Comprehensive Annual Financial Report

of the

Somerset Hills School District

County of Somerset

County of Somerset, New Jersey

For the Fiscal Year Ended June 30, 2010

Prepared by

The Somerset Hills Board of Education
Business Office

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INTRODUCTORY SECTION

The Somerset Hills School District

Somerset Hills Board of Education

25 Olcott Ave., Bernardsville, NJ 07924
Phone: 908 204-1930 Fax: 908-953-0699

Peter J. Miller, Superintendent
Nancy Lee Hunter, Business Administrator/Board Secretary

October 24, 2010

Honorable President and
Members of the Board of Education
Somerset Hills School District
25 Olcott Avenue
Bernardsville, New Jersey 07924

Dear Board Members:

The comprehensive annual financial report of the Somerset Hills Board of Education 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 Somerset Hills 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 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 management discussion and analysis, the basic 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 Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations", and New Jersey OMB's Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". 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, is included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES:

The Somerset Hills School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by Statement No. 14. All funds of the District are included in this report. The Somerset Hills Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through 12. These include programs for regular, vocational and special education for handicapped students. The District completed the 2009-2010 fiscal year with an enrollment of 2128 students, which is 50 students less than the previous year's enrollment. The following table details the changes in student enrollment over the last ten years:

Fiscal Years	Student Enrollment	Percent Change
2009-2010	2,078	-2.3%
2008-2009	2,128	2.5%
2007-2008	2,076	2.8%
2006-2007	2,020	.1%
2005-2006	2,002	3.4%
2004-2005	1,936	2.6%
2003-2004	1,887	6.6%
2002-2003	1,771	4.6%
2001-2002	1,694	4.5%
2000-2001	1,621	5.3%

2. ECONOMIC CONDITION AND OUTLOOK:

The Boroughs of Bernardsville, Far Hills and Peapack-Gladstone, the municipalities that comprise the Somerset Hills School District, are experiencing minimal residential development which has contributed to a student enrollment decrease.

3. MAJOR INITIATIVES:

The District is in the process of implementing two energy-savings initiatives. Schools for Energy Efficiency® (SEE) is a comprehensive program for K-12 schools to save energy and money by changing behavior throughout the district. SEE provides a systemized plan, educational awareness materials, training, and utility tracking for immediate and sustainable savings. The first two quarters of the program yielded savings of $44,000.

The District has also undertaken a comprehensive energy audit that was funded by a grant of $67,485 from New Jersey's Clean Energy Program. Following the audit, the District engaged in an Energy Savings Improvement Plan (ESIP) with a national energy services company. Under this program, the District will install $3.2 million worth of energy improvements at no cost to the taxpayer and a guaranteed cash flow to the district of $31,946 per year for 15 years. The improvements are funded by grant funding and energy savings.

A tradition of academic excellence was continued in all areas of the curriculum. Student performance on the HSPA and NJASK exceeded state averages and in most cases exceeded comparative DFG averages. To maintain alignment with the revised New Jersey

Core Curriculum Content Standards, curriculum revisions and the implementation of new instructional materials occurred in a variety of areas including Science, Math, Social Studies and English.

Bernards High School seniors scored far above the New Jersey and National Scholastic-Aptitude Test (SAT) scores in 2009-2010.

SAT Test	Bernards High School	New Jersey	National
Verbal/Reading	561	495	501
Verbal/Writing	564	497	492
Math	580	514	516

One student was named a National Merit Finalist, one student was named a National Merit Semi-Finalist, and eleven students were named as National Merit Commended students. Thirteen students were named as Edward J. Bloustein Distinguished Scholars. Forty-three seniors qualified for the President's Award for Educational Excellence. Thirty five seniors and recent graduates were named AP Scholars. Fifteen students qualified for the AP Scholar with Distinction Award, five qualified for the AP Scholar with Honor Award and three qualified for AP National Scholar.

Bernards High School was ranked by *Newsweek* again in the top high schools in the United States, and the 5th best in New Jersey. In addition, Bernards High continues to be included among New Jersey's best schools by *New Jersey Monthly* magazine. Bernards High also continues to be recognized as a national leader in Service Learning and Bedwell Elementary has been nationally recognized for its model character education program for the fourth straight year. Bedwell was selected as a 2010 New Jersey School of Character by the Center for Social and Character Development at Rutgers University.

Student learning experiences have been enriched by staff challenge grants provided by the Somerset Hills Education Foundation. During the 2009-2010 school year, the foundation awarded over $28,500 in 23 various grants. In addition, a check was presented for $90,000 to provide the equipment for wireless capabilities to the entire school district. This represents the largest one-time distribution in the foundation's history, which over the years, has provided $660,000 in total grants.

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 statements in conformity with generally accepted accounting principals (GAAP). Internal control 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 internal control, including that portion related to federal awards 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 municipalities. 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 projects 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 commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriation of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2009.

6. ACCOUNTING SYSTEM AND REPORTS:

The District's accounting records reflect generally accepted accounting principles 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. 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 that requires it to deposit public funds in public depositories protected from loss under the provisions of 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 in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

8. RISK MANAGEMENT:

The Board carries various forms of insurance that includes, but not limited to, general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

9. OTHER INFORMATION:

A. Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Suplee, Clooney & Company was selected as the Board's audit firm. 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 Amendments of 1996 and the related OMB Circular A-133 and New Jersey OMB's Circular Letter 04-04. The auditor's report on the basic 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.

B. District Information:

The 2009-2010 school year was the thirteenth year of operation as the regionalized Somerset Hills School District and a year of continued growth and programmatic improvements. The school district took major steps forward to preserve and improve the quality of education in its schools.

ACKNOWLEDGEMENTS:

We would like to express our appreciation to the members of the Somerset Hills Board of Education 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 significant assistance of our Business Office staff.

Respectfully submitted by,

Peter J. Miller
Superintendent

Nancy Lee Hunter
Business Administrator/Board Secretary

BOARD OF EDUCATION
OF THE
SOMERSET HILLS SCHOOL DISTRICT

ROSTER OF OFFICIALS
JUNE 30, 2010

MEMBERS OF THE BOARD OF EDUCATION	TERM EXPIRES
BERNARDSVILLE	
DONNA COONS, PRESIDENT	2013
ROBERT BAKER	2013
LINDA KRAGIE	2011
JOHN J. DORR	2013
NANCY PALAZZOLO	2011
LAURIANN SWADBA	2012
PEAPACK/GLADSTONE	
LOUIS PALMA	2011
DEBORAH HAWKINS, VICE PRESIDENT	2012
FAR HILLS	
KAREN MCMAHON	2012
BEDMINSTER	
CAITLYN PARKER	2012

OTHER OFFICIALS	
PETER J. MILLER	SUPERINTENDENT
NANCY LEE HUNTER	BUSINESS ADMINISTRATOR/ BOARD SECRETARY
THOMAS VENANZI	TREASURER
PHIL STERN, ESQ.	ATTORNEY

SOMERSET HILLS BOARD OF EDUCATION
CONSULTANTS AND ADVISORS

Architect
Scott Spiezle, AIA, PP
Spiezle Architectural Group
120 Sanhican Drive
Trenton, New Jersey 08618

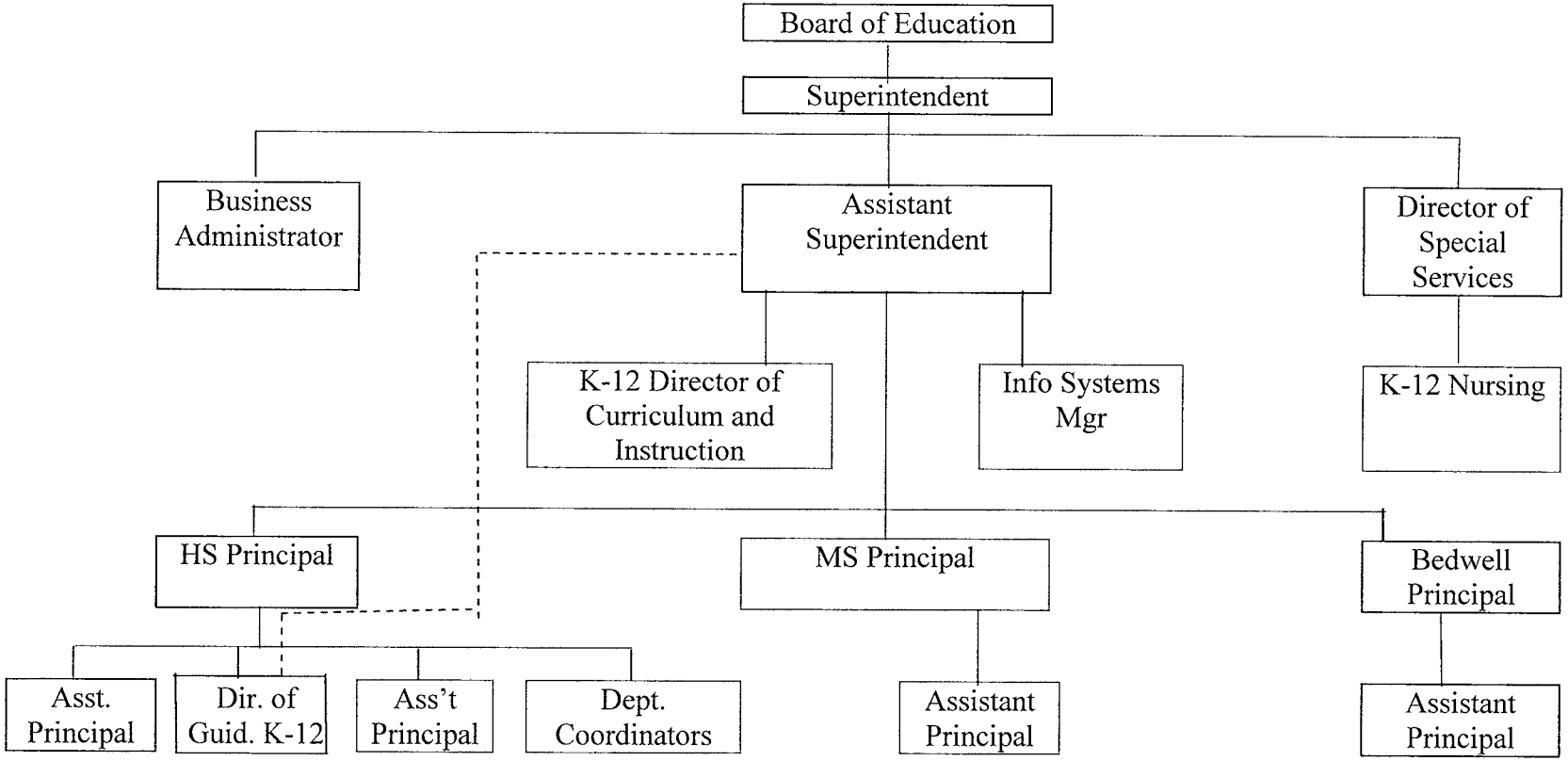
Auditor
Suplee, Clooney and Company
308 East Broad Street
Westfield, New Jersey 07090-2122

Board Attorney
Phil Stern, Esquire
Adams Stern Gutierrez & Lattiboudere, LLC
744 Broad Street
Suite 1600
Newark, New Jersey 07102

Bond Counsel
Wilentz Goldman & Spitzer
90 Woodbridge Center Drive
Suite 900, Box 10
Woodbridge, New Jersey 07095-0958

Official Depository
Peapack/Gladstone Bank
158 Rt. 206 North
PO Box 178
Gladstone, NJ 07934

SHSD Organizational Chart



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FINANCIAL SECTION

SUPLEE, CLOONEY & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
308 East Broad Street, Westfield, New Jersey 07090-2122
Telephone 908-789-9300 Fax 908-789-8535
E-mail info@scnco.com

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Somerset Hills School District
County of Somerset
Bernardsville, New Jersey 07924

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Somerset Hills School District, County of Somerset, New Jersey as of and for the 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 District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey and the provisions of U. S. Office of Management and Budget (OMB) Circular A-133 "Audits of State, Local Governments and Non-Profit Organizations" and State of New Jersey OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Somerset Hills School District, County of Somerset, 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 U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2010 on our consideration of the Somerset Hills School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants 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's Discussion and Analysis and the required supplementary information, as listed in the foregoing table of contents, respectively, are not a required part of the basic financial statements but are supplementary information required by the U.S. generally accepted accounting principles. 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 Somerset Hills School District's basic financial statements. The introductory section, combining and individual fund schedules and statements, other schedules, statistical tables and the schedules of expenditures of federal awards and state financial assistance as listed in the table of contents are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations"; New Jersey OMB's Circular 04-04 "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid" and State of New Jersey, Department of Education, Division of Finance and are not a required part of the basic financial statements of the Somerset Hills School District, County of Somerset, New Jersey. Such information, except for the introductory section and that portion marked unaudited on which we express no opinion, 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.

Suplee, Clooney & Company
CERTIFIED PUBLIC ACCOUNTANTS

Warren M. Kovaly
PUBLIC SCHOOL ACCOUNTANT NO. 962

October 24, 2010

REQUIRED SUPPLEMENTARY INFORMATION – Part I

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

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

The discussion and analysis of The Somerset Hills School District's (SHSD) financial performance provides an overall review of the 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 basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2010 are as follows:

- Total net assets decreased $29,920.90, which represents a 0.1 percent decrease from 2009.
- General revenues accounted for $29,060,313.57 in revenue or 73.5 percent of all revenues. Program specific revenues in the form of charges for services, operating and capital grants and contributions accounted for $10,466,036.56 or 26.5 percent of total revenues of $39,526,350.13.
- The School District had $39,556,271.03 in expenses; only $10,466,036.56 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily local property tax levy) of $29,060,313.57 were adequate to provide for these programs.
- Among governmental funds, the General Fund had $34,325,705.76 in revenues, $93,612.00 in capital lease proceeds and, $34,989,902.55 in expenditures. The General Fund's fund balance decreased by $570,584.79 after transfers compared to 2009.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand SHSD as a financial whole and as 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 reflect 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 SHSD, the General Fund is by far the most significant fund.

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 answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting reflects 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 position 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 is divided into two distinct kinds of activities:

- Government 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 funds are reported as business activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund Financial reports provide detailed information about the District's funds. The District uses many funds to account for a multitude of financial transactions. The District's governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund.

Governmental Funds

The 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 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 District's general government operations and the basic services it provides. Governmental fund information helps the reader 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.

Enterprise Fund

The enterprise fund uses the same basis of accounting as business-type activities; therefore these statements are essentially the same.

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 with comparative data for 2009.

Table 1

Net Assets

The District's combined net assets were $26,799,604.31 on June 30, 2010. This was a decrease of 0.1 percent from the prior year.

Assets	**2010**	**2009**
Current and Other Assets	$5,953,662.18	$7,533,907.99
Capital Assets	63,247,399.30	63,088,656.53
Total Assets	69,201,061.48	70,622,564.52
Liabilities		
Long-Term Liabilities	41,727,245.56	43,115,260.20
Other Liabilities	674,211.61	677,779.01
Total Liabilities	42,401,457.17	43,793,039.21
Net Assets		
Invested in Capital Assets, Net of Debt	24,265,109.78	23,602,493.35
Restricted	666,619.55	327,888.49
Unrestricted	1,867,874.98	2,899,143.37
Total Net Assets	$26,799,604.31	$26,829,525.21

Table 2 shows changes in net assets for fiscal year 2010 with comparative data for 2009.

Table 2

Changes in Net Assets

Revenues	**2010**	**2009**
Program Revenues:		
Charges for Services	$5,257,147.93	$5,153,287.82
Operating Grants and Contributions	4,898,740.30	5,009,277.83
Capital Grants and Contributions	310,148.33	
General Revenues:		
Property Taxes	29,133,079.00	29,138,806.00
Grants and Entitlements	88,524.55	46,754.96
Other	(161,289.98)	446,526.22
Total Revenues	39,526,350.13	39,794,652.83
Program Expenses		
Instruction	22,253,990.24	21,709,327.35
Support Services:		
Pupils and Instructional Staff	4,934,891.09	4,579,372.99
General and School Administration	3,283,391.54	3,236,411.14
Plant Operations and Maintenance	3,551,959.19	3,747,189.26
Pupil Transportation	2,193,985.90	2,167,660.84
Business Type Activities	584,632.69	487,978.17
Unallocated Depreciation	1,060,991.45	25,768.93
Interest on Long Term Debt	1,692,428.93	1,757,175.39
Total Expenses	39,556,271.03	37,710,884.07

Governmental Activities

The nature of funding public education primarily through local property taxes in New Jersey creates the legal requirement to annually seek the approval of the registered voters from all three of the constituent municipalities for the School District operating budget. Local property taxes made up 75 percent of revenues for governmental activities for the SHSD for fiscal year 2010. The District's total governmental revenues were $38,894,951.83 for the year ended June 30, 2010. Federal, state, local grants and aid accounted for another 13 percent of revenue. Program specific revenues in the form of charges for services accounted for 12 percent of total revenue. Other miscellaneous revenues accounted for less than 1 percent of total revenue.

Business-Type Activities
Revenues for the District's business-type activities (food service program) were comprised of charges for services and federal and state reimbursements.

- Overall business-type revenues exceeded expenditures by $46,765.61.
- Charges for services represent $501,091.25 of revenue. This represents amounts paid by individuals for various program services.
- Federal and state reimbursement for meals, including payments for free and reduced lunches and donated commodities was $90,343.19.

Governmental Activities
The Statement of Activities shows the cost of program services and the changes for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

Table 3

	Total Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2010	Net Cost of Services 2009
Instruction	$22,253,990.24	$21,709,327.35	$13,903,664.51	$13,189,945.42
Support Services:				
Pupils and Instructional Staff	4,934,891.09	4,579,372.99	4,567,227.47	4,395,598.05
General and School Administration	3,283,391.54	3,236,411.14	3,100,388.66	3,040,623.12
Plant Operation and Maintenance	3,551,959.19	3,747,189.26	3,278,721.27	3,747,189.26
Pupil Transportation	2,193,985.90	2,167,660.84	1,618,458.34	1,533,883.50
Unallocated Depreciation	1,060,991.45	25,768.93	1,060,991.45	25,768.93
Interest and Fiscal Charges	1,692,428.93	1,757,175.39	1,604,494.93	1,664,463.39
Business Type Activities	584,632.69	487,978.17	(43,712.16)	(49,153.24)
Total Expenses	$39,556,271.03	$37,710,884.07	$29,090,234.47	$27,548,318.43

Governmental Activities (continued)

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

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

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

Operation and maintenance of facilities include expenses associated with the upkeep of the physical plant, utilities, and property/liability insurance coverage.

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.

Interest on debt involves the transactions associated with the payment of interest and other related charges to debt of the School District.

The School District's Funds

All governmental funds (i.e., general fund, special revenue fund, capital projects fund and debt service fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to $39,195,685.64 and expenditures were $40,898,255.91.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2010, and the amount and percentage of increase and decrease in relation to prior year revenues.

Revenue	Amount	Percent of Total	Inc/(Dec) FY 2009	Percent Inc/(Dec)
Local Sources	$34,593,164.46	88.26%	$47,884.55	0.14%
State Sources	3,882,047.75	9.90%	(372,003.63)	-8.74%
Federal Sources	720,473.43	1.84%	266,192.26	58.60%
Total	$39,195,685.64	100.00%	($57,926.82)	-0.15%

The School District's Funds (continued)

The following schedule represents 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.

Expenditures	Amount	Percent of Total	Inc/(Dec) FY 2009	Percent Inc/(Dec)
Current:				
Instruction	$21,868,139.43	53.47%	$ 421,352.00	1.96%
Support Services	13,945,067.23	34.10%	409,454.75	3.03%
Capital Outlay	1,620,353.11	3.96%	1,258,445.71	347.73%
Debt Service:				
Principal	1,763,401.90	4.31%	47,452.24	2.77%
Interest	1,701,294.24	4.16%	(28,457.03)	-1.65%
Total	$40,898,255.91	100.00%	$ 2,108,247.67	5.15%

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 the basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

The 2009-2010 general fund tax levy of $25,803,779 was approved by a vote of 828 to309, with 15% of registered voters participating. District financial objectives to improve operational performance were met. Unfortunately, new State legislation has forced the district to operate with an unreserved fund balance equal to 2% of budgeted expenditures. This required the District to designate $1,299,862.33 in fund balance for future tax levy reduction.

Also during the school year, the State reduced the 2009/2010 state aid by $ 473,690. This forced the district to implement a purchasing freeze to offset the reduction in state aid. In addition, the District appropriately transferred funds to prevent over expenditures in specific line items. Several of these transfers merit notation:

- Out-of-district special education tuition costs decreased because of fewer students who required placement outside of the district.
- Purchased professional therapeutic services for in-district students increased due to bringing more students back into district.
- Transportation expenses decreased due to providing in-district bussing at a lower cost than county-run transportation.
- Utility expenses decreased due to various energy efficiency initiatives undertaken by the District.
- Increased grant funding provided new educational opportunities.
- The State's contribution to the TPAF pension fund is neither a revenue item nor an expenditure item to the District but is required to be reflected in the financial statements.

Capital Assets

At the end of the 2010 fiscal year, the School District had $63,247,400 invested in land, building, machinery, and equipment. Table 4 shows fiscal year 2010 balances compared to 2009.

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

	2010	2009
Sites & Site Improvements	$3,076,468	$1,980,000
Construction in Progress		55,115,692
Building and Building Improvements	59,564,626	5,245,808
Machinery and Equipment	606,306	747,157
Total	$63,247,400	$63,088,657

Overall capital assets increased $158,742.77 from fiscal year 2009 to fiscal year 2010.

Debt Administration

At June 30, 2010, the School District had $41,727,245.56 of long-term liabilities. Of this amount, $1,997,610.58 is for compensated absences, $107,879.00 is for the PERS pension deferral, $100,944.28 is for capital leases payable and $39,520,811.70 is for serial bonds issued for school construction, net of unamortized refunding costs.

