

SCHOOL DISTRICT
OF
HIGH BRIDGE BOROUGH

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

Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2011

Comprehensive Annual

Financial Report

of the

High Bridge Borough School District

Board of Education

High Bridge, New Jersey

For the Fiscal Year Ending June 30, 2011

Prepared by

High Bridge Borough School District

Board of Education

Finance Department

OUTLINE OF CAFR

INTRODUCTORY SECTION

	<u>Page</u>
Letter of Transmittal	1
Organizational Chart	2
Roster of Officials	3
Consultants and Advisors	4

FINANCIAL SECTION

Independent Auditor's Report	5-6
Required Supplementary Information – Part I Management's Discussion and Analysis	7
Basic Financial Statements	
A. District-Wide Financial Statements:	
A-1 Statement of Net Assets	8
A-2 Statement of Activities	9
B. Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheet	10
B-2 Statement of Revenues, Expenditures and Changes in Fund Balance	11
B-3 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Proprietary Funds:	
B-4 Statement of Net Assets	13
B-5 Statement of Revenues, Expenses and Changes in Fund Net Assets	14
B-6 Statement of Cash Flows	15
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Assets	16
B-8 Statement of Changes in Fiduciary Net Assets	17
Notes to the Financial Statements	18-38
Required Supplementary Information – Part II	
C. Budgetary Comparison Schedules:	
C-1 Budgetary Comparison Schedule - General Fund	39-49
C1a Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	N/A
C-1b Education Jobs Fund Program – Budget and Actual	N/A
C-2 Budgetary Comparison Schedule - Special Revenue Fund	50
Notes to Required Supplementary Information	
C-3 Budget-to-GAAP Reconciliation	51

OUTLINE OF CAFR

		<u>Page</u>
Other Supplementary Information		
D.	School Level Schedules:	
	D-1 Combining Balance Sheet	N/A
	D-2 Blended Resource Fund – Schedule of Expenditures Allocated by Resource Type – Actual	N/A
	D-3 Blended Resource Fund – Schedule of Blended Expenditures – Budget and Actual	N/A
E.	Special Revenue Fund:	
	E-1 Combining Schedule of Program Revenues and Expenditures, Special Revenue Fund – Budgetary Basis	52
	E-2 Schedule(s) of Preschool Education Aid Expenditures – Preschool-All Programs- Budgetary Basis	53
F.	Capital Projects Fund:	
	F-1 Summary Schedule of Project Expenditures	54
	F-2 Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis	55
	F-2a Schedule of Project Revenues, Expenditures, Project Balance, and Project Status-Budgetary Basis-Middle School Improvements	56
	F-2b Schedule of Project Revenues, Expenditures, Project Balance, and Project Status-Budgetary Basis-Elementary School Improvements	57
G.	Proprietary Funds	
	Enterprise Fund:	
	G-1 Combining Statement of Net Assets	See B-4
	G-2 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	See B-5
	G-3 Combining Statement of Cash Flows	See B-6
	Internal Service Fund:	
	G-4 Combining Statement of Net Assets	N/A
	G-5 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	N/A
	G-6 Combining Statement of Cash Flows	N/A
H.	Fiduciary Funds:	
	H-1 Combining Statement of Fiduciary Net Assets	58
	H-2 Combining Statement of Changes in Fiduciary Net Assets	59
	H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	60
	H-4 Payroll Agency Fund Schedule of Receipts and Disbursements	61

OUTLINE OF CAFR

Other Supplementary Information (Continued)		<u>Page</u>
I.	Long-Term Debt:	
I-1	Schedule of Serial Bonds	62
I-2	Schedule of Obligations Under Capital Leases	63
I-3	Budgetary Comparison Schedule Debt Service Fund	64

STATISTICAL SECTION (Unaudited)

Introduction to the Statistical Section

Financial Trends

J-1	Net Assets by Component	65
J-2	Changes in Net Assets	66-67
J-3	Fund Balances - Governmental Funds	68
J-4	Changes in Fund Balances - Governmental Funds	69
J-5	General Fund Other Local Revenue by Source	70

Revenue Capacity

J-6	Assessed Value and Estimated Actual Value of Taxable Property	71
J-7	Direct and Overlapping Property Tax Rates	72
J-8	Principal Property Taxpayers	73
J-9	Property Tax Levies and Collections	74

Debt Capacity

J-10	Ratios of Outstanding Debt by Type	75
J-11	Ratios of General Bonded Debt Outstanding	76
J-12	Direct and Overlapping Governmental Activities Debt	77
J-13	Legal Debt Margin Information	78

Demographic and Economic Information

J-14	Demographic and Economic Statistics	79
J-15	Principal Employers	80

Operating Information

J-16	Full-time Equivalent District Employees by Function/Program	81
J-17	Operating Statistics	82
J-18	School Building Information	83
J-19	Schedule of Required Maintenance Expenditures by School Facility	84
J-20	Insurance Schedule	85

SINGLE AUDIT SECTION

K-1	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	86-87
K-2	Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with New Jersey OMB Circular 04-04	87-89
K-3	Schedule of Expenditures of Federal Awards, Schedule A	N/A
K-4	Schedule of Expenditures of State Financial Assistance, Schedule B	90
K-5	Notes to the Schedules of Awards and Financial Assistance	91-92
K-6	Schedule of Findings and Questioned Costs	93-97
K-7	Summary Schedule of Prior Audit Findings	98

Introductory Section

HIGH BRIDGE SCHOOL DISTRICT

High Bridge ∞ New Jersey 08829

Joseph J. Kennedy
Superintendent / Middle School Principal
50 Thomas Street
(908) 638-4103 / (908) 638-4101
Fax: (908) 638-4211

Lisa Fallon
Supervisor of Special Education
50 Thomas Street
(908) 638-4512
Fax: (908) 638-4106

Gail Woickowski
School Business Administrator
50 Thomas Street
(908) 638-6552
Fax: (908) 638-5770

Paul Nigro
Elementary School Principal
40 Fairview Avenue
(908) 638-4105
Fax: (908) 638-5260

October 27, 2011

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

Dear Mr. Robert Imhoff and Board Members:

The comprehensive annual financial report of the High Bridge Borough School District for the fiscal year ended June 30, 2011 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the district. All disclosures necessary to enable the reader to gain an understanding of the district's financial activities have been included.

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

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

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

learning disabled students enrolled in preschool disabled, language/learning disabled, and resource center programs. During the 2010-2011 fiscal year, the district had an Average Daily Enrollment (ADE) of 390.4 students, a 2.1% decrease from the 2009-10 ADE. The following table details the changes in the student average daily enrollment of the district over the last nineteen years:

AVERAGE DAILY ENROLLMENT

Fiscal Year	Student Enrollment (ADE)	Percent Change: increase (decrease)
2010-11	390.4	(2.20)%
2009-10	399.1	(0.70)%
2008-09	401.9	1.95 %
2007-08	394.2	(6.40)%
2006-07	421.0	(5.10)%
2005-06	443.5	(3.40)%
2004-05	459.3	(1.39)%
2003-04	465.8	1.13 %
2002-03	460.6	1.12 %
2001-02	495.7	4.07 %
2000-01	476.3	0.23 %
1999-00	466.3	(6.63)%
1998-99	499.4	0.56 %
1997-98	496.6	(0.68)%
1996-97	500.0	(2.53)%
1995-96	513.0	2.04 %
1994-95	502.7	(2.49)%
1993-94	515.2	(0.35)%
1992-93	517.0	10.10 %
1991-92	464.3	(2.30)%

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

The Mayor and Council embarked upon a program in the middle 1990’s to preserve the few parcels of open space left undeveloped in the borough. Today, approximately 30% of the Borough is either open space or dedicated to recreation. Preserving open space has not only preserved the character and quality of life of the borough but kept unrestrained residential

development in check. Unrestrained residential development or sprawl is one of the leading causes of an uncontrolled tax rate. This is due in part to the cost generation of school age children, infrastructure needs and services required from the borough. As evidenced of this commitment the borough has increased its open space inventory from approximately 7 acres of open space in 1995 to approximately 496 as of 2011. Four proposed housing developments have not come to fruition.

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

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

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

3. MAJOR INITIATIVES

3.1 *Program Improvement Plan*

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

As a result of the district's on-going curriculum/program improvement process the students at each grade continue to perform well on locally developed, national standardized and State

assessment tests. The students, over the years, have consistently scored above state average on the NJASK in Language Arts Literature, Math and Science.

3.2 *Staff Development*

Professional Development Activities

The district staff actively participated in numerous professional development opportunities during the 2010-2011 school year based on the district's comprehensive Staff Development plan.

The staff development/professional development opportunities reflected:

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

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

3.3 *Special Education and Least Restrictive Environment*

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

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

Lessons are differentiated and include a variety of strategies i.e. scaffolding, tiering, cooperative learning, compacting, flexible grouping, and problem-based learning. The Inclusive Models for Occupational Therapy and Speech/Language Therapy are provided. Physical Therapy, and applied behavioral analysis social skills training are provided as a pullout service with in-class service, as necessary. Adaptive Physical Education (PE) is available. The program provides parent support groups. A thirty-day extended school year is offered to eligible students.

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

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

3.4 Computer/Technology

During the 2010-2011 school year, the High Bridge School District continued to implement the goals set forth in the 2010 – 2013 district technology plan. Additional classroom based technology was purchased and installed providing teachers and students with greater access to internet programs.

The initiatives successfully completed during the 2009 – 2010 were further enhanced during the 2010-2011 school year through acquisition of equipment and software technology.

4. INTERNAL ACCOUNTING CONTROLS: Management of the district is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the district are protected from loss, theft or misuse and to ensure that adequate accounting data are

compiled to allow for the preparation of financial statement in conformity with general accepted accounting principals (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

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

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

An encumbrance accounting system is used to record outstanding purchase order commitments on a line item basis. Open encumbrances at year- end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2011.

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

7. FINANCIAL INFORMATION AT FISCAL YEAR-END: As demonstrated by the various statements and schedules included in the financial section of this report, the district continues meeting its responsibility for sound financial management. The following schedule presents a summary of the general fund, special revenue fund and debt service fund revenues for the fiscal year ended June 30, 2011 and the amount and percentage of increases in relation to prior year revenues.

Revenue Change 10-11 vs. 09-10

Revenue	2010-11 Amount	Percent of 2010-11 Budget	\$ Change from 2010	Proportion of Increase (Decrease)
Local Sources	\$ 5,553,406	69.79%	\$ 215,552	4.04%
State Sources	\$ 2,126,918	26.73%	\$ (79,149)	(3.59)%
Federal Sources	\$ 277,379	3.49%	\$ (14,490)	(4.96) %
Total	\$ 7,835,790	100.00%	\$ 121,913	1.56%

The following schedule presents a summary of general fund, special revenue fund, and debt service fund expenditures for the fiscal year ended June 30, 2011 and the percentage of increases and decreases in relation to prior year amounts.

Expenditure Change 10-11 vs. 09-10

Expenditures	2010-11 Amount	Percent of Total	Dollar Increase/ (Decrease)	Percent of Increase/ (Decrease)
Current expense:				
Instruction	\$3,578,289	46.49 %	\$ (77,729)	(2.13) %
Undistributed	\$3,163,935	41.11%	\$ (90,605)	(2.78)%
Total	\$6,742,224	87.60 %	\$ (168,334)	(2.44) %
Capital Outlay	\$ 56,405	0.73 %	\$ 19,026	50.90%
Debt Service	\$ 614,290	7.98 %	\$ 6,317	1.04 %
Special Revenue	\$ 283,979	3.69 %	\$ 139,103	96.02 %
Total	\$7,696,898	100.00%	\$ (3,888)	(0.05)%

8. DEBT ADMINISTRATION: On January 15, 1996, the district issued \$6,865,000 in general obligation bonds (30 year) to fund a voter-approved referendum for capital building projects at the district's two facilities. On December 1, 1997 the district issued \$1,500,000 in general obligation bonds (15 year) to fund a voter-approved referendum for the Middle School Asbestos Abatement Project. At June 30, 2011 the outstanding debt balance was \$5,680,000.

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

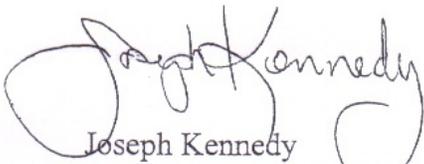
on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

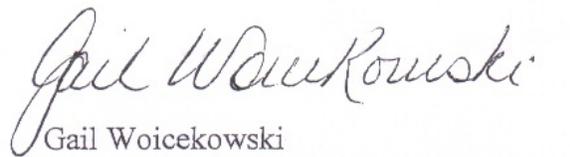
10. RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision hazard and theft insurance on property and contents, and fidelity bonds.

11. OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Ardito & Co., LLP, was reappointed at the April 2011, reorganization meeting. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1996 and the related OMB Circular A-133 and state Treasury Circular Letter 04-04 OMB. The auditor's report on the general-purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

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

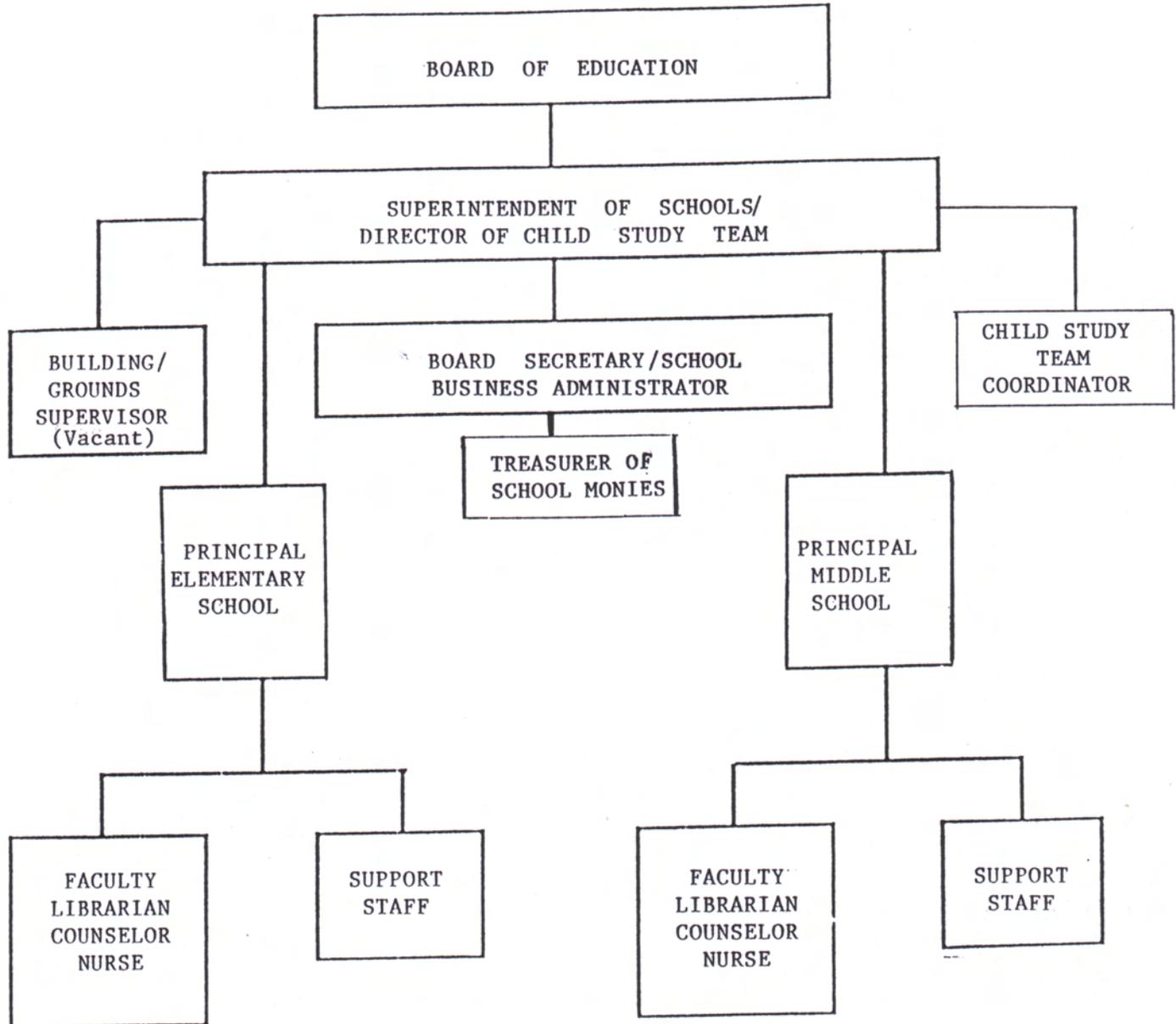
Respectfully submitted,


Joseph Kennedy
Superintendent of Schools


Gail Woicekowski
Business Administrator/Board Secretary

HIGH BRIDGE SCHOOL DISTRICT

HIGH BRIDGE SCHOOL DISTRICT ORGANIZATIONAL CHART (UNIT CONTROL)



