

**SUSSEX COUNTY
EDUCATIONAL SERVICES
COMMISSION**

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
Sparta, New Jersey

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

**Comprehensive Annual
Financial Report**

of the

Sussex County Educational Services Commission

Sparta, New Jersey

For the Fiscal Year Ended June 30, 2009

Prepared by

**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
Finance Office**

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INTRODUCTORY SECTION

Sussex County Educational Services Commission

10 Gail Court

Sparta, New Jersey 07871

Phone: 973-579-6980; Fax: 973-579-1086

Barbara B. Miller, Ed.D.
Interim Superintendent

John C. Pavlik, MAS
Business Administrator

October 31, 2009

The Honorable President and Members
of the Board of Directors
Sussex County Educational Services Commission
Sparta, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Sussex County 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 Commission. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the 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 independent auditors' report, management's discussion and analysis, the basic financial statements and notes providing an overview of the Commission's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected economic and demographic information, financial trends and the fiscal capacity of the Commission, 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 States, Local Governments, and Nonprofit Organizations*, and the New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on the internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES: The Sussex County Educational Services Commission is an independent reporting entity within the criteria adopted by the Government Accounting Standards Board ("GASB") in codification section 2100. All funds of the Commission are included in this report. The Sussex County Educational Services Commission and its school constitutes the Commission's reporting entity.

The Commission provides a full range of educational services for public school districts in Sussex County. These include regular education, as well as special education. The Commission completed the 2008-2009 fiscal year having provided services to over 450 students and having 21 students enrolled in the Special Children's School. Services were provided through Chapter 192/193. These included basic skills communication, computation, supplemental, speech therapy and CST evaluations. Through I.D.E.I.A. contracted services, approximately 439 additional speech and supplementary services were provided. Additionally, approximately 188 students were serviced through I.D.E.I.A. with an in-class supplementary model at three nonpublic schools. Lastly, nursing services for all New Jersey students attending 13 non public schools were provided through Chapter 226.

2) ECONOMIC CONDITION AND OUTLOOK: The level of services provided to non-public students will decrease during the 2009-2010 fiscal year with the loss of the Sparta Non-Public Program and closure of Sacred Heart in Dover. This will have an effect of over \$500,000 on our revenue stream. We are striving to re-open a dialogue with Sparta and the Diocese of Paterson to rebuild a better relationship in hopes of returning in the near future. Our Itinerant Program has a part-time physical education teacher and a speech therapist employed to teach in 2 separate public school districts. The Special Children's School enrollment is stable at 21; however, through a new public awareness program, implementing new curriculum and upgrading technology resources, we are seeking to assure that public school districts will view Sussex County Educational Services/Special Children's School as the leading educational facility in Northwest New Jersey.

3) MAJOR INITIATIVES: A major focus this year will be Public Awareness. We will be upgrading our website as a means of informing the area school districts of our programs, and will be producing a DVD that will be shared with Child Study teams and perspective parents. An additional emphasis will be placed on upgrading the technology available to students and teachers in the school. Smart boards along with a multitude of software enhancements will be added to each classroom. Professional development activities for staff members will center on the use of the smart board technology and the ways in which it can enrich instruction in the classroom. The outdoor playground area will be upgraded with the addition of a wheelchair accessible swing, new sidewalks, and a 4-foot chain link fence that will enclose the area, thus providing those students who are able the opportunity to run and play safely. The pre-school program implemented last year has been very successful and expansion of enrollment will be a continued goal.

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

As a recipient of federal and state awards, the Commission also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system will be evaluated on a periodic basis by the Commission's administration.

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

5) BUDGETARY CONTROLS: In addition to internal accounting 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 and the special revenue fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2009.

6) ACCOUNTING SYSTEM AND REPORTS: The Commission's accounting records reflect generally accepted accounting principles, as promulgated by the GASB. The accounting system of the Commission is organized on the basis of governmental funds and business type activities funds. These funds are explained in "Notes to the Basic Financial Statements", Note 1.

7) DEBT ADMINISTRATION: As of June 30, 2009, the Commission's outstanding debt included \$1,504,379 in Obligations under Lease Purchase Agreements - Certificates of Participation.

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

9) RISK MANAGEMENT: The 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 provided by Selective Insurance Company. A schedule of insurance coverage is found on Exhibit J-20.

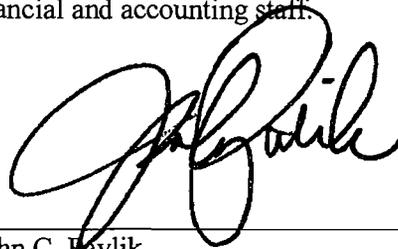
10) OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia & Company LLP, CPAs, was selected by the Commission. In addition to meeting the requirements set forth in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

