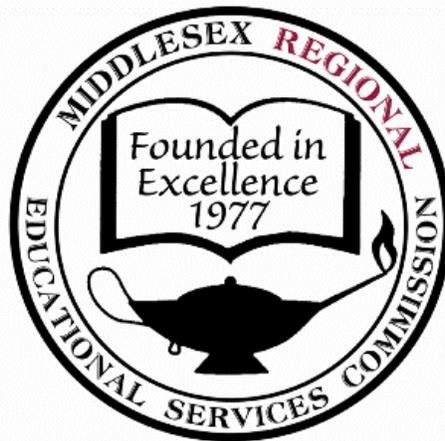


**M**IDDLESEX **R**EGIONAL  
**E**ducational **S**ervices **C**ommission



**BOARD OF DIRECTORS**  
**PISCATAWAY, NJ 08854**

**Comprehensive Annual Financial Report**  
**for the Fiscal Year ended June 30, 2009**



**Middlesex Regional  
Educational Services Commission  
Piscataway, New Jersey**

Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2009

Prepared by

Middlesex Regional Educational Services Commission  
Business Office



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# Introductory Section





# MIDDLESEX REGIONAL EDUCATIONAL SERVICES COMMISSION

1660 Stelton Road

Piscataway, New Jersey 08854

Telephone: (732) 777-9848 γ Fax: (732) 777-9855

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## SERVICES:

Academy Learning Center

Bright Beginnings Learning Center

Center for Lifelong Learning

Child Study Team & Related Services

Collaborative Educational Services

Cooperative Transportation

Home Instruction

Middlesex County Academy

Nonpublic School Services

NuView Academy

Piscataway Regional Day School

Professional Development Academy

Raritan Valley Academy

- Interim Alternative Educational Program

**Mark J. Finkelstein**  
*Superintendent*

**Patrick M. Moran**  
*Business Administrator/  
Board Secretary*

November 3, 2009

President, Vice President and Board of Directors  
Middlesex Regional Educational Services Commission  
1660 Stelton Road  
Piscataway, NJ 08854

Dear Board Members:

The Comprehensive Annual Financial Report of the Middlesex Regional Educational Services Commission (the "Commission") for the fiscal year ended June 30, 2009, 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 Directors. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Commission. All disclosures necessary to enable the reader to gain an understanding of the Commission'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 Commission's organizational chart and a list of principal officials. The financial section includes the management's discussion on analysis, basic financial statements required supplementary information and other supplementary information, as well as the auditor's report. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The Commission 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 State, Local Governments and Non-Profit Organizations," and the State Treasury Circular Letter 04-04-OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." Information related to this single audit, including the auditors' report on internal control and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

## **1. Reporting Entity and its Services**

The Commission was created in 1977 pursuant to NJASA 18A:6-51 through 70, by the twenty-four (24) boards of education in Middlesex County (member districts), to respond to increasing federal and state mandates by developing needed educational programs and services that were best provided cooperatively by a single coordinating agency in an

efficient and economic manner. On June 1, 2006, the State Board of Education officially approved a name change for the Middlesex County Educational Services Commission to the Middlesex Regional Educational Services Commission to more accurately reflect its scope of services. The Commission is a public education agency reporting within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by GASB Statement No. 14. All funds and account groups of the Commission are included in this report for Fiscal Year 2009 (FY2009). The Commission and all of its educational programs constitute the Commission's reporting entity.

The Commission provided educational services and programs to the following member districts, through multi-year contracts during FY2009:

Carteret	Metuchen	Piscataway
Cranbury	Middlesex	Sayreville
Dunellen	Milltown	South Amboy
East Brunswick	Monroe	South Brunswick
Edison	New Brunswick	South Plainfield
Helmetta	North Brunswick	South River
Highland Park	Old Bridge	Spotswood
Jamesburg	Perth Amboy	Woodbridge

In addition, the following non-member districts contracted with the Commission for educational services and programs during the FY2009 school year:

Belleville	Freehold	Manville	Rahway
Bound Brook	Green Brook	Maplewood	Readington
Branchburg	Hackettstown	Marlboro	Roosevelt Borough
Bricktown	Hamilton Twp.	Matawan/Aberdeen	Roselle
Bridgewater/Raritan	Hazlet	Middletown	Scotch Plains
Central Regional	Hillsborough	Millstone Township	Somerville
Clark	Hunterdon	Montgomery	South Bound Brook
Colts Neck	Jackson	Mountainside	South Orange
Cranford	Jersey City	Newark	Springfield
Dept. of Human Svs. (Avenel)	Keansburg	New Providence	Trenton
Dept. of Human Svs. (Morristown)	Kenilworth	North Arlington	Union County ESC
Dept. of Human Svs. (Trenton)	Keyport	North Plainfield	Union Township
East Windsor	Lawrence	Northern Highland Reg'l	Watchung
Elizabeth	Linden	Paterson	Washington
Flemington/Raritan	Long Hill Twp.	Plainfield	West Orange
Florence	Madison	Point Pleasant	West Windsor
Franklin	Manalapan	Princeton	

The following educational services and programs were provided during the FY2009 school year:

**NONPUBLIC AUXILIARY AND HANDICAPPED SERVICES (P.L. 192/193)**

Provides eligible nonpublic students with educational programs and services in the areas of:

- Compensatory Education
- English as a Second Language
- Speech/Language Therapy
- Supplementary Instruction
- Examination and Classification Services
- Home Instruction

These services, funded through state aid to districts, are provided by the Commission through multi-year contracts. The services are provided in state-approved instructional trailers, mobile classrooms purchased by the Commission, or space provided within the nonpublic school with the approval of the New Jersey State Department of Education Division of Facilities and Planning.

As of June 30, 2009 the following services were provided:

Compensatory Education	1,660	services
English as a Second Language	256	services
Home Instruction	11,160	hours
Examination/Classification	961	services
Supplemental Instruction	622	services
Speech Correction	721	services
Speech Evaluations	66	services

**RARITAN VALLEY ACADEMY (RVA)**

RVA provides an educational delivery system for students who are eligible for Special Education and Related Services. Many of these students have been identified by their sending district as having emotional and behavioral disabilities that substantially inhibit appropriate academic and social performance and development.

In providing educational delivery, RVA relies on a two-fold approach: (a) Curriculum and instruction aligned with the New Jersey Core Curriculum Content Standards, and (b) A Behavior Modification/Management Program built on a Point/Level System-Token Economy paradigm.

RVA's "school-within-a-school" design accommodates students in three "communities" - Junior, Middle, and Upper.

RVA's excellent curricula, instruction, and counseling, create optimum opportunities for students to attain fine academic and behavioral skills necessary for success in mainstream society.

One hundred nine (109) disabled students received educational services at the RVA during the FY2009 school year.

## RVA EXTENDED SCHOOL YEAR PROGRAM

During the summer of 2009, fourteen (14) students participated in the extended school year program.

## NuVIEW ACADEMY

The NuView Academy program began in March, 2000 and provides a free, appropriate, public education (FAPE), in the least restrictive environment (LRE) for students exhibiting severe symptoms or diagnosis of depression, ADHD, conduct disorder, thought disorder, or anxiety disorder. This is a collaborative effort between the Commission, who provides all educational programming and coordinates referral procedures, and Princeton Health Behavioral Health Services who provide the psychiatric and therapeutic components for reaching the goals to assure success of the program. NuView Academy provides students with the tools needed to improve self-esteem, develop individual responsibility and evolve into productive members of society.

NuView Academy operates on a twelve (12) month basis. In September 2009 NuView Academy moved into its new 22,000 square foot facility in Piscataway. It has a current capacity of seventy-two (72) students between the ages of 5-18 years of age. In FY2009, NuView Academy served one hundred and ten (110) students from thirty-six (36) sending districts within eight (8) counties.

## PISCATAWAY REGIONAL DAY SCHOOL (PRDS)

The PRDS was opened in September 1982 by the State Board of Education, pursuant to approval of the Facilities for the Handicapped Bond Issue in 1973. In September, 1984 the Board of Directors of the Commission at the request of the State, entered into a management lease for the PRDS. Responsibilities of the Commission include employment of staff and program delivery. The PRDS offers specialized programs to students with severe multiple disabilities from forty-one (41) sending districts representing eight (8) counties in New Jersey. These services are provided through multi-year contracts with districts.

The PRDS utilizes individual and small group instruction to develop functional language, academic and social skills for students with multiple disabilities and autism. A career exploration program combined with job sampling in the community is offered, in addition to classes in adaptive physical education and music. Community based consumer skills instruction is provided.

One hundred fifty (150) disabled students received educational services at the PRDS during the FY2009 school year. Augmentative Communication Evaluation Services are also offered.

## PRDS EXTENDED SCHOOL YEAR PROGRAM

During the summer of 2008, one hundred fifteen (115) students participated in the extended school year program.

## **ACADEMY LEARNING CENTER (ALC)**

The ALC provides a comprehensive day school program for students with autism or multiple disabilities based on the principles of Applied Behavior Analysis. The staff, of approximately 95 teachers, instructional aides and therapists, are skilled in the methods and techniques of Applied Behavior Analysis and provide targeted instruction to students based upon the goals and objectives of their individualized educational program. Students develop skills in the areas of language and communication, social, academic, activities of daily living, vocational, fine motor and gross motor skills.

The school program is located in a modern facility especially designed for the needs of students with moderate to severe disabilities in Monroe Township, New Jersey. The building includes an observation room, a storage room and a bathroom in every classroom. The school serves approximately one hundred forty-two (142) students from 3-21 years of age in eighteen (18) classrooms. The building contains eight (8) speech and language therapy rooms, a large occupational and physical therapy room, a spacious multipurpose room, health office, and three age appropriate playgrounds on the ten acre site.

The educational and behavioral program in the autism classes utilizes individualized assessment and instruction using the techniques of intensive teaching, verbal behavior, integrated related services, and incidental learning techniques to develop individual skills. Staff members foster an active collaboration with parents and guardians in the educational process through the use of daily communication journals, parent training, classroom observation, evening meetings and home visits. A 2:1 student to staff ratio is employed. Speech, occupational and physical therapists work closely with classroom staff to integrate instruction. A vocational program combined with paid school jobs and job sampling in the community is offered. Special subject classes include Adaptive Physical Education, Art, and Music. Community programming includes a partnership with the South Brunswick YMCA to enable students to receive a four session series of swim classes. A six week Extended School Year program is offered. Comprehensive inclusion support is also provided when students return to their home district on a part or full time basis.

The program for students with multiple disabilities focuses on the development of independent functional skills in language, academic, social and vocational areas. Teachers utilize individual and small group instruction to develop functional skills in a student-centered environment. Speech, occupational and physical therapists work closely with classroom staff to integrate instruction. A vocational program combined with paid school jobs and job sampling in the community is offered. Special subject classes include Adaptive Physical Education, Art and Music. Community based instruction is provided as well as a six (6) week extended school year program. As in the autism program, an extensive series of field trips develop community integration training including swimming, consumer shopping, recreation etc. Comprehensive inclusion support is provided to all ALC students if they return to their home district on a part or full time basis.

## **ALC EXTENDED SCHOOL YEAR PROGRAM (ALC ESY)**

The ALC ESY program is a continuation of the ten month program and provides a six week program from the last week in June through the first week in August. A high percentage of ten month employees also work in the ESY program. One hundred thirty-three (132) students participated in the 2009 ESY program.

## **ACADEMY LEARNING CENTER ANNEX (ALCA)**

The ALCA opened in January 2008 in response to the requests of districts in Middlesex County for additional placements for students with autism. Prior to the opening of ALCA, existing programs operated by the Commission were generally full and were not able to accommodate all students and their school districts.

Classroom space was procured at the Jesse Selover School, located in Sayreville, and set up during the winter of 2007. Following the instructional and behavioral model of programming that has been in place at the ALC for the past 12 years, ALCA opened on January 2, 2008 with two primary aged students. This instructional model, based on Applied Behavioral Analysis, incorporated discrete trial instruction, integrated related services, incidental learning and data based instruction.

A preschool class opened in April 2008 and an older elementary class opened in June 2008. During the 2009 Extended School Year, the preschool class was eliminated due to students aging out of the program and openings in the primary classrooms. The two remaining primary classrooms during the ESY currently contain eleven (11) students ages 5-13. In September 2009, these two classrooms will be transferred to the Center for Lifelong Learning located in Sayreville for students ages 3-21.

## **TITLE I PROGRAM**

The Title I Program is a compensatory educational program that provides remedial services to educationally disadvantaged students attending nonpublic schools in low income areas. Students receive services regardless of income, although program funding to local school districts is based on community needs as compared to poverty standards.

Computer Assisted Instruction (CAI) was initiated in 1994 as a pilot program and made available to eligible Title I pupils. During FY2009, sixty-seven (67) students receiving eighty-seven (87) services and attending ten (10) nonpublic schools participated in computer assisted instruction programs.

Five (5) students received Title I educational services during the FY2009 school year (Non-CAI instruction). Eight (8) services were provided at one (1) nonpublic school.

## **COOPERATIVE TRANSPORTATION PROGRAM**

The Cooperative Transportation Program consists of the transportation of students from one or more districts to a common location. The Commission coordinates directly with the sending school district, parent/guardian of each student, and the school to which the student is being

transported. The purpose of this program is to reduce duplication of services and generate cost savings through cooperative efforts in joint transportation routes for special education, vocational, nonpublic and public students.

Six hundred twenty-nine (629) cooperative special and regular education routes, public school routes, vo-tech and nonpublic school routes, transported more than seven thousand six hundred ninety-two (7,692) students to and from over two hundred thirty (230) destinations each day from thirty-three (33) districts before and after care transportation and work-study program transportation and mid-day shuttles between schools. Additionally, approximately three hundred fifty (350) students are transported daily on athletic/late routes.

### **NONPUBLIC TEXTBOOK LOAN PROGRAM**

The Nonpublic Textbook Loan Program is operated in accordance with the New Jersey Nonpublic Textbook Law, Chapter 121, L. 1984. This law requires Boards of Education to purchase and loan textbooks to all full-time students in grades kindergarten through twelve attending nonpublic schools within the district. Funding is contingent on the nonpublic school's compliance with compulsory school attendance requirements and with the requirements of Title VI of the Civil Rights Act of 1964. The Commission contracts with districts to provide these services and is responsible for the administration of the program, purchasing, oversight and payment of such textbooks.

During FY2009, these services are being provided to eighty-six (86) private schools located within nineteen (19) districts in Middlesex County.

### **NONPUBLIC NURSING SERVICES**

This program is operated in accordance with State Law, Chapter 226, and provides nursing services to eligible nonpublic schools. These services include:

- (a) Assistance with medical examinations, including dental screenings;
- (b) Conducting audiometric screenings, adhering to N.J.A.C. 6:29-5;
- (c) Maintenance of student health records; preparation of annual reports on immunization status of nonpublic pupils; and
- (d) Conducting examinations of pupils between the ages of ten (10) and eighteen (18) for the condition known as scoliosis.
- (e) Preparing miscellaneous reports as required by State rules and regulations, including reportable diseases to the local health department.

During FY2009, these services were provided to eighty-five (85) nonpublic schools located within twenty-three (23) school districts.

## **E.S.C. GENERAL PROGRAM**

The Comprehensive Annual Financial Report identifies a number of services reported within the Commission's General Programs, including:

### **HOME INSTRUCTION TO PUBLIC STUDENTS**

The Commission has provided home instruction services to two hundred ninety-nine (299) public school students from thirteen (13) school districts in and out of Middlesex County during FY2009.

### **CHARTER SCHOOL SERVICES**

The Commission provided an array of services to eight (8) charter schools in Middlesex, Mercer and Union counties.

### **COUNTY DIAGNOSTIC SERVICES**

The County Diagnostic Services provides member and non-member districts with Child Study Team services to supplement public school staff needs in compliance with New Jersey and Federal Special Education Laws and Regulations.

### **OCCUPATIONAL AND PHYSICAL THERAPY**

Occupational therapy and physical therapy were provided to one (1) public school district during FY2009.

### **MIDDLESEX COUNTY ACADEMY (MCA)**

The MCA is a countywide alternative education program designed to provide at-risk students the opportunity to achieve education in a non-traditional, supportive individualized learning environment.

The MCA was relocated in October, 2007 from the Glenn School in Old Bridge Township to the New Brunswick Board of Education Building to allow for expansion of this program.

During the FY2009 school year, the MCA accepted both classified and non-classified students, serving approximately one hundred thirteen (113) alternative students from public school districts and implemented a Special Review Assessment program to improve student performance on standardized testing.

### **INTERIM ALTERNATIVE EDUCATIONAL PROGRAM (IAEP)**

The Reauthorization of the Individuals with Disabilities Education Act (IDEA) allows for a number of significant changes in how districts address the area of student discipline. A student with a disability now has a right to educational services on the eleventh (11<sup>th</sup>) day, after having been suspended and/or expelled a total of ten (10) days in a school year.

The Commission's IAEP is a countywide program designed to provide learning disabled and/or "at risk" students the opportunity to continue their educational program in a supportive, individualized learning environment for not more than a forty-five (45) day period. The program is designed to enable a student to continue to participate in the general curriculum and continue to receive services including those described in the students' current IEP that will enable the student to meet the goals included in that IEP. In addition, this specialized program includes services and modifications designed to address the students' inappropriate behavior so that it does not reoccur.

During FY2009, a total of ninety-eight (98) students from nineteen (19) school districts participated in the program.

### **PROFESSIONAL DEVELOPMENT ACADEMY (PDA)**

The PDA completed its sixth full year of operation in June 2009. During the year, 16 public school districts purchased subscriptions to the Academy and 3 nonpublic schools through IDEA-B. As a registered Professional Development Provider with the New Jersey Department of Education, the Academy provided 34 workshops at our facility to 882 participants during the 2008 - 2009 timeframe. The PDA also provided 30 on-site workshops to 655 educators at various schools in our region. The PDA provided learning opportunities to a total of 1,537 educators.

During the 2008 - 2009 school year, the Commission continued to offer professional development opportunities within Commission schools and through the PDA focusing on collaborative learning, university partnerships, and support for school leaders. PDA programs are designed to be engaging, informative and encourage reflective practice. Presenters are expected to provide participants with theory based practical classroom strategies as well as suggestions on how to turnkey at least one important idea back at school. Resources for further learning are provided such as readings, study group ideas and other resources for application in the classroom.

Evaluations and questionnaires are disseminated to participants and administrators to ensure that the MRESC Local Professional Development Plan reflected the New Jersey Professional Standards for Teachers. Data from the questionnaires was used to design the professional development offerings. In addition, workshops were aligned to the Eight Key Elements of High Quality Professional Development for teachers and the Elementary and Secondary Education Act (No Child Left Behind).

### **BRIGHT BEGINNINGS LEARNING CENTER (BBLC)**

The BBLC opened in 1998 to provide an educational program for students with autism or severe multiple disabilities based on the principles of Applied Behavior Analysis (ABA). In September 2002, the program relocated to a state-of-the art facility on the Commission's Piscataway campus. The building includes sixteen (16) classrooms, observation rooms, therapy rooms, activities-of-daily-living room, sensory room, multipurpose room, and media center. In September 2004, the BBLC Annex opened on the same campus, offering five (5) additional classrooms for preschool and elementary students on the autism spectrum. In January 2005, a sixth classroom, serving the same population, opened at the site. Responding to the needs of sending districts, the BBLC Annex II, located in North Brunswick, opened with four classrooms

to serve preschool and elementary students with autism and multiple disabilities in September 2006. Two additional preschool classrooms opened in January 2007 and April 2007, respectively.

Bright Beginning Learning Center has developed into a program of choice for forty-three (43) districts in seven (7) counties seeking placement for students classified preschool disabled, multiply disabled, and autistic. Two hundred three (203) students, ages 3 to 12 years, were enrolled at BBLC during the 2008-2009 school year.

The educational and behavioral program in the eighteen (18) autism classes utilizes principles of applied behavior analysis, including discrete trial teaching, natural environment training, incidental teaching techniques, and integrated related services to address and develop individual skills. Special subject classes include Adaptive Physical Education, Art, and Music. Classes are designed for a 2:1 student to staff ratio. Transition support is provided for students returning to their home district classes.

The program for students with multiple disabilities addresses the development of physical, cognitive, communicative and social skills through individual and small group instruction. Speech, occupational, and physical therapists work closely with classroom and nursing staff to integrate instruction. Special subject classes include Adaptive Physical Education, Art, and Music. BBLC staff strives to establish and strengthen meaningful partnerships between home and school settings.

#### **BBLC EXTENDED SCHOOL YEAR PROGRAM**

During the summer of 2009, one hundred eighty-seven (187) students participated in the BBLC Extended School Year.

#### **NONPUBLIC TECHNOLOGY PROGRAM**

The Nonpublic School Technology Initiative Program is an entitlement program which funds technology needs for nonpublic schools in Middlesex County. The Commission collates, prepares/issues purchase orders, processes payments for all completed orders, and arranges for delivery of orders for nonpublic school technology needs. These needs may include equipment, software, professional development for staff members, and maintenance agreements for new or existing equipment in the school. The equipment is purchased with State aid and is the property of the public school district through which the entitlement flows. All equipment is tagged with the name of the public school district, who supplies the funding for the equipment. Eligibility for this entitlement program is determined annually by the State of New Jersey.

For the FY2009, eighty-eight (88) schools in twenty-one (21) districts have benefited from this service.

## **IDEIA-B**

IDEIA-B provides additional educational services to classified students attending private schools. These services provide speech therapy, occupational therapy and physical therapy, supplemental instruction, counseling, instructional aides, nursing and supplies. This program is funded through the federal government IDEA-B grant programs for FY2009. The Commission provides services to twenty-five (25) districts and fifty (50) private schools.

## **COLLABORATIVE SERVICES**

### **SAYREVILLE COLLABORATIVE**

This unique program option for students with autism and multiple disabilities and the Sayreville Public Schools began with the start of the 2004-2005 school year.

The initial concept derived from the desire of the Sayreville Public Schools to serve students with autism and multiple disabilities in their home district. However, they were faced with two major dilemmas: the lack of knowledge and expertise to oversee these specialized classes; and assuring parents of program efficacy when their children were already placed in private schools specifically designed for students with these specific disabilities.

At this juncture, the Commission and the Sayreville Public Schools entered into what is now the "Sayreville Collaborative Program." This collaboration addressed all aspects of the two aforementioned dilemmas. It addressed the issue of program oversight by having persons with expertise provide training and on-going supervision to staff. It also addressed the issue of program efficacy due to the Commission's long-standing reputation of quality services for students' autism and multiple disabilities. As a result, an initial concept quickly became a reality.

For the past five years, the Sayreville Collaborative has provided programs and services for students with Autism. Due to an increase in demand for preschool services and a decrease in placements of primary age students, the Sayreville Collaborative eliminated one primary classroom for 2009-2010 by sending the students to the Center for Lifelong Learning. The remaining two preschool classrooms remain located at the Jesse Selover School in Sayreville. The Sayreville Collaborative currently serves sixteen (16) students diagnosed along the autism spectrum.

These students are educated in the following manner:

- 2 Preschool Classes for students ages 3 – 5 (8 students per class)
- Staffing Ratio for students with autism 2:1

Instruction is based on the principles of Applied Behavior Analysis (ABA). This approach is the most widely used and empirically documented approach for educating students with autism. Each objective is written in behavioral terms. The basic principles of reinforcement are systematically applied to increase appropriate behavior. Problem behaviors are addressed by first conducting a functional assessment and utilizing a variety of teaching strategies. These strategies include discrete trial instruction, shaping, chaining, natural environment training, incidental teaching and the principles of verbal behavior.

The progress of students is closely monitored through daily collection of quantitative data. This type of data collection is a key component in monitoring overall student progress of goals and objectives. It enables the teacher to ensure the student is achieving success toward specific goals and objectives.

### **EARLY CHILDHOOD CENTERS (ECCs)**

The Commission's four (4) ECCs became part of the Commission in September 2005 and provides a high quality, free, age and developmentally appropriate, public education for three to five year old students in the City of New Brunswick. This is a collaborative effort between the Commission and New Brunswick Board of Education. The Commission's ECCs prepares many students with Limited English Proficiency (LEP) for kindergarten and gives all children a head start on social, emotional, language, physical and cognitive development. The school day is 9:00 a.m. – 3:00 p.m. Day care is provided from 7:30 a.m. – 9:00 a.m., and from 3:00 p.m. – 5:15 p.m.

The Commission's ECCs operates on a twelve (12) month basis with a total capacity of three hundred fifty-two (352) students between 3-5 years of age.