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

ROSTER OF OFFICIALS

JUNE 30, 2011

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Robert Imhoff, <i>President</i>	2014
William Stover, <i>Vice-President</i>	2012
Janice Stemple	2012
Ann Willard	2013
Larissa Critelli	2013
Karen Yaskanin-Jones	2012
Alan Schwartz	2013
Kay Daughters-Musnuff	2012

Other Officials

Joseph Kennedy, *Superintendent of Schools*

Thomas Lambe, *School Business Administrator/Board Secretary*

Patti Fischer, *Treasurer of School Monies*

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

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

CONSULTANTS AND ADVISORS

ARCHITECTS

USA Architects
20 Doughty Avenue
Somerville, New Jersey 08876

The Reynolds Group
626 North Thompson Street
Raritan, New Jersey 08869

AUDIT FIRM

Ardito & Co., LLP
1110 Harrison Street, Suite C
Frenchtown, NJ 08825

BOARD ATTORNEY

Schwartz, Simon, Edelstein, Celso & Kessler, LLP
44 Whippany Road
Morristown, NJ 07962

OFFICIAL DEPOSITORIES

Commerce Bank
87 Beaver Avenue
Clinton, New Jersey 08809

Financial Section

Independent Auditor's Report



ARDITO & Co., LLP

1110 Harrison Street, Suite C
Frenchtown, New Jersey 08825-1192
908-996-4711 Fax: 908-996-4688
e-mail: anthony@arditoandcompany.com

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

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

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund and the aggregate remaining fund information of the Board of Education of the High Bridge Borough School District in the County of Hunterdon, State of New Jersey, as of and for the fiscal year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the High Bridge Borough School District Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund, and the aggregate remaining fund information of the High Bridge Borough School District Board of Education in the County of Hunterdon, State of New Jersey, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

-Continued-

In accordance with Government Auditing Standards, we have also issued our report dated October 31, 2011, on our consideration of the High Bridge Borough School District Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management Discussion and Analysis and Budgetary Comparison Information on pages 7 through 7.8, and 39 through 51 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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



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

Date: October 31, 2011

**Required Supplementary Information -
Part I**

Management's Discussion and Analysis

HIGH BRIDGE BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED

The discussion and analysis of High Bridge Borough School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- ◆ In total, net assets increased \$371,227 which represents a 5.2 percent increase from 2010.
- ◆ General revenues accounted for \$5,415,952 in revenue or 67.3 percent of all revenues. Program specific revenues in the form of charges for services, operating grants were \$2,630,533 or 33.7 of total revenues of \$8,046,485.
- ◆ Total assets of governmental activities decreased by \$115,096 as cash and cash equivalents increased by \$144,985, receivables increased by \$2,540 and capital assets decreased by \$278,377.
- ◆ The School District had \$7,675,258 in expenses; only \$2,630,533 of these expenses were offset by program specific charges for services, grants or contributions. General Revenues (primarily property taxes) of \$5,415,952 were adequate to provide for these programs.
- ◆ Among major funds, the General Fund had \$7,059,434 in revenues and \$6,767,409 in expenditures. The General Fund's surplus balance increased \$292,025 over 2010 due to extraordinary aid and miscellaneous revenues.

Using this Generally Accepted Accounting Principals Report (GAAP)

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

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

HIGH BRIDGE BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

HIGH BRIDGE BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED

Governmental Funds

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

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for 2011 compared to 2010.

	Table 1	
	Net Assets	
	<u>2011</u>	<u>2010</u>
Assets		
Current and Other Assets	\$ 984,712	\$ 821,431
Capital Assets	<u>12,484,279</u>	<u>12,762,656</u>
Total Assets	<u>13,468,991</u>	<u>13,584,087</u>
 Liabilities		
Long-Term Liabilities	5,386,925	5,749,511
Other Liabilities	<u>529,782</u>	<u>653,519</u>
Total Liabilities	<u>5,916,707</u>	<u>6,403,030</u>
 Net Assets		
Invested in Capital Assets, Net of Debt	6,804,279	6,757,656
Restricted	263,935	147,872
Unrestricted	<u>484,070</u>	<u>275,529</u>
Total Net Assets	<u>\$ 7,552,284</u>	<u>\$ 7,181,057</u>

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED

Total assets increased \$115,096. Cash and cash equivalents increased by \$144,985, receivables increased by \$2,540 and capital assets decreased by \$278,377. The cash increase was due to non-budgeted revenues, and capital asset decreases were due to depreciation expense.

Table 2 shows the changes in net assets from fiscal year 2010.

Table 2
Changes in Net Assets

	<u>2011</u>	<u>2010</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 201,900	\$ 160,388
Operating Grants and Contributions	2,428,633	2,529,047
General Revenues:		
Property Taxes	5,346,083	5,230,947
Interest Earnings	4,187	4,087
Other	<u>65,682</u>	<u>17,041</u>
Total Revenues	<u>8,046,485</u>	<u>7,941,510</u>
Program Expenses		
Instruction	4,344,118	4,333,991
Support Services:		
Tuition	3,060	12,204
Pupils and Instructional Staff	1,519,446	1,613,185
General Administration, School Administration, Business	665,200	649,873
Operations and Maintenance of Facilities	704,512	675,263
Pupil Transportation	37,784	50,055
Business-Type Activities	86,913	103,428
Interest and Fiscal Charges	<u>314,225</u>	<u>328,302</u>
Total Expenses	<u>7,675,258</u>	<u>7,766,301</u>
Increase in Net Assets	<u>\$ 371,227</u>	<u>\$ 175,209</u>

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 66.4 percent of revenues for governmental activities for the High Bridge Borough School District for the fiscal year 2011.

Instruction comprises 56.6 percent of district expenses. Support services expenses make up 38.1 percent of the expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services compared to 2010. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3

	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>
Instruction	\$ 4,344,118	\$ 2,857,624	\$ 4,333,991	\$ 2,845,968
Support Services:				
Tuition	3,060	2,206	12,204	8,464
Pupils and Instructional Staff	1,519,446	941,856	1,613,185	1,039,558
General Administration, School Administration, Business	665,200	479,566	649,873	450,705
Operation and Maintenance of Facilities	704,512	507,907	675,263	468,314
Pupil Transportation	37,784	27,240	50,055	34,715
Business-Type Activities	86,913	4,465	103,428	6,058
Interest and Fiscal Charges	314,225	223,861	328,302	223,084
Total Expenses	<u>\$ 7,675,258</u>	<u>\$ 5,044,725</u>	<u>\$ 7,766,301</u>	<u>\$ 5,076,866</u>

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

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

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

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

HIGH BRIDGE BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED

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

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

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

The dependence upon tax revenues is apparent. Over 65.8 percent of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 65.7 percent. The community, as a whole, is the primary support for the High Bridge Borough School District.

The School District's Funds

Information about the School District's major funds starts on page 10 (Balance Sheet/Exhibit B-1) . These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$7,957,703 and expenditures of \$7,665,678. The net change in fund balance for the year was most significant in the General Fund, an increase of \$292,025 due to extraordinary aid and miscellaneous revenues.

General Fund Budgeting Highlights

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

During the course of the fiscal 2011 year, the School District amended its General Fund budget as needed. The School District uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

For the General Fund, budget basis revenue and other financing sources, excluding TPAF on-behalf amount, was \$6,527,834, \$266,643 over original budgeted estimates of \$6,261,181. This difference was due primarily to extraordinary aid of \$197,580.

The General fund revenues and other financing sources of the School District exceeded expenditures by \$258,707 (budgetary basis), again due to extraordinary aid and other miscellaneous revenues.

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED

Capital Assets

At the end of the fiscal year 2011, the School District had \$12,484,279 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2011 balances compared to 2010.

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

	<u>2011</u>	<u>2010</u>
Land	\$ 4,826,600	\$ 4,826,600
Land Improvements	257,812	292,187
Buildings and Improvements	7,399,867	7,632,682
Machinery and Equipment	-	11,187
Totals	<u>\$ 12,484,279</u>	<u>\$ 12,762,656</u>

Overall capital assets decreased \$278,377 from fiscal year 2010 to fiscal year 2011. Increases in capital assets (primarily equipment) were offset by depreciation expenses for the year.

Capital improvements purchased during fiscal year 2011 totaling \$31,220.

Debt Administration

At June 30, 2011, the School District had \$5,749,511 as outstanding debt. Of this amount \$56,925 is for compensated absences, \$12,586 is for capital lease obligations, and \$5,680,000 is general obligation bond debt for the purpose of school construction.

At June 30, 2011, the School District's overall legal debt margin was \$12,648,955 and the unvoted debt margin was \$6,968,955.

For the Future

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

High Bridge Borough School District successfully passed the 2011-2012 school budget. It has been increasingly difficult to balance educational needs with increases in property tax rates. The steady decrease in state aid to offset local property taxes in a predominately bedroom community is thought to be the main reason for the problem. In the past, the District garnered local support of its budget for over 10 years. This problem seems to be statewide and is not exclusive to the High Bridge Borough School District. The High Bridge Borough School District is primarily a residential community, with very few ratables, thus the burden is focused on homeowners to bear the tax burden.

HIGH BRIDGE BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED

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

Contacting the School District's Financial Management

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

Basic Financial Statements

DISTRICT-WIDE FINANCIAL STATEMENTS

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

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET ASSETS
JUNE 30, 2011

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Cash Equivalents	\$ 263,414	\$ 18,834	\$ 282,248
Receivables from Other Governments	675,401	1,439	676,840
Interfund Receivables	19,443		19,443
Inventory		2,527	2,527
Restricted Assets:			
Capital Reserve Account - Cash	3,653		3,653
Maintenance Reserve Account - Cash	1		1
Capital Assets, Net (Note 6):	12,484,279		12,484,279
Total Assets	13,446,191	22,800	13,468,991
LIABILITIES			
Accounts Payable	2,168	2,186	4,354
Interfund Payables	21,901	8,351	30,252
Deferred Revenue	28,910	920	29,830
Accrued Interest	102,760		102,760
Noncurrent Liabilities (Note 7):			
Due Within One Year	362,586		362,586
Due Beyond One Year	5,386,925		5,386,925
Total Liabilities	5,905,250	11,457	5,916,707
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	6,804,279		6,804,279
Reserved for:			
Other Purposes	263,935		263,935
Unrestricted	472,727	11,343	484,070
Total Net Assets	\$ 7,540,941	\$ 11,343	\$ 7,552,284

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

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit A-2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET ASSETS		TOTAL	
	EXPENSES	CHARGES FOR SERVICES	OPERATING	CAPITAL	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES
			GRANTS AND CONTRIBUTIONS	GRANTS AND CONTRIBUTIONS			
Governmental Activities:							
Instruction:							
Regular	\$ 3,157,305	\$ 143,788	\$ 1,011,508		\$ (2,002,009)	\$ (2,002,009)	
Special Education	863,925		241,091		(622,834)	(622,834)	
Other Special Instruction	275,505		76,884		(198,621)	(198,621)	
School Sponsored Cocurricular	47,383		13,223		(34,160)	(34,160)	
Support Services:							
Tuition	3,060		854		(2,206)	(2,206)	
Student & Instruction Related Serv.	1,519,446		577,590		(941,856)	(941,856)	
School Administrative Services	232,046		64,756		(167,290)	(167,290)	
General and Business Admin. Serv.	433,154		120,878		(312,276)	(312,276)	
Plant Operations and Maintenance	704,512		196,605		(507,907)	(507,907)	
Pupil Transportation	37,784		10,544		(27,240)	(27,240)	
Interest on Long-Term Debt	283,265		90,364		(192,901)	(192,901)	
Unallocated Depreciation	30,960				(30,960)	(30,960)	
Total Governmental Activities	7,588,345	143,788	2,404,297		(5,040,260)	(5,040,260)	
Business-Type Activities:							
Food Service	86,913	58,112	24,336		\$ (4,465)	(4,465)	
Total Business-Type Activities	86,913	58,112	24,336		(4,465)	(4,465)	
Total Primary Government	\$ 7,675,258	\$ 201,900	\$ 2,428,633		\$ (5,040,260)	\$ (4,465)	
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net				\$ 4,822,157		\$ 4,822,157	
Taxes Levied for Debt Service				523,926		523,926	
Investment Earnings				4,187		4,187	
Miscellaneous Income				59,348	\$ 6,334	65,682	
Total General Revenues, Special Items, Extraor. Items and Transfers				5,409,618	6,334	5,415,952	
Change in Net Assets				369,358	1,869	371,227	
Net Assets—Beginning				7,171,583	9,474	7,181,057	
Net Assets—Ending				\$ 7,540,941	\$ 11,343	\$ 7,552,284	