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

Respectfully submitted,

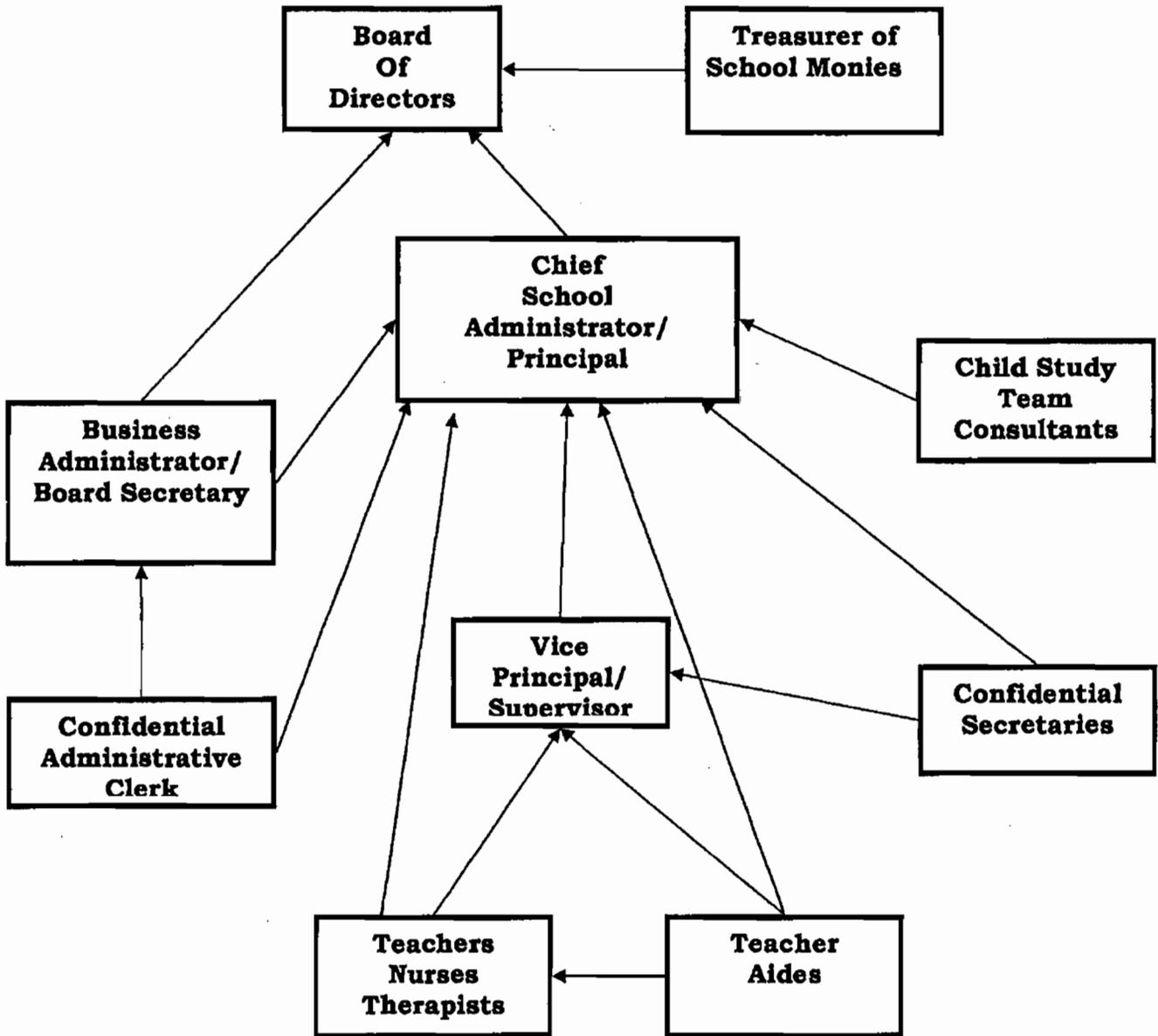


Barbara B. Miller
Interim Superintendent



John C. Mavlik
Business Administrator/Board Secretary

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION ORGANIZATION CHART



Adopted: 1 November 2004
Revised: 27 August 2007

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
 ROSTER OF OFFICIALS
 JUNE 30, 2009

Members of the Board of Directors

Ida Machuca
 Walter Stanek
 Christopher DeLima
 Ethel Alexander
 Martin Olivo
 Allen Rude
 Roberta Andrews
 Gerald Lanzalotto
 Susan Madar
 John Tracy
 John Jackson
 Peter Egan
 Marina Krynicky
 Ed Pladdys
 Hobart Burd

District

Andover
 Byram
 Frankford
 Franklin
 Fredon
 Hamburg
 Hampton
 Hardyston
 Hopatcong
 Kittatinny
 Newton
 Ogdensburg
 Sussex-Wantage
 Sussex Tech.
 Wallkill Valley

Other Officials

Marilyn Gasior
 Barbara B. Miller, Ed.D
 James Sekelsky
 John C. Pavlik
 Eileen Kithcart

Title

Superintendent/Principal
 Interim Superintendent/Principal
 Business Administrator/Board Secretary (to 2/20)
 Business Administrator/Board Secretary (from 2/20)
 Treasurer

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
Consultants and Advisors

Audit Firm

Nisivoccia & Company LLP, CPAs
Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mount Arlington, NJ, 07856-1320
and

Lawrence Business Park
11 Lawrence Road
Newton, NJ 07860

Attorney

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

Official Depository

Lakeland Bank
37 Route 15
Lafayette, NJ 07848

FINANCIAL SECTION

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Fax: 973-328-0507

Lawrence Business Park
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Newton, NJ 07860
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Fax: 973-383-6555

Independent Auditors' Report

The Honorable President and Members
of the Board of Directors
Sussex County Educational Services Commission
Sparta, New Jersey

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Sussex County Educational Services Commission as of and for the fiscal year ended June 30, 2009 which collectively comprise the Commission's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Sussex County Educational Services Commission as of June 30, 2009, and the respective changes in financial position, where applicable, thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

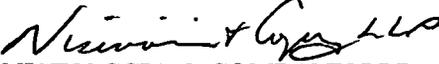
In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2009 on our consideration of the Sussex County Educational Services Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, 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.

