Assets, Last Eight Fiscal Years
(accrual basis of accounting)

Exhibit J-2

	Fiscal Year Ending June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
Expenses								
Governmental activities	N/A							
Instruction								
Regular		\$ 2,400,239	\$ 2,085,234	\$ 2,442,794	\$ 2,781,454	\$ 3,124,828	\$ 3,133,809	\$ 3,267,390
Special education		844,694	847,973	938,614	972,540	703,337	715,699	759,047
Other special education		196,412	172,619	338,005	291,732	324,770	323,061	264,619
School sponsored cocurricular			34,555	49,649	38,324	39,902	38,845	42,935
Support Services:								
Tuition		23,186	40,990	5,034	-	-	86,190	12,204
Student & instruction related services		1,194,980	1,224,366	1,328,867	1,535,795	1,555,834	1,467,184	1,613,185
School administrative services		349,002	228,770	242,730	220,893	231,517	199,551	197,712
General and business administrative services		438,373	414,234	510,071	478,670	473,288	481,427	452,161
Plant operations and maintenance		611,898	604,276	661,855	734,743	715,273	789,653	675,263
Pupil transportation		62,974	70,356	48,045	44,080	51,163	53,349	50,055
Interest on long-term debt		351,698	353,106	343,887	333,931	322,481	310,346	297,342
Unallocated depreciation	-	28,603	27,384	27,384	32,798	33,320	30,960	30,960
Total governmental activities expenses	-	<u>6,502,059</u>	<u>6,103,863</u>	<u>6,936,935</u>	<u>7,464,960</u>	<u>7,575,713</u>	<u>7,630,074</u>	<u>7,662,873</u>
Business-type activities:								
Food service		117,179	121,032	125,512	128,592	126,344	105,765	103,428
Child Care								
Total business-type activities expense	-	<u>117,179</u>	<u>121,032</u>	<u>125,512</u>	<u>128,592</u>	<u>126,344</u>	<u>105,765</u>	<u>103,428</u>
Total district expenses	-	<u>\$ 6,619,238</u>	<u>\$ 6,224,895</u>	<u>\$ 7,062,447</u>	<u>\$ 7,593,552</u>	<u>\$ 7,702,057</u>	<u>\$ 7,735,839</u>	<u>\$ 7,766,301</u>
Program Revenues								
Governmental activities:								
Charges for services:								
Instruction-regular			\$ 141,087	\$ 121,635	\$ 117,964	\$ 103,854	\$ 118,857	\$ 94,129
Tuition		\$ 90,522						
Operating grants and contributions		2,168,861	1,776,532	2,360,625	2,605,776	2,690,895	2,345,104	2,497,936
Capital grants and contributions								-
Total governmental activities program revenues	-	<u>2,259,383</u>	<u>1,917,619</u>	<u>2,482,260</u>	<u>2,723,740</u>	<u>2,794,749</u>	<u>2,463,961</u>	<u>2,592,065</u>
Business-type activities:								
Charges for services:								
Food service		80,035	86,618	89,077	87,616	79,644	73,537	66,259
Operating grants and contributions		22,114	24,266	24,809	24,446	23,932	25,506	31,111
Capital grants and contributions	-	-	-	-	-	-	-	-
Total business type activities program revenues	-	<u>102,149</u>	<u>110,884</u>	<u>113,886</u>	<u>112,062</u>	<u>103,576</u>	<u>99,043</u>	<u>97,370</u>
Total district program revenues	-	<u>\$ 2,361,532</u>	<u>\$ 2,028,503</u>	<u>\$ 2,596,146</u>	<u>\$ 2,835,802</u>	<u>\$ 2,898,325</u>	<u>\$ 2,563,004</u>	<u>\$ 2,689,435</u>

High Bridge Borough School District
Changes in Net Assets, Last Eight Fiscal Years
(accrual basis of accounting)

Exhibit J-2

	2003		2004		2005		Fiscal Year Ending June 30,		2006		2007		2008		2009		2010	
Net (Expense)/Revenue																		
Governmental activities	-	\$ (4,242,676)	\$ (4,186,244)	\$ (4,454,675)	\$ (4,741,220)	\$ (4,780,964)	\$ (5,166,113)	\$ (5,070,808)										
Business-type activities	-	(15,030)	(10,148)	(11,626)	(16,530)	(22,768)	(6,722)	(6,058)										
Total district-wide net expense	-	<u>\$ (4,257,706)</u>	<u>\$ (4,196,392)</u>	<u>\$ (4,466,301)</u>	<u>\$ (4,757,750)</u>	<u>\$ (4,803,732)</u>	<u>\$ (5,172,835)</u>	<u>\$ (5,076,866)</u>										
General Revenues and Other Changes in Net Assets																		
Governmental activities:																		
Property taxes levied for general purposes, net		\$ 3,805,940	\$ 3,904,811	\$ 4,105,877	\$ 4,311,838	\$ 4,483,896	\$ 4,636,252	\$ 4,728,192										
Taxes levied for debt service		438,185	443,629	468,006	492,701	493,937	495,135	502,755										
Unrestricted grants and contributions			227,688															
Investment earnings			5,174	15,650	25,598	9,413	3,877	4,087										
Miscellaneous income		6,878	6,575	1,782	150	150	75,859	8,691										
Transfers	-	(144)	(130)															
Total governmental activities	-	<u>4,250,859</u>	<u>4,587,747</u>	<u>4,591,315</u>	<u>4,830,287</u>	<u>4,987,396</u>	<u>5,211,123</u>	<u>5,243,725</u>										
Business-type activities:																		
Miscellaneous Income	-	477	247	1,493	3,039	4,508	6,074	8,350										
Transfers	-	144	130															
Total business-type activities	-	<u>621</u>	<u>377</u>	<u>1,493</u>	<u>3,039</u>	<u>4,508</u>	<u>6,074</u>	<u>8,350</u>										
Total district-wide	-	<u>\$ 4,251,480</u>	<u>\$ 4,588,124</u>	<u>\$ 4,592,808</u>	<u>\$ 4,833,326</u>	<u>\$ 4,991,904</u>	<u>\$ 5,217,197</u>	<u>\$ 5,252,075</u>										
Change in Net Assets																		
Governmental activities	-	\$ 8,183	\$ 401,503	\$ 136,640	\$ 89,067	\$ 206,432	\$ 45,010	\$ 172,917										
Business-type activities	-	(14,409)	(9,771)	(10,133)	(13,491)	(18,260)	(648)	2,292										
Total district	-	<u>\$ (6,226)</u>	<u>\$ 391,732</u>	<u>\$ 126,507</u>	<u>\$ 75,576</u>	<u>\$ 188,172</u>	<u>\$ 44,362</u>	<u>\$ 175,209</u>										