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

FUND FINANCIAL STATEMENTS

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

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit B-1

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>GENERAL</u> <u>FUND</u>	<u>SPECIAL</u> <u>REVENUE</u> <u>FUND</u>	<u>CAPITAL</u> <u>PROJECTS</u> <u>FUND</u>	<u>TOTAL</u> <u>GOVERNMENTAL</u> <u>FUNDS</u>
ASSETS				
Cash and Cash Equivalents	\$ 263,414			\$ 263,414
Restricted Cash and Cash Equivalents	3,654			3,654
Interfund Receivables	255,382	\$ 13,134		268,516
Receivables from Other Governments	232,492	215,221	\$ 227,688	675,401
TOTAL ASSETS	\$ 754,942	\$ 228,355	\$ 227,688	\$ 1,210,985
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable		\$ 2,168		\$ 2,168
Interfund Payable	\$ 34,845	211,437	\$ 24,692	270,974
Deferred Revenue	13,500	15,410		28,910
Total Liabilities	48,345	229,015	24,692	302,052
Fund Balances:				
<u>Restricted for:</u>				
Capital Reserve Account	118,654			118,654
Maintenance Reserve Account	115,001			115,001
Excess Surplus - Designated for Subsequent Year's Expenditures	30,280			30,280
<u>Assigned to:</u>				
Year-End Encumbrances	125,244			125,244
Special Revenue Fund		(660)		(660)
Capital Projects Fund			202,996	202,996
Debt Service Fund				-
<u>Unassigned:</u>				
General Fund	317,418			317,418
Total Fund Balances	706,597	(660)	202,996	908,933
TOTAL LIABILITIES AND FUND BALANCE	\$ 754,942	\$ 228,355	\$ 227,688	\$ 1,210,985

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$16,922,497 and the accumulated depreciation is \$4,438,218. 12,484,279

Accrued Interest on Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7) (102,760)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7) (5,749,511)

Net assets of governmental activities \$7,540,941

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

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit B-2

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local sources:					
Local Tax Levy	\$ 4,822,157			\$ 523,926	\$ 5,346,083
Tuition	143,788				143,788
Miscellaneous	63,535				63,535
Total - Local Sources	5,029,480	-		523,926	5,553,406
State Sources	2,029,954	\$ 6,600		90,364	2,126,918
Federal Sources		277,379			277,379
Total Revenues	7,059,434	283,979	-	614,290	7,957,703
EXPENDITURES					
Current:					
Regular Instruction	2,497,477	99,194			2,596,671
Special Education Instruction	786,763				786,763
Other Special Instruction	250,898				250,898
School Sponsored Cocurricular	43,151				43,151
Support services and undistributed costs:					
Tuition	3,060				3,060
Student and Instruction Related Services	1,230,171	153,565			1,383,736
School Administrative Services	211,321				211,321
Other Administrative Services	393,967			500	394,467
Plant Operations and Maintenance	641,588				641,588
Pupil Transportation	37,784				37,784
Unallocated Benefits	646,044				646,044
Transfer to Charter School					-
Debt Service:					
Principal				325,000	325,000
Interest and Other Charges				288,790	288,790
Capital Outlay	25,185	31,220			56,405
Total Expenditures	6,767,409	283,979	-	614,290	7,665,678
Excess (Deficiency) of Revenues Over Expenditures	<u>292,025</u>		<u>-</u>		<u>292,025</u>
Net Change in Fund Balances	292,025	-	-	-	292,025
Fund Balance—July 1	414,572	(660)	\$ 202,996	-	616,908
Fund Balance—June 30	\$ 706,597	\$ (660)	\$ 202,996	-	\$ 908,933

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

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit B-3

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ 292,025

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

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

Depreciation Expense	\$ (309,597)	
Capital Outlays	<u>31,220</u>	(278,377)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net assets and is not reported in the statement of activities. 325,000

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

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. In the governmental funds, interest is reported when due. This is the amount by which current year's amount of interest accrual exceeds the prior year's amount. 5,536

Change in Net Assets of Governmental Activities \$ 369,358

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

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit B-4

STATEMENT OF PROPRIETARY NET ASSETS
PROPRIETARY FUNDS

JUNE 30, 2011

	Business-Type Activities- Enterprise Funds	
	<u>Food Service</u>	<u>Totals</u>
ASSETS		
Current assets:		
Cash and Cash Equivalents	\$ 18,834	\$ 18,834
Accounts Receivable	1,439	1,439
Inventories	2,527	2,527
Total Current Assets	<u>22,800</u>	<u>22,800</u>
Noncurrent Assets:		
Furniture, Machinery and Equipment	139,368	139,368
Less Accumulated Depreciation	(139,368)	(139,368)
Total Noncurrent Assets		
	<u>22,800</u>	<u>22,800</u>
LIABILITIES		
Current liabilities:		
Accounts Payable	2,186	2,186
Interfund Payable	8,351	8,351
Deferred Revenue	920	920
Total Current Liabilities	<u>11,457</u>	<u>11,457</u>
Total Liabilities	<u>11,457</u>	<u>11,457</u>
NET ASSETS		
Invested in Capital Assets Net of Related Debt		
Unrestricted	11,343	11,343
Total Net Assets	<u>\$ 11,343</u>	<u>\$ 11,343</u>

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

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit B-5

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

	Business-type Activities-	
	Food	Total
	Service	Enterprise
Operating Revenues:		
Charges for Services:		
Daily Sales - Reimbursable Programs	\$ 39,831	\$ 39,831
Daily Sales - Non-Reimbursable Programs	18,281	18,281
Miscellaneous	6,334	6,334
Total Operating Revenues	64,446	64,446
Operating Expenses:		
Cost of Sales	44,570	44,570
Salaries	26,783	26,783
Employee Benefits	6,543	6,543
Other Purchased Professional Services	9,017	9,017
Total Operating Expenses	86,913	86,913
Operating Income (Loss)	(22,467)	(22,467)
Nonoperating Revenues (Expenses):		
State Sources:		
State School Lunch Program	897	897
Federal Sources:		
National School Lunch Program	17,019	17,019
Special Milk Program	542	542
Food Distribution Program	5,841	5,841
Interest Income	37	37
Total Nonoperating Revenues (Expenses)	24,336	24,336
Income (Loss) Before Contributions and Transfers	1,869	1,869
Transfers In (Out)		
Change in Net Assets	1,869	1,869
Total Net Assets—Beginning	9,474	9,474
Total Net Assets—Ending	\$ 11,343	\$ 11,343

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

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit B-6

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2011

	Business-Type Activities- Enterprise Funds	
	Food Service	Total Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 59,654	59,654
Payments to Employees and Benefits	(33,326)	(33,326)
Payments to Suppliers	(42,849)	(42,849)
Net Cash Provided by (used for) Operating Activities	(16,521)	(16,521)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Sources	925	925
Federal Sources	17,555	17,555
Operating Subsidies and Transfers from Other Funds	8,351	8,351
Net Cash Provided by (used for) Non-Capital Financing Activities	26,831	26,831
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest Income	37	37
Net Cash Provided by (used for) Non-Capital Financing Activities	37	37
Net Increase (Decrease) in Cash and Cash Equivalents	10,347	10,347
Balances—Beginning of Year	8,487	8,487
Balances—End of Year	\$ 18,834	\$ 18,834
Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:		
Operating Income (Loss)	\$ (22,467)	\$ (22,467)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:		
Federal Commodities	5,841	5,841
(Increase) Decrease in Accounts Receivable, Net	(1,685)	(1,685)
(Increase) Decrease in Inventories	(396)	(396)
Increase (Decrease) in Accounts Payable	2,186	2,186
Total Adjustments	5,946	5,946
Net Cash Provided by (used for) Operating Activities	\$ (16,521)	\$ (16,521)

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

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit B-7

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

JUNE 30, 2011

	Unemployment Compensation Trust	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 29,796	\$ 82,890
Interfund Receivables	<u>21,901</u>	<u>-</u>
Total Assets	<u>\$ 51,697</u>	<u>\$ 82,890</u>
LIABILITIES		
Accounts Payable		\$ 55,991
Interfund Payable		11,092
Payable to Student Groups		<u>15,807</u>
Total Liabilities		<u>82,890</u>
NET ASSETS		
Held in Trust for Unemployment Claims & Other Purposes	<u>\$ 51,697</u>	<u> </u>

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

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit B-8

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

For the Year Ended June 30, 2011

	Unemployment Compensation <u>Trust</u>
ADDITIONS	
Investment Earnings:	
Interest	\$ 156
Net Investment Earnings	<u>156</u>
Total Additions	<u>156</u>
DEDUCTIONS	
Unemployment Claims	<u>8,444</u>
Total Deductions	<u>8,444</u>
Change in Net Assets	(8,288)
Net Assets—Beginning of the Year	<u>59,985</u>
Net Assets—End of the Year	<u>\$ 51,697</u>

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

Notes to Financial Statements

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

In addition, the School District has implemented GASB Statement No.37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, Statement No.38, Certain Financial Statement Note Disclosures, Statement No.40, Deposit and Investment Risk Disclosures, an amendment of GASB Statement No.3, and Statement 44, Economic Condition Reporting: The Statistical Section (GASB 44), an amendment of NCGA Statement 1, Governmental Accounting and Financial Reporting Principles is found in the Introduction, a revised statistical section in the Outline of the CAFR, and Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45). The implementation of these statements had no effect on equity balances as previously reported for the fiscal year ended June 30, 2010.

A. Reporting Entity:

The High Bridge Borough School District is a Type II district located in the County of Hunterdon, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of nine members elected to three-year terms. The purpose of the district is to educate students in grades K-8. The High Bridge Borough School District had an approximate enrollment at June 30, 2011, of 392 students.

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

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

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

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting:

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

Basis of Presentation

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

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

GOVERNMENTAL FUNDS

The District reports the following governmental funds:

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

HIGH BRIDGE BOROUGH SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

GOVERNMENTAL FUNDS (Continued)

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

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

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

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

PROPRIETARY FUNDS

The District reports the following proprietary fund:

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

HIGH BRIDGE BOROUGH SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Additionally, the District reports the following fund type:

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

Basis of Accounting

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

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

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

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

HIGH BRIDGE BOROUGH SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgets/Budgetary Control:

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

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

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

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

D. Encumbrance Accounting:

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

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

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

HIGH BRIDGE BOROUGH SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity:

Cash and Cash Equivalents:

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

Interfund Transactions:

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

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

Inventories:

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

Allowance for Uncollectible Accounts:

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

Capital Assets:

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

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

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

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

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

Compensated Absences:

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

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

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

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

Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlement received before the eligible requirements are met are also recorded as deferred revenue.

Accrued Liabilities and Long-Term Obligations:

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

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Net Assets:

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

Fund Balance Reserves:

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

Revenues—Exchange and Nonexchange Transactions

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

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

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

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

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Operating Revenues and Expenses:

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

Allocation of Indirect Expenses:

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

Extraordinary and Special Items:

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

Management Estimates:

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

NOTE 2: CASH AND CASH EQUIVALENTS

Deposits:

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

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2: CASH AND CASH EQUIVALENTS (Continued):

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

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

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

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

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the district's accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the municipality would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At June 30, 2011, all of the district's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The district does not have a policy for custodial credit risk.

As of June 30, 2011, cash and cash equivalents of the District consisted of the following:

	<u>Cash and Cash Equivalents (A-1)</u>	<u>Cash and Cash Equivalents (H-1)</u>	<u>Total</u>
Capital Reserve	\$3,653		\$3,653
Maintenance Reserve	1		1
Checking Accounts	<u>282,248</u>	<u>112,686</u>	<u>394,934</u>
	<u>\$285,902</u>	<u>\$112,686</u>	<u>\$398,588</u>

The carrying amount of the Board's cash and cash equivalents at June 30, 2011, was \$398,588 and the bank balance was \$624,986. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, \$250,000 was covered by federal depository insurances and \$374,986 was covered by collateral pool.

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 3: RECEIVABLES

Receivables at June 30, 2011, consisted of tuition charges and intergovernmental. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	Governmental Fund Financial <u>Statements</u>	Government-Wide Financial <u>Statements</u>
State Aid	\$438,299	\$438,372
Federal Aid	215,221	216,587
Tuition	21,881	21,881
Gross Receivable	675,401	676,840
Less: Allow. for Uncollectibles		
Total Receivables, Net	\$675,401	\$676,840

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

NOTE 4: INVENTORY

Inventory in the Food Service Fund at June 30, 2011, consisted of the following:

Food	\$2,012
Supplies	<u>515</u>
	<u>\$2,527</u>

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

NOTE 5: DEFERRED BOND ISSUANCE COSTS

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

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 6: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 4,826,600			\$ 4,826,600
Total Capital Assets Not Being Depreciated	<u>4,826,600</u>			<u>4,826,600</u>
<i>Capital Assets Being Depreciated:</i>				
Land Improvements	687,500			687,500
Buildings and Building Improvements	10,857,623			10,857,623
Machinery and Equipment	519,554	31,220		550,774
Total at Historical Cost	<u>12,064,677</u>	<u>31,220</u>	-	<u>12,095,897</u>
Less Accumulated Depreciation for:				
Land Improvements	(395,313)	(34,375)		(429,688)
Building and Improvements	(3,224,941)	(232,815)		(3,457,756)
Equipment	(508,367)	(42,407)		(550,774)
Total Accumulated Depreciation	<u>(4,128,621)</u>	<u>(309,597)</u>	-	<u>(4,438,218)</u>
Total Capital Assets Being Depreciated, net of Accumulated Depreciation	<u>7,936,056</u>	<u>(278,377)</u>	-	<u>7,657,679</u>
Government Activity Capital Assets, Net	<u>\$ 12,762,656</u>	<u>\$ (278,377)</u>	-	<u>\$ 12,484,279</u>

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

Depreciation expense was charged to functions as follows:

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

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 7: LONG-TERM OBLIGATIONS

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

A. Long-Term Obligation Activity:

Changes in long-term obligations for the year ended June 30, 2011, are as follows:

	Balance <u>7/1/10</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/11</u>	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Debt	\$ 6,005,000		\$ (325,000)	\$ 5,680,000	\$ 350,000
Capital Lease Obligation	37,760		(25,174)	12,586	12,586
Other Liabilities:					
Compensated Absences Payable	56,925			56,925	
Total	<u>\$ 6,099,685</u>	<u>\$ -</u>	<u>\$ (350,174)</u>	<u>\$ 5,749,511</u>	<u>\$ 362,586</u>

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

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

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

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

HIGH BRIDGE BOROUGH SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 7: LONG-TERM OBLIGATIONS (Continued)

For the year ended June 30, 2011, it is not necessary for the Board to establish a liability for arbitrage rebate.

	Government Activities			
	<u>Issue</u> <u>Dates</u>	<u>Interest</u> <u>Rates</u>	<u>Date of</u> <u>Maturity</u>	<u>Balance</u> <u>6/30/2011</u>
Asbestos Removal	12/1/97	4.85%	2/15/13	\$ 270,000
1999 Advance Refunding 1996 Bonds	5/1/99	4.0-5.0%	2/15/26	5,410,000
Total Bonds				\$ 5,680,000

B. Debt Service Requirements:

Debt Service requirements on serial bonds payable at June 30, 2011, is as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 350,000	\$ 274,028	\$ 624,028
2013	375,000	258,042	633,042
2014	260,000	240,795	500,795
2015	285,000	229,095	514,095
2016	300,000	216,127	516,127
Thereafter	4,110,000	1,217,194	5,327,194
	\$5,680,000	\$2,435,281	\$ 8,115,281

As of June 30, 2011, the District had no authorized but not issued bonds.

C. Advance Refunding:

The 1999 Series Refunding Bonds were issued for the purpose of advance refunding the school's 1996 School Bonds. The 1996 Bonds were originally issued to provide funding for various improvements to the elementary and middle schools. The balance outstanding on the refunded bonds was \$5,410,000 at June 30, 2011.

