

SOMERVILLE BOROUGH SCHOOL DISTRICT

**Somerville Board of Education
Somerville, New Jersey**

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

**Comprehensive Annual
Financial Report**

of the

Somerville Borough School District

Somerville, New Jersey

For the Fiscal Year Ended June 30, 2011

Prepared by

Somerville Board of Education

SOMERVILLE BOROUGH SCHOOL DISTRICT
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INTRODUCTORY SECTION

Somerville Public Schools

**Administrative Headquarters
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Superintendent of Schools
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Bryan P. Boyce
Business Administrator/Board Secretary
Telephone: 908-218-4102

November 18, 2011

The Honorable President and Members of
the Board of Education
Somerville Borough School District
County of Somerset, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Somerville Borough School District (the "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 (the "Board"). 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 basic financial statements and results of operations 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, a roster of officials and a list of consultants and advisors. The financial section includes the Independent Auditors' Report, the management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected economical and demographic information, financial trends and the fiscal capacity of the District, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and the New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on the internal control structure and compliance with applicable laws, and regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES:

The Somerville Borough School District is an independent reporting entity within the criteria adopted by the Government Accounting Standards Board ("GASB") in codification section 2100. All funds of the District are included in this report. The Somerville Borough Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels K through 12 for the students residing in Somerville Borough, and 9 through 12 for students residing in Branchburg Borough. These include regular, vocational as well as special education for handicapped youngsters. The District completed the 2010-2011 fiscal year with an enrollment of 2,401 students, which is an increase of 76 students from the previous year's enrollment. The following details the changes in the average daily student enrollment of the District over the last five years are presented on the next page.

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2010-11	2,401	3.27%
2009-10	2,325	-1.11%
2008-09	2,351	3.07%
2007-08	2,281	3.40%
2006-07	2,206	1.52%

2) ECONOMIC CONDITION AND OUTLOOK:

As a result of the location and ambiance of the area, along with a notably good school system, Somerville is looked upon as a desirable place to live in New Jersey. Somerville will continue to show some growth as a residential area as a result of redevelopment. The overall picture is that the Somerville area will continue to prosper.

3) MAJOR INITIATIVES:

Somerville High School

The 2010 - 2011 school year provided exciting opportunities for students at Somerville High School. Qualified seniors were afforded the privilege of taking college courses as part of the New Jersey Department of Education's "Senior Options" program. Seniors who attended RVCC received both high school and college credits. Qualified students may also have the option of enrolling in online courses. Courses that are offered include Arts, Business, English Language Arts, Foreign Language, Life Skills, Math, Science, Social Studies, and Technology.

Somerville High School is a learning community that endorses the concept of facilitating a student-centered learning environment with an emphasis on preparing students for success in a 21st Century global society. As stated in our mission statement, our goal is to ensure that students are provided with an exceptional 21st Century education that promotes innovation, collaboration, and the transfer of concepts to real-world applications. Our staff embraces the challenge of providing students with 21st century skill sets that include critical thinking, collaboration, communication, and creativity. We are committed to the practice of facilitating a learning community that addresses these new challenges while providing sound instruction for students with diverse needs and varying future endeavors.

Somerville High School students continued to score above state and national averages on the Scholastic Aptitude Test (SAT) with verbal, writing, and mathematics means at 497, 514, and 489, respectively. The mean combined Somerville High School SAT scores were 1,617 as compared to 1,508 and 1,500 at the state and national levels, respectively. Fourteen (14) Advanced Placement courses were offered and 86.4% of the students who took the Advanced Placement tests during the 2010 - 2011 school year earned scores of 3 or better. The high school demonstrated improvement with student achievement for all *No Child Left Behind* subgroup populations by meeting the requirements for all 40 indicators of the Adequate Yearly Progress (AYP) benchmarks.

Somerville Middle School

In our continuing effort to meet the needs of our students, several programs for the 2010-2011 school year are identified below:

Gifted and Talented: Accelerated programs in the areas of language arts literacy and mathematics continued to enhance the needs and skills of identified students. All Adequate Yearly Progress benchmarks were attained in language arts literacy and mathematics for grades 6, 7, and 8. Additionally, the school implemented a Summer Pre-Algebra and Algebra program to encourage students to extend themselves academically and experience the challenges of an accelerated program during the summer months.

3) MAJOR INITIATIVES: (Cont'd)

Somerville Middle School (Cont'd)

Language Arts Literacy: Language arts literacy teachers collaborated with school administrators and district supervisors on revising the language arts literacy curriculum. The language arts literacy curriculum focuses on fiction and non-fiction reading, expository writing, interdisciplinary connections and relevant learning. All middle school staff continued to receive training in writing across the curriculum. Interdisciplinary units of instruction were implemented at all grade levels. Infusing open-ended writing prompts and using scoring rubrics continued to be stressed across content and identified themes. The summer reading program was revised and successfully implemented as part of the K-12 continuum. Their Summer Reading Book assignment is a yearlong activity with the students participating in the selection of the reading selections for the up-coming class.

Science Program: The science curriculum for grades K-8 is aligned with the *New Jersey Core Curriculum Content and Assessment Standards*. The textbook series, *Glencoe Science Flexible*, was utilized for grades 6-8. These books supported the course work at each grade level: Earth Science (grade 6), Life Science (grade 7), and Physical Science (grade 8).

Exploratory Program: Several elective courses were continued and expanded during the 2010 - 2011 school year:

- *Gateway to Technology* (grades 6, 7, and 8): promoted the interdisciplinary pre-engineering program to include all middle school students.
- *Exploration* (grade 6): promoted the development of positive academic habits, organizational skills, research techniques, and time management strategies. This course was taught by a team of two teachers.
- *Mind Power* (grade 7): included the development of higher-order thinking skills and problem-solving abilities.
- *Music* (grades 6, 7, 8): expanded general and vocal music programs included: Essentials of Music (grade 6), A Musical Journey (grade 7), and American Music (grade 8).
- The *Gateway Academy* summer pre-engineering program was offered for students in grades 6-8.
- Computer Literacy (grades 6,7,8):

Character Education: Somerville Middle School continued to expand its infused Character Education program to provide a common language of character education and to recognize these values through assemblies, activities, monthly discussion, and projects. The ultimate objective of these initiatives was to develop a positive school-wide climate. The Character Education program contributed to the creation of a caring community reduced negative student behavior, such as violence, disrespect, bullying, and hazing, and prepared young people to be responsible citizens and productive members of society.

Somerville Middle School had several initiatives, which focused on recognizing and promoting student achievement and increasing communication. The school participated in the Junior National Honor Society, Student Council and Peer Leadership programs. Somerville Middle School students were afforded the opportunity to participate in Summer Enrichment, Instrumental Music, and Musical Theater Workshop programs during July 2011. The annual sixth grade Student Orientation program continues to develop and expand. The initial interactions with the in-coming 6th grade class parents and students began last May and the culmination of the experience, Camp SMS, was held in August 2011 and this program was previously recognized by receiving the New Jersey Department of Education's Best Practice Award.

3) MAJOR INITIATIVES: (Cont'd)

Van Derveer Elementary School

Van Derveer staff and students continued to implement and evaluate current mathematics and science curriculum maps, which incorporated the New Jersey Core Content Standards and National Council of Teachers of Mathematics Standards. The program focused on a variety of mathematical instructional strategies which included concrete learning experiences and supporting technologies. Hands-on science activities and experiential learning supplemented the school's science textbooks. The science program was expanded to include hands-on lab manual activities developed by Van Derveer teachers. The character education programs to promote students' social decision-making skills were implemented and expanded to include Internet safety.

The Van Derveer staff continued to implement and enhance a balanced literacy reading/language arts program in grades K-5. The kindergarten level used *A Legacy of Literacy*, the Houghton Mifflin reading program, and grades 1-5 used *Collections*, a Harcourt reading/language arts program. Both programs afforded students the opportunity to experience literacy instruction in a seamless manner. Reading, writing, spelling, and grammar were integrated in day-to-day classroom activities. The balanced literacy reading/language arts program included level readers and classroom libraries that met the needs of diverse student learners. The infusion of open-ended prompts and using scoring rubrics continued to be stressed in all content areas.

All classroom teachers and reading specialists collaborated with school administrators and district supervisors on revising the language arts literacy curriculum. The summer reading program was revised and successfully implemented as part of the K-12 continuum.

The school-wide enrichment model for grades K-5 focused on differentiating instruction, providing higher-order thinking opportunities, and including hands-on experiences for all students. Gifted and talented studies in grades K-5 are addressed through modular units of study.

The summer of 2011 allowed students entering grades 1-5 at Van Derveer Elementary School to participate in Summer Enrichment programs.

Technology Programs

Somerville High School continued to implement the updated computer science curriculum, which included Visual Basic and JAVA programming courses. Enrollment in the *Project Lead the Way* pre-engineering program in grades 6-12 continued to expand.

Somerville Middle School expanded *Gateway to Technology*, the division of the *Project Lead the Way* program for students in grades 6-8. *Gateway to Technology* courses promoted the development of technology skills through the integration of mathematics, science, and literacy. Three research-based technology courses were implemented for grades 6-8, respectively: Practical Applications, Advanced Applications, and i-Innovations.

Van Derveer Elementary School continued to utilize the services of a full-time computer teacher. Lessons supported a research-based technology curriculum. In addition to the computers in the classrooms and media center, all students followed a six-day schedule for technology lessons co-taught by the computer and classroom teachers.

4) INTERNAL ACCOUNTING CONTROLS:

Management of the District is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control system 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 awards, the District also is responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system is also subject to periodic evaluation by the District's management.

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

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 projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as restrictions, commitments and/or assignments of fund balance at June 30, 2011.

6) ACCOUNTING SYSTEM AND REPORTS:

The District's accounting records reflect generally accepted accounting principles, as promulgated by the GASB. The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements", Note 1.

7) DEBT ADMINISTRATION:

As of June 30, 2011 the District had \$26,627,000 in outstanding serial bonds.

8) CASH MANAGEMENT:

The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements", Note 3. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

9) RISK MANAGEMENT:

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

10) OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board's finance committee. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditors' report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

11) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Somerville 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 the financial and accounting staff.

Respectfully submitted,

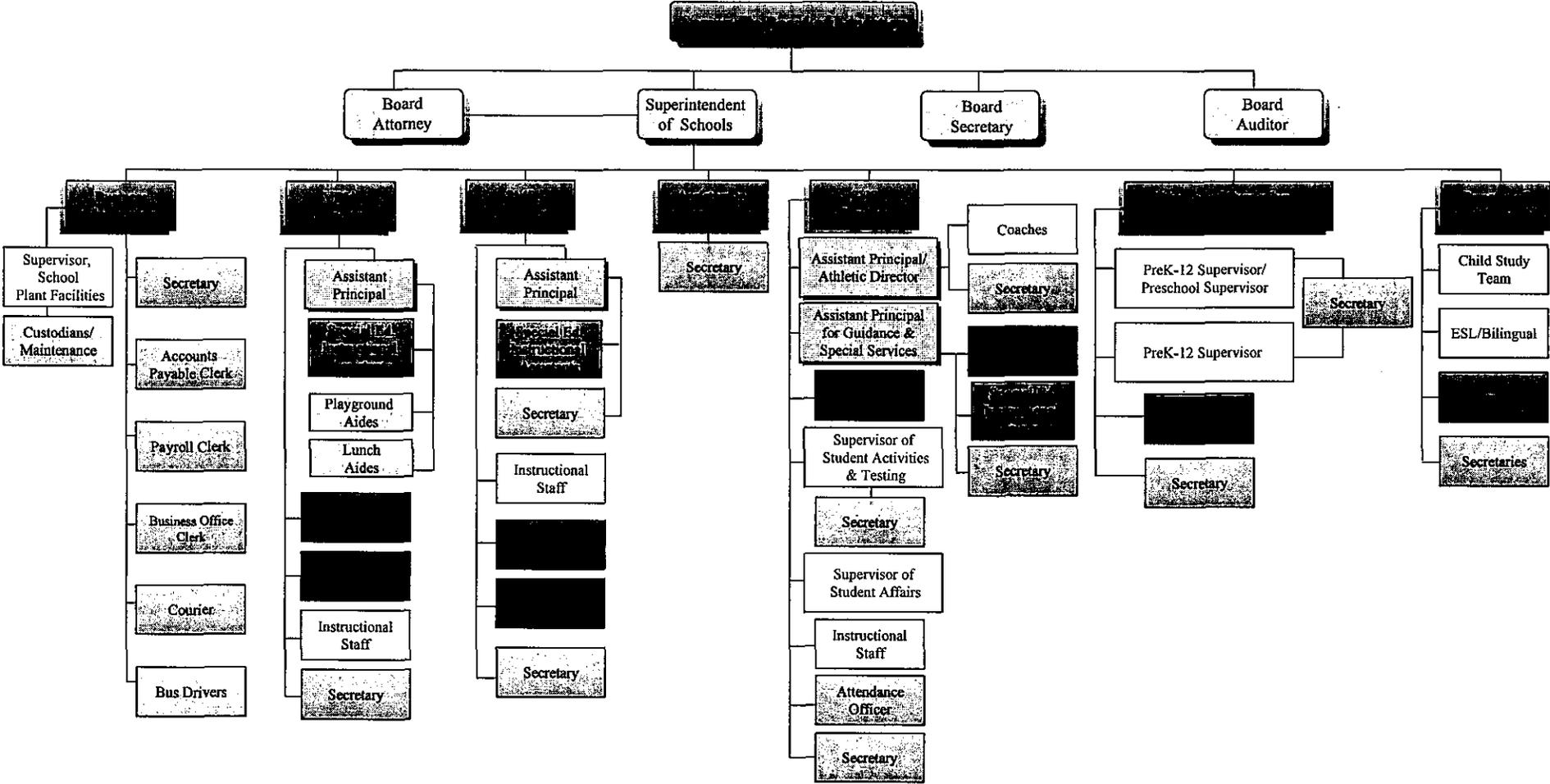


Dr. Timothy J. Purnell
Superintendent



Bryan P. Boyce
Business Administrator/Board Secretary

Somerville Public Schools Organizational Chart



**SOMERVILLE BOROUGH SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2011**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Al Kerestes, President	2014
Linda Olson, Vice President	2013
James Adamec	2013
Norman Chin	2014
Kenneth Cornell	2012
Michelle Edgar	2012
Dennis Garot	2012
Peter Lawton	2013
John Prudente	2014
Melissa Looby *	2012

Other Officers

Timothy J. Purnell, Superintendent of Schools

Bryan P. Boyce, School Business Administrator/Board Secretary

Patricia A. Bader, Treasurer

* Branchburg Board of Education Member

**SOMERVILLE BOROUGH SCHOOL DISTRICT
Consultants and Advisors**

Architect

Shive, Spinelli & Perantoni
148 West End Avenue
Somerville, NJ 08876

Attorney

McDonald & Rogers
181 West High Street
Somerville, NJ 08876

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

Audit Firm

Nisivoccia LLP, CPAs
Mount Arlington Corporate Center
200 Valley Road Suite 300
Mount Arlington, New Jersey 07856

Official Depositories

PNC Bank
East Main Street
Somerville, NJ 08876

Bank of America
10 West High Street
Somerville, NJ 08876

Wells Fargo Bank
190 River Road
Summit, NJ 07901

TD Bank
50 West Main Street
Somerville, NJ 08876

Bank of America
210 Main Street
Hackensack, NJ 07601

FINANCIAL SECTION



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 Mt. Arlington, NJ 07856
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 Lawrence Business Center
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 Newton, NJ 07860
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Independent Auditors' Report

The Honorable President and Members
 of the Board of Education
 Somerville Borough School District
 County of Somerset, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Somerville Borough School District in the County of Somerset as of and for the fiscal year ended June 30, 2011, which collectively comprise the District's basic financial statements, as listed in the foregoing table of contents. These financial statements are the responsibility of the 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 and Regulatory Compliance, 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 the 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, each major fund, and the aggregate remaining fund information of the Board of Education of the Somerville Borough School District in the County of Somerset as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

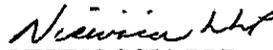
In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2011 on our consideration of the Board of Education of the Somerville Borough School District's internal control over financial reporting and on our tests of its compliance with certain provisions of 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 Honorable President and Members
of the Board of Education
Somerville Borough School District
Page 2

The Management Discussion and Analysis section and Budgetary Comparison Schedules on Exhibits C-1, C-2, C-3 and I-3 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 Board of Education of the Somerville Borough School District's basic financial statements. The accompanying introductory section, other supplementary information and schedules such as the combining and individual fund financial statements and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*; and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the basic financial statements. The other supplementary information and schedules such as the combining and individual fund financial statements and schedules of expenditures of federal and state awards listed in the table of contents 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 section 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.

November 18, 2011
Mount Arlington, New Jersey


NISIVOC CIA LLP


Francis J. Jones, Jr.
Licensed Public School Accountant #1154
Certified Public Accountant

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

**SOMERVILLE BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

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

Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments adopted in June, 1999. Certain comparative information between the current year (2010/2011) and the prior year (2009/2010) is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for the 2010/2011 school year are as follows:

- The District's financial status improved on a district-wide basis and also improved on a fund basis.
- Overall revenue was \$42.7 million.
- Overall expenditures were \$39.0 million.
- Enrollment in the District has been increasing for each of the last several years but cost per pupil remains relatively stable.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so that the reader can understand the District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the entire District, presenting both an aggregate view of the 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 show how services were financed in the short-term as well as what remains for future spending. The fund financial statements present significant funds. The General Fund is by far the most significant fund.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the district:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the district's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the district, reporting the district's operations in *more* detail than the district-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- *Proprietary funds* statements offer *short- and long-term* financial information about the activities the district operates like a business, such as food services.
- *Fiduciary funds statements* provide information about the financial relationships in which the district acts solely as a trustee or agent for the benefit of others.

**SOMERVILLE BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the district's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Reporting the School District as a Whole

District Wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

Statement of Net Assets and the Statement of Activities

The two statements report the School District's net assets and changes in those assets. This change is important because it tells the reader that, for the School District as a whole, its financial position improved or diminished. The causes of this change may be the result of many factors. Non-financial factors include the District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

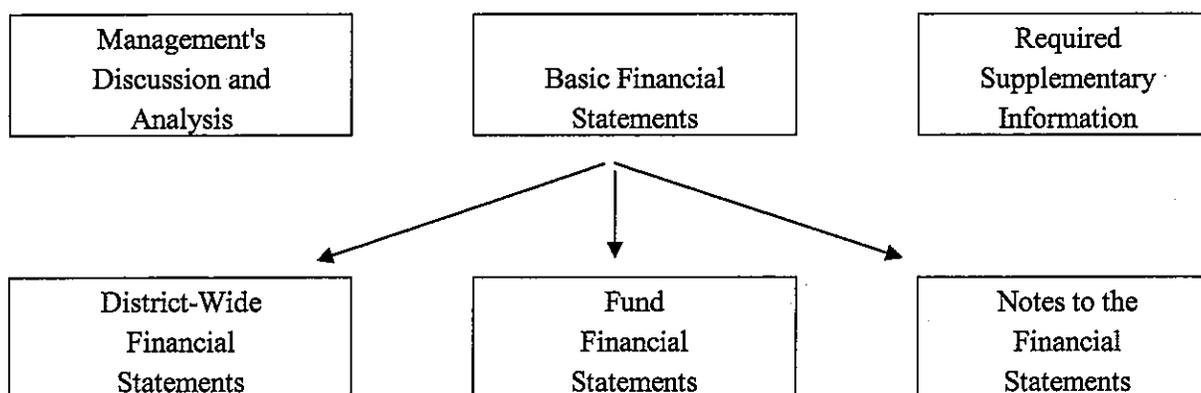
In the Statement of Net Assets and the Statement of Activities, the District is divided into two distinct kinds of activities:

- **Governmental Activities** – All programs and services are reported here including instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- **Business 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 School Food Service fund is reported as a business activity.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by certain required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1

Organization of Somerville Borough School District's Financial Report



**SOMERVILLE BOROUGH SCHOOL DISTRICT
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Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents of each of the statements.

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses, food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required Financial Statements	Statement of net assets Statement of activities	Balance sheet Statement of revenue, expenditures, and changes in fund balances	Statement of net assets Statement of revenue, expenses, and changes in net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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Fund Financial Statements

Fund financial reports provide detailed information about the District's funds. The District's governmental funds include the General Fund, Special Revenue Fund, Capital Projects Fund, and Debt Service Fund.

Governmental Funds

The District's activities are reported in governmental funds. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short term view of the District's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Fund

Services for which the District charges a fee for are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. The District's enterprise fund (one type of proprietary fund) is the same as its business activities but provide more detail and additional information, such as cash flows.

Fiduciary Funds

The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds and the student activity funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Notes to Financial Statements

The notes to the financial statements provide additional information essential to a full understanding of the District-wide and fund financial statements.

Financial Analysis of the District as a Whole

The Statement of Net Assets provides one perspective of the District as a whole. Figure A-3 provides a summary of the District's net assets as of June 30, 2011. The District's combined net assets were \$20,905,842 on June 30, 2011, \$3,735,251 or 21.75% more than they were the year before. Capital assets increased due to the capitalization of additional referendum costs and the increase in construction in progress due to the District various new capital projects. The net assets of the business-type activities increased \$4,011.

Figure A-3

Condensed Statement of Net Assets

	Government Activities		Business-Type Activities		Total School District		Percentage Change
	2010/2011	2009/2010	2010/2011	2009/2010	2010/2011	2009/2010	
Current and Other Assets	\$ 7,859,749	\$ 7,363,776	\$ 152,176	\$ 85,986	\$ 8,011,925	\$ 7,449,762	7.55%
Capital Assets	42,209,303	39,844,401	106,583	119,580	42,315,886	39,963,981	5.89%
Total Assets	50,069,052	47,208,177	258,759	205,566	50,327,811	47,413,743	6.15%
Long-Term Debt Outstanding	27,899,378	29,017,278			27,899,378	29,017,278	-3.85%
Other Liabilities	1,468,287	1,220,752	54,304	5,122	1,522,591	1,225,874	24.20%
Total Liabilities	29,367,665	30,238,030	54,304	5,122	29,421,969	30,243,152	-2.72%
Net Assets:							
Invested in Capital Assets, Net of Related Debt	15,869,670	13,798,944	106,583	119,580	15,976,253	13,918,524	14.78%
Restricted	4,986,233	5,965,930			4,986,233	5,965,930	-16.42%
Unrestricted/(Deficit)	(154,516)	(2,794,727)	97,872	80,864	(56,644)	(2,713,863)	97.91%
Total Net Assets	\$ 20,701,387	\$ 16,970,147	\$ 204,455	\$ 200,444	\$ 20,905,842	\$ 17,170,591	21.75%

**SOMERVILLE BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Changes in Net Assets

The Changes in Net Assets shows the cost of program services and the revenues of the District on a comparative schedule (Figure A-4).