## **2. Economic Condition and Outlook**

Public school districts in Middlesex County, like many other districts throughout the State of New Jersey, are experiencing a period of decreasing state aid while at the same time they are receiving additional mandates from both the federal and state legislatures. Over the past year, initiatives addressing certain of these mandates were continued by the Commission including:

- Itinerant Services to Charter Schools
- Itinerant Occupational & Physical Therapy Services
- Public School Home Instruction Program
- Interim Alternative Educational Program
- Supplemental Instruction/Child Study Team/Speech Instruction Services
- Additional Special Education Class Programs
- Cooperative Bidding for Supplies and Energy Resources

The Commission continued its efforts to consolidate and share services among and between public school districts in the county by developing and working with the County Superintendent of School's office. This effort reviewed the cost of out-of-district and out-of-county private special education placements and provided a forum for Directors of Special Services in local districts to meet and set up a philosophy and procedures for placement of disabled students closer to their resident school district.

The Commission continued to support and help organize the exchange of disabled students between public school districts. In addition, it reorganized the PRDS to increase the number of placements available.

The Commission again initiated a series of meetings with other intermediate units addressing the benefits of shared services and the consolidation of certain services.

Examples of consolidated services include:

- Joint contracting with bus companies or shared use of district owned buses for public transportation.
- Operation of transportation programs on behalf of the districts.
- Joint purchasing of school supplies and equipment, e.g., from paper, pencils to larger items.
- Joint purchasing of natural gas and electricity.
- Cooperation among districts in the offering of specialized educational services such as special education and the use of child study teams.
- Common staff development

This initiative has been encouraged and further expanded by the Commissioner of Education and through the development of a State-Wide Shared Service Task Force which has begun to study ways schools can consolidate their resources to reduce expenses and better serve the needs of districts.

Middlesex County, located in Central New Jersey, has a strong, diverse economic base, represents a diversity of religions and cultures, and is located near the New Jersey Turnpike and the Garden State Parkway. The twenty-four (24) school districts represent both urban and suburban districts in the county.

With the location mid-way between Philadelphia and New York City, Middlesex County is one of the State's major employment centers and corporate headquarters' locations in the State.

Public school districts, realizing the increase in student population, the need to update public school facilities and the need to adhere to the Americans with Disabilities Act, have developed many bond proposals or referenda for the improvement or construction of school buildings.

The increase in student population will impact Commission services immediately and in the future.

### **3. Internal Control**

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

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

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

#### **4. Budgetary Controls**

In addition to internal controls, the Commission maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Annual appropriated budgets are adopted for the general fund, 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 balances in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance on June 30, 2009.

#### **5. Accounting Systems and Reports**

The Commission's accounting records reflect accounting principles generally accepted in the United States, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the Commission is organized on the basis of funds. These funds are explained in "Notes to Financial Statements," Note 1.

#### **6. Cash Management**

The investment policy of the Commission is guided in large part by state statute as detailed in "Notes to the Financial Statements," Note 2. The public depositories are 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.

#### **7. Risk Management**

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

#### **8. Service Efforts and Accomplishments**

The Commission continued to develop new programs and services for its member districts during the FY2009 school year. These efforts were highlighted by the expansion of the Cooperative Pricing Program providing additional bids in the areas of Electricity, Athletic Surfacing, Roofing and Technology over one hundred (100) members in thirteen (13) counties. The Commission also opened the new NuView Academy and continued the construction of the

Center for Lifelong Learning. The Commission also expanded its efforts in the area of technology, initiating major initiatives at the Raritan Valley Academy, Piscataway Regional Day School, and the Academy Learning Center. These efforts include the implementation of hardware and software necessary to develop a computer assisted instructional program and to allow student media access for purposes of research as well as internet resources. This initiative will continue into FY2010 with the completion of wireless networking on the Piscataway Campus.

**9. Major Operational or Fiscal Concerns**

The operational and financial concerns of the Commission are focused on two areas, the first being the State of New Jersey, Department of Education’s comprehensive school plan and the subsequent impact on Special Education and Nonpublic Funding. The second concern is based on the Commission’s growth over the last several years and the reliance on member/non-member districts for cash flow. The Commission continues to monitor these areas very carefully to ensure that funds are available to provide students and member districts with programs and services as well as maintain a strong financial position to ensure payment of all obligations to vendors and employees.

**10. Other Information**

*A. Independent Audit:* State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The Commission’s audit committee selected the accounting firm of Ernst & Young LLP. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related OMB Circular A-133 and State Treasury Circular Letter 04-04-OMB. The auditors’ report on the basic financial statements, required supplementary information and other supplementary information are 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.

*B. Grant Awards and Other Significant Acknowledgments:* Through competitive RFP’s the Commission was allotted the following grants for 2008-2009 school year:

<b><i>21<sup>st</sup> Century Learning Grant</i></b>	
Grant Awards:	\$494,590
Award Received:	\$432,022
Total Expenditures:	\$481,783
Receivable as of 06/30/09:	\$62,568
Funds Carried Over as of 6/30/09	\$12,807
<b><i>Social Norms Grant</i></b>	
Grant Awards and Received:	\$5,000
Total Expenditures:	\$5,000

Self-Recognition - The following Commission Staff were recognized for Governor's Teacher Recognition Program for the FY2009 school year:

Jennifer Alberici	Raritan Valley Academy
Dorothy Tymon	Academy Learning Center
Marika O'Rourke	Piscataway Regional Day School
Corey Billy	Bright Beginnings Learning Center
Andrea Seader	Nonpublic Department

Student Recognition Program – Seven (7) students from the Commission were honored in February 2009 at the annual Middlesex County School Boards Association Student Recognition Dinner. The students were as follows:

Yusuf Banks	Raritan Valley Academy
Antonio Pou	Raritan Valley Academy
Jeneffer Tumminia	Piscataway Regional Day School
Pablo Bernadino	Piscataway Regional Day School
Ayhton Elliot	Middlesex County Academy
David Bocian	Academy Learning Center
Richard Dey, Jr.	Academy Learning Center

Services – Other significant developments and acknowledgments during the 2008-2009 school year:

- Approval of curriculum as follows – September, 2008
  - Raritan Valley Academy and NuView Academy successfully implemented a new reading program utilizing Direct Instruction.
  - Raritan Valley Academy:
    - Mathematics
    - Spanish
    - Physical Education Adventure
  - Middlesex County Academy
    - Mathematics
    - Physical Education Adventure
    - Spanish
  - NuView Academy
    - Mathematics
    - Physical Education Adventure
  - Academy Learning Center, Bright Beginnings Learning Center, Piscataway Regional Day School
    - Language Arts Literacy
    - Career Education
    - Alternate Proficiency Assessment Reference Guide

- Expansion of School to Career Program and development of *Career Education Committee* - September, 2008

## 11. For the Future

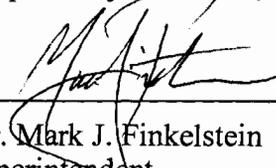
The Commission is presently in very good financial condition and continues to expand service offerings to its participating districts.

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

## 12. Acknowledgments

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

Respectfully submitted,



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Mr. Mark J. Finkelstein  
Superintendent



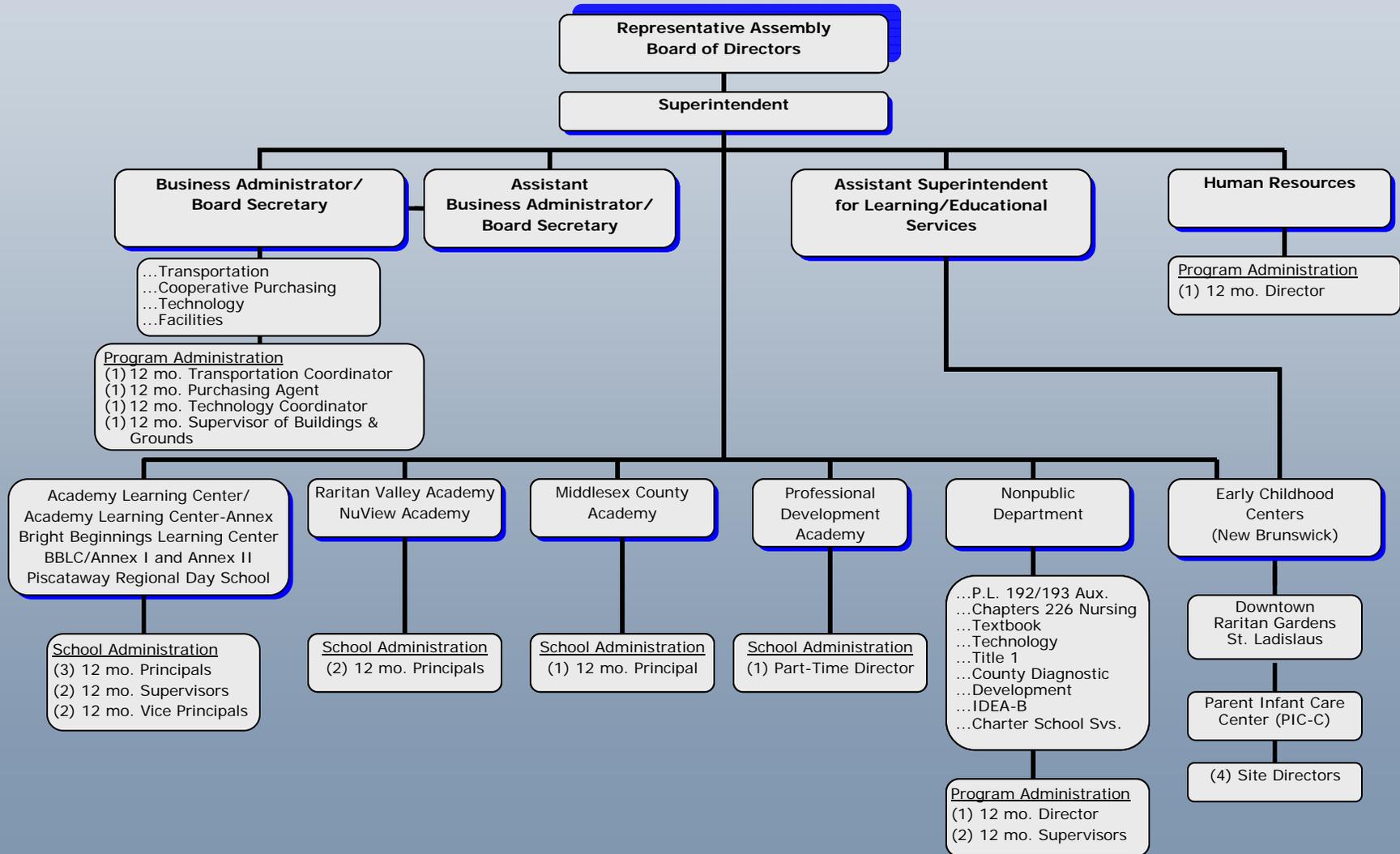
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Mr. Patrick M. Moran  
Business Administrator/Board Secretary



Middlesex Regional Educational Services Commission  
Piscataway, New Jersey

Organizational Chart  
June 30, 2009



Middlesex Regional Educational Services Commission  
Piscataway, New Jersey

Roster of Officials

June 30, 2009

<b><u>Members of the Board of Directors</u></b>	<b><u>Term Expires</u></b>
Mr. Kevin Ahearn – Carteret	5/31/10
Mr. John Haney – Cranbury	5/31/10
Mr. George Johnson – Dunellen	5/31/10
Ms. Holly Howard - East Brunswick	5/31/10
Mr. John DiMuzio – Edison	5/31/10
Dr. Brian Savage – Helmetta	5/31/10
Dr. Frances Wood - Highland Park	5/31/10
Dr. Gail Verona – Jamesburg	5/31/10
Ms. Rose deVries – Metuchen	5/31/10
Mrs. Rosemary Walsh – Middlesex	5/31/10
Mr. Bill Petscavage – Milltown	5/31/10
Mr. John Leary – Monroe	5/31/10
Mr. Dale Caldwell – New Brunswick	5/31/10
Dr. Brian Zychowski - North Brunswick	5/31/10
Ms. Ellen McDermott – Old Bridge	5/31/10
Mr. John Rodecker – Perth Amboy	5/31/10
Dr. Paula A.Y. Maas – Piscataway	5/31/10
Dr. Frank Alfano – Sayreville	5/31/10
Mr. Robert Sheedy - South Amboy	5/31/10
Dr. Gary McCartney - South Brunswick	5/31/10
Mr. Jose Negron - South Plainfield	5/31/10
Mr. Ronald Grygo - South River	5/31/10
Dr. John Krewer – Spotswood	5/31/10
Dr. John Crowe – Woodbridge	5/31/10
Dr. Karen McCloud-Hjازه - Middlesex County Vo Tech	5/31/10
<b><u>Other Officials</u></b>	
Mr. Mark J. Finkelstein, Superintendent	N/A
Mr. Simon Hersh, Assistant Superintendent for Learning/Educational Services	N/A
Mr. Patrick M. Moran, Business Administrator/Board Secretary	N/A
Ms. Kai-Li Pao, Assistant Business Administrator/Board Secretary	N/A
Ms. Lorraine Small, Director of Human Resources	N/A

**Attorney**

Anthony B. Vignuolo, Esquire  
Borrus, Goldin, Foley, Vignuolo,  
Hyman & Stahl  
2875 Route 1, Box 7463  
North Brunswick, New Jersey 08902

**Audit Firm**

Ernst & Young LLP  
MetroPark  
99 Wood Avenue South  
P.O. Box 751  
Iselin, New Jersey 08830-0471

**Labor Consultants**

Raymond A. Cassetta  
Cassetta, Taylor & Whalen  
300 Maple Avenue  
South Plainfield, New Jersey 07080

**Official Depository**

TD Bank  
1906 Lincoln Highway  
Edison, New Jersey 08817

**Architects**

USA Architects  
20 North Doughty Avenue  
Somerville, New Jersey 08876

# Introductory Section



## Report of Independent Auditors

Honorable President and Members of the Board of Directors  
Middlesex Regional Educational Services Commission  
County of Middlesex, 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 Middlesex Regional Educational Services Commission (the “Commission”) as of and for the year ended June 30, 2009, which collectively comprise the Commission’s basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Commission’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States; audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and requirements require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Commission’s internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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, the business-type activities, each major fund and the aggregate remaining fund information of the Commission as of June 30, 2009 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2009, on our consideration of the Commission’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.

Management's discussion and analysis and budgetary comparison schedules on pages 23 through 35 and 69 through 75 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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 Commission's basic financial statements. The accompanying supplementary information, including the introductory section, combining and individual fund financial statements, long-term debt schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The school level, combining and individual fund financial statements and long-term debt schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying 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 Non-Profit Organizations* and New Jersey OMB Circular 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. Such information has 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.



David J. Milkosky  
Licensed Public School Accountant  
No. 883

November 3, 2009

Required Supplementary Information  
Part I

Management's Discussion and Analysis



Middlesex Regional Educational Services Commission  
Piscataway, New Jersey

Management's Discussion and Analysis

As management of the Middlesex Regional Educational Services Commission (the "Commission"), we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 through 17 of this report.

Management's Discussion and Analysis (MD&A) is Required Supplementary Information (RSI) specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34, *Basic Financial Statements – Management Discussion and Analysis – for State and Local Governments*. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

**Financial Highlights**

Key financial highlights for 2009 are as follows:

- General revenues accounted for \$30,873,394 or 41.83 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$42,926,035 or 58.17 percent of total revenues of \$73,799,429.
- The Commission had \$72,827,100 in expenses (governmental and business-type activities); \$42,926,035 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily fees for tuition and services provided to other districts) of \$30,873,394 were adequate to provide for these programs.
- Among major funds, the General Fund had \$52,682,041 in revenues and \$52,374,310 in expenditures and transfers out. The General Fund's fund balance increased \$307,731 over 2008. This increase was the result of increases in services, which was expected by the Commission.
- In total, net assets increased \$972,639 or 4.77 percent.

## **Overview of the Financial Statements**

This discussion and analysis of the Commission's financial performance provides an overall review of the Commission's financial activities for the fiscal year ended June 30, 2009 with certain comparisons to the year ended June 30, 2008. The intent of this discussion and analysis is to look at the Commission's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Commission's financial performance. The Commission's basic financial statements comprise of three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This document also contains required and other supplementary information in addition to the basic financial statements themselves.

### **Commission-wide Financial Statements**

This Comprehensive Annual Financial Report consists of the basic financial statements and notes to those statements. These statements are organized so the reader can understand the Commission as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., receivables and earned but unused sick and vacation leave).

Both of the district-wide financial statements distinguish functions of the Commission that are principally supported by tuition and services rendered on behalf of districts for instructional purposes that are intended to recover the cost of operation of special education programs, itinerant instructional activities along with provision of services to nonpublic schools. The business-type activities of the Commission include the Food Service Program, the Piscataway Regional Day School, Early Childhood Program, and Bus Service Program. The district-wide financial statements include not only the Commission itself (known as the primary district), but also the Piscataway Regional Day School operated through contract with the State of New Jersey Department of Education for which the Commission is financially accountable. Financial information for this business-type activity is reported separately from the financial information presented for the primary district itself.

The government-wide financial statements can be found on pages 55 and 56 of this report. The Commission uses enterprise funds to account for its operation of the Piscataway Regional Day School, Early Childhood program, and the district-wide Food and Bus Service Program.

## **Reporting the Commission's Most Significant Funds**

### **Fund Financial Statements**

The analysis of the Commission's major funds begins on page 38. Fund financial reports provide detailed information about the Commission's major funds. The Commission uses a number of funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Commission's most significant funds. The Commission's major governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund.

### **Governmental Funds**

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

Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the district-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Commission maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, special revenue fund, capital projects fund and the debt service fund, all of which are considered to be major funds.

The Commission adopts an annual appropriated budget for its general fund, special revenue fund and debt service fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget.

*Proprietary funds.* The Commission maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the district-wide financial statements.

Enterprise funds provide the same type of information as the district-wide financial statements, only in more detail. The enterprise fund financial statements provide separate information for the Piscataway Regional Day School, the Early Childhood Program, Bus Service Program, and the Food Service Program, all of which are considered to be major enterprise funds of the Commission.

The enterprise fund financial statements can be found on pages 41 through 43 of this report.

*Fiduciary funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the district-wide financial statement because the resources of those funds are *not* available to support the Commission's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements can be found on pages 44 through 45 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 46 through 68 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Commission. Required supplementary information can be found on pages 69 through 75 of this report.

Combining and individual fund statements and schedules can be found on pages 76 through 936 of this report.

### **Government-Wide (Governmental Activities) Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Commission, assets exceeded liabilities by \$18,724,080 at the close of the most recent fiscal year.

By far the largest portion of the Commission's net assets reflects net assets restricted for debt service, capital projects and other purposes. The restricted net assets for debt service will be used for debt service bond principal and interest obligations. The net assets reserved for capital projects will be mainly used for the Center for Lifelong Learning project in Sayreville.

Table 1 shows the comparison of the Commission’s Government-Wide net assets from fiscal year 2008 to 2009.

**Table 1 – Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Assets</b>						
Current and other assets	\$ 19,960,121	\$ 23,023,940	\$ 1,678,198	\$ 1,425,175	\$ 21,638,319	\$ 24,449,115
Capital assets, net of depreciation	61,771,580	38,903,286	1,119,901	806,809	62,891,481	39,710,095
Total assets	81,731,701	61,927,226	2,798,099	2,231,984	84,529,800	64,159,210
<b>Liabilities</b>						
Other liabilities	3,723,116	3,126,239	147,523	96,205	3,870,639	3,312,444
Long-term liabilities	59,284,505	40,444,439			59,284,505	40,444,439
Total liabilities	63,007,621	43,660,678	147,523	96,205	63,154,144	43,756,883
<b>Net assets</b>						
Invested in capital assets, net of debt	3,533,402	(907,884)	1,119,901	806,809	4,653,303	(101,075)
Restricted	7,030,185	10,931,852			7,030,185	10,931,852
Unrestricted	8,160,493	8,242,580	1,530,675	1,328,970	9,691,168	9,571,550
Total net assets	\$ 18,724,080	\$ 18,266,548	\$ 2,650,576	\$ 2,135,779	\$ 21,374,656	\$ 20,402,327

Restricted net assets represent resources that are subject to external restrictions on how they may be used. The remaining balance consists of unrestricted net assets \$9,691,168 and may be used to meet the government’s ongoing obligations to member districts.

At the end of the current fiscal year, the Commission is able to report positive balances in all three categories of net assets, both for the district as a whole, as well as for its separate governmental and business-type activities.

Total assets increased mainly due to increase capital assets related to the construction of the NuView Academy and the Center of Lifelong Learning.

Total liabilities increased mainly due to increases in long-term liabilities for new issuance of construction bond for NuView Academy and the Center of Lifelong Learning construction.

Total net assets increased \$972,639 mainly due to increases in revenue from tuition and services provided to other districts.

Table 2 shows the changes in net assets from fiscal year 2008 to 2009.

### Government-Wide Activities

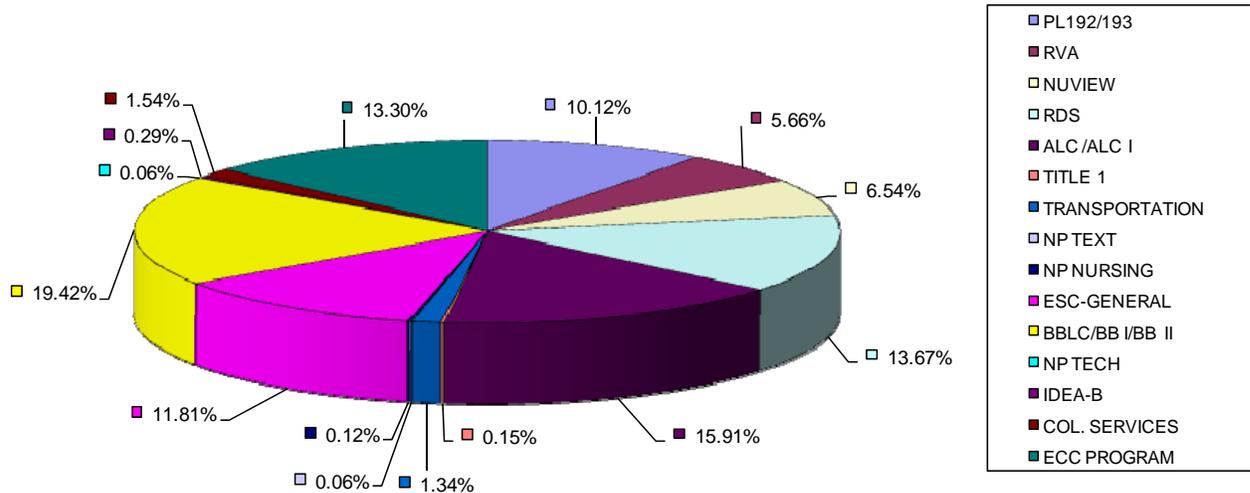
Governmental activities increased the Commission's net assets by \$972,639 thereby accounting for 47.06 percent of the total growth in the net assets of the Commission. Key elements of this increase are as follows:

**Table 2 – Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 21,849,114	\$ 22,552,408	\$ 11,549,093	\$ 11,397,496	\$ 33,398,207	\$ 33,949,904
Operating grants and contributions	9,050,390	9,322,936	477,438	478,357	9,527,828	9,801,293
General revenues:						
Tuition	23,150,645	22,527,836			23,150,645	22,527,836
Services provided to other districts	5,672,096	5,282,055			5,672,096	5,282,055
Grants and entitlements	1,826,690	1,837,857			1,826,690	1,837,857
Other	223,963	725,139			223,963	725,139
Total revenues	61,772,898	62,248,231	12,026,531	11,875,853	73,799,429	74,124,084
Program Expenses						
Instruction	18,158,241	17,820,197			18,158,241	17,820,197
Support services:						
Pupils and instructional staff	7,418,683	7,407,097			7,418,683	7,407,097
General administration, school administration	2,231,843	2,097,589			2,231,843	2,097,589
Central services	1,001,380	949,542			1,001,380	949,542
Admin. Infor. Technology	98,180	196,642			98,180	196,642
Operations and maintenance of facilities	1,765,062	1,708,220			1,765,062	1,708,220
Pupil transportation	24,909,636	25,427,834			24,909,636	25,427,834
Business and other support svcs	1,268,528	1,278,572			1,268,528	1,278,572
Special schools	1,843,787	1,827,514			1,843,787	1,827,514
Interest on debt	2,743,549	1,726,318			2,743,549	1,726,318
Regional Day School			5,516,538	5,264,305	5,516,538	5,264,305
Bus Services			190,437	163,003	190,437	163,003
Early Childhood Program			5,382,667	5,577,675	5,382,667	5,577,675
Food Service			298,567	274,427	298,567	274,427
Total program expenses	61,438,891	60,439,524	11,388,209	11,279,410	72,827,100	71,718,934
Excess before transfers	334,007	1,808,707	638,322	596,443	927,329	2,405,150
Transfers	123,525	143,900	(123,525)	(143,900)		
Change in net assets	457,532	1,952,607	514,797	452,543	927,639	2,405,150
Beginning net assets	18,266,548	16,313,941	2,135,779	1,683,236	20,402,327	17,997,177
Ending net assets	\$ 18,724,080	\$ 18,266,548	\$ 2,650,576	\$ 2,135,779	\$ 21,374,656	\$ 20,402,327

Revenues decreased primarily due to the decreases in transportation services provided to other districts and decreased revenue from interest income. Expenses increased primarily due to increased bond obligation related to the NuView and Center for Lifelong Learning Projects.