D. Capital Leases:

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

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 8: PENSION PLANS

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

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

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

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

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

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 8: PENSION PLANS (Continued)

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

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

Three-Year Trend Information for PERS

<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/2011	\$145,427	100 %	-0-
6/30/2010	\$52,091	100	-0-
6/30/2009	\$52,628	100	-0-

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

<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/2011	-0-	100 %	-0-
6/30/2010	-0-	100	-0-
6/30/2009	-0-	100	-0-

During the fiscal year ended June 30, 2011, the State of New Jersey did contribute \$237,432 to the TPAF for post-retirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$260,850 during the year ended June 30, 2011, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the District-wide financial statements, and the fund-based statements and schedules as revenues and expenditures in accordance with GASB Statement No.24.

HIGH BRIDGE BOROUGH SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 9: POST-RETIREMENT BENEFITS

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2010, there were 87,288 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in Fiscal Year 2010.

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

NOTE 10: DEFERRED COMPENSATION

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

Syracusa
Prudential
Lincoln National Life

NOTE 11: COMPENSATED ABSENCES

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

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

HIGH BRIDGE BOROUGH SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11: COMPENSATED ABSENCES (Continued)

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

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2011, no liability existed for compensated absences in the proprietary fund types.

NOTE 12: RISK MANAGEMENT

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

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

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2010-2011	\$156	\$0	\$8,444	\$51,697
2009-2010	\$31	\$3,419	\$28,922	\$59,985
2008-2009	\$47	\$13,674	\$15,103	\$35,457

NOTE 13: CONTINGENT LIABILITIES

GRANT PROGRAMS

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

LITIGATION

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

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 14: FUND BALANCE APPROPRIATED

General Fund (Exhibit B-1)- Of the \$706,597 General Fund fund balance at June 30, 2011, \$125,244 is reserved for encumbrances; \$118,654 has been reserved in the Capital Reserve Account; \$115,001 has been reserved in the Maintenance Reserve Account; \$30,280 has been reserved for excess surplus in accordance with N.J.S.A.18A:7F-7, as amended; (\$30,280 of the excess surplus is appropriated and included as anticipated revenue for the year ending June 30, 2012), and \$317,418 is unreserved and undesignated.

Capital Projects Fund - Of the \$202,996 Capital Fund fund balance at June 30, 2011, \$202,996 is unreserved and undesignated. However, this balance is not supported with cash balances, but instead is a result of the accrual of state capital projects grants that have not yet been collected.

NOTE 15: CAPITAL RESERVE ACCOUNT

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

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

The activity of the capital reserve for the July 1, 2010 to June 30, 2011 fiscal year is as follows:

Beginning Balance, July 1, 2010	\$ 3,629
Interest Earnings	25
Deposits (PL 2007 c.62 (A1)): Board Resolution 6/20/11	115,000
Ending Balance, June 30, 2011	<u><u>\$ 118,654</u></u>

HIGH BRIDGE BOROUGH SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 16: MAINTENANCE RESERVE ACCOUNT

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

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

The activity of the maintenance reserve for the July 1, 2010 to June 30, 2011 fiscal year is as follows:

Beginning Balance, July 1, 2010	\$ 1
Interest Earnings	
Deposits (PL 2007 c.62 (A1)): Board Resolution 6/20/11	115,000
Ending Balance, June 30, 2011	<u><u>\$ 115,001</u></u>

NOTE 17: INTERFUND RECEIVABLES AND PAYABLES

An interfund loan of \$21,900 in the general fund was advanced to the capital reserve account from the SUI Trust account in anticipation of EDA/SCC grant proceeds. This interfund balance is expected to be liquidated in fiscal year 2012.

An interfund payable in the payroll agency fund of \$11,092 is due to the general fund for health/dental benefits expenditures paid by the general fund fund. An interfund payable in the food service fund of \$8,351 is due to the general fund for food service fund expenditures paid by the general fund fund. These interfund balance is expected to be liquidated in fiscal year 2012.

NOTE 18: DEFICIT FUND BALANCES

The District has a deficit fund balance of \$660 in the Special Revenue Fund as of June 30, 2011, as reported in the fund statements (modified accrual basis). P.L.2003, c.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No.33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district can not recognize the last state aid payments on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the last state aid payments, the Special Revenue Fund balance deficit does not alone indicate that the district is facing financial difficulties.

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 19: CALCULATION OF EXCESS SURPLUS

The designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2011 is zero.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 4,822,157		\$ 4,822,157	\$ 4,822,157	
Tuition	113,250		113,250	143,788	\$ 30,538
Miscellaneous	25,000		25,000	63,535	38,535
Total - Local Sources	<u>4,960,407</u>		<u>4,960,407</u>	<u>5,029,480</u>	<u>69,073</u>
State Sources:					
Equalization Aid	1,037,546		1,037,546	1,037,546	
Transportation Aid	12,586		12,586	12,586	
Special Education Aid	198,253		198,253	198,253	
Security Aid	29,439		29,439	29,439	
Adjustment Aid	22,950		22,950	22,950	
Other State Aid			-	197,580	197,580
TPAF Pension (On-Behalf - Non-Budgeted)				237,432	237,432
TPAF Social Security (Reimbursed - Non-Budgeted)				260,850	260,850
Total State Sources	<u>1,300,774</u>		<u>1,300,774</u>	<u>1,996,636</u>	<u>695,862</u>
TOTAL REVENUES	<u>6,261,181</u>	-	<u>6,261,181</u>	<u>7,026,116</u>	<u>764,935</u>

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	74,918	(14,596)	60,322	60,322	
Grades 1-5 - Salaries of Teachers	815,384	87,997	903,381	903,381	
Grades 6-8 - Salaries of Teachers	793,925	(50,350)	743,575	743,575	
Regular Programs - Home Instruction:					
Salaries of Teachers	8,500	(7,835)	665	665	
Purchased Professional-Educational Services		733	733	733	
Other Purchased Services (400-500 series)	500	(500)			
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	47,666	28,663	76,329	76,329	
Purchased Professional-Educational Services	3,000	(2,710)	290	290	
Purchased Technical Services	54,123	(2,603)	51,520	50,226	1,294
Other Purchased Services (400-500 series)	6,100	(4,022)	2,078	1,500	578
General Supplies	93,440	77,934	171,374	84,273	87,101
Textbooks	-	204	204	204	
Other Objects	3,675	1,404	5,079	4,455	624
TOTAL REGULAR PROGRAMS - INSTRUCTION	1,901,231	114,319	2,015,550	1,925,953	89,597
SPECIAL EDUCATION - INSTRUCTION					
Learning and/or Language Disabilities:					
General Supplies		322	322	322	
Total Learning and/or Language Disabilities	-	322	322	322	-
Resource Room/Resource Center:					
Salaries of Teachers	563,180	12,402	575,582	575,582	
Other Salaries for Instruction	15,686	(11,178)	4,508	4,501	7
General Supplies	1,960	25	1,985	533	1,452
Total Resource Room/Resource Center	580,826	1,249	582,075	580,616	1,459

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Autism:					
Salaries of Teachers	94,853	25,616	120,469	120,469	
Other Salaries for Instruction	15,513	(8,724)	6,789	6,789	
Other Purchased Services (400-500 series)	3,000	(3,000)			
General Supplies	2,650	2,447	5,097	4,971	126
Total Autism	116,016	16,339	132,355	132,229	126
Preschool Disabilities - Part-Time:					
Salaries of Teachers	31,878	33,803	65,681	65,481	200
Other Salaries for Instruction	23,629	(15,043)	8,586	8,115	471
Total Preschool Disabilities - Part-Time	55,507	18,760	74,267	73,596	671
TOTAL SPECIAL EDUCATION - INSTRUCTION	752,349	36,670	789,019	786,763	2,256
Basic Skills/Remedial - Instruction					
Salaries of Teachers	239,555	26,561	266,116	250,898	15,218
General Supplies	1,900	(1,900)	-	-	
Total Basic Skills/Remedial - Instruction	241,455	24,661	266,116	250,898	15,218
Bilingual Education - Instruction					
Salaries of Teachers	5,081	(5,081)	-	-	
General Supplies	923	(923)	-	-	
Total Bilingual Education - Instruction	6,004	(6,004)	-	-	
TOTAL INSTRUCTION	2,901,039	169,646	3,070,685	2,963,614	107,071

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
UNDISTRIBUTED EXPENDITURES					
School-Sponsored Co/Extra Curricular Activities - Instruction:					
Salaries	37,664	1,214	38,878	38,858	20
Purchased Services (300-500 series)	3,000	19	3,019	2,976	43
Supplies and Materials	800	562	1,362	1,317	45
Other Objects	450	(450)	-	-	
Total School-Spon.Co/Extra Curric. Activities - Instruc.	41,914	1,345	43,259	43,151	108
Instruction:					
Tuition to Other LEAs Within the State-Special		3,060	3,060	3,060	
Total Instruction		3,060	3,060	3,060	
Health Services:					
Salaries	91,581	(2,870)	88,711	88,711	
Purchased Professional and Technical Services	3,209	2,166	5,375	5,145	230
Supplies and Materials	3,750	1,333	5,083	4,659	424
Total Health Services	98,540	629	99,169	98,515	654
Other Supp. Services Students-Related Services:					
Salaries	106,094	(10,914)	95,180	88,828	6,352
Purchased Professional - Educational Services	82,200	(5,821)	76,379	26,547	49,832
Supplies and Materials	1,149	(794)	355	355	
Other Objects		395	395	395	
Total Other Supp. Services Students-Related Services	189,443	(17,134)	172,309	116,125	56,184
Other Supp. Services Students-Extra Services:					
Salaries	128,891	68,977	197,868	197,868	
Total Other Supp. Services Students-Extra Services	128,891	68,977	197,868	197,868	
Other Supp. Services Students-Regular:					
Salaries of Other Professional Staff	76,260	-	76,260	76,260	
Salaries of Secretarial and Clerical Assistants	20,117	(241)	19,876	19,876	
Purchased Professional - Educational Services	2,000	(452)	1,548	1,108	440
Supplies and Materials	1,081	(603)	478	478	
Total Other Supp. Services Students-Regular	99,458	(1,296)	98,162	97,722	440

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
Other Supp. Services Students-Special:					
Salaries of Other Professional Staff	257,133	4,398	261,531	261,302	229
Salaries of Secretarial and Clerical Assistants	22,721		22,721	22,721	
Purchased Professional - Educational Services	15,000	(2,175)	12,825	4,743	8,082
Other Purchased Professional and Technical Services	2,235	-	2,235	1,950	285
Misc. Purchased Services (400-500 series O/than Resid.Costs)	21,168	5,878	27,046	27,046	
Supplies and Materials	3,800	(905)	2,895	2,102	793
Other Objects	950	(150)	800	800	
Total Other Supp. Services Students-Special	323,007	7,046	330,053	320,664	9,389
Improvement of Instruction Services :					
Other Salaries		3,625	3,625	695	2,930
Supplies and Materials	500	(201)	299	5	294
Total Improvement of Instruction Services	500	3,424	3,924	700	3,224
Educational Media Services/School Library:					
Salaries	145,643	2,407	148,050	144,050	4,000
Purchased Professional and Technical Services	5,191	(1,871)	3,320	3,320	
Supplies and Materials	7,665	(2,582)	5,083	4,585	498
Total Educational Media Services/School Library	158,499	(2,046)	156,453	151,955	4,498
Instructional Staff Training Services:					
Purchased Professional - Educational Services	4,000	201	4,201	4,201	
Other Purchased Services (400-500 series)	2,500	(1,345)	1,155	628	527
Supplies and Materials	1,250	(625)	625	29	596
Total Instructional Staff Training Services	7,750	(1,769)	5,981	4,858	1,123

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Supp. Services - General Administration:					
Salaries	112,156	2,783	114,939	109,454	5,485
Legal Services	27,500	10,845	38,345	30,256	8,089
Audit Fees	15,440	310	15,750	15,750	
Other Purchased Professional Services	7,100	7,528	14,628	12,512	2,116
Purchased Technical Services	7,995	(2,067)	5,928	5,928	
Communications/Telephone	16,750	22,498	39,248	36,248	3,000
BOE Other Purchased Services	7,852	(2,895)	4,957	4,957	
Other Purchased Services (400-500 series)	6,110	(392)	5,718	5,603	115
General Supplies	1,500	-	1,500	1,251	249
Miscellaneous Expenditures	7,953	(465)	7,488	7,166	322
BOE Membership Dues & Fees	6,600	(2,300)	4,300	4,299	1
Total Supp. Services - General Administration	216,956	35,845	252,801	233,424	19,377
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	155,600	(5,520)	150,080	150,080	
Salaries of Secretarial and Clerical Assistants	61,102	(1,324)	59,778	59,695	83
Other Objects	1,000	(90)	910	910	
Total Support Services - School Administration	217,702	(6,934)	210,768	210,685	83
Central Services:					
Salaries	101,409	3,825	105,234	105,234	
Purchased Professional Services	-	-	-	-	
Purchased Technical Services	4,860	21,665	26,525	26,525	
Misc. Purchased Services (400-500 series)	1,000	11,711	12,711	12,711	
Supplies and Materials	1,350	726	2,076	2,076	
Other Objects	1,200	3,379	4,579	4,533	46
Total Central Services	109,819	41,306	151,125	151,079	46

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Required Maintenance for School Facilities:					
Salaries	81,720	80,784	162,504	162,504	
Supplies and Materials		3,224	3,224	3,224	
Total Required Maintenance for School Facilities	81,720	84,008	165,728	165,728	-
Other Operations and Maintenance of Plant:					
Salaries	122,108	(79,636)	42,472	42,472	
Purchased Professional and Technical Services	45,972	26,371	72,343	51,390	20,953
Cleaning, Repair and Maintenance Services	47,350	54,038	101,388	88,801	12,587
Other Purchased Property Services	11,000	(233)	10,767	10,287	480
Insurance	34,600	(4,722)	29,878	29,878	
General Supplies	30,714	2,997	33,711	32,526	1,185
Energy (Natural Gas)	80,000	(23,839)	56,161	53,161	3,000
Energy (Electricity)	104,000	-	104,000	100,181	3,819
Energy (Gasoline)	1,000	-	1,000		1,000
Other Objects	1,725	30	1,755	391	1,364
Total Other Operations and Maintenance of Plant	478,469	(24,994)	453,475	409,087	44,388
Student Transportation Services					
Salaries for Pupil Trans.(Bet.Home & Sch.)-Sp.Ed.	3,568	83	3,651	3,551	100
Contracted Services (Other than Between Home and School)-Vendors	12,000	20,479	32,479	24,132	8,347
Contracted Services (Special Education Students)-ESCs & CTSA's	5,000	(474)	4,526	885	3,641
Contracted Services - Aid in Lieu of Payments-Nonpublic Sch.	22,100	(1,245)	20,855	8,344	12,511
Miscellaneous Purchased Services-Transportation	300	572	872	872	
Total Student Transportation Services	42,968	19,415	62,383	37,784	24,599
ALLOCATED BENEFITS					
Regular Programs-Instruction:					
Social Security Contributions	50,243	(47,994)	2,249	2,249	
Other Retirement Contributions - Regular	25,682	(25,682)	-		
Workmen's Compensation	40,663	(8,402)	32,261	32,261	
Health Benefits	576,430	(30,414)	546,016	534,924	11,092
Tuition Reimbursement	28,560	(3,571)	24,989	2,090	22,899
Total Regular Programs-Instruction	721,578	(116,063)	605,515	571,524	33,991