Table 5
Serial Bonds Outstanding at June 30,

Series	2010	2009
2003	$34,172,000.00	$35,297,000.00
2003	2,445,000.00	2,765,000.00
2008	2,980,000.00	3,255,000.00
Total	$39,597,000.00	$41,317,000.00

For the Future

The Somerset Hills School District will be challenged to continue to deliver its premier educational program with greatly reduced state aid and pressure from the community to keep any tax rate increases to a minimum, as a result of the recession. As such, the District has implemented several initiatives to reduce those expenses which have no direct impact on the educational program, such as transportation and energy cost.

The District is in the process of implementing two energy-savings initiatives. Schools for Energy Efficiency® (SEE) is a comprehensive program for K-12 schools to save energy and money by changing behavior throughout the district. SEE provides a systemized plan, educational awareness materials, training, and utility tracking for immediate and sustainable savings. The first two quarters of the program yielded savings of $44,000.

The District has also undertaken a comprehensive energy audit that was funded by a grant of $67,485 from New Jersey's Clean Energy Program. Following the audit, the District engaged in an Energy Savings Improvement Plan (ESIP) with a national energy services company. Under this program, the District will install $3.2 million worth of energy improvements at no cost to the taxpayer and a guaranteed cash flow to the district of $31,946 per year for 15 years. The improvements are funded by grant funding and energy savings.

Enrollment, which had previously grown at a steady pace, decreased by 50 students between June,2009 to June, 2010. Enrollment in September, 2010 was up by 19 students from June. Overall, enrollment increases over the next several years are expected to be minimal.

The District embarked on a new cycle of strategic planning in October of 2007 under the direction of the Cambridge Group, a national leader in strategic planning. The strategic plan, including specific actions to be taken, was approved by the Board of Education in June of 2008. Implementation is expected to take place over the next 5-10 years. In 2008/09, the District began studying and implementing many of its strategic plan goals including distance learning, new writing labs and several "green" initiatives. In 2009-2010, the District continued its implementation of the strategic plan with the start up of a consistent model of communication for all of its constituents including ALERT NOW notification and the use of Friday folders.

Contacting the School District's Financial Management Office

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 any questions about this report or need additional information contact Nancy Lee Hunter, Business Administrator/Board Secretary, Somerset Hills School District, 25 Olcott Avenue, Bernardsville, NJ 07924. Please visit our website at www.shsd.org.

BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the District's operations. These financial statements present the financial position and operating results of all funds as of June 30, 2010

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.

EXHIBIT "A-1"

SOMERSET HILLS SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	$ 2,555,613.29	$ 285,717.23	$ 2,841,330.52
Receivables, net	2,802,894.06	7,160.97	2,810,055.03
Inventory		8,050.58	8,050.58
Internal Balances	116,374.83	(116,374.83)	
Restricted assets:			
Restricted cash and cash equivalents	294,226.05		294,226.05
Capital assets, net			
Non Depreciable	1,980,000.00		1,980,000.00
Depreciable - Net	61,199,702.62	67,696.68	61,267,399.30
Total Assets	68,948,810.85	252,250.63	69,201,061.48
LIABILITIES			
Accounts payable	150,205.68	9.00	150,214.68
Payable to other governments	12,785.98		12,785.98
Unearned revenue	13,173.18	2,383.62	15,556.80
Bond interest payable	495,654.15		495,654.15
Noncurrent liabilities:			
Due within one year	1,928,286.98		1,928,286.98
Due beyond one year	39,798,958.58		39,798,958.58
Total liabilities	42,399,064.55	2,392.62	42,401,457.17
NET ASSETS			
Investment in capital assets, net of related debt	24,197,413.10	67,696.68	24,265,109.78
Restricted for:			
Capital projects	531,619.55		531,619.55
Other purposes	135,000.00		135,000.00
Unrestricted	1,685,713.65	182,161.33	1,867,874.98
Total net assets	$ 26,549,746.30	$ 249,858.01	$ 26,799,604.31

See accompanying notes to financial statements.

EXHIBIT "A-2"

SOMERSET HILLS SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
JUNE 30, 2010

Functions/Programs	Expenses	Programs Revenues: Charges for Services	Programs Revenues: Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
Governmental Activities:							
Instruction:							
Regular	$ 16,055,321.53	$ 4,642,131.68	$ 1,855,897.00		$ (9,557,292.85)		$ (9,557,292.85)
Special	4,443,018.34		1,749,176.25		(2,693,842.09)		(2,693,842.09)
Other Instruction	1,755,650.37		103,120.80		(1,652,529.57)		(1,652,529.57)
Support services:							
Student & instruction related services	4,934,891.09		367,663.62		(4,567,227.47)		(4,567,227.47)
General administrative services	931,980.80		58,145.55		(873,835.25)		(873,835.25)
School administrative services	1,635,420.57		124,857.33		(1,510,563.24)		(1,510,563.24)
Central services & Info Technology	715,990.17				(715,990.17)		(715,990.17)
Plant operations and maintenance	3,551,959.19			$ 273,237.92	(3,278,721.27)		(3,278,721.27)
Pupil transportation	2,193,985.90	113,925.00	461,602.56		(1,618,458.34)		(1,618,458.34)
Interest on Long-Term Debt	1,692,428.93		87,934.00		(1,604,494.93)		(1,604,494.93)
Unallocated Depreciation	1,060,991.45				(1,060,991.45)		(1,060,991.45)
Total governmental activities	38,971,638.34	4,756,056.68	4,808,397.11	273,237.92	(29,133,946.63)		(29,133,946.63)
Business-type activities							
Food Service	584,632.69	501,091.25	90,343.19	36,910.41		$ 43,712.16	43,712.16
Total business-type activities	584,632.69	501,091.25	90,343.19	36,910.41		43,712.16	43,712.16
Total primary government	$ 39,556,271.03	$ 5,257,147.93	$ 4,898,740.30	$ 310,148.33	$ (29,133,946.63)	$ 43,712.16	$ (29,090,234.47)
General Revenues:							
Taxes:							
Property taxes, levied for general purposes,net					$ 25,803,779.00		$ 25,803,779.00
Taxes levied for debt service					3,329,300.00		3,329,300.00
Federal and state aid not restricted					88,524.55		88,524.55
Miscellaneous income					136,390.37	$ 3,053.45	139,443.82
Loss on Capital Assets Disposition					(300,733.80)		(300,733.80)
Total general revenues and transfers					29,057,260.12	3,053.45	29,060,313.57
Change in net Assets					(76,686.51)	46,765.61	(29,920.90)
Net Assets - beginning					26,626,432.81	203,092.40	26,829,525.21
Net Assets ending				$	$ 26,549,746.30	$ 249,858.01	$ 26,799,604.31

See accompanying notes to financial statements.

MAJOR FUND FINANCIAL STATEMENTS

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

EXHIBIT "B-1"

SOMERSET HILLS SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and cash equivalents	$ 2,537,213.73			$ 18,399.56	$ 2,555,613.29
Cash, maintenance reserve	135,000.00				135,000.00
Cash, capital reserve	159,226.05				159,226.05
Other receivables	1,500.00	$ 111,405.74			112,905.74
Receivables from other governments	772,908.35	162,508.44	$ 1,721,764.14		2,657,180.93
Due from other funds	1,051,585.59				1,051,585.59
Total assets	$ 4,657,433.72	$ 273,914.18	$ 1,721,764.14	$ 18,399.56	$ 6,671,511.60
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 94,749.85	$ 55,455.83		$	$ 150,205.68
Payable to state government		12,785.98			12,785.98
Due to other funds		192,499.19	$ 709,904.18		902,403.37
Deferred revenue		13,173.18			13,173.18
Total liabilities	94,749.85	273,914.18	709,904.18		1,078,568.21
Fund balances:					
Reserved for:					
Encumbrances	71,889.30		596,947.57		668,836.87
Capital reserve account	159,226.05				159,226.05
Maintenance reserve account	135,000.00				135,000.00
Excess surplus	1,299,862.33				1,299,862.33
Excess surplus - Designated for subsequent years expenditures	2,330,943.49				2,330,943.49
Unreserved, reported in:					
General fund:					
Undesignated	565,762.70				565,762.70
Capital projects fund			414,912.39		414,912.39
Debt service fund:					
Designated for subsequent years expenditures				18,399.00	18,399.00
Undesignated				0.56	0.56
Total fund balances	4,562,683.87		1,011,859.96	18,399.56	5,592,943.39
Total liabilities and fund balances	$ 4,657,433.72	$ 273,914.18	$ 1,721,764.14	$ 18,399.56	

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 assets is $75,479,379.37 and the accumulated depreciation is $12,299,676.75 — 63,179,702.62

Long term liabilities, including bonds and interest payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds;

Bonds Payable	$ 39,597,000.00
Unamortized balance of refunding bonds	(76,188.30)
Capital Leases Payable	100,944.28
PERS Pension Deferral	107,879.00
Compensated Absences Payable	1,997,610.58
Accrued Interest Payable	495,654.15
	(42,222,899.71)
	$ 26,549,746.30

See accompanying notes to financial statements.

EXHIBIT "B-2"

SOMERSET HILLS SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Local sources:					
Local tax levy	$ 25,803,779.00			$ 3,329,300.00	$ 29,133,079.00
Tuition	4,642,131.68				4,642,131.68
Transportation fees from individuals	113,925.00				113,925.00
Miscellaneous	136,390.37	$ 567,638.41			704,028.78
Total - local sources	30,696,226.05	567,638.41		3,329,300.00	34,593,164.46
State sources	3,629,479.71	164,634.04		87,934.00	3,882,047.75
Federal sources		720,473.43			720,473.43
Total revenues	34,325,705.76	1,452,745.88		3,417,234.00	39,195,685.64
EXPENDITURES:					
Current expense:					
Regular instruction	15,338,857.15	367,397.58			15,706,254.73
Special instruction	3,725,163.17	673,853.23			4,399,016.40
Other Instruction	1,721,662.35	41,205.95			1,762,868.30
Support services:					
Student & instruction related services	4,846,430.90	97,051.20			4,943,482.10
General administration	953,697.30				953,697.30
School administration	1,698,077.98				1,698,077.98
Central services & Technology	617,742.47				617,742.47
Plant operations and maintenance	3,539,201.04				3,539,201.04
Pupil transportation	2,192,866.34				2,192,866.34
Debt Service:					
Principal	43,401.90			1,720,000.00	1,763,401.90
Interest	4,060.24			1,697,234.00	1,701,294.24
Capital outlay	308,741.71	273,237.92	$ 1,038,373.48		1,620,353.11
Total expenditures	34,989,902.55	1,452,745.88	1,038,373.48	3,417,234.00	40,898,255.91
Excess (deficiency) of revenues over (under) expenditures	(664,196.79)		(1,038,373.48)		(1,702,570.27)
Other financing sources (uses):					
Capital leases	93,612.00				93,612.00
Total other financing sources (uses)	93,612.00				93,612.00
Net change in fund balances	(570,584.79)		(1,038,373.48)		(1,608,958.27)
Fund balances, July 1, 2009	5,133,268.66	-0-	2,050,233.44	18,399.56	7,201,901.66
Fund balances, June 30, 2010	$ 4,562,683.87	$ -0-	$ 1,011,859.96	$ 18,399.56	$ 5,592,943.39

See accompanying notes to financial statements.

EXHIBIT "B-3"

SOMERSET HILLS SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Total net change in fund balances - governmental funds (from B-2)	$ (1,608,958.27)
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	(1,195,127.61)
Loss on Disposal/Revaluation of Capital Assets	(300,733.80)
Capital outlays	1,620,353.11
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.	
Payment of bond principal	1,720,000.00
Payment of capital lease principal	43,401.90
Amortization of deferred amount of refunding bonds	(10,900.00)
Proceeds from Capital lease financing	(93,612.00)
In the statement of activities, interest on long-term debt is accrued, regardless of when due. In governmental funds, interest is reported when due. The accrued interest decrease is an addition in the reconciliation.	19,765.31
In the statement of activities, certain expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).	
Increase in Compensated Absences payable	(270,875.15)
Change in net assets of governmental activities	$ (76,686.51)

See accompanying notes to financial statements.

EXHIBIT "B-4"

SOMERSET HILLS SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS
ASSETS	
Current assets:	
Cash and cash equivalents	$ 285,717.23
Accounts receivable:	
State	528.76
Federal	6,632.21
Inventories	8,050.58
Total current assets	300,928.78
Noncurrent assets:	
Furniture, machinery & equipment	268,600.00
Less accumulated depreciation	(200,903.32)
Total noncurrent assets	67,696.68
Total assets	$ 368,625.46
LIABILITIES	
Current liabilities:	
Accounts Payable	$ 9.00
Interfund payable	116,374.83
Deferred revenue	2,383.62
Total current liabilities	118,767.45
Total liabilities	118,767.45
NET ASSETS	
Invested in capital assets	67,696.68
Unrestricted	182,161.33
Total net assets	$ 249,858.01

See accompanying notes to financial statements.

EXHIBIT "B-5"

SOMERSET HILLS SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS
OPERATING REVENUES:	
Charges for services:	
Daily sales	$ 501,091.25
Total operating revenues	501,091.25
OPERATING EXPENSES:	
Cost of sales	269,099.23
Salaries	173,512.32
Employee benefits	39,676.49
Other purchase service	11,498.00
Supplies and materials	88,187.31
Depreciation	2,659.34
Total operating expenses	584,632.69
Operating (loss)	(83,541.44)
NONOPERATING REVENUES (EXPENSES):	
State sources	
State school lunch program	5,762.48
Federal sources	
National school lunch program	71,818.22
Interest earned	3,053.45
National food distribution commodities	12,762.49
Total nonoperating revenues	93,396.64
Net Income	9,855.20
Contributed Capital Assets	36,910.41
Change in net assets	46,765.61
Total net assets - beginning	203,092.40
Total net assets - ending	$ 249,858.01

See accompanying notes to financial statements.

EXHIBIT "B-6"

SOMERSET HILLS SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

		BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS
Cash flows from operating activities:		
Receipts from customers	$	501,091.25
Payments to employees		(173,512.32)
Payments for employee benefits		(39,676.49)
Payments to suppliers		(356,744.77)
Net cash provided by (used for) operating activities)		(68,842.33)
Cash flows from noncapital financing activities:		
State sources		6,203.64
Federal sources		75,575.67
Transfers from/(to) other funds		64,988.42
Net cash provided by noncapital financing activities:		146,767.73
Cash flows from investing activities:		
Interest earned		3,053.45
Net cash provided by investing activities		3,053.45
Net decrease in cash and cash equivalents		80,978.85
Cash and cash equivalents, July 1, 2009		204,738.38
Cash and cash equivalents, June 30, 2010	$	285,717.23
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating (loss)	$	(83,541.44)
Adjustments to reconciling operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation		2,659.34
Federal commodities		12,762.49
Change in assets and liabilities:		
Increase (decrease) in deferred revenue		(816.30)
(Increase) decrease in inventories		84.58
Increase (decrease) in accounts payable		9.00
		14,699.11
Net cash provided by (used for) operating activities	$	(68,842.33)

See accompanying notes to financial statements.

EXHIBIT "B-7"

SOMERSET HILLS SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	State Unemployment Compensation Trust Fund	Private Purpose Award Fund	Agency Funds
ASSETS			
Cash and cash equivalents	$ 231,138.80	$ 184,876.00	$ 242,455.02
Total Assets	231,138.80	184,876.00	$ 242,455.02
LIABILITIES			
Interfund payable			$ 32,807.39
Payroll deductions and withholdings			23,610.90
Due to student groups			186,036.73
Total Liabilities			$ 242,455.02
NET ASSETS			
Held in trust for unemployment claims	231,138.80		
Reserved for Awards		184,876.00	
Total Net Assets	$ 231,138.80	$ 184,876.00	

See accompanying notes to financial statements.

EXHIBIT "B-8"

SOMERSET HILLS SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Private Purpose Award Fund Scholarship Fund	State Unemployment Compensation Trust Fund
ADDITIONS:		
Contributions:		
Other	$ 5,000.00	$ 28,014.19
Total contributions	5,000.00	28,014.19
Investment earnings:		
Interest	2,664.80	2,752.34
Net investment earnings	2,664.80	2,752.34
Total additions	7,664.80	30,766.53
DEDUCTIONS:		
Awards granted	10,520.00	
Unemployment claims		67,460.56
Total deductions	10,520.00	67,460.56
Change in net assets	(2,855.20)	(36,694.03)
Net assets beginning of year	187,731.20	267,832.83
Net assets end of year	$ 184,876.00	$ 231,138.80

See accompanying notes to financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Somerset Hills School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America (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 District's accounting policies are described below:

Reporting Entity

The School District is a Type II District located in Somerset County, New Jersey. The School District is an instrumentality of the State of New Jersey, established to function as an educational institution. The Somerset Hills School District is governed by a ten member board, including nine individuals elected to three year terms from the Boroughs of Bernardsville, Peapack & Gladstone and Far Hills, along with one appointed member from the Bedminster Board of Education. The Board is the primary governing authority of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

The primary criterion for including activities within the District's reporting entity, are set forth in Statement No. 39 of the Governmental Accounting Standards Board entitled *"Determining Whether Certain Organizations are Component Units" (GASB 39)* as codified in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards.

Organizations that are legally separate, tax-exempt entities and that meet *all* of the following criteria should be discretely presented as component units. These criteria are:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government.

2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources of the organization.

3. The economic resources received or held by an *individual organization* that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The operations of the District include one elementary school, one intermediate school and a High School. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Basis of Accounting

The 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 generally between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net assets presents the financial condition of the governmental and business-type activities of the 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 requirement 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 District.

Fund Financial Statements: During the fiscal year, the District segregates transactions related to certain 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 are presented for each fund category-governmental, proprietary, and fiduciary. 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 as the oversight entity believes that the presentation of all funds as major is important for the public interest and to promote consistency among District financial reporting models.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 non instructional equipment which are classified in the capital outlay sub-fund.

As required by the New Jersey Statement Department of Education, the District includes budgeted capital outlay in this fund. U.S. 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 capital 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 the current expense by Board resolution; in certain instances approval by the County Superintendent of Schools may also be required.

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

Capital Projects Funds 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 debt issued to finance major property acquisition, construction and improvement programs.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Funds

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

Fiduciary Funds

Agency Funds The agency funds are used to account for assets held by the District on behalf of outside parties, including other governments, or on behalf of other funds within the District. The agency funds included are as follows:

Payroll and Student Activities Funds These are agency funds used to account for the assets that the District holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations.

Private Purpose Trust Funds These trust funds are used to account for assets donated by individuals that will provide for the payment of awards and other purposes.

Unemployment Insurance Trust Funds An expendable trust fund used to account for unemployment compensation claims as they arise.

Basis of Accounting-Measurement Focus

Basis of accounting determines when transactions are recorded in the financial records and reported in 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. 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 for expenses versus expenditures. Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey State 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting-Measurement Focus (Continued)

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 are 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 transactions 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 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 from the issuance of 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, Account Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

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 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. 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. 6A:23A-16. Expenditures may not legally exceed budgeted appropriations at the line item level. All budget amendments and transfers must be approved by School Board resolution. Budget amendments during the year ended June 30, 2010 totaled $96,964, representing the balance of June 30, 2009 general fund encumbrances.

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).

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control (Continued)

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 (GAAP) with the exception of the legally mandated (NJSA 18A:22-44.2) revenue recognition of deferred State Aid payments for budgetary purposes only and the accounting treatment of encumbrances in the special revenue fund as described 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 recognized 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 records.

Encumbrance Accounting

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditures 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 and capital project funds 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfunds

Interfund receivables and payables arise from transactions between particular funds and are considered short term in duration. The interfund transactions are recorded by all funds affected in the period in which the transactions are executed and are part of the district's available spendable resources.

Inventories and Prepaid Expenses

Inventories of materials and supplies held for consumption in the governmental funds are recorded as expenditures at the time of purchase and year end balances are not reported in the financial statements.

Inventories of food and/or supplies in the food service fund are recorded at cost on a first-in, first-out basis or, in the case of Food Distribution Commodities, at stated value which approximates market.

Prepaid expenses which benefit future periods, other than those recorded in the enterprise fund, are recorded as expenditures in the year of purchase.

Capital Assets

The District has an established formal system of accounting for its capital assets. Capital Assets used for governmental purposes, which include land, buildings and improvements and furniture and equipment, are only reported in the district-wide financial statements. The District generally defines capital assets as assets with an initial cost of $2,000.00 or more and a estimated useful life in excess of one year. 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.

Capital assets are depreciated in the district-wide statements using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
School Buildings	50
Building Improvements	20
Electrical/Plumbing	30
Vehicles	8
Office & computer equipment	5-10
Instructional equipment	10
Grounds equipment	15

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 varying amounts of vacation and sick leave in accordance with the District's personnel policy and/or collective bargaining unit contracts. Upon termination, employees are paid for accrued vacation. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after four years of service.

The liability for compensated absences was accrued using the termination payment method, whereby the liability is calculated based on the amount of sick leave and vacation days that are 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.

For the district-wide statements, the current portion is the amount estimated to be used in the following year. For the governmental funds in the fund financial statements, a liability is reported only for to the extent of the amount actually due at year end as a result of employee resignations/retirements. Compensated absences are a reconciling item between the fund level and district-wide presentations.

Deferred Revenue

Deferred revenue in the special revenue and capital projects funds represents funds which have been received but not yet earned. A corresponding accounts receivable has also been established for any open encumbrances at year end which is an allowable practice under generally accepted accounting principles.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Long term debt is recognized as a liability on the fund financial statements when due.

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 District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The 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 District reserves those portions of fund balance which are legally segregated for a specific future use of 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 and excess surplus in accordance with N.J.S.A. 18A:7F-7.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues Exchange and Non-Exchange 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.

Non-exchange transactions, in which the 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 District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Operating Revenues and Expenses

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the 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.