**ADMINISTRATIVE REVENUE DISTRIBUTION**



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

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

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

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

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

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

The dependence upon tuition revenues is apparent. The participating school districts are the primary support for the Commission.

## Financial Analysis of the Commission's Funds

### Financial Information at Fiscal Year-End

As demonstrated by the various statements and schedules included in the financial section of this report, the Commission continues to meet its responsibility for sound financial management. The following schedule presents a summary of the general fund, special revenue fund and debt service fund revenues for the fiscal year ended June 30, 2009 and the amount and percentages of increases in relation to the prior year's revenues. The capital projects fund has been excluded as amounts vary substantially from year to year.

<b>Revenues</b>	<b>Amount</b>	<b>Percentage of Total</b>	<b>Decrease from 2008</b>	<b>Percentage of Increase</b>
Local sources	\$ 50,862,860	82.39%	\$ (6,068)	(0.01)%
State sources	8,166,315	13.23	(282,438)	(3.34)
Federal sources	2,705,765	4.38	(3,275)	(0.12)
<b>Total</b>	<b>\$ 61,734,940</b>	<b>100.00%</b>	<b>\$ (291,781)</b>	<b>(0.47)%</b>

The decrease in local sources is attributable to a decrease in the services provided to districts and significant interest on investment revenue decreased during the year. The decrease in State revenue sources is mainly attributable to the Governor's initiative on Autism State Aid Grant ended 06/30/2008. The decrease in Federal sources is mainly attributable to the timing of expenditures of available funds and decreased Federal Aid for the IDEA Part B program.

The following schedule presents a summary of general fund, special revenue fund and debt service fund expenditures for the fiscal year ended June 30, 2009 and the amount and percentages of increases (decreases) in relation to the prior year's expenditures.

<b>Expenditures</b>	<b>Amount</b>	<b>Percentage of Total</b>	<b>Increase (Decrease) from 2008</b>	<b>Percentage of Increase (Decrease)</b>
Current:				
Instruction	\$ 16,040,812	19.55%	\$ 152,363	0.96%
Undistributed expenditures	42,143,298	51.35	1,250,812	3.06
Capital outlay	966,966	1.18	(293,693)	(23.30)
Special schools	1,843,787	2.25	16,273	0.89
Debt service:				
Principal	21,073,587	25.68	10,041,888	91.03
Interest	2,813,546	3.43	1,447,478	105.96
<b>Total</b>	<b>\$ 82,068,450</b>	<b>100.00%</b>	<b>\$ 12,615,121</b>	<b>17.46%</b>

The increase in instruction is due to an increase in the contractual increase in teachers' salaries. The increase in undistributed expenditures is mainly attributable to the expansion of Commission services provided. The increase in special schools is due to the addition of extended school program for Raritan Valley Academy.

The increase in principal on debt is due to new issuance of construction bond to finance both construction projects for NuView and Center of Lifelong Learning and pay off prior short-term notes issued during construction in process.

*Governmental funds.* The focus of the Commission's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Commission's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a Commission's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Commission's governmental funds reported combined ending fund balances of \$16,475,328 a decrease of \$3,593,936 in comparison with the prior year. Approximately \$7,922,372 of this total amount constitutes *unreserved fund balance*, which is available for spending at the Commission's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period, 2) to pay debt service \$2,993,928, or 3) support program budgets.

The general fund is the chief operating fund of the Commission. At the end of the current fiscal year, unreserved fund balance of the general fund was \$7,922,372 while total fund balance reached \$9,661,535. As a measure of the general fund's viability, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 15.13 percent of total general fund expenditures, while total fund balances represents 18.45 percent of that same amount.

The total fund balance of the Commission's general fund increased by \$307,731 during the current fiscal year and the undesignated fund balance increased by \$817,405 during the current fiscal year.

The debt service fund has a total fund balance of \$2,993,928, all of which is reserved for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was \$374,711.

*Enterprise funds.* The Commission's enterprise funds provide the same type of information found in the district-wide financial statements, but in more detail.

## **General Fund Budgeting Highlights**

### **Significant Budget Variances or Budget Modifications**

During the 2009 school year, the Commission experienced several significant budget variances and modifications. These variances and modifications were directly related to originally budgeted Collaborative Services for Old Bridge and New Brunswick that were cancelled due to lack of enrollment and result of expansion in the areas of Itinerant Instruction Services provided for children with hearing loss.

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

During the course of the 2009 fiscal year, the Commission amended its General Fund budgets as needed. The Commission uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

For the General Fund, budget-basis revenue and other financing sources was \$50,855,351, \$2,826,480 under original budgeted estimates of \$53,681,831. This difference was due primarily to conservative revenue estimates, the growth of the Bright Beginning Learning Center Annex I, BBLC Annex II, NuView Academy and the addition of the Academy Learning Center Annex I programs.

For the General Fund, budget basis expenditures, the following material transfers were made to:

1. General supplies for undistributed instruction was increased by \$81,512. This increase is directly related to the distribution of additional revenue for increases in tuition for interim alternative education program.
2. Teacher Salary for Auditory Impairments program was increased by \$51,910. This increase is directly related to the request for the provision of Itinerant services expanded to partnership with Katzenbach for Children with Hearing Loss.
3. Teacher Salary for Learning and Language Disabilities was decreased by (\$75,050). This decrease is directly related to the request for the provision of speech services for the public districts less than original budgeted.
4. Salaries of teachers for Behavioral Disabled Students were decreased by (\$134,874). These decreases are directly related to actual enrollment in respect to number of classroom teacher needed was less than original budgeted for NuView Program during the year and collaborative services for New Brunswick was cancelled due to lack of enrollment.

5. Other Salaries for Instruction for Behavioral Disabled Students were increased by \$73,612. These increases are directly related to the addition of additional 1:1 aides on behalf of public school districts for the NuView Academy and the Raritan Valley Academy.
6. General Supplies for Behavioral Disabled Students were increased by \$77,048. These increases are directly related to requisition of classroom supplies for NuView Academy.
7. Salaries for Instruction for Multiple Disabled Students were decreased by (\$278,228). These decreases are directly related to the actual salary paid less than original salary budgeted and salary reallocation from Multiple Disabled to Autism for both ALC and BBLC program.
8. Other Salaries for Instruction for Multiple Disabled Students were decreased by (\$200,373). These decreases are directly related to reduction of 1:1 aides on behalf of public school districts and IDEAB aides for Nonpublic School.
9. Purchased professional and technical services for Health services were decreased by (\$57,421). These decreases are directly related to reduction of professional educational services from agencies.
10. Other Support Services for Students line for Salaries of Other Professional Staff decreased (\$56,772). This decrease is related to provision of collaborative services for Old Bridge and New Brunswick Collaborative program were cancelled due to lack of enrollment. The salaries of other professional staff decreased (\$221,904). This decrease is directly related to the request for the provision of services for additional related services for speech, additional occupational and physical therapy services being lower than originally budgeted.
11. General administration line for other Purchased professional and technical services were decreased by (\$64,266). These decreases are directly related to the provision of other purchased professional and technical services being lower than originally budgeted.
12. Salaries of Principals/Assistant Principals for School Administration decreased (\$65,694). This decrease is related to provision of collaborative services for Old Bridge and New Brunswick Collaborative program were cancelled due to lack of enrollment and actual salary paid less than originally budgeted.
13. Other Purchased Professional Services for School Administration decreased (\$71,425). This decrease is directly related to elimination of the provision of transition services to public school districts.

14. Purchased Professional Services for Central Services decreased (\$97,780). This decrease is directly related to the administrative fees for the provision of the psychiatric and therapeutic services from Princeton House being lower than originally budgeted.
15. The Central Services line for Miscellaneous Purchased Services decreased (\$228,560). This decrease is directly related to various Commission projects completed in FY08 and the required purchased professional services for the architectural and engineering fees directly budgeted in Capital Project Funds for the NuView Academy and the Center for Lifelong Learning projects.
16. The cleaning, repair, maintenance was decreased by (\$85,948). This decrease is mainly due to the reclassification of the Chart of Accounts to Miscellaneous Purchased Services for maintenance of information technology equipment and actual maintenance costs paid for NuView Academy new building was less than originally budgeted.
17. Other Operation and Maintenance for plant line for Rent decreased by (\$583,022) and Other Financing sources Transfer out for debt service fund was increased by \$1,367,178. This net increase is directly related to the level of funds transferred to the Commission's debt service account for payment of current and future obligations.
18. Student Transportation Contracted Services between Home and School line decreased (\$2,300,995). This decrease is directly related to the level of service provided to participating districts being lower than originally budgeted.
19. Employee benefits for other retirement contributions line decreased (\$147,618). This decrease is directly related to actual retirement contributions obligation was lower than originally budgeted.
20. Employee benefits for Unemployment compensation line increased \$102,717. This increase is directly related to actual Unemployment reimbursable cost was more than originally budgeted.
21. Health Benefits increased \$550,419. This represents the distribution of additional revenue for increases in services and tuition.
22. Non-Instructional Equipment for Others increased \$312,885. This increase is directly related to the acquisition of furniture and equipment for the NuView Academy facility and Commission-wide security system carried over from fiscal year 08.
23. Facilities Acquisition and Construction Services line for Construction Services increased \$326,984. This increase is directly related to upgrade security systems, playground resurfacing and various projects for Raritan Valley and NuView Academy carried over from fiscal year 08.

The General Fund revenues and other financing sources (uses) of the Commission still exceeded expenditures by approximately \$307,731, making the financial position of the Commission strong.

### **Capital Assets – Governmental Activities**

At the end of the fiscal year 2009, the Commission had \$61,771,580 (net) investment in land, buildings, furniture and equipment, and vehicles. Table 3 shows a comparison of capital assets (net of depreciation) from fiscal year 2008 to 2009.

**Table 3 – Capital Assets (Net of Depreciation)**

	<u>2009</u>	<u>2008</u>
Land and land improvements	\$ 5,988,774	\$ 6,008,761
Construction in progress	25,278,048	9,179,690
Buildings and improvements	28,544,999	22,030,338
Machinery, equipment and vehicles	1,989,760	1,684,497
Totals	<u>\$ 61,771,581</u>	<u>\$ 38,903,286</u>

Major capital asset events during the current fiscal year included the construction in process of NuView Academy and Center of Life Long Learning, exterior façade, canopy, gym and occupational therapy/ physical therapy room floor upgrade at the Piscataway Regional Day School, playground upgrades at various programs, telephone and networking upgrades, building access and security upgrades.

Additional information on the Commission’s capital assets can be found in Note 3 to the basic financial statements.

### **Debt Administration**

On June 30, 2009, the Commission had \$60,709,630 in outstanding long-term liabilities. Of this amount, \$320,213 is for compensated absences, and the balance of \$60,389,417 for bonds/loans for school construction.

Additional information on the Commission’s long-term debt can be found in Note 4 to the basic financial statements.

### **Contacting the Commission’s Financial Management**

This financial report is designed to provide participating districts, investors and creditors with a general overview of the Commission’s finances and to show the Commission’s accountability for the money it receives. If you have any questions about this report or need additional information, contact Patrick M. Moran, Business Administrator/Board Secretary at Middlesex Regional Educational Services Commission, 1660 Stelton Road, Piscataway, New Jersey 08854 or email at [pmoran@mresc.k12.nj.us](mailto:pmoran@mresc.k12.nj.us) .

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# Basic Financial Statements



# District-wide Financial Statements

The district-wide financial statements provide a financial overview of the Commission's operations. These financial statements present the financial position and operating results of all governmental activities and business-type activities as of and for the year ended June 30, 2009.



## Middlesex Regional Educational Services Commission

## Statement of Net Assets

June 30, 2009

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 4,586,415	\$ 1,147,620	\$ 5,734,035
Receivables, net	6,553,165	567,798	7,120,963
Deferred charges	726,112		726,112
Internal balances	37,220	(37,220)	-
Restricted assets:			
Cash and cash equivalents	216,392		216,392
Cash held by fiscal agent	7,840,816		7,840,816
Capital assets, nondepreciable	30,509,663		30,509,663
Capital assets, depreciable, net	31,261,918	1,119,901	32,381,819
Total assets	<u>81,731,701</u>	<u>2,798,099</u>	<u>84,529,800</u>
<b>Liabilities</b>			
Accounts payable	520,813	127,523	648,336
Accrued interest payable	964,437		964,437
Intergovernmental accounts payable:			
State and federal	129,491		129,491
Districts	965,486		965,486
Accrued liability for health benefits	611,628		611,628
Deferred revenue	531,262	20,000	551,262
Noncurrent liabilities:			
Due within one year	1,925,882		1,925,882
Due beyond one year	57,358,622		57,358,622
Total liabilities	<u>63,007,621</u>	<u>147,523</u>	<u>63,155,144</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	3,533,402	1,119,901	4,653,303
Restricted for:			
Debt service	2,993,928		2,993,928
Capital projects	3,819,865		3,819,865
Other purposes	216,392		216,392
Unrestricted	8,160,493	1,530,675	9,691,168
Total net assets	<u>\$ 18,724,080</u>	<u>\$ 2,650,576</u>	<u>\$ 21,374,656</u>

## Middlesex Regional Educational Services Commission

## Statement of Activities

Year ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities</b>						
Instruction	\$ 18,158,241	\$ 23,150,645	\$ 5,606,452	\$ 10,598,856		\$ 10,598,856
Support services:						
Health services	650,633			(650,633)		(650,633)
Student and instruction related services	6,768,050		3,078,769	(3,689,281)		(3,689,281)
General and business administrative services	712,561			(712,561)		(712,561)
School administrative services	1,519,283			(1,519,283)		(1,519,283)
Central services	1,001,380			(1,001,380)		(1,001,380)
Admin. Infor. Technology	98,180			(98,180)		(98,180)
Plant operations and maintenance	1,765,062			(1,765,062)		(1,765,062)
Pupil transportation	24,909,636	21,849,114		(3,060,522)		(3,060,522)
Employee benefits	940,187			(940,187)		(940,187)
Capital outlay	328,342		365,169	36,827		36,827
Special schools	1,843,787			(1,843,787)		(1,843,787)
Interest on long-term debt	2,743,549			(2,743,549)		(2,743,549)
Total governmental activities	<u>61,438,891</u>	<u>44,999,759</u>	<u>9,050,390</u>	<u>(7,388,742)</u>		<u>(7,388,742)</u>
<b>Business-type activities</b>						
Regional Day School	5,516,538	5,898,870			\$ 382,332	382,332
Bus Service	190,437	118,042			(72,395)	(72,395)
Early Childhood Program	5,382,667	5,459,793	277,827		354,953	354,953
Food service	298,567	72,388	199,611		(26,568)	(26,568)
Total business-type activities	<u>11,388,209</u>	<u>11,549,093</u>	<u>477,438</u>		<u>638,322</u>	<u>638,322</u>
Total primary government	<u>\$ 72,827,100</u>	<u>\$ 56,548,852</u>	<u>\$ 9,527,828</u>	<u>(7,388,742)</u>	<u>638,322</u>	<u>(6,750,420)</u>
General revenues:						
Federal and state aid not restricted				1,826,690		1,826,690
Services provided to districts				5,672,096		5,672,096
Interest income				120,398		120,398
Miscellaneous income				103,565		103,565
Transfers				123,525	(123,525)	-
Total general revenues and transfers, net				<u>7,846,274</u>	<u>(123,525)</u>	<u>7,722,749</u>
Change in net assets				457,532	514,797	972,329
Net assets—beginning				18,266,548	2,135,779	20,402,327
Net assets—ending				<u>\$ 18,724,080</u>	<u>\$ 2,650,576</u>	<u>\$ 21,374,656</u>

See accompanying notes.

# Fund Financial Statements



# Governmental Funds



Middlesex Regional Educational Services Commission  
Governmental Funds

Balance Sheet

June 30, 2009

	Major Funds				Total Governmental Funds
	General	Special Revenue	Capital Projects	Debt Service	
<b>Assets</b>					
Cash and cash equivalents	\$ 4,184,933	\$ 714,706		\$ 1,911,242	\$ 6,810,881
Intergovernmental accounts receivable					
State	48,478				48,478
Federal		62,568			62,568
Other districts	5,690,720	715,983			6,406,703
Interfund receivable	484,694				484,694
Cash and cash equivalents-restricted	216,392				216,392
Cash held by fiscal agent-restricted	133,254		\$ 6,624,876	1,082,686	7,840,816
Total assets	<u>\$ 10,758,471</u>	<u>\$ 1,493,257</u>	<u>\$ 6,624,876</u>	<u>\$ 2,993,928</u>	<u>\$ 21,870,532</u>
<b>Liabilities</b>					
Cash overdraft			\$ 2,224,466		\$ 2,224,466
Accounts payable	\$ 333,511	\$ 18,815	168,487		520,813
Accrued liability for insurance claims	611,628				611,628
Intergovernmental accounts payable					
State and federal		116,862			116,862
Other districts	141,946	540,853			682,799
Interfunds payable			412,058		412,058
Deferred revenue	9,851	473,498			483,349
Total liabilities	<u>1,096,936</u>	<u>1,150,028</u>	<u>2,805,011</u>	<u>-</u>	<u>5,051,975</u>
<b>Fund balances</b>					
Reserved for:					
Encumbrances	302,631				302,631
Capital reserve	216,392				216,392
Health benefits reserve	1,220,140				1,220,140
Debt service				\$ 2,993,928	2,993,928
Unreserved:					
Undesignated	7,922,372		3,819,865		11,742,237
Total fund balances	<u>9,661,535</u>		<u>3,819,865</u>	<u>2,993,928</u>	<u>16,475,328</u>
Total liabilities and fund balances	<u>\$ 10,758,471</u>	<u>\$ 1,150,028</u>	<u>\$ 6,624,876</u>	<u>\$ 2,993,928</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$69,870,936 and the accumulated depreciation is \$8,099,355.	61,771,581
Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.	(964,437)
Unamortized portion of debt issuance costs not reported as an asset in the funds	726,112
Long-term liabilities, including bonds payable, capital leases and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(59,284,504)
Net assets of governmental activities (A-1)	<u>\$ 18,724,080</u>

See accompanying notes.

Middlesex Regional Educational Services Commission  
Governmental Funds

Statements of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2009

	Major Funds				Total
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	
Revenues:					
Local sources:					
Tuition from districts	\$ 23,150,645				\$ 23,150,645
Transportation fees	21,849,114				21,849,114
Services provided to districts	5,672,096				5,672,096
Interest on investments	79,931		\$ 37,958	\$ 2,509	120,398
Miscellaneous	103,565				103,565
Total revenues—local sources	50,855,351		37,958	2,509	50,895,818
Local sources		\$ 5,000			5,000
State sources	1,826,690	6,339,625			8,166,315
Federal sources		2,705,765			2,705,765
Total revenues	52,682,041	9,050,390	37,958	2,509	61,772,898
Expenditures:					
Current:					
Instruction	10,434,360	5,606,452			16,040,812
Undistributed:					
Health services	581,568				581,568
Other support: special	3,152,844	2,896,769			6,049,613
General administration	636,922				636,922
School administration	1,358,009				1,358,009
Central Services	895,083				895,083
Admin. Info. Technology	87,758				87,758
Required maintenance for school facilities	662,166				662,166
Operation of plant	915,533				915,533
Student transportation	22,265,448				22,265,448
Employee benefits	4,050,962				4,050,962
Reimbursement TPAF social security and pension (non-budgeted)	1,826,690				1,826,690
Capital outlay	601,797	365,169	23,291,986		24,258,952
Special schools	1,843,787				1,843,787
Debt service:					
Principal				21,073,587	21,073,587
Interest				2,813,546	2,813,546
Total expenditures	49,312,927	8,868,390	23,291,986	23,887,133	105,360,436
Excess (deficiency) of revenues over (under) expenditures	3,369,114	182,000	(23,254,028)	(23,884,624)	(43,587,538)
Other financing sources (uses):					
Transfers in	37,958		333,254	3,404,866	3,776,078
Transfers out	(3,099,341)	(182,000)	(37,958)	(333,254)	(3,652,553)
Proceeds - Construction Bonds			18,682,354	21,187,723	39,870,077
Total other financing (uses) sources	(3,061,383)	(182,000)	18,977,650	24,259,335	39,993,602
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	307,731		(4,276,378)	374,711	(3,593,936)
Fund balances, July 1	9,353,804		8,096,243	2,619,217	20,069,264
Fund balances, June 30	\$ 9,661,535	\$ -	\$ 3,819,865	\$ 2,993,928	\$ 16,475,328

See accompanying notes.

Middlesex Regional Educational Services Commission  
Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balance to the Statement of Activities

Year ended June 30, 2009

**Total net change in fund balances - governmental funds (B-2)** \$ (3,593,936)

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

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

	Depreciation expense	\$ (1,062,316)	
	Capital outlays	<u>23,930,611</u>	22,868,295

The issuance of long-term debt (e.g. bonds/loans, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (18,427,009)

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. (299,485)

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) 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 reduction in the reconciliation; when the paid amount exceeds the earned amount the difference is an addition to the reconciliation. (90,333)

**Change in net assets of governmental activities (A-2)** \$ 457,532

*See accompanying notes.*

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# Proprietary Funds



Middlesex Regional Educational Services Commission  
Proprietary Funds

Statement of Net Assets

June 30, 2009

	<b>Regional Day School Fund</b>	<b>Bus Services Fund</b>	<b>Early Childhood Program Fund</b>	<b>Food Services Fund</b>	<b>Total</b>
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 226,032	\$ 2,679	\$ 882,940	\$ 35,969	\$ 1,147,620
Intergovernmental accounts receivable:					
State			1,061	889	1,950
Federal			24,700	17,189	41,889
Other districts	425,431	1,403	97,125		523,959
Total current assets	<u>651,463</u>	<u>4,082</u>	<u>1,005,826</u>	<u>54,047</u>	<u>1,715,418</u>
Capital assets:					
Site Improvement	839,695				839,695
Equipment	467,203		159,476		626,679
Accumulated depreciation	(286,668)		(59,805)		(346,473)
Total capital assets	<u>1,020,230</u>	<u>-</u>	<u>99,671</u>	<u>-</u>	<u>1,119,901</u>
Total assets	<u>1,671,693</u>	<u>4,082</u>	<u>1,105,497</u>	<u>54,047</u>	<u>2,835,319</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	51,253	4,082	55,361	16,827	127,523
Interfunds payable				37,220	37,220
Deferred revenues	20,000				20,000
Total current liabilities	<u>71,253</u>	<u>4,082</u>	<u>55,361</u>	<u>54,047</u>	<u>184,743</u>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	1,020,230	-	99,671		1,119,901
Unrestricted	580,210	-	950,465	-	1,530,675
Total net assets	<u>\$ 1,600,440</u>	<u>\$ -</u>	<u>\$ 1,050,136</u>	<u>\$ -</u>	<u>\$ 2,650,576</u>

See accompanying notes.