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Health Services:					
Social Security Contributions	1,456	(1,456)	-	-	
Workmen's Compensation	1,179	91	1,270	1,270	
Health Benefits	18,874	(3,696)	15,178	15,178	
Total Health Services	21,509	(5,061)	16,448	16,448	-
Other Support Services-Students-Related Services:					
Social Security Contributions	1,456	(1,456)	-	-	
Workmen's Compensation	1,179	91	1,270	1,270	
Health Benefits	10,701	(91)	10,610	10,610	
Total Other Support Services-Students-Related Services	13,336	(1,456)	11,880	11,880	
Other Support Services-Students-Extra. Services:					
Social Security Contributions	7,282	(7,282)	-	-	
Other Retirement Contributions - Regular	11,674	(11,674)	-	-	
Workmen's Compensation	5,893	(1,768)	4,125	4,125	
Health Benefits	66,903	(12,707)	54,196	54,196	
Total Other Support Services-Students-Extra. Services	91,752	(33,431)	58,321	58,321	-
Other Support Services-Students-Regular:					
Social Security Contributions	2,184	(2,184)	-	-	
Other Retirement Contributions - Regular	2,335	(2,335)	-	-	
Workmen's Compensation	1,768	774	2,542	2,542	
Health Benefits	52,607	-	52,607	52,607	
Total Other Support Services-Students-Regular	58,894	(3,745)	55,149	55,149	
Other Support Services-Students-Regular:					
Social Security Contributions	4,369	(4,369)	-	-	
Other Retirement Contributions - Regular	1,167	(1,167)	-	-	
Workmen's Compensation	3,536	276	3,812	3,812	
Health Benefits	78,910	(3,134)	75,776	75,776	
Total Other Support Services-Students-Regular	87,982	(8,394)	79,588	79,588	-

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Educational Media Services/School Library:					
Social Security Contributions	1,456	(1,456)	-	-	
Other Retirement Contributions - Regular	1,167	(1,167)	-	-	
Workmen's Compensation	1,179	727	1,906	1,906	
Health Benefits	19,199	(727)	18,472	18,472	
Total Educational Media Services/School Library	23,001	(2,623)	20,378	20,378	-
Support Services - General Administration:					
Social Security Contributions	728	(728)	-	-	
Other Retirement Contributions - Regular	1,167	(1,167)	-	-	
Workmen's Compensation	589	(589)	-	-	
Health Benefits	18,874	(10,346)	8,528	8,528	
Total Support Services - General Administration	21,358	(12,830)	8,528	8,528	-
Support Services - School Administration:					
Workmen's Compensation	-	636	636	636	
Total Support Services - School Administration	-	636	636	636	
Central Services:					
Social Security Contributions	728	(728)	-	-	
Workmen's Compensation	589	47	636	636	
Health Benefits	7,730	(7,130)	600	300	300
Total Central Services	9,047	(7,811)	1,236	936	300
Operation and Maintenance of Plant Services:					
Social Security Contributions	5,097	(5,097)	-	-	
Other Retirement Contributions - Regular	7,004	(7,004)	-	-	
Workmen's Compensation	4,125	323	4,448	4,448	
Health Benefits	70,738	(8,413)	62,325	62,325	
Total Operation and Maintenance of Plant Services	86,964	(20,191)	66,773	66,773	
TOTAL ALLOCATED BENEFITS	1,135,421	(210,969)	924,452	890,161	34,291

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
UNALLOCATED BENEFITS:					
Other Retirement Contributions - Regular		145,427	145,427	145,427	
Health Benefits	3,900	(1,876)	2,024	2,024	
Other Employee Benefits		311	311	311	
TOTAL UNALLOCATED BENEFITS	3,900	143,862	147,762	147,762	-
On-behalf TPAF pension Contrib. (non-budgeted)				237,432	(237,432)
Reimbursed TPAF Social Security Contrib. (non-budgeted)				260,850	(260,850)
TOTAL ON-BEHALF CONTRIBUTIONS				498,282	(498,282)
TOTAL PERSONAL SERVICES-EMPLOYEE BENEFITS	1,139,321	(67,107)	1,072,214	1,536,205	34,291
TOTAL UNDISTRIBUTED EXPENDITURES	3,334,957	143,775	3,478,732	3,778,610	198,404
TOTAL GENERAL CURRENT EXPENSE	6,235,996	313,421	6,549,417	6,742,224	305,475
CAPITAL OUTLAY					
Facilities Acquisition and Construction Services					
Lease Purchase Agreements - Principal	25,174		25,174	25,174	
Other Objects	11		11	11	
Total Facilities Acquisition and Construction Services	25,185	-	25,185	25,185	-
TOTAL CAPITAL OUTLAY	25,185	-	25,185	25,185	-
TOTAL EXPENDITURES	6,261,181	313,421	6,574,602	6,767,409	305,475
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(313,421)	(313,421)	258,707	572,128
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	-	(313,421)	(313,421)	258,707	572,128
Fund Balance, July 1	576,267		576,267	576,267	
Fund Balance, June 30	\$ 576,267	\$ (313,421)	\$ 262,846	\$ 834,974	\$ 572,128

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Recapitulation:					
Restricted for:					
Capital Reserve				\$ 118,654	
Maintenance Reserve				115,001	
Excess Surplus-Designated for Subsequent Year's Expenditures				30,280	
Assigned to:					
Year-End Encumbrances				125,244	
Unassigned:					
Unrestricted Fund Balance				<u>445,795</u>	
Fund Balance, June 30				<u>\$ 834,974</u>	
Fund Balance per Governmental Funds(Budgetary Basis)				\$ 834,974	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis				<u>(128,377)</u>	
Fund Balance per Governmental Funds(GAAP Basis)				<u>\$ 706,597</u>	

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit C-2

**BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND**

For the Fiscal Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)	
REVENUES:						
State Sources	\$ 6,600	-	\$ 6,600	\$ 6,600	-	
Federal Sources	298,483	\$ (5,886)	292,597	286,121	\$ (6,476)	
Total Revenues	305,083	(5,886)	299,197	292,721	(6,476)	
EXPENDITURES:						
Instruction						
Salaries of Teachers	20,000	6,601	26,601	26,601	-	
Other Salaries for Instruction	50,000	(7,362)	42,638	42,638	-	
Purchased Professional and Technical Services		3,602	3,602	3,499	103	
General Supplies	35,000	(4,706)	30,294	28,664	1,630	
Other Objects		150	150	-	150	
Total Instruction	105,000	(1,715)	103,285	101,402	1,883	
Support Services						
Salaries of Other Professional Staff	16,000	(162)	15,838	15,838	-	
Salaries of Secretarial & Clerical	2,500	(101)	2,399	2,399	-	
Other Salaries	18,000	(540)	17,460	17,460	-	
Personal Services - Employee Benefits		994	994	994	-	
Other Purchased Professional Services	100,000	(732)	99,268	95,241	4,027	
Other purchased Services (400-500 series)	63,583	(46,008)	17,575	17,175	400	
Supplies & Materials		6,968	6,968	6,802	166	
Total Support Services	200,083	(39,581)	160,502	155,909	4,593	
Facilities Acquisition & Const. Serv.:						
Instructional Equipment		35,410	35,410	35,410		
Total Facilities Acq. & Const. Serv.		35,410	35,410	35,410		
Total Expenditures	305,083	(5,886)	299,197	292,721	6,476	
Total Outflows	\$ 305,083	\$ (5,886)	\$ 299,197	\$ 292,721	\$ 6,476	
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)						
Fund Balance per Governmental Funds(Budgetary Basis)					None	
Reconciliation to Governmental Funds Statement(GAAP Basis):						
Last State Aid Payment not recognized on GAAP basis					(660)	
Fund Balance per Governmental Funds(GAAP Basis)	50					(660)

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

For the Fiscal Year Ended June 30, 2011

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual amounts (budgetary basis) "revenue"		
from the budgetary comparison schedule (Exhibits C-1 and C-2, respectively)	\$ 7,026,116	\$ 292,721
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior Year Encumbrances	N/A	N/A
Current Year Encumbrances	N/A	(8,742)
Adjustment for: Prior year Final State Aid Payment excluded in State Source Revenues that is considered a revenue for GAAP reporting purposes	161,695	N/A
Adjustment for: Current Year Final State Aid Payment included in State Source Revenues that is not considered a revenue for GAAP reporting purposes	<u>(128,377)</u>	<u>(660)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. (Exhibit B-2)	<u>\$ 7,059,434</u>	<u>\$ 283,319</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C-1 and C-2, respectively)	\$ 6,767,409	\$ 292,721
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		
Prior Year Encumbrances	N/A	N/A
Current Year Encumbrances	N/A	(8,742)
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.	N/A	N/A
Net transfers (outflows) to general fund	<u> </u>	<u> </u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (Exhibit B-2)	<u>\$ 6,767,409</u>	<u>\$ 283,979</u>

OTHER SUPPLEMENTARY INFORMATION

**SPECIAL REVENUE FUND
DETAIL STATEMENTS**

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

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit E-1

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

For the Fiscal Year Ended June 30, 2011

	Title I Part A	Title II Part A	Title III (Consort)	IDEA Basic	IDEA Pre-School	ARRA IDEA Basic	ARRA IDEA Pre-School	Pre-Sch. Educ. Aid	Totals
REVENUES									
State Sources								\$ 6,600	\$ 6,600
Federal Sources	\$20,937	\$11,737	\$ 1,099	\$ 168,477	\$ 5,009	\$ 75,847	\$ 3,015		286,121
TOTAL REVENUES	20,937	11,737	1,099	168,477	5,009	75,847	3,015	6,600	292,721
EXPENDITURES:									
Instruction:									
Salaries of Teachers				20,001				6,600	26,601
Other Salaries for Instruction				14,217		28,421			42,638
Purchased Profess. & Tech. Serv.	2,400		1,099						3,499
General Supplies	2,000			3,954	4,804	17,906			28,664
Other Objects									-
Total Instruction	4,400		1,099	38,172	4,804	46,327	-	6,600	101,402
Support Services:									
Salaries of Other Professional Staff				15,838					15,838
Salaries of Secretarial & Clerical				2,399					2,399
Other Salaries				17,460					17,460
Personal Services - Employee Bene.				994					994
Purchased Professional Serv.	1,119	10,623		66,244		17,255			95,241
Other Purchased Services (500 Series)				5,880	205	11,090			17,175
Supplies and Materials	157	1,114		5,531					6,802
Total Support Services	1,276	11,737	-	114,346	205	28,345	-	-	155,909
Facilities Acquisition & Const. Serv.:									
Instructional Equipment	15,261			15,959		1,175	3,015		35,410
Total Facilities Acq. & Const. Serv.	15,261			15,959		1,175	3,015		35,410
TOTAL EXPENDITURES	20,937	11,737	1,099	168,477	5,009	75,847	3,015	6,600	292,721
Total Outflows	20,937	11,737	1,099	168,477	5,009	75,847	3,015	6,600	292,721
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)									

HIGH BRIDGE BOROUGH SCHOOL DISTRICT
Special Revenue Fund
Preschool Education Aid Schedule of Expenditures
Preschool - All Programs
Budgetary Basis
For the Fiscal Year Ended June 30, 2011

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

CALCULATION OF BUDGET & CARRYOVER

Total 2010-2011 PreK Aid Allocation	\$ 6,600
Add: Actual ECPA Carryover June 30, 2010	-
Add: Budgeted Transfer From General Fund	<u>-</u>
Total Funds Available for 2010-2011 Budget	6,600
Less: 2010-2011 Budgeted PreK & ECPA (Including prior year budgeted carryover)	<u>(6,600)</u>
Available & Unbudgeted Funds as of June 30, 2011	-
 Add: June 30, 2011 Unexpended PreK Aid	<u>-</u>
2010-2011 Actual Carryover - PreK Aid	<u>-</u>
 2010-2011 ECPA Carryover Budgeted in 2011-12	<u><u>-</u></u>

**CAPITAL PROJECTS FUND
DETAIL STATEMENTS**

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

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit F-1

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

For the Fiscal Year Ended June 30, 2011

<u>Issue/Project Title</u>	<u>Approval</u>	<u>Original Date</u>	<u>Appropriations</u>	<u>Expenditures to Date</u>		<u>Unexpended Balance June 30, 2011</u>
				<u>Prior Years</u>	<u>Current Year</u>	
Elementary School Improvements	Board of Education	3/8/04	\$ 69,400	\$ 16,556		\$ 52,844
Middle School Improvements	Board of Education	3/8/04	485,720	335,568		150,152
Totals			<u>\$ 555,120</u>	<u>352,124</u>	<u>\$ -</u>	<u>\$ 202,996</u>
					Fund Balance	<u>202,996</u>

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit F-2

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

For the Fiscal Year Ended June 30, 2011

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

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit F-2a

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

From Inception and for the Fiscal Year Ended June 30, 2011

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

Additional project information:

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

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit F-2b

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

From Inception and for the Fiscal Year Ended June 30, 2011

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

Additional project information:

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

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

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

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

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

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

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

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

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

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

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit H-1

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011**

	UNEMPLOYMENT COMPENSATION INSURANCE TRUST	AGENCY FUNDS STUDENT ACTIVITY	PAYROLL AGENCY	TOTALS
ASSETS:				
Cash and Cash Equivalents	\$29,796	\$15,807	\$ 67,083	\$112,686
Interfund Receivable	21,901			21,901
TOTAL ASSETS	\$51,697	\$15,807	\$67,083	\$134,587
LIABILITIES:				
Liabilities:				
Payroll Deductions and Withholdings			\$55,991	\$55,991
Interfund Payable			11,092	11,092
Payable to Student Groups		\$15,807		15,807
Total Liabilities		15,807	67,083	82,890
NET ASSETS				
Held in Trust for Unemployment Claims and Other Purposes	\$51,697			51,697
TOTAL LIABILITIES AND NET ASSETS	\$51,697	\$15,807	\$67,083	\$134,587

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit H-2

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011**

	UNEMPLOYMENT COMPENSATION INSURANCE <u>TRUST</u>	<u>TOTALS</u>
ADDITIONS		
Contributions:		
Plan Member	-	\$ -
Employer	-	-
Total Contributions	<u>-</u>	<u>-</u>
Investment Earnings:		
Interest	156	156
Net Investment Earnings	<u>156</u>	<u>156</u>
Total Additions	<u>156</u>	<u>156</u>
DEDUCTIONS		
Unemployment Claims	<u>8,444</u>	<u>8,444</u>
Total Deductions	<u>8,444</u>	<u>8,444</u>
Change in Net Assets	(8,288)	(8,288)
Net Assets—Beginning of the Year	<u>59,985</u>	<u>59,985</u>
Net Assets—End of the Year	<u>\$ 51,697</u>	<u>\$ 51,697</u>