Extraordinary and Special Items

Extraordinary items are transactions or events that are unusual in nature and infrequent of occurrence. Special items are transactions or events that are within 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 GAAP requires management to make assumptions that affect the amounts reported as revenue and expenditures/expenses during the reporting period. These estimates may differ from actual results.

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

The District considers petty cash, change funds, cash in banks, deposits in the New Jersey Cash Management Fund and short term investments with original maturities of three months or less as cash and cash equivalents. Investments are stated at fair value.

NOTE 2: CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Deposits

New Jersey statutes permit the deposit of public funds in public depositories which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. Each depository participating in the GUDPA system must pledge collateral equal to 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of 75% of its capital funds. No collateral is required for amounts covered by FDIC insurance. The collateral which may be pledged to support these deposits includes obligations of the State and federal governments, insured securities and other collateral approved by the Department. When the capital position of the depository deteriorates or the depository takes an unusually large amount of public deposits, the Department of Banking and Insurance requires additional collateral to be pledged. Under (GUDPA), if a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of the deposits to the governmental unit.

Custodial Credit Risk- Deposits – Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The District does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of June 30, 2010, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash on balance in the bank of $5,529,383.84, $250,000.00 was covered by Federal Depository Insurance and $5,279,383.84 was covered under the provisions of NJGUDPA.

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

	Checking & Savings Accounts	Total
Cash on Deposit	$5,529,383.84	$5,529,383.84
Add: Deposit in Transit	19,934.64	19,934.64
Less: Outstanding Checks	1,755,302.09	1,755,302.09
Net Cash	$3,794,016.39	$3,794,016.39

NOTE 2: CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments

The types of investments which may be purchased by the District are strictly limited by the express authority of the N.J.S.A. 18A:20-37 Education, Administration of School Districts. Permitted investments include any of the following type of securities:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;

2. Government money market mutual funds which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a1 et seq., and operated in accordance with 17 C.F.R. § 270.2a7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 18A:2037. These funds are also required to be rated by a nationally recognized statistical rating organization.

3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;

4. Bonds or other obligations of the Local Unit or bonds or other obligations of school districts of which the Local Unit is a part or within which the school district is located.

5. Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Investment of the Department of Treasury for investment by School Districts;

NOTE 2: CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments (Continued)

6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270a7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 18A:2037. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization.

7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 C. 52:18A-90.4); or

8. Agreements for the repurchase of fully collateralized securities if:

   a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;
   b. the custody of collateral is transferred to a third party;
   c. the maturity of the agreement is not more than 30 days;
   d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 C. 17:1941); and
   e. a master repurchase agreement providing for the custody and security of collateral is executed.

At June 30, 2010 the District had no outstanding investments.

NOTE 3: CAPITAL ASSETS

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

	Beginning Balance	Additions	Transfers/ Deletions	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	$1,980,000.00			$1,980,000.00
Construction in progress	55,115,691.65		$ (55,115,691.65)	0.00
Total Capital Assets not being depreciated	57,095,691.65	0.00	(55,115,691.65)	1,980,000.00
Site improvements	0.00		2,040,300.00	2,040,300.00
Buildings & Building Improvements	14,867,063.21	$ 1,443,008.48	53,540,622.73	69,850,694.42
Machinery & Equipment	2,383,173.36	177,344.63	(952,133.04)	1,608,384.95
Totals at historical cost	17,250,236.57	1,620,353.11	54,628,789.69	73,499,379.37
Gross Assets (Memo only)	74,345,928.22	1,620,353.11	(486,901.96)	75,479,379.37
Less: Accumulated Depreciation				
Site improvements		(96,165.00)	(847,667.50)	(943,832.50)
Buildings & Building Improvements	(9,621,254.94)	(939,823.07)	275,009.44	(10,286,068.57)
Machinery & Equipment	(1,669,462.36)	(159,139.54)	758,826.22	(1,069,775.68)
Total Depreciation	(11,290,717.30)	(1,195,127.61)	186,168.16	(12,299,676.75)
Total capital assets being depreciated, net of depreciation	5,959,519.27	425,225.50	54,814,957.85	61,199,702.62
Total Governmental Fund Activities	$63,055,210.92	$425,225.50	($300,733.80)	$63,179,702.62
Proprietary Activities:				
Machinery & Equipment	$231,689.59	$36,910.41		$268,600.00
Totals at historical cost	231,689.59	36,910.41	0.00	268,600.00
Less: Accumulated Depreciation				
Machinery & Equipment	(198,243.98)	(2,659.34)		(200,903.32)
Total Depreciation	(198,243.98)	(2,659.34)	0.00	(200,903.32)
Total Proprietary Fund Activities	$33,445.61	$34,251.07	$0.00	$67,696.68

NOTE 3: CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functional expenses areas of the

District as follows:

Instruction:	
Regular	$5,900.15
Support Services:	
Central Services/Technology	99,255.00
Plant Operations and Maintenance	28,981.01
Direct Expense of Various Functions	1,060,991.45
	$1,195,127.61

NOTE 4: LONG-TERM DEBT

Bonds are issued by the District pursuant to the provisions of Title 18A, Education, of the New Jersey Statutes and are required to be approved by the voters of the municipality through referendum. The proceeds of bonds are recorded in the Capital Projects Fund and are restricted to the use for which they were approved in the bond referendum. All bonds are retired in annual installments within the statutory period of usefulness

School Bonds issued by the District are entitled to and benefit from the provision of the New Jersey School Board Reserve Act P.L. 1980 c.72. Statutorily, funds are held by the State of New Jersey within its State Fund for the Support of Free Public Schools as a school bond reserve pledged by law to secure payment of principal and interest due on such bonds in the event of the inability of the issuer to make payments.

NOTE 4: LONG-TERM DEBT (CONTINUED)

The following is a summary of transactions that affect long-term liabilities for the year ended June 30, 2010:

	Bonds Payable	Capital Leases Payable	PERS Pension Deferral	Compensated Absences Payable	Total
Balance June 30, 2009	$41,317,000.00	$50,734.18	$107,879.00	$1,726,735.42	$43,202,348.60
Additions		93,612.00		270,875.16	364,487.16
Reductions	(1,720,000.00)	(43,401.90)	-	-	(1,763,401.90)
Balance June 30, 2010	39,597,000.00	100,944.28	107,879.00	1,997,610.58	41,803,433.86
Unamortized Balance of Refunding Bonds	(76,188.30)	-	-	-	(76,188.30)
	$39,520,811.70	$100,944.28	$107,879.00	$1,997,610.58	$41,727,245.56
Amounts due within one Year	$1,785,000.00	$43,406.45	$0.00	$99,880.53	$1,928,286.98

Debt Capacity

Under New Jersey Statutes the District may incur debt in an amount not to exceed 4% of the averaged equalized valuation basis of real property. For the fiscal year ended June 30, 2010, the District borrowing capacity under N.J.S. 18A:24-19 is as follows:

Year	Equalized Valuation of Real Property
2009	$3,942,050,673
2008	4,015,023,845
2007	4,031,824,572
	$11,988,899,090
Average equalized valuation	$3,996,299,697
School borrowing margin (4% of $3,996,299,697)	$159,851,988
Net school debt as of June 30, 2010	39,597,641
School borrowing power available	$120,254,347

NOTE 4: LONG-TERM DEBT (CONTINUED)

Debt Service Requirements:

The annual requirements to amortize all debt outstanding as of June 30, 2010, including interest payments on issued debt, are as follows:

Fiscal Year June 30,	Principal	Interest	Total
FY2011	$1,785,000.00	$1,633,475.00	$3,418,475.00
FY2012	1,860,000.00	1,566,159.75	3,426,159.75
FY2013	1,930,000.00	1,495,556.50	3,425,556.50
FY2014	2,010,000.00	1,421,565.25	3,431,565.25
FY2015	2,090,000.00	1,343,442.75	3,433,442.75
FY2016	2,175,000.00	1,260,016.50	3,435,016.50
FY2017	2,265,000.00	1,172,299.00	3,437,299.00
FY2018	1,965,000.00	1,089,841.00	3,054,841.00
FY2019	2,345,000.00	1,012,780.00	3,357,780.00
FY2020	2,045,000.00	924,898.75	2,969,898.75
FY2021	2,225,000.00	839,008.75	3,064,008.75
FY2022	2,510,000.00	745,558.75	3,255,558.75
FY2023	2,595,000.00	638,883.75	3,233,883.75
FY2024	2,685,000.00	525,352.50	3,210,352.50
FY2025	2,780,000.00	407,212.50	3,187,212.50
FY2026	2,875,000.00	283,502.50	3,158,502.50
FY2027	1,105,000.00	155,565.00	1,260,565.00
FY2028	1,150,000.00	105,840.00	1,255,840.00
FY2029	1,202,000.00	54,090.00	1,256,090.00
	$39,597,000.00	$16,675,048.25	$56,272,048.25

NOTE 4: LONG-TERM DEBT (CONTINUED)

General obligation school and refunding bonds payable with their outstanding balances are comprised of the following individual issues:

Issue	Amount Outstanding June 30, 2010
$41,137,000.00 in 2003 General Obligation Bonds due in remaining annual installments ranging between $1,175,000.00 and $2,875,000.00 beginning March 15, 2010 and ending March 15, 2029 with interest at 4.0% to 4.50%	$34,172,000.00
$3,500,000.00 in Refunding Bonds dated December 1, 2003, due in remaining annual installments ranging between $325,000 and $380,000 beginning August 15, 2009 and ending August 15, 2016 with interest at 3.00% to 4.50%	2,445,000.00
$3,305,000.00 in 2008 Refunding Bonds due in remaining annual installments ranging between $285,000.00 and $375,000.00 beginning August 15, 2009 and ending August 15, 2018 with interest at 3.53%	2,980,000.00
	$39,597,000.00

NOTE 4: LONG-TERM DEBT (CONTINUED)

Refunding School Bonds

The District in prior years issued $6,805,000.00 in Refunding School bonds to advance refund certain of the District's previously issued and outstanding school bonds. The reacquisition price exceeded the net carrying amount by $109,000.00. This amount is being amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. The current year portion charged to the Statement of Activities was $10,900.00 leaving a balance of $76,188.30.

Capital Leases Payable

The District is leasing school buses totaling $170,295.84 under capital leases. This capital leases are for three years. The following is a schedule of the future minimum lease payments under the capital lease and the present value of the net minimum lease payments at June 30, 2010:

Fiscal Year Ended June 30,	Amount
2011	$47,462.14
2012	20,674.80
2013	20,674.80
2014	20,674.80
Total Minimum Lease Payments	109,486.54
Less: Amount Representing Interest	8,542.26
Present Value of Lease Payments	$100,944.28

NOTE 5: 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 provision 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 of PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C 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 60 and are generally determined to be 1/60 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).

NOTE 5: PENSION PLANS (CONTINUED)

Vesting and Benefit Provisions (Continued) 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.

Significant Legislation
Chapter 89- P.L. 2008- Members of either system who became members before July 1, 2007 may retire at age 55 years with 25 years of service or at age 60 with any number of years of service without a reduction in the amount of retirement allowance the members' receive. There is a reduction in such an allowance if the member is under 55 with 25 years of service. There is also a reduction in an allowance for members of either system who became members on or after July 1, 2007 and who retire between age 55 and 60 years with 25 or more years of service.

Contribution Requirements The contribution policy is set by N.J.S.A. 43:15A 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 currently provide for employee contributions of 5.5% 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 cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the District is a non-contributing employer of TPAF (i.e. the State of new Jersey makes the employer contribution on behalf of public school districts.

Three Year Trend Information for PERS

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	$251,057.00	100%	
2009	215,758.00	50%	$107,879.00
2008	172,555.40	100%	-

NOTE 5: PENSION PLANS (CONTINUED)

Contribution Requirements (Continued)

During the fiscal years ended June 30, 2010 and 2009, the State of New Jersey did not contribute to the TPAF pension system on behalf of the District. The on-behalf TPAF pension contribution for 2008 was $1,017,989.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District $1,159,147.71 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 basic financial statements, and the combining and individual fund statements and schedules as a revenue and expenditure in accordance with GASB 27.

Pension Deferral

Chapter 19 of Public Law 2009 provided regular and vocational school districts the option of deferring fifty (50) percent of the District's 2008-09 regular PERS pension liability. Districts that elected to defer the pension liability must begin repaying the deferred amount over fifteen years beginning in April, 2012.

Concurrent with the approval of the PERS pension deferral, Chapter 22 of Public Law 2009 required the Department of Education to reduce State aid for regular and county vocational school districts in the amount of the allowable PERS pension deferral, regardless of whether the school district elected to defer the pension payment. The Somerset Hills School District elected to defer the pension payment in the amount of $107,879.00. This amount is included in the District's long-term liabilities as of June 30, 2010.

NOTE 6: OTHER 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 made post-retirement (PRM) contributions of $1.38 billion for fiscal year 2009 and 3.22 million for fiscal year 2008.

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.

The State will set the contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the years ended June 30, 2010, 2009 and 2008 were, $984,490, $947,523 and $746,291 respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

NOTE 7: LITIGATION

The District's counsel advises that there is no litigation, pending litigation, claims, contingent liabilities, unasserted claims or assessments or statutory violations which involve the School District and which might materially affect the District's financial position.

NOTE 8: CONTINGENCIES

The District receives financial assistance from the State of New Jersey and the U.S. Government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. The State and Federal grants received and expended in the 2009-2010 fiscal year were subject to the U.S. OMB Circular A-133 and New Jersey OMB Circular 04-04 which mandates that grant revenues and expenditures be audited in conjunction with the District's annual audit if expenditures for federal or state programs exceed $500,000. Findings and questioned costs, if any, relative to federal and state financial assistance programs are discussed in the Single Audit Section, Schedule of Findings and Questioned Costs. In addition, all grants and cost reimbursements are subject to financial and compliance audits by the grantors. The District's management does not believe any such audit would result in material amounts of disallowed costs.

NOTE 9: 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 insurance coverage covering each of those risks of loss. The administration believes such coverage is sufficient to preclude any significant uninsured losses to the District. Claims have not exceeded the insurance coverage in any of the past three fiscal years.

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 fiduciary trust fund for the current and previous two years:

Year Ended June 30,	Interest Earnings	Employee Contributions	Amount Reimbursed	Ending Balance
2010	$2,752.34	$28,014.19	$67,460.56	$231,138.80
2009	5,418.02	28,116.34	36,127.25	267,832.83
2008	7,640.78	26,847.62	21,793.19	270,425.72

NOTE 10: COMPENSATED ABSENCES

The District accounts for compensated absences (e.g. unused vacation and 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 varying amounts of vacation and sick leave in accordance with the District's personnel policy. Upon termination, employees are paid for accrued vacation. The District's policy permits employees to accumulate unused sick leave and carry forward the amount to subsequent years. Upon retirement, employees shall be paid by the District for the unused sick leave in accordance with the Districts agreements with the various employee unions.

The liability for vested compensated absences of the governmental fund types are recorded in the district - wide statement of net assets. As of June 30, 2010, a liability existed for compensated absences for governmental fund-types in the district- wide Statement of Net Assets of $1,997,610.58.

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 funds.

For additional descriptive information see Note 1, Summary of Significant Accounting Policies.

NOTE 11: FUND BALANCE APPROPRIATED

General Fund Of the $4,562,683.87 in General Fund Balance at June 30, 2010, $71,889.30 has been reserved for encumbrances; $159,226.05 has been reserved in the Capital Reserve account; $135,000.00 has been reserved for maintenance and $3,630,805.82 is reserved for excess surplus in accordance with N.J.S.A. 18A:7F-7. $2,330,943.49 of the total reserve for excess surplus has been appropriated and included as anticipated revenue for the year ended June 30, 2011; and $565,762.70 is unreserved and undesignated.

NOTE 12: CALCULATION OF EXCESS SURPLUS – BUDGETARY BASIS

Calculation of Excess Surplus In accordance with N.J.S.A. 18A:7F-7, as amended, the designation for Reserved Fund Balance- Excess Surplus is a required calculation. New Jersey school districts are required to reserve General Fund balance at the fiscal year end of June 30 if the District did not appropriate a required minimum amount as budgeted fund balance in the subsequent year's budget. The excess fund balance at June 30, 2010 is $3,630,805.82, consisting of $2,330,943.49 from June 30, 2009 and $1,299,862.33 from June 30, 2010 as calculated below.

EXCESS SURPLUS CALCULATION

Section 1- 2% Calculation of Excess Surplus

2009-10 General Fund Expenditures per		
the CAFR (Exhibit C-1)	$ 34,989,902.55	
Decreased by:		
On-behalf TPAF Pension & Social Security	(2,196,055.71)	
Assets Acquired Under Capital Leases	(93,612.00)	
Adjusted 2009-10 General Fund Expenditures	$ 32,700,234.84	
2% of Adjusted 2009-10 General Fund Expenditures	$ 654,004.70	
Greater of 2% or $250,000	$ 654,004.70	
Increased by: Allowable Adjustment	47,097.00	
Maximum Unreserved/Undesignated Fund Balance		$ 701,101.70

Section 2

Total General Fund Balances at June 30, 2010 (Ex C-1)	$ 4,698,022.87	
Decreased by:		
Reserved for Encumbrances	71,889.30	
Excess Surplus- Designated for Subsequent Year's Expenditures	2,330,943.49	
Other Reserved Fund Balances	294,226.05	
	2,697,058.84	
Total Unreserved/Undesignated Fund Balance		$ 2,000,964.03

NOTE 12: CALCULATION OF EXCESS SURPLUS – BUDGETARY BASIS (CONTINUED)

Section 3		
Reserved Fund Balance- Excess Surplus	$	1,299,862.33
Recapitulation of Excess Surplus at June 30, 2010		
Reserved Excess Surplus- Designated for Subsequent	$	
Year's Expenditures		2,330,943.49
Reserved Excess Surplus		1,299,862.33
Total	$	3,630,805.82
Detail of Allowable Adjustments:		
Additional Nonpublic School Transportation Aid	$	47,097.00
	$	47,097.00

Based on the above calculation, as of June 30, 2010 $2,330,943.49 is reported as Reserved Fund Balance- Excess Surplus Designated for Subsequent Year's Expenditure and was required to be appropriated for property tax relief in the 2010-11 budget. $1,299,862.3 is reported as Reserved Fund Balance- Excess Surplus and is required to be appropriated for property tax relief in the 2011-12 budget.

NOTE 13: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2010:

Fund	Receivable	Payable
General Fund	$1,051,585.59	
Special Revenue Fund		$192,499.19
Capital Projects Fund		709,904.18
Enterprise Fund		116,374.83
Fiduciary Fund	-	32,807.39
	$1,051,585.59	$1,051,585.59

All balances resulted from the time lag between the dates that short-term loans were disbursed and payments between funds were received.