Middlesex Regional Educational Services Commission  
Proprietary Funds

Combining Statement of Revenues, Expenses  
and Changes in Fund Net Assets

Year ended June 30, 2009

	Regional Day School Fund	Bus Services Fund	Early Childhood Program Fund	Food Services Fund	Total
Operating revenues:					
Local sources:					
School lunch program				\$ 72,388	\$ 72,388
Tuition	\$ 5,898,870		\$ 5,443,197		11,342,067
Services	-	\$ 118,042	16,596		134,638
Total operating revenues	5,898,870	118,042	5,459,793	72,388	11,549,093
Operating expenses:					
Cost of food			255,305	279,348	534,653
Salaries and wages	3,207,853	133,113	3,044,839	19,219	6,405,024
Employee benefits	1,339,111	46,360	1,405,465		2,790,936
Materials and supplies	93,901		114,825		208,726
Textbooks	909		-		909
Maintenance and repairs	41,822	10,964	65,549		118,335
Travel	721		23,040		23,761
Other professional services	582,999		33,612		616,611
Insurance	15,432		14,186		29,618
Telephone/Communications	25,069		6,356		31,425
Utilities	106,850		13,663		120,513
Depreciation	44,901		21,403		66,304
Miscellaneous	56,970		384,424		441,394
Total operating expenses	5,516,538	190,437	5,382,667	298,567	11,388,209
Operating income (loss)	382,332	(72,395)	77,126	(226,179)	160,884
Nonoperating revenues:					
National breakfast program - state			5,194	4,474	9,668
State school lunch program			6,159	5,358	11,517
National breakfast program - federal			77,320	65,451	142,771
Federal school lunch program			148,601	121,049	269,650
After school snack program			40,553	3,279	43,832
Total nonoperating revenues			277,827	199,611	477,438
Income before transfers	382,332	(72,395)	354,953	(26,568)	638,322
Transfers in		73,100		31,475	104,575
Transfers out	(155,000)		(73,100)		(228,100)
Total Transfer	(155,000)	73,100	(73,100)	31,475	(123,525)
Change in net assets	227,332	705	281,853	4,907	514,797
Net assets, beginning of year	1,373,108	(705)	768,283	(4,907)	2,135,779
Net assets, end of year	\$ 1,600,440	\$ -	\$ 1,050,136	\$ -	\$ 2,650,576

*See accompanying notes.*

Middlesex Regional Educational Services Commission  
Proprietary Fund

Statement of Cash Flows

Year ended June 30, 2009

	Regional Day School Fund	Bus Services Fund	Early Childhood Program Fund	Food Services Fund	Total
<b>Cash flows from operating activities</b>					
Receipts from customers	\$ 5,982,318	\$ 144,301	\$ 5,810,147	\$ 72,388	\$ 12,009,154
Payments to employees	(3,207,853)	(133,113)	(3,044,839)	(19,219)	(6,405,024)
Payments for employee benefits	(1,339,111)	(46,360)	(1,405,465)	-	(2,790,936)
Payments to suppliers	(913,088)	(9,654)	(889,072)	(262,813)	(2,074,627)
Net cash provided by (used in) operating activities	522,266	(44,826)	470,771	(209,644)	738,567
<b>Cash flows from noncapital financing activities</b>					
State sources			11,369	9,816	21,185
Federal sources			266,694	188,570	455,264
Operating subsidies and transfers to other funds	(155,000)	73,100	(71,032)	19,761	(133,171)
Net cash (used in) provided by noncapital financing activities	(155,000)	73,100	207,031	218,147	343,278
<b>Cash flows from capital and related financing</b>					
Purchases of capital assets	(378,849)		(547)		(379,396)
Net cash used in capital and related financing activities	(378,849)		(547)		(379,396)
Net decrease in cash and cash equivalents	(11,583)	28,274	677,255	8,503	702,449
Balances—beginning of year	237,615	(25,595)	205,685	27,466	445,171
Balances—end of year	\$ 226,032	\$ 2,679	\$ 882,940	\$ 35,969	\$ 1,147,620
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>					
Operating income (loss)	\$ 382,332	\$ (72,395)	\$ 77,126	\$ (226,179)	\$ 160,884
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation and net amortization	44,901		21,403		66,304
Change in assets and liabilities:					
Decrease in accounts receivable, net	83,448	26,259	350,354		460,061
Increase in accounts payable, net	11,585	1,310	21,888	16,535	51,318
Net cash provided by (used in) operating activities	\$ 522,266	\$ (44,826)	\$ 470,771	\$ (209,644)	\$ 738,567

See accompanying notes.

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# Fiduciary Funds



Middlesex Regional Educational Services Commission  
Fiduciary Funds

Statement of Fiduciary Net Assets

June 30, 2009

	<b>Unemployment Compensation Trust Fund</b>	<b>Agency Fund</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 402,139	\$ 190,448
Accounts receivable- other		1,080
Total assets	\$ 402,139	\$ 191,528
<b>Liabilities</b>		
Account payable	\$ 42,223	\$ 143,342
Interfunds payable		35,416
Due to student groups		12,770
Total liabilities	42,223	\$ 191,528
<b>Net assets</b>		
Held in trust for unemployment claims	\$ 359,916	

*See accompanying notes.*

Middlesex Regional Educational Services Commission  
Fiduciary Funds

Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2009

	<b>Unemployment Compensation Trust Fund</b>
<b>Additions</b>	
Contributions	\$ 486,630
Interest on investments	1,716
Total additions	488,346
<b>Deductions</b>	
Payment of claims	345,755
Total deductions	345,755
Change in net assets	142,591
Net assets - beginning	217,325
Net assets - ending	\$ 359,916

*See accompanying notes.*

# Middlesex Regional Educational Services Commission

## Notes to Financial Statements

June 30, 2009

### **1. Summary of Significant Accounting Policies**

The financial statements of the Middlesex Regional Educational Services Commission (the "Commission") have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

In its accounting and financial reporting, the Commission follows the pronouncements of the GASB and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The Commission's proprietary funds have elected not to apply the standards issued by the FASB after November 30, 1989.

The more significant of the Commission's accounting policies are described below.

#### **A. Reporting Entity**

The Commission was established by the local school districts of Middlesex County to administer programs designated by the membership in a cooperative fashion.

The general purpose of the Commission is to provide services for the consortium of school districts comprising it that are more economically and efficiently provided on a collective basis. The Commission has been established pursuant to the laws of the State of New Jersey (NJS 18A:6, et seq.) and is a governmental body exempt from taxes.

The financial reporting entity consists of: a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

# Middlesex Regional Educational Services Commission

## Notes to Financial Statements (continued)

### **1. Summary of Significant Accounting Policies (continued)**

The Commission, as the primary government for financial reporting entity purposes, has oversight responsibility and control over all activities related to the Middlesex Regional Educational Services Commission in Piscataway, New Jersey. The Commission receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

### **B. District-Wide and Fund Financial Statements**

The district-wide financial statements, which comprise of the statement of net assets and the statement of changes in net assets, report information on all of the nonfiduciary activities of the Commission. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# Middlesex Regional Educational Services Commission

## Notes to Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers all revenues to be available if they are collected within six months of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to compensated absences and capital leases, are recorded only when payment is due.

The Commission has reported the following major governmental funds:

*General Fund:* The general fund is the general operating fund of the Commission and is used to account for all financial resources except those required to be accounted for in another fund.

*Special Revenue Fund:* The Commission maintains one special revenue fund, which includes the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

*Capital Projects Fund:* The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

*Debt Service Fund:* The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The Commission reports the following major proprietary funds:

*Food Service, Regional Day School Funds and Early Childhood Program:* The food service fund accounts for all revenues and expenses pertaining to 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 any indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges. The regional day school fund accounts for all revenues and expenses in the operation of the school similar to a private business enterprise. The early childhood program accounts for all revenues and expenses in the operation of the program similar to a private business enterprise.

# Middlesex Regional Educational Services Commission

## Notes to Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

Additionally, the Commission reports the following fund types:

Fiduciary funds of the Commission include the unemployment compensation trust fund and agency funds. The trust fund is reported using the economic resources measurement focus. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurements of results of operations. The following is a description of the fiduciary funds of the Commission:

*Trust and Agency Funds:* The trust and agency funds are used to account for assets held by the Commission on behalf of outside parties, including other governments, or on behalf of other funds within the Commission.

*Trust Fund:* The unemployment compensation trust fund is used to account for deductions from employees' salaries, which are utilized to pay unemployment compensation insurance claims as they arise.

*Agency Funds (Payroll and Student Activity Fund):* Agency funds are used to account for the assets that the Commission holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

Amounts reported as program revenues include 1) charged to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, and then unrestricted resources as they are needed.

Enterprise funds distinguish operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Commission enterprise funds are charges for sales of food,

## Middlesex Regional Educational Services Commission

### Notes to Financial Statements (continued)

#### **1. Summary of Significant Accounting Policies (continued)**

tuition, and revenues from services provided for early childhood programs. Operating expenses for enterprise funds include the cost of sales, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Commission reports deferred revenue on its balance sheet. Deferred revenue arises when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenue also arises when resources are received by the Commission before it has legal claim to them, as when federal assistance is received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Commission has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

#### **D. Budgets/Budgetary Control**

Annual budgets are adopted each year for the general fund, special revenue fund and debt service fund. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23. All budget amendments must be approved by Commission resolution. Budget amendments during the year ended June 30, 2009 were properly approved by Commission resolution.

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 accounting principles generally accepted in the United States 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 revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

**1. Summary of Significant Accounting Policies (continued)**

**E. Interfund Receivables/Payables**

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

**F. Capital Assets**

Capital assets, which include property, plant and equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. The Commission defines capital assets as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or through estimation procedures performed by an independent appraisal company. Donated capital assets are valued at their estimated fair value on the date of donation.

The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend the assets lives are not capitalized.

Property, plant and equipment of the Commission is depreciated using the straight line method. The following estimated useful lives are used to compute depreciation:

	<u>Years</u>
Machinery and equipment	2-20
Buildings	50
Building improvements	20
Vehicles	5-10

**G. Compensated Absences**

A liability for compensated absences that are attributable to services already rendered and that are 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. The Commission uses the “vesting method” for estimating its accrued sick and vacation leave liability.

# Middlesex Regional Educational Services Commission

## Notes to Financial Statements (continued)

### **1. Summary of Significant Accounting Policies (continued)**

Commission employees are granted vacation and sick leave in varying amounts under the Commission's personnel policies and according to the negotiated contracts. In the event of retirement, according to contract, an employee is reimbursed for accumulated vacation and sick leave.

The liability for compensated absences of the governmental fund types is recorded in the district-wide financial statements.

The liability for compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2009, no liability existed for compensated absences in the proprietary fund types.

### **H. Deferred Revenue**

Deferred revenue in the special revenue fund represents cash, which has been received but not yet earned and outstanding encumbrances.

### **I. Long-Term Obligations**

In the district-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities.

### **J. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designated fund balances represent plans for future use of financial resources that are subject to change.

### **K. Net Assets**

Net assets represent the difference between assets and liabilities in the district-wide financial statements. 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 long-term debt used to build or acquire the capital assets. Net assets are reported as restricted in the district-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

# Middlesex Regional Educational Services Commission

## Notes to Financial Statements (continued)

### **1. Summary of Significant Accounting Policies (continued)**

#### **L. On-Behalf Payments**

Revenues and expenditures of the general fund include payments made by the State of New Jersey for social security and pension contributions for certified members of the New Jersey Teachers Pension and Annuity Fund. The amounts are not required to be included in the Commission's annual budget.

#### **M. Debt Issuance Costs, Bond Discounts and Other Bond Related Costs**

Debt issuance costs and bond discounts are amortized over the life of the related bond issues using a method that approximates the effective interest method.

#### **N. New Accounting Pronouncements**

In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45, Financial Reporting by Employers for Postemployment Benefits Other Than Pension. This statement established standards of accounting and financial reporting for other postemployment benefits ("OPEB") expense/expenditures and related OPEB liabilities or OPEB assets, note disclosures and required supplementary information in the financial reports of state and local government employers. Since the State of New Jersey pays OPEB benefits on behalf of the Commission and the State is recording the OPEB liability on its financial statements, the GASB does not impact the Commission.

### **2. Reconciliation of District-Wide and Fund Financial Statements**

#### **Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the District-Wide Statement of Net Assets**

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the district-wide statement of net assets. One element of that reconciliation explains that long-term liabilities,

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

**2. Reconciliation of District-Wide and Fund Financial Statements (continued)**

including bonds and loans payable, are not due and payable in the current period and therefore are not reported in the funds. The details of this \$59,284,504 difference are as follows:

Bonds/loans payable	\$60,389,417
Less:	
Deferred loss on refunding	(1,006,298)
Unamortized bond issuance discount	(418,828)
Compensated absences	<u>320,213</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net assets – governmental activities	<u><u>\$59,284,504</u></u>

**3. Deposits and Investments**

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

Investments held by fiscal agent represents the balance of loan proceeds, and interest thereon, used to construct a new school and service the related debt in accordance with the loan agreement. Upon completion of the project, the balance of funds may be transferred to either the General Fund or Debt Service fund at the discretion of the Commission.

New Jersey school districts are limited as to the types 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 Commission 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 Government Units from a loss of funds on deposit with a failed banking institution in New Jersey.

## Middlesex Regional Educational Services Commission

### Notes to Financial Statements (continued)

#### **3. Deposits and Investments (continued)**

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 public 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 at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

#### **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.

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.

## Middlesex Regional Educational Services Commission

### Notes to Financial Statements (continued)

#### **3. Deposits and Investments (continued)**

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

- a. Bonds and other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States for Cooperatives, which have a maturity date not greater than twelve months from the date of purchase.

At June 30, 2009, the carrying amount of the Commission's deposits was \$6,405,574 and the bank balance was \$11,100,896. Of the bank balance, \$100,000 was covered by federal depository insurance and \$11,000,896 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Governmental Unit Deposit Protection Act (GUDPA).

GASB Statement No. 40 requires that the Commission disclose whether its deposits are exposed to custodial credit risk (risk that in the event of failure of the counterparty, the Commission would not be able to recover the value of its deposit or investment). Deposits are considered to be exposed to custodial credit risk if they are: uncollateralized (securities are not pledged to the depositor), collateralized with the securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the name of the Commission.

The Commission does not have a policy for the management of custodial credit risk, other than depositing all of its funds in banks covered by GUDPA. The Commission's deposits were fully collateralized by funds held by the financial institution, but not in the name of the Commission.

The cash overdraft presented on B-1 is the result of an allocation of cash between funds and does not represent a bank overdraft.

## Middlesex Regional Educational Services Commission

### Notes to Financial Statements (continued)

#### **3. Deposits and Investments (continued)**

##### **Investments**

As of June 30, 2009, the Commission had investments totaling \$12,656,940. The Commission's investments have maturities of three months or less and are considered cash and cash equivalents. These amounts are entirely invested in U.S. Treasuries and held by an agent in the Commission's name.

##### *Concentration of Credit Risk*

The Commission places no limit on the amount the Commission may invest in any one issuer. At June 30, 2009, all of the Commission's investments are invested in U.S. Treasuries.

##### *Credit Risk*

The Commission does not have an investment policy regarding the management of credit risk. GASB Statement No. 40 requires that the Commission disclose the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The Commission is exempt from this requirement because all of its investments at June 30, 2009 are invested in U.S. Treasuries.

##### *Interest Rate Risk*

The Commission does not have a policy to limit interest rate risk, however, its practice is typically to invest in investments with short maturities.

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

**4. Capital Assets**

The following schedule is a summarization of the governmental activities changes in capital assets for the fiscal year ended June 30, 2009:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,231,614			\$ 5,231,614
Construction in progress	9,179,690	\$23,289,966	\$(7,191,607)	25,278,049
Total capital assets, not being depreciated	14,411,304	23,289,966	(7,191,607)	30,509,663
Capital assets, being depreciated:				
Buildings and building improvements	26,894,717	7,302,120		34,196,837
Land improvements	1,153,446	39,408		1,192,854
Vehicles	933,475	20,618		954,093
Machinery and equipment	2,547,383	483,230	(13,124)	3,017,489
Total capital assets, being depreciated	31,529,021	7,845,376	(13,124)	39,361,273
Less accumulated depreciation for:				
Buildings and building improvements	(4,864,379)	(787,459)		(5,651,838)
Land improvements	(376,299)	(59,396)		(435,695)
Vehicles	(621,306)	(51,205)		(672,511)
Machinery and equipment	(1,175,055)	(165,295)	1,039	(1,339,311)
Total accumulated depreciation	(7,037,039)	(1,063,355)	1,039	(8,099,355)
Total capital assets, being depreciated, net	24,491,982	6,782,021	(12,085)	31,261,918
Governmental activities capital assets, net	<u>\$ 38,903,286</u>	<u>\$30,071,987</u>	<u>\$ (7,203,692)</u>	<u>\$ 61,771,581</u>

Depreciation expense was charged to functions/programs of the Commission as follows:

Instruction	(\$212,463)
Business and other support services	(849,853)
Total allocated depreciation	<u>(\$1,062,316)</u>

## Middlesex Regional Educational Services Commission

### Notes to Financial Statements (continued)

#### 4. Capital Assets (continued)

The following is a summary of business-type capital assets for the fiscal year ended June 30, 2009.

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Business-type activities:				
Capital assets, being depreciated:				
Building and building improvements	\$ 464,277	\$ 282,952		\$ 747,229
Land improvements	6,163			6,163
Machinery and equipment	616,538	96,444		712,982
Total capital assets being depreciated	1,086,978	379,396	-	\$1,466,374
Less accumulated depreciation for:				
Land improvements	(20,062)	(16,819)		(36,881)
Building and building improvements	(1,323)	(308)		(1,631)
Machinery and equipment	(258,784)	(49,177)		(307,961)
Total accumulated depreciation	(280,169)	(66,304)	-	(346,473)
Total capital assets, being depreciated, net	806,809	313,092	-	1,119,901
Business-type activities capital assets, net	<u>\$ 806,809</u>	<u>\$ 313,092</u>	<u>\$ -</u>	<u>\$ 1,119,901</u>

#### 5. Long-Term Liabilities

##### Changes in Long-term Liabilities

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Compensated absences payable	\$ 229,880	\$90,333		\$320,213	\$5,000
Loans payable	333,004		(\$103,587)	229,417	110,882
MCIA loans payable	41,130,000	40,000,000	(20,970,000)	60,160,000	1,810,000
Less deferred amounts:					
Loss on refunding	(1,073,384)		67,086	(1,006,298)	
Issuance discount	(175,061)		(243,767)	(418,828)	
	<u>\$ 40,444,439</u>	<u>\$40,090,333</u>	<u>(\$21,250,268)</u>	<u>\$59,284,504</u>	<u>\$1,925,882</u>

## Middlesex Regional Educational Services Commission

### Notes to Financial Statements (continued)

#### **5. Long-Term Liabilities (continued)**

##### **Bonds/Loan Payable**

The Middlesex County Improvement Authority issued a \$9,050,000 County-Guaranteed Revenue Bond (Middlesex Regional Educational Services Commission Project) Series 1994 to finance the construction of a County-based Special Education School and loaned the funds to the Commission. The Commission advance refunded \$6,940,000 of the 1994 County Guaranteed Revenue Bonds in 1999. The terms of the loan call for semi-annual interest at rates that vary from 3.90% to 4.875% and annual principal repayments.

In fiscal year 2000, the Middlesex County Improvement Authority issued a \$16,170,000 County-Guaranteed Lease Revenue Bonds (Middlesex Regional Educational Services Commission Project) Series 2000 to finance the costs of the acquisition of real property in Middlesex County and for constructing two special education school facilities (Academy Learning Center and Bright Beginnings Learning Center). Terms of the loan repayment call for semi-annual interest with rates that vary from 4.85% to 5.10% and annual principal repayments. In fiscal year 2005, the Commission advance refunded \$12,275,000 of the 2000 County Guaranteed Revenue Bonds. The principal amount outstanding as of June 30, 2009 is \$1,015,000.

In fiscal year 2006, the Commission executed a loan with Commerce Bank in the amount of \$520,000 to fund leasehold improvements to one of its facilities. The loan matures in five years and the interest rate on the loan is 6.74%.

In fiscal year 2007, the Middlesex County Improvement Authority issue a \$10,000,000 County-Guaranteed Lease Revenue Project Notes (Middlesex Regional Educational Services Commission Project) Series 2006 to finance the costs of the construction of the Center for Lifelong Training in Sayreville and the new construction for the NuView Program in Piscataway. Terms of the loan call for semi-annual interest with a rate of 4.000% and principal due on December 31, 2007.

In fiscal year 2008, the Middlesex County Improvement Authority renewed a \$20,000,000 County-Guaranteed Lease Revenue Project Notes (Middlesex Regional Educational Services Commission Project) Series 2006 to finance the costs of the construction of the Center for Lifelong Learning in Sayreville and the new construction for the NuView Program in Piscataway. Terms of the loan call for semi-annual interest with a rate of 4.000% and principal due on December 31, 2008.

# Middlesex Regional Educational Services Commission

## Notes to Financial Statements (continued)

### 5. Long-Term Liabilities (continued)

In fiscal year 2009, the Middlesex County Improvement Authority issued a \$40,000,000 County-Guaranteed Lease Revenue Project Notes (Middlesex Regional Educational Services Commission Project) Series 2008 to payoff Project Notes Series 2006 for semi-annual interest with a rate of 4.000% and principal due on December 31, 2008 and the remaining bond proceeds to finance the costs of the construction of the Center for Lifelong Learning in Sayreville. Terms of the loan repayment call for semi-annual interest with rates that vary from 3.00% to 5.25% and annual principal repayments.

As of June 30, 2009, \$17,730,000 of defeased bonds remains outstanding.

The Commission has pledged the New School Projects as collateral for the loans.

Future loan payments are as follows:

Year ending June 30:	1999		2000		2004		2006		2008		Total		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2010	\$ 400,000	\$ 252,800	\$ 495,000	\$ 39,019	\$ 120,000	\$ 561,527	\$ 110,873	\$ 12,264	\$ 795,000	\$ 1,898,269	\$ 1,920,873	\$ 2,763,879	\$ 4,684,752
2011	420,000	235,370	520,000	13,260	125,000	557,553	118,692	4,445	960,000	1,871,944	2,143,692	2,682,572	4,826,264
2012	435,000	216,770			670,000	544,455			990,000	1,841,456	2,095,000	2,602,681	4,697,681
2013	455,000	196,963			695,000	518,464			1,025,000	1,807,431	2,175,000	2,522,858	4,697,858
2014	475,000	175,800			720,000	490,735			1,060,000	1,770,944	2,255,000	2,437,479	4,692,479
2015	500,000	153,125			750,000	463,900			1,095,000	1,731,864	2,345,000	2,348,889	4,693,889
2016	520,000	128,701			775,000	435,300			1,135,000	1,688,631	2,430,000	2,252,632	4,682,632
2017	555,000	102,497			805,000	404,878			1,185,000	1,636,306	2,545,000	2,143,681	4,688,681
2018	580,000	74,831			835,000	372,480			1,240,000	1,581,881	2,655,000	2,029,192	4,684,192
2019	610,000	45,825			870,000	337,836			1,290,000	1,524,831	2,770,000	1,908,492	4,678,492
2020	635,000	15,478			905,000	300,887			1,355,000	1,462,094	2,895,000	1,778,459	4,673,459
2021					945,000	261,801			1,415,000	1,396,231	2,360,000	1,658,032	4,018,032
2022					980,000	220,283			1,485,000	1,323,731	2,465,000	1,544,014	4,009,014
2023					1,020,000	176,405			1,560,000	1,247,606	2,580,000	1,424,011	4,004,011
2024					1,070,000	129,890			1,640,000	1,167,606	2,710,000	1,297,496	4,007,496
2025					1,110,000	80,285			1,720,000	1,083,606	2,830,000	1,163,891	3,993,891
2026					1,165,000	27,377			1,810,000	995,356	2,975,000	1,022,733	3,997,733
2027									1,900,000	904,419	1,900,000	901,419	2,801,419
2028									1,995,000	801,610	1,995,000	801,610	2,796,610
2029									2,100,000	696,675	2,100,000	696,675	2,796,675
2030									2,205,000	584,981	2,205,000	584,981	2,789,981
2031									2,320,000	466,200	2,320,000	466,200	2,786,200
2032									2,445,000	341,119	2,445,000	341,119	2,786,119
2033									2,570,000	209,475	2,570,000	209,475	2,779,475
2034									2,705,000	71,006	2,705,000	71,006	2,776,006
Totals	\$5,585,000	\$1,598,160	\$1,015,000	\$ 52,279	\$13,560,000	\$5,884,056	\$229,565	\$ 16,709	\$ 40,000,000	\$ 30,102,272	\$ 60,389,565	\$ 37,653,476	\$98,043,041

## Middlesex Regional Educational Services Commission

### Notes to Financial Statements (continued)

#### 6. Pension Plans

##### Description of Systems

Substantially all of the Commission's employees participate in one of the following contributory defined benefit public employee retirement systems that have been established by State statute: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employees' Retirement System (PERS). These systems are cost sharing multiple-employer plans that are sponsored and administered by the New Jersey Division of Pensions and Benefits. The Teachers' Pension and Annuity Fund retirement system is considered a single employer plan, as under current statute all employer contributions are made by the State of New Jersey on behalf of the Commission and the system's related non-contributing employers.