**Figure A-4
Changes in Net Assets from Operating Results**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total School District</u>		<u>Percentage Change</u>
	<u>2010/2011</u>	<u>2009/2010</u>	<u>2010/2011</u>	<u>2009/2010</u>	<u>2010/2011</u>	<u>2009/2010</u>	
Revenue:							
Program Revenue:							
Charges for Services	\$ 10,566,778	\$ 8,524,928	\$ 304,032	\$ 285,851	\$ 10,870,810	\$ 8,810,779	23.38%
Operating Grants & Contributions	5,913,137	5,606,807	319,442	322,122	6,232,579	5,928,929	5.12%
Capital Grants & Contributions	817,741	1,765,590			817,741	1,765,590	-53.68%
General Revenue:							
Property Taxes	21,090,001	21,088,409			21,090,001	21,088,409	0.01%
Federal and State Aid	3,578,463	3,801,589			3,578,463	3,801,589	-5.87%
Other	148,943	221,899			148,943	221,899	-32.88%
Total Revenue	<u>42,115,063</u>	<u>41,009,222</u>	<u>623,474</u>	<u>607,973</u>	<u>42,738,537</u>	<u>41,617,195</u>	2.69%
Expenses:							
Instruction	24,042,184	23,719,403			24,042,184	23,719,403	1.36%
Pupil and Instruction Services	5,741,753	6,350,316			5,741,753	6,350,316	-9.58%
Administrative and Business	3,803,377	3,894,069			3,803,377	3,894,069	-2.33%
Maintenance and Operations	2,572,196	2,851,398			2,572,196	2,851,398	-9.79%
Transportation	913,937	925,207			913,937	925,207	-1.22%
Other	1,310,376	2,359,470	619,463	633,191	1,929,839	2,992,661	-35.51%
Total Expenses	<u>38,383,823</u>	<u>40,099,863</u>	<u>619,463</u>	<u>633,191</u>	<u>39,003,286</u>	<u>40,733,054</u>	-4.25%
Increase/(Decrease) in Net Assets	<u>\$ 3,731,240</u>	<u>\$ 909,359</u>	<u>\$ 4,011</u>	<u>\$ (25,218)</u>	<u>\$ 3,735,251</u>	<u>\$ 884,141</u>	322.47%

Revenue Sources. The District's total revenue for the 2010/2011 school year was \$42,738,537 (See Figure A-5). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$21,090,001 of the total, or 49.35 percent. Another 8.37 percent came from state and federal aid for specific programs and the remainder from miscellaneous sources and charges for services. Charges for services consists of tuition and cafeteria charges.

**Figure A-5
Sources of Revenue for Fiscal Year**

<u>Sources of Income</u>	<u>Amount</u>	<u>Percentage</u>
Grants and Contributions	\$ 7,050,320	16.50%
Property Taxes	21,090,001	49.35%
Federal and State Unrestricted Aid	3,578,463	8.37%
Charges for Services	10,870,810	25.43%
Other	148,943	0.35%
	<u>\$ 42,738,537</u>	<u>100.00%</u>

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The total cost of all programs and services was \$39,003,286. The District's expenses are predominantly related to instructing students (61.64 percent). (See Figure A-6). The District's support services, including student and instruction related services, plant operations and maintenance, pupil transportation, and administrative functions accounted for 33.42% of the total expenses. Other expenses include the operations of the food service enterprise fund, unallocated depreciation and interest on long-term debt.

Figure A-6

Expenses for Fiscal Year

Expense Category	Amount	Percentage
Instruction	\$ 24,042,184	61.64%
Pupil and Instruction Services	5,741,753	14.72%
Administrative and Business	3,803,377	9.75%
Maintenance and Operations	2,572,196	6.59%
Transportation	913,937	2.35%
Other	1,929,839	4.95%
	<u>\$ 39,003,286</u>	<u>100.00%</u>

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District improved. Maintaining financial stability with annual budgets that are structurally sound has become increasingly difficult given the volatility of state aid.

Careful management of expenses remains essential for the District to sustain its financial health. Among the many significant cost savings actions implemented during the year were:

- Shared services with other area school districts and the Somerset County Educational Services Commission to provide coordinated transportation routes to out-of-district special education schools and athletic events, maintenance of school buses, speech services, child study team evaluations and non public grant administration
- Participating in consortiums made up of several hundred school districts for the bulk purchase of heat and electricity
- Purchasing Agreement for Commodity Resale System with the County of Somerset to complete various public works projects
- In District Special Education Programs
- Parental Contracts for student transportation
- Waiver of benefits option for employees
- Purchase of fuel for District vehicles through the Somerset County Purchasing Cooperative Agreement
- Aggressive pursuit of federal, state and local grants
- Completing maintenance projects with expertise of in-house maintenance staff
- Securing grant funding through the New Jersey Schools Development Authority for multiple capital projects
- Cooperative Pricing system Agreements with Education Services Commissions of Hunterdon and Middlesex for school, office, technology, custodial and athletic supplies
- Interlocal Service Agreement with the Borough of Somerville for snow removal
- Shared service with Somerset County Library System for on-line databases

Additional areas of shared services will be explored to minimize financial impact to the taxpayer.

**SOMERVILLE BOROUGH SCHOOL DISTRICT
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It is crucial that the District examine its expenditures carefully. Figure A-7 presents the cost of six major District activities; instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Figure A-7
Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2010/2011	2009/2010	2010/2011	2009/2010
Instruction	\$ 24,042,184	\$ 23,719,403	\$ 8,080,211	\$ 10,407,495
Pupil and Instruction Services	5,741,753	6,350,316	5,417,509	6,044,164
Administrative and Business	3,803,377	3,894,069	3,626,403	3,640,755
Maintenance and Operations	2,572,196	2,851,398	1,754,455	989,630
Transportation	913,937	925,207	897,213	761,024
Other	1,310,376	2,359,470	1,310,376	2,359,470
	<u>\$ 38,383,823</u>	<u>\$ 40,099,863</u>	<u>\$ 21,086,167</u>	<u>\$ 24,202,538</u>

- The cost of all governmental activities this year was \$38,383,823.
- The federal and state governments subsidized certain programs with grants and contributions.
- Most of the District's costs, however, were financed by District taxpayers and tuition.
- A portion of governmental activities was financed with state and federal aid for general and specific programs.

Business-Type Activities

Net assets of the District's business-type activity increased by \$4,011 (Refer to Figure A-4). Factors contributing to these results included:

- Food services revenues exceeded expenses by \$4,011 accounting for all of the increase in the unrestricted net assets of the business-type activities.

Financial Analysis of the District's Funds

The District's financial position remained stable despite continuous changes in budgeting laws and regulations and volatility of state aid both of which tend to change often and significantly without sufficient notice to plan for their impact on financial operations. In addition, the District was able to lower school property taxes for 2011 while increasing programs and staff for the 2011-2012 school year.

The current economy has had a direct impact upon the District's revenue sources. Although the Borough of Somerville has several development/redevelopment projects in the planning phase, ratables in the Borough have been relatively level over the past few years. To maintain a stable financial position, the District must continue to practice sound fiscal management.

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General Fund Budgetary Highlights

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

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

Over the course of the year, the District revised the annual operating budget monthly. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent over-expenditures in specific line item accounts. Several of these revisions bear notation.

- Salary accounts were adjusted to reflect: changes in staff assignments; reduction of one administrative position in the Superintendent's Office; retirements, resignations and the resulting new hires; program adjustments necessitated by student population changes.
- Funds were transferred from capital outlay and capital reserves to the capital projects fund representing the local share of four capital projects that received 44% state funding pursuant to the *Educational Facilities Construction and Financing Act*.
- Tuition for special education students is budgeted based on the existing and known incoming students at the time the budget is submitted. Students move into and out of the District during the summer as well as the school year which necessitates transferring funds to the appropriate account to pay these special education costs.
- Teacher's Pension and Annuity Fund, which is the state's contribution to the pension fund and social security is neither a revenue item nor an expenditure item to the District's budget, but is required to be reflected in the financial statements.

Capital Asset and Debt Administration

Figure A-8

Capital Assets (Net of Depreciation)

	Government Activities		Business-Type Activities		Total School District		Percentage Change
	2010/2011	2009/2010	2010/2011	2009/2010	2010/2011	2009/2010	
Land	\$ 20,079	\$ 20,079			\$ 20,079	\$ 20,079	0.00%
Construction in Progress	25,328,051	23,447,376			25,328,051	23,447,376	8.02%
Site Improvements	1,858,850	1,984,253			1,858,850	1,984,253	-6.32%
Buildings and Building Improvements	14,270,262	13,859,029			14,270,262	13,859,029	2.97%
Machinery and Equipment	732,061	533,664	\$ 106,583	\$ 119,580	838,644	653,244	28.38%
Total Capital Assets (Net of Depreciation)	\$42,209,303	\$39,844,401	\$ 106,583	\$ 119,580	\$42,315,886	\$39,963,981	5.89%

During the 2010/2011 school year the District continued work on the District's facilities related to the 1998 and 2004 referendums and certain other projects in the District.

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Long-term Debt

At year-end, the District had \$26,339,633 in net general obligation bonds, which is a decrease of \$1,199,035 from last year as shown in Figure A-9.

Figure A-9

Outstanding Debt

	Total School District		Percentage Change
	2010/2011	2009/2010	
General Obligation Bonds (Financed with Property Taxes), net	\$ 26,339,633	\$ 27,538,668	-4.35%
Other Long Term Debt	1,559,745	1,478,610	5.49%
	<u>\$ 27,899,378</u>	<u>\$ 29,017,278</u>	-3.85%

- The District continued to pay down its debt, retiring \$1,215,000 of serial bonds combined with the accrual of \$15,965 of deferred interest.
- The District's compensated absences increased \$81,135 net of retirements.

For the Future

Currently, the District is in very good financial condition. Future budgets will include a focus on decreasing class sizes in the early childhood grade levels due to a recent increase in enrollment. Based on a district-wide needs assessment, the District will focus financial efforts around three goals related to technology, equal opportunities and guidance services. Everyone associated with the Somerville Borough Board of Education is grateful for the community support of the schools. However, due to the instability of the state's financial position that has resulted in material reductions in state aid, changes in budgeting laws without sufficient notice to plan for the long term impact of those changes and unfunded state mandates there is an ever-increasing reliance on local property taxes to fund school district operations.

Future finances will be challenged even further with the continued effect of legislation that impacts the financial operation of the School District. S1701, adopted by the State of New Jersey on June 17, 2004, forced the District to cut its allowable undesignated general fund balance in half (from 6% to 3%), which was reduced to 2% at the end of the 2004/2005 school year. This leaves the District with very little protection in the event of costly emergencies. Most recently the new 2% property tax CAP has been signed into law without any vehicle to align existing contracts with local bargaining units to the new CAP.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School Business Administrator at the Somerville Borough Board of Education, 51 West Cliff Street, Somerville, NJ 08876.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

Exhibit A-1

SOMERVILLE BOROUGH SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 2,755,091	\$ 40,321	\$ 2,795,412
Receivables from Federal Government	465,031	93,531	558,562
Receivables from State Government	513,486	2,829	516,315
Receivables from Other Governments	114,446		114,446
Other Receivables	7,984		7,984
Inventory		15,495	15,495
Unamortized Bond Issuance Costs	167,462		167,462
Unamortized Bond Discount	47,441		47,441
Restricted Assets:			
Capital Reserve Account - Cash	1,745,533		1,745,533
Maintenance Reserve Account - Cash	200,157		200,157
Tuition Reserve Account - Cash	1,843,118		1,843,118
Capital Assets, Net			
Site (Land) and Construction in Progress	25,348,130		25,348,130
Depreciable Site Improvements, Building and Building Improvements & Machinery, Equipment and Vehicles	16,861,173	106,583	16,967,756
Total Assets	<u>50,069,052</u>	<u>258,759</u>	<u>50,327,811</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable - Vendors	777,810	51,612	829,422
Accrued Interest Payable	469,968		469,968
Payable to State Government	77,953		77,953
Deferred Revenue	142,556	2,692	145,248
Noncurrent Liabilities:			
Due Within One Year	1,259,035		1,259,035
Due Beyond one Year	26,640,343		26,640,343
Total liabilities	<u>29,367,665</u>	<u>54,304</u>	<u>29,421,969</u>
NET ASSETS/(DEFICIT)			
Invested in Capital Assets, Net of Related Debt	15,869,670	106,583	15,976,253
Restricted for:			
Special Revenue	(52,696)		(52,696)
Capital Projects	2,260,288		2,260,288
Debt Service	40,220		40,220
Other Purposes	2,738,421		2,738,421
Unrestricted	(154,516)	97,872	(56,644)
Total Net Assets	<u>\$ 20,701,387</u>	<u>\$ 204,455</u>	<u>\$ 20,905,842</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

SOMERVILLE BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Regular Instruction	\$ 17,634,636	\$ 10,566,778	\$ 2,768,477		\$ (4,299,381)		\$ (4,299,381)
Special Education Instruction	4,764,024		2,495,295		(2,268,729)		(2,268,729)
Other Special Instruction	397,466		35,116		(362,350)		(362,350)
Other Instruction	1,246,058		96,307		(1,149,751)		(1,149,751)
Support services:							
Tuition	1,836,656				(1,836,656)		(1,836,656)
Student & Instruction Related Services	3,905,097		324,244		(3,580,853)		(3,580,853)
General Administrative Services	677,996				(677,996)		(677,996)
School Administrative Services	2,144,127		176,974		(1,967,153)		(1,967,153)
Central Services	539,778				(539,778)		(539,778)
Administration Information Technology	441,476				(441,476)		(441,476)
Plant Operations and Maintenance	2,572,196			\$ 817,741	(1,754,455)		(1,754,455)
Pupil Transportation	913,937		16,724		(897,213)		(897,213)
Unallocated Depreciation	211,594				(211,594)		(211,594)
Interest on Long-Term Debt	1,067,482				(1,067,482)		(1,067,482)
Transfer to Charter School	31,300				(31,300)		(31,300)
Total Governmental Activities	38,383,823	10,566,778	5,913,137	817,741	(21,086,167)		(21,086,167)
Business-Type Activities:							
Food Service	619,463	304,032	319,442			\$ 4,011	4,011
Total Business-Type Activities	619,463	304,032	319,442			4,011	4,011
Total Primary Government	\$ 39,003,286	\$ 10,870,810	\$ 6,232,579	\$ 817,741	(21,086,167)	4,011	(21,082,156)

SOMERVILLE BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
General Revenues:						
Taxes:						
				\$ 19,188,561		\$ 19,188,561
				1,901,440		1,901,440
				3,578,463		3,578,463
				148,943		148,943
				<u>24,817,407</u>		<u>24,817,407</u>
				3,731,240	\$ 4,011	3,735,251
				<u>16,970,147</u>	<u>200,444</u>	<u>17,170,591</u>
				<u>\$ 20,701,387</u>	<u>\$ 204,455</u>	<u>\$ 20,905,842</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE IN INTEGRAL PART OF THIS STATEMENT

FUND FINANCIAL STATEMENTS

SOMERVILLE BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 2,012,755		\$ 735,575	\$ 6,761	\$ 2,755,091
Interfund Receivable	577,411			33,459	610,870
Receivables from Federal Government	10,560	\$ 454,471			465,031
Receivables from State Government	188,980	10,791	313,715		513,486
Receivables from Other Governments	86,448	27,998			114,446
Other Receivables		7,984			7,984
Restricted Cash and Cash Equivalents	3,788,808				3,788,808
Total Assets	\$ 6,664,962	\$ 501,244	\$ 1,049,290	\$ 40,220	\$ 8,255,716
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable - Vendors	\$ 520,714	\$ 256,020	\$ 1,076		\$ 777,810
Interfund Payable		77,411	533,459		610,870
Payable to State Government		77,954			77,954
Deferred Revenue		142,555			142,555
Total Liabilities	520,714	553,940	534,535		1,609,189
Fund Balances:					
Restricted:					
Capital Reserve Account	1,745,533				1,745,533
Maintenance Reserve Account	200,157				200,157
Tuition Reserve Account	1,843,118				1,843,118
Excess Surplus	407,132				407,132
Excess Surplus - For Subsequent Year's Expenditures	288,014				288,014
Capital Projects Fund			192,354		192,354
Debt Service Fund				\$ 40,220	40,220
Committed:					
Capital Projects Fund			322,401		322,401
Assigned:					
Year-End Encumbrances	1,030,056				1,030,056
Subsequent Year's Expenditures	250,000				250,000
Unassigned:					
General Fund	380,238				380,238
Special Revenue Fund/(Deficit)		(52,696)			(52,696)
Total Fund Balances	6,144,248	(52,696)	514,755	40,220	6,646,527
Total Liabilities and Fund Balances	\$ 6,664,962	\$ 501,244	\$ 1,049,290	\$ 40,220	\$ 8,255,716

Amounts Reported for *Governmental Activities* in the Statement of Net Assets (A-1) are Different Because:

Total Fund Balances From Above	\$ 6,646,527
Capital assets used in <i>Governmental Activities</i> are not financial resources and therefore not reported in the Funds. The cost of the assets is \$54,826,305 and the accumulated depreciation is \$12,617,002.	42,209,303
Long-Term Liabilities, including Bonds Payable, are not due and payable in the current the current period and therefore are not reported as liabilities in the Funds. Deferred Bond Interest costs are not reported as expenditures in the governmental funds in the year of the expenditures (See Note 7).	(27,899,378)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(469,968)
Bond discounts are not reported as expenditures in the governmental funds in the year of the expenditure.	47,441
Bond issuance costs are not reported as expenditures in the governmental funds in the year of the expenditure.	167,462
Net Assets of Governmental Activities	\$ 20,701,387

SOMERVILLE BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL 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	\$ 19,188,561			\$ 1,901,440	\$ 21,090,001
Tuition Charges	10,566,778				10,566,778
Interest on Maintenance Reserve	43				43
Interest on Capital Reserve	757				757
Miscellaneous	147,499	\$ 69,067	\$ 644		217,210
Total - Local Sources	29,903,638	69,067	644	1,901,440	31,874,789
State Sources	6,824,406	999,916	817,741	235,270	8,877,333
Federal Sources	54,311	1,308,630			1,362,941
Total Revenues	36,782,355	2,377,613	818,385	2,136,710	42,115,063
EXPENDITURES					
Current:					
Regular Instruction	11,561,319	1,409,111			12,970,430
Special Education Instruction	2,706,171	899,622			3,605,793
Other Special Instruction	278,970				278,970
Other Instruction	921,080				921,080
Support Services and Undistributed Costs:					
Tuition	1,836,656				1,836,656
Student & Instruction Related Services	2,810,853				2,810,853
General Administrative Services	623,696				623,696
School Administrative Services	1,479,224				1,479,224
Central Services	418,789				418,789
Administration Information Technology	373,836				373,836
Plant Operations and Maintenance	2,507,571				2,507,571
Pupil Transportation	656,880				656,880
Unallocated Benefits	8,398,444				8,398,444

SOMERVILLE BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL 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>
EXPENDITURES					
Debt Service:					
Principal				\$ 1,215,000	\$ 1,215,000
Interest and Other Charges				1,146,295	1,146,295
Capital Outlay	\$ 727,889	\$ 64,294	\$ 1,894,403		2,686,586
Transfer of Funds to Charter School	31,300				31,300
Total Expenditures	<u>35,332,678</u>	<u>2,373,027</u>	<u>1,894,403</u>	<u>2,361,295</u>	<u>41,961,403</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>1,449,677</u>	<u>4,586</u>	<u>(1,076,018)</u>	<u>(224,585)</u>	<u>153,660</u>
OTHER FINANCING SOURCES/(USES)					
Transfers In			1,289,621	252,234	1,541,855
Transfers Out	<u>(1,508,396)</u>		<u>(33,459)</u>		<u>(1,541,855)</u>
Total Other Financing Sources/(Uses)	<u>(1,508,396)</u>		<u>1,256,162</u>	<u>252,234</u>	
Net Change in Fund Balances	(58,719)	4,586	180,144	27,649	153,660
Fund Balance/(Deficit) - July 1	<u>6,202,967</u>	<u>(57,282)</u>	<u>334,611</u>	<u>12,571</u>	<u>6,492,867</u>
Fund Balance/(Deficit) - June 30	<u>\$ 6,144,248</u>	<u>\$ (52,696)</u>	<u>\$ 514,755</u>	<u>\$ 40,220</u>	<u>\$ 6,646,527</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

SOMERVILLE BOROUGH SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Total net change in fund balances - governmental funds (from Exhibit B-2)		\$ 153,660
Amounts reported for governmental activities in the statement of activities (Exhibit 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 differ from depreciation in the period.		
	Depreciation Expense	\$ (726,258)
	Adjustment to Building and Building Improvements	404,574
	Capital Outlays	<u>2,686,586</u>
		2,364,902
Repayment of debt service principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.		1,215,000
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.		107,751
The governmental funds report the effect of issuance costs and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities (-)		(12,973)
The governmental funds report the effect of deferred interest costs relative to advance refunding when debt is first issued whereas these amounts are deferred and amortized in the statement of activities. (-)		(15,965)
In the statement of activities, certain operating expenses, e.g., compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		<u>(81,135)</u>
Change in net assets of governmental activities (Exhibit A-2)		<u>\$ 3,731,240</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

SOMERVILLE BOROUGH SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	<u>Business-Type Activities - Enterprise Funds</u> <u>Food Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 40,321
Accounts Receivable:	
Federal Government	93,531
State Government	2,829
Inventories	<u>15,495</u>
Total Current Assets	<u>152,176</u>
Non-Current Assets:	
Capital Assets:	
Machinery and Equipment	312,859
Less: Accumulated Depreciation	<u>(206,276)</u>
Total Non-Current Assets	<u>106,583</u>
Total Assets	<u>258,759</u>
LIABILITIES:	
Accounts Payable - Vendors	51,612
Deferred Revenue	<u>2,692</u>
Total Liabilities	<u>54,304</u>
NET ASSETS:	
Investment in Capital Assets, Net of Related Debt	106,583
Unrestricted	<u>97,872</u>
Total Net Assets	<u>\$ 204,455</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
 ARE AN INTEGRAL PART OF THIS STATEMENT

SOMERVILLE BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Business-Type Activities - Enterprise Funds <u>Food Service</u>
Operating Revenue:	
Daily Sales - Reimbursable Programs	\$ 291,626
Special Events	7,645
Vending Sales and Rebates	<u>4,761</u>
Total Operating Revenue	<u>304,032</u>
Operating Expenses:	
Cost of Sales	330,965
Management Fee	13,572
Salaries, Benefits & Payroll Taxes	231,057
Other	22,858
Depreciation Expense	<u>21,011</u>
Total Operating Expenses	<u>619,463</u>
Operating Loss	<u>(315,431)</u>
Non-Operating Revenue:	
Federal Sources:	
National School Breakfast Program	37,603
National School Lunch Program	246,464
Food Distribution Program	27,751
State Sources:	
School Lunch Program	<u>7,624</u>
Total Non-Operating Revenue	<u>319,442</u>
Change in Net Assets	4,011
Net Assets - Beginning of Year	<u>200,444</u>
Net Assets - End of Year	<u>\$ 204,455</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

SOMERVILLE BOROUGH SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Business-Type Activities - Enterprise Funds
	Food Service
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 299,271
Payments to Employees	(231,057)
Payments to Suppliers	(293,527)
	(225,313)
Net Cash Used for Operating Activities	(225,313)
Cash Flows from Capital Financing Activities:	
Acquisition of Equipment	(8,014)
	(8,014)
Net Cash Used for Capital Financing Activities	(8,014)
Cash Flows from Noncapital Financing Activities:	
Cash Received from Federal and State Reimbursements	214,298
	214,298
Net Cash Provided by Noncapital Financing Activities	214,298
Net Decrease in Cash and Cash Equivalents	(19,029)
Cash and Cash Equivalents, July 1	59,350
	59,350
Cash and Cash Equivalents, June 30	\$ 40,321
	40,321
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (315,431)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:	
Depreciation	21,011
Federal Food Distribution Program	27,751
Changes in Assets and Liabilities:	
(Increase)/Decrease in Inventory	(7,826)
Increase/(Decrease) in Accounts Payable	51,612
Increase/(Decrease) in Deferred Revenue	(2,430)
	(2,430)
Net Cash Used for Operating Activities	\$ (225,313)
	(225,313)

Non-Cash Investing, Capital and Financing Activities:

The District received USDA donated commodities valued at \$27,751 and used \$25,060 of those commodities during the fiscal year.