NOTE 14: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the District 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 of Education, 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 (June 1 to June 30) of any unanticipated revenue or unexpended line item appropriations, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained by either a separate proposal at budget time or by a special question at one of the four special election dates authorized by N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23A-14.1(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 during the year ended June 30, 2010, is as follows:

Balance, July 1, 2009	$ 159,226.05
Balance, June 30, 2010	$ 159,226.05

NOTE 15: INVENTORY

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

Food and Supplies	$8,050.58

The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1984) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of non-operating revenue in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION – Part II

BUDGETARY COMPARISON SCHEDULES

EXHIBIT "C-1"
SHEET #1

SOMERSET HILLS SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEARS ENDED JUNE 30, 2010

	ORIGINAL BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
REVENUES					
Local sources:					
Local tax levy	$ 25,803,779.00		$ 25,803,779.00	$ 25,803,779.00	
Tuition	4,605,108.00	$ 37,024.00	4,642,132.00	4,642,131.68	$ (0.32)
Transportation fees from individuals	103,050.00		103,050.00	113,925.00	10,875.00
Interest earned on capital reserve	100.00		100.00		(100.00)
Unrestricted miscellaneous revenues	72,868.00	72,823.00	145,691.00	136,390.37	(9,300.63)
Total revenues-local sources	30,584,905.00	109,847.00	30,694,752.00	30,696,226.05	1,474.05
State sources:					
Transportation aid	667,612.00	(233,664.00)	433,948.00	433,948.00	
Special education aid	531,489.00	(186,020.00)	345,469.00	345,469.00	
Security aid	154,304.00	(54,006.00)	100,298.00	100,298.00	
Extraordinary aid	432,807.00	95,274.00	528,081.00	528,081.00	
Nonpublic school transportation costs				47,097.00	47,097.00
Reimbursed TPAF social security contributions (non-budgeted)				1,159,147.71	1,159,147.71
On-behalf TPAF Non-contributory Insurance (non-budgeted)				52,418.00	52,418.00
On-behalf TPAF post retirement medical (non-budgeted)				984,490.00	984,490.00
Total - state sources	1,786,212.00	(378,416.00)	1,407,796.00	3,650,948.71	2,243,152.71
Total revenues	32,371,117.00	(268,569.00)	32,102,548.00	34,347,174.76	2,244,626.76
EXPENDITURES					
CURRENT EXPENSE:					
Instruction - regular programs:					
Salaries of teachers:					
Kindergarten	492,471.00	(5,657.92)	486,813.08	486,813.08	
Grades 1-5	3,167,900.00	(18,875.73)	3,149,024.27	3,149,024.27	
Grades 6-8	2,771,019.00	(96,924.85)	2,674,094.15	2,674,094.12	0.03
Grades 9-12	4,418,612.00	(56,613.56)	4,361,998.44	4,351,376.05	10,622.39
Regular programs - home instruction:					
Salaries of teachers	19,639.00	(5,890.60)	13,748.40	13,748.40	
Purchased professional educational services		650.00	650.00	650.00	

EXHIBIT "C-1"
SHEET #2

SOMERSET HILLS SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEARS ENDED JUNE 30, 2010

	ORIGINAL BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
Regular programs - undistributed instruction:					
Other salaries for instruction	$ 133,128.00	$ (41,041.62)	$ 92,086.38	$ 92,083.38	$ 3.00
Purchased technical services	5,700.00	300.00	6,000.00	5,991.97	8.03
Other purchased services (400-500 series)	162,096.00	(3,744.03)	158,351.97	97,939.95	60,412.02
General supplies	627,150.00	(21,490.99)	605,659.01	471,247.73	134,411.28
Textbooks	175,288.00	2,656.09	177,944.09	145,616.41	32,327.68
Other objects	59,650.00	2,754.64	62,404.64	23,517.62	38,887.02
Total regular programs	12,032,653.00	(243,878.57)	11,788,774.43	11,512,102.98	276,671.45
Special education - instruction:					
Resource room/ resource center:					
Salaries of teachers	1,101,067.00	(23,088.06)	1,077,978.94	1,077,978.94	
Other salaries for instruction	185,854.00	42,657.80	228,511.80	228,511.80	
General supplies	16,200.00	(4,123.11)	12,076.89	10,901.08	1,175.81
Total resource room/ resource center	1,303,121.00	15,446.63	1,318,567.63	1,317,391.82	1,175.81
Preschool disabilities - part time:					
Salaries of teachers	180,378.00	9,989.00	190,367.00	190,366.44	0.56
Other salaries for instruction	44,705.00	(719.00)	43,986.00	43,986.00	
General supplies	1,500.00		1,500.00	872.10	627.90
Total preschool disabilities - part time	226,583.00	9,270.00	235,853.00	235,224.54	628.46
Preschool disabilities - full time:					
Salaries of teachers	54,012.00	10,276.00	64,288.00	64,287.85	0.15
Other salaries for instruction	26,930.00	2,502.00	29,432.00	29,431.11	0.89
General supplies	2,000.00		2,000.00	1,954.02	45.98
Total preschool disabilities - full time	82,942.00	12,778.00	95,720.00	95,672.98	47.02
Special education instruction - home instruction					
Salaries of teachers	17,197.00	(1,968.91)	15,228.09	15,228.09	
Purchased professional-education services	12,000.00	24,600.00	36,600.00	36,353.25	246.75
General supplies	300.00		300.00	138.52	161.48
Total home instruction	29,497.00	22,631.09	52,128.09	51,719.86	408.23
Total special education - instruction	1,642,143.00	60,125.72	1,702,268.72	1,700,009.20	2,259.52
Basic skills/ remedial - instruction:					
Salaries of teachers	235,080.00	1,342.00	236,422.00	236,421.00	1.00
Total basic skills/ remedial - instruction	235,080.00	1,342.00	236,422.00	236,421.00	1.00

EXHIBIT "C-1"
SHEET #3

SOMERSET HILLS SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEARS ENDED JUNE 30, 2010

	ORIGINAL BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
Bilingual education - instruction:					
Salaries of teachers	$ 194,986.00	$ 3,183.00	$ 198,169.00	$ 198,169.00	$
General Supplies		1,500.00	1,500.00	1,098.62	401.38
Total bilingual education - instruction	194,986.00	4,683.00	199,669.00	199,267.62	401.38
School sponsored cocurricular activities - instruction:					
Salaries	239,216.00	(22,022.38)	217,193.62	216,668.62	525.00
Supplies and materials	17,110.00	1,170.60	18,280.60	11,587.14	6,693.46
Other objects	13,400.00		13,400.00	12,621.78	778.22
Total school sponsored cocurricular activities - instruction	269,726.00	(20,851.78)	248,874.22	240,877.54	7,996.68
School sponsored athletics - instruction:					
Salaries	476,352.00	12,015.53	488,367.53	482,090.98	6,276.55
Purchased services (300-500 series)	106,500.00	1,000.00	107,500.00	107,499.93	0.07
Supplies and materials	69,650.00	(853.74)	68,796.26	64,242.47	4,553.79
Other objects	4,000.00	550.00	4,550.00	4,152.34	397.66
Total school sponsored athletics - instruction	656,502.00	12,711.79	669,213.79	657,985.72	11,228.07
Total instruction	15,031,090.00	(185,867.84)	14,845,222.16	14,546,664.06	298,558.10
Undistributed Expenditures - instruction:					
Tuition to other LEAs within the state - regular	2,000.00	16,860.00	18,860.00	18,491.94	368.06
Tuition to other LEAs within the state - special	772,771.00	(49,492.00)	723,279.00	650,632.51	72,646.49
Tuition to Co. Voc. School District - special	10,600.00	(4,654.00)	5,946.00	5,946.00	
Tuition to private schools for the disabled w/in state	857,997.00	(83,282.00)	774,715.00	751,129.85	23,585.15
Tuition private school disabled & other LEA o/s state	43,000.00	(2,176.00)	40,824.00	40,824.00	
Total undistributed expenditures - instruction	1,686,368.00	(122,744.00)	1,563,624.00	1,467,024.30	96,599.70
Undistributed expenditures - attendance and social work services:					
Salaries	3,919.00	41.00	3,960.00	3,960.00	
Total undistributed expend. - attendance and soc. work serv.	3,919.00	41.00	3,960.00	3,960.00	
Undistributed expenditures - health services:					
Salaries	313,290.00	8,384.00	321,674.00	321,672.94	1.06
Purchased professional and technical services	28,800.00	(4,000.00)	24,800.00	23,663.00	1,137.00
Supplies and materials	7,950.00	36.00	7,986.00	5,233.48	2,752.52
Total undistributed expenditures - health services	350,040.00	4,420.00	354,460.00	350,569.42	3,890.58

EXHIBIT "C-1"
SHEET #4

SOMERSET HILLS SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEARS ENDED JUNE 30, 2010

	ORIGINAL BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
Undistributed expenditures - speech, OT, PT & related services					
Salaries	$ 209,465.00	$ 57,599.87	$ 267,064.87	$ 267,063.87	$ 1.00
Purchased professional - educational services	158,000.00	183,126.00	341,126.00	299,545.09	41,580.91
Total undistributed expenditures - speech, OT, PT & related services	367,465.00	240,725.87	608,190.87	566,608.96	41,581.91
Undistributed expenditures - other support services -					
Students - extraordinary services:					
Salaries	333,315.00	33,713.96	367,028.96	367,028.96	
Total undistributed expenditures - other support services -					
students - extraordinary services	333,315.00	33,713.96	367,028.96	367,028.96	
Undistributed expenditures - Guidance					
Salaries of other professional staff	670,523.00	(28,246.62)	642,276.38	642,276.38	
Salaries of secretarial and clerical assistants	107,583.00	650.00	108,233.00	108,233.00	
Purchased professional - educational services	19,000.00	5,762.00	24,762.00	13,832.51	10,929.49
Supplies and materials	7,700.00		7,700.00	1,862.13	5,837.87
Other objects	1,000.00		1,000.00	539.00	461.00
Total undistributed expenditures - Guidance	805,806.00	(21,834.62)	783,971.38	766,743.02	17,228.36
Undistributed expenditures - Child Study Teams					
Salaries of other professional staff	576,554.00	(81,884.38)	494,669.62	494,669.62	
Salaries of secretarial and clerical assistants	114,621.00	(15,397.87)	99,223.13	99,223.13	
Other purchased professional and technical services	25,000.00	4,450.00	29,450.00	28,412.85	1,037.15
Misc. purchased services (400-500 series other than resid. cost)	4,000.00	2,880.00	6,880.00	6,878.91	1.09
Supplies and materials	13,500.00	(4,162.75)	9,337.25	7,063.27	2,273.98
Other objects	15,000.00	(8,148.00)	6,852.00	6,735.74	116.26
Total Undistributed expenditures - Child Study Teams	748,675.00	(102,263.00)	646,412.00	642,983.52	3,428.48

EXHIBIT "C-1"
SHEET #5

SOMERSET HILLS SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEARS ENDED JUNE 30, 2010

	ORIGINAL BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
Undistributed expenditures - improvement of instruction:					
Salaries of supervisors of instruction	$ 202,413.00	$ (8,874.48)	$ 193,538.52	$ 193,538.52	$
Salaries of other professional staff	25,310.00	8,927.50	34,237.50	34,237.50	
Salaries of secretarial and clerical assistants	23,683.00	1,046.00	24,729.00	24,727.80	1.20
Other purchased services (400-500 series)	22,725.00	(6,151.56)	16,573.44	9,704.10	6,869.34
Supplies and materials	1,600.00		1,600.00	1,144.77	455.23
Other objects	1,000.00	20.95	1,020.95	657.84	363.11
Total undistributed expenditures - improvement of instruction	276,731.00	(5,031.59)	271,699.41	264,010.53	7,688.88
Undistributed expenditures - educational media services/ school library:					
Salaries	531,903.00	6,927.98	538,830.98	538,830.98	
Other purchased services (400-500 series)	30,831.00	(4,600.00)	26,231.00	25,990.06	240.94
Supplies and materials	92,310.00	4,975.04	97,285.04	82,544.94	14,740.10
Total educational media services/school library	655,044.00	7,303.02	662,347.02	647,365.98	14,981.04
Instructional staff training services:					
Salaries of supervisors of instruction	91,837.00	11,898.38	103,735.38	103,735.38	
Purchased professional-educational services	2,500.00		2,500.00		2,500.00
Other purchased services (400-500 series)	36,400.00	3,849.69	40,249.69	26,793.49	13,456.20
Supplies and materials	3,500.00		3,500.00		3,500.00
Total instructional staff training services	134,237.00	15,748.07	149,985.07	130,528.87	19,456.20
Support services general administration:					
Salaries	503,660.00	4,472.69	508,132.69	508,132.69	
Legal services	80,000.00	(32,000.00)	48,000.00	25,965.00	22,035.00
Audit fees	18,000.00		18,000.00	18,000.00	
Other purchased professional services	15,500.00	(1,550.00)	13,950.00	7,140.00	6,810.00
Communications/telephone	80,820.00	22,400.00	103,220.00	87,017.55	16,202.45
BOE other purchased services	5,000.00		5,000.00	2,020.48	2,979.52
Other purchased services (400-500 series)	74,272.00	(400.00)	73,872.00	50,395.77	23,476.23
General supplies	28,500.00	472.00	28,972.00	16,194.73	12,777.27
BOE in-house training/meeting supplies	5,000.00		5,000.00	1,935.57	3,064.43
Judgements against the school district		35,000.00	35,000.00	35,000.00	
Miscellaneous expenditures	15,000.00	(4,200.00)	10,800.00	6,028.00	4,772.00
BOE membership dues and fees	18,000.00		18,000.00	17,900.00	100.00
Total support services general administration	843,752.00	24,194.69	867,946.69	775,729.79	92,216.90

EXHIBIT "C-1"
SHEET #6

SOMERSET HILLS SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEARS ENDED JUNE 30, 2010

	ORIGINAL BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
Support services school administration:					
Salaries of principals/assistant principals	$ 838,625.00	$ 37,778.03	$ 876,403.03	$ 876,393.03	$ 10.00
Salaries of secretarial and clerical assistants	362,002.00	(1,661.96)	360,340.04	360,339.20	0.84
Supplies and materials	38,600.00	371.99	38,971.99	25,261.97	13,710.02
Other objects	8,500.00		8,500.00	5,349.94	3,150.06
Total support services school administration	1,247,727.00	36,488.06	1,284,215.06	1,267,344.14	16,870.92
Central services:					
Salaries	309,708.00	(322.20)	309,385.80	309,385.80	
Purchased technical services	28,000.00	44,788.00	72,788.00	72,642.75	145.25
Miscellaneous purchased services(400-500 series)	1,000.00	500.00	1,500.00	1,454.55	45.45
Supplies and materials	10,500.00	(3,032.63)	7,467.37	6,742.06	725.31
Miscellaneous expenditures	1,700.00	(588.00)	1,112.00	41.88	1,070.12
Total central services	350,908.00	41,345.17	392,253.17	390,267.04	1,986.13
Administration information technology:					
Salaries	91,831.00		91,831.00	91,828.00	3.00
Other purchased services(400-500 series)	1,000.00		1,000.00	158.62	841.38
Supplies and Materials	1,400.00	550.00	1,950.00	1,628.62	321.38
Other Objects	1,000.00		1,000.00		1,000.00
Total Administration information technology	95,231.00	550.00	95,781.00	93,615.24	2,165.76
Required maintenance for school facilities:					
Salaries	423,385.00	(5,858.95)	417,526.05	417,526.05	
Cleaning, repair and maintenance services	279,125.00	13,863.25	292,988.25	249,568.79	43,419.46
General supplies	60,948.00	2,111.20	63,059.20	55,241.96	7,817.24
Other objects	10,000.00		10,000.00	7,292.65	2,707.35
Total required maintenance for school facilities	773,458.00	10,115.50	783,573.50	729,629.45	53,944.05

EXHIBIT "C-1"
SHEET #7

SOMERSET HILLS SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEARS ENDED JUNE 30, 2010

	ORIGINAL BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
Custodial Services					
Salaries	$ 1,130,928.00	$ (50,808.52)	$ 1,080,119.48	$ 1,078,194.58	$ 1,924.90
Purchased professional and technical services	13,000.00	16,000.00	29,000.00	27,221.45	1,778.55
Cleaning, repair, and maintenance services	69,876.00		69,876.00	58,926.90	10,949.10
Other purchased property services	49,388.00	5,800.00	55,188.00	42,961.34	12,226.66
Insurance	120,750.00	(7,600.00)	113,150.00	113,101.00	49.00
Miscellaneous purchased services	600.00		600.00		600.00
General supplies	107,155.00	(13,440.00)	93,715.00	75,386.72	18,328.28
Energy (natural gas)	396,862.00	(66,000.00)	330,862.00	231,057.81	99,804.19
Energy (electricity)	791,561.00	(3,000.00)	788,561.00	674,347.99	114,213.01
Other objects	2,000.00	640.00	2,640.00	2,638.14	1.86
Total custodial services	2,682,120.00	(118,408.52)	2,563,711.48	2,303,835.93	259,875.55
Care & Upkeep of Grounds					
General supplies	5,825.00	1,200.00	7,025.00	6,706.34	318.66
Total care & upkeep of grounds	5,825.00	1,200.00	7,025.00	6,706.34	318.66
Student transportation services:					
Salaries for pupil transportation (bet. home & school)-reg	64,337.00	3,712.00	68,049.00	68,048.24	0.76
Salaries for pupil transportation (bet. home & school)- sp ed	33,480.00	4,306.00	37,786.00	37,138.50	647.50
Salaries for pupil transportation (bet. home & school)-nonpublic		5,868.10	5,868.10	5,868.10	
Management fee - ESC & CTSA transportation programs	35,560.00	(891.00)	34,669.00	30,534.73	4,134.27
Other purchased professional and technical services	3,000.00	(800.00)	2,200.00	1,275.00	925.00
Cleaning, repair, and maintenance services	3,540.00		3,540.00	2,558.55	981.45
Lease purchase payments- school buses	61,412.00	(14,230.00)	47,182.00	38,586.57	8,595.43
Contracted services (between home and school) - vendors	946,162.00	125,510.00	1,071,672.00	1,038,181.50	33,490.50
Contracted services (other than between home and school) - vendors	86,670.00	9,230.00	95,900.00	76,652.32	19,247.68
Contracted services (sp. Ed. Stds.) - joint agreements	858,191.00	(188,197.09)	669,993.91	574,156.37	95,837.54
Contracted services - aid in lieu of payments - nonpublic	308,000.00	4,714.09	312,714.09	311,814.49	899.60
Miscellaneous purchased services - transportation	4,100.00		4,100.00	4,100.00	
Supplies and materials	5,500.00	6,220.00	11,720.00	10,861.99	858.01
Other Objects	500.00	3,000.00	3,500.00	3,500.00	
Total student transportation services	2,410,452.00	(41,557.90)	2,368,894.10	2,203,276.36	165,617.74
Unallocated benefits - employee benefits:					
Social security contributions	419,101.00	19,051.00	438,152.00	415,903.58	22,248.42
Other retirement contributions - regular	351,821.00	(65,276.00)	286,545.00	286,545.00	
Workers' compensation	195,000.00	(27,300.00)	167,700.00	163,918.53	3,781.47
Health benefits	3,367,131.00	231,292.77	3,598,423.77	3,582,581.43	15,842.34
Tuition reimbursement	230,000.00	23,000.00	253,000.00	252,787.16	212.84
Other employee benefits	210,500.00	50,000.00	260,500.00	259,477.52	1,022.48
Total unallocated benefits - employee benefits	$ 4,773,553.00	$ 230,767.77	5,004,320.77	4,961,213.22	43,107.55

EXHIBIT "C-1"
SHEET #8

SOMERSET HILLS SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEARS ENDED JUNE 30, 2010

	ORIGINAL BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
Reimbursed TPAF social security contributions (non-budgeted)				$ 1,159,147.71	$ (1,159,147.71)
Non-contributory Insurance- TPAF (non-budgeted)				52,418.00	(52,418.00)
On-behalf TPAF post retirement medical (non-budgeted)				984,490.00	(984,490.00)
Total On-behalf TPAF contributions				2,196,055.71	(2,196,055.71)
Total undistributed expenditures	$ 18,544,626.00	$ 234,773.48	$ 18,779,399.48	20,134,496.78	(1,355,097.30)
Total expenditures - current expense	33,575,716.00	48,905.64	33,624,621.64	34,681,160.84	(1,056,539.20)
CAPITAL OUTLAY:					
Interest Deposit to Capital Reserve	100.00	(100.00)			
Equipment:					
Regular programs - instruction:					
Grades 1-5	1,450.00	4,386.00	5,836.00	4,286.00	1,550.00
Grades 6-8	4,500.00	9,987.00	14,487.00	4,287.00	10,200.00
Grades 9-12	12,000.00	18,995.29	30,995.29	30,940.35	54.94
Undistributed expenditures:					
Instruction	45,000.00	(45,000.00)			
General administration		45,000.00	45,000.00	44,219.28	780.72
Total equipment	62,950.00	33,368.29	96,318.29	83,732.63	12,585.66
Facilities acquisition and construction services:					
Other purchased professional and technical services		3,000.00	3,000.00		3,000.00
Construction services	400,000.00	(259,778.78)	140,221.22	131,397.08	8,824.14
Total facilities acquisition and construction services	400,000.00	(256,778.78)	143,221.22	131,397.08	11,824.14
Assets acquired under capital leases (non-budgeted)				93,612.00	(93,612.00)
TOTAL CAPITAL OUTLAY	463,050.00	(223,510.49)	239,539.51	308,741.71	(69,202.20)
TOTAL EXPENDITURES	34,038,766.00	(174,604.85)	33,864,161.15	34,989,902.55	(1,125,741.40)

EXHIBIT "C-1"
SHEET #9

SOMERSET HILLS SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEARS ENDED JUNE 30, 2010

	ORIGINAL BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (1,667,649.00)	$ (93,964.15)	$ (1,761,613.15)	$ (642,727.79)	$ 1,118,885.36
Other financing sources (uses):					
Capital leases (non-budgeted)				93,612.00	(93,612.00)
Total other financing sources (uses)				93,612.00	(93,612.00)
Excess (Deficiency) of revenues and Other financing sources over (under) Expenditures and other financing (uses)	(1,667,649.00)	(93,964.15)	(1,761,613.15)	(549,115.79)	1,025,273.36
Fund Balances, July 1, 2009	5,247,138.66		5,247,138.66	5,247,138.66	
Fund Balances, June 30, 2010	$ 3,579,489.66	$ (93,964.15)	$ 3,485,525.51	$ 4,698,022.87	$ 1,025,273.36
Recapitulation:					
Reserve for Encumbrances				$ 71,889.30	
Excess Surplus -Designated for Subsequent Year's Expenditures				2,330,943.49	
Reserve for Excess Surplus				1,299,862.33	
Maintenance Reserve				135,000.00	
Capital Reserve				159,226.05	
Unreserved, Undesignated Fund Balance				701,101.70	
				4,698,022.87	
Reconciliation to Governmental Funds Statements (GAAP):					
Deferred State Aid Payments not recognized on GAAP basis				(135,339.00)	
Fund Balance per Governmental Funds (GAAP)				$ 4,562,683.87	

EXHIBIT "C-2"

SOMERSET HILLS SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
REVENUES:					
State sources		$ 177,420.02	$ 177,420.02	$ 164,634.04	$ (12,785.98)
Federal sources	$ 459,548.00	531,027.95	990,575.95	715,098.20	(275,477.75)
Other sources	394,341.00	286,263.04	680,604.04	529,386.35	(151,217.69)
Total revenues	853,889.00	994,711.01	1,848,600.01	1,409,118.59	(439,481.42)
EXPENDITURES:					
Instruction:					
Salaries of teachers	11,919.00	65,324.71	77,243.71	43,055.00	34,188.71
Purchased professional - Educational Services	415,408.00	140,574.02	555,982.02	543,196.04	12,785.98
Other purchased services		274,348.00	274,348.00	119,148.28	155,199.72
General supplies	20,280.00	350,606.33	370,886.33	300,800.31	70,086.02
Textbooks		36,846.00	36,846.00	36,846.00	
Total instruction	447,607.00	867,699.06	1,315,306.06	1,043,045.63	272,260.43
Support services:					
Salaries		72,850.00	72,850.00	35,404.09	37,445.91
Personal services-employee benefits	683.00	42,337.00	43,020.00	21,289.00	21,731.00
Purchased professional educational services	1,705.00		1,705.00	1,705.00	
Other purchased services	12,576.00	(3,000.00)	9,576.00	9,576.00	
Supplies and materials	16,774.00	6,986.95	23,760.95	23,760.95	
Total support services	31,738.00	119,173.95	150,911.95	91,735.04	59,176.91
Facilities acquisition and construction services:					
Instructional equipment					
Non-instructional equipment		7,838.00	7,838.00		7,838.00
Construction services	374,544.00		374,544.00	274,337.92	100,206.08
Total facilities acquisition and construction serv.	374,544.00	7,838.00	382,382.00	274,337.92	108,044.08
Total expenditures	$ 853,889.00	$ 994,711.01	$ 1,848,600.01	$ 1,409,118.59	$ 439,481.42