The Honorable President and Members
of the Board of Directors
Sussex County Educational Services Commission
Page 2

The Management's Discussion and Analysis and the Budgetary Comparison Information on Exhibits C-1 through C-3 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental schedules. 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 Sussex County Educational Services Commission's basic financial statements. The accompanying introductory section, other supplemental schedules such as the combining and individual fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*; and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the basic financial statements. The supplementary combining and individual fund financial statements and other supplemental schedules and schedules of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

October 31, 2009
Mount Arlington, New Jersey


NISIVOCCIA & COMPANY LLP



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

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Management Discussion and Analysis
For Fiscal Year Ended June 30, 2009
(Unaudited)**

This section of Sussex County Educational Services Commission's annual financial report presents its discussion and analysis of the Commission's financial performance during the fiscal year ending June 30, 2009. Please read it in conjunction with the transmittal letter at the front of this report and the Commission's financial statements, which immediately follow this section.

Financial Highlights

- The Commission's financial status improved from the prior year. Net assets increased by \$23,355.
- Overall revenue was \$2.92 million while overall costs were \$2.89 million.

Overview of the Financial Statements

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

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

The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Commission’s budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1
Organization of Sussex County Educational Services Commission’s Financial Report**

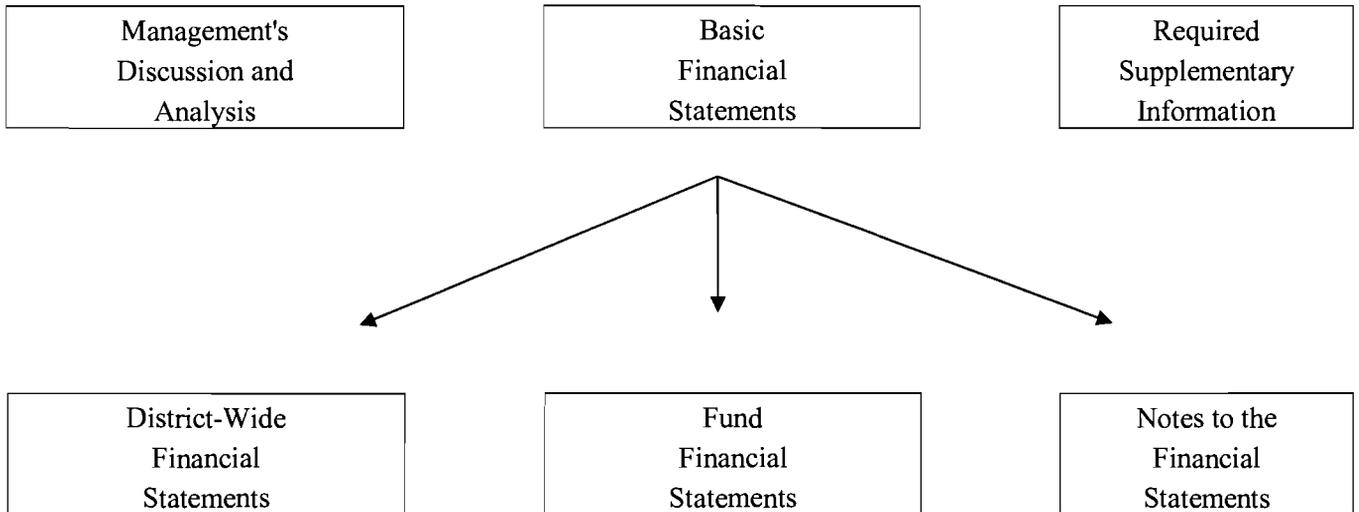


Figure A-2 summarizes the major features of the Commission’s financial statements, including the portion of the Commission’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds – N/A	Fiduciary Funds
Scope	Entire Commission (except fiduciary funds)	The activities of the Commission that are not proprietary or fiduciary, such as special education and building maintenance	Activities the Commission operates similar to private businesses: Not applicable	Instances in which the Commission administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required Financial Statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenue, expenses, changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

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

The two district-wide statements report the Commission's *net assets* and how they have changed. Net assets – the difference between the Commission's assets and liabilities – is one way to measure the Commission's financial health or *position*.

- Over time, increases or decreases in the Commission's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Commission's overall health, you need to consider additional nonfinancial factors such as changes in the Commission's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the Commission's activities are divided into two categories:

- *Governmental activities*: Most of the Commission's basic services are included here, such as regular and special education and administration. Tuition and revenue from other local governmental units finance most of these activities.
- *Business-type activities*: The Commission has no business-type activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Commission's funds, focusing on its most significant or "major" funds – not the Commission as a whole. Funds are accounting devices the Commission uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The Commission establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants).

The Commission has three kinds of funds:

- *Governmental funds*: Most of the Commission's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Commission's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.
- *Proprietary funds*: Services for which the Commission charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. The Commission's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The *internal service funds* (the other kind of proprietary fund) report activities that provide supplies and services for its other programs and activities. The Commission currently does not maintain any enterprise funds or internal service funds.

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

Notes to Financial Statements

The notes to financial statements 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 basic financial statements can be found immediately following the fund financial statements.

Financial Analysis of the Commission as a Whole

Net Assets. The Commission's net assets increased \$25,677. Net assets invested in capital assets decreased \$9,076; restricted net assets decreased \$29,280 due entirely to the decrease in the reserve for encumbrances; and unrestricted net assets increased \$64,033 through normal operations.