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit H-3

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
STUDENT ACTIVITY AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>BALANCE</u> <u>JULY 1, 2010</u>	<u>TRANSFERS</u>	<u>CASH</u> <u>RECEIPTS</u>	<u>CASH</u> <u>DISBURSEMENTS</u>	<u>BALANCE</u> <u>JUNE 30, 2011</u>
Student Activity	\$ 16,233		\$ 52,764	\$ 53,190	\$ 15,807

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit H-4

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
PAYROLL AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>BALANCE</u> <u>JULY 1, 2010</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2011</u>
ASSETS:				
Cash and Cash Equivalents	\$ 34,064	\$ 4,802,224	\$ 4,769,205	\$ 67,083
Total Assets	<u>\$ 34,064</u>	<u>\$ 4,802,224</u>	<u>\$ 4,769,205</u>	<u>\$ 67,083</u>
LIABILITIES:				
Payroll Deductions and Withholdings	\$ 34,064	\$ 1,795,217	\$ 1,773,290	\$ 55,991
Interfund Payable		11,092		11,092
Salaries and Wages	<u>-</u>	<u>2,995,915</u>	<u>2,995,915</u>	<u>-</u>
Total Liabilities	<u>\$ 34,064</u>	<u>\$ 4,802,224</u>	<u>\$ 4,769,205</u>	<u>\$ 67,083</u>

LONG-TERM DEBT SCHEDULES

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

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit I-1

**SCHEDULE OF SERIAL BONDS
AS OF ENDED JUNE 30, 2011**

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>ANNUAL MATURITIES</u>		<u>INTEREST RATE</u>	<u>BALANCE JULY 1, 2010</u>	<u>RETIRED</u>	<u>BALANCE JUNE 30, 2011</u>
			<u>DATE</u>	<u>AMOUNT</u>				
Asbestos Removal Program	12/1/97	1,500,000	2/15/12	\$ 130,000	4.85%	\$ 395,000	\$ 125,000	\$ 270,000
			2/15/13	140,000				
Advance Refunding - Series of 96 Bonds	5/1/99	6,405,000	2/15/12	220,000	4.00%	5,610,000	200,000	5,410,000
			2/15/13	235,000	to 5.00%			
			2/15/14	260,000				
			2/15/15	285,000				
			2/15/16	300,000				
			2/15/17	315,000				
			2/15/18	335,000				
			2/15/19	355,000				
			2/15/20	375,000				
			2/15/21	395,000				
			2/15/22	415,000				
			2/15/23	440,000				
			2/15/24	465,000				
			2/15/25	495,000				
			2/15/26	520,000				
Total						<u>\$ 6,005,000</u>	<u>\$ 325,000</u>	<u>\$ 5,680,000</u>

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit I-2

**SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<u>SERIES</u>	<u>INTEREST RATE PAYABLE</u>	<u>LEASE TERM</u>	<u>AMOUNT OF ORIGINAL ISSUE</u>	<u>AMOUNT OUTSTANDING 7/1/2010</u>	<u>ADDITIONS</u>	<u>RETIRED CURRENT YEAR PRINCIPAL PAYMENTS</u>	<u>AMOUNT OUTSTANDING 6/30/2011</u>
Technology Equipment/Cisco Systems/Server	0.00%	5 Years	\$ 125,867	\$ 37,760		\$ 25,174	\$ 12,586
Total				\$ 37,760	\$ -	\$ 25,174	\$ 12,586

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

Exhibit I-3

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND**

For the Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative) Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 523,926		\$ 523,926	\$ 523,926	
State Sources:					
Debt Service Aid Type II	90,364		90,364	90,364	
Total - State Sources	90,364		90,364	90,364	
TOTAL REVENUES	614,290		614,290	614,290	
EXPENDITURES:					
Regular Debt Service:					
Interest	288,790		288,790	288,790	
Redemption of Principal	325,000		325,000	325,000	
Fiduciary Fees	500		500	500	
Total Regular Debt Service	614,290	-	614,290	614,290	-
TOTAL EXPENDITURES	614,290		614,290	614,290	
Fund Balance, July 1					
Fund Balance, June 30					
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Budgeted Fund Balance					

High Bridge Borough School District
Statistical Section

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

Sources:

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

High Bridge Borough School District
Net Assets by Component,
Last Nine Fiscal Years
(accrual basis of accounting)

Exhibit J-1

	Fiscal Year Ending June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities	N/A								
Invested in capital assets, net of related debt		\$ 6,039,507	\$ 6,497,904	\$ 6,604,755	\$ 6,684,755	\$ 6,666,492	\$ 6,687,114	\$ 6,757,656	\$ 6,804,279
Restricted		382,257	111,213	4,766	4,920	4,920	3,630	117,592	263,935
Unrestricted		(301,750)	(87,600)	48,636	57,549	282,244	307,922	296,335	472,727
Total governmental activities net assets	-	<u>\$ 6,120,014</u>	<u>\$ 6,521,517</u>	<u>\$ 6,658,157</u>	<u>\$ 6,747,224</u>	<u>\$ 6,953,656</u>	<u>\$ 6,998,666</u>	<u>\$ 7,171,583</u>	<u>\$ 7,540,941</u>
Business-type activities									
Invested in capital assets, net of related debt	-	\$ 55,747	\$ 41,761	\$ 27,824	\$ 13,887	\$ -	-	-	-
Restricted	-	-	-	-	-	-	-	-	-
Unrestricted		3,738	7,953	11,757	12,203	7,830	7,182	9,474	11,343
Total business-type activities net assets	-	<u>\$ 59,485</u>	<u>\$ 49,714</u>	<u>\$ 39,581</u>	<u>\$ 26,090</u>	<u>\$ 7,830</u>	<u>\$ 7,182</u>	<u>\$ 9,474</u>	<u>\$ 11,343</u>
District-wide									
Invested in capital assets, net of related debt	-	\$ 6,095,254	\$ 6,539,665	\$ 6,632,579	\$ 6,698,642	\$ 6,666,492	\$ 6,687,114	\$ 6,757,656	\$ 6,804,279
Restricted	-	382,257	111,213	4,766	4,920	4,920	3,630	117,592	263,935
Unrestricted	-	(298,012)	(79,647)	60,393	69,752	290,074	315,104	305,809	484,070
Total district net assets	-	<u>\$ 6,179,499</u>	<u>\$ 6,571,231</u>	<u>\$ 6,697,738</u>	<u>\$ 6,773,314</u>	<u>\$ 6,961,486</u>	<u>\$ 7,005,848</u>	<u>\$ 7,181,057</u>	<u>\$ 7,552,284</u>

Source: CAFR Schedule A-1

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

Exhibit J-2

	Fiscal Year Ending June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses									
Governmental activities	N/A								
Instruction									
Regular		\$ 2,400,239	\$ 2,085,234	\$ 2,442,794	\$ 2,781,454	\$ 3,124,828	\$ 3,133,809	\$ 3,267,390	\$ 3,157,305
Special education		844,694	847,973	938,614	972,540	703,337	715,699	759,047	863,925
Other special education		196,412	172,619	338,005	291,732	324,770	323,061	264,619	275,505
School sponsored cocurricular			34,555	49,649	38,324	39,902	38,845	42,935	47,383
Support Services:									
Tuition		23,186	40,990	5,034	-	-	86,190	12,204	3,060
Student & instruction related services		1,194,980	1,224,366	1,328,867	1,535,795	1,555,834	1,467,184	1,613,185	1,519,446
School administrative services		349,002	228,770	242,730	220,893	231,517	199,551	197,712	232,046
General and business administrative services		438,373	414,234	510,071	478,670	473,288	481,427	452,161	433,154
Plant operations and maintenance		611,898	604,276	661,855	734,743	715,273	789,653	675,263	704,512
Pupil transportation		62,974	70,356	48,045	44,080	51,163	53,349	50,055	37,784
Interest on long-term debt		351,698	353,106	343,887	333,931	322,481	310,346	297,342	283,265
Unallocated depreciation	-	28,603	27,384	27,384	32,798	33,320	30,960	30,960	30,960
Total governmental activities expenses	-	<u>6,502,059</u>	<u>6,103,863</u>	<u>6,936,935</u>	<u>7,464,960</u>	<u>7,575,713</u>	<u>7,630,074</u>	<u>7,662,873</u>	<u>7,588,345</u>
Business-type activities:									
Food service		117,179	121,032	125,512	128,592	126,344	105,765	103,428	86,913
Child Care									
Total business-type activities expense	-	<u>117,179</u>	<u>121,032</u>	<u>125,512</u>	<u>128,592</u>	<u>126,344</u>	<u>105,765</u>	<u>103,428</u>	<u>86,913</u>
Total district expenses	-	<u>\$ 6,619,238</u>	<u>\$ 6,224,895</u>	<u>\$ 7,062,447</u>	<u>\$ 7,593,552</u>	<u>\$ 7,702,057</u>	<u>\$ 7,735,839</u>	<u>\$ 7,766,301</u>	<u>\$ 7,675,258</u>
Program Revenues									
Governmental activities:									
Charges for services:									
Instruction-regular			\$ 141,087	\$ 121,635	\$ 117,964	\$ 103,854	\$ 118,857	\$ 94,129	\$ 143,788
Tuition		\$ 90,522							
Operating grants and contributions		2,168,861	1,776,532	2,360,625	2,605,776	2,690,895	2,345,104	2,497,936	2,404,297
Capital grants and contributions									-
Total governmental activities program revenues	-	<u>2,259,383</u>	<u>1,917,619</u>	<u>2,482,260</u>	<u>2,723,740</u>	<u>2,794,749</u>	<u>2,463,961</u>	<u>2,592,065</u>	<u>2,548,085</u>
Business-type activities:									
Charges for services									
Food service		80,035	86,618	89,077	87,616	79,644	73,537	66,259	58,112
Operating grants and contributions		22,114	24,266	24,809	24,446	23,932	25,506	31,111	24,336
Capital grants and contributions	-	-	-	-	-	-	-	-	-
Total business type activities program revenues	-	<u>102,149</u>	<u>110,884</u>	<u>113,886</u>	<u>112,062</u>	<u>103,576</u>	<u>99,043</u>	<u>97,370</u>	<u>82,448</u>
Total district program revenues	-	<u>\$ 2,361,532</u>	<u>\$ 2,028,503</u>	<u>\$ 2,596,146</u>	<u>\$ 2,835,802</u>	<u>\$ 2,898,325</u>	<u>\$ 2,563,004</u>	<u>\$ 2,689,435</u>	<u>\$ 2,630,533</u>

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

Exhibit J-2

	Fiscal Year Ending June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Net (Expense)/Revenue									
Governmental activities	-	\$ (4,242,676)	\$ (4,186,244)	\$ (4,454,675)	\$ (4,741,220)	\$ (4,780,964)	\$ (5,166,113)	\$ (5,070,808)	\$ (5,040,260)
Business-type activities	-	(15,030)	(10,148)	(11,626)	(16,530)	(22,768)	(6,722)	(6,058)	(4,465)
Total district-wide net expense	-	<u>\$ (4,257,706)</u>	<u>\$ (4,196,392)</u>	<u>\$ (4,466,301)</u>	<u>\$ (4,757,750)</u>	<u>\$ (4,803,732)</u>	<u>\$ (5,172,835)</u>	<u>\$ (5,076,866)</u>	<u>\$ (5,044,725)</u>
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Property taxes levied for general purposes, net		\$ 3,805,940	\$ 3,904,811	\$ 4,105,877	\$ 4,311,838	\$ 4,483,896	\$ 4,636,252	\$ 4,728,192	\$ 4,822,157
Taxes levied for debt service		438,185	443,629	468,006	492,701	493,937	495,135	502,755	523,926
Unrestricted grants and contributions			227,688						
Investment earnings			5,174	15,650	25,598	9,413	3,877	4,087	4,187
Miscellaneous income		6,878	6,575	1,782	150	150	75,859	8,691	59,348
Transfers	-	(144)	(130)						
Total governmental activities	-	<u>4,250,859</u>	<u>4,587,747</u>	<u>4,591,315</u>	<u>4,830,287</u>	<u>4,987,396</u>	<u>5,211,123</u>	<u>5,243,725</u>	<u>5,409,618</u>
Business-type activities:									
Miscellaneous Income	-	477	247	1,493	3,039	4,508	6,074	8,350	6,334
Transfers	-	144	130						
Total business-type activities	-	<u>621</u>	<u>377</u>	<u>1,493</u>	<u>3,039</u>	<u>4,508</u>	<u>6,074</u>	<u>8,350</u>	<u>6,334</u>
Total district-wide	-	<u>\$ 4,251,480</u>	<u>\$ 4,588,124</u>	<u>\$ 4,592,808</u>	<u>\$ 4,833,326</u>	<u>\$ 4,991,904</u>	<u>\$ 5,217,197</u>	<u>\$ 5,252,075</u>	<u>\$ 5,415,952</u>
Change in Net Assets									
Governmental activities	-	\$ 8,183	\$ 401,503	\$ 136,640	\$ 89,067	\$ 206,432	\$ 45,010	\$ 172,917	\$ 369,358
Business-type activities	-	(14,409)	(9,771)	(10,133)	(13,491)	(18,260)	(648)	2,292	1,869
Total district	-	<u>\$ (6,226)</u>	<u>\$ 391,732</u>	<u>\$ 126,507</u>	<u>\$ 75,576</u>	<u>\$ 188,172</u>	<u>\$ 44,362</u>	<u>\$ 175,209</u>	<u>\$ 371,227</u>

Source: CAFR Schedule A-2

**High Bridge Borough School District
Fund Balances, Governmental Funds,
Last Nine Fiscal Years**

(modified accrual basis of accounting)

Exhibit J-3

	Fiscal Year Ending June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund									
Reserved	\$ 300,739	\$ 460,445	\$ 145,858	\$ 96,049	\$ 117,887	\$ 178,247	\$ 109,694	\$ 147,872	\$ 389,179
Unreserved	142,851	(76,340)	(74,855)	(38,860)	(28,477)	84,729	169,874	266,700	317,418
Total general fund	<u>\$ 443,590</u>	<u>\$ 384,105</u>	<u>\$ 71,003</u>	<u>\$ 57,189</u>	<u>\$ 89,410</u>	<u>\$ 262,976</u>	<u>\$ 279,568</u>	<u>\$ 414,572</u>	<u>\$ 706,597</u>
All Other Governmental Funds									
Reserved	\$ 56,284								-
Unreserved, reported in:									
Special revenue fund	(1,090)						\$ (660)	\$ (660)	\$ (660)
Capital projects fund			\$ 227,688	\$ 202,996	\$ 202,996	\$ 202,996	202,996	202,996	202,996
Debt service fund					1,500	1,500			-
Total all other governmental funds	<u>\$ 55,194</u>	<u>\$ -</u>	<u>\$ 227,688</u>	<u>\$ 202,996</u>	<u>\$ 204,496</u>	<u>\$ 204,496</u>	<u>\$ 202,336</u>	<u>\$ 202,336</u>	<u>\$ 202,336</u>