*Teachers' Pension and Annuity Fund:* The Teachers' Pension and Annuity Fund was established in January 1955 under the provisions of N.J.S.A. 18A:66 to provide coverage, including post-retirement health care to substantially all full time public school teachers. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for health care coverage. The passage of Chapter 103, P.L. 2007, and Chapter 89, P.L. 2008, changed the enrollment and retirement criteria for TPAF members enrolled as of certain dates and membership Tiers are defined as Membership Tier 1 – Members who were enrolled prior to July 1, 2007, Membership Tier 2 – Member were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008, and Membership Tier 3 – Members eligible to enroll on or after November 2, 2008. For Tier 1 members are eligible for retirement at age 55 (with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Early retirement is available to those under age 55 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55). For Tier 2 members who retire before age 60, the retirement amount is reduced 1/12 of 1 percent (1 percent per year) for each month under age 60 through age 55 and 1/4 of 1 percent (3 percent per year) for each month under age 55. For Tier 3 members who retire before age 62, the retirement amount is reduced 1/12 of 1 percent (1 percent per year) for each month under age 62 through age 55 and 1/4 of 1 percent (3 percent per year) for each month under age 55.

## Middlesex Regional Educational Services Commission

### Notes to Financial Statements (continued)

#### **6. Pension Plans (Continued)**

*Public Employees' Retirement System:* The Public Employees' Retirement System was established in January 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service. The passage of Chapter 103, P.L. 2007, and Chapter 89, P.L. 2008, changed the enrollment and retirement criteria for TPAF members enrolled as of certain dates and membership Tiers are defined as Membership Tier 1 – Members who were enrolled prior to July 1, 2007, Membership Tier 2 – Member were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008, and Membership Tier 3 – Members eligible to enroll on or after November 2, 2008. For Tier 1 members are eligible for retirement at age 55 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 55 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55). . For Tier 2 members who retire before age 60, the retirement amount is reduced 1/12 of 1 percent (1 percent per year) for each month under age 60 through age 55 and 1/4 of 1 percent (3 percent per year) for each month under age 55. For Tier 3 members who retire before age 62, the retirement amount is reduced 1/12 of 1 percent (1 percent per year) for each month under age 62 through age 55 and 1/4 of 1 percent (3 percent per year) for each month under age 55.

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 for TPAF and PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

## Middlesex Regional Educational Services Commission

### Notes to Financial Statements (continued)

#### **6. Pension Plans (Continued)**

##### **Funding Policy**

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Commission is a non-contributing employer of the TPAF.

In accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Commission \$966,784 during the year ended June 30, 2009 for the employer's share of social security contributions for TPAF members as calculated on their base salaries and \$859,906 for post-retirement medical benefits and normal pension costs.

The Commission's contributions to PERS for the years ended June 30, 2009, 2008 and 2007 were \$671,355, \$419,278 and \$183,395, respectively, for each of the three years, equal to the required contributions for each year and 2009 total contributions included additional Chapter 19, P.L. 2009 Deferral contributions in the amount of \$298,566.

##### **Post-retirement Benefits**

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required 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. As of June 30, 2005, there were 67,930 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. The State made post-retirement (PRM) contributions of \$494.7 million for TPAF and \$190.8 million for PERS in fiscal year 2005.

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$88.7 million toward Chapter 126 benefits for 9,996 eligible retired members in fiscal year 2005.

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

**7. Contingent Liabilities**

The Commission is involved in various claims and lawsuits incidental to its operations. In the opinion of the administration and legal counsel, the ultimate resolution of these matters will not have a material adverse effect on the financial position of the Commission.

The Commission participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the Commission has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2008 may be impaired. In the opinion of the Commission, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying financial statements for such contingencies.

**8. Risk Management**

The Commission contracts with Horizon Blue Cross/Blue Shield to provide claims administration and payment services for health benefits. As of June 30, 2009, the Commission has recorded a liability for incurred but not reported claims of approximately \$611,628.

Changes in the incurred claims liability over the past three years were:

<b>Fiscal Year</b>	<b>Beginning of Year Liability</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>Balance at End of Fiscal Year</b>
2008-2009	\$ 529,520	\$ 4,017,511	\$ 3,935,403	\$ 611,628
2007-2008	452,089	3,943,559	3,866,128	529,520
2006-2007	808,865	3,436,316	3,793,092	452,089

The Commission has also set aside a health insurance reserve in the amount of \$108,220, which represents approximately three months of claims.

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

**8. Risk Management (continued)**

**Property and Liability Insurance**

In addition, the Commission maintains commercial insurance coverage for property, liability, student accident and surety bonds and does not retain risk of loss. There have been no significant reductions in insurance coverage from the prior year and no settlements have exceeded insurance coverage over the past three years.

**New Jersey Unemployment Compensation Insurance**

The Commission has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method.” Under this plan, the Commission 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 Commission is billed quarterly for amounts due to the State and paid \$345,755 in the 2009 fiscal year.

**9. Capital Reserve Account – Restricted Assets**

Capital reserve accounts may be established for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. A 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 outlay expenditures and transfers of such funds for other uses are prohibited pursuant to N.J.S.A. 18A:22-8.2. The amount included in the Commission’s capital reserve account at June 30, 2009 is \$216,392.

**10. Interfund Receivables and Payables**

The following interfund balances remained on the balance sheet at June 30, 2009:

<b>Fund</b>	<b>Interfund Receivables</b>	<b>Interfund Payables</b>
General Fund	\$ 484,694	
Capital Projects Fund		\$ 412,058
Trust and Agency Fund - Payroll		35,416
Food Service Fund		37,220
	<u>\$ 484,694</u>	<u>\$ 484,694</u>

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

**10. Interfund Receivables and Payables**

The general fund receivable represents funds owed from the trust and agency-payroll fund for overfunding. The general fund payable represents cash owed to the capital projects fund for a cash loan from the capital projects fund to the general fund. The remaining interfund receivables and payables represent interfund loans.

The Commission expects to liquidate these Interfunds within one year.

**11. Transfers - Reconciliation**

	<b>Transfers In</b>	<b>Transfers Out</b>
General Fund	\$37,958	\$3,099,341
Special Revenue Fund		182,000
Capital Projects Fund	333,254	37,958
Debt Service Fund	3,404,866	333,254
Enterprise Fund - RDS/Bus Services/ECC	100,543	224,068
	<u>\$3,876,621</u>	<u>\$3,876,621</u>

The transfers represent an allocation to the various funds for debt service charges to pay for the Commission's interest and principal on its outstanding debt. The Commission does not have the ability to raise taxes and does not receive any debt service aid.

**12. Fund Balance Components – General Fund**

Of the \$10,722,716 of General Fund fund balance at June 30, 2009, \$302,631 is reserved for encumbrances; \$216,392 has been reserved in a Capital Reserve account, \$1,220,139.50 has been reserved for health benefits; and the remaining \$7,968,495 is undesignated.

## Middlesex Regional Educational Services Commission

### Notes to Financial Statements (continued)

#### **13. Deferred Charges**

The deferred charges related to debt issuance costs are recorded in the district-wide statement of net assets. These amounts are being amortized using a method that approximates the effective interest method over the life of the related bonds. The unamortized debt issue costs associated with the issues of the various bonds/loans amounted to \$726,112 at June 30, 2009. The amortization expense for the year ended June 30, 2009 amounted to \$391,524.

The noncurrent liabilities reflected in the district-wide statement of net assets are shown net of deferred charges for a deferred loss on a refunding and an original issue discount. The amounts are being amortized using a method that approximates the effective interest method over the life of the related bonds. The amortized cost associated with the Commission's deferred loss on a refunding and original issue discount amounted to \$335,431 and \$59,903, respectively.

In governmental funds, debt issuance costs are recognized in the current period.

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Required Supplementary Information  
Part II

Budgetary Comparison Schedules



Middlesex Regional Educational Services Commission  
General Fund

Budgetary Comparison Schedule

Year ended June 30, 2009

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Revenues</b>					
Local sources:					
Tuition	\$ 23,947,413	\$ (796,768)	\$ 23,150,645	\$ 23,150,645	
Transportation fees	24,161,070	(2,311,956)	21,849,114	21,849,114	
Services provided to districts	5,114,973	557,123	5,672,096	5,672,096	
Interest on investments	300,000	(220,069)	79,931	79,931	
Miscellaneous	158,375	(54,810)	103,565	103,565	
Total - local sources	53,681,831	(2,826,480)	50,855,351	50,855,351	-
State sources:					
Reimbursed TPAF social security and pension contributions (non-budgeted)				1,826,690	\$ 1,826,690
Total - state sources				1,826,690	1,826,690
Total revenues	53,681,831	(2,826,480)	50,855,351	52,682,041	1,826,690
<b>Expenditures</b>					
Current:					
Regular programs - Instruction					
Grades 9-12					
Salaries of teachers	365,250	(12,738)	352,512	352,512	
Total instruction - regular programs	365,250	(12,738)	352,512	352,512	-
Home instruction:					
Salaries of teachers	405,000	(29,249)	375,751	375,751	
Total home instruction	405,000	(29,249)	375,751	375,751	-
Charter School:					
Salaries of teachers	30,000	(12,356)	17,644	17,644	
Total Charter School	30,000	(12,356)	17,644	17,644	-
Regular programs - Undistributed Instruction					
Other salaries of instruction	35,000	(10,579)	24,421	24,421	
General supplies	16,700	81,512	98,212	16,105	82,107
Textbooks	3,700	(1,254)	2,446	2,446	
Other objects	2,975	(2,601)	374	374	
Total interim alternative education program	58,375	67,078	125,453	43,346	82,107
Total instruction - regular programs	858,625	12,735	871,360	789,253	82,107
Special education:					
Auditory Impairments program:					
Salaries of teachers		51,910	51,910	51,910	
Purchased Instructional services		15,449	15,449	13,650	1,799
Other Objects		2,004	2,004	2,004	
Total Auditory Impairments program	-	69,363	69,363	67,564	1,799
Learning and/or language disabilities:					
Salaries of teachers	80,000	(75,050)	4,950	4,950	
Total learning and/or language disabilities	80,000	(75,050)	4,950	4,950	-

Middlesex Regional Educational Services Commission  
General Fund

Budgetary Comparison Schedule

Year ended June 30, 2009

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures (continued)</b>					
For Keeps Children's program:					
Salaries of teachers	\$ 140,000	\$ (30,139)	\$ 109,861	\$ 109,861	
General supplies	10,800	(9,198)	1,602	571	\$ 1,031
Total For Keeps Children's program	150,800	(39,337)	111,463	110,432	1,031
Behavioral disabilities:					
Salaries of teachers	914,700	(134,874)	779,826	779,826	
Other salaries of instruction	288,000	73,612	361,612	361,612	
General supplies	36,800	77,048	113,848	113,292	556
Textbooks	23,800	24,233	48,033	45,993	2,040
Other objects	14,300	7,249	21,549	20,595	954
Total behavioral disabilities	1,277,600	47,268	1,324,868	1,321,318	3,550
Multiple disabilities:					
Salaries of teachers	1,974,760	(278,228)	1,696,532	1,696,532	
Other salaries of instruction	1,578,000	(200,373)	1,377,627	1,358,293	19,334
General supplies	60,780	(6,332)	54,448	53,879	570
Textbooks	1,974	(1,193)	781	781	
Other objects	9,085	(5,803)	3,282	3,282	
Total multiple disabilities	3,624,599	(491,929)	3,132,670	3,112,767	19,904
Autism:					
Salaries of teachers	2,785,760	42,530	2,828,290	2,828,290	
Other salaries of instruction	2,170,000	(25,771)	2,144,229	2,124,895	19,334
General supplies	73,500	(10,578)	62,922	61,789	1,134
Textbooks	2,712	(1,361)	1,351	1,351	
Other objects	11,265	(7,547)	3,718	3,718	
Total autism	5,043,237	(2,727)	5,040,510	5,020,043	20,468
Preschool:					
General supplies	8,320	(746)	7,574	7,574	
Textbooks	288	(288)	-	-	
Other objects	1,600	(1,140)	460	460	
Total preschool	10,208	(2,174)	8,034	8,034	-
Total special education	10,186,444	(494,586)	9,691,858	9,645,107	46,751
Total instruction	11,045,069	(481,851)	10,563,218	10,434,360	128,858
Undistributed expenditures:					
Health services:					
Salaries	402,200	(24,448)	377,752	377,752	
Purchased professional and technical services	246,360	(57,421)	188,939	186,879	2,060
Supplies	29,120	(12,183)	16,937	16,937	
Total health services	677,680	(94,052)	583,628	581,568	2,060
Other support services - students special services:					
Salaries of other professional staff	639,800	(56,772)	583,028	583,028	
Purchased Professional - Ed. Services	1,164,681	35,789	1,200,470	1,111,503	88,967
Other Purchased Prof. And Tech Services	1,658,239	(221,904)	1,436,335	1,436,335	
Supplies and materials	7,235	(4,831)	2,404	1,901	503
Total other support services - students special services	3,469,955	(247,718)	3,222,237	3,132,767	89,470
Improvement of Instructional Services					
Other purchased services	48,530	(28,293)	20,237	20,077	160
Total Improvement of Instructional Services	48,530	(28,293)	20,237	20,077	160

Middlesex Regional Educational Services Commission  
General Fund

Budgetary Comparison Schedule

Year ended June 30, 2009

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures (continued)</b>					
Undistributed expenditures (continued):					
Support services - general administration:					
Salaries	\$ 282,700	\$ 3,518	\$ 286,218	\$ 286,218	
Legal services	20,300	(1,064)	19,236	15,811	\$ 3,425
Audit Fees	41,200	29,681	70,881	35,481	35,400
Other purchased professional Services	173,650	(64,266)	109,384	109,384	
Telephone	128,000	(9,935)	118,065	118,065	
Supplies and materials	26,700	(11,420)	15,280	14,690	590
Other objects	61,520	(4,198)	57,322	57,273	49
Total support services - general administration	734,070	(57,684)	676,386	636,922	39,464
Support services - school administration:					
Salaries of principals/asst. principals	962,900	(65,694)	897,206	897,206	
Other Salaries	25,000	(8,582)	16,418	16,418	
Salaries of secretarial and clerical assistants	417,258	(47,648)	369,610	369,610	
Other purchased professional services	84,350	(71,425)	12,925	12,925	
Supplies and materials	72,650	(20,202)	52,448	52,406	42
Other objects	15,475	(6,031)	9,444	9,444	
Total support services - school administration	1,577,633	(219,582)	1,358,051	1,358,009	42
Central services:					
Salaries	604,600	(10,187)	594,413	594,413	
Purchased professional services	306,500	(97,780)	208,720	203,450	5,270
Misc. purchased services (400-500 series)	295,395	(228,560)	66,835	66,835	
Supplies and materials	25,900	(9,782)	16,118	16,118	
Miscellaneous expenditures	7,700	6,567	14,267	14,267	
Total central services	1,240,095	(339,742)	900,353	895,083	5,270
Admin. Infor. Technology:					
Misc. purchased services (400-500 series)	134,200	(40,215)	93,985	86,880	7,105
Supplies and materials	2,100	15,359	17,459	878	16,581
Total admin. Infor. Technology	136,300	(24,856)	111,444	87,758	23,686
Required maintenance of school facilities:					
Salaries	426,150	(16,310)	409,840	409,840	
Cleaning, repair, maintenance	250,750	(85,948)	164,802	163,627	1,175
General supplies	83,175	15,858	99,033	88,699	10,334
Total required maintenance of school facilities	760,075	(86,400)	673,675	662,166	11,509
Other operation and maintenance for plant:					
Rent	973,237	(583,022)	390,215	321,613	68,602
Other Purchased Property Services	24,900	846	25,746	25,746	
Insurance	85,100	(12,201)	72,899	72,899	
Energy (heat and electricity)	501,050	(5,622)	495,428	493,469	1,959
Other objects	18,570	(16,764)	1,806	1,806	
Total other operation and maintenance or plant	1,602,857	(616,763)	986,094	915,533	70,561

Middlesex Regional Educational Services Commission  
General Fund

Budgetary Comparison Schedule

Year ended June 30, 2009

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures (continued)</b>					
Undistributed expenditures (continued):					
Student transportation services:					
Salaries for pupil transportation (between home and school) - regular	\$ 92,000	\$ (174)	\$ 91,826	\$ 91,826	
Salaries of secretarial and clerical assistants	217,000	48,298	265,298	265,298	
Contracted svc (bet. Home and Sch) -Vendors	23,700,000	(2,300,995)	21,399,005	21,399,005	
Contracted svc (oth. Than bet. Home and Sch)	369,540	10,039	379,579	378,519	\$ 1,060
Contracted svc -Aide in Lieu Pymts -NP Sch	161,070	(49,391)	111,679	111,679	
Supplies and materials& Misc	12,750	6,371	19,121	19,121	
Total student transportation services	24,552,360	(2,285,852)	22,266,508	22,265,448	1,060
Employee benefits:					
Social security	409,800	40,370	450,170	450,170	
Other retirement contributions - regular	521,000	(147,618)	373,382	373,382	
Unemployment compensation	161,200	102,717	263,917	263,917	
Workmen's compensation	187,300	27,881	215,181	211,430	3,751
Health benefits	2,645,111	550,419	3,195,530	2,645,998	549,532
Tuition reimbursement	100,000	1,201	101,201	61,476	39,725
Other employee benefits	70,550	(25,721)	44,829	44,589	240
Total employee benefits	4,094,961	549,249	4,644,210	4,050,962	593,248
Reimbursed social security and pension contributions (non-budgeted)				1,826,690	(1,826,690)
Total				1,826,690	(1,826,690)
Total undistributed expenditures	38,894,516	(3,451,693)	35,442,823	36,432,983	(990,160)
Total expenditures - current	49,939,585	(3,933,544)	46,006,041	46,867,343	(861,302)
<b>Capital outlay</b>					
Equipment:					
Regular programs - instruction:					
Special education - instruction:					
Multiple disabilities	2,750	16,900	19,650	1,900	17,750
Behavioral disabilities	32,000	(8,000)	24,000	9,850	14,150
Autism	2,750	16,900	19,650	1,900	17,750
Special education - non-instruction:					
Others	32,000	312,885	344,885	331,662	13,223
Total equipment	69,500	338,685	408,185	345,312	62,873
Facilities acquisition and construction services:					
Construction services	34,000	326,984	360,984	256,485	104,499
Total facilities acquisition and construction services	34,000	326,984	360,984	256,485	104,499
Total capital outlay	103,500	665,669	769,169	601,797	167,372

Middlesex Regional Educational Services Commission  
General Fund

Budgetary Comparison Schedule

Year ended June 30, 2009

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures (continued)</b>					
Special schools:					
Summer School - Instruction					
Salaries of teachers	\$ 656,160	\$ (32,116)	\$ 624,044	\$ 624,044	
Other salaries of instruction	375,360	27,201	402,561	402,561	
General supplies	28,640	85,538	114,178	35,814	\$ 78,364
Total summer school year - Instruction	1,060,160	80,623	1,140,783	1,062,419	78,364
Summer School - Support Services					
Salaries	386,053	(22,682)	363,371	363,371	
Personal Services - Employee Benefits	153,929	(12,153)	141,776	141,776	
Purch Pro & Tech Services	283,651	(26,805)	256,846	256,846	
Other Purchased Services	22,790	(3,415)	19,375	19,375	
Total summer school year - Support Services	846,423	(65,055)	781,368	781,368	-
Total special schools	1,906,583	15,568	1,922,151	1,843,787	78,364
Total expenditures	51,949,668	(3,252,307)	48,697,361	49,312,927	(615,566)
(Deficiency) excess of revenues (under) over expenditures	1,732,163	425,827	2,157,990	3,369,114	1,211,124
Other financing sources (uses):					
Transfers in				37,958	(37,958)
Transfers out	(1,732,163)	(1,367,178)	(3,099,341)	(3,099,341)	
Total other financing sources (uses)	(1,732,163)	(1,367,178)	(3,099,341)	(3,061,383)	(37,958)
(Deficiency) excess of revenues (under) over expenditures and other financing sources (uses)	-	(941,351)	(941,351)	307,731	1,249,082
Fund balances, July 1	9,353,804		9,353,804	9,353,804	
Fund balances, June 30	\$ 9,353,804	\$ (941,351)	\$ 8,412,453	\$ 9,661,535	\$ 1,249,082
<b>Recapitulation of (deficiency) excess of revenues (under) over expenditures and other financing sources (uses)</b>					
Adjustment for prior year encumbrances		\$ (941,351)	\$ (941,351)	\$ (941,351)	
Budgeted fund balance		-		1,249,082	\$ 1,249,082
Total	\$ -	\$ (941,351)	\$ (941,351)	\$ 307,731	\$ 1,249,082

Middlesex Regional Educational Services Commission  
Special Revenue Fund

Budgetary Comparison Schedule  
(Budgetary Basis)  
Year ended June 30, 2009

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Revenues</b>					
Local sources		\$ 5,000	\$ 5,000	\$ 5,000	
State sources	\$ 6,167,674	275,237	6,442,911	6,319,691	\$ (123,220)
Federal sources	2,941,915	166,329	3,108,244	2,692,307	(415,937)
<b>Total revenues</b>	<b>9,109,589</b>	<b>446,566</b>	<b>9,556,155</b>	<b>9,016,998</b>	<b>(539,157)</b>
<b>Expenditures</b>					
Instruction:					
Salaries of teachers	2,191,477	(159,367)	2,032,110	2,032,094	16
Purchased professional and technical services	2,711,217	129,586	2,840,803	2,483,734	357,069
General supplies	294,395	183,432	477,827	453,837	23,990
Textbooks	647,706	21,934	669,640	641,620	28,020
Total instruction	5,844,795	175,585	6,020,380	5,611,285	409,095
Support services:					
Salaries of supervisors of instruction	270,788	(9,321)	261,467	261,467	
Salaries of other professional staff	875,382	61,658	937,040	902,857	34,183
Salaries of secretarial and clerical employees	190,065	(17,373)	172,692	172,692	
Personal services-employee benefits	750,211	264,373	1,014,584	985,223	29,361
Travel	23,314	7,328	30,642	30,579	63
Supplies and materials	73,602	18,263	91,865	78,800	13,065
Others	560,114	(117,809)	442,305	397,585	44,720
Total support services	2,743,476	207,119	2,950,595	2,829,203	121,392
Facilities acquisition and construction services:					
Construction services					
Instructional equipment-NP	361,818	(360)	361,458	352,788	8,670
Noninstructional equipment	6,000	35,722	41,722	41,722	
Total facilities acquisition and construction services	367,818	35,362	403,180	394,510	8,670
Total expenditures	8,956,089	418,066	9,374,155	8,834,998	539,157
Other financing uses:					
Transfers out	(153,500)	(28,500)	(182,000)	(182,000)	
Total other financing uses	(153,500)	(28,500)	(182,000)	(182,000)	
Excess (deficiency) of revenues over (under) expenditures and other financing (uses)	\$ -	\$ -	\$ -	\$ -	\$ -

Middlesex Regional Educational Services Commission  
Note to Required Supplementary Information

Budget to GAAP Reconciliation

Year ended June 30, 2009

		<u>Special Revenue Fund</u>
<b>Sources/inflows of resources</b>		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-2]	\$ 9,016,998
Differences - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized		<u>33,392</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	[B-2]	<u><u>\$ 9,050,390</u></u>
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-2]	\$ 9,016,998
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, but in the year the supplies are received for financial reporting purposes		<u>33,392</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2]	<u><u>\$ 9,050,390</u></u>

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## Other Supplementary Information



## School Level Schedules

Not applicable.



# Special Revenue Fund Detail Statements

The special revenue fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.