Figure A-3

Condensed Statement of Net Assets

	Governmental Activities		Percentage Change
	2009	2008	
Current and Other Assets	\$ 1,865,744	\$ 1,840,071	1.40%
Capital Assets, Net	2,422,338	2,486,048	-2.56%
Total Assets	<u>4,288,082</u>	<u>4,326,119</u>	-0.88%
Long-Term Liabilities	1,565,788	1,623,496	-3.55%
Other Liabilities	24,890	30,896	-19.44%
Total Liabilities	<u>1,590,678</u>	<u>1,654,392</u>	-3.85%
Net Assets:			
Invested in Capital Assets, Net of			
Related Debt	917,959	927,035	-0.98%
Restricted	2,524	31,804	-92.06%
Unrestricted	<u>1,776,921</u>	<u>1,712,888</u>	3.74%
Total Net Assets	<u>\$ 2,697,404</u>	<u>\$ 2,671,727</u>	0.96%

Changes in Net Assets. The Commission's combined net assets were \$2,697,404 on June 30, 2009, \$25,677 or 0.96% more than they were the year before. (See Figure A-3). Net Assets increased as the Commission's actual expenses were lower than budgeted due to prudent fiscal management.

Figure A-4

Changes in Net Assets from Operating Results

	Governmental Activities <u>2008/2009</u>	Governmental Activities <u>2007/2008</u>	Percentage Change
Revenue:			
Program Revenue:			
Charges for Services	\$ 2,652,895	\$ 2,842,121	-6.66%
Operating Grants and Contributions	172,649	171,950	0.41%
General Revenue:			
Other	94,261	39,290	139.91%
Total Revenue	<u>2,919,805</u>	<u>3,053,361</u>	-4.37%
Expenses:			
Instruction	1,842,617	1,774,582	3.83%
Pupil and Instruction Services	327,554	349,637	-6.32%
Administrative and Business	523,953	458,654	14.24%
Maintenance and Operations	108,957	89,759	21.39%
Other	91,047	117,796	-22.71%
Total Expenses	<u>2,894,128</u>	<u>2,790,428</u>	3.72%
Increase/(Decrease) in Net Assets	<u>\$ 25,677</u>	<u>\$ 262,933</u>	-90.23%

Revenue Sources. The Commission's total revenue for the 2008/2009 school year was \$2,919,805. (See Figure A-5). Charges for services, which consists of tuition and charges for other special services provided to other local governmental units accounted for most of the Commission's revenue (90.86%). Another 5.91 percent came from State and Federal aid for specific programs and the remainder from miscellaneous sources. The Sussex County Educational Services Commission basically conducts its operations from the revenues it receives from its tuition and charges for services from other local governmental units.

Figure A-5

Sources of Revenue for Fiscal Year:

	<u>2009</u>		<u>2008</u>	
	Amount	Percentage	Amount	Percentage
Sources of Income:				
Charges for Services	\$ 2,652,895	90.86%	\$ 2,842,121	93.08%
Grants and Contributions	172,649	5.91%	171,950	5.63%
Other	94,261	3.23%	39,290	1.29%
	<u>\$ 2,919,805</u>	<u>100.00%</u>	<u>\$ 3,053,361</u>	<u>100.00%</u>

The total cost of all programs and services was \$2,894,128. The Commission's expenses are predominantly related to instruction and pupil services (74.99%). (See Figure A-6.) The Commission's administrative and business activities accounted for 18.10 percent of total costs.

Figure A-6**Expenses for Fiscal Year:**

Expense Category:	2009		2008	
	Amount	Percentage	Amount	Percentage
Instruction	\$ 1,842,617	63.67%	\$ 1,774,582	63.60%
Pupil and Instruction Services	327,554	11.32%	349,637	12.53%
Administrative and Business	523,953	18.10%	458,654	16.44%
Maintenance and Operations	108,957	3.76%	89,759	3.22%
Other	91,047	3.15%	117,796	4.22%
	<u>\$ 2,894,128</u>	<u>100.00%</u>	<u>\$ 2,790,428</u>	<u>100.00%</u>

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the Commission remains relatively stable. Maintaining existing programs and the provision of programs and services for students with special needs places great demands on the Commission's resources. The rising costs associated with special education requirements and health benefits also place demands on the resources.

Careful management of expenses remains essential for the Commission to maintain its financial health. State aid remains level while costs continue to escalate.

Figure A-7 presents the cost of five major Commission activities: instruction, pupil and instructional services, administration and business, maintenance and operations, and other miscellaneous expenses. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net earnings/(costs) shows the financial resources provided by/(used for) the Commission's functions.

Figure A-7**Net Cost/(Earnings) of Governmental Activities**

	Total Cost of	Total Cost of	Net (Cost)/	Net (Cost)/
	Services	Services	Earnings of	Earnings of
	2008/2009	2007/2008	Services	Services
			2008/2009	2007/2008
Instruction	\$ 1,842,617	\$ 1,774,582	\$ 4,214	\$ 181,396
Pupil and Instruction Services	327,554	349,637	(16,153)	25,037
Administrative and Business	523,953	458,654	(39,974)	13,365
Maintenance and Operations	108,957	89,759	(9,082)	1,663
Other	91,047	117,796	(7,589)	2,182
	<u>\$ 2,894,128</u>	<u>\$ 2,790,428</u>	<u>\$ (68,584)</u>	<u>\$ 223,643</u>

- The total costs from all governmental activities this year was \$2,894,128.
- The net costs from all governmental activities this year was \$68,584.
- The state and federal governments subsidized certain programs with grants and contributions (\$172,649).
- Most of the Commission's costs, however, were financed by charges for services from other local governmental units (\$2.65 million).
- The remainder of the funding came from miscellaneous revenue and investment earnings.