Source: CAFR Schedule B-1

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

Exhibit J-4

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenues										
Tax levy	\$ 3,887,430	\$ 3,926,372	\$ 4,244,125	\$ 4,348,440	\$ 4,573,883	\$ 4,804,539	\$ 4,977,833	\$ 5,131,387	\$ 5,230,947	\$ 5,346,083
Tuition charges	253,168	276,328	90,522	141,087	121,635	117,964	103,854	118,857	94,129	143,788
Miscellaneous	17,106	341,307	6,878	11,749	17,432	25,748	9,563	79,736	12,778	63,535
State sources	1,647,209	1,870,684	2,040,147	2,342,599	2,243,715	2,482,948	2,558,942	2,222,875	2,206,067	2,126,918
Federal sources	98,072	115,216	128,714	129,959	116,910	122,828	131,953	122,229	291,869	277,379
Total revenue	5,902,985	6,529,907	6,510,386	6,973,834	7,073,575	7,554,027	7,782,145	7,675,084	7,835,790	7,957,703
Expenditures										
Instruction										
Regular Instruction	1,775,866	1,657,241	1,703,842	1,810,704	1,713,308	2,154,758	2,490,261	2,645,082	2,737,184	2,596,671
Special education instruction	660,239	678,125	681,364	728,621	727,178	860,055	624,808	666,524	700,605	786,763
Other special instruction	29,509	146,226	124,427	148,323	261,865	257,990	288,509	300,864	244,245	250,898
Other instruction	36,210	25,316	34,006	29,691	38,465	33,891	35,447	36,176	39,629	43,151
Support Services:										
Tuition	90,110	36,801	23,186	40,990	5,034	-	-	86,190	12,204	3,060
Student & instruction related services	810,898	829,155	963,918	1,052,037	951,094	1,358,163	1,382,122	1,366,375	1,488,979	1,383,736
School administrative services	252,438	255,146	281,519	196,571	188,052	195,344	205,668	185,840	182,489	211,321
Other administrative services	226,416	231,990	353,609	355,931	395,170	423,306	420,444	448,349	417,347	394,467
Plant operations and maintenance	487,018	456,892	493,581	519,224	512,763	649,762	631,806	710,397	623,272	641,588
Pupil transportation	62,385	53,240	62,974	70,356	48,045	44,080	51,163	53,349	50,055	37,784
Unallocated employee benefits	938,136	1,173,509	1,167,045	1,258,230	1,458,413	806,938	800,406	491,217	559,925	646,044
Special Revenue	125,546	129,970								
Charter Schools					8,638	8,954	-	-	-	-
Capital Outlay	136,461	142,906	149,186	311,875	168,289	133,932	81,017	70,219	37,379	56,405
Debt service:										
Principal	140,000	145,000	165,000	180,000	210,000	255,000	270,000	285,000	305,000	325,000
Interest and other charges	379,435	372,343	364,980	356,565	347,340	338,133	326,928	315,070	302,473	288,790
Total expenditures	6,150,667	6,333,860	6,568,637	7,059,118	7,033,654	7,520,306	7,608,579	7,660,652	7,700,786	7,665,678
Excess (Deficiency) of revenues over (under) expenditures	(247,682)	196,047	(58,251)	(85,284)	39,921	33,721	173,566	14,432	135,004	292,025
Other Financing Sources (uses)										
Capital leases (non-budgeted)										
Bond proceeds										
Proceeds of refunding debt										
Payment to refunded debt escrow agent										
Transfers in			(144)	(130)						
Transfers out										-
Total other financing sources (uses)	-	-	(144)	(130)	-	-	-	-	-	-
Net change in fund balances	\$ (247,682)	\$ 196,047	\$ (58,395)	\$ (85,414)	\$ 39,921	\$ 33,721	\$ 173,566	\$ 14,432	\$ 135,004	\$ 292,025
Debt service as a percentage of noncapital expenditures										
	8.6%	8.4%	8.3%	8.0%	8.1%	8.0%	7.9%	7.9%	7.9%	8.1%

Source: CAFR Schedule B-2

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

Exhibit J-5

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Refund</u> <u>Prior Year</u> <u>Expenditures</u>	<u>Rentals</u>	<u>Litigation</u> <u>Settlement</u>	<u>Tuition</u>	<u>Miscellaneous</u>	<u>Total</u>
2002	\$ 4,034		\$ 1,010		\$ 253,168	\$ 8,581	\$ 266,793
2003	\$ 10,141			\$ 326,500	\$ 276,328		\$ 612,969
2004	\$ 6,878				\$ 90,522		\$ 97,400
2005	\$ 5,174		\$ 1,125		\$ 141,087	\$ 3,797	\$ 151,183
2006	\$ 15,650				\$ 121,635	\$ 960	\$ 138,245
2007	\$ 25,598				\$ 117,964		\$ 143,562
2008	\$ 9,413				\$ 103,854		\$ 113,267
2009	\$ 3,877	\$ 57,861			\$ 118,857	\$ 16,763	\$ 197,358
2010	\$ 4,087				\$ 94,129	\$ 8,691	\$ 106,907
2011	\$ 4,187	\$ 27,685			\$ 143,788	\$ 31,663	\$ 207,323

SOURCE: District Records

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

Exhibit J-6

<u>Fiscal Year Ended June 30.</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm Reg.</u>	<u>Qfarm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total Assessed Value</u>	<u>Less: Tax-Exempt Property</u>	<u>Public Utilities a</u>	<u>Net Valuation Taxable</u>	<u>Total Direct School Tax Rate b</u>	<u>Estimated Actual (County Equalized Value)</u>
2002	\$2,647,400	\$204,683,800	\$552,800	\$43,300	\$5,628,400	\$8,703,100	\$1,725,100	\$239,487,600	\$13,131,600	\$984,700	\$223,983,900	\$1.728	\$262,189,166
2003	2,378,700	206,248,700	422,700	18,700	6,534,700	8,703,100	1,725,100	241,803,500	14,256,400	1,247,300	226,031,700	1.728	270,230,918
2004	2,213,900	207,158,200	603,600	16,900	6,534,700	8,632,300	1,612,200	242,399,000	14,761,400	1,010,400	226,771,800	1.864	304,811,057
2005	2,316,600	207,672,400	603,600	16,900	6,534,700	8,632,300	1,612,200	256,020,300	14,777,200	850,000	227,388,700	1.906	321,418,609
2006	5,474,600	347,569,200	1,084,200	19,100	10,888,200	11,236,700	3,786,200	408,689,800	27,505,600	1,126,000	380,058,200	1.201	365,321,396
2007	4,372,900	348,097,300	1,084,200	19,100	10,813,500	10,554,700	3,870,900	408,363,505	28,233,900	1,317,005	378,812,600	1.265	399,979,755
2008	4,188,800	350,188,600	1,084,200	14,200	10,530,400	10,728,706	3,782,200	410,454,112	28,891,200	1,045,806	380,517,106	1.309	447,196,154
2009	7,594,000	355,408,106	1,084,200	14,200	11,947,400	8,024,000	509,600	414,518,512	28,891,200	1,045,806	384,581,506	1.334	446,007,901
2010	2,203,100	354,311,900	1,084,200	14,200	11,947,400	8,024,000	509,600	413,076,511	34,077,900	904,211	378,998,611	1.380	429,523,246
2011	2,183,000	354,003,700	1,084,200	14,200	11,947,800	7,338,600	509,600	412,093,634	34,077,900	934,634	378,015,734	1.414	425,978,607

Source: District records Tax list summary & Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

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

Exhibit J-7

(rate per \$100 of assessed value)

Fiscal Year Ended June 30,	High Bridge Borough Board of Education			Overlapping Rates				Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Regional School District	High Bridge Borough	Library	Hunterdon County	
2002	\$1.510	\$0.218	\$1.728	\$0.643	\$0.458	\$0.037	\$0.494	\$3.360
2003	\$1.545	\$0.183	\$1.728	\$0.686	\$0.372	\$0.036	\$0.498	\$3.320
2004	\$1.675	\$0.189	\$1.864	\$0.737	\$0.374	\$0.037	\$0.538	\$3.550
2005	\$1.713	\$0.193	\$1.906	\$0.844	\$0.463	\$0.040	\$0.537	\$3.790
2006	\$1.006	\$0.195	\$1.201	\$0.545	\$0.278	\$0.027	\$0.339	\$2.390
2007	\$1.135	\$0.130	\$1.265	\$0.558	\$0.391	\$0.028	\$0.348	\$2.590
2008	\$1.179	\$0.130	\$1.309	\$0.538	\$0.750	\$0.030	\$0.363	\$2.990
2009	\$1.204	\$0.130	\$1.334	\$0.524	\$0.785	\$0.028	\$0.357	\$3.028
2010	\$1.247	\$0.133	\$1.380	\$0.509	\$0.784	\$0.028	\$0.361	\$3.062
2011	\$1.275	\$0.139	\$1.414	\$0.566	\$0.784	\$0.027	\$0.359	\$3.150

Source: District Records and Municipal Tax Collector

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

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

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

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

Exhibit J-8

Taxpayer	2010			2001		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Glassman Family Realty, LLC	\$3,085,400	1	0.82%	\$ 1,871,900	2	1.30%
1742 Square Assoc. Ltd.	2,695,100	2	0.71%	2,761,600	3	0.93%
Country Club Self Storage. LLC	1,706,000	3	0.45%	1,283,174	6	0.64%
Individual Taxpayer #1	1,695,500	4	0.45%			
United Telephone Co.	904,211	5	0.24%	1,074,000	7	0.53%
Individual Taxpayer #2	845,200	6	0.22%	1,392,000	5	0.69%
Individual Taxpayer #3	832,500	7	0.22%	803,296	10	0.40%
Individual Taxpayer #4	816,900	8	0.22%	1,048,000	8	0.52%
K&J Brokerage	781,700	9	0.21%			
Individual Taxpayer #5	600,000	10	0.16%			
37 Main Street, LLC				844,800	9	0.42%
Heilands, LLC				2,761,600	1	1.37%
Komline Sanderson Eng.Corp.				1,501,400	4	0.74%
Total	\$ 13,962,511		3.69%	\$ 15,341,770		7.54%

Source: District CAFR & Municipal Tax Assessor

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

Exhibit J-9

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2002	\$3,478,560	\$3,478,560	100.00%	-
2003	\$3,498,635	\$3,498,635	100.00%	-
2004	\$3,805,940	\$3,805,940	100.00%	-
2005	\$3,904,811	\$3,904,811	100.00%	-
2006	\$4,573,883	\$4,573,883	100.00%	-
2007	\$4,804,539	\$4,804,539	100.00%	-
2008	\$4,977,833	\$4,977,833	100.00%	-
2009	\$5,131,387	\$5,131,387	100.00%	-
2010	\$5,230,947	\$5,230,947	100.00%	-
2011	\$5,346,083	\$5,346,083	100.00%	-

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

Note:

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

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

Exhibit J-10

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District		
2002	\$ 7,820,000	-0-	\$ 324,403	-0-	-0-	\$ 8,144,403	3.75%	\$2,139.32
2003	\$ 7,675,000	-0-	\$ 200,036	-0-	-0-	\$ 7,875,036	3.53%	\$2,073.47
2004	\$ 7,510,000	-0-	\$ 68,130	-0-	-0-	\$ 7,578,130	3.34%	\$2,002.15
2005	\$ 7,330,000	-0-	-0-	-0-	-0-	\$ 7,330,000	3.28%	\$1,956.75
2006	\$ 7,120,000	-0-	-0-	-0-	-0-	\$ 7,120,000	2.97%	\$1,913.46
2007	\$ 6,865,000	-0-	\$ 113,282	-0-	-0-	\$ 6,978,282	2.75%	\$1,875.38
2008	\$ 6,595,000	-0-	\$ 88,108	-0-	-0-	\$ 6,683,108	2.62%	\$1,800.41
2009	\$ 6,310,000	-0-	\$ 62,934	-0-	-0-	\$ 6,372,934	2.64%	\$1,722.41
2010	\$ 6,005,000	-0-	\$ 37,760	-0-	-0-	\$ 6,042,760	2.50%	\$1,634.50
2011	\$ 5,680,000	-0-	\$ 12,586	-0-	-0-	\$ 5,692,586	2.36%	\$1,539.79

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

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

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

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

Exhibit J-11

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2002	\$ 7,820,000	-0-	\$ 7,820,000	3.49%	\$ 2,054
2003	\$ 7,675,000	-0-	\$ 7,675,000	3.40%	\$ 2,021
2004	\$ 7,510,000	-0-	\$ 7,510,000	3.31%	\$ 1,984
2005	\$ 7,330,000	-0-	\$ 7,330,000	3.22%	\$ 1,957
2006	\$ 7,120,000	-0-	\$ 7,120,000	1.87%	\$ 1,913
2007	\$ 6,865,000	-0-	\$ 6,865,000	1.81%	\$ 1,845
2008	\$ 6,595,000	-0-	\$ 6,595,000	1.73%	\$ 1,777
2009	\$ 6,310,000	-0-	\$ 6,310,000	1.64%	\$ 1,705
2010	\$ 6,005,000	-0-	\$ 6,005,000	1.58%	\$ 1,624 *
2011	\$ 5,680,000	-0-	\$ 5,680,000	1.50%	\$ 1,536 *

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

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

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

R Revised

* Current data unavailable

**High Bridge Borough School District
Ratios of Overlapping Governmental Activities Debt
As of June 30, 2011**

Exhibit J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Borough of High Bridge	\$ 15,937,689	100.00%	\$ 15,937,689
Other debt			
North Hunterdon Regional School District	\$ 4,615,000	4.557%	210,322
Hunterdon County	99,997,478	1.782%	<u>1,781,533</u>
Subtotal, overlapping debt			17,929,544
High Bridge Borough School District Direct Debt			<u>5,680,000</u>
Total direct and overlapping debt			<u><u>\$ 23,609,544</u></u>

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

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

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

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

Exhibit J-13

Legal Debt Margin Calculation for Fiscal Year 2011

Equalized valuation basis	
2008	\$ 434,306,081
2009	423,066,353
2010	407,523,074
[A]	\$ 1,264,895,508

Average equalized valuation of taxable property	[A/3]	\$ 421,631,836
Debt limit (3 % of average equalization value)	[B]	12,648,955
Net bonded school debt	[C]	5,680,000
Legal debt margin	[B-C]	\$ 6,968,955

	Fiscal Year									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Debt limit	\$6,895,341	\$7,487,034	\$9,144,332	\$9,002,568	\$10,101,700	\$11,249,693	\$12,297,014	\$12,833,652	\$12,917,489	12,648,955
Total net debt applicable to limit	7,820,000	7,675,000	7,510,000	7,330,000	7,120,000	6,865,000	6,595,000	6,310,000	6,005,000	5,680,000
Legal debt margin	<u>(\$924,659)</u>	<u>(\$187,966)</u>	<u>\$1,634,332</u>	<u>\$1,672,568</u>	<u>\$2,981,700</u>	<u>\$4,384,693</u>	<u>\$5,702,014</u>	<u>\$6,523,652</u>	<u>\$6,912,489</u>	<u>\$6,968,955</u>
Total net debt applicable to the limit as a percentage of debt limit	113.41%	102.51%	82.13%	81.42%	70.48%	61.02%	53.63%	49.17%	46.49%	44.90%