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

SOMERVILLE BOROUGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2011

	<u>Unemployment Compensation Trust</u>	<u>Agency</u>
ASSETS:		
Cash and Cash Equivalents	\$ 315,000	\$ 251,005
Interfund Receivable	18,116	
Total Assets	<u>333,116</u>	<u>251,005</u>
LIABILITIES:		
Payroll Deductions and Withholdings		8,155
Interfund Payable - Unemployment Compensation Trust Fund		18,116
Due to Student Groups		<u>224,734</u>
Total Liabilities		<u>251,005</u>
NET ASSETS:		
Held in Trust for Unemployment Claims	<u>333,116</u>	
Total Net Assets	<u>\$ 333,116</u>	<u>\$ -0-</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

SOMERVILLE BOROUGH SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Unemployment Compensation Trust</u>
Additions:	
Contributions:	
Employee State Unemployment Insurance Deductions	\$ 25,546
District Contributions	250,000
Total Contributions	<u>275,546</u>
Investment Earnings:	
Interest	66
Net Investment Earnings	<u>66</u>
Total Additions	<u>275,612</u>
Deductions:	
State of Unemployment Agency Payments	<u>136,818</u>
Total Deductions	<u>136,818</u>
Change in Net Assets	138,794
Net Assets - Beginning of the Year	<u>194,322</u>
Net Assets - End of the Year	<u><u>\$ 333,116</u></u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE 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 (the "Board") of Somerville Borough School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government 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.

A. Reporting Entity:

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significances) should be included in the financial reporting entity. The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include an elementary school, a middle school, and a senior high school serving Somerville and Branchburg. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation:

District-Wide Financial Statements:

The statement of net assets and the statement of activities present financial information about the District's governmental and business type activities. These statements include the financial activities of the overall District in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between the governmental and business type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenue and other non-exchange transactions. Business type activities are financed in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) 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. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenue identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation: (Cont'd)

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.

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 and report all expendable financial resources not accounted for and reported in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the capital outlay subfund.

As required by the NJDOE, the District includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states 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 revenue. 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 and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. Thus the Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Governments (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted or committed to expenditures for specified purposes.

Capital Projects Fund: The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (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, funds appropriated from the General Fund, and from aid provided by the state to offset the cost of approved capital projects.

Debt Service Fund: The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary fund:

Enterprise (Food Service) Fund: The Enterprise Fund accounts for all revenue 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 cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

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 Activity Fund, Payroll Agency Fund, Unemployment Compensation Insurance Trust Fund and Private Purpose Trust Fund.

C. Measurement Focus and Basis of Accounting:

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year. 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. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

It is the District's policy, that when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, to apply restricted resources first followed by unrestricted resources. Similarly, within unrestricted fund balance, it is the District's policy to apply committed resources first followed by assigned resources and then unassigned resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net assets may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. Measurement Focus and Basis of Accounting: (Cont'd)

Reports for the District's Enterprise Fund are prepared following the Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with Governmental Accounting Standards Board (GASB) pronouncements.

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the County office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Budget amendments/transfers must be made by resolution. All budgeting 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).

Formal budgetary integration into the accounting system is employed as a management control device during the 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 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 revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The Special Revenue Fund, General Fund and Capital Projects Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of state aid. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District's Special Revenue and General Funds cannot recognize these payments on the GAAP financial statements. The Capital Projects Fund recognized the full amount of the state grants in the year awarded on a budgetary basis. On a GAAP basis state grant revenue is recognized based on when reimbursements are submitted on grant expenditures.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control: (Cont'd)

	General Fund	Special Revenue Fund
	<u> </u>	<u> </u>
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue"	\$ 36,603,840	\$ 2,442,471
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		(69,444)
State Aid Payment Recognized for GAAP Statements, not Recognized for Budgetary Purposes	579,186	57,282
State Aid Payment Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(400,671)</u>	<u>(52,696)</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 36,782,355</u>	<u>\$ 2,377,613</u>
	General Fund	Special Revenue Fund
	<u> </u>	<u> </u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 35,332,678	\$ 2,442,471
Differences - Budget to GAAP		
Encumbrances for Supplies and Equipment Ordered but Not Received are Reported in the Year the Order is Placed for Budgetary Purposes, not in the Year the Supplies are Received for Financial Reporting Purposes.		<u>(69,444)</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 35,332,678</u>	<u>\$ 2,373,027</u>
	Capital Projects Fund	
	Revenue	Fund Balance
	<u> </u>	<u> </u>
Summary Schedule of Revenue, Expenditures and Changes in Fund Balance (Budgetary Basis) (per F-1)	\$ 736,874	\$ 2,046,870
Reconciliation to Governmental Funds Statement (GAAP):		
SDA Grants are Recognized as Revenue on the Budgetary Basis when awarded but are not Recognized on the GAAP Basis until Expended.	<u>81,511</u>	<u>(1,532,115)</u>
Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds (GAAP Basis) (per B-2)	<u>\$ 818,385</u>	<u>\$ 514,755</u>

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

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. Cash, Cash Equivalents, and Investments:

Cash and cash equivalents include petty cash and cash in banks. Certificates of deposit with maturities of one year or less when purchased are stated at cost.

New Jersey school districts are limited as to type of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Government Units. If a public depository fails, the collateral it has pledged, plus the collateral of all the other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

F. Interfund Transactions:

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues. 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 funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net assets, except for amounts due between governmental and business-type activities, which are presented as internal balances.

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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 restricted, committed and/or assigned 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 revenue at fiscal year end.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

H. Encumbrances: (Cont'd)

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.

I. Short-term Interfund Receivables/Payables:

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

J. Inventories and Prepaid Expenses:

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund, are recorded as an expenditure during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2011.

K. Capital Assets:

During the year ended June 30, 1994, the District established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994, are recorded at historical cost including ancillary charges necessary to place the asset into service. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Land has been recorded at estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment.

The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line. The estimated useful lives of capital assets reported in the District-wide statements and proprietary funds are as follows:

	<u>Estimated Useful Life</u>
Buildings	50 years
Building Improvements	20 years
Machinery and Equipment	5 to 20 years
Vehicles	5 to 10 years

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

L. Long Term Liabilities:

In the District-wide and enterprise fund statements of net assets, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bond issuance costs, as well as applicable bond premium and discounts, are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, governmental fund types recognize bond discounts, as well as bond issuance costs, as expenditures in the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

M. Accrued Salaries and Wages:

The District does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year, therefore, there are no accrued salaries and wages as of June 30, 2011.

N. Compensated Absences:

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

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

In the district-wide *Statement of Net 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.

O. Deferred Revenue:

Deferred revenue in the Special Revenue fund represents cash which has been received but not yet earned. See Note 1(D) regarding the Special Revenue Fund.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

P. Fund Balance Appropriated:

General Fund: Of the \$6,144,248 General Fund fund balance at June 30, 2011, \$1,030,056 is assigned for year-end encumbrances; \$200,157 is restricted in the maintenance reserve account; \$1,745,533 is restricted in the capital reserve account; \$876,401 is restricted in the tuition reserve account for fiscal year ending June 30, 2012, \$966,717 is restricted in the tuition reserve account for fiscal year ending June 30, 2013; a total of \$695,146 is restricted as excess surplus in accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, c.73 (S1701); prior year excess surplus in the amount of \$288,014 has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2012; current year excess surplus in the amount of \$407,132 will be appropriated and included as anticipated revenue for the fiscal year ending June 30, 2013; \$250,000 is assigned and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2012; and \$380,238 is unassigned which is \$400,671, less than the calculated maximum unassigned fund balance, on a GAAP basis, due to the final two state aid payments which are not recognized until the fiscal year ending June 30, 2012.

Capital Projects Fund: Of the \$514,755 fund balance in the Capital Projects Fund at June 30, 2011, \$192,354 is restricted and excludes \$696,648 of SDA grants receivable not recognized on a GAAP Basis; and \$322,401 is committed, which excludes \$835,467 of SDA grants receivable not recognized on a GAAP Basis.

Debt Service Fund: The District has \$40,220 of restricted fund balance in the Debt Service Fund at June 30, 2011 of which \$39,574 has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2012.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, C.73 (S1701), the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General 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 year's budget. The District has excess surplus at June 30, 2011 as outlined above.

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 cannot recognize these payments on the GAAP financial statements until the year the State records the payable. The deficit in the Special Revenue Fund balance is directly related to the timing difference of recording the last two state aid payments.

Q. Deficit Fund Balances/ Net Assets

The District has a deficit in fund balance and in net assets of \$52,696 in the Special Revenue Fund as of June 30, 2011 as a result of the last two state aid payments that are not recognized on a GAAP basis. In addition, unrestricted net assets of the governmental activities are in a deficit position of \$154,516 at June 30, 2011 as a result of the accrual of compensated absences and interest payable offset by unamortized bond issuance costs and unamortized bond discount.

These deficits do not mean that the District is facing financial difficulties and is a permitted practice by generally accepted accounting principles.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

R. 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.

S. Fund Balance Restrictions, Commitments and Assignments:

The District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the current fiscal year. The objective of this standard is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions (as detailed in Note 1B). This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the District's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned.

Fund balance restrictions have been established for excess surplus, a capital reserve, a tuition reserve, a maintenance reserve, capital projects fund and debt service fund.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has committed resources in the capital projects fund for year-end encumbrances at June 30, 2011.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for year-end encumbrances and for amounts designated for subsequent year's expenditures in the General Fund at June 30, 2011.

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

(Continued)

T. Revenue – 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, 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 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, interest and tuition.

U. Operating Revenue and Expenses:

Operating revenue 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.

V. Management Estimates:

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

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and District-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

Investments are stated at cost, which approximates market. The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

GASB Statement No. 40, *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures*, requires disclosure of the level of custodial credit risk assumed by the District in its cash, cash equivalents, and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned.

Interest Rate Risk – In accordance with its cash management plan, the District ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The District limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed below and on the following page.

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.

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, and

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.

Investments:

New Jersey statutes permit the Board to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Investments: (Cont'd)

- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in statute; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

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

	Cash and Cash Equivalents	Capital Reserve	Maintenance Reserve	Tuition Reserve	Total
Checking and Savings Accounts	\$ 3,361,417	\$1,745,533	\$ 200,157	\$1,843,118	\$ 7,150,225

The carrying amount of the Board's cash and cash equivalents at June 30, 2011, were \$7,150,225 and the bank balance was \$8,704,126.

NOTE 4. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2011 were as follows:

	Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 20,079			\$ 20,079
Construction in Progress	23,447,376	\$ 1,894,403	\$ (13,728)	25,328,051
Total Capital Assets not Being Depreciated	23,467,455	1,894,403	(13,728)	25,348,130
Capital Assets Being Depreciated:				
Site Improvements	3,529,490			3,529,490
Buildings and Building Improvements	23,411,248	472,717	418,302	24,302,267
Machinery, Equipment and Vehicles	1,326,952	319,466		1,646,418
Total Capital Assets Being Depreciated	28,267,690	792,183	418,302	29,478,175
Governmental Activities Capital Assets	51,735,145	2,686,586	404,574	54,826,305
Less Accumulated Depreciation for:				
Site Improvements	(1,545,237)	(125,403)		(1,670,640)
Buildings and Building Improvements	(9,552,219)	(479,786)		(10,032,005)
Machinery and Equipment	(793,288)	(121,069)		(914,357)
Total Accumulated Depreciation	(11,890,744)	(726,258)		(12,617,002)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 39,844,401	\$ 1,960,328	\$ 404,574	\$ 42,209,303

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 4. CAPITAL ASSETS (Cont'd)

Capital asset balances and activity for the year ended June 30, 2011 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
Proprietary Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 304,845	\$ 8,014		\$ 312,859
Less Accumulated Depreciation	(185,265)	(21,011)		(206,276)
	<u>\$ 119,580</u>	<u>\$ (12,997)</u>	<u>\$ -0-</u>	<u>\$ 106,583</u>

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 48,435
General Administration	44,412
Plant Operations and Maintenance	9,898
Pupil Transportation	7,345
Unallocated	616,168
	<u>\$ 726,258</u>

The District had active construction projects totaling \$42,274,921 as of June 30, 2011. These projects include exterior wall repairs at the middle school, intercom, communications and security upgrades at the high school, roof replacement at the middle school, air conditioning at the high school, a partial roof replacement at the high school, main floor HVAC renovations at the high school and two various referendum projects. At year end, the District had \$245,733 in outstanding construction encumbrances.

NOTE 5. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Somerville Borough School District for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, 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. 6:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 5. CAPITAL RESERVE ACCOUNT (Cont'd)

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

Beginning Balance at June 30, 2010	\$ 1,133,500
Interest Earnings	757
Transferred by Board Resolution - June 21, 2011	450,000
Budget Deposit Approved by the Voters	725,897
Transfer to Capital Projects by Board Resolution - September 14, 2010	<u>(564,621)</u>
Ending Balance at June 30, 2011	<u>\$ 1,745,533</u>

The balance in the capital reserve at June 30, 2011 did not exceed the balance of local support costs of uncompleted capital projects in the District's approved LRFP. The withdrawal from the capital reserve was for use in DOE approved facilities projects, consistent with the District's LRFP.

NOTE 6: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2011, the District transferred \$230,573 to the capital outlay accounts. The transfers were made for equipment and did not require approval of the County Superintendent.

NOTE 7. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2011, the following changes occurred in liabilities reported in the District-wide financial statements:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Accrued</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2011</u>
Serial Bonds Payable	\$ 27,842,000		\$ 1,215,000	\$ 26,627,000
Less: Deferred Interest	(303,332)	\$ 15,965		(287,367)
Net Serial Bonds Payable	<u>27,538,668</u>	<u>15,965</u>	<u>1,215,000</u>	<u>26,339,633</u>
Compensated Absences Payable	<u>1,478,610</u>	<u>207,000</u>	<u>125,865</u>	<u>1,559,745</u>
	<u>\$ 29,017,278</u>	<u>\$ 222,965</u>	<u>\$ 1,340,865</u>	<u>\$ 27,899,378</u>

A. Bonds Payable:

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 and will be liquidated through the Debt Service Fund.

On March 15, 2006, the District issued \$13,170,000 refunding bonds with interest rates ranging from 3.25% to 5.00% to advance refund \$12,590,000 of the 1999 serial bonds with rates ranging from 4.70% to 5.10%. The refunding bonds will mature on July 15, 2010 through July 15, 2029 and July 15, 2012 is the first optional redemption date at 100% par. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the school bonds were called on July 15, 2007. The advance refunding met the requirements of an in-substance debt defeasance and the school bonds were removed from the District's government-wide financial statements.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 7. LONG-TERM LIABILITIES (Cont'd)A. Bonds Payable: (Cont'd)

The District had bonds outstanding as of June 30, 2011 as follows:

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
7/15/2017	5.5-6.0%	\$ 1,580,000
2/15/2025	3.5-4.0%	12,137,000
7/15/2029	3.4-5.0%	12,910,000
		<u>\$ 26,627,000</u>

Principal and interest due on serial bonds outstanding are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,275,000	\$ 1,093,919	\$ 2,368,919
2013	1,335,000	1,041,581	2,376,581
2014	1,395,000	986,556	2,381,556
2015	1,455,000	924,806	2,379,806
2016	1,525,000	860,369	2,385,369
2017-2021	7,960,000	3,329,395	11,289,395
2022-2026	8,032,000	1,647,471	9,679,471
2027-2030	3,650,000	328,125	3,978,125
	<u>\$ 26,627,000</u>	<u>\$ 10,212,222</u>	<u>\$ 36,839,222</u>

B. Bonds Authorized But Not Issued:

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

C. Capital Leases Payable:

As of June 30, 2011, the Board had no capital leases payable.

D. Compensated Absences:

The liability for compensated absences of the governmental fund types is recorded in the long-term liabilities. There is no current portion of compensated absences liability at June 30, 2011. Thus, the entire compensated absence liability is recorded as a liability beyond 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 Food Service Fund.

Compensated absences will be liquidated by the General Fund.

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

(Continued)

NOTE 8. MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account in the amount of \$50,000 was established by the Somerville Borough Board of Education on June 16, 2009. The funds for the establishment of this reserve were withdrawn from unassigned general fund balance. These funds are restricted to be used for specific activities necessary for the purpose of keeping a school facility of open and safe for use or in its original condition, and for keeping its constituent buildings systems fully and efficiently functional and for keeping their warranties valid but cannot be used for routine or capital maintenance. The purpose of the reserve is to provide funds for anticipated expenditures required to maintain a building.

Pursuant to N.J.A.C. 6A:26A-4.2 funds may be deposited into the maintenance reserve account at any time by board resolution to meet the required maintenance of the district by transferring unassigned general fund balance or by transferring excess, unassigned general fund balance that is anticipated to be deposited during the current year in the advertised recapitulation of balances of the subsequent year's budget that is certified for taxes. Funds may be withdrawn from the maintenance reserve account and appropriated into the required maintenance account lines at budget time or any time during the year by board resolution for use on required maintenance activities by school facility as reported in the comprehensive maintenance plan. Funds withdrawn from the maintenance reserve account are restricted to required maintenance appropriations and may not be transferred to any other line-item account. In any year that maintenance reserve account funds are withdrawn, unexpended required maintenance appropriations, up to the amount of maintenance reserve account funds withdrawn, shall be restored to the maintenance reserve account at year-end. At no time, shall the maintenance reserve account have a balance that exceeds four percent of the replacement cost of the current year of the district's school facilities. If the account exceeds this maximum amount at June 30, the excess shall be restricted and designated in the subsequent year's budget. 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 at June 30, 2010	\$	50,114
Interest Earnings		43
Budget Deposit Approved by the Voters		150,000
Ending Balance at June 30, 2011	\$	200,157

NOTE 9. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey. These systems are sponsored and administered by the State of New Jersey. The TPAF 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 Board and the system's other noncontribution employers. The PERS is also considered a cost-sharing, multiple-employer plan.

Employees who are members of TPAF or PERS and retire at or after age 55 are entitled to a retirement benefit based upon a formula which takes 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Vesting occurs after 8 to 10 years of service.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey regulation. Employee contributions are based on percentages of 5.50% for TPAF and 5.50% for PERS of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate.

The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums. Under current statute, the District is a noncontributing employer of the TPAF.

District Contributions to PERS amounted to \$354,114, \$253,892 and \$248,408 for the fiscal years ended June 30, 2011, 2010 and 2009, respectively.

During the fiscal years ended June 30, 2011, 2010 and 2009 the State of New Jersey contributed \$-0-, \$-0- and \$-0-, respectively, to the TPAF for normal pension benefits on-behalf of the District.

Legislation enacted during 1993 provides early retirement incentives for certain members of the TPAF and PERS who met certain age and service requirements and who applied for retirement between certain dates in the 1993 fiscal year. The early retirement incentives included: (1) an additional five years of service credit for employees at least age of 50 with a minimum of 25 years service; (b) free health benefits for employees at least 60 years old with at least 20 years of service; and (c) an additional \$500 per month for two years for employees at least age 60 with 10 but less than 20 years of services. The Board offered the early retirement incentive program (ERIP) to its employees for both PERS and TPAF. The Board's ERIP liability was funded with \$2,705,000 of Pension Refunding bonds dated July 13, 2003.

NOTE 10. POST-RETIREMENT BENEFITS

P.L. 1987, c.384 and P.L. 1990, c.6 required the TPAF and 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 the post-retirement medical benefits 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 attributed to P.L. 1992, c.126 which provides free health benefits to members of PERS, TPAF 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 for Fiscal Year 2010.

The State's on behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$1,045,797, \$1,003,659 and \$941,916 for 2011, 2010 and 2009 respectively.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 11. 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. The District obtains its health benefit coverage through Horizon Blue Cross/Blue Shield.

Property, Liability and Health Benefits

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, interest earnings, 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>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2008-2009	\$ 82,408	\$ 48,565	\$ 185	\$ 94,026	\$ 173,643
2009-2010	126,676	52,720	192	158,909	194,322
2010-2011	250,000	25,546	66	136,818	333,116

NOTE 12. ECONOMIC DEPENDENCY

The Board of Education receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Board of Education's programs and activities.

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances existed as at June 30, 2011:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 577,411	
Special Revenue Fund		\$ 77,411
Capital Projects Fund		533,459
Debt Service Fund	33,459	
Fiduciary Funds	18,116	18,116
	<u>\$ 628,986</u>	<u>\$ 628,986</u>

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

(Continued)

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES (Cont'd)

The interfund payable in the Special Revenue Fund is a result of cash flow due to the receivable for federal grant funds. The interfund payable in the Capital Projects Fund represents a cash advance from the General Fund due to the District having SDA receivables and interest earned that was due to the Debt Service Fund as of June 30, 2011. The interfund between the Payroll Agency and the Unemployment Compensation Funds were a result of employee contributions to the Unemployment Compensation Fund that had not been transferred from the Payroll Agency Fund at year end.

NOTE 14. 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, permit 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:

Variable Annuity Life Insurance Company	Siracusa
Prudential	VBS
Equitable Life Assurance	Fidelity

NOTE 15. TAX CALENDAR

Property taxes are levied by the District's constituent municipality as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and there is an imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the current and prior year may be placed in lien at a tax sale held after December 10.