Source: CAFR Schedule A-2

**High Bridge Borough School District
Fund Balances, Governmental Funds,
Last Eight Fiscal Years**
(modified accrual basis of accounting)

Exhibit J-3

	Fiscal Year Ending June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
General Fund								
Reserved	\$ 300,739	\$ 460,445	\$ 145,858	\$ 96,049	\$ 117,887	\$ 178,247	\$ 109,694	\$ 147,872
Unreserved	142,851	(76,340)	(74,855)	(38,860)	(28,477)	84,729	169,874	266,700
Total general fund	<u>\$ 443,590</u>	<u>\$ 384,105</u>	<u>\$ 71,003</u>	<u>\$ 57,189</u>	<u>\$ 89,410</u>	<u>\$ 262,976</u>	<u>\$ 279,568</u>	<u>\$ 414,572</u>
All Other Governmental Funds								
Reserved	\$ 56,284							-
Unreserved, reported in:								
Special revenue fund	(1,090)						(660)	\$ (660)
Capital projects fund			\$ 227,688	\$ 202,996	\$ 202,996	\$ 202,996	\$ 202,996	202,996
Debt service fund					1,500	1,500		-
Total all other governmental funds	<u>\$ 55,194</u>	<u>\$ -</u>	<u>\$ 227,688</u>	<u>\$ 202,996</u>	<u>\$ 204,496</u>	<u>\$ 204,496</u>	<u>\$ 202,336</u>	<u>\$ 202,336</u>

Source: CAFR Schedule B-1

**High Bridge Borough School District
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years**

Exhibit J-4

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues										
Tax levy	\$ 3,694,664	\$ 3,887,430	\$ 3,926,372	\$ 4,244,125	\$ 4,348,440	\$ 4,573,883	\$ 4,804,539	\$ 4,977,833	\$ 5,131,387	\$ 5,230,947
Tuition charges	138,374	253,168	276,328	90,522	141,087	121,635	117,964	103,854	118,857	94,129
Miscellaneous	67,725	17,106	341,307	6,878	11,749	17,432	25,748	9,563	79,736	12,778
State sources	1,881,802	1,647,209	1,870,684	2,040,147	2,342,599	2,243,715	2,482,948	2,558,942	2,222,875	2,206,067
Federal sources	92,415	98,072	115,216	128,714	129,959	116,910	122,828	131,953	122,229	291,869
Total revenue	5,874,980	5,902,985	6,529,907	6,510,386	6,973,834	7,073,575	7,554,027	7,782,145	7,675,084	7,835,790
Expenditures										
Instruction										
Regular Instruction	1,672,422	1,775,866	1,657,241	1,703,842	1,810,704	1,713,308	2,154,758	2,490,261	2,645,082	2,737,184
Special education instruction	571,145	660,239	678,125	681,364	728,621	727,178	860,055	624,808	666,524	700,605
Other special instruction	77,360	29,509	146,226	124,427	148,323	261,865	257,990	288,509	300,864	244,245
Other instruction	30,801	36,210	25,316	34,006	29,691	38,465	33,891	35,447	36,176	39,629
Support Services:										
Tuition	53,265	90,110	36,801	23,186	40,990	5,034	-	-	86,190	12,204
Student & instruction related services	736,889	810,898	829,155	963,918	1,052,037	951,094	1,358,163	1,382,122	1,366,375	1,488,979
School administrative services	221,016	252,438	255,146	281,519	196,571	188,052	195,344	205,668	185,840	182,489
Other administrative services	340,200	226,416	231,990	353,609	355,931	395,170	423,306	420,444	448,349	417,347
Plant operations and maintenance	434,229	487,018	456,892	493,581	519,224	512,763	649,762	631,806	710,397	623,272
Pupil transportation	70,057	62,385	53,240	62,974	70,356	48,045	44,080	51,163	53,349	50,055
Unallocated employee benefits	953,637	938,136	1,173,509	1,167,045	1,258,230	1,458,413	806,938	800,406	491,217	559,925
Special Revenue	115,784	125,546	129,970							
Charter Schools						8,638	8,954	-	-	-
Capital Outlay	189,377	136,461	142,906	149,186	311,875	168,289	133,932	81,017	70,219	37,379
Debt service:										
Principal	130,000	140,000	145,000	165,000	180,000	210,000	255,000	270,000	285,000	305,000
Interest and other charges	386,015	379,435	372,343	364,980	356,565	347,340	338,133	326,928	315,070	302,473
Total expenditures	5,982,197	6,150,667	6,333,860	6,568,637	7,059,118	7,033,654	7,520,306	7,608,579	7,660,652	7,700,786
Excess (Deficiency) of revenues over (under) expenditures	(107,217)	(247,682)	196,047	(58,251)	(85,284)	39,921	33,721	173,566	14,432	135,004
Other Financing Sources (uses)										
Capital leases (non-budgeted)										
Bond proceeds										
Proceeds of refunding debt										
Payment to refunded debt escrow agent										
Transfers in				(144)	(130)					
Transfers out										-
Total other financing sources (uses)	-	-	-	(144)	(130)	-	-	-	-	-
Net change in fund balances	\$ (107,217)	\$ (247,682)	\$ 196,047	\$ (58,395)	\$ (85,414)	\$ 39,921	\$ 33,721	\$ 173,566	\$ 14,432	\$ 135,004
Debt service as a percentage of noncapital expenditures	8.9%	8.6%	8.4%	8.3%	8.0%	8.1%	8.0%	7.9%	7.9%	7.9%