EXHIBIT "C-3"

SOMERSET HILLS SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
BUDGET TO GAAP RECONCILIATION
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Note A - Explanation of difference 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	$ 34,347,174.76	$ 1,409,118.59
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		43,627.29
The deferred State aid payments are recognized as revenue for budgetary purposes and differs from GAAP which does not recognize the revenue until the subsequent year when the State recognizes the related expense (GASB 33).	(135,339.00)	
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	113,870.00	
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	$ 34,325,705.76	$ 1,452,745.88
Uses/outflows of resources		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	$ 34,989,902.55	$ 1,409,118.59
Difference - budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for *budgetary* purposes but in the year the supplies are received for *financial reporting* purposes.		43,627.29
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance - governmental funds	$ 34,989,902.55	$ 1,452,745.88

OTHER SUPPLEMENTARY INFORMATION

OTHER FUNDS

SPECIAL REVENUE FUND
DETAIL STATEMENTS

EXHIBIT "E-1"
SHEET #1

SOMERSET HILLS SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	IDEA PART B BASIC	IDEA PART B PSH	TITLE IV	TITLE II - D	TITLE II - A	TITLE III	HOME AND SCHOOL
REVENUES:							
State sources							
Federal sources	398,110.00	17,298.00	3,270.00	293.00	33,748.95	10,815.00	
Other sources							60,520.06
Total revenues	398,110.00	17,298.00	3,270.00	293.00	33,748.95	10,815.00	60,520.06
EXPENDITURES:							
Instruction:							
Salaries of teachers						8,922.00	
Purchased professional - Educational Services	398,110.00	17,298.00					
Other Purchased Services							
General Supplies			2,270.00			1,210.00	60,520.06
Textbooks							
Total instruction	398,110.00	17,298.00	2,270.00			10,132.00	60,520.06
Support services:							
Salaries							
Employee Benefits						683.00	
Purchased professional - Educational Services				17.00	1,688.00		
Other purchased services			1,000.00	76.00	8,500.00		
Supplies and materials				200.00	23,560.95		
Total support services			1,000.00	293.00	33,748.95	683.00	
Facilities acquisition and construction serv:							
Construction Services							
Total facilities acquisition and construction serv.							
Total expenditures	398,110.00	17,298.00	3,270.00	293.00	33,748.95	10,815.00	60,520.06

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EXHIBIT "E-1"
SHEET #2

SOMERSET HILLS SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	OLCOTT BLDG IMPROVEMENTS	SHEF	PARENT FUNDED SPORTS	MUNICIPAL ALLIANCE	GOTR DONATIONS	CAROLAN GRANT
REVENUES:						
State sources						
Federal sources						
Other sources	$ 274,337.92	$ 152,711.90	$ 21,488.00	$ 15,767.26	$ 3,895.79	$ 665.42
Total revenues	274,337.92	$ 152,711.90	$ 21,488.00	$ 15,767.26	$ 3,895.79	$ 665.42
EXPENDITURES:						
Instruction:						
Salaries of teachers				$ 2,247.00		
Purchased professional - Educational Services						
Other Purchased Services						
General Supplies		$ 152,711.90	$ 21,488.00	13,520.26	$ 3,895.79	$ 665.42
Textbooks						
Total instruction		152,711.90	21,488.00	15,767.26	3,895.79	665.42
Support services:						
Salaries						
Employee benefits						
Purchased professional - Educational Services						
Other purchased services						
Supplies and materials						
Total support services						
Facilities acquisition and construction serv:						
Construction Services	$ 274,337.92					
Total facilities acquisition and construction serv.	274,337.92					
Total expenditures	$ 274,337.92	$ 152,711.90	$ 21,488.00	$ 15,767.26	$ 3,895.79	$ 665.42

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EXHIBIT "E-1"
SHEET #3

SOMERSET HILLS SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	NON-PUBLIC SUPPLEMENTAL INSTRUCTION	NON-PUBLIC EXAM AND CLASS	NON-PUBLIC CORRECTIVE SPEECH	TEACHER MENTORING	NON-PUBLIC TEXTBOOKS	NON-PUBLIC COMP. ED.	NON-PUBLIC ESL
REVENUES:							
State sources	5,234.16	$ 37,578.85	$ 20,897.06	$	$ 36,846.00	$ 15,360.95	$ 4,357.00
Federal sources				818.00			
Other sources							
Total revenues	5,234.16	$ 37,578.85	$ 20,897.06	$ 818.00	$ 36,846.00	$ 15,360.95	$ 4,357.00
EXPENDITURES:							
Instruction:							
Salaries of teachers				$ 818.00			
Purchased professional - Educational Services	5,234.16	$ 37,578.85	$ 20,897.06			$ 15,360.95	$ 4,357.00
Other Purchased Services							
General Supplies							
Textbooks					$ 36,846.00		
Total instruction	5,234.16	37,578.85	20,897.06	818.00	36,846.00	15,360.95	4,357.00
Support services:							
Salaries							
Employee Benefits							
Purchased professional - Educational Services							
Other purchased services							
Supplies and materials							
Total support services							
Facilities acquisition and construction serv:							
Construction Services							
Total facilities acquisition and construction serv.							
Total expenditures	5,234.16	$ 37,578.85	$ 20,897.06	$ 818.00	$ 36,846.00	$ 15,360.95	$ 4,357.00

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EXHIBIT "E-1"
SHEET #4

SOMERSET HILLS SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	IDEA BASIC ARRA	NON-PUBLIC NURSING SERVICES	NON-PUBLIC HOME INSTR	TOTAL
REVENUES:				
State sources		$ 43,696.00	$ 664.02	$ 164,634.04
Federal sources	$ 250,745.25			715,098.20
Other sources				529,386.35
Total revenues	$ 250,745.25	$ 43,696.00	$ 664.02	$ 1,409,118.59
EXPENDITURES:				
Instruction:				
Salaries of teachers	31,068.00			$ 43,055.00
Purchased professional - Educational Services		$ 43,696.00	$ 664.02	543,196.04
Other Purchased Services	119,148.28			119,148.28
General supplies	44,518.88			300,800.31
Textbooks				36,846.00
Total instruction	194,735.16	43,696.00	664.02	1,043,045.63
Support services:				
Salaries	35,404.09			35,404.09
Employee Benefits	20,606.00			21,289.00
Purchased professional - Educational Services				1,705.00
Other purchased services				9,576.00
Supplies and materials				23,760.95
Total support services	56,010.09			91,735.04
Facilities acquisition and construction serv:				
Construction Services				274,337.92
Total facilities acquisition and construction serv.				274,337.92
Total expenditures	$ 250,745.25	$ 43,696.00	$ 664.02	$ 1,409,118.59

CAPITAL PROJECTS FUND
DETAIL STATEMENTS

EXHIBIT "F-1"

SOMERSET HILLS SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
AS OF JUNE 30, 2010

ISSUE/PROJECT TITLE	APPROPRIATIONS	EXPENDITURES TO DATE PRIOR YEAR	EXPENDITURES TO DATE CURRENT YEAR	UNEXPENDED PROJECT BALANCE
Improvements to Bernards Middle School	$ 4,523,563.10	$ 4,511,023.10		$ 12,540.00
Improvements to Bernards High School	44,861,757.66	42,992,726.22	$ 1,038,373.48	830,657.96
Bedwell Elementary School - Roof	650,350.00	481,047.00		169,303.00
Totals	$ 50,035,670.76	$ 47,984,796.32	$ 1,038,373.48	$ 1,012,500.96

Reconciliation to GAAP

Unexpended project balance	$ 1,012,500.96
Bonds Authorized but not issued	(641.00)
Capital Projects Fund Balance (Ex B-2, F-2)	$ 1,011,859.96

EXHIBIT "F-2"

SOMERSET HILLS SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	REVISED AUTHORIZED COST
Expenditures and Other Financing Uses:	
Purchased professional and technical services	$ 149,536.73
Construction services	888,836.75
Total expenditures	1,038,373.48
Excess (deficiency) of revenues over (under) expenditures	(1,038,373.48)
Fund balance - beginning - budgetary basis	2,050,233.44
Fund balance - ending - budgetary basis	$ 1,011,859.96

EXHIBIT "F-2a"

SOMERSET HILLS SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS
BEDWELL ELEMENTARY SCHOOL - ROOF PROJECT

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
State Sources - SCC Grant	$ 260,140.00	$	$ 260,140.00	$ 260,140.00
Transfer from capital reserve	390,210.00		390,210.00	390,210.00
Total revenues	650,350.00		650,350.00	650,350.00
Expenditures and Other Financing Uses:				
Purchased professional and technical services	47.00		47.00	53,500.00
Construction services	481,000.00		481,000.00	596,850.00
Total expenditures	481,047.00		481,047.00	650,350.00
Excess (deficiency) of revenues over (under) expenditures	$ 169,303.00	$	$ 169,303.00	$

Additional project information:	
Project Number	4815-030-04-1000
Grant Date	2004
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
SCC Amount	260,140.00
Local Share	390,210.00
Original Authorized Cost	650,350.00
Additional Authorized Cost	NONE
Revised Authorized Cost	650,350.00
Percentage Increase over Original Authorized Cost	NONE
Percentage completion	95%
Original target completion date	9/1/2004
Revised target completion date	9/1/2004

EXHIBIT "F-2b"

SOMERSET HILLS SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS
IMPROVEMENTS TO BERNARDS MIDDLE SCHOOL

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
State Sources - SCC Grant	$ 739,572.00	$	$ 739,572.00	$ 739,572.00
Bond proceeds	3,760,214.00		3,760,214.00	3,760,214.00
Transfer from capital reserve	23,777.10		23,777.10	23,777.10
Total revenues	4,523,563.10		4,523,563.10	4,523,563.10
Expenditures and Other Financing Uses:				
Legal services	4,167.75		4,167.75	4,167.75
Purchased professional and technical services	505,836.97		505,836.97	505,836.97
Construction services	4,001,018.38		4,001,018.38	4,013,558.38
Total expenditures	4,511,023.10		4,511,023.10	4,523,563.10
Excess (deficiency) of revenues over (under) expenditures	$ 12,540.00	$	$ 12,540.00	$

Additional project information:	
Project Number	4815-030-03-1181
Grant Date	7/31/03
Bond Authorization Date	9/30/03
Bonds Authorized	3,760,214.00
Bonds Issued	3,760,214.00
SCC Amount	739,572.00
Local Share	3,760,214.00
Original Authorized Cost	4,499,786.00
Additional Authorized Cost	23,777.10
Revised Authorized Cost	4,523,563.10
Percentage Increase over Original Authorized Cost	N/A
Percentage completion	65%
Original target completion date	9/1/05
Revised target completion date	9/1/06

EXHIBIT "F-2c"

SOMERSET HILLS SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS
IMPROVEMENTS TO BERNARDS HIGH SCHOOL

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
State Sources - SCC Grant	$ 8,561,366.00		$ 8,561,366.00	$ 8,561,366.00
Bond proceeds	34,535,983.00		34,535,983.00	34,535,983.00
Transfer from capital reserve	1,764,408.66		1,764,408.66	1,764,408.66
Total revenues	44,861,757.66		44,861,757.66	44,861,757.66
Expenditures and Other Financing Uses:				
Legal services	34,038.67		34,038.67	34,038.67
Purchased professional and technical services	3,753,618.88	$ 149,536.73	3,903,155.61	3,677,895.37
Construction services	39,205,068.67	888,836.75	40,093,905.42	41,149,823.62
Total expenditures	42,992,726.22	1,038,373.48	44,031,099.70	44,861,757.66
Excess (deficiency) of revenues over (under) expenditures	$ 1,869,031.44	$ (1,038,373.48)	$ 830,657.96	$

Additional project information:	
Project Number	4815-020-03-1180
Grant Date	8/4/03
Bond Authorization Date	9/30/03
Bonds Authorized	34,538,248.00
Bonds Issued	34,538,248.00
SCC Amount	8,561,366.00
Local Share	34,535,983.00
Original Authorized Cost	43,661,757.66
Additional Authorized Cost	1,200,000.00
Revised Authorized Cost	44,861,757.66
Percentage Increase over Original Authorized Cost	N/A
Percentage completion	85%
Original target completion date	2008
Revised target completion date	2011

PROPRIETARY FUND DETAIL STATEMENTS

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 within the school district.

EXHIBIT "G-1"

SOMERSET HILLS SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS - ENTERPRISE FUNDS
JUNE 30, 2010

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND	
	FOOD SERVICE FUND	2010
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 285,717.23	$ 285,717.23
Accounts receivable:		
State	528.76	528.76
Federal	6,632.21	6,632.21
Inventories	8,050.58	8,050.58
Total current assets	300,928.78	300,928.78
Noncurrent assets:		
Furniture, machinery & equipment	268,600.00	268,600.00
Less accumulated depreciation	(200,903.32)	(200,903.32)
Total noncurrent assets	67,696.68	67,696.68
Total assets	$ 368,625.46	$ 368,625.46
LIABILITIES		
Current liabilities:		
Interfund payable	$ 116,374.83	$ 116,374.83
Deferred revenue	2,383.62	2,383.62
Accounts payable	9.00	9.00
Total current liabilities	118,767.45	118,767.45
Total liabilities	118,767.45	118,767.45
NET ASSETS		
Invested in capital assets	67,696.68	67,696.68
Unrestricted	182,161.33	182,161.33
Total net assets	$ 249,858.01	$ 249,858.01

EXHIBIT "G-2"

SOMERSET HILLS SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS - ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND	
	FOOD SERVICE FUND	TOTAL
OPERATING REVENUES:		
Charges for services:		
Daily sales	$ 501,091.25	$ 501,091.25
Total operating revenues	501,091.25	501,091.25
OPERATING EXPENSES:		
Cost of sales	269,099.23	269,099.23
Salaries	173,512.32	173,512.32
Employee benefits	39,676.49	39,676.49
Other purchased services	11,498.00	11,498.00
Supplies and materials	88,187.31	88,187.31
Depreciation	2,659.34	2,659.34
Total operating expenses	584,632.69	584,632.69
Operating (loss)	(83,541.44)	(83,541.44)
NONOPERATING REVENUES:(EXPENSES)		
State sources		
State school lunch program	5,762.48	5,762.48
Federal sources		
National school lunch program	71,818.22	71,818.22
Interest earned	3,053.45	3,053.45
National food distribution commodities	12,762.49	12,762.49
Total nonoperating revenues (expenses)	93,396.64	93,396.64
Net Income	9,855.20	9,855.20
Contributed Capital Assets	36,910.41	36,910.41
Change in net assets	46,765.61	46,765.61
Total net assets - beginning	203,092.40	203,092.40
Total net assets - ending	$ 249,858.01	$ 249,858.01

EXHIBIT "G -3"

SOMERSET HILLS SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND	
	FOOD SERVICE FUND	Total 2010
Cash flows from operating activities:		
Receipts from customers	$ 501,091.25	$ 501,091.25
Payments to employees	(173,512.32)	(173,512.32)
Payments for employee benefits	(39,676.49)	(39,676.49)
Payments to suppliers	(356,744.77)	(356,744.77)
Net cash provided by (used for) operating activities)	(68,842.33)	(68,842.33)
Cash flows from noncapital financing activities:		
State sources	6,203.64	6,203.64
Federal sources	75,575.67	75,575.67
Transfers from/(to) other funds	64,988.42	64,988.42
Net cash provided by noncapital financing activities:	146,767.73	146,767.73
Cash flows from investing activities:		
Interest revenue	3,053.45	3,053.45
Net cash provided by (used for) investing activities	3,053.45	3,053.45
Net increase in cash and cash equivalents	80,978.85	80,978.85
Cash and cash equivalents, July 1, 2009	204,738.38	204,738.38
Cash and cash equivalents, June 30, 2010	$ 285,717.23	$ 285,717.23
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating (loss)	$ (83,541.44)	$ (83,541.44)
Adjustments to reconciling operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	2,659.34	2,659.34
Federal commodities	12,762.49	12,762.49
Change in assets and liabilities:		
Increase (decrease) in deferred revenue	(816.30)	(816.30)
(Increase) decrease in inventories	84.58	84.58
Increase (decrease) in accounts payable	9.00	9.00
	14,699.11	14,699.11
Net cash provided by (used for) operating activities	$ (68,842.33)	$ (68,842.33)

FIDUCIARY FUNDS DETAIL STATEMENTS

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

Scholarship Funds	This private purpose trust is used to account for grants to students where there are no restrictions regarding the use of principal and income.
Unemployment Compensation Insurance Trust Fund:	This trust fund is used to pay unemployment compensation claims as they arise.

Agency Funds are used to account for assets held by the district as an agent for another party:

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.

EXHIBIT "H-1"

SOMERSET HILLS SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2010

	AGENCY FUNDS		PRIVATE PURPOSE AWARD FUND	STATE UNEMPLOYMENT	
	STUDENT ACTIVITY	PAYROLL AGENCY	SCHOLARSHIP FUNDS	COMPENSATION TRUST	TOTALS
ASSETS					
Cash and cash equivalents	$ 186,036.73	$ 56,418.29	$ 184,876.00	$ 231,138.80	$ 658,469.82
Total assets	186,036.73	56,418.29	184,876.00	231,138.80	658,469.82
LIABILITIES					
Interfunds payable		32,807.39			32,807.39
Payroll deductions and withholdings		23,610.90			23,610.90
Due to student groups	186,036.73				186,036.73
Total liabilities	186,036.73	56,418.29			242,455.02
NET ASSETS					
Held in trust for unemployment claims				231,138.80	231,138.80
Reserved:					
For awards			184,876.00		184,876.00
Total net assets	$ -0-	$ -0-	$ 184,876.00	$ 231,138.80	$ 416,014.80

EXHIBIT "H-2"

SOMERSET HILLS SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	PRIVATE PURPOSE AWARD FUND	STATE UNEMPLOYMENT COMPENSATION TRUST FUND	TOTAL
ADDITIONS:			
Contributions:			
Other	$ 5,000.00	$ 28,014.19	$ 33,014.19
Total contributions	5,000.00	28,014.19	33,014.19
Investment earnings:			
Interest	2,664.80	2,752.34	5,417.14
Net investment earnings	2,664.80	2,752.34	5,417.14
Total additions	7,664.80	30,766.53	38,431.33
DEDUCTIONS			
Scholarships awarded	10,520.00		10,520.00
Unemployment claims		67,460.56	67,460.56
Total deductions	10,520.00	67,460.56	77,980.56
Change in net assets	(2,855.20)	(36,694.03)	(39,549.23)
Net assets beginning of year	187,731.20	267,832.83	455,564.03
Net assets end of year	$ 184,876.00	$ 231,138.80	$ 416,014.80

EXHIBIT "H-3"

SOMERSET HILLS SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	BALANCE JULY 1, 2009	CASH RECEIPTS	CASH DISBURSE-MENTS	BALANCE JUNE 30, 2010
ELEMENTARY SCHOOL:				
Bedwell	$ 4,263.31	$ 21,387.71	$ 18,058.02	$ 7,593.00
MIDDLE SCHOOL:				
Activity	48,055.50	61,091.70	53,690.28	55,456.92
Athletic	282.40			282.40
HIGH SCHOOL:				
Activity	63,279.01	243,794.97	222,704.68	84,369.30
Athletic	5,390.12	99,616.58	66,671.59	38,335.11
Total all schools	$ 121,270.34	$ 425,890.96	$ 361,124.57	$ 186,036.73

EXHIBIT "H-4"

SOMERSET HILLS SCHOOL DISTRICT
PAYROLL AGENCY FUNDS
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	BALANCE JULY 1, 2009	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2010
ASSETS:				
Cash and cash equivalents	$ 34,686.17	$ 22,637,525.48	$ 22,615,793.36	$ 56,418.29
Total assets	$ 34,686.17	$ 22,637,525.48	$ 22,615,793.36	$ 56,418.29
LIABILITIES:				
Interfunds payable	$ 32,648.38	$ 159.01	$	$ 32,807.39
Net salary and wages		13,581,597.93	13,581,597.93	
Payroll deductions and withholdings	2,037.79	9,055,768.54	9,034,195.43	23,610.90
Total liabilities	$ 34,686.17	$ 22,637,525.48	$ 22,615,793.36	$ 56,418.29

LONG-TERM DEBT SCHEDULES

The Long-term schedules are used to reflect the outstanding principal balances of the long-term liabilities of the District. This includes obligations under Serial Bonds and Capital Leases.