Financial Analysis of the Commission's Funds

The Commission's financial position remains relatively stable despite changes in the rising cost of fixed obligations. Expenditures during the recent year rose as a result of increased staffing requirements and salaries. Health benefit costs for all staff have increased in the past several years. The Commission must also consider the escalating costs for utilities and insurance.

To maintain a stable financial position, the Commission must continue its practice of sound fiscal management.

General Fund Budgetary Highlights

Over the course of the year, the Commission revised the annual operating budget several times. These budget amendments were made up of changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment as well as appropriating additional surplus for budget adjustments.

Capital Asset and Debt Administration

Figure A-8

Capital Assets (Net of Depreciation)

	Governmental Activities		Percentage Change
	2008/2009	2007/2008	
Sites	\$ 230,000	\$ 230,000	0.00%
Construction in Progress	463,200	1,600,000	-71.05%
Site Improvements	96,045	29,615	224.31%
Buildings and Building Improvements	1,565,903	626,393	149.99%
Machinery and Equipment	67,190	40	167,875.00%
Total Capital Assets, Net of Depreciation	\$ 2,422,338	\$ 2,486,048	-2.56%

The \$63,710 decrease in capital assets is due to current year \$48,884 of depreciation and disposals of \$50,280 with related accumulated depreciation of \$35,454 during the fiscal year. The Commission also completed an addition to the existing building.

Long-term Debt

At year-end, the Commission had \$1,504,379 remaining in a lease purchase agreement – a decrease of \$54,634 from last year and a decrease of \$3,074 in other long-term debt from last year – as shown in Figure A-9. (More detailed information about the Commission’s long-term liabilities is presented in Note 6 to the financial statements.)

Figure A-9

Outstanding Long-Term Debt

	Total School District		Percentage Change
	2008/2009	2007/2008	
Lease Purchase Agreement	\$ 1,504,379	\$ 1,559,013	-3.50%
Other Long-term	61,409	64,483	-4.77%
	<u>\$ 1,565,788</u>	<u>\$ 1,623,496</u>	-3.55%

Factors Bearing on the Commission’s Future Revenue/Expense Changes

The Commission is facing a period of uncertainty during the country’s economic downturn as its constituent school districts are experiencing economic difficulties which could reduce their utilization of Commission Services.

Contacting the Commission’s Financial Management

This financial report is designed to provide the Commission’s citizens, taxpayers, customers and investors and creditors with a general overview of the Commission’s finances and to demonstrate the Commission’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Commission, 10 Gail Court, Sparta, New Jersey 07871.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
STATEMENT OF NET ASSETS
JUNE 30, 2009

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 1,192,240
Tuition Receivable	5,362
Receivables from Other Governments:	
State	9,177
Federal	17,576
Local	639,143
Other Receivables	2,246
Capital Assets:	
Site (Land)	230,000
Construction in Progress	463,200
Depreciable Building, Improvements and Furniture, Machinery and Equipment	1,729,138
Total Assets	4,288,082
LIABILITIES	
Accrued Interest Payable	19,557
Deferred Revenue	5,333
Noncurrent Liabilities:	
Due Within One Year	56,805
Due Beyond One Year	1,508,983
Total Liabilities	1,590,678
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	917,959
Restricted for:	
Other Purposes	2,524
Unrestricted	1,776,921
Total Net Assets	\$ 2,697,404

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

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net(Expense)/ Revenue and Changes in Net Assets: Governmental Activities Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction:				
Regular	\$ 40,500	\$ 37,124	\$ 3,014	\$ (362)
Special Education	728,881	668,127	89,196	28,442
Other Special Instruction	1,073,236	983,779	65,591	(23,866)
Support Services:				
Student & Instruction Related Services	327,554	300,252	11,149	(16,153)
General Administrative Services	279,774	256,454		(23,320)
School Administrative Services	114,200	104,681	3,699	(5,820)
Central Services	119,124	109,195		(9,929)
Administrative Information Technology	10,855	9,950		(905)
Plant Operations and Maintenance	108,957	99,875		(9,082)
Special Schools	91,047	83,458		(7,589)
Total Primary Government	<u>\$ 2,894,128</u>	<u>\$ 2,652,895</u>	<u>\$ 172,649</u>	<u>(68,584)</u>
General Revenue:				
Investment Earnings				23,589
Miscellaneous Income				70,672
Total General Revenue, Special Items, Extraordinary Items and Transfers				<u>94,261</u>
Change in Net Assets				25,677
Net Assets - Beginning				<u>2,671,727</u>
Net Asset - Ending				<u>\$ 2,697,404</u>

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

FUND FINANCIAL STATEMENTS

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS:			
Cash and Cash Equivalents	\$ 1,192,240		\$ 1,192,240
Interfund Receivable:			
Special Revenue Fund	13,743		13,743
Tuition Receivable	5,362		5,362
Receivables From Other Governments:			
State	7,677	\$ 1,500	9,177
Federal		17,576	17,576
Local	641,389		641,389
Total Assets	\$ 1,860,411	\$ 19,076	\$ 1,879,487
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Interfund Payable:			
General Fund		\$ 13,743	\$ 13,743
Deferred Revenue		5,333	5,333
Total Liabilities	19,076	19,076	19,076
Fund Balances:			
Reserved for:			
Encumbrances	\$ 2,524		\$ 2,524
Unreserved, Reported in:			
General Fund:			
Unreserved/Undesignated	1,857,887		1,857,887
Total Fund Balances	1,860,411	19,076	1,860,411
Total Liabilities and Fund Balances	\$ 1,860,411	\$ 19,076	\$ 1,879,487