Taxes are collected by the constituent municipality and are remitted to the School District on a predetermined mutually agreed-upon schedule.

NOTE 16. CONTINGENT LIABILITIES

Grant Programs

The School District participates in federal and state assisted grant programs. The programs are subject to program compliance audits by grantors or their representatives. The School District is potentially liable for expenditures which may be disallowed pursuant to 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

The District is periodically involved in claims and lawsuits arising from operations. The District estimates that the potential claims against it resulting from such litigation and not covered by insurance would not materially affect the financial statements of the District.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 16. CONTINGENT LIABILITIES (Cont'd)

Encumbrances

At June 30, 2011, there were encumbrances as detailed below in the governmental funds.

General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
\$ 1,030,056	\$ 83,347	\$ 245,733	\$ 1,359,136

On the District's Governmental Funds Balance Sheet as of June 30, 2011, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$83,347 less than the actual year-end encumbrances on a budgetary basis. On the GAAP basis, encumbrances are not recognized until paid and this non-recognition of encumbrances on a GAAP basis is also reflected as either a reduction in grants receivable or an increase in deferred revenue in the Special Revenue Fund. The \$245,733 year-end encumbrances in the Capital Projects Fund is included in the \$322,401 committed fund balance at June 30, 2011.

NOTE 17. TUITION RESERVE ACCOUNT

A tuition reserve account may be established in accordance with N.J.A.C. 6A:23-3.1(f) for tuition between two Boards of Education that are in a formal sending/receiving relationship. The maximum amount that may be restricted at year end is 10% of the estimated contract year. Upon certification of tuition rates in the second year following the contract year, full appropriation of the applicable year's reserve must be liquidated and any remaining balance related to that year must be restricted and budgeted for tax relief.

The District established a \$876,401 tuition reserve during 2009/2010 which will be used to pay for any tuition adjustments for the fiscal year ending June 30, 2012 and a \$966,717 tuition reserve during 2010/2011 which will be used to pay for any tuition adjustments for the fiscal year ending June 30, 2013.

BUDGETARY COMPARISON SCHEDULES

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL 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 Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 19,188,561		\$ 19,188,561	\$ 19,188,561	
Tuition	10,639,011		10,639,011	10,566,778	\$ (72,233)
Interest on Maintenance Reserve	500		500	43	(457)
Interest on Capital Reserve	500		500	757	257
Miscellaneous	20,860		20,860	147,499	126,639
Total - Local Sources	29,849,432		29,849,432	29,903,638	54,206
State Sources:					
Equalization Aid	4,131,595		4,131,595	3,199,750	(931,845)
Special Education Categorical Aid				931,845	931,845
Extraordinary Aid	94,081		94,081	188,980	94,899
Distinguished Student Teacher Award				3,500	3,500
On-Behalf TPAF Noncontributory Insurance (non-budgeted)				49,237	49,237
On-Behalf Post Retirement Benefit Contributions (non-budgeted)				1,045,797	1,045,797
Reimbursed TPAF FICA Contributions (non-budgeted)				1,226,782	1,226,782
Total State Sources	4,225,676		4,225,676	6,645,891	2,420,215
Federal Sources:					
Medicaid Reimbursement	29,140		29,140	54,311	25,171
Total Federal Sources	29,140		29,140	54,311	25,171
TOTAL REVENUES	34,104,248		34,104,248	36,603,840	2,499,592

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL 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 Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 456,505	\$ 72,785	\$ 529,290	\$ 528,087	\$ 1,203
Grades 1-5 - Salaries of Teachers	2,719,999	(42,168)	2,677,831	2,677,831	
Grades 6-8 - Salaries of Teachers	1,837,875	(19,812)	1,818,063	1,801,063	17,000
Grades 9-12 - Salaries of Teachers	5,623,430	(27,686)	5,595,744	5,436,896	158,848
Regular Programs - Home Instruction:					
Salaries of Teachers	30,000	12,761	42,761	42,761	
Purchased Professional - Educational Services	35,000	(15,492)	19,508	11,912	7,596
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	42,335		42,335	40,116	2,219
Purchased Professional - Educational Services	23,210		23,210	4,700	18,510
Purchased Technical Services	23,050	(2,547)	20,503	18,833	1,670
Other Purchased Services	254,218	(12,557)	241,661	199,310	42,351
General Supplies	704,197	45,235	749,432	668,072	81,360
Textbooks	181,811		181,811	125,522	56,289
Other Objects	25,650		25,650	6,216	19,434
Total Regular Programs - Instruction	11,957,280	10,519	11,967,799	11,561,319	406,480
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	80,100		80,100	79,900	200
Other Salaries for Instruction	34,585		34,585	34,585	
General Supplies	1,350		1,350	1,114	236
Total Learning and/or Language Disabilities	116,035		116,035	115,599	436

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL 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 Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Special Education - Instruction:					
Multiple Disabilities:					
Salaries of Teachers	\$ 147,320		\$ 147,320	\$ 144,770	\$ 2,550
Other Salaries for Instruction	103,755	\$ 34,419	138,174	138,173	1
General Supplies	4,850	1,000	5,850	5,837	13
Textbooks	550	(159)	391		391
Total Multiple Disabilities	<u>256,475</u>	<u>35,260</u>	<u>291,735</u>	<u>288,780</u>	<u>2,955</u>
Resource Room/Resource Center:					
Salaries of Teachers	1,646,050	(38,811)	1,607,239	1,566,416	40,823
Other Salaries for Instruction	420,220		420,220	383,512	36,708
General Supplies	17,480		17,480	14,088	3,392
Textbooks	5,500		5,500	2,591	2,909
Total Resource Room/Resource Center	<u>2,089,250</u>	<u>(38,811)</u>	<u>2,050,439</u>	<u>1,966,607</u>	<u>83,832</u>
Preschool Disabilities - Part-Time:					
Salaries of Teachers	88,293	4,551	92,844	89,821	3,023
Other Salaries for Instruction	34,585		34,585	34,585	
General Supplies	5,450		5,450	4,971	479
Total Preschool Disabilities - Part-Time	<u>128,328</u>	<u>4,551</u>	<u>132,879</u>	<u>129,377</u>	<u>3,502</u>
Preschool Disabilities - Full-Time:					
Salaries of Teachers	68,610		68,610	68,610	
Other Salaries for Instruction	172,925	(26,000)	146,925	137,198	9,727
Total Preschool Disabilities - Full-Time	<u>241,535</u>	<u>(26,000)</u>	<u>215,535</u>	<u>205,808</u>	<u>9,727</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL 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 Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Total Special Education Instruction	\$ 2,831,623	\$ (25,000)	\$ 2,806,623	\$ 2,706,171	\$ 100,452
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	6,600	(6,600)			
Other Salaries for Instruction		15,000	15,000	14,850	150
General Supplies	11,800	(9,800)	2,000		2,000
Total Basic Skills/Remedial - Instruction	18,400	(1,400)	17,000	14,850	2,150
Bilingual Education - Instruction:					
Salaries of Teachers	275,721	26,000	301,721	259,086	42,635
General Supplies	5,886		5,886	5,034	852
Total Bilingual Education - Instruction	281,607	26,000	307,607	264,120	43,487
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	166,157		166,157	152,508	13,649
Purchased Services	10,600		10,600	2,285	8,315
Supplies and Materials	18,025		18,025	13,394	4,631
Other Objects	2,350		2,350	1,236	1,114
Total School-Sponsored Cocurricular Activities - Instruction	197,132		197,132	169,423	27,709

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL 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 Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	\$ 460,667		\$ 460,667	\$ 439,261	\$ 21,406
Purchased Services	109,798	\$ (2,292)	107,506	67,171	40,335
Supplies and Materials	64,609	2,000	66,609	62,438	4,171
Other Objects	22,989	292	23,281	23,281	
Total School-Sponsored Cocurricular Athletics - Instruction	658,063		658,063	592,151	65,912
Before/After School Programs - Instruction:					
Other Salaries of Instruction		1,000	1,000		1,000
Salaries of Teacher Tutors	5,725	9,722	15,447	14,770	677
Total Before/After School Programs - Instruction	5,725	10,722	16,447	14,770	1,677
Summer School - Instruction:					
Other Salaries of Instruction		1,703	1,703	1,692	11
Salaries of Reading Specialists		10,124	10,124	10,124	
Total Summer School - Instruction		11,827	11,827	11,816	11
Other Supplemental/At-Risk Programs - Instruction:					
Salaries of Reading Specialists	132,920		132,920	132,920	
Total Other Supplemental/At-Risk Programs - Instruction	132,920		132,920	132,920	
Total Instruction	16,082,750	32,668	16,115,418	15,467,540	647,878

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL 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 Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Regular	\$ 174,300	\$ (28,373)	\$ 145,927	\$ 130,247	\$ 15,680
Tuition to Other LEAs Within the State - Special	851,216	(223,496)	627,720	609,163	18,557
Tuition to County Vocational School District - Regular	102,200		102,200	99,700	2,500
Tuition to CSSD and Regular Day Schools	316,164	(129,596)	186,568	180,397	6,171
Tuition to Private Schools for the Disabled - Within the State	832,183	(45,783)	786,400	786,399	1
Tuition - State Facilities	30,750		30,750	30,750	
Tuition - Other	5,000		5,000		5,000
Total Undistributed Expenditures - Instruction:	2,311,813	(427,248)	1,884,565	1,836,656	47,909
Attendance and Social Work Services:					
Salaries		37,500	37,500	35,000	2,500
Purchased Professional and Technical Services	37,500	(37,500)			
Other Purchased Services	300		300	139	161
Total Attendance and Social Work Services	37,800		37,800	35,139	2,661
Health Services:					
Salaries	297,735		297,735	296,493	1,242
Purchased Professional and Technical Services	16,000		16,000	14,100	1,900
Supplies and Materials	9,300	(2,596)	6,704	3,891	2,813
Other Objects	2,200	(100)	2,100	545	1,555
Total Health Services	325,235	(2,696)	322,539	315,029	7,510

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL 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 Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Speech, OT, PT and Related Services:					
Salaries	\$ 203,715	\$ 30,000	\$ 233,715	\$ 224,895	\$ 8,820
Purchased Professional - Educational Services	60,000	(400)	59,600	54,164	5,436
Supplies and Materials	2,400	400	2,800	2,732	68
Total Speech, OT, PT and Related Services	266,115	30,000	296,115	281,791	14,324
Other Support Services - Students - Extraordinary Services:					
Purchased Professional - Educational Services	92,000		92,000	57,250	34,750
Total Other Support Services - Students - Extraordinary Services	92,000		92,000	57,250	34,750
Guidance:					
Salaries of Other Professional Staff	520,285		520,285	511,141	9,144
Salaries of Secretarial and Clerical Assistants	154,888		154,888	154,888	
Other Purchased Professional and Technical Services	1,500		1,500	950	550
Other Purchased Services	16,000		16,000	3,171	12,829
Supplies and Materials	7,500		7,500	6,686	814
Total Guidance	700,173		700,173	676,836	23,337
Child Study Teams:					
Salaries of Other Professional Staff	712,904	21,161	734,065	718,082	15,983
Salaries of Secretarial and Clerical Assistants	58,340	30,000	88,340	85,387	2,953
Other Purchased Professional and Technical Services	64,150	21,448	85,598	79,000	6,598

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL 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 Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Child Study Teams: (Cont'd)					
Miscellaneous Purchased Services	\$ 8,300	\$ 685	\$ 8,985	\$ 6,409	\$ 2,576
Supplies and Materials	9,550	(2,133)	7,417	6,765	652
Other Objects		100	100	100	
Total Child Study Teams	<u>853,244</u>	<u>71,261</u>	<u>924,505</u>	<u>895,743</u>	<u>28,762</u>
Improvement of Instructional Services:					
Salaries of Supervisor of Instruction	189,586		189,586	184,662	4,924
Salaries of Other Professional Staff	46,820		46,820	10,046	36,774
Salaries of Secretarial and Clerical Assistants	125,883	(30,000)	95,883	94,469	1,414
Other Purchased Services	15,212	(2,500)	12,712	5,669	7,043
Supplies and Materials	7,650	2,500	10,150	8,548	1,602
Other Objects	2,050		2,050	250	1,800
Total Improvement of Instructional Services	<u>387,201</u>	<u>(30,000)</u>	<u>357,201</u>	<u>303,644</u>	<u>53,557</u>
Educational Media Services/School Library:					
Salaries	192,147		192,147	187,016	5,131
Other Purchased Services	17,275	130	17,405	13,821	3,584
Supplies and Materials	29,223	(130)	29,093	24,313	4,780
Total Educational Media Services/School Library	<u>238,645</u>		<u>238,645</u>	<u>225,150</u>	<u>13,495</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Instructional Staff Training Services:					
Purchased Professional - Educational Services	\$ 55,300		\$ 55,300	\$ 14,321	\$ 40,979
Other Purchased Services	5,000		5,000	3,535	1,465
Supplies and Materials	2,780		2,780	2,159	621
Other Objects	3,000		3,000	256	2,744
Total Instructional Staff Training Services	66,080		66,080	20,271	45,809
General Administration:					
Salaries	382,936	\$ (21,161)	361,775	252,466	109,309
Legal Services	125,000	(24,793)	100,207	71,364	28,843
Audit Fees	42,000		42,000	32,705	9,295
Architectural/Engineering Services		9,067	9,067	9,066	1
Other Purchased Professional Services	4,000	34,876	38,876	38,876	
Purchased Technical Services	35,500	(19,150)	16,350	10,299	6,051
Communications/Telephone	93,060		93,060	77,101	15,959
Board of Education Other Purchased Services	4,600		4,600	550	4,050
Other Purchased Services	124,806		124,806	96,724	28,082
General Supplies	13,000	(2,600)	10,400	7,512	2,888
Judgments Against the School District	15,000		15,000		15,000
Miscellaneous Expenditures	14,700		14,700	5,442	9,258
Board of Education Membership Dues and Fees	27,200		27,200	21,591	5,609
Total General Administration	881,802	(23,761)	858,041	623,696	234,345

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL 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 Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
School Administration:					
Salaries of Principals/Assistant Principals	\$ 1,079,038		\$ 1,079,038	\$ 1,034,532	\$ 44,506
Salaries of Secretarial and Clerical Assistants	342,588	\$ 3,430	346,018	346,017	1
Other Purchased Services	8,800	(40)	8,760	2,054	6,706
Supplies and Materials	38,540	23,141	61,681	58,402	3,279
Other Objects	52,200	(3,430)	48,770	38,219	10,551
Total School Administration	1,521,166	23,101	1,544,267	1,479,224	65,043
Central Services:					
Salaries	406,728		406,728	388,628	18,100
Purchased Technical Services	30,000	(18,936)	11,064	5,558	5,506
Other Purchased Services	26,500		26,500	16,435	10,065
Supplies and Materials	5,500	1,000	6,500	6,338	162
Miscellaneous Expenditures	3,000	(1,000)	2,000	1,830	170
Total Central Services	471,728	(18,936)	452,792	418,789	34,003
Administration Information Technology:					
Salaries	232,306	(10,346)	221,960	219,121	2,839
Purchased Professional Services		24,346	24,346	19,346	5,000
Purchased Technical Services	156,740	2,438	159,178	117,428	41,750
Other Purchased Services		7,436	7,436		7,436
Supplies and Materials	26,000	10,394	36,394	14,643	21,751
Other Objects	6,300	(121)	6,179	3,298	2,881
Total Administration Information Technology	421,346	34,147	455,493	373,836	81,657

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL 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 Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Required Maintenance of School Facilities:					
Salaries	\$ 286,466	\$ (2,764)	\$ 283,702	\$ 282,902	\$ 800
Cleaning, Repair and Maintenance Services	255,734	160,821	416,555	376,350	40,205
General Supplies	87,952	(24,750)	63,202	53,378	9,824
Other Objects	4,500		4,500	3,294	1,206
Total Required Maintenance of School Facilities	634,652	133,307	767,959	715,924	52,035
Custodial Services:					
Salaries	588,762	(145,121)	443,641	443,579	62
Salaries of Non-Instructional Aides		106,804	106,804	92,838	13,966
Purchased Professional and Technical Services	21,667	8,100	29,767	16,651	13,116
Cleaning, Repair and Maintenance Services	434,413	(30,657)	403,756	380,893	22,863
Rental of Land and Buildings Other Than Lease	5,000	(3,000)	2,000	1,955	45
Other Purchased Property Services	39,500		39,500	36,464	3,036
Insurance	54,600		54,600	51,566	3,034
Miscellaneous Purchased Services		400	400	400	
General Supplies	84,515	(9,191)	75,324	70,111	5,213
Energy (Natural Gas)	278,000	(17,096)	260,904	137,978	122,926
Energy (Electricity)	594,906	(7,087)	587,819	509,711	78,108
Other Objects	2,000	(400)	1,600	381	1,219
Total Custodial Services	2,103,363	(97,248)	2,006,115	1,742,527	263,588

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL 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 Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Care and Upkeep of Grounds:					
Salaries		\$ 5,000	\$ 5,000	\$ 1,085	\$ 3,915
Cleaning, Repair and Maintenance Services	\$ 53,270	(1,000)	52,270	44,278	7,992
General Supplies	9,133	(5,300)	3,833	3,757	76
Total Care and Upkeep of Grounds	62,403	(1,300)	61,103	49,120	11,983
Security:					
Purchased Professional and Technical Services		51,648	51,648		51,648
General Supplies		56,434	56,434		56,434
Total Security		108,082	108,082		108,082
Total Operations & Maintenance of Plant	2,800,418	142,841	2,943,259	2,507,571	435,688
Student Transportation Services:					
Salaries of Non-Instructional Aides	26,000		26,000	24,794	1,206
Salaries for Pupil Transportation:					
Between Home and School - Regular		11,000	11,000	10,907	93
Between Home and School - Special Education	127,248	(15,000)	112,248	88,554	23,694
Other Than Between Home and School	49,000		49,000	47,119	1,881
Other Purchased Professional and Technical Services		450	450	420	30
Cleaning, Repair and Maintenance Services	29,000	(6,450)	22,550	12,711	9,839
Contracted Services:					
Other than Between Home and School - Vendors	74,280		74,280	47,176	27,104
Other than Between Home and School - Joint Agreements		12,600	12,600	9,034	3,566

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL 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 Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Student Transportation Services: (Cont'd)					
Contracted Services: (Cont'd)					
Special Education Students - Joint Agreements	\$ 55,000	\$ 18,110	\$ 73,110	\$ 71,959	\$ 1,151
Regular Students - ESCs & CTSA's	25,000	(20,700)	4,300	360	3,940
Special Education Students - ESCs & CTSA's	419,285	(31,960)	387,325	314,646	72,679
Miscellaneous Purchased Services - Transportation	9,360		9,360	8,894	466
Transportation Supplies	39,000		39,000	20,306	18,694
Total Student Transportation Services	853,173	(31,950)	821,223	656,880	164,343
Unallocated Benefits - Employee Benefits:					
Social Security Contributions	404,000	(20,307)	383,693	370,987	12,706
Other Retirement Contributions - PERS	300,000	54,421	354,421	354,420	1
Unemployment Compensation		250,000	250,000	250,000	
Workmen's Compensation	171,173	(21,000)	150,173	149,240	933
Health Benefits	4,983,993	(243,714)	4,740,279	4,740,015	264
Tuition Reimbursement	116,363	(40,700)	75,663	69,090	6,573
Other Employee Benefits	229,000	(8,700)	220,300	142,876	77,424
Total Unallocated Benefits - Employee Benefits	6,204,529	(30,000)	6,174,529	6,076,628	97,901
On-Behalf Contributions:					
On-Behalf TPAF Noncontributory Insurance (non-budgeted)				49,237	(49,237)
On-Behalf Post Retirement Benefit Contributions (non-budgeted)				1,045,797	(1,045,797)
Reimbursed TPAF FICA Contributions (non-budgeted)				1,226,782	(1,226,782)
Total On-Behalf Contributions				2,321,816	(2,321,816)

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL 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 Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Total Personal Services - Employee Benefits	\$ 6,204,529	\$ (30,000)	\$ 6,174,529	\$ 8,398,444	\$ (2,223,915)
Total Undistributed Expenditures	18,432,468	(263,241)	18,169,227	19,105,949	(936,722)
TOTAL GENERAL CURRENT EXPENSE	34,515,218	(230,573)	34,284,645	34,573,489	(288,844)
CAPITAL OUTLAY					
Equipment:					
Grades 9-12		23,450	23,450	23,450	
Special Education - Multiple Disabilities		7,345	7,345	3,145	4,200
Support Services - Instructional Staff	9,363		9,363	9,363	
Other Support Services - Students - Regular		2,596	2,596	2,596	
General Administration		2,600	2,600	2,111	489
School Administration		2,547	2,547	2,547	
Administration Information Technology	32,792	146,279	179,071	93,872	85,199
Operation and Maintenance of Plant	15,000	13,941	28,941	21,450	7,491
Security		18,865	18,865		18,865
School Buses - Regular	133,320	12,950	146,270	48,319	97,951
School Buses - Special	48,320		48,320	48,319	1
Total Equipment	238,795	230,573	469,368	255,172	214,196

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL 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 Final to Actual</u>
CAPITAL OUTLAY					
Facilities Acquisition and Construction Services:					
Legal Services	\$ 5,000	\$ 6,597	\$ 11,597	\$ 11,570	\$ 27
Architectural/Engineering Services	112,000	(22,419)	89,581	50,706	38,875
Other Purchased Professional and Technical Services	5,781		5,781		5,781
Construction Services	1,673,000	(704,178)	968,822	326,686	642,136
Other Objects	93,651	(5,000)	88,651	83,755	4,896
Total Facilities Acquisition and Construction Services	<u>1,889,432</u>	<u>(725,000)</u>	<u>1,164,432</u>	<u>472,717</u>	<u>691,715</u>
TOTAL CAPITAL OUTLAY	<u>2,128,227</u>	<u>(494,427)</u>	<u>1,633,800</u>	<u>727,889</u>	<u>905,911</u>
Transfer of Funds to Charter School	39,675		39,675	31,300	8,375
TOTAL EXPENDITURES	<u>36,683,120</u>	<u>(725,000)</u>	<u>35,958,120</u>	<u>35,332,678</u>	<u>625,442</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>(2,578,872)</u>	<u>725,000</u>	<u>(1,853,872)</u>	<u>1,271,162</u>	<u>3,125,034</u>
Other Financing Sources/(Uses):					
Transfer to Capital Project Fund from Capital Reserve		(564,621)	(564,621)	(564,621)	
Transfer to Capital Project Fund from Capital Outlay		(725,000)	(725,000)	(725,000)	
Transfer to Debt Service Fund from Capital Outlay	(218,775)		(218,775)	(218,775)	
Total Other Financing Sources/(Uses)	<u>(218,775)</u>	<u>(1,289,621)</u>	<u>(1,508,396)</u>	<u>(1,508,396)</u>	