Source: CAFR Schedule B-2

HIGH BRIDGE BOROUGH SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
UNAUDITED

Exhibit J-5

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Refund</u> <u>Prior Year</u> <u>Expenditures</u>	<u>Rentals</u>	<u>Sale of</u> <u>Equipment</u>	<u>Excess</u> <u>Arbitrage</u> <u>Liability</u>	<u>Litigation</u> <u>Settlement</u>	<u>Tuition</u>	<u>Miscellaneous</u>	<u>Total</u>
2001	\$ 26,320	\$ 5,366	\$ 5,530		\$ 25,108		\$ 138,374	\$ 2,009	\$ 202,707
2002	\$ 4,034		\$ 1,010				\$ 253,168	\$ 8,581	\$ 266,793
2003	\$ 10,141					\$ 326,500	\$ 276,328		\$ 612,969
2004	\$ 6,878						\$ 90,522		\$ 97,400
2005	\$ 5,174		\$ 1,125				\$ 141,087	\$ 3,797	\$ 151,183
2006	\$ 15,650						\$ 121,635	\$ 960	\$ 138,245
2007	\$ 25,598						\$ 117,964		\$ 143,562
2008	\$ 9,413						\$ 103,854		\$ 113,267
2009	\$ 3,877	\$ 57,861					\$ 118,857	\$ 16,763	\$ 197,358
2010	\$ 4,087						\$ 94,129	\$ 8,691	\$ 106,907

SOURCE: District Records

**High Bridge Borough School District
Assessed Value and Actual Value of Taxable Property,
Last Ten Fiscal Years**

Exhibit J-6

<u>Fiscal Year Ended June 30.</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm Reg.</u>	<u>Qfarm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total Assessed Value</u>	<u>Less: Tax-Exempt Property</u>	<u>Public Utilities a</u>	<u>Net Valuation Taxable</u>	<u>Total Direct School Tax Rate b</u>	<u>Estimated Actual (County Equalized Value)</u>
2001	\$2,678,000	\$191,742,200	\$692,700	\$66,100	\$5,281,800	\$10,728,100	\$1,725,100	\$227,030,300	\$12,800,500	\$942,002	\$212,914,000	\$1.729	\$237,630,845
2002	2,647,400	204,683,800	552,800	43,300	5,628,400	8,703,100	1,725,100	239,487,600	13,131,600	984,700	223,983,900	1.728	262,189,166
2003	2,378,700	206,248,700	422,700	18,700	6,534,700	8,703,100	1,725,100	241,803,500	14,256,400	1,247,300	226,031,700	1.728	270,230,918
2004	2,213,900	207,158,200	603,600	16,900	6,534,700	8,632,300	1,612,200	242,399,000	14,761,400	1,010,400	226,771,800	1.864	304,811,057
2005	2,316,600	207,672,400	603,600	16,900	6,534,700	8,632,300	1,612,200	256,020,300	14,777,200	850,000	227,388,700	1.906	321,418,609
2006	5,474,600	347,569,200	1,084,200	19,100	10,888,200	11,236,700	3,786,200	408,689,800	27,505,600	1,126,000	380,058,200	1.201	365,321,396
2007	4,372,900	348,097,300	1,084,200	19,100	10,813,500	10,554,700	3,870,900	408,363,505	28,233,900	1,317,005	378,812,600	1.265	399,979,755
2008	4,188,800	350,188,600	1,084,200	14,200	10,530,400	10,728,706	3,782,200	410,454,112	28,891,200	1,045,806	380,517,106	1.309	447,196,154
2009	7,594,000	355,408,106	1,084,200	14,200	11,947,400	8,024,000	509,600	414,518,512	28,891,200	1,045,806	384,581,506	1.334	446,007,901
2010	2,203,100	354,311,900	1,084,200	14,200	11,947,400	8,024,000	509,600	413,076,511	34,077,900	904,211	378,998,611	1.380	429,523,246

Source: District records Tax list summary & Municipal Tax Assessor

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation.