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 \$2,793,376 and the accumulated depreciation is \$371,038.	2,422,338
Long-Term Liabilities are not due and payable in the current period and therefore are not reported as liabilities in the Funds.	(1,565,788)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(19,557)
Net Assets of Governmental Activities	\$ 2,697,404

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

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUE:			
Local Sources:			
Tuition Charges	\$ 1,184,153		\$ 1,184,153
Other Local Government Units	1,468,742		1,468,742
Miscellaneous	94,261		94,261
Total - Local Sources	2,747,156		2,747,156
State Sources	138,461	\$ 75	138,536
Federal Sources		34,113	34,113
Total Revenue	2,885,617	34,188	2,919,805
EXPENDITURES			
Current:			
Regular Instruction	27,589		27,589
Special Education Instruction	530,498	34,188	564,686
Other Special Instruction	850,631		850,631
Support Services and Undistributed Costs:			
Student & Instruction Related Services	276,078		276,078
General Administrative Services	250,486		250,486
School Administrative Services	88,612		88,612
Central Services	110,261		110,261
Administrative Information Technology	10,855		10,855
Plant Operations and Maintenance	106,026		106,026
Allocated and Unallocated Benefits	455,280		455,280
Capital Outlay	57,285		57,285
Special Schools	91,047		91,047
Total Expenditures	2,854,648	34,188	2,888,836
Net Change in Fund Balances	30,969		30,969
Fund Balance—July 1	1,829,442		1,829,442
Fund Balance—June 30	\$ 1,860,411	\$ - 0 -	\$ 1,860,411

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

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ 30,969

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 differ from depreciation in the period.

	Depreciation expense	\$ (48,884)	
	Disposal of Assets with Carrying Value	<u>(14,826)</u>	(63,710)

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 (+).

3,074

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

54,634

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. The accrued interest is an addition in the reconciliation. (+)

710

Change in Net Assets - Governmental Funds

\$ 25,677

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

Exhibit B-7

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009

	<u>Agency</u>
<u>ASSETS:</u>	
Cash and cash equivalents	\$ 19,578
Total assets	19,578
 <u>LIABILITIES:</u>	
Payroll deductions and withholdings	17,857
Due to student groups	1,721
Total liabilities	\$ 19,578

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

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Sussex County Educational Services Commission (the "Commission") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Commission's accounting policies are described below.

A. Reporting Entity:

The Commission is an instrumentality of the State of New Jersey, established to function as an educational institution. The Commission consists of officials appointed to the Commission's Board of Directors as representatives from member school districts and is responsible for the fiscal control of the Commission. A superintendent is appointed by the Board and is responsible for the administrative control of the Commission.

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significance) should be included in the financial reporting entity. The financial statements include all funds of the Commission over which the Board exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the Commission is not includable in any other reporting entity on the basis of such criteria.

District-Wide Financial Statements:

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

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)

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

B. Basis of Presentation: (Cont'd)

District-Wide Financial Statements: (Cont'd)

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the Commission's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include the unallocated portion of health benefits, employer's share of payroll taxes, and compensated absences. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue is presented as general revenue. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the Commission.

Fund Financial Statements:

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

The Commission reports the following governmental funds:

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

As required by NJDOE, the Commission includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenue. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, tuition, charges to other local governmental units, and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by Board resolution.

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
 (Continued)

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

B. Basis of Presentation: (Cont'd)

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

Capital Projects Fund: The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or certificates of participation that are specifically authorized by the Board of Directors. This fund is not applicable to the Commission's operations.

Debt Service Fund: The Debt Service Fund is used to account for the accumulation of resources for and the payment of principal and interest on bonds issued to finance major property acquisition, construction and improvement programs. This fund is not applicable to the Commission's operations.

The Commission does not operate any proprietary funds.

Additionally, the Commission reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the Commission on behalf of others and include the Student Activities Fund and the Payroll Agency Fund.

C. Measurement Focus and Basis of Accounting:

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The Commission considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)

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

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

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

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budgets are submitted to the County office. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue"		
from the Budgetary Comparison Schedule	\$ 2,885,617	\$ 32,527
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that Encumbrances are Recognized as Expenditures, and the related Revenue is Recognized.		
Prior Year Encumbrances		1,661
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 2,885,617	\$ 34,188

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)

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

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

Uses/Outflows of Resources:

Actual Amounts (Budgetary Basis) "Total Outflows" from the

Budgetary Comparison Schedule	\$ 2,854,648	\$ 32,527
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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.

Prior Year Encumbrances		1,661
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Total Expenditures as Reported on the Statement of Revenue,

Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 2,854,648	\$ 34,188
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E. Cash and Cash Equivalents and Investments:

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

New Jersey school districts are limited as to type of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the 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 Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

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

F. Interfund Transactions:

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing source/uses in governmental funds and after non-operating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)

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

F. Interfund Transactions: (Cont'd)

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2009.

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)

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

K. Capital Assets:

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

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

	<u>Estimated Useful Life</u>
Buildings	50 years
Site Improvements	20 years
Furniture and Equipment	10 to 15 years
Computer and Related Technology	5 years
Vehicles	8 years

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

L. Long Term Liabilities:

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

M. Accrued Salaries and Wages:

The Commission does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year, therefore, there are no accrued salaries and wages as of June 30, 2009.