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL 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 Final to Actual</u>
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing (Uses)	\$ (2,797,647)	\$ (564,621)	\$ (3,362,268)	\$ (237,234)	\$ 3,125,034
Fund Balance, July 1	<u>6,782,153</u>		<u>6,782,153</u>	<u>6,782,153</u>	
Fund Balance, June 30	<u>\$ 3,984,506</u>	<u>\$ (564,621)</u>	<u>\$ 3,419,885</u>	<u>\$ 6,544,919</u>	<u>\$ 3,125,034</u>
Analysis of Balance:					
Restricted Fund Balance:					
Capital Reserve				\$ 1,745,533	
Maintenance Reserve				200,157	
Tuition Reserve - 2011-12 School Year				876,401	
Tuition Reserve - 2012-13 School Year				966,717	
Excess Surplus				407,132	
Excess Surplus - Subsequent Year's Expenditures				288,014	
Assigned Fund Balance:					
Year-End Encumbrances				1,030,056	
Subsequent Year's Expenditures				250,000	
Unassigned Fund Balance				<u>780,909</u>	
Fund Balance per Governmental Funds (Budgetary Basis)				6,544,919	
Reconciliation to Governmental Fund Statement (GAAP):					
Less: Last two State aid payments not recognized on a GAAP basis				<u>(400,671)</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 6,144,248</u>	

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE 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 Final to Actual</u>
REVENUES:					
Local Sources		\$ 125,428	\$ 125,428	\$ 84,677	\$ (40,751)
State Sources	\$ 1,112,033	(40,868)	1,071,165	995,330	(75,835)
Federal Sources	1,053,978	770,968	1,824,946	1,362,464	(462,482)
Total Revenues	<u>2,166,011</u>	<u>855,528</u>	<u>3,021,539</u>	<u>2,442,471</u>	<u>(579,068)</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	1,623,923	(670,317)	953,606	852,818	100,788
Other Salaries for Instruction	105,005	2,500	107,505	107,505	
Purchased Professional and Technical Services		110,589	110,589	17,150	93,439
Other Purchased Services	1,000	214,505	215,505	183,958	31,547
General Supplies	2,500	166,576	169,076	125,372	43,704
Textbooks	84,825	(12,069)	72,756	72,692	64
Other Objects	600	31,732	32,332	18,172	14,160
Total Instruction	<u>1,817,853</u>	<u>(156,484)</u>	<u>1,661,369</u>	<u>1,377,667</u>	<u>283,702</u>
Support Services:					
Salaries	100,592	(7,384)	93,208	320,175	(226,967)
Salaries of Supervisors of Instruction	35,414	13,000	48,414	35,414	13,000
Salaries of Program Directors	16,842	254,665	271,507	16,842	254,665
Salaries of Other Professional Staff	25,305	(5,685)	19,620		19,620
Salaries of Secretaries and Clerical Assistants	42,578	1,500	44,078	44,078	

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE 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 Final to Actual</u>
EXPENDITURES:					
Support Services: (Cont'd)					
Salaries of Community Parent Involvement Specialist	\$ 21,161	\$ (20,161)	\$ 1,000	\$ 255	\$ 745
Personal Services – Employee Benefits	81,508	278,651	360,159	293,153	67,006
Purchased Professional Educational Services	20,258	317,401	337,659	185,833	151,826
Rentals	2,000	7,984	9,984	960	9,024
Other Purchased Services		20,681	20,681	7,984	12,697
Contractual Services - Transportation	2,000		2,000		2,000
Travel				14,735	(14,735)
Supplies and Materials	500	35,673	36,173	31,814	4,359
Other Objects		2,365	2,365	1,180	1,185
Total Support Services	<u>348,158</u>	<u>898,690</u>	<u>1,246,848</u>	<u>952,423</u>	<u>294,425</u>
Facilities Acquisition and Construction Services:					
Instructional Equipment		113,322	113,322	112,381	941
Total Facilities Acquisition and Construction Services		<u>113,322</u>	<u>113,322</u>	<u>112,381</u>	<u>941</u>
Total Expenditures	<u>2,166,011</u>	<u>855,528</u>	<u>3,021,539</u>	<u>2,442,471</u>	<u>579,068</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Note A - Explanation of Differences Between Budgetary Inflows and Outflows and
GAAP Revenues and Expenditures

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue"	\$ 36,603,840	\$ 2,442,471
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		(69,444)
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	579,186	57,282
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(400,671)</u>	<u>(52,696)</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 36,782,355</u>	<u>\$ 2,377,613</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 35,332,678	\$ 2,442,471
Differences - Budget to GAAP		
Encumbrances for Supplies and Equipment Ordered but Not Received are Reported in the Year the Order is Placed for Budgetary Purposes, not in the Year the Supplies are Received for Financial Reporting Purposes.		<u>(69,444)</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 35,332,678</u>	<u>\$ 2,373,027</u>

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the County office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Budget amendments/transfers must be made by Board resolution. All budgeting 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).

SOMERVILLE BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Formal budgetary integration into the accounting system is employed as a management control device during the 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 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 revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The General Fund and Special Revenue Fund budgetary revenue differs from the GAAP revenue due to a difference in recognition of the last two state aid payments for the current year. Since the State is recording these state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

SOMERVILLE BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Title I		American Recovery and Reinvestment Act Title I	Title II, Part A		Title III	
	Current Year	Prior Year	Current Year	Current Year	Prior Year	Current Year	Prior Year
REVENUE:							
Local Sources							
State Sources							
Federal Sources	\$ 312,453	\$ 5,125	\$ 53,967	\$ 100,695	\$ 8,864	\$ 2,696	\$ 4,136
Total Revenue	312,453	5,125	53,967	100,695	8,864	2,696	4,136
EXPENDITURES:							
Instruction:							
Salaries of Teachers	112,775	4,760	26,049	73,363			
Other Salaries for Instruction							
Purchased Professional and Technical Services							
Other Purchased Services							
General Supplies	455		15,525			525	1,161
Textbooks							
Other Objects							
Total Instruction	113,230	4,760	41,574	73,363		525	1,161
Support Services:							
Personal Services - Salaries	108,612						
Salaries of Supervisors of Instruction							
Salaries of Program Directors							
Salaries of Secretaries and Clerical Assistants							
Salaries of Community Parent Involvement Specialist							
Personal Services--Employee Benefits	87,861	365	1,993	22,909	1		
Purchased Professional Educational Services	2,750		10,400		750	2,171	
Rentals							
Other Purchased Services							
Travel				3,849	7,911		2,975
Supplies and Materials					202		
Other Objects				574			
Total Support Services	199,223	365	12,393	27,332	8,864	2,171	2,975
Facilities Acquisition and Construction Services:							
Instructional Equipment							
Total Facilities Acquisition and Construction Services							
Excess of Revenue over Expenditures							
Total Expenditures	\$ 312,453	\$ 5,125	\$ 53,967	\$ 100,695	\$ 8,864	\$ 2,696	\$ 4,136

SOMERVILLE BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Title III		Immigrant Current Year	Title IV		IDEA Part B		Preschool Current Year
	Current Year	Prior Year		Prior Year	Basic			
					Current Year	Prior Year		
REVENUE:								
Local Sources								
State Sources								
Federal Sources	\$ 25,923	\$ 2,462	\$ 2,113	\$ 230	\$ 409,467	\$ 3,897	\$ 16,619	
Total Revenue	25,923	2,462	2,113	230	409,467	3,897	16,619	
EXPENDITURES:								
Instruction:								
Salaries of Teachers	20,846	840	350		78,393			
Other Salaries for Instruction								
Purchased Professional and Technical Services								
Other Purchased Services								
General Supplies	2,783	1,557	1,736		6,538			
Textbooks								
Other Objects								
Total Instruction	23,629	2,397	2,086		84,931			
Support Services:								
Personal Services - Salaries					124,145	3,620		
Salaries of Supervisors of Instruction								
Salaries of Program Directors								
Salaries of Secretaries and Clerical Assistants								
Salaries of Community Parent Involvement Specialist								
Personal Services—Employee Benefits	2,294	65	27	1	55,468	277		
Purchased Professional Educational Services				229	144,923			15,810
Rentals								
Other Purchased Services								
Travel								
Supplies and Materials								809
Other Objects								
Total Support Services	2,294	65	27	230	324,536	3,897		16,619
Facilities Acquisition and Construction Services:								
Instructional Equipment								
Total Facilities Acquisition and Construction Services								
Total Expenditures	\$ 25,923	\$ 2,462	\$ 2,113	\$ 230	\$ 409,467	\$ 3,897	\$ 16,619	

SOMERVILLE BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	American Recovery and Reinvestment Act		Preschool Education Aid	Nonpublic		Nonpublic Handicapped	
	IDEA Part B			Textbook Aid	Nursing Services	Supplemental Instruction	Corrective Speech
	Basic Current Year	Preschool Current Year					
REVENUE:							
Local Sources							
State Sources			\$ 566,154	\$ 72,692	\$ 83,798	\$ 33,805	\$ 50,552
Federal Sources	\$ 408,044	\$ 5,773					
Total Revenue	408,044	5,773	566,154	72,692	83,798	33,805	50,552
EXPENDITURES:							
Instruction:							
Salaries of Teachers	19,699	5,362	236,695			33,805	50,552
Other Salaries for Instruction			107,505				
Purchased Professional and Technical Services							
Other Purchased Services	183,958						
General Supplies	73,273		2,472				
Textbooks				72,692			
Other Objects			495				
Total Instruction	276,930	5,362	347,167	72,692		33,805	50,552
Support Services:							
Personal Services - Salaries					83,798		
Salaries of Supervisors of Instruction			35,414				
Salaries of Program Directors			16,842				
Salaries of Secretaries and Clerical Assistants			44,078				
Salaries of Community Parent Involvement Specialist			255				
Personal Services—Employee Benefits	1,507	411	119,974				
Purchased Professional Educational Services	7,600		1,200				
Rentals			960				
Other Purchased Services							
Travel							
Supplies and Materials	14,971		264				
Other Objects							
Total Support Services	24,078	411	218,987		83,798		
Facilities Acquisition and Construction Services:							
Instructional Equipment	107,036						
Total Facilities Acquisition and Construction Services	107,036						
Total Expenditures	\$ 408,044	\$ 5,773	\$ 566,154	\$ 72,692	\$ 83,798	\$ 33,805	\$ 50,552

SOMERVILLE BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Nonpublic Handicapped	Nonpublic Auxiliary			Local Grants	Totals
	Examination & Classification	Compensatory Aid	ESL	Home Instruction		
REVENUE:						
Local Sources					\$ 84,677	\$ 84,677
State Sources	\$ 86,997	\$ 88,576	\$ 1,965	\$ 10,791		995,330
Federal Sources						1,362,464
Total Revenue	86,997	88,576	1,965	10,791	84,677	2,442,471
EXPENDITURES:						
Instruction:						
Salaries of Teachers	86,997	88,576	1,965	10,791	1,000	852,818
Other Salaries for Instruction						107,505
Purchased Professional and Technical Services					17,150	17,150
Other Purchased Services						183,958
General Supplies					19,347	125,372
Textbooks						72,692
Other Objects					17,677	18,172
Total Instruction	86,997	88,576	1,965	10,791	55,174	1,377,667
Support Services:						
Personal Services - Salaries						320,175
Salaries of Supervisors of Instruction						35,414
Salaries of Program Directors						16,842
Salaries of Secretaries and Clerical Assistants						44,078
Salaries of Community Parent Involvement Specialist						255
Personal Services—Employee Benefits						293,153
Purchased Professional Educational Services						185,833
Rentals						960
Other Purchased Services					7,984	7,984
Travel						14,735
Supplies and Materials					15,568	31,814
Other Objects					606	1,180
Total Support Services					24,158	952,423
Facilities Acquisition and Construction Services:						
Instructional Equipment					5,345	112,381
Total Facilities Acquisition and Construction Services					5,345	112,381
Total Expenditures	\$ 86,997	\$ 88,576	\$ 1,965	\$ 10,791	\$ 84,677	\$ 2,442,471

SOMERVILLE BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID SCHEDULE OF EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

District-Wide Total

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES:			
Instruction:			
Salaries of Teachers	\$ 268,187	\$ 236,695	\$ 31,492
Other Salaries for Instruction	107,585	107,505	80
Purchased Professional and Technical Services	3,000		3,000
General Supplies	5,074	2,472	2,602
Other Objects	1,285	495	790
Total Instruction	<u>385,131</u>	<u>347,167</u>	<u>37,964</u>
Support Services:			
Salaries of Program Directors	19,636	16,842	2,794
Salaries of Supervisors of Instruction	35,414	35,414	
Salaries of Other Professional Staff	4,828		4,828
Salaries of Secretaries and Clerical Assistants	44,080	44,078	2
Salaries of Community Parent Involvement Spec.	1,000	255	745
Personal Services—Employee Benefits	124,199	119,974	4,225
Purchased Services Educational Services	17,640	1,200	16,440
Rentals	2,552	960	1,592
Contr. Serv.-Trans. (Field Trips)	2,000		2,000
Other Purchased Services	5,543		5,543
Supplies and Materials	1,882	264	1,618
Other Objects	500		500
Total Support Services	<u>259,274</u>	<u>218,987</u>	<u>40,287</u>
Total Expenditures	<u>\$ 644,405</u>	<u>\$ 566,154</u>	<u>\$ 78,251</u>

CALCULATION OF BUDGET & CARRYOVER

Total Revised 2010-2011 Preschool Education Aid Allocation	\$ 543,388
Add: Actual PEA Carryover (June 30, 2010)	101,017
Total Preschool Education Aid Funds Available for 2010-2011 Budget	<u>644,405</u>
Less: 2010-2011 Budgeted Preschool Education Aid (Including prior year budgeted carryover)	(644,405)
Available & Unbudgeted Preschool Education Aid Funds as of June 30, 2011	<u>-0-</u>
Add: June 30, 2011 Unexpended Preschool Education Aid	78,251
2010-2011 Carryover - Preschool Education Aid	\$ 78,251
2010-2011 Preschool Education Aid Carryover Budgeted for Preschool Programs in 2010-2011	<u>\$ 78,251</u>

CAPITAL PROJECTS FUND

SOMERVILLE BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

Revenue and Other Financing Sources:	
State Sources - SDA Grant	\$ 736,230
Interest Earned	644
Transfer from Capital Outlay	725,000
Transfer from Capital Reserve	564,621
	<hr/>
Total Revenue and Other Financing Sources	2,026,495
Expenditures:	
Purchased Professional and Technical Services	139,875
Construction Services	1,754,528
	<hr/>
Total Expenditures	1,894,403
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures	
	132,092
Other Financing Sources/(Uses):	
Operating Transfers In/(Out):	
Debt Service Fund	(33,459)
	<hr/>
Total Other Financing Sources/(Uses)	(33,459)
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures and Other Financing (Uses)	
	98,633
Fund Balance - Beginning Balance	<hr/> 1,948,237
Fund Balance - Ending Balance	<hr/> <u>\$ 2,046,870</u>
Reconciliation of Revenue from Budgetary Basis to GAAP Basis:	
SDA Grant Revenue (Budgetary Basis)	\$ 736,230
SDA Grants are Recognized as Revenue on the Budgetary Basis when awarded but are not Recognized on the GAAP Basis until Expended.	81,511
	<hr/>
SDA Grant Revenue (GAAP Basis)	<u>\$ 817,741</u>
<u>Recapitulation:</u>	
Committed Fund Balance	\$ 1,157,868
Restricted Fund Balance	889,002
	<hr/>
Total Fund Balance - Budgetary Basis	2,046,870
Reconciliation to Governmental Funds Statements (GAAP):	
SDA Grant Receivable not Recognized on GAAP Basis	(1,532,115)
	<hr/>
Fund Balance per Governmental Funds (GAAP)	<u>\$ 514,755</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
DECEMBER 1998 REFERENDUM
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Total</u>	<u>Revised Authorized Cost</u>
Revenue and Other Financing Sources:				
Bond Proceeds and Transfers	\$ 14,900,000		\$ 14,900,000	\$ 14,900,000
Total Revenue and Other Financing Sources	<u>14,900,000</u>		<u>14,900,000</u>	<u>14,900,000</u>
Expenditures and Other Financing Uses:				
Purchased Professional and Technical Services	1,762,212		1,762,212	1,762,212
Construction Services	13,091,245	\$ 13,728	13,104,973	13,104,973
Transfer to Debt Service Fund		32,815	32,815	32,815
Total Expenditures and Other Financing Uses	<u>14,853,457</u>	<u>46,543</u>	<u>14,900,000</u>	<u>14,900,000</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	<u>\$ 46,543</u>	<u>\$ (46,543)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number:	SP99204, SP99205, SP99206
Grant Date:	N/A
Bond Authorization Date:	12/08/98
Bonds Authorized:	\$ 14,900,000
Bonds Issued:	\$ 14,900,000
Original Authorized Cost:	\$ 14,900,000
Additional Authorized Cost:	N/A
Revised Authorized Cost:	\$ 14,900,000
Percentage Increase over Original Authorized Cost:	0%
Percentage Completion:	100.00%
Original Target Completion Date:	August 2004
Revised Target Completion Date:	July 2010

SOMERVILLE BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
DECEMBER 2004 REFERENDUM
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 9,537,833		\$ 9,537,833	\$ 9,537,833
Bond Proceeds and Transfers	15,412,000		15,412,000	15,412,000
Total Revenue and Other Financing Sources	24,949,833		24,949,833	24,949,833
Expenditures:				
Purchased Professional and Technical Services	2,784,970	\$ 25,291	2,810,261	4,890,000
Construction Services	20,571,148	679,422	21,250,570	20,059,833
Total Expenditures	23,356,118	704,713	24,060,831	24,949,833
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures	\$ 1,593,715	\$ (704,713)	\$ 889,002	\$ -0-

Additional Project Information:

Project Numbers	4820-090-04-3000, 4820-055-04-2000, 4820-050-04-3000
Grant Date	04/22/05
Bond Authorization Date	12/14/04
Bonds Authorized	\$ 15,412,000
Bonds Issued	\$ 15,412,000
Original Authorized Cost	\$ 24,949,833
Additional Authorized Cost	N/A
Revised Authorized Cost	\$ 24,949,833
Percentage Increase over Original Authorized Cost	0%
Percentage Completion	97.83%
Original Target Completion Date	August 2008
Revised Target Completion Date	September 2011

SOMERVILLE BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
SOMERVILLE MIDDLE SCHOOL EXTERIOR WALL REPAIRS
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 36,561		\$ 36,561	\$ 36,561
Transfer from Capital Outlay	112,500		112,500	112,500
Total Revenue and Other Financing Sources	<u>149,061</u>		<u>149,061</u>	<u>149,061</u>
Expenditures:				
Purchased Professional and Technical Services	2,478	\$ 8,687	11,165	21,061
Construction Services		115,100	115,100	128,000
Total Expenditures	<u>2,478</u>	<u>123,787</u>	<u>126,265</u>	<u>149,061</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures	<u>\$ 146,583</u>	<u>\$ (123,787)</u>	<u>\$ 22,796</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number:	4820-055-09-1002
Grant Date:	06/04/10
Bond Authorization Date:	N/A
Bonds Authorized:	N/A
Bonds Issued:	N/A
Original Authorized Cost:	\$ 149,061
Additional Authorized Cost:	\$ -0-
Revised Authorized Cost:	\$ 149,061
Percentage Increase over Original Authorized Cost:	0%
Percentage Completion:	84.71%
Original Target Completion Date:	December 2010
Revised Target Completion Date:	September 2011

SOMERVILLE BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
SOMERVILLE HIGH SCHOOL INTERCOM, COMMUNICATIONS AND SECURITY SYSTEM UPGRADES
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 62,676		\$ 62,676	\$ 62,676
Transfer from Capital Outlay	187,500		187,500	187,500
Total Revenue and Other Financing Sources	250,176		250,176	250,176
Expenditures:				
Purchased Professional and Technical Services	16,333	\$ 3,921	20,254	75,176
Construction Services	72,447	30,573	103,020	175,000
Total Expenditures	88,780	34,494	123,274	250,176
Excess/(Deficiency) of Revenue and Other Financing Sources				
Over/(Under) Expenditures	\$ 161,396	\$ (34,494)	\$ 126,902	\$ -0-

Additional Project Information:

Project Number:	4820-055-09-1001
Grant Date:	06/04/10
Original Authorized Cost:	\$ 250,176
Additional Authorized Cost:	\$ -0-
Revised Authorized Cost:	\$ 250,176
Percentage Increase over Original Authorized Cost:	0%
Percentage Completion:	49.27%
Original Target Completion Date:	September 2010
Revised Target Completion Date:	September 2011

SOMERVILLE BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
SOMERVILLE MIDDLE SCHOOL ROOF REPLACEMENT ANNEX AND MEDIA CENTER
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
State Sources - SDA Grant		\$ 306,454	\$ 306,454	\$ 306,454
Transfer from Capital Outlay		725,000	725,000	725,000
Total Revenue and Other Financing Sources		1,031,454	1,031,454	1,031,454
Expenditures:				
Purchased Professional and Technical Services		58,488	58,488	78,211
Construction Services		647,805	647,805	953,243
Total Expenditures		706,293	706,293	1,031,454
Excess/(Deficiency) of Revenue and Other Financing Sources				
Over/(Under) Expenditures	\$ -0-	\$ 325,161	\$ 325,161	\$ -0-
Additional Project Information:				
Project Number:	4820-055-10-1004			
Grant Date:	01/12/11			
Original Authorized Cost:	\$ 691,234			
Additional Authorized Cost:	\$ 340,220			
Revised Authorized Cost:	\$ 1,031,454			
Percentage Increase over Original Authorized Cost:	49.22%			
Percentage Completion:	68.48%			
Original Target Completion Date:	September 2011			

SOMERVILLE BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
SOMERVILLE HIGH SCHOOL AUDITORIUM AIR CONDITIONING
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
State Sources - SDA Grant		\$ 102,412	\$ 102,412	\$ 102,412
Transfer from Capital Reserve		128,588	128,588	128,588
Total Revenue and Other Financing Sources		231,000	231,000	231,000
Expenditures:				
Purchased Professional and Technical Services		1,900	1,900	20,000
Construction Services				211,000
Total Expenditures		1,900	1,900	231,000
Excess/(Deficiency) of Revenue and Other Financing Sources				
Over/(Under) Expenditures	\$ -0-	\$ 229,100	\$ 229,100	\$ -0-

Additional Project Information:

Project Number:	4820-055-10-1001
Grant Date:	01/12/11
Original Authorized Cost:	\$ 231,000
Additional Authorized Cost:	\$ -0-
Revised Authorized Cost:	\$ 231,000
Percentage Increase over Original Authorized Cost:	0%
Percentage Completion:	0.82%
Original Target Completion Date:	September 2011
Revised Target Completion Date:	May 2012

SOMERVILLE BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
SOMERVILLE HIGH SCHOOL PARTIAL ROOF REPLACEMENT
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Total</u>	<u>Revised Authorized Cost</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant		\$ 139,586	\$ 139,586	\$ 139,586
Transfer from Capital Reserve		200,261	200,261	200,261
Total Revenue and Other Financing Sources		<u>339,847</u>	<u>339,847</u>	<u>339,847</u>
Expenditures:				
Purchased Professional and Technical Services		24,182	24,182	29,397
Construction Services		267,900	267,900	310,450
Total Expenditures		<u>292,082</u>	<u>292,082</u>	<u>339,847</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures	<u>\$ -0-</u>	<u>\$ 47,765</u>	<u>\$ 47,765</u>	<u>\$ -0-</u>
Additional Project Information:				
Project Number:		4820-055-10-1002		
Grant Date:		01/12/11		
Original Authorized Cost:		\$ 314,847		
Additional Authorized Cost:		\$ 25,000		
Revised Authorized Cost:		\$ 339,847		
Percentage Increase over Original Authorized Cost:		7.94%		
Percentage Completion:		85.95%		
Original Target Completion Date:		September 2011		
Revised Target Completion Date:		October 2011		

SOMERVILLE BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
SOMERVILLE HIGH SCHOOL MAIN FLOOR HVAC RENOVATIONS
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Total</u>	<u>Revised Authorized Cost</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant		\$ 187,778	\$ 187,778	\$ 187,778
Transfer from Capital Reserve		235,772	235,772	235,772
Total Revenue and Other Financing Sources		423,550	423,550	423,550
Expenditures:				
Purchased Professional and Technical Services		17,406	17,406	33,696
Construction Services				389,854
Total Expenditures		17,406	17,406	423,550
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures	\$ -0-	\$ 406,144	\$ 406,144	\$ -0-
Additional Project Information:				
Project Number:		4820-055-10-1003		
Grant Date:		01/12/11		
Original Authorized Cost:		\$ 423,550		
Additional Authorized Cost:		\$ -0-		
Revised Authorized Cost:		\$ 423,550		
Percentage Increase over Original Authorized Cost:		0.00%		
Percentage Completion:		4.11%		
Original Target Completion Date:		September 2011		
Revised Target Completion Date:		December 2011		

PROPRIETARY FUNDS

SOMERVILLE BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET ASSETS
JUNE 30, 2011

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 40,321
Accounts Receivable:	
Federal Government	93,531
State Government	2,829
Inventories	15,495

Total Current Assets	<u>152,176</u>
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Non-Current Assets:

Capital Assets	312,859
Less: Accumulated Depreciation	<u>(206,276)</u>

Total Non-Current Assets	<u>106,583</u>
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Total Assets	<u>258,759</u>
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LIABILITIES:

Accounts Payable - Vendors	51,612
Deferred Revenue	<u>2,692</u>

Total Liabilities	<u>54,304</u>
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NET ASSETS:

Investment in Capital Assets, Net of Related Debt	106,583
Unrestricted	<u>97,872</u>

Total Net Assets	<u>\$ 204,455</u>
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SOMERVILLE BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Operating Revenue:	
Daily Sales - Reimbursable Programs	\$ 291,626
Special Events	7,645
Vending Sales and Rebates	4,761
	<hr/>
Total Operating Revenue	304,032
	<hr/>
Operating Expenses:	
Cost of Sales	330,965
Management Fee	13,572
Salaries, Benefits & Payroll Taxes	231,057
Other	22,858
Depreciation Expense	21,011
	<hr/>
Total Operating Expenses	619,463
	<hr/>
Operating Loss	(315,431)
	<hr/>
Non-Operating Revenue:	
Federal Sources:	
National School Breakfast Program	37,603
National School Lunch Program	246,464
Food Distribution Program	27,751
State Sources:	
School Lunch Program	7,624
	<hr/>
Total Non-Operating Revenue	319,442
	<hr/>
Change in Net Assets	4,011
	<hr/>
Net Assets - Beginning of Year	200,444
	<hr/>
Net Assets - End of Year	\$ 204,455
	<hr/> <hr/>

SOMERVILLE BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 299,271
Payments to Employees	(231,057)
Payments to Suppliers	(293,527)
	<hr/>
Net Cash Used for Operating Activities	(225,313)
	<hr/>
Cash Flows from Capital Financing Activities:	
Acquisition of Equipment	(8,014)
	<hr/>
Net Cash Used for Capital Financing Activities	(8,014)
	<hr/>
Cash Flows from Noncapital Financing Activities:	
Cash Received from Federal and State Reimbursements	214,298
	<hr/>
Net Cash Provided by Noncapital Financing Activities	214,298
	<hr/>
Net Decrease in Cash and Cash Equivalents	(19,029)
	<hr/>
Cash and Cash Equivalents, July 1	59,350
	<hr/>
Cash and Cash Equivalents, June 31	\$ 40,321
	<hr/> <hr/>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (315,431)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:	
Depreciation	21,011
Federal Food Distribution Program	27,751
Changes in Assets and Liabilities:	
(Increase)/Decrease in Inventory	(7,826)
Increase/(Decrease) in Accounts Payable	51,612
Increase/(Decrease) in Deferred Revenue	(2,430)
	<hr/>
Net Cash Used for Operating Activities	\$ (225,313)
	<hr/> <hr/>

Non-Cash Investing, Capital and Financing Activities:

The District received USDA donated commodities valued at \$27,751 and used \$25,060 of those commodities during the fiscal year.

FIDUCIARY FUNDS

SOMERVILLE BOROUGH SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Trust</u>	<u>Agency</u>		
	<u>Unemployment Compensation Trust</u>	<u>Student Activity</u>	<u>Payroll</u>	<u>Total</u>
ASSETS:				
Cash and Cash Equivalents	\$ 315,000	\$ 224,734	\$ 26,271	\$ 251,005
Interfund Receivable - Payroll Agency Fund	18,116			
Total Assets	<u>333,116</u>	<u>224,734</u>	<u>26,271</u>	<u>251,005</u>
LIABILITIES:				
Payroll Deductions and Withholdings			8,155	8,155
Interfund Payable - Unemployment Compensation Trust Fund			18,116	18,116
Due to Student Groups		224,734		224,734
Total Liabilities		<u>224,734</u>	<u>26,271</u>	<u>251,005</u>
NET ASSETS:				
Held in Trust for Unemployment Claims	333,116			
Total Net Assets	<u>\$ 333,116</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Exhibit H-2

SOMERVILLE BOROUGH SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGE IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Unemployment Compensation Trust</u>
Additions:	
Contributions:	
Employee State Unemployment Insurance Deductions	\$ 25,546
District Contributions	<u>250,000</u>
Total Contributions	<u>275,546</u>
Investment Earnings:	
Interest	<u>66</u>
Net Investment Earnings	<u>66</u>
Total Additions	<u>275,612</u>
Deductions:	
State of New Jersey Unemployment Agency Payments	<u>136,818</u>
Total Deductions	<u>136,818</u>
Change in Net Assets	138,794
Net Assets—Beginning of the Year	<u>194,322</u>
Net Assets—End of the Year	<u><u>\$ 333,116</u></u>

Exhibit H-3

SOMERVILLE BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
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	\$ 184,978	\$ 480,296	\$ 440,540	\$ 224,734
Total Assets	<u>\$ 184,978</u>	<u>\$ 480,296</u>	<u>\$ 440,540</u>	<u>\$ 224,734</u>
LIABILITIES:				
Due to Student Groups	\$ 184,978	\$ 480,296	\$ 440,540	\$ 224,734
Total Liabilities	<u>\$ 184,978</u>	<u>\$ 480,296</u>	<u>\$ 440,540</u>	<u>\$ 224,734</u>

Exhibit H-4

SOMERVILLE BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2011</u>
Van Derveer Elementary School	\$ 41,390	\$ 17,872	\$ 14,003	\$ 45,259
Somerville Middle School	50,172	44,092	34,993	59,271
Somerville High School	<u>93,416</u>	<u>418,332</u>	<u>391,544</u>	<u>120,204</u>
Total All Schools	<u>\$ 184,978</u>	<u>\$ 480,296</u>	<u>\$ 440,540</u>	<u>\$ 224,734</u>

Exhibit H-5

SOMERVILLE BOROUGH SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
ASSETS:				
Cash and Cash Equivalents	\$ 410,075	\$ 10,718,298	\$ 11,102,102	\$ 26,271
Accounts Receivable:				
Federal Government	15,194		15,194	
Total Assets	\$ 425,269	\$ 10,718,298	\$ 11,117,296	\$ 26,271
LIABILITIES:				
Payroll Deductions and Withholdings	\$ 395,328	\$ 10,692,752	\$ 11,079,925	\$ 8,155
Interfund Payable:				
Unemployment Compensation Trust Fund	29,941	25,546	37,371	18,116
Total Liabilities	\$ 425,269	\$ 10,718,298	\$ 11,117,296	\$ 26,271

LONG-TERM DEBT

SOMERVILLE BOROUGH SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds			Interest Rate	Balance June 30, 2010	Retired or Matured	Balance June 30, 2011
			Outstanding June 30, 2011						
			Date	Amount					
School Renovations	05/01/99	\$ 14,900,000				\$ 385,000	\$ 385,000		
Pension Refunding	07/13/03	2,705,000	07/15/11	\$ 185,000	5.50%				
			07/15/12	195,000	5.50%				
			07/15/13	210,000	5.50%				
			07/15/14	220,000	6.00%				
			07/15/15	240,000	6.00%				
			07/15/16	255,000	6.00%				
			07/15/17	275,000	6.00%	1,750,000	170,000	\$ 1,580,000	
School Renovations	02/15/05	15,412,000	02/15/12	650,000	3.50%				
			02/15/13	675,000	3.50%				
			02/15/14	700,000	3.50%				
			02/15/15	725,000	3.75%				
			02/15/16	750,000	3.75%				
			02/15/17	775,000	3.75%				
			02/15/18	845,000	3.75%				
			02/15/19	880,000	3.75%				
			02/15/20	915,000	4.00%				
			02/15/21	955,000	4.00%				
			02/15/22	1,000,000	4.00%				
			02/15/23	1,040,000	4.00%				
			02/15/24	1,090,000	4.00%				
02/15/25	1,137,000	4.00%	12,762,000	625,000	12,137,000				

SOMERVILLE BOROUGH SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding June 30, 2011		Interest Rate	Balance June 30, 2010	Retired or Matured	Balance June 30, 2011			
			Date	Amount							
School Refunding Bonds	03/02/06	\$ 13,710,000	07/15/11	\$ 440,000	5.000%						
			07/15/12	465,000	3.500%						
			07/15/13	485,000	5.000%						
			07/15/14	510,000	5.000%						
			07/15/15	535,000	4.000%						
			07/15/16	560,000	4.000%						
			07/15/17	585,000	4.250%						
			07/15/18	610,000	4.000%						
			07/15/19	640,000	4.100%						
			07/15/20	665,000	4.100%						
			07/15/21	690,000	4.125%						
			07/15/22	720,000	4.200%						
			07/15/23	750,000	4.200%						
			07/15/24	785,000	4.125%						
			07/15/25	820,000	4.375%						
			07/15/26	855,000	4.375%						
			07/15/27	890,000	4.375%						
			07/15/28	930,000	4.375%						
			07/15/29	975,000	4.375%				\$ 12,945,000	\$ 35,000	\$ 12,910,000

SOMERVILLE BOROUGH SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOT APPLICABLE

SOMERVILLE BOROUGH SCHOOL DISTRICT
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 Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 1,901,440		\$ 1,901,440	\$ 1,901,440	
State Sources:					
Debt Service Aid Type II	235,270		235,270	235,270	
Total Revenues	2,136,710		2,136,710	2,136,710	
EXPENDITURES:					
Regular Debt Service:					
Interest on Early Retirement Bonds	96,525		96,525	96,525	
Interest on Bonds	1,049,771		1,049,771	1,049,770	\$ 1
Redemption of Principal	1,045,000		1,045,000	1,045,000	
Redemption of Principal - ERIP	170,000		170,000	170,000	
Total Regular Debt Service	2,361,296		2,361,296	2,361,295	1
Total Expenditures	2,361,296		2,361,296	2,361,295	1
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(224,586)		(224,586)	(224,585)	1
Other Financing Sources:					
Transfer from General Fund	218,775		218,775	218,775	
Operating Transfers In - Capital Projects Fund				33,459	33,459
Total Other Financing Sources	218,775		218,775	252,234	33,459
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures	(5,811)		(5,811)	27,649	33,460
Fund Balance, July 1	12,571		12,571	12,571	
Fund Balance, June 30	\$ 6,760	\$ -0-	\$ 6,760	\$ 40,220	\$ 33,460
Recapitulation:					
Restricted Fund Balance - For Subsequent Year's Expenditures				\$ 39,574	
Restricted Fund Balance				646	
				\$ 40,220	

STATISTICAL SECTION

This part of the School's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the School's overall financial health.

Contents

	<u>Exhibit</u>
<p>Financial Trends</p> <p>These schedules contain trend information to help the reader understand how the School's financial performance and well-being have changed over time.</p>	J-1 thru J-5
<p>Revenue Capacity</p> <p>These schedules contain information to help the reader assess the factors affecting the School's ability to generate its property taxes.</p>	J-6 thru J-9
<p>Debt Capacity</p> <p>These schedules present information to help the reader assess the affordability of the School's current levels of outstanding debt and the School's ability to issue additional debt in the future.</p>	J-10 thru J-13
<p>Demographic and Economic Information</p> <p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the School's financial activities take place and to help make comparisons over time and with other governments.</p>	J-14 thru J-15
<p>Operating Information</p> <p>These schedules contain information about the School's operations and resources to help the reader understand how the School's financial information relates to the services the School provides and the activities it performs.</p>	J-16 thru J-20

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year. The School implemented Statement 34 in a previous fiscal year. Schedules presenting government-wide information include information beginning in the fiscal year ended June 30, 2005.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NET ASSETS BY COMPONENT
LAST SEVEN FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
Governmental Activities:							
Invested in Capital Assets, Net of Related Debt	\$ 903,313	\$ 2,609,379	\$ 3,068,835	\$ 5,707,897	\$ 12,989,685	\$ 13,798,944	\$ 15,869,670
Restricted	4,021,232	3,483,898	6,705,360	9,570,950	6,445,610	5,965,930	4,986,233
Unrestricted/(Deficit)	<u>(3,979,911)</u>	<u>(2,781,920)</u>	<u>(3,223,761)</u>	<u>(3,029,490)</u>	<u>(3,374,507)</u>	<u>(2,794,727)</u>	<u>(154,516)</u>
Total Governmental Activities Net Assets	<u>\$ 944,634</u>	<u>\$ 3,311,357</u>	<u>\$ 6,550,434</u>	<u>\$ 12,249,357</u>	<u>\$ 16,060,788</u>	<u>\$ 16,970,147</u>	<u>\$ 20,701,387</u>
Business-Type Activities:							
Invested in Capital Assets, Net of Related Debt	\$ 11,520	\$ 17,169	\$ 18,964	\$ 20,906	\$ 131,820	\$ 119,580	\$ 106,583
Unrestricted	<u>38,181</u>	<u>39,610</u>	<u>64,147</u>	<u>84,471</u>	<u>93,842</u>	<u>80,864</u>	<u>97,872</u>
Total Business-Type Activities Net Assets	<u>\$ 49,701</u>	<u>\$ 56,779</u>	<u>\$ 83,111</u>	<u>\$ 105,377</u>	<u>\$ 225,662</u>	<u>\$ 200,444</u>	<u>\$ 204,455</u>
District-Wide:							
Invested in Capital Assets, Net of Related Debt	\$ 914,833	\$ 2,626,548	\$ 3,087,799	\$ 5,728,803	\$ 13,121,505	\$ 13,918,524	\$ 15,976,253
Restricted	4,021,232	3,483,898	6,705,360	9,570,950	6,445,610	5,965,930	4,986,233
Unrestricted/(Deficit)	<u>(3,941,730)</u>	<u>(2,742,310)</u>	<u>(3,159,614)</u>	<u>(2,945,019)</u>	<u>(3,280,665)</u>	<u>(2,713,863)</u>	<u>(56,644)</u>
Total District Net Assets	<u>\$ 994,335</u>	<u>\$ 3,368,136</u>	<u>\$ 6,633,545</u>	<u>\$ 12,354,734</u>	<u>\$ 16,286,450</u>	<u>\$ 17,170,591</u>	<u>\$ 20,905,842</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ended June 30, 2006.

Source: School District Financial Reports

SOMERVILLE BOROUGH SCHOOL DISTRICT
CHANGES IN NET ASSETS - LAST SEVEN FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
Expenses:							
Governmental Activities:							
Instruction	\$ 18,619,900	\$ 18,967,842	\$ 21,824,996	\$ 21,430,644	\$ 21,935,221	\$ 23,719,403	\$ 24,042,184
Support Services:							
Tuition	1,959,608	1,989,591	2,192,271	2,564,707	2,309,113	2,198,874	1,836,656
Student & Instruction Related Services	3,962,759	5,023,196	3,828,002	5,529,401	5,402,195	4,151,442	3,905,097
General Administrative Services	936,492	1,092,058	1,111,885	1,219,150	1,115,342	1,002,633	677,996
School Administrative Services	1,458,174	1,486,782	1,514,303	1,703,809	1,640,904	1,972,290	2,144,127
Central Services	497,303	545,818	516,459	553,104	559,273	608,104	539,778
Administration Information Technology	299,025	323,420	331,891	232,324	395,336	311,042	441,476
Plant Operations And Maintenance	2,944,731	3,053,871	3,040,276	2,904,476	2,657,479	2,851,398	2,572,196
Pupil Transportation	628,581	644,677	694,968	779,217	906,164	925,207	913,937
Business and Other Support Services	1,668						
Interest On Long-Term Debt	1,063,528	1,255,980	1,447,151	1,276,981	1,247,328	1,302,094	1,067,482
Unallocated Depreciation	535,419	542,167	550,459	556,167	582,877	616,168	211,594
Capital Outlay						406,837	
Transfer to Charter School			9,281	10,266	17,345	34,371	31,300
Total Governmental Activities Expenses	<u>32,907,188</u>	<u>34,925,402</u>	<u>37,061,942</u>	<u>38,760,246</u>	<u>38,768,577</u>	<u>40,099,863</u>	<u>38,383,823</u>
Business-Type Activities:							
Food Service	507,745	529,479	494,093	535,880	526,946	633,191	619,463
Total Business-Type Activities Expense	<u>507,745</u>	<u>529,479</u>	<u>494,093</u>	<u>535,880</u>	<u>526,946</u>	<u>633,191</u>	<u>619,463</u>
Total District Expenses	<u>33,414,933</u>	<u>35,454,881</u>	<u>37,556,035</u>	<u>39,296,126</u>	<u>39,295,523</u>	<u>40,733,054</u>	<u>39,003,286</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
CHANGES IN NET ASSETS - LAST SEVEN FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
Program Revenues:							
Governmental Activities:							
Charges For Services:							
Instruction (Tuition)	\$ 6,776,248	\$ 8,370,188	\$ 9,288,525	\$ 8,726,420	\$ 9,326,630	\$ 8,524,928	\$ 10,566,778
Operating Grants and Contributions	6,169,418	6,553,752	7,776,719	8,082,075	5,710,628	5,606,807	5,913,137
Capital Grants and Contributions	47,689	86,924	776,563	4,583,486	891,578	1,765,590	817,741
Total Governmental Activities Program Revenues	<u>12,993,355</u>	<u>15,010,864</u>	<u>17,841,807</u>	<u>21,391,981</u>	<u>15,928,836</u>	<u>15,897,325</u>	<u>17,297,656</u>
Business-Type Activities:							
Charges for Services:							
Food Service	291,860	301,740	265,606	297,289	254,596	285,851	304,032
Operating Grants and Contributions	240,776	234,817	254,819	260,857	295,796	322,122	319,442
Total Business Type Activities Program Revenues	<u>532,636</u>	<u>536,557</u>	<u>520,425</u>	<u>558,146</u>	<u>550,392</u>	<u>607,973</u>	<u>623,474</u>
Total District Program Revenues	<u>13,525,991</u>	<u>15,547,421</u>	<u>18,362,232</u>	<u>21,950,127</u>	<u>16,479,228</u>	<u>16,505,298</u>	<u>17,921,130</u>
Net (Expense)/Revenue:							
Governmental Activities	(19,913,833)	(19,914,538)	(19,220,135)	(17,368,265)	(22,839,741)	(24,202,538)	(21,086,167)
Business-Type Activities	24,891	7,078	26,332	22,266	23,446	(25,218)	4,011
Total District-Wide Net Expense	<u>(19,888,942)</u>	<u>(19,907,460)</u>	<u>(19,193,803)</u>	<u>(17,345,999)</u>	<u>(22,816,295)</u>	<u>(24,227,756)</u>	<u>(21,082,156)</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
CHANGES IN NET ASSETS - LAST SEVEN FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
General Revenues and Other Changes in Net Assets							
Governmental Activities:							
Property Taxes Levied for General Purposes, Net	\$ 16,087,168	\$ 16,087,168	\$ 17,153,021	\$ 17,842,058	\$ 18,555,740	\$ 19,277,969	\$ 19,188,561
Taxes Levied for Debt Service	989,692	1,999,460	1,240,876	1,568,598	1,570,214	1,810,440	1,901,440
Unrestricted Grants and Contributions	2,514,718	2,588,724	2,582,827	2,930,421	4,564,441	3,801,589	3,578,463
Interest and Miscellaneous Income	643,646	1,265,236	1,482,488	726,111	276,586	221,899	148,943
Special Item - Change in Capitalization Threshold		340,673					
Total Governmental Activities	<u>20,235,224</u>	<u>22,281,261</u>	<u>22,459,212</u>	<u>23,067,188</u>	<u>24,966,981</u>	<u>25,111,897</u>	<u>24,817,407</u>
 Total District-Wide	<u>20,235,224</u>	<u>22,281,261</u>	<u>22,459,212</u>	<u>23,067,188</u>	<u>24,966,981</u>	<u>25,111,897</u>	<u>24,817,407</u>
 Change in Net Assets							
Governmental Activities	321,391	2,366,723	3,239,077	5,698,923	2,127,240	909,359	3,731,240
Business-Type Activities	24,891	7,078	26,332	22,266	23,446	(25,218)	4,011
Total District	<u>\$ 346,282</u>	<u>\$ 2,373,801</u>	<u>\$ 3,265,409</u>	<u>\$ 5,721,189</u>	<u>\$ 2,150,686</u>	<u>\$ 884,141</u>	<u>\$ 3,735,251</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ended June 30, 2006.