Reassessment occurs when ordered by the County Board of Taxation

a Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies

b Tax rates are per \$100

**High Bridge Borough School District
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years**

Exhibit J-7

(rate per \$100 of assessed value)

Fiscal Year Ended June 30,	High Bridge Borough Board of Education			Overlapping Rates				Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Regional School District	High Bridge Borough	Library	Hunterdon County	
2001	\$1.577	\$0.152	\$1.729	\$0.615	\$0.458	\$0.038	\$0.480	\$3.320
2002	\$1.510	\$0.218	\$1.728	\$0.643	\$0.458	\$0.037	\$0.494	\$3.360
2003	\$1.545	\$0.183	\$1.728	\$0.686	\$0.372	\$0.036	\$0.498	\$3.320
2004	\$1.675	\$0.189	\$1.864	\$0.737	\$0.374	\$0.037	\$0.538	\$3.550
2005	\$1.713	\$0.193	\$1.906	\$0.844	\$0.463	\$0.040	\$0.537	\$3.790
2006	\$1.006	\$0.195	\$1.201	\$0.545	\$0.278	\$0.027	\$0.339	\$2.390
2007	\$1.135	\$0.130	\$1.265	\$0.558	\$0.391	\$0.028	\$0.348	\$2.590
2008	\$1.179	\$0.130	\$1.309	\$0.538	\$0.750	\$0.030	\$0.363	\$2.990
2009	\$1.204	\$0.130	\$1.334	\$0.524	\$0.785	\$0.028	\$0.357	\$3.028
2010	\$1.247	\$0.133	\$1.380	\$0.509	\$0.784	\$0.028	\$0.361	\$3.062

Source: District Records and Municipal Tax Collector

Note: NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy . The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculated as follows: the prebudget year net budget increased by the cost of living or 2.5 percent, whichever is greater, plus any spending growth adjustments.

a The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net valuation taxable.

b Rates for debt service are based on each year's requirements.

**High Bridge Borough School District
Principal Property Tax Payers,
Current Year and Nine Years Ago**

Exhibit J-8

Taxpayer	2010			2001		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Glassman Family Realty, LLC	\$3,085,400	1	0.81%	\$ 1,871,900	2	1.30%
1742 Square Assoc. Ltd.	2,695,100	2	0.71%	2,761,600	3	0.93%
Country Club Self Storage. LLC	1,706,000	3	0.45%	1,283,174	6	0.64%
Individual Taxpayer #1	1,695,500	4	0.45%			
United Telephone Co.	904,211	5	0.24%	1,074,000	7	0.53%
Individual Taxpayer #2	845,200	6	0.22%	1,392,000	5	0.69%
Individual Taxpayer #3	832,500	7	0.22%	803,296	10	0.40%
Individual Taxpayer #4	816,900	8	0.22%	1,048,000	8	0.52%
K&J Brokerage	781,700	9	0.21%			
Individual Taxpayer #5	600,000	10	0.16%			
37 Main Street, LLC				844,800	9	0.42%
Heilands, LLC				2,761,600	1	1.37%
Komline Sanderson Eng.Corp.				1,501,400	4	0.74%
Total	\$ 13,962,511		3.68%	\$ 15,341,770		7.54%

Source: District CAFR & Municipal Tax Assessor

**High Bridge Borough School District
Property Tax Levies and Collections,
Last Ten Fiscal Years**

Exhibit J-9

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2001	\$3,230,849	\$3,230,849	100.00%	-
2002	\$3,478,560	\$3,478,560	100.00%	-
2003	\$3,498,635	\$3,498,635	100.00%	-
2004	\$3,805,940	\$3,805,940	100.00%	-
2005	\$3,904,811	\$3,904,811	100.00%	-
2006	\$4,573,883	\$4,573,883	100.00%	-
2007	\$4,804,539	\$4,804,539	100.00%	-
2008	\$4,977,833	\$4,977,833	100.00%	-
2009	\$5,131,387	\$5,131,387	100.00%	-
2010	\$5,230,947	\$5,230,947	100.00%	-

Source: District records including the Certificate and Report of School Taxes (A4F form)

Note:

School taxes are collected by the Municipal Tax Collector. Under New Jersey State Statute, a municipality is required to remit to the school district the entire property tax balance, in is the amount voted upon or certified prior to the end of the school year.

**High Bridge Borough School District
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

Exhibit J-10

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District		
2001	\$ 7,960,000	-0-	\$ 443,336	-0-	-0-	\$ 8,403,336	4.01%	\$2,221.34
2002	\$ 7,820,000	-0-	\$ 324,403	-0-	-0-	\$ 8,144,403	3.75%	\$2,139.32
2003	\$ 7,675,000	-0-	\$ 200,036	-0-	-0-	\$ 7,875,036	3.53%	\$2,073.47
2004	\$ 7,510,000	-0-	\$ 68,130	-0-	-0-	\$ 7,578,130	3.34%	\$2,002.15
2005	\$ 7,330,000	-0-	-0-	-0-	-0-	\$ 7,330,000	3.28%	\$1,956.75
2006	\$ 7,120,000	-0-	-0-	-0-	-0-	\$ 7,120,000	2.97%	\$1,913.46
2007	\$ 6,865,000	-0-	\$ 113,282	-0-	-0-	\$ 6,978,282	2.75%	\$1,875.38
2008	\$ 6,595,000	-0-	\$ 88,108	-0-	-0-	\$ 6,683,108	2.62%	\$1,800.41
2009	\$ 6,310,000	-0-	\$ 62,934	-0-	-0-	\$ 6,372,934	2.50%	\$1,722.41
2010	\$ 6,005,000	-0-	\$ 37,760	-0-	-0-	\$ 6,042,760	2.38%	\$1,634.50

Source: District CAFR Schedules I-1, I-2

Note: Details regarding the district's outstanding debt can be found in the notes to the financial statements.