EXHIBIT "I-1"

SOMERSET HILLS SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS
JUNE 30, 2010

ISSUE	DATE OF ISSUE	AMOUNT OF ISSUE	ANNUAL MATURITIES DATE	ANNUAL MATURITIES AMOUNT	INTEREST RATE	BALANCE JULY 1, 2009	RETIRED	BALANCE JUNE 30, 2010
School Bonds	12/01/03	$ 41,137,000.00	3/15/11	$ 1,175,000.00	4.000%			
			3/15/12	1,230,000.00	4.000%			
			3/15/13	1,285,000.00	4.000%			
			3/15/14	1,340,000.00	4.000%			
			3/15/15	1,405,000.00	4.000%			
			3/15/16	1,465,000.00	4.000%			
			3/15/17	1,530,000.00	4.000%			
			3/15/18	1,600,000.00	4.000%			
			3/15/19	1,970,000.00	4.125%			
			3/15/20	2,045,000.00	4.200%			
			3/15/21	2,225,000.00	4.200%			
			3/15/22	2,510,000.00	4.250%			
			3/15/23	2,595,000.00	4.375%			
			3/15/24	2,685,000.00	4.400%			
			3/15/25	2,780,000.00	4.450%			
			3/15/26	2,875,000.00	4.450%			
			3/15/27	1,105,000.00	4.500%			
			3/15/28	1,150,000.00	4.500%			
			3/15/29	1,202,000.00	4.500%	$ 35,297,000.00	$ 1,125,000.00	$ 34,172,000.00
Refunding School Bonds	12/1/03	3,500,000.00	8/15/10	325,000.00	3.000%			
			8/15/11	330,000.00	3.100%			
			8/15/12	340,000.00	3.300%			
			8/15/13	350,000.00	3.400%			
			8/15/14	355,000.00	4.000%			
			8/15/15	365,000.00	4.500%			
			8/15/16	380,000.00	4.500%	2,765,000.00	320,000.00	2,445,000.00
Refunding School Bonds	2008	3,305,000.00	8/15/10	285,000.00	3.530%			
			8/15/11	300,000.00	3.530%			
			8/15/12	305,000.00	3.530%			
			8/15/13	320,000.00	3.530%			
			8/15/14	330,000.00	3.530%			
			8/15/15	345,000.00	3.530%			
			8/15/16	355,000.00	3.530%			
			8/15/17	365,000.00	3.530%			
			8/15/18	375,000.00	3.530%	3,255,000.00	275,000.00	2,980,000.00
						$ 41,317,000.00	$ 1,720,000.00	$ 39,597,000.00

EXHIBIT "I-2"

SOMERSET HILLS SCHOOL DISTRICT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
AS OF JUNE 30, 2010

PURPOSE	DATE OF LEASE	TERM OF LEASE	AMOUNT OF ORIGINAL LEASE PRINCIPAL	AMOUNT OF ORIGINAL LEASE INTEREST	BALANCE JUNE 30, 2009	ISSUED	RETIRED	BALANCE JUNE 30, 2010
Bus- Ford F350 Chassis	07/10/08	11/1/10	$ 76,683.84	$ 3,678.18	$ 50,734.18		$ 24,905.10	$ 25,829.08
Two School Buses	8/10/2009	3/15/2014	93,612.00	9,762.00		$ 93,612.00	18,496.80	75,115.20
					$ 50,734.18	$ 93,612.00	$ 43,401.90	$ 100,944.28

EXHIBIT "I-3"

SOMERSET HILLS SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	BUDGET	BUDGET TRANSFERS & AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES:					
Local sources:					
Local tax levy	$ 3,329,300.00	$	$ 3,329,300.00	$ 3,329,300.00	$
State sources:					
Debt service aid type II	87,934.00		87,934.00	87,934.00	
Total revenues	3,417,234.00		3,417,234.00	3,417,234.00	
EXPENDITURES:					
Regular debt service:					
Interest	1,697,234.00		1,697,234.00	1,697,234.00	
Redemption of principal	1,720,000.00		1,720,000.00	1,720,000.00	
Total regular debt service-expenditures	3,417,234.00		3,417,234.00	3,417,234.00	
Excess (deficiency) of revenues over (under) expenditures					
Fund balance, July 1	18,399.56		18,399.56	18,399.56	
Fund balance, June 30	$ 18,399.56	$	$ 18,399.56	$ 18,399.56	$

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STATISTICAL SECTION

(UNAUDITED)

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SOMERSET HILLS SCHOOL DISTRICT
STATISTICAL SECTION

Contents | Page

Financial Trends:

These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time. J-1 to J-5

Revenue Capacity:

These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax. J-6 to J-9

Debt Capacity:

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. J-10 to J-13

Demographic and Economic Information:

These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place. J-14 to J-15

Operating Information:

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. J-16 to J-20

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, 2003; schedules presenting district-wide information include information beginning in that year.

EXHIBIT "J-1"

SOMERSET HILLS SCHOOL DISTRICT
NET ASSETS BY COMPONENT
UNAUDITED

	2010	2009	2008	2007	2006	2005	2004
Governmental activities							
Invested in capital assets, net of related debt	$ 24,197,413.10	$ 23,569,047.74	$ 19,499,601.82	$ 12,809,487.84	$ 8,111,269.78	$ 4,292,433.52	$ 963,168.72
Restricted	666,619.55	327,888.49	2,184,449.11	10,701,404.13	12,933,013.71	13,410,807.34	11,115,803.97
Unrestricted	1,685,713.65	2,729,496.58	2,911,675.32	(391,709.07)	(815,696.25)	(1,881,544.06)	(674,341.97)
Total governmental activities net assets	$ 26,549,746.30	$ 26,626,432.81	$ 24,595,726.25	$ 23,119,182.90	$ 20,228,587.24	$ 15,821,696.80	$ 11,404,630.72
Business-type activities							
Invested in capital assets, net of related debt	$ 67,696.68	$ 33,445.61	$ 37,099.17	$ 28,305.61	$ 29,850.00	$ 34,825.00	$ 33,076.29
Unrestricted	182,161.33	169,646.79	112,931.04	126,088.63	121,458.18	78,742.64	55,488.66
Total business-type activities net assets	$ 249,858.01	$ 203,092.40	$ 150,030.21	$ 154,394.24	$ 151,308.18	$ 113,567.64	$ 88,564.95
District-wide							
Invested in capital assets, net of related debt	$ 24,265,109.78	$ 23,602,493.35	$ 19,536,700.99	$ 12,837,793.45	$ 8,141,119.78	$ 4,327,258.52	$ 996,245.01
Restricted	666,619.55	327,888.49	6,430,998.48	10,701,404.13	12,933,013.71	13,410,807.34	11,115,803.97
Unrestricted (deficit)	1,867,874.98	2,899,143.37	(1,221,943.01)	(265,620.44)	(694,238.07)	(1,802,801.42)	(618,853.31)
Total district net assets	$ 26,799,604.31	$ 26,829,525.21	$ 24,745,756.46	$ 23,273,577.14	$ 20,379,895.42	$ 15,935,264.44	$ 11,493,195.67

Source: CAFR Schedule A-1

SOMERSET HILLS SCHOOL DISTRICT
CHANGES IN NET ASSETS
UNAUDITED

	2010	2009	2008	2007	2006	2005	2004
EXPENSES							
Governmental activities							
Instruction							
Regular	$ 16,055,321.53	$ 16,107,624.54	$ 16,336,835.39	$ 12,750,061.04	$ 11,738,035.83	$ 11,249,271.45	$ 12,589,568.78
Special education	4,443,018.34	3,935,753.98	3,804,413.33	2,895,664.04	2,445,287.71	2,210,989.25	2,071,988.23
Other instruction	1,755,650.37	1,665,948.83	1,410,074.61	2,225,287.96	1,799,383.25	1,757,933.05	1,236,441.51
Support Services:							
Student & instruction related services	4,934,891.09	4,579,372.99	4,783,412.28	4,708,831.43	4,153,016.37	4,024,746.01	3,689,044.86
General administrative services	931,980.80	948,483.06	800,773.76	950,383.63	856,208.56	924,801.82	829,954.16
School administrative services	1,635,420.57	1,697,914.05	1,584,129.63	1,639,499.77	1,682,672.29	1,624,710.98	1,304,297.52
Plant operations and maintenance	3,551,959.19	3,747,189.26	4,162,511.40	5,075,207.94	4,260,944.23	4,396,338.54	2,680,028.95
Student transportation services	2,193,985.90	2,167,660.84	2,185,409.04	1,954,360.89	1,572,736.73	1,658,648.81	1,545,492.86
Central services & Information Technology	715,990.17	590,014.03	556,200.52	843,956.42	769,577.91	688,234.22	368,168.50
Interest on long-term debt	1,692,428.93	1,757,175.39	1,780,402.12	2,169,216.02	1,918,946.29	2,480,432.65	908,724.45
Unallocated depreciation	1,060,991.45	25,768.93	25,427.78	26,304.69	25,643.01	28,118.92	29,216.74
Total governmental activities expenses	38,971,638.34	37,222,905.90	37,429,589.86	35,238,773.83	31,222,452.18	31,044,225.70	27,252,926.56
Business-type activities:							
Food Service	584,632.69	487,978.17	498,858.07	393,810.79	442,922.10	428,366.03	431,095.77
Total business-type activities expense	584,632.69	487,978.17	498,858.07	393,810.79	442,922.10	428,366.03	431,095.77
Total district expenses	$ 39,556,271.03	$ 37,710,884.07	$ 37,928,447.93	$ 35,632,584.62	$ 31,665,374.28	$ 31,472,591.73	$ 27,684,022.33
PROGRAM REVENUES							
Governmental activities:							
Operating grants and contributions	$ 4,808,397.11	$ 4,938,984.89	$ 3,693,423.26	$ 3,497,781.66	$ 2,631,683.47	$ 2,231,895.55	$ 2,050,588.59
Charges for services	4,756,056.68	4,686,449.35	4,615,714.98	3,611,708.21	3,557,509.74	3,501,567.80	2,758,185.29
Capital grants and contributions	273,237.92						
Total governmental activities program revenues	9,837,691.71	9,625,434.24	8,309,138.24	7,109,489.87	6,189,193.21	5,733,463.35	4,808,773.88
Business-type activities:							
Charges for services							
Food Service	501,091.25	466,838.47	427,925.57	343,597.44	429,559.94	386,961.00	370,227.39
Operating grants and contributions	90,343.19	70,292.94	61,349.35	48,940.66	51,102.70	48,907.72	50,023.84
Capital grants and contributions	36,910.41						
Total business type activities program revenues	628,344.85	537,131.41	489,274.92	392,538.10	480,662.64	435,868.72	420,251.23
Total district program revenues	$ 10,466,036.56	$ 10,162,565.65	$ 8,798,413.16	$ 7,502,027.97	$ 6,669,855.85	$ 6,169,332.07	$ 5,229,025.11
NET (EXPENSE)/REVENUE							
Governmental activities	$ (29,133,946.63)	$ (27,597,471.66)	$ (29,120,451.62)	$ (28,129,283.96)	$ (25,033,258.97)	$ (25,310,762.35)	$ (22,444,152.68)
Business-type activities	43,712.16	49,153.24	(9,583.15)	(1,272.69)	37,740.54	7,502.69	(10,844.54)
Total district-wide net expense	$ (29,090,234.47)	$ (27,548,318.42)	$ (29,130,034.77)	$ (28,130,556.65)	$ (24,995,518.43)	$ (25,303,259.66)	$ (22,454,997.22)

EXHIBIT "J-2"
SHEET #2

SOMERSET HILLS SCHOOL DISTRICT
CHANGES IN NET ASSETS
UNAUDITED

	2010	2009	2008	2007	2006	2005	2004
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS							
Governmental activities:							
Property taxes levied for general purposes, net	$ 25,803,779.00	$ 25,805,222.00	$ 25,402,159.00	$ 24,951,946.00	$ 24,059,311.00	$ 21,558,590.00	$ 20,710,255.00
Taxes levied for debt service	3,329,300.00	3,333,584.00	3,113,457.00	3,327,764.00	2,303,272.00	5,704,922.00	737,793.00
Grants and contributions	88,524.55	46,754.96	1,616,320.95	1,586,134.20	1,470,712.11	1,455,545.00	11,772,201.00
Disposal of capital assets	(300,733.80)						
Transfers						(17,500.00)	(21,008.78)
Miscellaneous income	136,390.37	442,617.27	465,058.02	1,242,051.52	1,606,854.30	1,026,271.43	445,171.87
Total governmental activities	29,057,260.12	29,628,178.23	30,596,994.97	31,107,895.72	29,440,149.41	29,727,828.43	33,644,412.09
Business-type activities:							
Transfers						17,500.00	21,008.78
Miscellaneous income	3,053.45	3,908.95	5,219.12	4,248.95			
Total business-type activities	3,053.45	3,908.95	5,219.12	4,248.95	-	17,500.00	21,008.78
Total district-wide	$ 29,060,313.57	$ 29,632,087.18	$ 30,602,214.09	$ 31,112,144.67	$ 29,440,149.41	$ 29,745,328.43	$ 33,665,420.87
CHANGE IN NET ASSETS							
Governmental activities	$ (76,686.51)	$ 2,030,706.57	$ 1,476,543.35	$ 2,978,611.76	$ 4,406,890.44	$ 4,417,066.08	$ 11,200,259.41
Business-type activities	46,765.61	53,062.19	(4,364.03)	2,976.26	37,740.54	25,002.69	10,164.24
Total district	$ (29,920.90)	$ 2,083,768.76	$ 1,472,179.32	$ 2,981,588.02	$ 4,444,630.98	$ 4,442,068.77	$ 11,210,423.65

Source: CAFR Schedule A-2

EXHIBIT "J-3"

SOMERSET HILLS SCHOOL DISTRICT
FUND BALANCES - GOVERNMENTAL FUNDS
UNAUDITED

	2010	2009	2008	2007	2006	2005	2004
General Fund							
Reserved	$ 3,996,921.17	$ 4,363,690.10	$ 4,396,307.09	$ 6,343,158.72	$ 5,179,647.69	$ 2,496,067.06	$ 889,726.43
Unreserved	565,762.70	769,578.56	804,055.92	728,149.05	702,212.75	722,638.14	1,004,310.96
Total general fund	$ 4,562,683.87	$ 5,133,268.66	$ 5,200,363.01	$ 7,071,307.77	$ 5,881,860.44	$ 3,218,705.20	$ 1,894,037.39
All Other Governmental Funds							
Reserved	$ 596,947.57	$ 742,938.89	$ 1,519,156.03	$ 7,962,875.09	$ 29,564,622.69	$ 27,694,591.47	$ 10,519,897.53
Unreserved, reported in:							
Capital projects fund	414,912.39	1,307,294.55	996,299.82	1,067,236.25	394,210.35	14,509,780.33	39,300,208.76
Debt service fund	18,399.56	18,399.56	5.45	215,006.09	500,003.51	542,472.44	542,470.81
Total all other governmental funds	$ 1,030,259.52	$ 2,068,633.00	$ 2,515,461.30	$ 9,245,117.43	$ 30,458,836.55	$ 42,746,844.24	$ 50,362,577.10

Source: CAFR Schedule B-1

SOMERSET HILLS SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
UNAUDITED

	2010	2009	2008	2007	2006	2005	2004
Revenues							
Tax levy	$ 29,133,079.00	$ 29,138,806.00	$ 28,515,616.00	$ 28,279,710.00	$ 26,362,583.00	$ 27,263,512.00	$ 21,448,048.00
Tuition charges	4,642,131.68	4,591,189.35	4,531,324.98	3,538,969.21	3,557,509.74	3,501,567.80	2,758,185.29
Transportation charges	113,925.00	95,260.00	84,390.00	72,739.00			
Miscellaneous	704,028.78	720,024.56	535,859.91	1,322,939.73	1,773,185.60	1,111,489.60	321,848.47
State sources	3,882,047.75	4,254,051.38	4,782,563.80	4,575,908.39	3,530,528.23	3,236,078.38	13,445,140.79
Federal sources	720,473.43	454,281.17	456,378.52	427,119.26	405,536.05	366,144.00	323,675.00
Total revenue	39,195,685.64	39,253,612.46	38,906,133.21	38,217,385.59	35,629,342.62	35,478,791.78	38,296,897.55
Expenditures							
Instruction:							
Regular Instruction	15,706,254.73	15,907,884.73	12,302,360.84	11,601,619.24	11,003,986.60	10,323,543.68	9,652,129.97
Special education instruction	4,399,016.40	3,884,916.14	3,107,945.13	2,497,444.10	2,131,014.13	1,935,829.68	1,607,587.84
Other instruction	1,762,868.30	1,653,986.56	1,270,480.92	1,176,829.50	1,014,731.49	1,041,599.39	1,169,294.17
Support Services:							
Student & instruction related services	4,943,482.10	4,538,742.87	3,498,286.58	3,209,301.33	2,951,953.06	2,852,687.28	2,760,480.05
General administrative services	953,697.30	941,561.48	860,813.85	734,840.06	667,832.24	758,524.54	768,108.17
School Administrative services	1,698,077.98	1,658,349.58	1,226,773.91	1,200,672.28	1,203,801.12	1,157,930.71	938,243.56
Central services & Information technology	617,742.47	570,277.95	427,869.90	438,008.86	412,532.49	376,757.07	290,870.93
Plant operations and maintenance	3,539,201.04	3,667,218.22	3,416,906.01	2,810,509.14	2,438,508.66	2,752,485.62	2,251,240.81
Student transportation services	2,192,866.34	2,159,462.38	2,180,217.67	1,845,070.57	1,514,332.29	1,604,153.15	1,539,542.86
Unallocated employee benefits			7,274,313.52	7,216,661.50	5,779,253.53	5,078,631.86	4,677,508.20
Capital outlay	1,620,353.11	1,427,129.81	8,520,618.13	21,806,235.38	13,698,891.53	8,133,850.48	2,661,472.41
Debt service:							
Principal	1,763,401.90	1,715,949.66	1,575,000.00	1,515,000.00	510,000.00	3,215,000.00	430,000.00
Interest and other charges	1,701,294.24	1,729,751.27	1,845,147.67	1,904,465.42	1,927,357.93	2,581,348.37	319,946.06
Total expenditures	40,898,255.91	39,855,230.65	47,506,734.13	57,956,657.38	45,254,195.07	41,812,341.83	29,066,425.03
Excess (Deficiency) of revenues over (under) expenditures	(1,702,570.27)	(601,618.19)	(8,600,600.92)	(19,739,271.79)	(9,624,852.45)	(6,333,550.05)	9,230,472.52
Other Financing sources (uses)							
Capital leases (non-budgeted)	93,612.00	76,683.84				59,985.00	25,000.00
Bond proceeds			3,305,000.00				41,422,000.00
Accrued Interest on Bonds							177,297.20
Payment to Refunded Bond Escrow			(3,267,354.25)				
Costs of Issuance		11,011.70	(37,645.75)				
Transfers in			600,000.00				
Transfers out			(600,000.00)	(285,000.00)		(17,500.00)	(21,008.78)
Total other financing sources (uses)	93,612.00	87,695.54	-	(285,000.00)	-	42,485.00	41,603,288.42
Net change in fund balances	$ (1,608,958.27)	$ (513,922.65)	$ (8,600,600.92)	$ (20,024,271.79)	$ (9,624,852.45)	$ (6,291,065.05)	$ 50,833,760.94
Debt service as a percentage of noncapital expenditures	8.82%	8.97%	8.77%	9.46%	7.72%	17.21%	2.84%

Source: CAFR Schedule B-2

EXHIBIT "J-5"

SOMERSET HILLS SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
UNAUDITED

Fiscal Year Ended June 30,	Tuition	Transportation	Interest on Investments	Use of Facilities	Refunds/ Reimbursements	Miscellaneous	Total
2010	$ 4,642,131.68	$ 113,925.00	$ 51,734.97	$ 61,050.00	$ 11,596.88	$ 12,008.52	$ 4,892,447.05
2009	4,591,189.35	95,260.00	170,125.19	32,012.09	150,897.03	89,582.96	5,129,066.62
2008	4,531,324.98	84,390.00	387,949.26		39,753.77	37,354.99	5,080,773.00
2007	3,538,969.21	72,739.00	1,173,239.20	2,704.50	47,898.55	18,209.27	4,853,759.73
2006	3,557,509.74		1,437,496.77	33,178.00	46,843.00	89,336.53	5,164,364.04
2005	3,501,567.80		711,850.89	35,800.00	244,178.87	28,545.68	4,521,943.24
2004	2,758,185.29		117,829.36	33,287.00	109,525.12	61,206.99	3,080,033.76
2003	2,550,004.65		39,704.95	36,350.00	224,876.05	70,779.96	2,921,715.61
2002	2,262,169.41		73,940.72	35,585.00	35,438.93	48,104.06	2,455,238.12
2001	2,145,948.30		235,647.85	25,329.50		40,533.66	2,447,459.31

Source: District Records

EXHIBIT "J-6"
SHEET #1

SOMERSET HILLS SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY - BOROUGH OF BERNARDSVILLE
UNAUDITED

Fiscal Year Ended December 31,	Vacant Land	Residential	Farm Reg.	Q-Farm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities (a)	Net Valuation Taxable	Est. Actual (County Equalized Value)	Total Direct School Tax Rate (b)
2010	$32,981,900	$1,979,566,300	$122,425,900	$440,600	$172,608,900	$21,328,300	$4,187,200	$2,333,539,100	$6,434,817	$2,339,973,917	$2,608,798,038	$0.921
2009	36,563,600	2,172,138,200	121,067,900	399,500	187,405,300	22,656,800	8,915,400	2,549,146,700	6,465,500	2,555,612,200	2,687,372,859	0.830
2008	38,477,700	2,304,141,200	126,364,900	405,500	189,681,400	22,330,100	9,210,400	2,690,611,200	6,030,705	2,696,641,905	2,674,721,816	0.772
2007	40,959,700	2,294,001,600	124,555,000	509,780	182,741,600	20,673,500	8,889,300	2,672,330,480	6,030,705	2,678,361,185	2,574,267,761	0.756
2006	40,859,800	2,231,202,300	118,530,600	482,180	171,210,600	17,526,800	8,384,800	2,588,197,080	6,379,100	2,594,576,180	2,391,719,653	0.741
2005	34,828,200	2,010,946,100	107,904,700	2,334,600	156,809,400	15,759,400	7,609,100	2,336,191,500	6,379,100	2,342,570,600	2,115,622,792	0.798
2004	25,756,500	1,656,792,700	94,819,900	488,900	129,102,600	12,426,500	6,563,800	1,925,950,900	6,422,701	1,932,373,601	1,944,470,247	0.881
2003	34,204,100	1,646,582,700	76,946,900	682,700	129,559,100	12,426,500	6,300,700	1,906,702,700	6,656,934	1,913,359,634	1,772,669,062	0.742
2002	33,786,500	1,427,670,200	61,975,100	391,200	117,025,700	11,628,600	5,715,700	1,658,193,000	5,801,543	1,663,994,543	1,575,724,705	0.779
2001	36,117,400	1,285,298,400	48,447,900	379,333	105,852,900	8,315,300	5,499,300	1,489,910,533	5,205,846	1,495,116,379	1,355,691,313	0.860