Source: School District Financial Reports

SOMERVILLE BOROUGH SCHOOL DISTRICT
FUND BALANCES - GOVERNMENTAL FUNDS
LAST SEVEN FISCAL YEARS
UNAUDITED
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
General Fund							
Reserved/Restricted	\$ 1,137,822	\$ 2,666,544	\$ 4,779,288	\$ 6,011,363	\$ 6,997,411	\$ 5,722,573	\$ 4,483,954
Assigned							1,280,056
Unassigned							380,238
Unreserved	1,370,681	747,754	908,709	471,569	396,329	480,394	
Total General Fund	<u>\$ 2,508,503</u>	<u>\$ 3,414,298</u>	<u>\$ 5,687,997</u>	<u>\$ 6,482,932</u>	<u>\$ 7,393,740</u>	<u>\$ 6,202,967</u>	<u>\$ 6,144,248</u>
All Other Governmental Funds/(Deficit)							
Reserved/Restricted	\$ 2,881,523	\$ 5,109,013	\$ 12,775,729	\$ 3,997,585	\$ 1,715,580	\$ 393,820	\$ 232,574
Committed							322,401
Unassigned							(52,696)
Unreserved, Reported In:							
Special Revenue Fund	(77,908)	(69,394)	(69,394)	(70,816)	(47,124)	(57,282)	
Capital Projects Fund	14,330,390	10,495,281	(1,248,505)	61,336	(1,346,061)	(59,209)	
Debt Service Fund	180,104	762,185	669,452	552,542	106,864	12,571	
Total All Other Governmental Funds	<u>\$ 17,314,109</u>	<u>\$ 16,297,085</u>	<u>\$ 12,127,282</u>	<u>\$ 4,540,647</u>	<u>\$ 429,259</u>	<u>\$ 289,900</u>	<u>\$ 502,279</u>
Total All Government Funds	<u>\$ 19,822,612</u>	<u>\$ 19,711,383</u>	<u>\$ 17,815,279</u>	<u>\$ 11,023,579</u>	<u>\$ 7,822,999</u>	<u>\$ 6,492,867</u>	<u>\$ 6,646,527</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ended June 30, 2006.

Source: School District Financial Reports

SOMERVILLE BOROUGH SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST SEVEN FISCAL YEARS
UNAUDITED
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
Revenues:							
Tax Levy	\$ 17,076,860	\$ 18,086,628	\$ 18,393,897	\$ 19,410,656	\$ 20,125,954	\$ 21,088,409	\$ 21,090,001
Tuition Charges	6,776,248	8,370,188	9,288,525	8,726,420	9,326,630	8,524,928	10,566,778
Interest Earnings	245,624	829,184	1,007,774	644,271	3,516	1,237	800
Miscellaneous	432,014	460,720	508,797	142,267	337,037	273,840	217,210
State Sources	7,640,035	8,122,037	9,829,835	14,204,500	9,937,719	8,712,328	8,877,333
Federal Sources	1,057,797	1,082,696	1,272,191	1,331,055	1,164,962	2,408,480	1,362,941
Total Revenue	33,228,578	36,951,453	40,301,019	44,459,169	40,895,818	41,009,222	42,115,063
Expenditures							
Regular Instruction	13,540,891	14,340,799	14,397,119	15,081,072	15,999,651	17,948,006	17,776,273
Support Services:							
Tuition	1,959,608	1,989,591	2,192,271	2,564,707	2,309,113	2,198,874	1,836,656
Student & Instruction Related Services	3,444,424	3,567,389	3,936,978	4,125,929	4,116,054	3,043,547	2,810,853
General Administrative Services	809,799	708,468	769,493	774,822	805,885	833,411	623,696
School Administrative Services	1,076,616	1,038,225	1,074,395	1,171,163	1,153,413	1,400,811	1,479,224
Central Services	369,567	392,268	390,827	385,953	415,224	436,656	418,789
Administration Information Technology	239,219	241,852	296,505	197,951	339,437	286,424	373,836
Plant Operations And Maintenance	2,469,390	2,501,774	2,568,963	2,483,766	2,308,067	2,488,333	2,507,571
Pupil Transportation	545,249	545,309	597,803	650,863	799,830	819,240	656,880
Unallocated Benefits	6,418,303	7,584,028	8,519,993	9,291,955	8,335,976	8,219,596	8,398,444
Capital Outlay	773,765	1,828,279	5,109,000	12,192,818	5,175,169	2,171,871	2,686,586

SOMERVILLE BOROUGH SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST SEVEN FISCAL YEARS
UNAUDITED
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
Expenditures							
Debt Service:							
Principal	\$ 405,000	\$ 900,000	\$ 1,080,000	\$ 1,035,000	\$ 1,080,000	\$ 1,165,000	\$ 1,215,000
Interest And Other Charges	867,234	1,424,699	1,254,495	1,284,604	1,241,234	1,293,214	1,146,295
Transfer to Charter School			9,281	10,266	17,345	34,371	31,300
Total Expenditures	32,919,065	37,062,681	42,197,123	51,250,869	44,096,398	42,339,354	41,961,403
Excess/(Deficiency) Of Revenues Over/(Under) Expenditures	309,513	(111,228)	(1,896,104)	(6,791,700)	(3,200,580)	(1,330,132)	153,660
Other Financing Sources (Uses)							
Bond Proceeds	15,412,000						
Transfers In	174,336	730,408	716,527	358,088	29,321	765,720	1,541,855
Transfers Out	(174,336)	(730,408)	(716,527)	(358,088)	(29,321)	(765,720)	(1,541,855)
Total Other Financing Sources (Uses)	15,412,000						
Net Change In Fund Balances	\$ 15,721,513	\$ (111,228)	\$ (1,896,104)	\$ (6,791,700)	\$ (3,200,580)	\$ (1,330,132)	\$ 153,660
Debt Service As A Percentage Of Noncapital Expenditures	3.96%	6.60%	6.29%	5.94%	5.96%	6.12%	6.01%

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ended June 30, 2006.

Source: School District Financial Reports

SOMERVILLE BOROUGH SCHOOL DISTRICT
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
UNAUDITED
(modified accrual basis of accounting)

Fiscal Year Ending June 30,	Interest on Investments	Tuition	Rentals- Use of Facilities	Prior Year Refunds	Other	Total
2002	\$ 54,988	\$ 5,289,240	\$ 4,700		\$ 97,520	\$ 5,446,448
2003	24,996	5,866,450	3,900		13,620	5,908,966
2004	20,302	6,143,566	6,000	\$ 28,994	270,387	6,469,249
2005	72,558	6,776,248	4,000	39,654	354,367	7,246,827
2006	206,068	8,370,188	2,000	24,966	409,086	9,012,308
2007	291,247	9,288,525		39,708	435,056	10,054,536
2008	271,241	8,726,420		13,245	83,537	9,094,443
2009	82,150	9,326,630	9,000	21,674	134,441	9,573,895
2010	19,100	8,524,928	750		195,290	8,740,068
2011	4,646	10,566,778	19,144		124,509	10,715,077

* - Includes Restoration of Administrative Penalty

SOMERVILLE BOROUGH SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST SEVEN YEARS
UNAUDITED

Year Ended December 31,	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Tax-Exempt Property	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2004	\$ 4,367,800	\$ 391,768,700	\$ 199,806,800	\$ 11,328,800	\$ 41,910,200	\$ 649,182,300	\$ 251,829,000	\$ 7,275,656	\$ 656,457,956	\$ 2.61	\$ 894,759,025
2005	5,128,500	390,890,100	194,404,300	11,356,200	41,900,300	643,679,400	249,140,900	8,713,671	652,393,071	2.65	993,534,676
2006	4,575,300	392,274,700	202,211,000	11,328,800	41,910,100	652,299,900	254,584,000	6,751,695	659,051,595	2.76	1,108,610,266
2007	5,053,500	394,527,400	200,951,850	11,352,900	41,845,600	653,731,250	254,150,350	5,261,205	658,992,455	2.89	1,278,354,529
2008	4,189,400	395,145,400	200,311,950	11,187,900	41,843,600	652,678,250	253,343,450	5,580,114	658,258,364	3.00	1,434,238,715
2009	3,450,900	395,255,400	205,064,950	10,187,900	41,093,600	655,052,750	260,914,100	5,999,725	661,052,475	3.12	1,459,063,364
2010	3,263,100	395,574,700	204,521,850	9,937,900	40,468,500	653,766,050	255,490,400	5,665,501	659,431,551	3.20	1,399,556,602

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006

Source: 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

SOMERVILLE BOROUGH SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
UNAUDITED
(rate per \$100 of assessed value)

Year Ended December 31,	Somerville Borough School District Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Borough of Somerville	Somerset County	
2001	\$ 1.918	\$ 0.072	\$ 1.990	\$ 0.986	\$ 0.424	\$ 3.400
2002	2.069	0.070	2.139	0.994	0.437	3.570
2003	2.279	0.125	2.404	1.021	0.445	3.870
2004	2.458	0.151	2.609	1.054	0.497	4.160
2005	2.452	0.193	2.645	1.122	0.523	4.290
2006	2.573	0.186	2.759	1.213	0.548	4.520
2007	2.657	0.234	2.891	1.349	0.590	4.830
2008	2.768	0.235	3.003	1.395	0.657	5.055
2009	2.849	0.268	3.117	1.496	0.652	5.265
2010	2.910	0.288	3.198	1.653	0.626	5.478

Source: Municipal Tax Collector and School Business Administrator

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 calculation.

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.

SOMERVILLE BOROUGH SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

BOROUGH OF SOMERVILLE

2011			2002		
Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value	Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value
Brookside Invest Assoc.	48,384,700	7.34%			
DeSapio Properties # 10 LLC	14,610,400	2.22%			
Health Care REIT Inc	13,720,400	2.08%			
Somerville TIC I LLC	11,017,500	1.67%			
1034/1044/1050 Route #22 LLC	10,988,700	1.67%		<i>Not Available</i>	
DeSapio Properties #7 LLC	9,363,200	1.42%			
Franic P McAleavy III	7,258,900	1.10%			
DGM Management	7,105,800	1.08%			
Pine View Gardens	6,060,400	0.92%			
Main Associates	5,912,400	0.90%			
	<u>\$ 134,422,400</u>	<u>20.38%</u>			

SOMERVILLE BOROUGH SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
UNAUDITED

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Taxes Levied</u> <u>for the</u> <u>Fiscal Year</u>	<u>Collected within the Fiscal</u> <u>Year of the Levy^a</u>		<u>Collections in</u> <u>Subsequent</u> <u>Years</u>
		<u>Amount</u>	<u>Percentage</u> <u>of Levy</u>	
2002	\$ 12,952,736	\$ 12,952,736	100.00%	-0-
2003	14,694,585	14,694,585	100.00%	-0-
2004	16,932,809	16,932,809	100.00%	-0-
2005	17,076,860	17,076,860	100.00%	-0-
2006	18,086,628	18,086,628	100.00%	-0-
2007	18,393,897	18,393,897	100.00%	-0-
2008	19,410,656	19,410,656	100.00%	-0-
2009	20,125,954	20,125,954	100.00%	-0-
2010	21,088,409	21,088,409	100.00%	-0-
2011	21,090,001	21,090,001	100.00%	-0-

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

- a. 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 the amount voted upon or certified prior to the end of the school year.

SOMERVILLE BOROUGH SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST SEVEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Capital Leases			
2005	\$ 32,522,000	\$ 21,412	\$ 32,543,412	4.25%	\$ 2,646
2006	32,202,000	7,137	32,209,137	3.89%	2,622
2007	31,122,000	- 0 -	31,122,000	3.53%	2,525
2008	30,087,000	- 0 -	30,087,000	3.33%	2,439
2009	29,007,000	- 0 -	29,007,000	3.36%	2,329
2010	27,842,000	- 0 -	27,842,000	3.22%	2,235
2011	26,627,000	- 0 -	26,627,000	3.08%	2,138

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ended June 30, 2006.

Source: School District Financial Reports

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

- a See Exhibit J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.
- b Includes ERIP bonds

SOMERVILLE BOROUGH SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST SEVEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds ^c	Deductions	Net General Bonded Debt Outstanding		
2005	\$ 32,522,000	\$ -0-	\$ 32,522,000	4.954%	\$ 2,644
2006	32,202,000	-0-	32,202,000	4.936%	2,622
2007	31,122,000	-0-	31,122,000	4.722%	2,525
2008	30,087,000	-0-	30,087,000	4.566%	2,439
2009	29,007,000	-0-	29,007,000	4.407%	2,329
2010	27,842,000	-0-	27,842,000	4.212%	2,235
2011	26,627,000	-0-	26,627,000	4.038%	2,138

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ended June 30, 2006.

Source: School District Financial Reports

Note: Details regarding the district's outstanding debt can be found in the notes to the financial statements.
a See Exhibit J-6 for property tax data. This ratio is calculated using valuation data for the prior year.
b Population data can be found in on J-14. This ratio is calculated using valuation data for the prior year.
c Includes ERIP bonds.

SOMERVILLE BOROUGH SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2010
UNAUDITED

<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 Somerville	\$ 24,124,089	100.00%	\$ 24,124,089
Somerset County General Obligation Debt	135,950,155	2.20%	2,987,828
Somerset County Improvement Authority Debt	174,984,150	2.20%	<u>3,845,693</u>
Subtotal, Overlapping Debt			30,957,610
Somerville Borough School District Direct Debt			<u>26,627,000</u>
Total Direct And Overlapping Debt			<u>\$ 57,584,610</u>

Sources: Assessed value data used to estimate applicable percentages provided by the Somerset County Board of Taxation; debt outstanding data provided by each governmental unit.

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 that is borne by the residents and businesses of Borough of Somerville. This process recognizes that, when considering the District's ability to issue and repay long-term, 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 unit.

^a For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable equalized property values. Applicable percentages were estimated by determining the portion of Somerville Borough 's equalized property value that is within the Somerset County's boundaries and dividing it by Somerset County's total equalized property value.

SOMERVILLE BOROUGH SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

Legal Debt Margin Calculation for Fiscal Year 2011

Equalized Valuation Basis	<u>Somerville Borough</u>
2008	1,436,984,258
2009	1,386,061,680
2010	1,379,253,270
	<u>\$4,202,299,208</u>
Average Equalized Valuation of Taxable Property	<u>\$1,400,766,403</u>
Debt Limit ^a (4% of average equalization value)	\$ 56,030,656
Net Bonded School Debt as of June 30, 2011	<u>26,627,000</u>
Legal Debt Margin	<u>\$ 29,403,656</u>

	<u>Fiscal Year</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>
Debt Limit	\$ 24,033,822	\$ 25,294,273	\$ 31,036,047	\$ 30,649,837	\$34,578,742	\$ 39,282,110	\$ 44,245,746	\$ 50,261,176	\$ 54,917,340	\$ 56,030,656
Total Net Debt Applicable to Limit	<u>15,680,000</u>	<u>15,445,000</u>	<u>14,795,000</u>	<u>14,930,000</u>	<u>32,522,000</u>	<u>32,202,000</u>	<u>31,122,000</u>	<u>30,087,000</u>	<u>27,842,000</u>	<u>26,627,000</u>
Legal Debt Margin	<u>\$ 8,353,822</u>	<u>\$ 9,849,273</u>	<u>\$ 16,241,047</u>	<u>\$ 15,719,837</u>	<u>\$ 2,056,742</u>	<u>\$ 7,080,110</u>	<u>\$ 13,123,746</u>	<u>\$ 20,174,176</u>	<u>\$ 27,075,340</u>	<u>\$ 29,403,656</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	65.24%	61.06%	47.67%	48.71%	94.05%	81.98%	70.34%	59.86%	50.70%	47.52%

a Limit set by NJSA 18A:24-19 for a K through 12 district; other % limits would be applicable for other districts

Source: Equalized valuation bases were obtained from the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation

SOMERVILLE BOROUGH SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Year	Population ^a	Personal Income ^b	Somerset County Per Capita Personal Income ^c	Unemployment Rate ^d
2002	12,329	\$ 689,043,152	\$ 55,888	6.90%
2003	12,264	696,742,368	56,812	5.90%
2004	12,277	735,785,164	59,932	4.90%
2005	12,298	765,525,904	62,248	5.70%
2006	12,283	828,549,765	67,455	4.90%
2007	12,326	882,097,864	71,564	5.20%
2008	12,338	903,104,586	73,197	4.60%
2009	12,455 **	864,190,175	69,385 *	6.10%
2010	12,455 **	864,190,175	69,385 *	6.10%
2011	12,455 **	864,190,175	69,385 *	N/A

* - Latest Somerset County per capita personal income available (2009) was used for calculation purposes.

** - Latest population data available (2009) was used for calculation purposes.

N/A - Information Unavailable

Source: School District Reports

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

b Personal income has been estimated based upon the municipal population and per capita personal income presented

c Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

2011			2002		
Employer	Employees	Percentage of Total Employment	Employer	Employees	Percentage of Total Employment
Somerset Medical Center	**	N/A	Somerset Medical Center	**	N/A
Somerset County Administration	**	N/A	Somerset County Administration	**	N/A
Somerville Board of Education	301	N/A	Somerville Board of Education	297	N/A
Borough of Somerville	94	N/A	Borough of Somerville	100	N/A

** - Number of employees is greater than 500

N/A - Total amount of employment is not available in order to calculate percentage of total employment.

Note: Although there are less than 10 principal employers, the ones listed above constitute more than 50% of employment in the District.

Source: Somerset County Chamber of Commerce.

SOMERVILLE BOROUGH SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST SEVEN FISCAL YEARS
UNAUDITED

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Instruction							
Regular	159.0	161.0	163.0	163.0	164.0	164.0	164.0
Special Education	51.0	51.0	51.0	51.0	51.0	51.0	51.0
Support Services:							
Student & Instruction Related Services	36.0	36.0	36.0	37.0	40.0	40.0	40.4
School Administrative Services	17.0	17.0	17.0	17.0	17.0	17.0	17.0
General and Business Administrative Services	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Plant Operations and Maintenance	25.5	25.5	25.5	13.0	13.0	13.0	13.0
Pupil Transportation	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Other Support Services	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Total	<u>304.5</u>	<u>306.5</u>	<u>308.5</u>	<u>297.0</u>	<u>301.0</u>	<u>301.0</u>	<u>301.4</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ended June 30, 2006.

Source: District Personnel Records

SOMERVILLE BOROUGH SCHOOL DISTRICT
OPERATING STATISTICS
LAST SEVEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	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	Middle School	High School				
2005	2,169	\$ 30,873,066	\$ 14,233.78	3.77%	213	1:14.1	1:9.1	1:10.2	2,169	2,078	0.56%	95.80%
2006	2,173	32,909,703	15,144.82	6.40%	215	1:13.8	1:9.8	1:10.9	2,173	2,084	0.18%	95.90%
2007	2,206	34,753,628	15,754.14	4.02%	217	1:11.3	1:8.7	1:11.0	2,206	2,127	1.52%	96.42%
2008	2,281	36,738,447	16,106.29	2.24%	217	1:11.3	1:8.7	1:11.3	2,281	2,199	3.40%	96.41%
2009	2,351	36,599,995	15,567.84	-3.34%	218	1:10.12	1:8.0	1:11.7	2,351	2,266	3.07%	96.38%
2010	2,325	37,709,269	16,219.04	4.18%	218	1:12.0	1:8.0	1:11.7	2,325	2,233	-1.11%	96.05%
2011	2,401	36,913,522	15,374.23	-5.21%	218	1:12.0	1:8.0	1:11.7	2,401	2,283	3.27%	95.09%

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ended June 30, 2006.

Source: Somerville Borough School District records

Note: Enrollment based on annual average daily enrollment

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily Enrollment and average daily attendance are obtained from the School Register Summary (SRS).
- d The cost per pupil calculated above is the sum of the operating expenditures divided by Enrollment. This cost per pupil may be different from other cost per pupil calculations.

SOMERVILLE BOROUGH SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST SEVEN FISCAL YEARS
UNAUDITED

	<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>							
Van Derveer School							
Square Feet	82,950	82,950	82,950	86,792	86,792	86,792	86,792
Capacity (students)	1,100	1,100	1,100	1,175	1,175	1,175	1,175
Enrollment	724	731	724	705	753	839	862
Somerville Middle School							
Square Feet	96,750	96,750	96,750	97,350	97,350	97,350	97,350
Capacity (students)	1,600	1,600	1,600	1,600	1,600	1,600	1,600
Enrollment	358	353	358	356	414	319	318
Somerville High School							
Square Feet	153,250	153,250	153,250	153,250	153,250	153,250	153,250
Capacity (students)	1,300	1,300	1,300	1,300	1,300	1,300	1,300
Enrollment	1,045	1,057	1,045	1,126	1,184	1,166	1,222
Central School							
Square Feet	67,400	67,400	67,400	67,400	-0-	-0-	-0-
Capacity (students)	950	950	950	950	-0-	-0-	-0-
Enrollment	92	95	92	94	-0-	-0-	-0-

Number of Schools at June 30, 2011

 Elementary =1

 Middle School = 1

 High School = 1

Note: Enrollment is based on the annual October district count.

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ended June 30, 2006.

Source: Somerville Borough School District Facilities Office

SOMERVILLE BOROUGH SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE
LAST TEN FISCAL YEARS
UNAUDITED

Undistributed Expenditures - Required Maintenance For School Facilities

11-000-261-xxx

<u>School Facilities</u>	<u>Project #</u>	<u>Fiscal Year Ended June 30,</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>
Van Derveer School	N/A	\$ 98,844	\$ 133,386	\$ 143,739	\$ 224,690	\$ 177,393	\$ 179,565	\$ 110,572	\$ 96,778	\$ 124,766	\$ 109,455
Somerville Middle School	N/A	118,131	147,043	142,000	150,274	101,698	102,943	193,192	136,130	185,372	157,372
Somerville High School	N/A	179,848	218,099	300,262	337,730	350,951	355,247	232,031	270,508	305,897	449,097
Central School	N/A	85,343									
Total School Facilities		\$ 482,166	\$ 498,528	\$ 586,001	\$ 712,694	\$ 630,042	\$ 637,755	\$ 535,795	\$ 503,416	\$ 616,035	\$ 715,924

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

Source: Somerville Borough School District records

SOMERVILLE BOROUGH SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2011
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
<u>Commercial Package Policy - Selective Insurance Company:</u>		
Property - Blanket Buildings and Contents	\$ 78,603,748	\$ 1,000
Turf Fields - Brooks Field	1,000,000	1,000
SHS Field	1,000	1,000
Systems Power Pac - Boiler and Machinery	Included	1,000
Includes Elite Pac enhancements such as:		
Accounts Receivable	100,000	
Extra Expense	500,000	
Valuable Papers	100,000	250
Outdoor Fences	100,000	250
Outdoor Signs	100,000	250
Broadened Water-Direct Damage	100,000	1,000
<u>Inland Marine</u>		
Contractors Equipment per Schedule	111,524	250
Satellite Dish	8,500	250
Listening Device	7,288	250
Business Computer	673,157	250
Cameras, etc	139,778	250
Musical Instruments	496,962	250
Valuable Papers	50,000	250
General Liability	1,000,000	Each Occurrence
	2,000,000	General Aggregate
Employee Benefits Program Liability	1,000,000	1,000
	2,000,000	Annual Aggregate
Sexual Abuse/Molestation	1,000,000	Each Loss
	1,000,000	Annual Aggregate
Automobile Liability	1,000,000	CSL
Comprehensive		250
Collision		500
Commercial Umbrella	10,000,000	Each Occurrence
	10,000,000	Aggregate
<u>School Board Legal Liability - Selective Insurance Company</u>		
Full Prior Acts (Each Claim)	1,000,000	10,000
	1,000,000	Annual Aggregate
<u>Surety Bond - Selective Insurance Company</u>		
Treasurer of School Monies	300,000	
Business Administrator	300,000	
Employee Theft	25,000	

Source: Somerville Board of Education

SINGLE AUDIT SECTION



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Independent Auditors' 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*

The Honorable President and Members
 of the Board of Education
 Somerville Borough School District
 County of Somerset, New Jersey

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Somerville Borough Board of Education, in the County of Somerset (the "Board") as of, and for the fiscal year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey (the "Department").