Middlesex Regional Educational Services Commission  
Special Revenue Fund

Combining Schedule of Revenues and Expenditures -  
Budgetary Basis

Year ended June 30, 2009

<b>Nonpublic Aid</b>									
	<b>Compensatory Education</b>	<b>ESL</b>	<b>Home Instruction</b>	<b>Transportation</b>	<b>Supp. Instruct</b>	<b>Exam and Class</b>	<b>Speech Corr.</b>	<b>Text- Books</b>	<b>Nursing</b>
<b>Revenues:</b>									
Local sources									
State sources	\$ 1,602,304	\$ 246,646	\$ 50,864	\$ 440,495	\$ 507,824	\$ 851,721	\$ 664,659	\$ 641,620	\$ 815,633
Federal sources									
<b>Total revenues</b>	<b>\$ 1,602,304</b>	<b>\$ 246,646</b>	<b>\$ 50,864</b>	<b>\$ 440,495</b>	<b>\$ 507,824</b>	<b>\$ 851,721</b>	<b>\$ 664,659</b>	<b>\$ 641,620</b>	<b>\$ 815,633</b>
<b>Expenditures:</b>									
<b>Instruction:</b>									
Salaries of teachers	\$ 931,557	\$ 110,327	\$ 27,931		\$ 133,661		\$ 492,796		
Purchased professional and technical service:			13,187			\$ 518,926			
General supplies/Misc	77,004	11,853	2,444		24,405	89,475	33,959		
Textbooks								\$ 641,620	
<b>Total instruction</b>	<b>1,008,561</b>	<b>122,180</b>	<b>43,562</b>		<b>158,066</b>	<b>608,401</b>	<b>526,755</b>	<b>641,620</b>	
<b>Support services:</b>									
Salaries of supervisors of instruction	75,674	15,864			44,578	31,012	17,576		\$ 7,110
Salaries of other professional staff	88,807	18,616			52,314	36,394	20,626		607,186
Salaries of secretarial and clerical employee:	34,789	7,293	428	\$ 25,810	20,494	14,257	8,080		14,223
Personal services - employee benefits	296,405	62,135	3,645		174,604	121,469	68,844		162,064
Travel	9,080	1,903	112	6,736	5,349	3,721	2,109		
Supplies and materials	17,416	3,651	214	12,921	10,260	7,137	4,045		21,886
Other	43,790	10,000	2,275	385,339	29,802	16,153	7,483		3,164
<b>Total support services:</b>	<b>565,963</b>	<b>119,462</b>	<b>6,674</b>	<b>430,807</b>	<b>337,400</b>	<b>230,143</b>	<b>128,764</b>		<b>815,633</b>
<b>Facilities acquisition and construction services</b>									
<b>Construction services</b>									
Instructional equipment	14,722	2,266	467		4,666	7,826	6,107		
Noninstructional equipment	13,059	2,737	161	9,688	7,693	5,352	3,033		
<b>Total facilities acquisition and construction services:</b>	<b>27,781</b>	<b>5,004</b>	<b>628</b>	<b>9,688</b>	<b>12,358</b>	<b>13,177</b>	<b>9,140</b>		
<b>Total expenditures</b>	<b>\$ 1,602,304</b>	<b>\$ 246,646</b>	<b>\$ 50,864</b>	<b>\$ 440,495</b>	<b>\$ 507,824</b>	<b>\$ 851,721</b>	<b>\$ 664,659</b>	<b>\$ 641,620</b>	<b>\$ 815,633</b>

Middlesex Regional Educational Services Commission  
Special Revenue Fund

Combining Schedule of Revenues and Expenditures -  
Budgetary Basis

Year ended June 30, 2009

<b>Nonpublic Aid</b>						
<b>Technology</b>	<b>Title I Grant</b>	<b>IDEA-B Regular</b>	<b>IDEA-B Preschool</b>	<b>Social Norms</b>	<b>21ST Century</b>	<b>Total</b>
<b>Revenues:</b>						
Local sources				\$ 5,000		\$ 5,000
State sources	\$ 497,925					6,319,691
Federal sources		\$ 65,906	\$ 2,097,695	\$ 46,923	\$ 481,783	2,692,307
<b>Total revenues</b>	<b>\$ 497,925</b>	<b>\$ 65,906</b>	<b>\$ 2,097,695</b>	<b>\$ 46,923</b>	<b>\$ 5,000</b>	<b>\$ 481,783</b>
<b>Expenditures:</b>						
<b>Instruction:</b>						
Salaries of teachers	\$ 21,818				\$ 314,004	\$ 2,032,094
Purchased professional and technical service:		\$ 1,922,882	\$ 26,089		2,650	2,483,734
General supplies/Misc	\$ 153,550	32,262	16,844	\$ 5,000	7,040	453,837
Textbooks						641,620
<b>Total instructor</b>	<b>153,550</b>	<b>21,818</b>	<b>1,955,144</b>	<b>42,933</b>	<b>5,000</b>	<b>323,694</b>
<b>Support services:</b>						
Salaries of supervisors of instruction	2,704	6,222	59,074	1,653		261,467
Salaries of other professional staff	670	1,337	3,578	100	73,229	902,857
Salaries of secretarial and clerical employee:	9,196	2,007	35,132	983		172,692
Personal services - employee benefits	11,809	31,156	19,062	534	33,496	985,223
Travel					1,569	30,579
Supplies and material:	11	17			1,241	78,800
Other	3,251	3,349	25,706	719	48,554	579,585
<b>Total support services</b>	<b>27,641</b>	<b>44,088</b>	<b>142,551</b>	<b>3,990</b>	<b>158,089</b>	<b>3,011,203</b>
<b>Facilities acquisition and construction services</b>						
Construction services						
Instructional equipmen	316,734					352,788
Noninstructional equipmen						41,722
<b>Total facilities acquisition and construction service:</b>	<b>316,734</b>					<b>394,510</b>
<b>Total expenditures</b>	<b>\$ 497,925</b>	<b>\$ 65,906</b>	<b>\$ 2,097,695</b>	<b>\$ 46,923</b>	<b>\$ 5,000</b>	<b>\$ 481,783</b>

Middlesex Regional Educational Services Commission

Schedule of Demonstrably Effective Program Aid Expenditures – Budgetary Basis

Year Ended June 30, 2009

Not Applicable

Middlesex Regional Educational Services Commission  
Schedule of Early Childhood Program Aid Expenditures – Budgetary Basis  
Year Ended June 30, 2009

Not Applicable

Middlesex Regional Educational Services Commission  
Schedule of Distance Learning Network Aid Expenditures – Budgetary Basis  
Year Ended June 30, 2009

Not Applicable

Middlesex Regional Educational Services Commission  
Schedule of Instructional Supplement Aid Expenditures – Budgetary Basis  
Year Ended June 30, 2009

Not Applicable

# Capital Projects Fund Detail Statements

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



Middlesex Regional Educational Services Commission  
Capital Projects Fund

Summary Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Budgetary Basis

Year ended June 30, 2007

**Revenues and Other Financing Sources**

Proceeds - Construction Bonds	\$ 18,682,354
Interest on investments	37,958
Transfers In	333,254
Total revenues	19,053,566

**Expenditures and Other Financing Uses**

Construction services	23,291,986
Transfers out	37,958
Total expenditures	23,329,944

Excess of revenues over expenditures	(4,276,378)
--------------------------------------	-------------

Fund balance, July 1	8,096,243
Fund balance, June 30	\$ 3,819,865

Middlesex Regional Educational Services Commission  
Capital Projects Fund

Summary Schedule of Project Expenditures

Year ended June 30, 2009

Project Title	Appropriations	Prior Years		Current Year Expenditures	Unexpended Balance
		Expenditures	Cancellation		
Construction-new school	\$ 9,859,069	\$ 9,855,412	\$ 124		\$ 3,533
New buildings	500,000	460,804			39,196
School projects	2,000,000	1,999,386			614
Sayreville Projects	32,253,537	6,525,968		\$ 21,989,188	3,738,381
NuView Projects	7,262,071	5,921,132		1,302,798	38,141
		<u>\$ 24,762,702</u>	<u>\$ 124</u>	<u>\$ 23,291,986</u>	<u>\$ 3,819,865</u>

# Enterprise Funds Detail Statements

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the Commission is that the costs of providing goods or services be financed through user charges.

**Regional Day School Fund** - This fund provides for the operation of the Regional Day School within the Commission.

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

**Bus Services Fund** - This fund provides for the operation of bus services within the Commission.

**Early Childhood Program Fund** - This fund provides for the operation of the early childhood program within the Commission.



Middlesex Regional Educational Services Commission  
Enterprise Funds

Combining Statement of Net Assets

June 30, 2009

	<b>Regional Day School Fund</b>	<b>Bus Services Fund</b>	<b>Early Childhood Program Fund</b>	<b>Food Services Fund</b>	<b>Total</b>
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 226,032	\$ 2,679	\$ 882,940	\$ 35,969	\$ 1,147,620
Intergovernmental accounts receivable:					
State			1,061	889	1,950
Federal			24,700	17,189	41,889
Other	425,431	1,403	97,125		523,959
Total current assets	<u>651,463</u>	<u>4,082</u>	<u>1,005,826</u>	<u>54,047</u>	<u>1,715,418</u>
			1,661,371		
Capital assets:					
Site Improvement	839,695				839,695
Equipment	467,203		159,476		626,679
Accumulated depreciation	(286,668)		(59,805)		(346,473)
Total capital assets	<u>1,020,230</u>	<u>-</u>	<u>99,671</u>	<u>-</u>	<u>1,119,901</u>
Total assets	<u>1,671,693</u>	<u>4,082</u>	<u>1,105,497</u>	<u>54,047</u>	<u>2,835,319</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	51,253	4,082	55,361	16,827	127,523
Interfunds payable				37,220	37,220
Deferred Revenues	20,000				20,000
Total current liabilities	<u>71,253</u>	<u>4,082</u>	<u>55,361</u>	<u>54,047</u>	<u>184,743</u>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	1,020,230	-	99,671		1,119,901
Unrestricted	580,210	-	950,465	-	1,530,675
Total net assets	<u>\$ 1,600,440</u>	<u>\$ -</u>	<u>\$ 1,050,136</u>	<u>\$ -</u>	<u>\$ 2,650,576</u>

Middlesex Regional Educational Services Commission  
Enterprise Funds

Combining Statement of Revenues, Expenses  
and Changes in Fund Net Assets

Year ended June 30, 2009

	Regional Day School Fund	Bus Services Fund	Early Childhood Program Fund	Food Services Fund	Total
Operating revenues:					
Local sources:					
School lunch program				\$ 72,388	\$ 72,388
Tuition	\$ 5,898,870		\$ 5,443,197		11,342,067
Services		\$ 118,042	16,596		134,638
Total operating revenues	5,898,870	118,042	5,459,793	72,388	11,549,093
Operating expenses:					
Cost of food			255,305	279,348	534,653
Salaries and wages	3,207,853	133,113	3,044,839	19,219	6,405,024
Employee benefits	1,339,111	46,360	1,405,465		2,790,936
Materials and supplies	93,901		114,825		208,726
Textbooks	909				909
Maintenance and repairs	41,822	10,964	65,549		118,335
Travel	721		23,040		23,761
Other professional services	582,999		33,612		616,611
Insurance	15,432		14,186		29,618
Telephone/Communications	25,069		6,356		31,425
Utilities	106,850		13,663		120,513
Depreciation	44,901		21,403		66,304
Miscellaneous	56,970		384,424		441,394
Total operating expenses	5,516,538	190,437	5,382,667	298,567	11,388,209
Operating income (loss)	382,332	(72,395)	77,126	(226,179)	160,884
Nonoperating revenues:					
National breakfast program - state			5,194	4,474	9,668
State school lunch program			6,159	5,358	11,517
National breakfast program - federal			77,320	65,451	142,771
Federal school lunch program			148,601	121,049	269,650
After school snack program			40,553	3,279	43,832
Total nonoperating revenues			277,827	199,611	477,438
Income before transfers	382,332	(72,395)	354,953	(26,568)	638,322
Transfers in		73,100		31,475	104,575
Transfers out	(155,000)		(73,100)		(228,100)
Total Transfer	(155,000)	73,100	(73,100)	31,475	(123,525)
Change in net assets	227,332	705	281,853	4,907	514,797
Net assets, beginning of year, as restated	1,373,108	(705)	768,283	(4,907)	2,135,779
Net assets, end of year	\$ 1,600,440	\$ -	\$ 1,050,136	\$ -	\$ 2,650,576

Middlesex Regional Educational Services Commission  
Proprietary Fund - Enterprise Funds

Combining Statement of Cash Flows

Year ended June 30, 2009

	<b>Regional Day School Fund</b>	<b>Bus Services Fund</b>	<b>Early Childhood Program Fund</b>	<b>Food Services Fund</b>	<b>Total</b>
<b>Cash flows from operating activities</b>					
Receipts from customers	\$ 5,982,318	\$ 144,301	\$ 5,810,147	\$ 72,388	\$ <b>12,009,154</b>
Payments to employees	(3,207,853)	(133,113)	(3,044,839)	(19,219)	(6,405,024)
Payments for employee benefits	(1,339,111)	(46,360)	(1,405,465)		(2,790,936)
Payments to suppliers	(913,088)	(9,654)	(889,072)	(262,813)	(2,074,627)
Net cash provided by (used in) operating activities	522,266	(44,826)	470,771	(209,644)	<b>738,567</b>
<b>Cash flows from noncapital financing activities</b>					
State sources			11,369	9,816	<b>21,185</b>
Federal sources			266,694	188,570	<b>455,264</b>
Operating subsidies and transfers to/from other funds	(155,000)	73,100	(71,032)	19,761	(133,171)
Net cash (used in) provided by noncapital financing activities	(155,000)	73,100	207,031	218,147	<b>343,278</b>
<b>Cash flows from capital and related financing</b>					
Purchases of capital assets	(378,849)		(547)		(379,396)
Net cash used in capital and related financing activities	(378,849)	-	(547)		(379,396)
Net decrease in cash and cash equivalents	(11,583)	28,274	677,255	8,503	<b>702,449</b>
Balances—beginning of year	237,615	(25,595)	205,685	27,466	<b>445,171</b>
Balances—end of year	\$ 226,032	\$ 2,679	\$ 882,940	\$ 35,969	\$ <b>1,147,620</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>					
Operating income (loss)	\$ 382,332	\$ (72,395)	\$ 77,126	\$ (226,179)	\$ <b>160,884</b>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation and net amortization	44,901		21,403		<b>66,304</b>
Change in assets and liabilities:					
Decrease in accounts receivable, net	83,448	26,259	350,354		<b>460,061</b>
Increase in accounts payable, net	11,585	1,310	21,888	16,535	<b>51,318</b>
Net cash provided by (used in) operating activities	\$ 522,266	\$ (44,826)	\$ 470,771	\$ (209,644)	\$ <b>738,567</b>

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# Fiduciary Funds Detail Statements

Trust funds are used to account for gifts and bequests to the Commission for a specific purpose.

**Unemployment Compensation Trust Fund** - This trust fund is used to account for deductions from employee's salaries or contributions from the Commission which are utilized to pay unemployment compensation insurance claims as they arise.

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

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

**Payroll Fund** - This agency fund is used to account for the payroll and payroll agency related transactions of the Commission.



Middlesex Regional Educational Services Commission  
Trust and Agency Funds

Combining Statement of Fiduciary Net Assets

June 30, 2009

	<b>Trust</b>	<b>Agency</b>		<b>Total Agency</b>
	<b>Unemployment Compensation</b>	<b>Student Activity</b>	<b>Payroll</b>	
<b>Assets</b>				
Cash and cash equivalents	\$ 402,139	\$ 12,770	\$ 177,678	\$ 190,448
Accounts receivable - other			1,080	1,080
Total assets	<u>\$ 402,139</u>	<u>\$ 12,770</u>	<u>\$ 178,758</u>	<u>\$ 191,528</u>
<b>Liabilities</b>				
Accounts payable	\$ 42,223		\$ 143,342	\$ 143,342
Interfund payable			35,416	35,416
Due to student groups		<u>\$ 12,770</u>		<u>12,770</u>
Total liabilities	<u>42,223</u>	<u>\$ 12,770</u>	<u>\$ 178,758</u>	<u>\$ 191,528</u>
Net assets held in trust for unemployment claims	<u>\$ 359,916</u>			

Middlesex Regional Educational Services Commission  
Trust Funds

Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2009

	<b>Unemployment Compensation Trust Fund</b>
<b>Additions:</b>	
Contributions	\$ 486,630
Interest on investments	1,716
Total additions	488,346
<b>Deductions:</b>	
Payment of claims	345,755
Total deductions	345,755
Change in net assets	142,591
Net assets - beginning	217,325
Net assets - ending	\$ 359,916

Middlesex Regional Educational Services Commission  
Student Activity Agency Fund

Schedule of Receipts and Disbursements

Year ended June 30, 2009

	<b>Balance July 1, 2008</b>	<b>Cash Receipts</b>	<b>Cash Disbursements</b>	<b>Balance June 30, 2009</b>
<b>Raritan Valley Academy</b>				
Student activity	\$ 1,732	\$ 532	\$ 927	\$ 1,337
Year book	910	279	628	561
Total	<u>2,642</u>	<u>811</u>	<u>1,555</u>	<u>1,898</u>
<b>Piscataway Regional Day School</b>				
Student activity	1,631	8,320	7,692	2,259
Total	<u>1,631</u>	<u>8,320</u>	<u>7,692</u>	<u>2,259</u>
<b>Academy Learning Center</b>				
Student activity	4,897	5,182	6,283	3,796
Total	<u>4,897</u>	<u>5,182</u>	<u>6,283</u>	<u>3,796</u>
<b>Bright Beginning Learning Center</b>				
Student activity	4,382	4,718	4,283	4,817
Total	<u>4,382</u>	<u>4,718</u>	<u>4,283</u>	<u>4,817</u>
<b>Total of all schools</b>	<b><u>\$ 13,552</u></b>	<b><u>\$ 19,031</u></b>	<b><u>\$19,813</u></b>	<b><u>\$ 12,770</u></b>

Middlesex Regional Educational Services Commission  
Payroll Agency Fund

Schedule of Cash Receipts and Disbursements

Year ended June 30, 2009

	<b>Balance July 1, 2008</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2009</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 231,460	\$ 27,377,196	\$ 27,430,978	\$ 177,678
Accounts receivable - other	1,783	1,080	1,783	1,080
Total assets	<u>\$ 233,243</u>	<u>\$ 27,378,276</u>	<u>\$ 27,432,761</u>	<u>\$ 178,758</u>
<b>Liabilities</b>				
Accounts payable	\$ 177,969	\$ 143,342	\$ 177,969	\$ 143,342
Interfund payable	52,002	1,014	17,600	35,416
Payroll, payroll deductions and withholdings payable	3,272	27,233,920	27,237,192	-
Total liabilities	<u>\$ 233,243</u>	<u>\$ 27,378,276</u>	<u>\$ 27,432,761</u>	<u>\$ 178,758</u>

# Long-Term Debt



Middlesex Regional Educational Services Commission  
Long-Term Debt

Schedule of Bonds/Loans Payable

June 30, 2009

Description	Interest Rate Payable	Amount of Issue	Balance July 1, 2008	Issued	Retired	Balance June 30, 2009
Bonds/loan payable - Middlesex County Improvement Authority - 1999 (refunding issue)	Various	\$ 7,455,000	\$ 5,970,000		\$ 385,000	\$ 5,585,000
Bonds/loan payable – Middlesex County Improvement Authority - 2000	Various	16,170,000	1,485,000		470,000	1,015,000
Bonds/loan payable - Middlesex County Improvement Authority - 2004 (refunding issue)	Various	14,010,000	13,675,000		115,000	13,560,000
Bonds/loan payable – Middlesex County Improvement Authority - 2006	Various	20,000,000	20,000,000		20,000,000	-
Middlesex County Improvement Authority - 2008	Various	40,000,000	-	\$ 40,000,000		40,000,000
Loans payable - Commerce Bank -06/08/2006	6.74%	520,000	333,004		103,587	229,417
			<u>\$ 41,463,004</u>	<u>\$ 40,000,000</u>	<u>\$ 21,073,587</u>	<u>\$ 60,389,417</u>

Middlesex Regional Educational Services Commission  
Long-Term Debt

Schedule of Obligations Under Capital Leases

June 30, 2009

Not Applicable

Middlesex Regional Educational Services Commission  
Debt Service Fund

Budgetary Comparison Schedule

Year ended June 30, 2009

	<b>Original Budget</b>	<b>Budget Transfers</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Actual to Final</b>
Revenues:					
Interest earned				\$ 2,509	\$ 2,509
Total revenues				2,509	2,509
Expenditures:					
Regular debt service:					
Interest	\$ 2,763,870		\$ 2,763,870	2,813,546	(49,676)
Principal	1,920,882		1,920,882	21,073,587	(19,152,705)
Total expenditures	4,684,752	-	4,684,752	23,887,133	(19,202,381)
Deficiency of revenues over expenditures	(4,684,752)	-	(4,684,752)	(23,884,624)	(19,199,872)
Other financing sources:					
Transfers in	5,059,463		5,059,463	3,404,866	(1,654,597)
Transfers out				(333,254)	(333,254)
Proceeds -				21,187,723	21,187,723
Total other financing sources	5,059,463	-	5,059,463	24,259,335	19,199,872
Excess of revenues and other financing sources over expenditures	374,711	-	374,711	374,711	-
Fund balance, July 1	2,619,217		2,619,217	2,619,217	-
Fund balance, June 30	<u>\$ 2,993,928</u>	<u>\$ -</u>	<u>\$ 2,993,928</u>	<u>\$ 2,993,928</u>	<u>\$ -</u>

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Statistical Section  
(Unaudited)



# Financial Trends



Middlesex Regional Educational Services Commission  
 Net Assets by Component,  
 Last Four Fiscal Years  
 (Accrual basis of accounting)  
 Unaudited

	Fiscal Year Ending June 30,			
	2006	2007	2008	2009
<b>Governmental activities</b>				
Invested in capital assets, net of related debt	\$ 5,456,599	\$ 74,310	\$ (907,884)	\$ 3,533,402
Restricted for:				
Debt service	2,591,639	2,129,842	2,619,217	2,993,928
Capital projects	43,343	6,445,100	8,096,243	3,819,865
Other purposes	216,392	216,392	216,392	216,392
Unrestricted	6,303,238	7,448,297	8,242,580	8,160,493
<b>Total governmental activities net assets</b>	<b>\$ 14,611,211</b>	<b>\$ 16,313,941</b>	<b>\$ 18,266,548</b>	<b>\$ 18,724,080</b>
<b>Business-type activities</b>				
Invested in capital assets, net of related debt	\$ 242,976	\$ 658,070	\$ 806,809	\$ 1,119,901
Restricted				
Unrestricted	873,489	1,025,166	1,328,970	1,530,675
<b>Total business-type activities net assets</b>	<b>\$ 1,116,465</b>	<b>\$ 1,683,236</b>	<b>\$ 2,135,779</b>	<b>\$ 2,650,576</b>
<b>District-wide</b>				
Invested in capital assets, net of related debt	\$ 5,699,575	\$ 732,380	\$ (101,075)	\$ 4,653,303
Restricted for:				
Debt service	2,591,639	2,129,842	2,619,217	2,993,928
Capital projects	43,343	6,445,100	8,096,243	3,819,865
Other purposes	216,392	216,392	216,392	216,392
Unrestricted	7,176,727	8,473,463	9,571,550	9,691,168
<b>Total district net assets</b>	<b>\$ 15,727,676</b>	<b>\$ 17,997,177</b>	<b>\$ 20,402,327</b>	<b>\$ 21,374,656</b>

Source: CAFR Schedule A-1

Middlesex Regional Educational Services Commission  
Changes in Net Assets, Last Four Fiscal Years  
(Accrual basis of accounting)  
Unaudited