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

SOMERSET HILLS SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY - BOROUGH OF PEAPACK AND GLADSTONE
UNAUDITED

Fiscal Year Ended December 31,	Vacant Land	Residential	Farm Reg.	Q-Farm	Commercial	Industrial	Apartment	Total Assessed Value	Less: Tax Exempt Property	Public Utilities (a)	Net Valuation Taxable	Est. Actual (County Equalized Value)	Total Direct School Tax Rate (b)
2010	$13,213,100	$447,103,700	$73,134,000	$521,377	$148,388,600	$6,900,000	$5,957,600	$695,218,377		$989,957	$696,208,334	$867,089,841	$ 0.894
2009	13,837,100	494,126,000	76,789,000	494,704	161,250,300	7,800,000	6,385,000	760,682,104		1,005,066	761,687,170	861,613,413	0.832
2008	14,202,500	545,422,500	76,521,900	495,904	174,061,100	8,035,000	6,866,900	825,605,804		923,293	826,529,097	915,530,129	0.777
2007	13,285,800	574,460,600	70,768,300	470,917	172,760,500	7,920,000	6,056,600	845,722,717		888,340	846,611,057	909,370,328	0.769
2006	13,644,400	552,362,700	67,512,060	490,679	170,483,730	7,770,300	5,748,200	818,012,069		911,145	818,923,214	824,982,377	0.809
2005	11,713,600	504,830,900	57,612,400	592,900	168,751,000	7,325,000	4,736,100	755,561,900		911,145	756,473,045	753,585,625	0.890
2004	14,370,900	423,523,100	48,594,800	516,989	175,634,400	6,380,000	4,018,900	673,039,089		819,474	673,858,563	738,775,970	0.895
2003	13,155,000	428,223,300	50,619,500	611,939	175,892,300	6,380,000	4,067,200	678,949,239		949,628	679,898,867	709,690,989	0.711
2002	11,751,100	362,707,650	43,016,800	1,061,056	169,568,300	5,700,000	3,648,200	597,453,106		860,147	598,313,253	642,313,681	0.726
2001	12,895,600	361,108,250	38,363,600	1,070,887	168,939,500	5,700,000	3,707,100	591,784,937		801,151	592,586,088	639,808,424	0.700

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

SOMERSET HILLS SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY - BOROUGH OF FAR HILLS
UNAUDITED

Fiscal Year Ended December 31,	Vacant Land	Residential	Farm Reg.	Q-Farm	Commercial	Apartment	Total Assessed Value	Public Utilities (a)	Net Valuation Taxable	Est. Actual (County Equalized Value)	Total Direct School Tax Rate (b)
2010	$6,884,600	$283,108,600	$118,171,800	$432,060	$29,849,700	$408,000	$438,854,760	$462,405	$439,317,165	$510,580,689	$0.388
2009	7,272,300	317,790,600	116,745,800	405,576	33,227,100	444,000	475,885,376	404,862	476,290,238	504,523,866	0.333
2008	9,067,900	346,625,700	117,273,600	3,975,663	34,417,500	455,000	511,815,363	367,634	512,182,997	505,774,618	0.314
2007	10,497,800	334,123,100	99,353,500	382,650	32,742,900	429,000	477,528,950	334,591	477,863,541	456,902,738	0.343
2006	7,885,000	338,432,200	89,760,300	372,058	32,138,600	429,000	469,017,158	326,571	469,343,729	443,269,509	0.319
2005	13,530,800	306,851,800	83,853,100	380,816	29,355,900	390,000	434,362,416	360,917	434,723,333	417,740,740	0.324
2004	12,354,900	253,050,000	67,660,400	379,546	22,864,300	324,000	356,633,146	356,453	356,989,599	380,263,783	0.378
2003	11,975,900	256,987,700	58,601,400	378,739	22,739,300	324,000	351,007,039	365,170	351,372,209	333,228,765	0.348
2002	11,782,400	267,032,300	49,054,400	377,289	22,739,300	324,000	351,309,689	365,170	351,674,859	307,407,377	0.308
2001	13,126,100	257,705,100	45,865,200	402,951	23,115,200	324,000	340,538,551	361,724	340,900,275	306,232,295	0.330

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

EXHIBIT "J-7"
SHEET #1

SOMERSET HILLS SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
UNAUDITED

Fiscal Year Ended December 31,	Borough of Bernardsville			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate (a)	General Obligation Debt Service (b)	Total Direct School Tax Rate	Borough of Bernardsville	Somerset County	
2010	$0.816	$0.105	$0.921	$0.386	$0.331	$1.638
2009	0.735	0.095	0.830	0.346	0.311	1.487
2008	0.688	0.084	0.772	0.291	0.269	1.332
2007	0.667	0.089	0.756	0.292	0.292	1.340
2006	0.676	0.065	0.741	0.292	0.297	1.330
2005	0.631	0.167	0.798	0.302	0.310	1.410
2004	0.851	0.030	0.881	0.340	0.369	1.590
2003	0.691	0.051	0.742	0.314	0.355	1.411
2002	0.719	0.060	0.779	0.345	0.386	1.510
2001	0.787	0.073	0.860	0.370	0.390	1.620

Source: District Records and Municipal Tax Collector
(Rates are per $100 of assessed value)

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.

EXHIBIT "J-7"
SHEET #2

SOMERSET HILLS SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
UNAUDITED

Fiscal Year Ended December 31,	Borough of Peapack & Gladstone			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate (a)	General Obligation Debt Service (b)	Total Direct School Tax Rate	Borough of Peapack & Gladstone	Somerset County	
2010	0.792	0.102	$0.894	$0.523	$0.416	$1.833
2009	0.737	0.095	0.832	0.519	0.377	1.728
2008	0.692	0.085	0.777	0.469	0.374	1.620
2007	0.679	0.090	0.769	0.456	0.365	1.590
2006	0.738	0.071	0.809	0.486	0.365	1.660
2005	0.704	0.186	0.890	0.494	0.376	1.760
2004	0.864	0.031	0.895	0.516	0.439	1.850
2003	0.662	0.049	0.711	0.412	0.437	1.560
2002	0.670	0.056	0.726	0.435	0.479	1.640
2001	0.640	0.060	0.700	0.400	0.420	1.520

Source: District Records and Municipal Tax Collector
(Rates are per $100 of assessed value)

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.

EXHIBIT "J-7"
SHEET #3

SOMERSET HILLS SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
UNAUDITED

Fiscal Year Ended December 31,	Borough of Far Hills			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate (a)	General Obligation Debt Service (b)	Total Direct School Tax Rate	Borough of Far Hills	Somerset County	
2010	$0.344	$0.044	$0.388	$0.418	$0.345	$1.151
2009	0.295	0.038	0.333	0.356	0.313	1.002
2008	0.280	0.034	0.314	0.313	0.294	0.921
2007	0.303	0.040	0.343	0.306	0.291	0.940
2006	0.291	0.028	0.319	0.293	0.308	0.920
2005	0.256	0.068	0.324	0.305	0.331	0.960
2004	0.365	0.013	0.378	0.351	0.391	1.120
2003	0.324	0.024	0.348	0.336	0.366	1.050
2002	0.284	0.024	0.308	0.318	0.354	0.980
2001	0.302	0.028	0.330	0.300	0.300	0.930

Source: District Records and Municipal Tax Collector
(Rates are per $100 of assessed value)

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.

EXHIBIT "J-8"
SHEET # 1

SOMERSET HILLS SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS - CURRENT YEAR AND NINE YEARS AGO
BOROUGH OF BERNARDSVILLE
UNAUDITED

	2010		2001	
Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Bernardsville Centre LLC	$16,975,000.00	0.73%	$9,369,572.00	0.63%
Falcon Crest 21 LLC	10,711,900.00	0.46%	7,000,000.00	0.47%
Mine Mt. Land Co.	10,350,000.00	0.44%	6,085,000.00	0.41%
Individual Taxpayer	8,332,700.00	0.36%	5,325,000.00	0.36%
Individual Taxpayer	8,098,500.00	0.35%	3,993,500.00	0.27%
Isabella Jazz LLC	6,977,900.00	0.30%	3,853,100.00	0.26%
Thomson Reuters	6,850,000.00	0.29%	3,358,900.00	0.22%
Individual Taxpayer	6,774,500.00	0.29%	3,461,300.00	0.23%
Individual Taxpayer	6,693,500.00	0.29%	3,400,000.00	0.23%
Individual Taxpayer	6,659,200.00	0.28%	3,289,800.00	0.22%
Total	$88,423,200.00	3.78%	$49,136,172.00	3.29%

Source: Municipal Tax Assessor

EXHIBIT "J-8"
SHEET # 2

SOMERSET HILLS SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS - CURRENT YEAR AND SEVEN YEARS AGO
BOROUGH OF PEAPACK & GLADSTONE
UNAUDITED

	2010		2003	
Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Pharmacia & Upjohn	$114,176,162.00	16.40%	$143,379,703.00	21.09%
Komline Sanderson Engineering	7,431,400.00	1.07%	7,217,700.00	1.06%
Ferris Corp.	6,311,000.00	0.91%	5,984,200.00	0.88%
Individual Taxpayer	6,009,700.00	0.86%	5,478,349.00	0.81%
Individual Taxpayer	4,665,100.00	0.67%	5,559,416.00	0.82%
Foundation for Classical Arch	3,918,400.00	0.56%		
Peapack-Gladstone Bank	3,858,700.00	0.55%	4,839,700.00	0.71%
Individual Taxpayer		0.00%	4,945,620.00	0.73%
Ellistan Holding	4,147,550.00	0.60%	4,073,502.00	0.60%
Peapack DG Properties		0.00%	3,468,409.00	0.51%
Individual Taxpayer		0.00%	3,399,086.00	0.50%
Total	$150,518,012.00	21.62%	$188,345,685.00	27.70%

Source: Municipal Tax Assessor

EXHIBIT "J-8"
SHEET # 3

SOMERSET HILLS SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS - CURRENT YEAR AND SEVEN YEARS AGO
BOROUGH OF FAR HILLS
UNAUDITED

	2010		2003	
Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Farrendale Properties	$7,202,800.00	1.64%	$6,729,556.00	1.92%
Individual Taxpayer	6,378,200.00	1.45%	6,786,700.00	1.93%
Individual Taxpayer	6,222,200.00	1.42%	5,454,900.00	1.55%
Individual Taxpayer	5,918,700.00	1.35%	5,429,200.00	1.55%
Individual Taxpayer	5,433,600.00	1.24%	4,929,185.00	1.40%
Individual Taxpayer	5,247,400.00	1.19%	4,877,343.00	1.39%
Individual Taxpayer	5,250,400.00	1.20%	4,304,000.00	1.22%
Individual Taxpayer	5,231,100.00	1.19%	4,251,500.00	1.21%
Individual Taxpayer	5,091,700.00	1.16%	4,171,800.00	1.19%
Individual Taxpayer	5,039,400.00	1.15%	4,029,021.00	1.15%
Total	$57,015,500.00	12.98%	$50,963,205.00	14.50%

Source: Municipal Tax Assessor
Information for 2001 was not available

EXHIBIT "J-9"
SHEET # 1

SOMERSET HILLS SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
BOROUGH OF BERNARDSVILLE
UNAUDITED

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy (a)		Collections in Subsequent Years
		Amount	Percentage of Levy	
2010	$21,314,016.47	$21,314,016.47	100.00%	-
2009	21,108,085.00	21,108,085.00	100.00%	-
2008	20,509,959.47	20,509,959.47	100.00%	-
2007	20,009,188.74	20,009,188.74	100.00%	-
2006	18,424,914.13	18,424,914.13	100.00%	-
2005	18,943,793.08	18,943,793.08	100.00%	-
2004	15,033,316.07	15,033,316.07	100.00%	-
2003	13,270,505.08	13,270,505.08	100.00%	-
2002	12,598,222.56	12,048,581.08	95.64%	$549,641.48
2001	12,010,840.90	12,010,840.90	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.

EXHIBIT "J-9"
SHEET # 2

SOMERSET HILLS SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
BOROUGH OF PEAPACK & GLANDSTONE
UNAUDITED

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy (a)		Collections in Subsequent Years
		Amount	Percentage of Levy	
2010	$6,176,558.88	$6,176,558.88	100.00%	-
2009	6,505,057.67	6,505,057.67	100.00%	-
2008	6,338,408.92	6,338,408.92	100.00%	-
2007	6,665,868.24	6,665,868.24	100.00%	-
2006	6,559,558.94	6,559,558.94	100.00%	-
2005	6,890,592.48	6,890,592.48	100.00%	-
2004	5,164,383.96	5,164,383.96	100.00%	-
2003	4,507,827.75	4,507,827.75	100.00%	-
2002	4,157,997.91	4,157,997.91	100.00%	-
2001	3,989,840.06	3,989,840.06	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.

EXHIBIT "J-9"
SHEET # 3

SOMERSET HILLS SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
BOROUGH OF FAR HILLS
UNAUDITED

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy (a)		Collections in Subsequent Years
		Amount	Percentage of Levy	
2010	$1,642,503.65	$1,642,503.65	100.00%	-
2009	1,525,663.33	1,525,663.33	100.00%	-
2008	1,667,247.61	1,667,247.61	100.00%	-
2007	1,604,653.02	1,604,653.02	100.00%	-
2006	1,378,109.93	1,378,109.93	100.00%	-
2005	1,429,126.44	1,429,126.44	100.00%	-
2004	1,250,347.97	1,250,347.97	100.00%	-
2003	1,186,387.17	1,186,387.17	100.00%	-
2002	970,396.53	821,415.50	84.65%	$148,981.03
2001	1,072,123.04	1,072,123.04	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.

EXHIBIT "J-10"

SOMERSET HILLS SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities: General Obligation Bonds (b)	Governmental Activities: Capital Leases	Total District	Percentage of Personal Income (a)	Per Capita (a)
2010	$39,597,000.00	$100,944.28	$39,697,944.28	0.18%	$3,601.05
2009	41,317,000.00	50,734.18	41,367,734.18	0.17%	3,783.75
2008	43,007,000.00		43,007,000.00	0.16%	3,953.58
2007	44,473,000.00	15,265.39	44,488,265.39	0.14%	4,100.68
2006	45,988,000.00	36,321.44	46,024,321.44	0.13%	4,251.28
2005	46,498,000.00	56,633.26	46,554,633.26	0.12%	4,297.48
2004	49,713,000.00	18,437.73	49,731,437.73	0.11%	4,598.80
2003	8,721,000.00		8,721,000.00	0.65%	807.50
2002	9,686,000.00		9,686,000.00	0.59%	903.04
2001	10,651,000.00		10,651,000.00	0.49%	998.22

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

EXHIBIT "J-11"

SOMERSET HILLS SCHOOL DISTRICT
RATIOS OF NET BONDED DEBT OUTSTANDING
UNAUDITED

Fiscal Year Ended June 30,	General Bonded Debt Outstanding: General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value (a) of Property	Per Capita (b)
2010	$39,597,000.00		$39,597,000.00	1.14%	$3,591.89
2009	41,317,000.00		41,317,000.00	1.09%	3,779.11
2008	43,007,000.00		43,007,000.00	1.07%	3,953.58
2007	44,473,000.00		44,473,000.00	1.11%	4,099.27
2006	45,988,000.00		45,988,000.00	1.18%	4,247.92
2005	46,498,000.00		46,498,000.00	1.32%	4,292.26
2004	49,713,000.00		49,713,000.00	1.68%	4,597.10
2003	8,721,000.00		8,721,000.00	0.30%	807.50
2002	9,686,000.00		9,686,000.00	0.37%	903.04
2001	10,651,000.00		10,651,000.00	0.44%	998.22

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.

EXHIBIT "J-12"

SOMERSET HILLS SCHOOL DISTRICT
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2009
UNAUDITED

Governmental Unit	Net debt	Estimated Percentage Applicable (a)	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Borough of Bernardsville	$8,344,725.14	100.00%	$8,344,725.14
Borough of Peapack Gladstone	5,640,336.27	100.00%	5,640,336.27
Borough of Far Hills	0.00	100.00%	0.00
Other debt			
Somerset County	117,463,640.00	6.35%	7,463,931.02
Subtotal, overlapping debt			$21,448,992.43
Somerset Hills School District Direct Debt			39,597,641.00
Total direct and overlapping debt			$61,046,633.43

Source: Municipal Chief Financial Officer, County Treasurer's Office

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.

SOMERSET HILLS SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
UNAUDITED

Legal Debt Margin Calculation for Fiscal Year 2010:

Equalized Valuation Basis

Calendar Year

2009	$3,942,050,673.00
2008	4,015,023,845.00
2007	4,031,824,572.00
	$11,988,899,090.00
Average Equalized Valuation of Taxable Property	$3,996,299,696.67
Debt Limit (4% (a) of average equalization value)	$159,851,987.87
Total Net Debt Applicable to Limit	39,597,641.00
Legal Debt Margin	$120,254,346.87

	Fiscal Year Ending June 30,									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Debt Limit	$159,851,987.87	$159,236,371.07	$154,089,770.03	$143,312,314.57	$131,749,799.80	$120,030,360.92	$109,768,179.37	$96,707,527.85	$85,436,297.00	$76,643,023.40
Total Net Debt Applicable To Limit	39,597,641.00	41,317,641.00	44,473,641.00	44,473,641.00	45,988,641.00	46,498,641.00	49,713,641.00	8,721,000.00	9,686,000.00	10,651,000.00
Legal Debt Margin	$120,254,346.87	$109,616,129.03	$98,838,673.57	$85,761,158.80	$73,531,719.92	$60,054,538.37	$87,986,527.85	$75,750,297.00	$65,992,023.40	$61,538,401.00
Total Net Debt Applicable to the Limit as a % of Debt Limit	24.77%	25.95%	28.86%	31.03%	34.91%	38.74%	45.29%	9.02%	11.34%	13.90%

Source: Equalized valuation bases were obtained from the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation
(a) Limit set by N.J.S.A. 18A:24-19 for a K through 12 district; other % limits would be applicable for other district types.

EXHIBIT "J-14"

SOMERSET HILLS SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
UNAUDITED

Year	Population (a)	Personal Income (b)	Per Capita Personal Income (c)	Unemployment Rate (d) Bernardsville	Peapack-Gladstone	Far Hills
2010	11,024	$795,943,824	$72,201	3.20%	6.10%	5.50%
2009	10,933	782,409,212	71,564	1.80%	3.40%	3.10%
2008	10,878	733,775,490	67,455	1.30%	2.60%	2.30%
2007	10,849	675,328,552	62,248	1.50%	2.90%	2.60%
2006	10,826	648,823,832	59,932	1.40%	2.70%	2.50%
2005	10,833	615,444,396	56,812	1.40%	2.70%	2.50%
2004	10,814	604,372,832	55,888	3.10%	2.40%	4.70%
2003	10,800	609,163,200	56,404	3.60%	2.80%	5.40%
2002	10,726	616,852,260	57,510	3.80%	2.90%	5.50%
2001	10,670	555,693,600	52,080	2.30%	1.80%	3.50%

Source:
(a) Population information provided by the NJ Dept. of Labor and Workforce Development.
(b) Personal income has been estimated based upon the municipal population and per capita personal income presented.
(c) Per capita personal income (Somerset County average) estimated based upon the information published by the US Bureau of Economic Analysis.
(d) Unemployment data provided by the NJ Dept. of Labor and Workforce Development.

EXHIBIT "J-15"

SOMERSET HILLS SCHOOL DISTRICT
PRINCIPAL EMPLOYERS - CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

	2010		2001	
Employer	# of Employees	Percentage of Total Employment	# of Employees	Percentage of Total Employment
(1)				
	0	0.00%	0	0.00%

Source: Municipal Records

(1) - Data not available

EXHIBIT "J-16'

SOMERSET HILLS SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
UNAUDITED

Function/Program	2010	2009	2008	2007	2006	2005
Instruction:						
Regular	166	160	160	155	151	146
Special education	28	28	27	26	25	24
Support Services:						
Student & instruction related services	31	38	38	38	37	35
General administrative services	8	8	8	8	8	8
School administrative services	14	14	13	13	13	13
Plant operations and maintenance	25	25	27	26	25	22
Pupil transportation	2					
Central services	3	3	3	3	3	3
Administration information technology	1	1	1	1	1	1
Total	278	277	277	270	263	252

Source: District Personnel Records

EXHIBIT "J-17"

SOMERSET HILLS SCHOOL DISTRICT
OPERATING STATISTICS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures (a)	Cost Per Pupil	% Change	Teaching Staff (b)	Pupil/Teacher Ratio	Average Daily Enrollment (c)	Average Daily Attendance (c)	% Change in Average Daily Enrollment	Student Attendance Percentage
2010	2,078	$35,813,206.66	$17,234.46	0.60%	213	9.8	2,075	1,990	-2.40%	95.90%
2009	2,131	34,982,399.91	16,415.95	-4.18%	215	9.9	2,126	2,045	3.30%	96.19%
2008	2,076	35,565,968.33	17,131.97	5.68%	215	9.7	2,058	1,976	1.88%	96.02%
2007	2,019	32,730,956.58	16,211.47	5.90%	209	9.7	2,020	1,937	0.92%	95.89%
2006	1,997	30,571,298.38	15,308.61	5.31%	206	9.7	2,002	1,921	3.41%	95.96%
2005	1,928	28,027,548.97	14,537.11	3.72%	185	10.4	1,936	1,848	2.57%	95.49%
2004	1,877	26,308,636.73	14,016.32	10.85%	184	10.2	1,887	1,802	6.68%	95.50%
2003	1,893	23,936,130.56	12,644.55	3.40%	184	10.3	1,769	1,684	4.66%	95.22%
2002	1,771	21,656,769.36	12,228.55	0.68%	201	8.8	1,690	1,611	5.16%	95.33%
2001	1,705	20,708,121.23	12,145.53	5.32%	176	9.7	1,607	1,528	5.33%	95.08%
2000	1,632	18,819,408.32	11,531.50	-2.69%	160	10.2	1,526	1,456	0.72%	95.42%

Sources: District records

Note: Enrollment based on annual October district count.

(a) Operating expenditures equal total expenditures less debt service and capital outlay.