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board'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 providing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board'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 Board's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the 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.

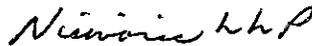
The Honorable President and Members
of the Board of Education
Somerville Borough School District
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board'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 and Regulatory Compliance, Department of Education, State of New Jersey. However, we noted a certain matter which we reported to management in the *Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance*.

This report is intended solely for the information and use of management, the members of the Board of Education, and to meet the requirements for filing with the New Jersey State Department of Education, and other state and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

November 18, 2011
Mount Arlington, New Jersey


NISIVOCCIA LLP


Francis J. Jones, Jr.
Licensed Public School Accountant #1154
Certified Public Accountant



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Independent Auditors' 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 OMB Circular A-133 and New Jersey's OMB Circular NJOMB 04-04

The Honorable President and Members
 of the Board of Education
 Somerville Borough School District
 County of Somerset, New Jersey

Compliance

We have audited the compliance of the Board of Education of the Somerville Borough School District in the County of Somerset (the "Board") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2011. The Board's major federal and state programs are identified in the summary of auditors' 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 federal and state programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board'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; audit requirements prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey (the "Department"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*, and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, OMB Circular A-133, and New Jersey OMB Circular NJOMB 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about the Board'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 of the Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2011.

The Honorable President and Members
of the Board of Education
Somerville Borough School District
Page 2

Internal Control Over Compliance

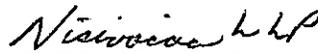
The management of the Board is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Board's internal control 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *New Jersey State Aid/Grant Compliance Supplement*, but not for the purpose of expressing our opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

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

Our consideration of 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 management, the members of the Board of Education, and to meet the requirements for filing with the New Jersey State Department of Education, and other federal and 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.

November 18, 2011
Mount Arlington, New Jersey


NISIVOCCIA LLP


Francis J. Jones, Jr.
Licensed Public School Accountant #1154
Certified Public Accountant

**SOMERVILLE BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or Federal Project Number	Grant Period	Award Amount	Balance at June 30, 2010			Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance June 30, 2011				
					Budgetary Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor						Budgetary Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor		
General Fund:																	
U.S. Department of Health and Human Services																	
Passed-Through State Department of Human Services:																	
Medicaid Assistance Program	93.778	N/A	7/1/10-6/30/11	\$ 54,311				\$ 43,751	\$ (54,311)			\$ 10,560					
Medicaid Assistance Program	93.778	N/A	7/1/09-6/30/10	52,439	\$ 12,759			12,759									
Total U.S. Department of Health and Human Services					<u>12,759</u>			<u>56,510</u>	<u>(54,311)</u>			<u>10,560</u>					
U.S. Department of Labor:																	
American Recovery and Reinvestment Act:																	
COBRA Premium Assistance	17.151	N/A	7/1/10-6/30/11	5,529				5,529	(5,529)								
COBRA Premium Assistance	17.151	N/A	7/1/09-6/30/10	15,194	15,194			15,194									
Total U.S. Department of Labor					<u>15,194</u>			<u>20,723</u>	<u>(5,529)</u>								
Total General Fund					<u>27,953</u>			<u>77,233</u>	<u>(59,840)</u>			<u>10,560</u>					
Enterprise Fund:																	
U.S. Department of Agriculture																	
Passed-through State Department of Education:																	
Child Nutrition Cluster:																	
Food Distribution Program	10.555	N/A	7/1/10-6/30/11	27,751				27,751	(25,059)			\$ 2,692					
Food Distribution Program	10.555	N/A	7/1/09-6/30/10	31,469		\$ 5,122			(5,122)								
National School Breakfast Program	10.553	N/A	7/1/10-6/30/11	37,603				24,598	(37,603)			13,005					
National School Breakfast Program	10.553	N/A	7/1/09-6/30/10	36,058	2,727			2,727									
National School Lunch Program	10.555	N/A	7/1/10-6/30/11	246,464				165,938	(246,464)			80,526					
National School Lunch Program	10.555	N/A	7/1/09-6/30/10	241,009	15,364			15,364									
Total Child Nutrition Cluster					<u>18,091</u>	<u>5,122</u>		<u>236,378</u>	<u>(314,248)</u>			<u>93,531</u>	<u>2,692</u>				
Total Enterprise Fund and U.S. Department of Agriculture					<u>18,091</u>	<u>5,122</u>		<u>236,378</u>	<u>(314,248)</u>			<u>93,531</u>	<u>2,692</u>				
Special Revenue Fund:																	
U.S. Department of Education																	
Passed-through State Department of Education:																	
NCLB Consolidated:																	
Title I	84.010A	NCLB4820-11	9/1/10-8/31/11	449,645				\$ 89,482	170,273	(312,453)		142,180					
Title I, Carryover	84.010A	NCLB4820-10	9/1/09-8/31/10	417,934	102,455			(89,482)	107,580	(5,125)							
American Recovery and Reinvestment Act:																	
Title I	84.389	ARRA4820-10	7/1/09-8/31/11	110,220				23,001	(53,967)			30,966					
Total Title I					<u>102,455</u>			<u>300,854</u>	<u>(371,545)</u>			<u>173,146</u>					
Title II - Part A	84.367A	NCLB4820-11	9/1/10-8/31/11	110,951				14,789	53,972	(100,695)		46,723					
Title II - Part A, Carryover	84.367A	NCLB4820-10	9/1/09-8/31/10	114,189	26,397			(14,789)	35,261	(8,864)							
Total Title II - Part A					<u>26,397</u>			<u>89,233</u>	<u>(109,559)</u>			<u>46,723</u>					
Title II - Part D	84.318X	NCLB4820-11	9/1/10-8/31/11	3,580				2,373	(2,696)			2,696					
Title II - Part D, Carryover	84.318X	NCLB4820-10	9/1/09-8/31/10	6,554				(2,373)	4,136	(4,136)							
Total Title II - Part D								<u>4,136</u>	<u>(6,832)</u>			<u>2,696</u>					
Title III	84.365A	NCLB4820-11	9/1/10-8/31/11	26,165				3,455	14,260	(25,923)		11,663					
Title III, Carryover	84.365A	NCLB4820-10	9/1/09-8/31/10	24,124	6,835			(3,455)	9,297	(2,462)							
Title III - Immigrant	84.365A	NCLB4820-11	9/1/10-8/31/11	14,535					1,613	(2,113)		500					
Total Title III					<u>6,835</u>			<u>25,170</u>	<u>(30,498)</u>			<u>12,163</u>					

SOMERVILLE BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or Federal Project Number	Grant Period	Award Amount	Balance at June 30, 2010			Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance June 30, 2011		
					Budgetary Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor						Budgetary Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor
Special Revenue Fund:															
U.S. Department of Education															
Passed-through State Department of Education:															
NCLB Consolidated:															
Title IV, Carryover	84.168A	NCLB4820-10	9/1/09-8/31/11	\$ 15,674	\$ 7,926			\$ 8,156	\$ (230)						
Title V, Carryover	84.298A	NCLB4820-08	9/1/08-8/31/10	3,972			\$ 1,722					\$ (1,722)			
Special Education Cluster:															
I.D.E.A. Part B - Basic	84.027	IDEA4820-11	9/1/10-8/31/11	544,122			\$ 131,340	216,146	(409,467)	\$ 70,520		\$ 122,801			
I.D.E.A. Part B - Preschool	84.173	IDEA4820-11	9/1/10-8/31/11	19,379			4,591	15,809	(16,619)	1,862			\$ 1,052		
I.D.E.A. Part B - Basic, Carryover	84.027	IDEA4820-10	9/1/09-8/31/10	544,122	139,473		(131,340)	143,370	(3,897)						
I.D.E.A. Part B - Preschool, Carryover	84.173	IDEA4820-10	9/1/09-8/31/10	19,379	373		(4,591)	373							
American Recovery and Reinvestment Act:															
I.D.E.A. Part B - Basic	84.391	IDEA4820-11	7/1/09-8/31/11	657,999	38,919			294,955	(408,044)				152,008		
I.D.E.A. Part B - Preschool	84.392	IDEA4820-11	7/1/09-8/31/11	23,748					(5,773)				5,773		
Total Special Education Cluster					178,765			670,653	(843,800)	72,382			280,582	1,052	
Teaching American History	84.215X	U215X060149	7/1/06-6/30/09	997,380	45,494			45,494							
Total Special Revenue Fund and U.S. Department of Education					367,872		1,722	1,143,696	(1,362,464)	72,382	(1,722)		515,310	1,052	
Total Federal Financial Awards					\$ 413,916	\$ 5,122	\$ 1,722	\$ -0-	\$ 1,457,307	\$ (1,736,552)	\$ 72,382	\$ (1,722)	\$ 619,401	\$ 3,744	\$ -0-

N/A - Not Applicable/Available

SOMERVILLE BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2010				Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2011			
				Budgetary Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor	GAAP Accounts Receivable				Budgetary Deferred Revenue	Due to Grantor	MEMO	
													Budgetary Accounts Receivable	Cumulative Total Expenditures
New Jersey Department of Education:														
General Fund:														
Special Education Categorical Aid	11-495-034-5120-011	7/1/10 - 6/30/11	\$ 931,845				\$ 841,477	\$ (931,845)				\$ 90,368	\$ 931,845	
Equalization Aid	11-495-034-5120-078	7/1/10 - 6/30/11	3,199,750				2,889,447	(3,199,750)				310,303	3,199,750	
Extraordinary Special Education Costs	11-100-034-5120-473	7/1/10 - 6/30/11	188,980					(188,980)		\$ 188,980		188,980	188,980	
Reimbursed TPAF Social Security Contributions	11-495-034-5095-002	7/1/10 - 6/30/11	1,226,782				1,226,782	(1,226,782)					1,226,782	
Distinguished Teacher Award	N/A	7/1/10 - 6/30/11	3,500				3,500	(3,500)					3,500	
Special Education Categorical Aid	10-495-034-5120-011	7/1/09 - 6/30/10	643,106	\$ 108,716			108,716							
Transportation Aid	10-495-034-5120-014	7/1/09 - 6/30/10	98,934	16,724			16,724							
Equalization Aid	10-495-034-5120-078	7/1/09 - 6/30/10	2,446,310	413,544			413,544							
Security Aid	10-495-034-5120-084	7/1/09 - 6/30/10	237,814	40,202			237,814							
Extraordinary Special Education Costs	10-100-034-5120-473	7/1/09 - 6/30/10	189,473	189,473			189,473							
Reimbursed TPAF Social Security Contributions	10-495-034-5095-002	7/1/09 - 6/30/10	1,227,926	60,162			60,162							
Total General Fund State Aid				828,821			5,790,027	(5,550,857)			188,980		5,550,857	
Special Revenue Fund:														
New Jersey Nonpublic Aid:														
Textbook Aid	11-100-034-5120-064	7/1/10 - 6/30/11	72,756				72,756	(72,692)				\$ 64	72,692	
Nursing Aid	11-100-034-5120-070	7/1/10 - 6/30/11	86,208				86,208	(83,798)				2,410	83,798	
New Jersey Nonpublic Auxiliary Services:														
Compensatory Education	11-100-034-5120-067	7/1/10 - 6/30/11	88,583				88,583	(88,576)				7	88,576	
English as a Second Language	11-100-034-5120-067	7/1/10 - 6/30/11	3,415				3,415	(1,965)				1,450	1,965	
Transportation	11-100-034-5120-067	7/1/10 - 6/30/11	30,266				30,266					30,266		
Home Instruction	11-100-034-5120-067	7/1/10 - 6/30/11	10,791					(10,791)		10,791			10,791	
Compensatory Education	10-100-034-5120-067	7/1/09 - 6/30/10	135,894			\$ 20			\$ (20)					
English as a Second Language	10-100-034-5120-067	7/1/09 - 6/30/10	4,893			3,026			(3,026)					
Home Instruction	10-100-034-5120-067	7/1/09 - 6/30/10	5,257	5,257			5,257							
New Jersey Nonpublic Handicapped:														
Supplemental Instruction	11-100-034-5120-066	7/1/10 - 6/30/11	38,216				38,216	(33,805)				4,411	33,805	
Corrective Speech	11-100-034-5120-066	7/1/10 - 6/30/11	89,184				89,184	(50,552)				38,632	50,552	
Examination and Classification	11-100-034-5120-066	7/1/10 - 6/30/11	87,711				87,711	(86,997)				714	86,997	
Supplemental Instruction	10-100-034-5120-066	7/1/09 - 6/30/10	41,494			594			(594)					
Corrective Speech	10-100-034-5120-066	7/1/09 - 6/30/10	63,846			8,160			(8,160)					
Examination and Classification	10-100-034-5120-066	7/1/09 - 6/30/10	91,773			904			(904)					
Preschool Education Aid	11-495-034-5120-086	7/1/10 - 6/30/11	543,388				490,692	(535,434)			\$ 7,954	52,696	535,434	
Preschool Education Aid	10-495-034-5120-086	7/1/09 - 6/30/10	353,202	57,282	\$ 85,450		57,282	(15,152)			70,298		15,152	
Preschool Education Aid	09-495-034-5120-086	7/1/08 - 6/30/09	525,826		15,568			(15,568)					15,568	
Character Education Aid	06-100-034-5120-053	7/1/05 - 6/30/10	5,719		570						570			
Total Special Revenue Fund				62,539	101,588	12,704	1,049,570	(995,330)	(12,704)	10,791	78,822	\$ 77,954	63,487	995,330
Debt Service Fund:														
Debt Service Aid Type II	11-100-034-5120-125	7/1/10 - 6/30/11	235,270				235,270	(235,270)					235,270	
Total Debt Service Fund							235,270	(235,270)					235,270	

**SOMERVILLE BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2010				Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2011				
				Budgetary Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor	MEMO Budgetary Accounts Receivable				MEMO Cumulative Total Expenditures	GAAP Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor	
Capital Projects Fund:															
New Jersey School Development Authority:															
Educational Financing Capital															
Financing Act															
2004 Referendum - Van Derveer	4820-090-04-1000	7/1/05 - 6/30/11	\$ 1,245,833	\$ 242,958										\$ 242,958	\$ 1,002,874
2004 Referendum - Middle School	4820-090-04-2000	7/1/05 - 6/30/11	6,520,000	1,271,430			\$ 937,543	\$ (937,543)						333,887	6,186,114
2004 Referendum - High School	4820-090-04-3000	7/1/05 - 6/30/11	1,772,000	433,517				(313,715)		\$ 313,715				433,517	1,652,197
Middle School Exterior Wall Repairs	4820-055-09-1002	6/4/10 - 6/30/11	36,561	36,561										36,561	
High School Intercom, Communications and Security Upgrades	4820-050-09-1001	6/4/10 - 6/30/11	62,677	62,677										62,677	
Middle School Roof Replacement Annex and Media Center	4820-055-10-1004	7/1/10 - 6/30/12	306,454											306,454	
High School Auditorium Air Conditioning	4820-050-10-1001	7/1/10 - 6/30/12	102,412											102,412	
High School Partial Roof Replacement	4820-050-10-1002	7/1/10 - 6/30/12	139,586											139,586	
High School Main Floor HVAC Renovations	4820-050-10-1003	7/1/10 - 6/30/12	187,778											187,778	
Total Capital Projects Fund				2,047,143			937,543	(1,251,258)		313,715				1,845,830	8,841,185
Enterprise Fund															
State Department of Agriculture:															
State School Breakfast Program	10-100-010-3350-021	7/1/09 - 6/30/10	1,928	170			170								
State School Lunch Program	11-100-010-3350-023	7/1/10 - 6/30/11	7,624				4,795	(7,624)		2,829				2,829	7,624
State School Lunch Program	10-100-010-3350-021	7/1/09 - 6/30/10	11,251	706			706								
Total Enterprise Fund				876			5,671	(7,624)		2,829				2,829	7,624
Total State Financial Awards				\$ 2,939,379	\$ 101,588	\$ 12,704	\$ 8,018,081	\$ (8,040,339)	\$ (12,704)	\$ 516,315	\$ 78,822	\$ 77,954	\$ 2,501,797	\$ 15,630,266	

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the Somerville Borough Board of Education under programs of the federal and state governments for the fiscal year ended June 30, 2011. The information in these schedules are presented in accordance with the Federal Office of Management and Budget (OMB), *Audits of States and Local Governments and Non-Profit Organizations* and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net assets or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported 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 these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements. Such expenditures are recognized following the cost principles contained in federal OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governmental Units*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the general fund, special revenue fund, and capital projects 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 and special revenue is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last two state aid payments 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 two state aid payments 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 revenue, whereas the GAAP basis does not. Grant revenue in the capital projects fund is recognized on the budgetary basis in the year of award while on a GAAP basis revenue is recognized based on grant expenditures and when expenditures are submitted for reimbursement.

The net adjustment to reconcile revenue from the budgetary basis to the GAAP basis is \$178,515 for the General Fund, (\$64,858) for the Special Revenue Fund, and \$81,511 for the Capital Projects Fund. See Exhibit C-3 and F-1 for a reconciliation of revenue from the budgetary basis to the GAAP basis of accounting for the General, Special Revenue and Capital Projects Funds. The schedule of expenditures of state awards includes \$5,529 of ARRA Cobra Premium Assistance, which is not separately reflected as revenue in the District's basic financial statements. Additionally, the schedule of expenditures of state awards does not include the on-behalf TPAF Post Retirement Medical Benefit and Non-Contributory Insurance Contributions revenue of \$1,045,797 and \$49,237 respectively. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented on the following page:

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO SCHEDULES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Cont'd)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 54,311	\$ 5,729,372	\$ 5,783,683
Special Revenue Fund	1,308,630	999,916	2,308,546
Capital Projects Fund		817,741	817,741
Debt Service Fund		235,270	235,270
Proprietary Fund	<u>311,818</u>	<u>7,624</u>	<u>319,442</u>
Total Financial Assistance	<u>\$ 1,674,759</u>	<u>\$ 7,789,923</u>	<u>\$ 9,464,682</u>

NOTE 4. FEDERAL AND STATE LOANS OUTSTANDING

Somerville Borough School District had no loan balances outstanding at June 30, 2011.

NOTE 5. NEW JERSEY SCHOOL DEVELOPMENT AUTHORITY (SDA) GRANTS

The District has active grants awarded in the amount of \$10,373,300 from the School Development Authority (SDA) under the Educational Facilities Construction and Financing Act. As of June 30, 2011 \$8,841,185 has been expended and drawn down. The District will continue to realize the grant revenue in the Capital Projects Fund as it is submitted for reimbursement.

NOTE 6. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2011. Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively.

SOMERVILLE BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Summary of Auditors' Results:

- An unqualified report was issued on the District's financial statements.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District.
- The audit did not disclose any noncompliance which is material in relation to the financial statements of the District.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District's major programs.
- An unqualified report was issued on the District's compliance for major federal and state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with Federal OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations* and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*.
- The District's major programs for the current fiscal year consisted of the following federal and state awards:

<u>State Program</u>	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
State Aid - Public:				
Special Education Categorical Aid	495-034-5120-011	7/1/10-6/30/11	\$ 931,845	\$ 931,845
Equalization Aid	495-034-5120-078	7/1/10-6/30/11	3,199,750	3,199,750
Preschool Education Aid	495-034-5120-086	7/1/10-6/30/11	543,388	535,434
Preschool Education Aid	495-034-5120-086	7/1/09-6/30/10	353,202	15,152
Preschool Education Aid	495-034-5120-086	7/1/10-6/30/09	525,826	15,568
New Jersey School Development Authority:				
2004 Referendum - High School	4820-090-04-3000	7/1/05-6/30/11	1,772,000	313,715
2004 Referendum - Middle School	4820-090-04-2000	7/1/05-6/30/11	6,520,000	937,543
<u>Federal Program</u>	<u>CFDA Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
NCLB Consolidated:				
Title I	84.010A	9/1/10-8/31/11	\$ 449,645	\$ 312,453
Title I, Carryover	84.010A	9/1/09-8/31/10	417,934	5,125
American Recovery and Reinvestment Act:				
Title I	84.389	7/1/09-8/31/11	110,220	53,967
Special Education Cluster:				
I.D.E.A. Part B - Basic	84.027	9/1/10-8/31/11	544,122	409,467
I.D.E.A. Part B - Basic, Carryover	84.027	9/1/09-8/31/10	544,122	3,897
I.D.E.A. Part B - Preschool	84.173	9/1/10-8/31/11	19,379	16,619
American Recovery and Reinvestment Act:				
I.D.E.A. Part B - Basic	84.391	7/1/09-8/31/11	657,999	408,044
I.D.E.A. Part B - Preschool	84.392	7/1/09-8/31/11	23,748	5,773

SOMERVILLE BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

Summary of Auditors' Results: (Cont'd)

- The threshold for distinguishing Type A and Type B federal programs was \$300,000.
- The threshold for distinguishing Type A and Type B state programs was \$300,000.
- The District qualified as a "low-risk" auditee under the provisions of section 530 of the Federal Circular.
- The single audit threshold identified in Federal OMB Circular A-133 and New Jersey Circular NJOMB 04-04 was \$500,000

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

Findings and Questioned Costs for Federal Awards:

- The audit did not disclose any findings or questioned costs for federal awards as defined in section 510(a) of the federal Circular.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in section 510(a) of the federal Circular or New Jersey's OMB Circular NJOMB 04-04.

SOMERVILLE BOROUGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

Status of Prior Year Findings:

There were no prior year findings.