	Fiscal Year Ending June 30,			
	2006	2007	2008	2009
<b>Expenses</b>				
<b>Governmental activities</b>				
Instruction	\$ 13,567,181	\$ 15,427,298	\$ 17,820,197	\$ 18,158,241
Support Services:				
Health services	526,476	590,115	681,759	650,633
Student & instruction related services	7,215,021	8,280,536	6,725,338	6,768,050
General administrative services	498,747	658,020	654,386	712,561
School administrative services	1,409,497	1,308,333	1,443,203	1,519,283
Central Services	1,334,618	1,051,071	949,542	1,001,380
Admin. Infor. Technology	114,514	113,310	196,642	98,180
Plant operations and maintenance	1,240,844	1,648,485	1,708,220	1,765,062
Pupil transportation	22,713,537	23,906,263	25,427,834	24,909,636
Employee benefits	768,269	707,911	776,720	940,187
Business administrative services				
Capital outlay	421,292	958,624	501,852	328,342
Special Schools	1,461,003	1,702,299	1,827,514	1,843,787
Interest on long-term debt	1,123,139	1,271,981	1,726,318	2,743,549
Unallocated depreciation				
<b>Total governmental activities expenses</b>	<b>\$ 52,394,137</b>	<b>\$ 57,624,245</b>	<b>\$ 60,439,524</b>	<b>\$ 61,438,891</b>
<b>Business-type activities:</b>				
Regional Day School	\$ 4,670,095	\$ 4,929,321	\$ 5,264,305	\$ 5,516,538
Bus Service			163,003	190,437
Early Childhood Program	1,965,308	4,966,436	5,577,675	5,382,667
Food service	210,539	231,250	274,427	298,567
<b>Total business-type activities expense</b>	<b>6,845,942</b>	<b>10,127,007</b>	<b>11,279,410</b>	<b>11,388,209</b>
<b>Total district expenses</b>	<b>\$ 59,240,079</b>	<b>\$ 67,751,252</b>	<b>\$ 71,718,934</b>	<b>\$ 72,827,100</b>
<b>Program Revenues</b>				
<b>Governmental activities:</b>				
Charges for services:				
Pupil transportation	\$ 20,706,149	\$ 21,521,584	\$ 22,552,408	\$ 21,849,114
Operating grants and contributions	9,462,226	9,518,615	9,322,936	9,050,390
<b>Total governmental activities program revenues</b>	<b>30,168,375</b>	<b>31,040,199</b>	<b>31,875,344</b>	<b>30,899,504</b>
<b>Business-type activities:</b>				
Charges for services:				
Regional Day School	\$ 4,910,145	\$ 5,343,578	\$ 5,662,998	\$ 5,898,870
Bus service			156,198	118,042
Early Childhood Program	2,079,420	4,949,768	5,505,367	5,459,793
Food service	70,345	67,827	72,933	72,388
Operating grants and contributions	231,447	393,316	478,357	477,438
<b>Total business type activities program revenues</b>	<b>7,291,357</b>	<b>10,754,489</b>	<b>11,875,853</b>	<b>12,026,531</b>
<b>Total district program revenues</b>	<b>\$ 37,459,732</b>	<b>\$ 41,794,688</b>	<b>\$ 43,751,197</b>	<b>\$ 42,926,035</b>
<b>Net (Expense)/Revenue</b>				
Governmental activities	\$ (22,225,762)	\$ (26,584,046)	\$ (28,564,180)	\$ (30,539,387)
Business-type activities	445,415	627,482	596,443	638,322
<b>Total district-wide net expense</b>	<b>\$ (21,780,347)</b>	<b>\$ (25,956,564)</b>	<b>\$ (27,967,737)</b>	<b>\$ (29,901,065)</b>
<b>General Revenues and Other Changes in Net Assets</b>				
<b>Governmental activities:</b>				
Federal and state aid not restricted	\$ 922,184	\$ 1,638,362	\$ 1,837,857	\$ 1,826,690
Tuition received	18,411,306	20,478,439	22,527,836	23,150,645
Services provided to districts	3,911,988	5,164,915	5,282,055	5,672,096
Interest income	391,878	654,726	561,994	120,398
Special items	60,125	-	-	-
Miscellaneous income	231,738	200,335	163,145	103,565
Transfers	128,000	150,000	143,900	123,525
<b>Total governmental activities</b>	<b>24,057,219</b>	<b>28,286,777</b>	<b>30,516,787</b>	<b>30,996,919</b>
<b>Business-type activities:</b>				
Services provided to districts	33,928	86,061	-	-
Miscellaneous income	1,709	3,228	-	-
Transfers	(128,000)	(150,000)	(143,900)	(123,525)
<b>Total business-type activities</b>	<b>(92,363)</b>	<b>(60,711)</b>	<b>(143,900)</b>	<b>(123,525)</b>
<b>Total district-wide</b>	<b>\$ 23,964,856</b>	<b>\$ 28,226,066</b>	<b>\$ 30,372,887</b>	<b>\$ 30,873,394</b>
<b>Change in Net Assets</b>				
Governmental activities	\$ 1,831,457	\$ 1,702,731	\$ 1,952,607	\$ 457,532
Business-type activities	353,052	566,771	452,543	514,797
<b>Total district</b>	<b>\$ 2,184,509</b>	<b>\$ 2,269,502</b>	<b>\$ 2,405,150</b>	<b>\$ 972,329</b>

Source: CAFR Schedule A-2

Middlesex Regional Educational Services Commission  
Fund Balances, Governmental Funds,  
Last Four Fiscal Years  
(Modified accrual basis of accounting)  
Unaudited

	Fiscal Year Ending June 30,			
	2006	2007	2008	2009
<b>General Fund</b>				
Reserved for:				
Encumbrances	\$ 1,282,784	\$ 959,782	\$ 941,351	\$ 302,631
Capital reserve	216,392	216,392	216,392	216,392
Health benefits reserve	699,228	737,766	1,091,094	1,220,140
Unreserved:				
Designated for subsequent year's expenditures	-	1,000,000	-	-
Undesignated	4,755,127	5,437,915	7,104,967	7,922,372
<b>Total general fund</b>	<b>\$ 6,953,531</b>	<b>\$ 8,351,855</b>	<b>\$ 9,353,804</b>	<b>\$ 9,661,535</b>
<b>All Other Governmental Funds</b>				
Reserved for:				
Debt service fund	\$ 2,591,639	\$ 2,129,842	\$ 2,619,217	\$ 2,993,928
Unreserved, reported in:				
Capital projects fund	43,343	6,445,100	8,096,243	3,819,865
<b>Total all other governmental funds</b>	<b>\$ 2,634,982</b>	<b>\$ 8,574,942</b>	<b>\$ 10,715,460</b>	<b>\$ 6,813,793</b>
<b>Total Governmental Funds</b>	<b>\$ 9,588,513</b>	<b>\$ 16,926,797</b>	<b>\$ 20,069,264</b>	<b>\$ 16,475,328</b>

Source: CAFR Schedule B-1

Middlesex Regional Educational Services Commission  
Changes in Fund Balances, Governmental Funds,  
Last Four Fiscal Years  
Unaudited

	2006	2007	2008	2009
<b>General Fund</b>				
Revenues:				
Local sources:				
Tuition	\$ 18,411,306	\$ 20,478,439	\$ 22,527,836	\$ 23,150,645
Transportation fees	20,706,149	21,521,584	22,552,408	21,849,114
Services provided to districts	3,911,988	5,164,915	5,282,055	5,672,096
Interest on investments	384,001	488,423	301,628	79,931
Special items	60,125			
Miscellaneous	231,738	200,335	163,145	103,565
Total - Local sources	<u>43,705,307</u>	<u>47,853,696</u>	<u>50,827,072</u>	<u>50,855,351</u>
State sources:				
Reimbursed TPAF S.S. Contributions	847,238	892,882	923,795	966,784
On-behalf TPAF pension Contributions	74,946	745,480	914,062	859,906
Total - State sources	<u>922,184</u>	<u>1,638,362</u>	<u>1,837,857</u>	<u>1,826,690</u>
Total revenue	<u>44,627,491</u>	<u>49,492,058</u>	<u>52,664,929</u>	<u>52,682,041</u>
Expenditures:				
Instruction	7,841,582	9,522,342	10,275,667	10,434,360
Support Services:				-
Health services	485,621	539,185	614,484	581,568
Student & instruction related services	2,601,331	3,026,688	2,889,039	3,152,844
General administrative services	460,044	601,229	589,813	636,922
School Administrative services	1,300,120	1,195,417	1,300,790	1,358,009
Central Services	1,231,051	960,358	855,843	895,083
Admin. Infor. Technology	105,628	103,531	177,237	87,758
Required maint for school facilities	583,266	665,132	646,093	662,166
Operation of plant	561,288	841,080	893,563	915,533
Pupil transportation	20,950,963	21,843,023	22,918,661	22,265,448
Business and other support services				
Unallocated employee benefits	3,003,979	2,920,262	3,630,383	4,050,962
Reimbursed S.S. contributions	847,238	892,882	923,795	966,784
On-behalf TPAF pension contributions	74,946	745,480	914,062	859,906
Capital outlay	835,350	990,311	883,017	601,797
Special Schools	1,461,003	1,702,299	1,827,514	1,843,787
Total expenditures	<u>42,343,410</u>	<u>46,549,219</u>	<u>49,339,961</u>	<u>49,312,927</u>
Excess of revenues over expenditures	2,284,081	2,942,839	3,324,968	3,369,114
Other Financing sources (uses)				
Transfers in	521,086	152,590	221,510	37,958
Transfers out	(1,922,140)	(1,697,105)	(2,544,529)	(3,099,341)
Total other financing sources (uses)	<u>(1,401,054)</u>	<u>(1,544,515)</u>	<u>(2,323,019)</u>	<u>(3,061,383)</u>
<b>Net change in fund balances, General Fund</b>	<u>\$ 883,027</u>	<u>\$ 1,398,324</u>	<u>\$ 1,001,949</u>	<u>\$ 307,731</u>
<b>Special Revenue Fund</b>				
Revenues				
Local sources			\$ 3,000	\$ 5,000
State sources	\$ 6,792,742	\$ 6,466,443	6,610,896	6,339,625
Federal sources	2,669,484	3,052,172	2,709,040	2,705,765
Total revenue	<u>9,462,226</u>	<u>9,518,615</u>	<u>9,322,936</u>	<u>9,050,390</u>
Expenditures				
Instruction	4,540,793	4,423,864	5,612,782	5,606,452
Other support : special	4,053,803	4,539,193	3,172,655	2,896,769
Capital outlay	698,880	381,133	377,642	365,169
Total expenditures	<u>9,293,476</u>	<u>9,344,190</u>	<u>9,163,079</u>	<u>8,868,390</u>
Excess of revenues over expenditures	168,750	174,425	159,857	182,000
Other Financing uses				
Transfers out	(168,750)	(174,425)	(159,857)	(182,000)
Total other financing uses	<u>(168,750)</u>	<u>(174,425)</u>	<u>(159,857)</u>	<u>(182,000)</u>
<b>Net change in fund balances, Special Revenue Fund</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Middlesex Regional Educational Services Commission  
 Changes in Fund Balances, Governmental Funds,  
 Last Four Fiscal Years  
 Unaudited

	2006	2007	2008	2009
<b>Capital Projects Fund</b>				
Revenues				
Interest Earned	\$ 1,086	\$ 152,590	\$ 221,510	\$ 37,958
Total revenue	<u>1,086</u>	<u>152,590</u>	<u>221,510</u>	<u>37,958</u>
Expenditures				
Capital outlay	30,216	4,098,243	8,348,857	23,291,986
Total expenditures	<u>30,216</u>	<u>4,098,243</u>	<u>8,348,857</u>	<u>23,291,986</u>
Deficiency of revenues over expenditures	(29,130)	(3,945,653)	(8,127,347)	(23,254,028)
Other Financing sources (uses)				
Transfers in		500,000		333,254
Transfers out	(1,086)	(152,590)	(221,510)	(37,958)
Proceeds - Bonds		10,000,000	10,000,000	18,682,354
Total other financing sources (uses)	<u>(1,086)</u>	<u>10,347,410</u>	<u>9,778,490</u>	<u>18,977,650</u>
<b>Net change in fund balances, Capital projects fund</b>	<b><u>\$ (30,216)</u></b>	<b><u>\$ 6,401,757</u></b>	<b><u>\$ 1,651,143</u></b>	<b><u>\$ (4,276,378)</u></b>
<b>Debt service Fund</b>				
Revenues				
Interest Earned	\$ 6,791	\$ 13,713	\$ 38,856	\$ 2,509
Total revenue	<u>6,791</u>	<u>13,713</u>	<u>38,856</u>	<u>2,509</u>
Expenditures				
Principal	865,000	985,200	11,031,699	21,073,587
Interest	1,015,957	1,011,840	1,366,068	2,813,546
Total expenditures	<u>1,880,957</u>	<u>1,997,040</u>	<u>12,397,767</u>	<u>23,887,133</u>
Deficiency of revenues over expenditures	(1,874,166)	(1,983,327)	(12,358,911)	(23,884,624)
Other Financing sources (uses)				
Transfers in	2,218,890	2,021,530	2,848,286	3,404,866
Transfers out	(520,000)	(500,000)		(333,254)
Proceeds - Loans	520,000			
Proceeds - bonds			10,000,000	21,187,723
Total other financing sources	<u>2,218,890</u>	<u>1,521,530</u>	<u>12,848,286</u>	<u>24,259,335</u>
<b>Net change in fund balances, Debt Service Fund</b>	<b><u>\$ 344,724</u></b>	<b><u>\$ (461,797)</u></b>	<b><u>\$ 489,375</u></b>	<b><u>\$ 374,711</u></b>
<b>Net change in fund balances, Governmental Fund</b>	<b><u>\$ 1,197,535</u></b>	<b><u>\$ 7,338,284</u></b>	<b><u>\$ 3,142,467</u></b>	<b><u>\$ (3,593,936)</u></b>

Source: CAFR Schedule B-2

Middlesex Regional Educational Services Commission  
 General Fund - Other Local Revenue by source,  
 Last Ten Fiscal Years  
 Unaudited

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>General Fund</b>										
Miscellaneous Revenue										
Proceeds from lease purchase	\$ 120,644									
Insurance proceeds		\$ 18,219		\$ 31,435	\$ 35,244				\$ 21,131	\$ 34,490
Refunds	49,462	37,879	\$ 54,981	4,749	21,573	\$ 53,156	\$ 10,621	\$ 93,349	5,173	11,672
Cancellation of aging liabilities					150,401	4,013	10,075	728	16,776	10,448
E-rate reimbursement			27,971	74,401	44,665	37,485	40,774	52,214	86,935	45,102
Other	70,016	47,784	176,181	39,622	60,483	61,265	170,268	54,044	33,130	1,853
<b>Total Other Local Revenue</b>	<b>\$ 240,122</b>	<b>\$ 103,882</b>	<b>\$ 259,133</b>	<b>\$ 150,207</b>	<b>\$ 312,366</b>	<b>\$ 155,919</b>	<b>\$ 231,738</b>	<b>\$ 200,335</b>	<b>\$ 163,145</b>	<b>\$ 103,565</b>

Source: Commission records

Middlesex Regional Educational Services Commission  
Assessed Value and Actual Value of Taxable Property

Not Applicable

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# Revenue Capacity



Middlesex Regional Educational Services Commission  
Direct and Overlapping Property Tax Rates

Not Applicable

Middlesex Regional Educational Services Commission  
Principal Property Tax Payers,

Not Applicable

Middlesex Regional Educational Services Commission  
Property Tax Levies and Collections

Exhibit J-9

Not Applicable

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# Debt Capacity



Middlesex Regional Educational Services Commission  
Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years  
Unaudited

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds <sup>b</sup>	Certificates of Participation	Capital Leases	Promissory Notes	Capital Leases	Total District		
2000	\$ 24,720,000		\$ 435,288			\$ 25,155,288	0.15%	36,486
2001	24,445,000		318,501			24,763,501	0.15%	37,819
2002	24,160,000		195,800			24,355,800	0.16%	38,035
2003	23,510,000		66,885			23,576,885	0.16%	38,441
2004	22,815,000					22,815,000	0.18%	40,036
2005	23,825,000					23,825,000	0.17%	41,050
2006	22,960,000			\$ 520,000		23,480,000	0.19%	44,022
2007	32,065,000			429,703		32,494,703	0.14%	46,674
2008	41,130,000			333,004		41,463,004		
2009	60,160,000			229,417		60,389,417		

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

**Note:** Details regarding the Commission's outstanding debt can be found in the L-T Debt notes to the financial statements.

- <sup>a</sup> See Exhibit J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

Middlesex Regional Educational Services Commission  
Ratios of Net General Bonded Debt Outstanding

Not Applicable

Middlesex Regional Educational Services Commission  
Ratios of Overlapping Governmental Activities Debt  
As of June 30, 2009

Not Applicable

Middlesex Regional Educational Services Commission  
Legal Debt Margin Information

Exhibit J-13

Not Applicable

# Demographic and Economic Statistics



Middlesex Regional Educational Services Commission  
Middlesex County, New Jersey  
Demographic and Economic Statistics  
Last Ten Fiscal Years  
Unaudited

Year	Population <sup>a</sup>	Personal Income (thousands of dollars) <sup>b</sup>	Per Capita Personal Income <sup>c</sup>	Unemployment Rate <sup>d</sup>
1998	733,257	\$ 24,151,593	\$ 32,937	3.7%
1999	742,213	25,159,409	33,898	3.7%
2000	753,076	27,476,727	36,486	3.3%
2001	761,957	28,816,391	37,819	4.0%
2002	770,042	29,288,510	38,035	5.6%
2003	777,646	29,893,592	38,441	5.5%
2004	783,665	31,374,912	40,036	4.5%
2005	789,283	32,400,068	41,050	4.2%
2006	783,371	34,485,431	44,022	4.3%
2007	783,029	36,546,831	46,674	3.9%

## Source:

<sup>a</sup> Population based on the Bureau of Economic Analysis Table CA04, April 2009

<sup>b</sup> Personal income based on the Bureau of Economic Analysis Table CA04, April 2009

<sup>c</sup> Per Capita based on the Bureau of Economic Analysis Table CA04, April 2009

<sup>d</sup> Unemployment data based on the NJ Dept of Labor and Workforce Development, April 24, 2009

Middlesex Regional Educational Services Commission  
Principal Employers

Exhibit J-15

Not Applicable

Middlesex Regional Educational Services Commission  
Full-time Equivalent District Employees by Function/Program,  
Last Six Fiscal Years

<u>Function/Program</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Instruction</b>						
PL192/193	37.00	35.90	36.50	37.30	36.20	29.20
RVA	32.50	28.60	18.95	19.47	16.50	16.40
NuView	4.00	4.20	5.10	7.00	7.30	12.70
Piscataway Regional Day School	64.00	70.33	68.88	77.43	79.70	80.54
Academy Learning Center	80.00	91.34	84.14	86.24	86.08	87.11
Academy Learning Center Annex I					2.00	6.25
Title I	1.00	1.00	1.00	1.00	1.00	0.40
Middlesex County Academy High School	3.50	3.90	4.00	4.70	4.90	4.90
Bright Beginnings Learning Center	70.00	64.03	66.18	67.03	65.60	68.18
Bright Beginnings Learning Center Annex II				14.00	24.55	25.55
Bright Beginnings Learning Center Annex			21.35	25.63	24.60	22.35
IDEA B	2.00	25.00	35.60	65.90	65.90	65.27
Edison Collaborative Services	3.00	10.00	10.75	17.50	18.15	-
Sayreville Collaborative Services			14.50	14.40	16.40	13.05
PIC-C					1.00	1.00
Early Childhood Program			26.00	54.00	56.33	53.00
<b>Health Services:</b>						
RVA	1.25	1.00	0.95	0.67	0.95	0.95
Piscataway Regional Day School	2.00	2.00	2.00	2.00	2.00	2.00
Academy Learning Center	1.80	2.00	2.00	2.00	2.00	2.00
Academy Learning Center Annex I					-	0.20
Non-Public Nursing	29.00	28.00	35.00	43.00	38.87	40.60
Bright Beginnings Learning Center	1.75	2.00	2.00	2.00	2.00	2.00
Bright Beginnings Learning Center Annex II				1.00	1.00	1.00
Bright Beginnings Learning Center Annex			0.05	0.33	0.05	0.05
Edison Collaborative Services		0.17		1.00	1.00	-
Sayreville Collaborative Services		0.17		0.25	0.25	0.20
<b>Support Services:</b>						
RVA	6.00	5.00	4.00	5.00	4.00	4.00
Piscataway Regional Day School	1.50	1.50	1.50	2.00	2.00	2.00
Academy Learning Center	1.00	1.50	1.50	2.00	2.00	2.00
Academy Learning Center Annex I					-	0.20
Middlesex County Academy High School	0.50	0.50	0.50	0.50	0.44	0.44
Bright Beginnings Learning Center	1.50	1.50	1.45	2.00	2.00	2.00
Bright Beginnings Learning Center Annex II				0.50	0.50	0.50
Bright Beginnings Learning Center Annex			0.55	0.55	0.50	0.50
IDEA B		1.00	1.00	1.00	1.00	1.00
Sayreville Collaborative Services					0.60	0.60
PIC-C					3.31	3.31
Early Childhood Program			6.00	13.22	9.00	8.00
<b>General Administration</b>						
	5.00	3.00	3.00	5.00	5.00	5.00
<b>School Administration</b>						
PL192/193	3.85	5.50	3.82	6.07	4.53	4.87
RVA	4.00	4.00	3.16	3.03	2.13	2.13
NuView	2.00	2.00	2.07	2.00	2.00	2.00
Piscataway Regional Day School	3.85	3.75	3.93	3.92	3.78	3.90
Academy Learning Center	3.85	3.75	4.01	4.03	3.48	3.93
Academy Learning Center Annex I					-	0.37
Title I	0.05	0.05	0.15	0.20	0.10	0.12
Non-Public Textbook	0.40	0.40	0.39	0.45	0.42	0.23
Non-Public Nursing	0.25	0.25	0.60	0.35	0.55	0.40
Professional Development Program		1.00	1.60	1.00	1.60	1.40
Middlesex County Academy High School	1.50	1.10	1.77	2.00	2.00	2.00
Bright Beginnings Learning Center	3.95	3.90	3.59	3.79	3.73	3.91
Bright Beginnings Learning Center Annex II				2.15	1.65	1.34
Bright Beginnings Learning Center Annex			1.34	1.33	1.15	0.84
Non-Public Technology	0.35	0.35	0.27	0.31	0.27	0.28
IDEA B	0.10	0.20	1.40	1.50	1.45	1.67
Edison Collaborative Services		0.05	0.10	0.15	0.15	-
Sayreville Collaborative Services			1.13	1.00	0.50	0.54
Early Childhood Program			4.00	7.50	7.00	6.00
<b>Central Services</b>						
		13.50	14.50	16.66	17.50	19.50
<b>Operations &amp; Maintenance</b>						
PL192/193	2.40	2.20	2.20	2.20	3.30	2.20
RVA	3.70	3.70	3.20	3.20	2.75	2.20
NuView	0.50	0.75	0.60	0.50	0.60	1.00
Piscataway Regional Day School	2.20	2.20	2.20	2.70	2.70	2.70
Academy Learning Center	2.20	2.20	2.20	2.20	2.30	2.20
Middlesex County Academy High School	0.50	0.25	0.20	0.50	0.60	0.40
Bright Beginnings Learning Center	2.20	2.20	2.20	2.20	2.25	2.20
Bright Beginnings Learning Center Annex II				0.20	0.20	-
Bright Beginnings Learning Center Annex			1.00	0.50	0.50	1.00
Early Childhood Program			2.00	1.65	3.33	3.00
<b>Student Transportation</b>						
Student Transportation	6.00	6.50	5.50	5.50	5.50	5.50
Student Transportation - Bus driver			2.00	5.00	2.00	4.80
<b>Business Services</b>						
	12.50					
<b>Total</b>	<b>404.65</b>	<b>443.44</b>	<b>525.58</b>	<b>659.41</b>	<b>664.10</b>	<b>647.08</b>

Source: Based on Commission budget record.