- a** See Exhibit NJ J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.
- b** Includes Early Retirement Incentive Plan (ERIP) refunding

**High Bridge Borough School District
 Ratios of Net General Bonded Debt Outstanding
 Last Ten Fiscal Years**

Exhibit J-11

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2001	\$ 7,960,000	-0-	\$ 7,960,000	3.74%	\$ 2,104
2002	\$ 7,820,000	-0-	\$ 7,820,000	3.49%	\$ 2,054
2003	\$ 7,675,000	-0-	\$ 7,675,000	3.40%	\$ 2,021
2004	\$ 7,510,000	-0-	\$ 7,510,000	3.31%	\$ 1,984
2005	\$ 7,330,000	-0-	\$ 7,330,000	3.22%	\$ 1,957
2006	\$ 7,120,000	-0-	\$ 7,120,000	1.87%	\$ 1,913
2007	\$ 6,865,000	-0-	\$ 6,865,000	1.81%	\$ 1,845
2008	\$ 6,595,000	-0-	\$ 6,595,000	1.73%	\$ 1,777
2009	\$ 6,310,000	-0-	\$ 6,310,000	1.64%	\$ 1,705
2010	\$ 6,005,000	-0-	\$ 6,005,000	1.58%	\$ 1,624 *

Note: Details regarding the district's outstanding debt can be found in the notes to the financial statements.

a See Exhibit NJ J-6 for property tax data.

b Population data can be found in Exhibit NJ J-14.

R Revised

* Current data unavailable

**High Bridge Borough School District
Ratios of Overlapping Governmental Activities Debt
As of June 30, 2010**

Exhibit J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Borough of High Bridge	\$17,081,709	100.00%	\$ 17,081,709
Other debt			
North Hunterdon Regional School District	\$ 5,245,000	4.529%	237,546
Hunterdon County	115,523,635	1.774%	<u>2,049,114</u>
Subtotal, overlapping debt			19,368,369
High Bridge Borough School District Direct Debt			<u>6,005,000</u>
Total direct and overlapping debt			<u><u>\$ 25,373,369</u></u>

Sources: Borough Finance Officer, Hunterdon County Finance Office and Utility Authorities

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the district. This process recognizes that, when considering the District's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping payment.

a For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable value that is within the district's boundaries and dividing it by each unit's total taxable value.

High Bridge Borough School District
 Legal Debt Margin Information,
 Last Ten Fiscal Years

Exhibit J-13

Legal Debt Margin Calculation for Fiscal Year 2010

Equalized valuation basis	
2007	\$ 434,376,488
2008	434,306,081
2009	423,066,353
[A]	\$ 1,291,748,922

Average equalized valuation of taxable property	[A/3]	\$ 430,582,974
Debt limit (3 % of average equalization value)	[B]	12,917,489
Net bonded school debt	[C]	6,005,000
Legal debt margin	[B-C]	\$ 6,912,489

	Fiscal Year									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Debt limit	\$6,415,680	\$6,895,341	\$7,487,034	\$9,144,332	\$9,002,568	\$10,101,700	\$11,249,693	\$12,297,014	\$12,833,652	12,917,489
Total net debt applicable to limit	7,960,000	7,820,000	7,675,000	7,510,000	7,330,000	7,120,000	6,865,000	6,595,000	6,310,000	6,005,000
Legal debt margin	<u>(\$1,544,320)</u>	<u>(\$924,659)</u>	<u>(\$187,966)</u>	<u>\$1,634,332</u>	<u>\$1,672,568</u>	<u>\$2,981,700</u>	<u>\$4,384,693</u>	<u>\$5,702,014</u>	<u>\$6,523,652</u>	<u>\$6,912,489</u>
Total net debt applicable to the limit as a percentage of debt limit	124.07%	113.41%	102.51%	82.13%	81.42%	70.48%	61.02%	53.63%	49.17%	46.49%

Source: Abstract of Ratables and District Records CAFR Schedule J-7

a Limit set by NJSA 18A:24-19 for a K through 8 district; other % limits would be applicable for other district

**High Bridge Borough School District
Demographic and Economic Statistics
Last Ten Fiscal Years**

Exhibit J-14

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income (thousands of dollars) ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2001	3,783	\$ 209,691,690	\$55,430 R	1.8%
2002	3,807	\$ 217,417,770	\$57,110 R	3.1%
2003	3,798	\$ 222,813,468	\$58,666 R	3.3%
2004	3,785	\$ 226,785,845	\$59,917 R	3.3%
2005	3,746	\$ 223,231,632	\$59,592 R	3.1%
2006	3,721	\$ 239,357,046	\$64,326 R	3.5%
2007	3,721	\$ 253,601,034	\$68,154 R	3.1%
2008	3,712	\$ 255,329,920	\$68,785	4.0%
2009	3,700	\$ 254,504,500	\$68,785 *	7.2%
2010	3,697	\$ 254,298,145	\$68,785 *	*

Source:

^a Population information provided by the NJ Dept of Labor and Workforce Development

^b Personal Income provided by US Dept of Commerce

^c Per Capita provided by US Dept of Commerce

^d Unemployment data provided by the NJ Dept of Labor and Workforce Development

R =Revised

* Current data unavailable

**High Bridge Borough School District
Full-time Equivalent District Employees by Function/Program,
Last Ten Fiscal Years**