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)

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

N. Compensated Absences:

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

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

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

O. Deferred Revenue:

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

P. Fund Balance Appropriated:

General Fund: Of the \$1,860,411 General Fund fund balance at June 30, 2009, \$2,524 is reserved for encumbrances and \$1,857,887 is unreserved and undesignated.

Q. Net Assets:

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

R. Fund Balance Reserves:

The Commission reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditures. Unreserved fund balance indicates that portion which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances and a reserve for a lease purchase agreement as prescribed by contracts and agreements. It is the Commission's policy to first apply restricted resources when an expense is incurred for purposes of which both restricted and unrestricted net assets are available.

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)

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

S. Revenue - Exchange and Nonexchange Transactions:

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

Nonexchange transactions, in which the Commission receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Commission must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Commission on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

T. Management Estimates:

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

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)

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

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

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

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

Deposits:

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

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

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

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

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

Investments:

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

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

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)

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

Investments: (Cont'd)

- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in statute; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2009, cash and cash equivalents of the Commission consisted of the following:

	Cash and Cash Equivalents
Checking and Savings Accounts	\$ 1,211,818
	\$ 1,211,818

During the period ended June 30, 2009, the Commission did not hold any investments. The carrying amount of the Commission's cash and cash equivalents and investments at June 30, 2009, was \$1,211,818 and the bank balance was \$1,373,790.

NOTE 4: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2009, the Commission did not transfer any money to the capital outlay accounts.

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)

NOTE 5. CAPITAL ASSETS

Depreciation expense was charged to governmental functions as follows:

Special Education Instruction	\$ 26,445
Student and Instruction Related Services	10,315
General Administrative Services	3,227
School Administrative Services	6,453
Central Services	2,053
Operations and Maintenance of Plant	<u>391</u>
	<u>\$ 48,884</u>

Capital asset balances and activity for the year ended June 30, 2009 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 230,000			\$ 230,000
Construction in Progress	<u>1,600,000</u>		<u>\$ (1,136,800)</u>	<u>463,200</u>
Total Capital Assets Not Being Depreciated	<u>1,830,000</u>		<u>(1,136,800)</u>	<u>693,200</u>
Capital Assets Being Depreciated:				
Site Improvements	100,628	\$ 85,000	\$ (41,879)	143,749
Buildings and Building Improvements	887,402	980,000	(8,401)	1,859,001
Machinery and Equipment	<u>25,626</u>	<u>71,800</u>		<u>97,426</u>
Total Capital Assets Being Depreciated	<u>1,013,656</u>	<u>1,136,800</u>	<u>(50,280)</u>	<u>2,100,176</u>
Governmental Activities Capital Assets	<u>2,843,656</u>	<u>1,136,800</u>	<u>(1,187,080)</u>	<u>2,793,376</u>
Less Accumulated Depreciation for:				
Site Improvements	(71,013)	(7,054)	30,363	(47,704)
Buildings and Building Improvements	(261,009)	(37,180)	5,091	(293,098)
Machinery and Equipment	<u>(25,586)</u>	<u>(4,650)</u>		<u>(30,236)</u>
	<u>(357,608)</u>	<u>(48,884)</u>	<u>35,454</u>	<u>(371,038)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 2,486,048</u>	<u>\$ 1,087,916</u>	<u>\$ (1,151,626)</u>	<u>\$ 2,422,338</u>

The construction in progress relates to the on-going building addition that began in 2007-2008. The project was partially completed in the 2008-2009 school year. The remaining balance is relates to items expected to be completed in the 2009-2010 school year and will be fully capitalized at that time.

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)

NOTE 6. GENERAL LONG-TERM DEBT

During the fiscal year ended June 30, 2009, the following changes occurred in liabilities reported in the district-wide financial statements:

	<u>Balance</u> <u>6/30/2008</u>	<u>Accrued</u>	<u>Retired</u>	<u>Balance</u> <u>6/30/2009</u>
Compensated Absences Payable	\$ 64,483	\$ 3,326	\$ 6,400	\$ 61,409
Lease Purchase Agreement	<u>1,559,013</u>		<u>54,634</u>	<u>1,504,379</u>
	<u>\$ 1,623,496</u>	<u>\$ 3,326</u>	<u>\$ 61,034</u>	<u>\$1,565,788</u>

A. Debt Authorized But Not Issued:

As of June 30, 2009, the Commission had no debt authorized but not issued.

B. Lease Purchase Agreement (COPs)

On June October 26, 2007, pursuant to N.J.S.A. 18A:20-4.2(f), the Sussex County Educational Services Commission (the "Lessee") entered into a school building lease purchase agreement with Commerce Commercial Leasing, LLC (the "Lessor") to finance the expansion of the Special Children's School, including the acquisition of furnishings and equipment. The building is located on land owned by the Commission that has been leased to Commerce Commercial Leasing, LLC pursuant to a ground lease agreement dated October 26, 2007.

Under the lease, the Board is required to pay Basic Rent due on each March 15 and September 15, commencing February 1, 2008. Basic Rent is composed of an interest component and a principal component. The Certificates carry an interest rate of 3.9% and the Certificates mature on February 1, 2018. Payment of the principal of and interest on the Certificates is not insured. Commerce Bank, National Association has been appointed to serve as a trustee in the agreement.