Middlesex Regional Educational Services Commission  
 Operating Statistics  
 Last Ten Fiscal Years  
 Unaudited

<b>Fiscal Year</b>	<b>Enrollment</b>	<b>Operating Expenditures<sup>a</sup></b>	<b>Cost Per Pupil</b>	<b>Percentage Change</b>	<b>Teaching Staff<sup>b</sup></b>	<b>Other Staff<sup>c</sup></b>	<b>Average Daily Enrollment (ADE)<sup>d</sup></b>	<b>Average Daily Attendance (ADA)<sup>d</sup></b>	<b>% Change in Average Daily Enrollment</b>	<b>Student Attendance Percentage</b>
2000	437	\$ 28,385,632	\$ 64,956	17.31%	207	153	471.30	404.20	11.92%	85.76%
2001	437	30,448,046	69,675	7.27%	207	153	477.80	408.70	1.38%	85.54%
2002	501	33,227,972	66,323	-4.81%	147	193	500.90	432.90	4.83%	86.42%
2003	547	36,931,897	67,517	1.80%	168	231	544.30	468.90	8.66%	86.15%
2004	568	41,425,291	72,932	8.02%	176	246	521.00	444.00	-4.28%	85.22%
2005	601	42,862,766	71,319	-2.21%	182	272	566.40	489.30	8.71%	86.39%
2006	784	50,102,656	63,906	-10.39%	200	307	768.10	673.20	35.61%	87.64%
2007	1,041	54,521,965	52,375	-18.04%	240	345	1,037.00	905.70	35.01%	87.34%
2008	1,055	57,242,381	54,258	6.72%	211	429	1,110.80	963.60	6.05%	86.75%
2009	1,008	57,214,351	56,760	8.37%	196	441	1,076.80	941.00	3.84%	87.39%

**Sources:** Commission records.

**Note:** Revised enrollment for 2006-2008 was based on actual enrollment as of June.

- a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule B-2
- b Teaching staff includes only full-time equivalents of certificated staff. prior GASB44 J-15
- c Other staff includes only full-time equivalents of other staffs- all 12 month. prior GASB 44 J-15  
(All 12 mo. Staffs - Administrator, Custodians, family workers, food workers, secretary. 10 mo.- chapter 226 nurse, aides)
- d Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS). prior GASB 44 J-13

# Operating Information



Middlesex Regional Educational Services Commission  
 School Building Information  
 Last Ten Fiscal Years  
 Unaudited

		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b><u>District Building</u></b>											
<b><u>Raritan Valley Academy, 1690 Stelton Rd, Piscataway</u></b>											
(September 1997)											
RVA	Square Feet	48,000	48,000	48,000	42,755	42,755	42,755	42,755	42,755	42,755	42,755
RVA	Capacity (students)	198	198	198	132	132	132	132	132	132	132
RVA	Enrollment	151	142	138	123	89	71	70	70	70	66
BB Annex I	Square Feet						5,245	5,770	5,770	5,770	5,770
BB Annex I	Capacity (students)						42	42	42	42	42
BB Annex I	Enrollment						27	40	40	40	37
Nonpublic	Square Feet	982	2,360	2,360	2,360	2,360	2,360	2360	2360	2360	2360
<b><u>Nuview Academy, Park Ave, Piscataway</u></b>											
(September 2001, September 2008)											
NV	Square Feet		3,500	8,050	8,050	8,050	8,050	6,000	6,000	22,500	22,500
NV	Capacity (students)		48	48	48	48	48	48	48	72	72
NV	Enrollment		12	12	27	30	32	34	34	45	60
<b><u>Academy Learning Center, 145 Pergola Ave, Monroe</u></b>											
(September 2000)											
ALC	Square Feet	42,516	42,516	42,516	42,516	42,516	42,516	42,516	42,516	42,516	42,516
ALC	Capacity (students)	110	110	148	148	148	148	148	148	148	148
ALC	Enrollment	110	96	133	139	142	140	138	138	138	143
<b><u>Bright Beginnings Learning Center, 1660 Stelton Rd, Piscataway</u></b>											
(September 1998, September 2002)											
BBLC	Square Feet	8,050	8,050	36,422	36,422	36,422	36,422	36,422	36,422	36,422	36,422
BBLC	Capacity (students)	48	48	130	130	130	130	130	130	130	130
BBLC	Enrollment	44	40	40	123	129	127	127	127	127	126
Central Office	Square Feet			7,583	7,583	7,583	7,583	7,583	7,583	7,583	7,583
Transportation	Square Feet			920	920	920	920	920	920	920	920
<b><u>Center for Lifelong Learning, 333 Cheese Ouake Rd, Parlin</u></b>											
(September 2009)											
CLL	Square Feet										88,000
CLL	Capacity (students)										288
CLL	Enrollment										-

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

Middlesex Regional Educational Services Commission  
General Fund  
Schedule of Required Maintenance for School Facilities  
Last Six Fiscal Years  
Unaudited

**Undistributed expenditures - Required Maintenance for School Facilities  
11-000-261-XXX**

<u>School Facilities</u>	<u>Project # (s)</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
RVA	N/A	\$ 191,024	\$ 143,235	\$ 145,937	\$ 149,482	\$ 180,604	\$ 157,056
Nuview	N/A	37,270	44,216	40,546	82,263	29,224	61,737
ALC	N/A	149,902	137,771	168,826	181,094	180,619	185,851
ALC Annex I						554	1,097
Transportation	N/A	5,691	4,096	3,072	537	5,959	2,663
ESC - General	N/A	44,242	24,934	42,861	8,152	9,820	14,098
ESC - MCA	N/A	9,167	9,581	25,290	33,884	27,785	17,090
BBLC	N/A	114,881	141,254	125,118	146,414	160,791	146,614
BBLC Annex II					9,259	7,835	23,034
BBLC Annex I	N/A		24,302	25,927	38,237	28,429	42,512
Edison Collaborative	N/A	8,324	2,820	1,962	5,693	7,350	307
Sayreville Collaborative	N/A		662	3,727	8,117	7,123	10,107
<b>Total School Facilities</b>		<b>\$ 560,501</b>	<b>\$ 532,871</b>	<b>\$ 583,266</b>	<b>\$ 663,132</b>	<b>\$ 646,093</b>	<b>\$ 662,166</b>

\* Commission records

Middlesex Regional Educational Services Commission  
Insurance Schedule  
For the Fiscal Year Ended June 30, 2009  
Unaudited

Company	Type of Coverage	Coverage	Deductible
NJSBAIG	<b>MULTI PERIL PACKAGE POLICY</b>		
	<b>Property:</b>		
	Blanket building and contents	\$ 31,285,421	\$ 5,000
	Extra Expense	1,000,000	
	Musical Instruments	Incl in prop limit	
	Misc Equipment	Incl in prop limit	
	Computer equipment	250,000	
	Flood	Various limits	25,000
	Demolition/incr. Cost of construction	5,000,000	
	<b>Energy Systems:</b>		
	Spoilage	100,000,000	
	<b>Commercial Liability:</b>		
	Per occurrence	11,000,000	
	Sexual molestation	11000000/17000000	
	Fire damage	11,000,000	
	Medical expense (excludes students)	10,000	
	Employee benefits programs	1,000,000	
	<b>Crime:</b>		
	Money & Securities	50,000	
	Employee Dishonesty	1,000,000	
	Forgery	50,000	
	<b>Automobile</b>		
	Bodily injury/property damage	11,000,000	
	Personal injury protection	Statutory	
	Underinsured/uninsured	1,000,000	
	Private passenger	10,000	
	Comprehensive deductible		1,000
	Collision deductible		1,000
NJSBAIG	<b>SCHOOL BOARD LEGAL</b>	11,000,000	5,000
Firemans Fund	<b>CAP</b>		
	Limit of liability	50,000,000	
NJSBAIG	<b>WORKERS COMPENSATION</b>		
	Section B limits	2,000,000	
NJSBAIG	<b>SUPPLEMENTARY WORKERS COMP</b>		
	Weekly maximum	1,750	
Chubb	<b>ENVIRONMENTAL IMPAIRMENT</b>	1000000/3000000	
Selective	<b>BONDS</b>		
	Business Administrator - Patrick Moran	250,000	
NJSBAIG	<b>STUDENT ACCIDENT</b>		
	Medical Benefit	5,000,000	
Selective	<b>BUILDERS RISK</b>		
	Cheesequake Rd.	28,500,000	

Source: Commission Records

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# Single Audit Section



**Report on Internal Control Over  
Financial Reporting and on Compliance and Other  
Matters Based on an Audit of the Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Honorable President and Members  
of the Board of Directors  
Middlesex Regional Educational Services Commission  
County of Middlesex, 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 Middlesex Regional Educational Services Commission, (the “Commission”) as of and for the year ended June 30, 2009, which collectively comprise the Commission’s basic financial statements, and have issued our report thereon dated November 3, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States; audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission'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* or the audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey.

This report is intended solely for the information and use of the Commission's management and Board, the State of New Jersey Department of Education, 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.



David J. Milkosky  
Licensed Public School Accountant  
No. 883

November 3, 2009

Report on Compliance with  
Requirements Applicable to Each Major Program and on  
Internal Control Over Compliance in Accordance with  
OMB Circular A-133 and New Jersey OMB Circular 04-04

Honorable President and Members  
of the Board of Directors  
Middlesex Regional Educational Services Commission  
County of Middlesex, New Jersey

Compliance

We have audited the compliance of Middlesex Regional Educational Services Commission, (the “Commission”) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement and the New Jersey State Grant Compliance Supplement*, that are applicable to each of its major federal and state programs for the year ended June 30, 2009. The Commission’s major federal and state programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the Commission’s management. Our responsibility is to express an opinion on the Commission’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and *New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments*. Those standards and OMB Circular A-133 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 Commission’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 Commission’s compliance with those requirements.

In our opinion, the Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended June 30, 2009.

### Internal Control Over Compliance

The management of the Commission 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 Commission's internal control over compliance with the requirements that could have a direct and material effect on a major federal and state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal and state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal and state program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the Commission's management and Board, the State of New Jersey Department of Education, 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.



David J. Milkosky  
Licensed Public School Accountant  
No. 883

November 3, 2009

Middlesex Regional Educational Services Commission

Schedule of Expenditures of Federal Awards

For the Fiscal Year ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period From To		Balance at June 30, 2008				Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance at June 30, 2009					
						Deferred Revenue	(Accounts Receivable)	Due to Districts	Due to Grantor					Deferred Revenue	(Accounts Receivable)	Due to Districts	Due to Grantor		
<b>U.S. Department of Education—Passed-Through State Department of Education</b>																			
Special Revenue Fund:																			
21st Century Community Learning Centers Program	84.287C	4000356	\$ 535,000	7/1/2006	6/30/2007				\$ 41				\$ (41)						
21st Century Community Learning Centers Program	84.287C	4000356	535,000	7/1/2007	6/30/2008		\$ (38,604)		\$ 41,394				(2,790)						
21st Century Community Learning Centers Program	84.287C	4000356	494,590	7/1/2008	9/30/2009				432,022	\$ (481,783)					\$ 12,807	\$ (62,568)			
Total U.S. Department of Education—passed-through State Department of Education						-	(38,604)	-	41	473,416	(481,783)	-	(2,831)	12,807	(62,568)	-	-	-	-
<b>U.S. Department of Education—Passed-Through Middlesex County School Districts</b>																			
Special Revenue Fund:																			
Special Education Cluster:																			
I.D.E.A. Part B, Regular	84.027A	N/A	1,637,217	7/1/2005	8/31/2006				22,967				(22,967)						
I.D.E.A. Part B, Preschool	84.173	N/A	107,171	7/1/2005	8/31/2006				6,284				(6,284)						
I.D.E.A. Part B, Regular	84.027A	N/A	1,806,483	7/1/2006	8/31/2007	\$ 6,043	(3,926)		4,215	3,926			(4,215)					\$ 6,043	5,352
I.D.E.A. Part B, Preschool	84.173	N/A	86,695	7/1/2006	8/31/2007				1,351				(1,351)						
I.D.E.A. Part B, Regular	84.027A	N/A	2,275,449	7/1/2007	8/31/2008	421,633	(115,861)		109,739	(403,391)	\$ (1,119)		18,242	(6,122)					1,119
I.D.E.A. Part B, Preschool	84.173	N/A	78,466	7/1/2007	8/31/2008			54,842		(37,978)	(104)		16,864						104
I.D.E.A. Part B, Regular	84.027A	N/A	1,993,396	7/1/2008	8/31/2009				1,834,054	(1,694,304)			-	(142,937)	\$ 282,687				
I.D.E.A. Part B, Preschool	84.173	N/A	66,482	7/1/2008	8/31/2009				8,945	(8,945)			-						
Total Special Education Cluster						487,870	(119,787)	-	34,817	1,956,664	(2,144,618)	(1,223)	(34,817)	35,106	(149,059)	282,687			12,618
Title I	84.010A	NCLB_08	55,834	7/1/2007	8/31/2008		(14,410)	\$ 1,800		14,610			(2,011)						11
Title I	84.010A	NCLB_09	65,906	7/1/2008	8/31/2009					56,578	(65,906)				(9,328)				
Total U.S. Department of Education—passed-through Middlesex County School Districts						487,870	(134,197)	1,800	34,817	2,027,852	(2,210,524)	(3,234)	(34,817)	35,106	(158,387)	282,687			12,629
Total Special Revenue Fund						487,870	(172,801)	1,800	34,858	2,501,268	(2,692,307)	(3,234)	(37,648)	47,913	(220,955)	282,687			12,629
<b>U.S. Department of Agriculture—Passed-Through State Department of Education</b>																			
Enterprise Fund:																			
Child Nutrition Cluster:																			
National School Breakfast Program	10.553	5120-201-372573-63	136,627	7/1/2007	6/30/2008		(12,317)			12,317									
National School Lunch Program	10.555	5120-201-372573-63	266,904	7/1/2007	6/30/2008		(23,712)			23,712									
National School After School Snack Program	10.000	N/A	52,734	7/1/2007	6/30/2008		(4,871)			4,871									
National School Breakfast Program	10.553	5120-201-372573-63	142,770	7/1/2008	6/30/2009					129,515	(142,770)				(13,255)				
National School Lunch Program	10.555	5120-201-372573-63	269,651	7/1/2008	6/30/2009					244,854	(269,651)				(24,797)				
National School After School Snack Program	10.000	N/A	43,832	7/1/2008	6/30/2009					39,995	(43,832)				(3,837)				
Total Enterprise Fund - Child Nutrition Cluster						-	(40,900)	-	-	455,264	(456,253)	-	-	-	(41,889)	-	-	-	-
Total Federal Financial Awards						\$ 487,870	\$ (213,701)	\$ 1,800	\$ 34,858	\$ 2,956,532	\$ (3,148,560)	\$ (3,234)	\$ (37,648)	\$ 47,913	\$ (262,844)	\$ 282,687			\$ 12,629

See accompanying notes to schedules of expenditures of federal and state awards.

Middlesex Regional Educational Services Commission  
 Schedule of Expenditures of State Financial Assistance  
 For The Fiscal Year ended June 30, 2009

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From	Grant Period To	Balance at June 30, 2008				Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance at June 30, 2009				MEMO		
					Deferred Revenue	(Accounts Receivable)	Due to Districts	Due to Grantor					Deferred Revenue	(Accounts Receivable)	Due to Districts	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures	
<b>State Department of Education</b>																			
General Fund:																			
Reimbursed TPAF Social Security Contributions	495-034-5095-050	923,795	7/1/2007	6/30/2008		\$ (92,463)			\$ 92,463										
Reimbursed TPAF Social Security Contributions	495-034-5095-050	966,784	7/1/2008	6/30/2009				918,306	\$ (966,784)				\$ (48,478)						\$ (966,784)
On Behalf TPAF Pension Contribution	595-034-5095-051	859,906	7/1/2008	6/30/2009				859,906	(859,906)										(859,906)
<b>Total General Fund</b>						<b>(92,463)</b>	<b>-</b>	<b>-</b>	<b>1,870,675</b>	<b>(1,826,690)</b>	<b>-</b>	<b>-</b>	<b>(48,478)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,826,690)</b>
<b>State Department of Education</b>																			
Special Revenue Fund:																			
The Governor's Initiative on Autism	7000240	356,697	4/1/2007	6/30/2008		(19,285)		19,391		\$ (2,150)	\$ (106)							\$ 2,150	
<b>Total The Governor's Initiative on Autism</b>						<b>-</b>	<b>(19,285)</b>	<b>-</b>	<b>19,391</b>	<b>-</b>	<b>(2,150)</b>	<b>(106)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,150</b>	<b>-</b>
<b>State Department of Education--Passed-Through</b>																			
<b>Middlesex County School Districts</b>																			
Special Revenue Fund:																			
N.J. Nonpublic Aid:																			
Textbooks Aid	100-034-5120-064	672,344	7/1/2006	6/30/2007		(2,351)	\$ 2,364	2,351			\$ (2,364)								
Textbooks Aid	100-034-5120-064	647,706	7/1/2007	6/30/2008			17,041												1,240
Textbooks Aid	100-034-5120-064	669,640	7/1/2008	6/30/2009				669,640	(641,620)	(1,240)	(17,041)								28,020
Nursing Services Aid	100-034-5120-070	826,891	7/1/2007	6/30/2008		(25,939)	35,594	25,939		(283)	(35,594)								283
Nursing Services Aid	100-034-5120-070	861,167	7/1/2008	6/30/2009				840,855	(815,633)				(20,312)						45,534
Technology Initiative	100-034-5120-373	532,120	7/1/2006	6/30/2007			1,098				(1,098)								
Technology Initiative	100-034-5120-373	512,440	7/1/2007	6/30/2008			13,384			(1,996)	(13,384)								1,996
Technology Initiative	100-034-5120-373	518,320	7/1/2008	6/30/2009				501,540	(497,925)				(16,780)	\$ 20,396					(497,925)
Auxiliary services (Chapter 192):																			
Compensatory Education	100-034-5120-067	1,712,370	7/1/2006	6/30/2007			11,691				(11,691)								
Compensatory Education	100-034-5120-067	1,605,068	7/1/2007	6/30/2008		(177,833)	\$ 217,086	226	112,937	(8,078)	(152,415)								8,077
Compensatory Education	100-034-5120-067	1,631,548	7/1/2008	6/30/2009				1,867,190	(1,602,304)				(113,181)	348,823	29,244				(1,602,304)
English as a Second Language	100-034-5120-067	195,592	7/1/2007	6/30/2008		(49,045)	13,411	23,101		12,528								5	
English as a Second Language	100-034-5120-067	246,646	7/1/2008	6/30/2009				222,058	(246,646)				(39,706)	15,118					(246,646)
Transportation	100-034-5120-067	422,500	7/1/2007	6/30/2008		(145,874)		130,926		14,948									
Transportation	100-034-5120-067	440,495	7/1/2008	6/30/2009				376,206	(440,495)				(64,742)	453					(440,495)
Nonpublic Home Instruction	100-034-5120-067	37,325	7/1/2005	6/30/2006		(863)		863											
Nonpublic Home Instruction	100-034-5120-067	33,342	7/1/2006	6/30/2007		(19,286)		10,170					(9,116)						
Nonpublic Home Instruction	100-034-5120-067	40,492	7/1/2007	6/30/2008		(40,492)		35,568					(4,924)						
Nonpublic Home Instruction	100-034-5120-067	50,864	7/1/2008	6/30/2009				-	(50,864)				(50,864)						(50,864)
Handicapped services (Chapter 193):																			
Supplemental Instruction	100-034-5120-066	500,308	7/1/2007	6/30/2008		(60,030)	20,895	53,422			(14,287)								
Supplemental Instruction	100-034-5120-066	507,824	7/1/2008	6/30/2009				580,601	(507,824)				(26,519)	99,296					(507,824)
Examination and Classification	100-034-5120-066	843,050	7/1/2006	6/30/2007			6,665				(6,665)								
Examination and Classification	100-034-5120-066	835,791	7/1/2007	6/30/2008		(391,979)	1,326	376,428		13,912								313	
Examination and Classification	100-034-5120-066	851,721	7/1/2008	6/30/2009				725,462	(851,721)				(127,781)	1,522					(851,721)
Corrective Speech	100-034-5120-066	693,780	7/1/2006	6/30/2007			251				(251)								
Corrective Speech	100-034-5120-066	674,244	7/1/2007	6/30/2008		(158,048)	15,447	135,291		7,310									
Corrective Speech	100-034-5120-066	664,659	7/1/2008	6/30/2009				636,233					(83,671)	55,245					
<b>Total State Department of Education--passed-through</b>						<b>-</b>	<b>(1,071,740)</b>	<b>268,165</b>	<b>88,314</b>	<b>7,326,781</b>	<b>(5,655,032)</b>	<b>37,101</b>	<b>(254,790)</b>	<b>-</b>	<b>(557,596)</b>	<b>540,853</b>	<b>114,712</b>	<b>-</b>	<b>(5,655,032)</b>
<b>Total Special Revenue Fund</b>						<b>-</b>	<b>(1,091,025)</b>	<b>268,165</b>	<b>88,314</b>	<b>7,346,172</b>	<b>(5,655,032)</b>	<b>34,951</b>	<b>(254,896)</b>	<b>-</b>	<b>(557,596)</b>	<b>540,853</b>	<b>116,862</b>	<b>-</b>	<b>(5,655,032)</b>
<b>State Department of Agriculture</b>																			
Enterprise Fund:																			
National School Lunch Program (State share)	100-010-3360-067	11,972	7/1/2007	6/30/2008		(1,063)		1,063											
National School Breakfast Program (State share)	100-010-3360-096	10,120	7/1/2007	6/30/2008		(887)		887											
National School Lunch Program (State share)	100-010-3360-067	11,517	7/1/2008	6/30/2009				10,458	(11,517)				(1,059)						(11,517)
National School Breakfast Program (State share)	100-010-3360-096	9,668	7/1/2008	6/30/2009				8,777	(9,668)				(891)						(9,668)
<b>Total Enterprise Fund</b>						<b>-</b>	<b>(1,950)</b>	<b>-</b>	<b>21,185</b>	<b>(21,185)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,950)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(21,185)</b>
<b>Total State Financial Assistance</b>						<b>\$ -</b>	<b>\$ (1,185,438)</b>	<b>\$ 268,165</b>	<b>\$ 88,314</b>	<b>\$ 9,238,032</b>	<b>\$ (7,502,907)</b>	<b>\$ 34,951</b>	<b>\$ (254,896)</b>	<b>\$ -</b>	<b>\$ (608,024)</b>	<b>\$ 540,853</b>	<b>\$ 116,862</b>	<b>\$ -</b>	<b>\$ (7,502,907)</b>

See accompanying notes to schedules of expenditures of federal and state awards.

## Middlesex Regional Educational Services Commission

### Notes to Schedules of Expenditures of Federal and State Awards

June 30, 2009

#### 1. General

The accompanying schedules of expenditures of federal and state awards present the activity of all federal and state award programs of the Middlesex Regional Educational Services Commission. All federal and state awards received directly from federal and state agencies, as well as federal awards passed through other government agencies are included on the schedules of expenditures of federal and state awards. The Commission is defined in Note 1 to the basic financial statements.

#### 2. Basis of Accounting

The accompanying schedules of expenditures of federal and state awards are presented using the modified accrual basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting and those recorded in the special revenue fund, which are presented using the budgetary basis of accounting. These bases of accounting are described in Note 1 of the Commission's basic financial statements.

#### 3. Relationship to Basic Financial Statements

Amounts reported in the accompanying schedules agree with amounts reported in the Commission's basic financial statements. The basic financial statements present the special revenue fund on both a GAAP basis and a budgetary basis. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$33,392. A budgetary comparison schedule (RSI) at C-3 is presented for the special revenue fund to demonstrate. Federal and state award revenues are reported in the Commission's basic financial statements on a GAAP basis as follows:

	<b>Federal</b>	<b>State</b>	<b>Total</b>
General Fund		\$ 1,826,690	\$ 1,826,690
Special Revenue Fund	\$ 2,705,765	6,339,625	9,045,390
Enterprise Fund	456,253	21,185	477,438
Total financial award expenditures	\$ 3,162,018	\$ 8,187,500	\$ 11,349,518

Middlesex Regional Educational Services Commission

Notes to Schedules of Expenditures of Federal  
and State Awards (continued)

June 30, 2009

**4. Relationship to Federal and State Financial Reports**

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

**5. Cancellations and Adjustments**

The cancellations and adjustments represent cancellations of prior year purchase orders and/or refunds received from District's serviced by the Commission.

**6. Other**

TPAF Social Security and pension contributions represent the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2009.

The TPAF pension expenditures are not subject to NJOMB Circular 04-04.

Middlesex Regional Educational Services Commission

Schedule of Findings and Questioned Costs

Year Ended June 30, 2009

**Part I - Summary of Auditor's Results**

**Financial Statement Section**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?            Yes   ✓   No

Significant deficiency(ies) identified not considered to be material weaknesses?            Yes   ✓   None Reported

Noncompliance material to financial statements noted?            Yes   ✓   No

**Federal Awards Section**

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

Auditee qualified as low-risk auditee?   ✓   Yes            No

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

Internal control over compliance:

Material weakness(es) identified?            Yes   ✓   No

Were significant deficiency(ies) identified not considered to be material weakness(es)?            Yes   ✓   None Reported

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

Middlesex Regional Educational Services Commission

Schedule of Findings and Questioned Costs

Year Ended June 30, 2009

**Part I - Summary of Auditor's Results (continued)**

**State Awards Section**

Dollar threshold used to determine Type A program: \$300,000

Auditee qualified as low-risk auditee? ✓ Yes        No

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

Internal control over compliance:

Material weakness(es) identified?        Yes ✓ No

Were significant deficiency(ies) identified not considered to be material weakness(es)?        Yes ✓ None Reported

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular 04-04?        Yes ✓ No

Identification of major programs:

**Federal Awards**

CFDA Number	Name of Federal Program or Cluster
84.027	Special Education Cluster (IDEA): Special Education—Grants to States (IDEA, Part B)
84.173	Special Education—Preschool Grants (IDEA Preschool)

**State Awards**

GMIS Number State Grant Number	Name of State Program or Cluster
100-034-5120-067	N.J. Nonpublic Auxiliary Services Aid (Chapter 192)
100-034-5120-068	N.J. Nonpublic Auxiliary/Handicapped Transportation Aid

Middlesex Regional Educational Services Commission

Schedule of Findings and Questioned Costs

Year Ended June 30, 2009

**Part II - Schedule of Financial Statement Findings**

None reported.

Middlesex Regional Educational Services Commission

Schedule of Findings and Questioned Costs

Year Ended June 30, 2009

**Part III - Schedule of Federal and State Award Findings  
and Questioned Costs**

None reported.

Middlesex Regional Educational Services Commission

Summary Schedule of Prior Year Findings

Year Ended June 30, 2009

Not applicable.