Exhibit J-16

<u>Function/Program</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Instruction										
Regular				41.90	51.70	54.00	39.90	43.74	43.88	40.48
Special education				33.83	23.00	22.47	33.40	30.93	30.78	28.70
Support Services:										
General administrative services				4.00	2.40	2.45	2.45	2.35	1.85	3.38
School administrative services				3.50	3.40	2.85	2.85	2.85	2.85	3.10
Business administrative services				2.00	1.85	1.60	1.60	1.60	1.60	1.60
Plant operations and maintenance				5.30	5.40	5.74	5.74	5.50	5.68	4.90
Pupil transportation				0.00	0.05	0.10	0.10	0.10	0.10	0.10
Total	-	-	-	90.53	87.67	89.21	86.04	87.07	86.74	82.26

Source: District Personnel Records

High Bridge Borough School District
 Operating Statistics
 Last Ten Fiscal Years

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary				
2001	473	\$10,980,771	23,215	8.61%	62	1:7.6	476.3	454.3	2.14%	95.38%
2002	496	\$10,958,571	22,094	-4.83%	62	1:8.0	495.7	473.5	4.07%	95.52%
2003	464	\$12,414,228	26,755	21.10%	60	1:7.7	460.6	439.9	-7.08%	95.51%
2004	464	\$12,808,960	27,606	3.18%	58	1:8.0	465.8	446.4	1.13%	95.84%
2005	457	\$12,962,135	28,364	2.75%	58	1:7.9	443.0	427.0	-4.89%	96.39%
2006	445	\$6,299,387	14,156	-50.09%	58	1:7.7	443.5	426.6	0.11%	96.19%
2007	436	\$6,784,287	15,560	9.92%	57	1:7.6	420.0	411.0	-5.30%	97.86%
2008	402	\$6,930,634	17,240	10.80%	51	1:7.9	394.2	380.9	-6.14%	96.63%
2009	409	\$6,990,363	17,091	-0.86%	50	1:8.2	401.9	387.4	1.95%	96.39%
2010	406	\$7,055,934	17,379	1.68%	49	1:8.4	399.1	382.3	-0.70%	95.79%

Sources: District records, ASSA and Schedules J-12, J-14

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS)

**High Bridge Borough School District
School Building Information
Last Ten Fiscal Years**

Exhibit J-18

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<u>District Building</u>										
<u>Elementary</u>										
(1966, 1998 Addition)										
Square Feet	46,459	46,459	46,459	46,459	46,459	46,459	46,459	46,459	46,459	46,459
Capacity (students)	349	349	349	349	349	349	349	349	349	349
Enrollment	308	305	298	311	313	294	277	260	269	259
<u>High Bridge Middle School (1903)</u>										
Additions - 1918, 1948, 1998										
Square Feet	54,584	54,584	54,584	54,584	54,584	54,584	54,584	54,584	54,584	54,584
Capacity (students)	126	126	126	126	126	126	126	126	126	126
Enrollment	138	180	165	156	144	140	134	142	140	147

Number of Schools at June 30, 2010

Source: District records, ASSA

Elementary = 1
Middle School = 1

Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of renovations and additions. Enrollment is based on the annual October district count.

HIGH BRIDGE BOROUGH SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
Last Eight Fiscal Years Ending June 30, 2010

Exhibit J-19

UNDISTRIBUTED EXPENDITURES - REQUIRED
 MAINTENANCE FOR SCHOOL FACILITIES
 11-000-261-xxx

<u>School Facilities</u>	<u>Project #</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Total</u>
High Bridge Middle School	N/A	\$50,845	\$30,908	\$36,662	\$45,032	\$36,620	\$40,244	\$49,662	\$55,903	\$345,876
High Bridge Elementary School	N/A	43,317	26,883	31,887	39,934	32,474	35,688	44,040	49,575	303,798
Total School Facilities		94,162	57,791	68,549	84,966	69,094	75,932	93,702	105,478	649,674
Other Facilities		NONE	NONE							
Grand Total		\$94,162	\$57,791	\$68,549	\$84,966	\$69,094	\$75,932	\$93,702	\$105,478	\$649,674

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

INSURANCE SCHEDULE
JUNE 30, 2010
UNAUDITED

Exhibit J-20

<u>POLICY TYPE</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
SCHOOL PACKAGE POLICY - School Alliance Insurance Fund:		
Property-Blanket Building and Contents	\$ 150,000,000	\$ 1,000
Comprehensive General Liability	5,000,000	1,000
(Annual Aggregate & Products/Completed Operations Aggregate)	10,000,000	
BOILER AND MACHINERY - School Alliance Insurance Fund	Included in Property	1,000
UMBRELLA LIABILITY - School Alliance Insurance Fund	10,000,000	N/A
SCHOOL BOARD LEGAL LIABILITY - School Alliance Insurance Fund: (\$10,000,000 aggregate)	5,000,000	25,000
PUBLIC EMPLOYEES' FAITHFUL PERFORMANCE		
BLANKET POSITION BOND - Selective Insurance Company	10,000	
Treasurer Position Bond	175,000	
Board Secretary/School Business Administrator Position	50,000	
BLANKET DISHONESTY BOND		
Per Person	100,000	
Per Loss	400,000	
WORKER'S COMPENSATION AND EMPLOYERS' LIABILITY - School Alliance Insurance Fund	5,000,000 Statutory	

SOURCE: District Records

Single Audit Section



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 Douglas R. Williams, CPA, RMA, PSA
 Anthony F. Ardito, PA, RMA, PSA

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

Honorable President and
 Members of the Board of Education
 High Bridge Borough School District
 County of Hunterdon
 High Bridge, New Jersey 08829

We have audited the financial statements of the Board of Education of the High Bridge Borough School District in the County of Warren, State of New Jersey, as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated October 31, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the High Bridge Borough School Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the High Bridge Borough School Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the High Bridge Borough School Board of Education's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

-Continued-

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the High Bridge Borough School District Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

We noted certain matters that we reported to the Board of Education of the High Bridge Borough School District in a separate report entitled, Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance dated October 31, 2010.