(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).

SOMERSET HILLS SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
UNAUDITED

	2010	2009	2008	2007	2006
District Buildings					
Elementary School(s):					
Bedwell (1960)					
Square Feet	83,183	83,183	83,183	83,183	76,534
Capacity (students)	741	741	741	741	741
Enrollment	744	757	729	714	696
Middle School(s):					
Bernardsville Middle School (1969)					
Square Feet	81,746	81,746	81,746	81,746	81,746
Capacity (students)	524	524	524	524	524
Enrollment	549	559	561	555	547
High School(s):					
Bernards High School (1930)					
Square Feet	252,715	252,715	252,715	252,715	252,715
Capacity (students)	861	861	861	861	861
Enrollment	785	814	786	750	754

Number of Schools at June 30, 2010
Elementary = 1
Middle School = 1
High School = 1
Source: District records
Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of additions. Enrollment is based on the annual October district count.

EXHIBIT "J-19"

SOMERSET HILLS SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE
UNAUDITED

Undistributed expenditures - Required maintenance for school facilities - 11-000-261-XXX

School Facilities * Project #(s)	Total	Olcott Administrative	Bernards High School	Bedwell Elementary	Bernardsville Middle School
2010	$729,629.45	$32,886.04	$398,986.82	$132,221.87	$165,534.72
2009	745,053.61	43,316.25	392,880.53	178,507.68	130,349.15
2008	914,724.02	56,642.37	510,308.02	141,188.30	206,585.33
2007	718,319.80	24,740.30	413,487.61	158,209.42	121,882.47
2006	598,585.00	34,292.00	275,660.00	130,399.00	158,234.00
2005	968,142.56	23,881.75	604,522.42	189,069.81	150,668.58
2004	670,568.29	42,417.98	311,441.81	182,352.32	134,356.18
2003	491,446.84	36,160.35	242,180.79	110,016.74	103,088.96
2002	437,761.00	22,092.00	224,885.00	97,431.00	93,353.00
2001	405,271.00	20,262.00	210,725.00	89,183.00	85,101.00

* - School facilities as defined under EFCFA.
(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: District records

EXHIBIT "J-20"

SOMERSET HILLS SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2010
UNAUDITED

	COVERAGE	DEDUCTIBLE
School Package Policy - Garden State School Board Insurance Group: Utica		
Blanket Buildings and Contents	$123,488,167.00	$2,500.00
Comprehensive General Liability	1,000,000.00	
Commercial Umbrella Liability	10,000,000.00	
Boiler and Machinery Insurance	75,000,000.00	
School Board Legal Liability - NJSBAIG	3,000,000.00	
Comprehensive Automobile Liability	1,000,000.00	
Data Processing Coverage	2,500,000.00	
Public Employees' Performance Bond - Treasurer of School Monies	250,000.00	
Public Employees' Performance Bond - Business Administrator	240,000.00	
Employee Dishonesty	500,000.00	
Money and Securities	50,000.00	
Blanket Accident Insurance	5,000,000.00	
Workers Compensation - NJSBAIG	Statutory Limits	

Source: District Records

SINGLE AUDIT SECTION

SUPLEE, CLOONEY & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
308 East Broad Street, Westfield, New Jersey 07090-2122
Telephone 908-789-9300 Fax 908-789-8535
E-mail info@scnco.com

EXHIBIT "K-1"

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable President and Members
of the Board of Education
Somerset Hills School District
County of Somerset
Bernardsville, New Jersey 07924

We have audited the basic financial statements of the Somerset Hills School District, County of Somerset, New Jersey as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated October 24, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards, audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Somerset Hills School District, County of Somerset, New Jersey internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements but not for the purpose of expressing an opinion on the effectiveness of the Somerset Hills School District, County of Somerset's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Somerset Hills School District, County of Somerset'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 District's financial statements will not be prevented, or detected and corrected on a timely basis.

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. However, we noted certain immaterial matters involving the internal control that we have reported to the Board of Education and management of the Somerset Hills School District in a separate Auditor's Management Report on Administrative Findings- Financial and Compliance dated October 24, 2010.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Somerset Hills School District's basic 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 basic 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*.

This report is intended for the information of the Somerset Hills School District, County of Somerset, New Jersey, the New Jersey State Department of Education and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Suplee, Clooney & Company
CERTIFIED PUBLIC ACCOUNTANTS

Maria M. Koury
PUBLIC SCHOOL ACCOUNTANT NO. 962

October 24, 2010

SUPLEE, CLOONEY & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122
Telephone 908-789-9300 Fax 908-789-8535
E-mail info@scnco.com

EXHIBIT "K-2"

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL AND STATE FINANCIAL ASSISTANCE PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A -133 AND NEW JERSEY OMB CIRCULAR 04-04

Honorable President and Members
of the Board of Education
Somerset Hills School District
County of Somerset
Bernardsville, New Jersey 07924

Compliance

We have audited the compliance of the Somerset Hills School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the New Jersey State Grant Compliance Supplement that are applicable to each of its major federal and state programs for the year ended June 30, 2010. Somerset Hills School District's major federal and 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 Somerset Hills School District's management. Our responsibility is to express an opinion on Somerset Hills School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey and the provisions of U.S. Office of Management and Budget (OMB) Circular A-133 "Audits of States, Local Governments and Non-Profit Organizations" and State of New Jersey OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about the Somerset Hills School District'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 Somerset Hills School District's compliance with those requirements.

In our opinion, the Somerset Hills School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended June 30, 2010. However, the results of our procedures disclosed an instance of noncompliance with those requirements, which is reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2010-1.

Internal Control Over Compliance

The management of the Somerset Hills School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Somerset Hills School District's internal control over compliance with requirements that could have a direct and material effect on a major federal and state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and NJ OMB Circular 04-04, 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 Somerset Hills School District'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 federal or 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 federal or state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the 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, 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. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as item 2010-1. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Somerset Hills School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit this response and, accordingly, we express no opinion on the response.

This report is intended solely for the information of the Somerset Hills School District, County of Somerset, New Jersey, the New Jersey State Department of Education, and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

CERTIFIED PUBLIC ACCOUNTANTS

October 24, 2010

PUBLIC SCHOOL ACCOUNTANT NO. 962

EXHIBIT "K-3"
SCHEDULE A

SOMERSET HILLS SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT OR STATE PROJECT NUMBER	PROGRAM OR AWARD AMOUNT	GRANT PERIOD FROM	GRANT PERIOD TO	BALANCE AT JUNE 30, 2009	CARRYOVER/ (WALKOVER) AMOUNT	CASH RECEIVED	BUDGETARY EXPENDITURES	ADJUSTMENTS	REPAYMENT OF PRIOR YEAR BALANCES	BALANCE AT JUNE 30, 2010 (ACCOUNTS RECEIVABLE)	BALANCE AT JUNE 30, 2010 DEFERRED REVENUE	BALANCE AT JUNE 30, 2010 DUE TO GRANTOR
Enterprise Funds														
U.S. Department of Agriculture														
Passed-through State Department of Education:														
Food Distribution Program	10.550	N/A	$11,946.19	7/1/09	6/30/10			$ 11,946.19	$ (9,562.57)				$ 2,383.62	$
Food Distribution Program	10.550	N/A	13,253.31	7/1/08	6/30/09	$ 3,199.92			(3,199.92)					
National School Lunch Program	10.555	N/A	71,818.22	7/1/09	6/30/10			65,186.01	(71,818.22)			$ (6,632.21)		
National School Lunch Program	10.555	N/A	53,260.36	7/1/08	6/30/09	(10,389.66)		10,389.66						
Total U.S. Department of Agriculture						(7,189.74)		87,521.86	(84,580.71)			(6,632.21)	2,383.62	-0-
Special Revenue Funds														
U.S. Department of Education														
Passed-through State Department of Education:														
I.D.E.A. Part B, Basic	84.027	IDEA481510	398,110.00	9/1/09	8/31/10			393,935.00	(398,110.00)			(4,175.00)		
ARRA- I.D.E.A. Part B, Basic	84.391		507,849.00	9/1/09	8/31/10			114,956.00	(250,745.25)			(135,789.25)		
I.D.E.A. Part B-Preschool	84.173	IDEA481510	17,298.00	9/1/09	8/31/10			17,298.00	(17,298.00)					
ARRA- I.D.E.A. Part B-Preschool	84.392		18,374.00	9/1/09	8/31/10									
Teacher Mentoring	84.336	N/A	9,178.00	9/1/08	8/31/09	(4,806.00)			(818.00)			(5,624.00)		
Title II, Part A	84.367A	NCLB481509	28,931.00	9/1/08	8/31/09	(15,196.83)	$ (3,913.17)	19,110.00						
Title II, Part A	84.367A	NCLB481510	29,762.00	9/1/09	8/31/10		3,913.17	8,263.00	(33,748.95)			(21,572.78)		
Title II, Part D	84.318X	NCLB481509	353.00	9/1/08	8/31/09	(353.00)		353.00						
Title II, Part D	84.318X	NCLB481510	293.00	9/1/09	8/31/10				(293.00)			(293.00)		
Title III	84.365A	NCLB481509	11,503.00	9/1/08	8/31/09	(7,638.00)		7,638.00						
Title III	84.365A	NCLB481510	10,815.00	9/1/09	8/31/10			2,636.00	(10,815.00)			(8,179.00)		
Title IV	84.186A	NCLB481507		9/1/08	8/31/09	(2,093.00)		2,093.00						
Title IV	84.186A	NCLB481507	4,215.00	9/1/07	8/31/08	353.45							353.45	
Title IV	84.186A	NCLB481510	3,270.00	9/1/09	8/31/10				(3,270.00)			(3,270.00)		
Title V	84.298	NCLB481507	2,509.00	9/1/07	8/31/08	49.32							49.32	
Total U.S. Department of Education						(29,684.06)		566,282.00	(715,098.20)			(178,903.03)	402.77	
Total Federal Financial Assistance						$ (36,873.80)	$	$ 653,803.86	$ (799,678.91)	$	$	$ (185,535.24)	$ 2,786.39	$

See accompanying notes to schedules of financial assistance

EXHIBIT "K-4"
SCHEDULE B

SOMERSET HILLS SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

STATE GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	AWARD AMOUNT	GRANT PERIOD	BALANCE AT JUNE 30, 2009 (ACCOUNTS RECEIVABLE)	DEFERRED REVENUE	DUE TO GRANTOR	CASH RECEIVED	BUDGETARY EXPENDITURES	ADJUSTMENTS	REFUNDED TO GRANTOR	AT JUNE 30, 2010 (ACCOUNTS RECEIVABLE)	DEFERRED REVENUE	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPENDITURES
State Department of Education															
General Funds:															
Transportation Categorical Aid	10-495-034-5120-014	$ 433,948.00	7/1/09-6/30/10				$ 367,187.64	$ (433,948.00)	$ 66,760.36					$ (66,760.36)	$ 433,948.00
Transportation Categorical Aid	09-495-034-5120-014	519,450.00	7/1/08-6/30/09				47,317.93		(47,317.93)						
Special Education Categorical Aid	10-495-034-5120-011	345,469.00	7/1/09-6/30/10				292,320.62	(345,469.00)	53,148.38					(53,148.38)	345,469.00
Special Education Categorical Aid	09-495-034-5120-089	690,456.00	7/1/08-6/30/09				62,895.26		(62,895.26)						
Security Aid	10-495-034-5120-084	100,298.00	7/1/09-6/30/10				84,867.74	(100,298.00)	15,430.26					(15,430.26)	100,298.00
Security Aid	09-495-034-5120-084	40,144.00	7/1/08-6/30/09				3,656.81		(3,656.81)						
Nonpublic School Transportation Aid		47,097.00	7/1/09-6/30/10					(47,097.00)			$ (47,097.00)			(47,097.00)	47,097.00
Nonpublic School Transportation Aid		44,568.44	7/1/08-6/30/09	$ (44,568.44)			44,568.44								
Extraordinary Special Education Costs Aid	10-495-034-5120-044	528,081.00	7/1/09-6/30/10					(528,081.00)			(528,081.00)			(528,081.00)	528,081.00
Extraordinary Special Education Costs Aid	09-100-034-5120-473	591,825.00	7/1/08-6/30/09	(591,825.00)			591,825.00								
Reimbursed TPAF Social Security Contribution	10-495-034-5095-002	1,159,147.71	7/1/09-6/30/10				1,101,338.24	(1,159,147.71)			(57,809.47)			(57,809.47)	1,159,147.71
Reimbursed TPAF Social Security Contribution	09-495-034-5095-002	1,144,229.94	7/1/08-6/30/09	(57,534.78)			57,534.78								
				(693,928.22)			2,653,512.46	(2,614,040.71)	21,469.00		(632,987.47)			(768,326.47)	2,614,040.71
Special Revenue Funds:															
Teacher Technology		1,000.00	7/1/07-6/30/08		$ 500.00							$ 500.00			
N.J. NonPublic Aid															
Handicapped Services															
Corrective Speech	10-100-034-5120-066	26,901.00	7/1/09-6/30/10				26,901.00	(20,897.06)					$ 6,003.94		(20,897.06)
Examination and Classification	10-100-034-5120-066	38,376.00	7/1/09-6/30/10				38,376.00	(37,578.85)					797.15		(37,578.85)
Supplemental Instruction	10-100-034-5120-066	7,964.00	7/1/09-6/30/10				7,964.00	(5,234.16)					2,729.84		(5,234.16)
Auxiliary Services															
Compensatory Education	10-100-034-5120-067	16,122.00	7/1/09-6/30/10				16,122.00	(15,360.95)					761.05		(15,360.95)
English as a Second Language	10-100-034-5120-067	6,851.00	7/1/09-6/30/10				6,851.00	(4,357.00)					2,494.00		(4,357.00)
Nonpublic Home Instruction		664.02	7/1/08-6/30/10					(664.02)			(664.02)			(664.02)	
NonpublicTextbook Aid	09-100-034-5120-064	34,543.00	7/1/08-6/30/09				2,434.60			$ 2,434.60					
NonpublicTextbook Aid	10-100-034-5120-064	36,846.00	7/1/09-6/30/10				36,846.00	(36,846.00)							(36,846.00)
Nonpublic Nursing Services	09-100-034-5120-070	46,629.00	7/1/08-6/30/09												
Nonpublic Nursing Services	10-100-034-5120-070	43,696.00	7/1/09-6/30/10				43,696.00	(43,696.00)							(43,696.00)
Nonpublic Technology Initiative	09-100-034-5120-373	24,160.00	7/1/08-6/30/09				331.65			331.65					
Nonpublic Technology Initiative	10-100-034-5120-373														
					500.00		179,522.25	(164,634.04)		2,766.25	(664.02)	500.00	12,785.98	(664.02)	(163,970.02)
Debt Service Fund:															
Debt Service Aid Type II	10-495-034-5120-017	87,934.00	7/1/09-6/30/10				87,934.00	(87,934.00)							(87,934.00)
							87,934.00	(87,934.00)							(87,934.00)
Capital Projects Fund:															
Educational Facilities Construction and Financing Aid															
Bedwell Elementary School Improvements	SP 4815-030-03-1182	874,754.00	Continuous				170,577.03		(170,577.03)						
Bernardsville Middle School Project	SP 4815-040-03-1181	739,572.00	Continuous				144,216.54		(144,216.54)						
Bernards High School Project	SP 4815-020-03-1180	8,561,366.00	Continuous						(1,669,466.37)		(1,669,466.37)			(1,669,466.37)	
Bedwell Elementary Roof Project	SP 4815-030-04-1000	260,140.00	Continuous				39,189.90		(91,487.67)		(52,297.77)			(52,297.77)	
							353,983.47		(2,075,747.61)		(1,721,764.14)			(1,721,764.14)	
Enterprise Fund:															
State School Lunch Program	10-100-010-3350-023	5,762.48	7/1/09-6/30/10				5,233.72	(5,762.48)			(528.76)			(528.76)	(5,762.48)
State School Lunch Program	09-100-010-3350-023	4,928.88	7/1/08-6/30/09	(969.92)			969.92								
				(969.92)			6,203.64	(5,762.48)			(528.76)			(528.76)	(5,762.48)
Total State Financial Assistance Subject to Single Audit				$ (694,898.14)	$ 500.00	$	3,281,155.82	(2,872,371.23)	$ (2,054,278.61)	$ 2,766.25	$ (2,355,944.39)	$ 500.00	$ 12,785.98	$ (2,491,263.39)	$ 2,356,374.21
TPAF Post-retirement medical contributions							984,490.00	(984,490.00)							
TPAF Non-contributory Insurance							52,418.00	(52,418.00)							
Total State Financial Assistance							$ 4,318,063.82	$ (3,909,279.23)							

See accompanying notes to schedules of financial assistance

Somerset Hills School District
Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2010

NOTE 1: GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state activity of the Board of Education, Somerset Hills School District. The Somerset Hills School District reporting entity is defined in Note 1 to the District's basic financial statements. All federal and state awards received directly from the federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and federal awards and state financial assistance are presented on the budgetary basis of accounting with the exceptions 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 of the District's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. 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 BASIC FINANCIAL STATEMENTS

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-regulated 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 deferred state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes, those payments are not recognized until the subsequent budget year due to the state deferral and recording of the state aid payment in the subsequent budget 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 revenue, whereas GAAP basis does not. The special revenue fund also recognizes the deferred state aid payments in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is $(21,469.00) for the general fund and $43,627.29 for the special revenue fund. See the notes to the required supplementary information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Federal awards and state financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

	Federal	State	Total
General Fund		$3,629,479.71	$3,629,479.71
Special Revenue Fund	$720,473.43	164,634.04	885,107.47
Debt Service Fund		87,934.00	87,934.00
Food Service Fund	84,580.71	5,762.48	90,343.19
Total Awards & Financial Assistance	$805,054.14	$3,887,810.23	$4,692,864.37

NOTE 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5: OTHER

Revenues and expenditures reported in 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.

EXHIBIT "K-6"

Somerset Hills School District
Somerset County, New Jersey

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2010

Section I – Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued:	Unqualified
Internal Control Over Financial Reporting:	
1) Material weaknesses identified?	No
2) Significant deficiencies that are not considered to be material weaknesses?	None reported
Noncompliance material to the basic financial statements noted during the audit?	No

Federal Program(s)

Internal Control Over Major Federal Programs:	
1) Material weakness(es) identified?	No
2) Significant deficiencies that are not Considered to be material weaknesses?	Yes
Type of Auditor's Report issued on compliance for major federal Program(s)?	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133 and listed in Section III of this schedule?	Yes

Somerset Hills School District
Somerset County, New Jersey

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2010

Section I – Summary of Auditor's Results (Continued)

Federal Program(s) (Continued)

Identification of Major Federal Program(s):

Program	CFDA	Grant Period From	Grant Period To	Type	Award Amount	Expended FY '10
IDEA Basic	84.027	9/1/09	8/31/10	A	$398,110	$398,110
ARRA IDEA Basic	84.391	9/1/09	8/31/10	A	$507,849	$250,745
IDEA Preschool	84.173	9/1/09	8/31/10	A	$17,298	$17,398

Program Threshold Determination:
Type A State Program Threshold > $300,000.00
Type B State Program Threshold <= $300,000.00

Auditee qualified as a low-risk auditee under OMB Circular A-133? Yes

State Program(s)

Internal Control Over Major State Programs:

1) Material weakness(es) identified? No

2) Significant deficiencies that are not considered To be material weakness(es)? None Reported

Type of Auditor's Report issued on compliance for major state program(s)? Unqualified

Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 04-04 and listed in Section III of this schedule? None Reported

Somerset Hills School District
Somerset County, New Jersey

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2010

State Program(s) (Continued)

(4) Identification of Major State Program(s):

Program	Grant Number	Grant Period From	Grant Period To	Type	Award Amount	Expended FY '10
Transportation Aid	10-495-034-5120-014	7/1/09	6/30/10	A	$433,948	$433,948
Security Aid	10-495-034-5120-084	7/1/09	6/30/10	B	100,298	100,298
TPAF Social Security	10-495-034-5095-002	7/1/09	6/30/10	A	1,159,148	1,159,148

(5) Program Threshold Determination:
Type A State Program Threshold > $300,000.00
Type B State Program Threshold <= $300,000.00

(6) Auditee qualified as a low-risk auditee under OMB Circular 04-04? Yes

EXHIBIT "K-6"

Somerset Hills School District
Somerset County, New Jersey

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2010

Section II – Financial Statement Audit – Reported Findings Under Government Auditing Standards

Internal Control Findings

None Reported

Compliance Findings

None Reported

Section III – Findings and Questioned Costs Relative to Major Federal and State Programs

Federal Programs

Finding #2010-1

We were unable to test the District's reporting for Section 1512 of the American Recovery and Reinvestement Act (ARRA) IDEA Part B grant funding because the District did not maintain hard copies of these reports and the reports are no longer available in the Statement Department of Education's (the Pass-through entity) Homeroom website.

Federal Program Information

ARRA IDEA Part B, 84.391

Criteria or Specific Requirement

Reporting

Condition

Hard copies of the ARRA 1512 reports were not retained for audit after electronic submission.

Context

The District did not have in place a control, such as a formal policy for records retention for on-line financial reports.

Somerset Hills School District
Somerset County, New Jersey

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2010

Section III – Findings and Questioned Costs Relative to Major Federal and State Programs (Continued)

Questioned Costs

Since the reports cannot be provided for audit, the accuracy or completeness of the submissions cannot be determined; therefore, questioned costs, if any, are unknown.

Effect

The District is unable to document compliance with reporting requirements for the above-listed grant.

Cause

Absence of a formal policy for retention of grant reports filed electronically.

Recommendation

That a policy on records retention relating to grant program reporting be established to ensure that all reports required to be filed electronically are maintained for audit.

Views of Responsible Officials and Planned Corrective Action

State Programs – None Reported

EXHIBIT "K-7"

Somerset Hills School District
Somerset County, New Jersey

Schedule of Prior Year Audit Findings

Not Applicable