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

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

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

Exhibit J-14

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income (thousands of dollars) ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2002	3,807	\$ 217,417,770	\$57,110 R	3.1%
2003	3,798	\$ 222,813,468	\$58,666 R	3.3%
2004	3,785	\$ 226,785,845	\$59,917 R	3.3%
2005	3,746	\$ 223,231,632	\$59,592 R	3.1%
2006	3,721	\$ 239,357,046	\$64,326 R	3.5%
2007	3,721	\$ 253,601,034	\$68,154 R	3.1%
2008	3,712	\$ 255,203,712	\$68,751 R	4.0%
2009	3,700	\$ 241,772,800	\$65,344 P	7.2%
2010	3,697	\$ 241,576,768	\$65,344 *	7.4%
2011	3,697	* \$ 241,576,768	\$65,344 *	*

Source:

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

^b Personal Income provided by US Dept of Commerce

^c Per Capita provided by US Dept of Commerce

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

P =Projected

R =Revised

* Current data unavailable

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

Exhibit J-16

<u>Function/Program</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Instruction										
Regular			41.90	51.70	54.00	39.90	43.74	43.88	40.48	34.19
Special education			33.83	23.00	22.47	33.40	30.93	30.78	28.70	30.96
Support Services:										
General administrative services			4.00	2.40	2.45	2.45	2.35	1.85	3.38	2.90
School administrative services			3.50	3.40	2.85	2.85	2.85	2.85	3.10	3.10
Business administrative services			2.00	1.85	1.60	1.60	1.60	1.60	1.60	1.60
Plant operations and maintenance			5.30	5.40	5.74	5.74	5.50	5.68	4.90	0.00
Pupil transportation			0.00	0.05	0.10	0.10	0.10	0.10	0.10	0.10
Total	-	-	90.53	87.67	89.21	86.04	87.07	86.74	82.26	72.85

Source: District Personnel Records

High Bridge Borough School District
 Operating Statistics
 Last Ten Fiscal Years

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary				
2002	496	\$12,341,712	24,882	-4.83%	62	1:8.0	495.7	473.5	4.07%	95.52%
2003	464	\$12,735,245	27,447	10.31%	60	1:7.7	460.6	439.9	-7.08%	95.51%
2004	464	\$12,898,524	27,799	1.28%	58	1:8.0	465.8	446.4	1.13%	95.84%
2005	457	\$13,350,505	29,213	5.09%	58	1:7.9	443.0	427.0	-4.89%	96.39%
2006	445	\$6,299,387	14,156	-51.54%	58	1:7.7	443.5	426.6	0.11%	96.19%
2007	436	\$6,784,287	15,560	9.92%	57	1:7.6	420.0	411.0	-5.30%	97.86%
2008	402	\$6,930,634	17,240	10.80%	51	1:7.9	394.2	380.9	-6.14%	96.63%
2009	409	\$6,990,363	17,091	-0.86%	50	1:8.2	401.9	387.4	1.95%	96.39%
2010	406	\$7,055,934	17,379	1.68%	49	1:8.4	399.1	382.3	-0.70%	95.79%
2011	392	\$6,995,483	17,846	2.68%	49	1:8.0	390.4	372.2	-2.18%	95.34%

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

Note: Enrollment based on annual October district count.

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

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

Exhibit J-18

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>District Building</u>										
<u>Elementary</u>										
(1966, 1998 Addition)										
Square Feet	46,459	46,459	46,459	46,459	46,459	46,459	46,459	46,459	46,459	46,459
Capacity (students)	349	349	349	349	349	349	349	349	349	349
Enrollment	305	298	311	313	294	277	260	269	259	226
<u>High Bridge Middle School (1903)</u>										
Additions - 1918, 1948, 1998										
Square Feet	54,584	54,584	54,584	54,584	54,584	54,584	54,584	54,584	54,584	54,584
Capacity (students)	126	126	126	126	126	126	126	126	126	126
Enrollment	180	165	156	144	140	134	142	140	147	145

Number of Schools at June 30, 2011

Source: District records, ASSA

Elementary = 1
Middle School = 1

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

HIGH BRIDGE BOROUGH SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
Last Nine Fiscal Years Ending June 30, 2011

Exhibit J-19

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

<u>School Facilities</u>	<u>Project #</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Total</u>
High Bridge Middle School	N/A	\$50,845	\$30,908	\$36,662	\$45,032	\$36,620	\$40,244	\$49,662	\$49,662	\$87,836	\$427,471
High Bridge Elementary School	N/A	43,317	26,883	31,887	39,934	32,474	35,688	44,040	44,040	77,892	376,155
Total School Facilities		94,162	57,791	68,549	84,966	69,094	75,932	93,702	93,702	165,728	803,626
Other Facilities		NONE	NONE								
Grand Total		\$94,162	\$57,791	\$68,549	\$84,966	\$69,094	\$75,932	\$93,702	\$93,702	\$165,728	\$803,626

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

INSURANCE SCHEDULE
JUNE 30, 2011
UNAUDITED

Exhibit J-20

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

SOURCE: District Records

Single Audit Section



ARDITO & Co., LLP

1110 Harrison Street, Suite C
 Frenchtown, New Jersey 08825-1192
 908-996-4711 Fax: 908-996-4688
 e-mail: anthony@arditoandcompany.com

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

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

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

We have audited the financial statements of the Board of Education of the High Bridge Borough School District in the County of Warren, State of New Jersey, as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated October 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

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

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

-Continued-

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as finding 2011-1, that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

We noted certain matters that we reported to the Board of Education of the High Bridge Borough School District in a separate report entitled, Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance dated October 31, 2011.

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



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

Date: October 31, 2011



ARDITO & Co., LLP

1110 Harrison Street, Suite C
 Frenchtown, New Jersey 08825-1192
 908-996-4711 Fax: 908-996-4688
 e-mail: anthony@arditoandcompany.com

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

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH NEW JERSEY OMB CIRCULAR 04-04

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

Compliance

We have audited the compliance of the High Bridge Borough School District in the County of Warren, State of New Jersey, with the types of compliance requirements described in the New Jersey State Aid/Grant Compliance Supplement that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2011. The High Bridge Borough School District Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the High Bridge Borough School District Board of Education's management. Our responsibility is to express an opinion on the High Bridge Borough School District Board of Education's compliance based on our audit.

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

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

In our opinion the Board of Education of the High Bridge Borough School District, in the County of Warren, State of New Jersey, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2011.

However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with New Jersey OMB's Circular 04-04, and which are described in the accompanying schedule of findings and questioned costs as item 2011-2 through 2011-4.

Internal Control Over Compliance

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

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

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

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



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

Date: October 31, 2011

HIGH BRIDGE BOROUGH SCHOOL DISTRICT

K-4

Schedule of Expenditures of State Financial Assistance
for the Fiscal Year ended June 30, 2011

Schedule B

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE 6/30/2010	CARRY- OVER AMOUNT	CASH RECEIVED	BUDGET. EXPEND.	ADJUST.	REPAYMENT OF PRIOR YEARS' BALANCES	BALANCE AT JUNE 30, 2011			MEMO			
										(ACCTS. RECEIV.)	DEFER. REVENUE	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPEND.		
State Department of Education																
General Fund:																
Equalization Aid	11-495-034-5120-078	7/1/10-6/30/11	\$ 1,037,546			\$ 1,037,546	\$ (1,037,546)							\$	102,398	\$ 1,037,546
Transportation Aid	11-495-034-5120-014	7/1/10-6/30/11	12,586			12,586	(12,586)							*	1,242	12,586
Special Education Aid	11-495-034-5120-089	7/1/10-6/30/11	198,253			198,253	(198,253)							*	19,566	198,253
Security Aid	11-495-034-5120-084	7/1/10-6/30/11	29,439			29,439	(29,439)							*	2,906	29,439
Adjustment Aid	11-495-034-5120-085	7/1/10-6/30/11	22,950			22,950	(22,950)							*	2,265	22,950
Extraordinary Aid	10-495-034-5120-057	7/1/09-6/30/10		\$ (178,395)		178,395	-							*		
Extraordinary Aid	11-495-034-5120-057	7/1/10-6/30/11	197,580				(197,580)			\$ (197,580)				*		197,580
On-behalf TPAF Pension Contrib.	11-495-034-5095-001	7/1/10-6/30/11	237,432			237,432	(237,432)							*		237,432
Reimbursed TPAF Soc.Secur.Contrib.	11-495-034-5095-002	7/1/10-6/30/11	260,850	(12,193)		260,012	(260,850)			(13,031)				*		260,850
Total General Fund				<u>(190,588)</u>		<u>1,976,613</u>	<u>(1,996,636)</u>	-		<u>(210,611)</u>				*	<u>128,377</u>	<u>1,996,636</u>
Special Revenue Fund:																
Pre-School Education Aid	11-495-034-5120-086	7/1/10-6/30/11	6,600			6,600	(6,600)							*	660	6,600
Character Education Program	06-495-034-5120-053	7/1/05-6/30/06		192						\$ 192				*		-
Total Special Revenue Fund				<u>192</u>		<u>6,600</u>	<u>(6,600)</u>			<u>-</u>	<u>192</u>			*	<u>660</u>	<u>6,600</u>
Capital Projects Fund:																
EDA Grant	SP#2140060040ABS	7/1/05-6/30/06		(5,640)			-			(5,640)				*		-
EDA Grant	SP#21400550400HB	7/1/05-6/30/06		(194,288)			-			(194,288)				*		-
EDA Grant	SP#21400600400HC	7/1/05-6/30/06		(27,760)			-			(27,760)				*		-
Total Special Revenue Fund				<u>(227,688)</u>			<u>-</u>			<u>(227,688)</u>				*		<u>-</u>
Debt Service Fund:																
Debt Service Aid	11-495-034-5120-017	7/1/10-6/30/11	90,364			90,364	(90,364)							*		90,364
State Department of Agriculture:																
Enterprise Fund:																
Nat.School Lunch Prog.(State Share)	10-100-010-3350-023	7/1/09-6/30/10		(101)		101								*		897
Nat.School Lunch Prog.(State Share)	11-100-010-3350-023	7/1/10-6/30/11	897			824	(897)			(73)				*		897
Total Enterprise Fund				<u>(101)</u>		<u>925</u>	<u>(897)</u>			<u>(73)</u>				*		<u>897</u>
Total State Financial Assistance				<u>\$ (418,185)</u>		<u>\$ 2,074,502</u>	<u>\$ (2,094,497)</u>			<u>\$ (438,372)</u>	<u>\$ 192</u>			*	<u>\$ 129,037</u>	<u>\$ 2,094,497</u>

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

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE
JUNE 30, 2011

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

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

NOTE 3. RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$33,318 for the general fund and \$(9,402) for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE
JUNE 30, 2011

NOTE 3. (Continued)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 2,029,954	\$ 2,029,954
Special Revenue Fund	\$ 277,379	6,600	283,979
Debt Service Fund		90,364	90,364
Food Service Fund	<u>23,402</u>	<u>897</u>	<u>24,299</u>
Total Financial Assistance	<u>\$ 300,781</u>	<u>\$ 2,127,815</u>	<u>\$ 2,428,596</u>

NOTE 4. RELATIONSHIP TO STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the district for the year ended June 30, 2011. TPAF Social Security Contributions represents the amount reimbursed by the state for employer's share of social security contributions for TPAF members for the year ended June 30, 2011.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Part I - Summary of Auditor's Results

Financial Statement Section

- A) Type of auditor's report issued: Unqualified

- B) Internal control over financial reporting:
 - 1) Material weakness(es) identified? ___ Yes x No
 - 2) Were significant deficiencies identified that were not considered to be material weaknesses?
x Yes
 ___ None
 Reported

- C) Noncompliance material to financial statements noted? ___ Yes x No

Federal Awards Section

N/A

- D) Dollar threshold used to determine Type A programs: \$300,000

- E) Auditee qualified as low-risk auditee? ___ Yes ___ No

- F) Type of auditor's report on compliance for major programs: Unqualified

- G) Internal Control over compliance:
 - 1) Material weakness(es) identified? ___ Yes ___ No
 - 2) Were significant deficiencies identified that were not considered to be material weaknesses? ___ Yes ___ No

- H) Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133(Section .510(a))? ___ Yes ___ No

- I) Identification of major programs:

CFDA NUMBER(S)

NAME OF FEDERAL PROGRAM OR CLUSTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Part I - Summary of Auditor's Results

State Financial Assistance Section

- J) Dollar threshold used to determine Type A programs: \$300,000
- K) Auditee qualified as low-risk auditee? (1) ___yes x no
- L) Type of auditor's report on compliance for major programs: Unqualified
- M) Internal Control over compliance:
- 1) Material weakness(es) identified? ___yes x no
- 2) Were significant deficiencies identified that were not considered to be material weaknesses? ___yes x none reported
- N) Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular 04-04? ___x ___yes ___no
- O) Identification of major programs:

GMIS Number(s)

Name of State Program

11-495-034-5120-078
11-495-034-5120-057
11-495-034-5095-002

Equalization Aid
Extraordinary Aid
Reimb. TPAF So. Sec. Reimbursement

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**Section II-Financial Statement Findings**

The following are significant deficiencies, material weaknesses, or instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of Government Auditing Standards.

Finding 2010-1**Criteria:**

General ledger control accounts should be reconciled the the underlying subsidiary account detail.

Condition:

Numerous significant audit adjustments were needed to adjust the accounting records to properly reflect the true balances for the majority of balance sheet accounts as of June 30. Furthermore, the June board secretary report was out of balance.

Effect:

Misstated balance sheet accounts.

Cause:

General ledger control accounts were not reconciled to the underlying detailed subsidiary accounts on a timely basis.

Recommendation:

The Board Secretary should reconcile the general ledger control accounts to the underlying subsidiary detail.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Section III - State Financial Assistance Findings and Questioned Costs

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

Finding 2011-2

Information on state program:

11-495-034-5120-078

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

Criteria:

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

Condition:

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

Effect:

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

Recommendation:

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Finding 2011-3

Information on state program:

11-495-034-5095-002

Reimbursed TPAF Soc.Secur.Contrib.

Criteria:

A treasurer's surety bond is required by N.J.S.A. 18A:17-32

Condition:

No current surety bond existed for the treasurer

Effect:

Possible risk exposure related to potential claims.

Recommendation:

That the treasurer's surety bond be renewed on an annual basis per N.J.S.A. 18A:17-32.

Finding 2011-4

Information on state program:

11-495-034-5120-078

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

Criteria:

N.J.S.A. 18A:66-90 requires that each local board of education reimburse the state for the employer share of pensions, group life insurance, FICA and other benefits of the Teachers' Pension and Annuity Fund (TPAF) for TPAF members carrying out and paid from federally funded programs.

Condition:

The prior year's accounts payable of \$2,249 for TPAF fica and pension due to the state for TPAF members paid from federally funded programs was not paid and remains an accounts payable as of June 30, 2011.

Effect:

Unpaid liability to the State of New Jersey.

Recommendation:

That the prior year's TPAF fica and pension reimbursement to the state be paid immediately.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

STATUS OF PRIOR YEAR FINDINGS

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

Finding 2010-1

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

Finding is repeated in 2011.