This report is intended solely for the information and use of the audit committee, management, the High Bridge Borough School District Board of Education, the New Jersey State Department of Education, and other state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Licensed Public School Accountant No.2369
ARDITO & CO., LLP

Date: October 31, 2010



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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH NEW JERSEY OMB CIRCULAR 04-04

Honorable President and
 Members of the Board of Education
 High Bridge Borough School District
 County of Hunterdon
 High Bridge, New Jersey 08829

Compliance

We have audited the compliance of the High Bridge Borough School District in the County of Warren, State of New Jersey, with the types of compliance requirements described in the New Jersey State Aid/Grant Compliance Supplement that are applicable to each of its major state programs for the fiscal year ended June 30, 2010. The High Bridge Borough School District Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the High Bridge Borough School District Board of Education's management. Our responsibility is to express an opinion on the High Bridge Borough School District Board of Education's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey, and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey OMB Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred.

An audit includes examining, on a test basis, evidence about the High Bridge Borough School District Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the High Bridge Borough School District Board of Education's compliance with those requirements.

-Continued-

In our opinion the Board of Education of the High Bridge Borough School District, in the County of Warren, State of New Jersey, complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the fiscal year ended June 30, 2010.

However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with New Jersey OMB's Circular 04-04, and which are described in the accompanying schedule of findings and questioned costs as item 2010-1.

Internal Control Over Financial Reporting

The management of the Board of Education of the High Bridge Borough School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the High Bridge Borough School Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the High Bridge Borough School Board of Education's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, the High Bridge Borough School District Board of Education, the New Jersey State Department of Education, and other state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Licensed Public School Accountant No.2369
ARDITO & CO., LLP

Date: October 31, 2010

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

K-4

Schedule of Expenditures of State Financial Assistance
for the Fiscal Year ended June 30, 2010

Schedule B

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE 6/30/09	CARRY- OVER AMOUNT	CASH RECEIVED	BUDGET. EXPEND.	ADJUST.	REPAYMENT OF PRIOR YEARS' BALANCES	BALANCE AT JUNE 30, 2010			MEMO		
										(ACCTS. RECEIV.)	INTERFUND PAYABLE/ DEFER. REVENUE	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPEND.	
State Department of Education															
General Fund:															
Equalization Aid	10-495-034-5120-078	7/1/09-6/30/10	\$ 747,599			\$ 747,599	\$ (747,599)							\$ 90,882	\$ 747,599
Transportation Aid	10-495-034-5120-014	7/1/09-6/30/10	12,615			12,615	(12,615)							1,255	12,615
Special Education Aid	10-495-034-5120-089	7/1/09-6/30/10	205,878			205,878	(205,878)							20,486	205,878
Security Aid	10-495-034-5120-084	7/1/09-6/30/10	26,737			26,737	(26,737)							2,661	26,737
Adjustment Aid	10-495-034-5120-085	7/1/09-6/30/10	425,159			425,159	(425,159)							46,411	425,159
Extraordinary Aid	09-495-034-5120-057	7/1/08-6/30/09		\$ (89,213)		89,213	-								
Extraordinary Aid	10-495-034-5120-057	7/1/09-6/30/10	178,395				(178,395)			\$ (178,395)					178,395
Non-Public Transportation Aid	09-100-034-5120-068	7/1/08-6/30/09		(6,020)		6,020	-								
On-behalf TPAF Pension Contrib.	10-495-034-5095-001	7/1/09-6/30/10	240,309			240,309	(240,309)								240,309
Reimbursed TPAF Soc.Secur.Contrib.	10-495-034-5095-002	7/1/09-6/30/10	250,717	(12,583)		251,107	(250,717)			(12,193)					250,717
Total General Fund				(107,816)		2,004,637	(2,087,409)	-		(190,588)				161,695	2,087,409
Special Revenue Fund:															
Pre-School Education Aid	10-495-034-5120-086	7/1/09-6/30/10	6,600			6,600	(6,600)							660	6,600
Early Launch to Learning Initiative	08-495-034-5120-062	7/1/07-6/30/08		11,144			(11,144)								11,144
Character Education Program	06-495-034-5120-053	7/1/05-6/30/06		1,173			(981)			\$ 192					981
Total Special Revenue Fund				12,317		6,600	(18,725)			-	192			660	18,725
Capital Projects Fund:															
EDA Grant	SP#2140060040ABS	7/1/05-6/30/06		(5,640)			-			(5,640)					-
EDA Grant	SP#21400550400HB	7/1/05-6/30/06		(194,288)			-			(194,288)					-
EDA Grant	SP#21400600400HC	7/1/05-6/30/06		(27,760)			-			(27,760)					-
Total Special Revenue Fund				(227,688)			-			(227,688)					-
Debt Service Fund:															
Debt Service Aid	10-495-034-5120-017	7/1/09-6/30/10	105,218			105,218	(105,218)								105,218
State Department of Agriculture:															
Enterprise Fund:															
Nat.School Lunch Prog.(State Share)	09-100-010-3350-023	7/1/08-6/30/09		(97)		97									
Nat.School Lunch Prog.(State Share)	10-100-010-3350-023	7/1/09-6/30/10	1,278			1,177	(1,278)			(101)					1,278
Total Enterprise Fund				(97)		1,274	(1,278)			(101)					1,278
Total State Financial Assistance				\$ (323,284)		\$ 2,117,729	\$ (2,212,630)			\$ (418,377)	\$ 192			\$ 162,355	\$ 2,212,630

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE
JUNE 30, 2010

NOTE 1. GENERAL

The accompanying schedule of expenditures of state financial assistance includes state award activity of the Board of Education, High Bridge Borough School District. The Board of Education is defined in Note 1 to the Board's basic financial statements. All state awards received directly from state agencies, as well as state financial assistance passed through other government agencies is included on the schedule of expenditure of state financial assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes, that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payment in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the last state aid payment in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$(5,285) for the general fund and \$(895) for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE
JUNE 30, 2010

NOTE 3. (Continued)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 165,718	\$ 2,082,124	\$ 2,247,842
Special Revenue Fund	126,151	18,725	144,876
Debt Service Fund		105,218	105,218
Food Service Fund	<u>29,515</u>	<u>1,566</u>	<u>31,081</u>
Total Financial Assistance	<u>\$ 321,384</u>	<u>\$ 2,207,633</u>	<u>\$ 2,529,017</u>

NOTE 4. RELATIONSHIP TO STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the district for the year ended June 30, 2010. TPAF Social Security Contributions represents the amount reimbursed by the state for employer's share of social security contributions for TPAF members for the year ended June 30, 2010.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Part I - Summary of Auditor's Results

Financial Statement Section

- A) Type of auditor's report issued: Unqualified
- B) Internal control over financial reporting:
 - 1) Material weakness(es) identified? ___ Yes x No
 - 2) Were significant deficiencies identified that were not considered to be material weaknesses? ___ Yes x None Reported
- C) Noncompliance material to financial statements noted? ___ Yes x No

Federal Awards Section

N/A

- D) Dollar threshold used to determine Type A programs: \$300,000
- E) Auditee qualified as low-risk auditee? ___ Yes ___ No
- F) Type of auditor's report on compliance for major programs: Unqualified
- G) Internal Control over compliance:
 - 1) Material weakness(es) identified? ___ Yes ___ No
 - 2) Were significant deficiencies identified that were not considered to be material weaknesses? ___ Yes ___ No
- H) Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133(Section .510(a))? ___ Yes ___ No
- I) Identification of major programs:

CFDA NUMBER(S)

NAME OF FEDERAL PROGRAM OR CLUSTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Part I - Summary of Auditor's Results

State Financial Assistance Section

- J) Dollar threshold used to determine Type A programs: \$300,000
- K) Auditee qualified as low-risk auditee? (1) ___yes_x_no
- L) Type of auditor's report on compliance for major programs: Unqualified
- M) Internal Control over compliance:
- 1) Material weakness(es) identified? ___yes_x_no
- 2) Were significant deficiencies identified that were not considered to be material weaknesses? ___yes_x_none reported
- N) Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular 04-04? __x_yes___no
- O) Identification of major programs:

GMIS Number(s)

Name of State Program

<u>10-495-034-5120-078</u>	<u>Equalization Aid</u>
<u>10-495-034-5120-085</u>	<u>Adjustment Aid</u>
<u>10-495-034-5120-057</u>	<u>Extraordinary Aid</u>
<u>10-495-034-5095-002</u>	<u>Reimb. TPAF So. Sec. Reimbursement</u>

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Section II-Financial Statement Findings

There were no matters of noncompliance or reportable conditions noted, that are required to be reported in accordance with Government Auditing Standards.

Section III - State Financial Assistance Findings and Questioned Costs

STATE FINANCIAL ASSISTANCE-The following state financial assistance findings or questioned costs noted, are required to be reported in accordance with NJOMB Circular 04-04.

Finding 2010-1

Information on state program:

09-495-034-5120-078

State Aid - Public (Equalization, et. al.)

Criteria:

The Board Secretary must prepare and submit financial reports in accordance with N.J.S.A. 18A:17-9 and N.J.S.A. 18A:17-36, respectively. School Board acceptance of monthly board secretary and reasurer's reports must be approved and documented in the minutes within 60 days after the end of each month.

Condition:

School Board acceptance of monthly board secretary and treasurer's reports were not approved within 60 days after the end of each month for four months out of the fiscal year.

Effect:

Delayed reporting on the school's financial activites could cause the board of education to be unaware of certain important financial issues, or make decisions based on out-dated information.

Recommendation:

That the monthly board secretary and treasurer's reports be approved and documented in the minutes within 60 days after the end of each month.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

STATUS OF PRIOR YEAR FINDINGS

In accordance with government auditing standards, our procedures included a review of all prior year recommendations. All prior year findings have been corrected, except for the following, which is repeated in the current fiscal year:

Finding 2009-1

School Board acceptance of monthly board secretary and treasurer's reports were not approved within 60 days after the end of each month for five months out of the fiscal year.

Finding is repeated in 2010.