Future Minimum Lease Payments - Future minimum lease payments under the lease purchase agreement along with the present value of the minimum lease payments as of June 30, 2009 are:

<u>Year</u>	<u>Amount</u>
2010	114,908
2011	114,908
2012	114,908
2013	114,908
2014	114,908
2015-2018	<u>1,364,555</u>
Total minimum lease payments	1,939,095
Less: Amount representing interest	<u>(434,716)</u>
Present value of net minimum lease payments	<u>\$ 1,504,379</u>

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)

NOTE 6. GENERAL LONG-TERM DEBT (Cont'd)

B. Lease Purchase Agreement (COPs) (Cont'd)

The lease purchase agreement will be liquidated by the General Fund. The current portion of the lease purchase agreement is \$56,805 and long-term liability balance of the lease purchase agreement is \$1,447,574.

C. Compensated Absences Payable:

The liability for compensated absences of the governmental fund types is recorded as a long-term liability. There is no current portion of the compensated absences balance of the governmental funds in the current year. The long-term portion of compensated absences is \$61,409 for Governmental Activities.

Compensated absences payable will be liquidated by the General Fund.

NOTE 7. PENSION PLANS

Substantially all of the Commission's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey. These systems are sponsored and administered by the State of New Jersey. The TPAF is considered a cost-sharing, multiple employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Commission and the system's other non-contribution employers. The PERS is also considered a cost-sharing, multiple-employer plan.

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

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

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey regulation. Employee contributions are based on percentages of 5.50% for TPAF and 5.50% for PERS of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The actuarially determined employer contribution includes funding for cost-of-living adjustments, noncontributory death benefits and post-retirement medical premiums. Under current statute, the District is a noncontributing employer of the TPAF.

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

Three-Year Trend for TPAF (Paid on-behalf of District)			
Year Ending June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ -0-	100.00%	\$ -0-
2008	62,924	100.00%	62,924
2007	66,412	100.00%	66,412

Three-Year Trend for PERS			
Year Ending June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 33,881	100.00%	\$ 33,881
2008	30,991	80.00%	24,793
2007	27,715	60.00%	16,629

Effective July 1, 2003, Chapter 108, P.L. 2003 provide for a reduction or “phase-in” of the required pension contribution to PERS for local employers for State fiscal years 2006 – 2008. The local employer PERS normal and accrued liability contributions required for State fiscal years 2006 – 2008 are as follows:

- 20% for payments due in State fiscal year 2005
- Not more than 40% for payments due in State fiscal year 2006
- Not more than 60% for payment due in State fiscal year 2007
- Not more than 80% for payments due in State fiscal year 2008

NOTE 8. 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. Chapter 103 of Public Laws 2007 amended the law to eliminate the funding of post-retirement medical benefits through TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2008, there were 80,181 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62 of Public Law 1994. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State made post-retirement (PRM) contributions of \$592.7 million for TPAF and \$224.3 million for PERS in Fiscal Year 2008.

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)

NOTE 8. POST-RETIREMENT BENEFITS (Cont'd)

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a Board of Education or County College with 25 years of service. The State paid \$116.0 million toward Chapter 126 benefits for 12,545 eligible retired members in Fiscal Year 2008.

The State's on-behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$58,621, \$8,269, and \$8,326 for 2009, 2008, and 2007, respectively.

NOTE 9. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report. The Commission has health benefits coverage for its employees through Horizon Blue Cross Blue Shield.

New Jersey Unemployment Compensation Insurance

The Commission has elected to fund its New Jersey Unemployment Compensation Insurance by becoming experience rated in which the Commission pays State unemployment taxes according to the same method the State uses for other employers.

NOTE 10. DEFERRED COMPENSATION

The Commission offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b). The plan, which is administered by Equitable, permits participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency.

NOTE 11. ECONOMIC DEPENDENCY

The Commission receives a substantial amount of its support from tuition and fees from other local governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Commission's services and activities.

NOTE 12. INTEFUNDS RECEIVABLE AND PAYABLE

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 13,743	
Special Revenue Fund		\$ 13,743
	<u>\$ 13,743</u>	<u>\$ 13,743</u>

The interfund receivable in the General Fund due from the Special Revenue Fund is the amount of cash deficit in the Special Revenue Fund due to a timing lag in reimbursement of federal grant funds from the state.

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)

NOTE 13. CONTINGENT LIABILITIES

Grant Programs

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

Litigation

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

SUPPLEMENTARY SCHEDULES

BUDGETARY COMPARISON SCHEDULES

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Tuition	\$ 1,429,728		\$ 1,429,728	\$ 1,184,153	\$ (245,575)
Other Restricted Miscellaneous Revenue	1,274,588		1,274,588	1,468,742	194,154
Miscellaneous	210,505		210,505	94,261	(116,244)
Total - Local Sources	2,914,821		2,914,821	2,747,156	(167,665)
State Sources:					
On-behalf TPAF Noncontributory Insurance Contributions (non-budgeted)				3,073	3,073
On-behalf TPAF Post Retirement Contributions (non-budgeted)				58,621	58,621
Reimbursed TPAF Social Security Contributions (non-budgeted)				76,767	76,767
Total State Sources				138,461	138,461
TOTAL REVENUES	2,914,821		2,914,821	2,885,617	(29,204)
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	56,299	\$ (14,767)	41,532	27,589	13,943
Total Regular Programs - Instruction	56,299	(14,767)	41,532	27,589	13,943
Special Education - Instruction:					
Multiple Disabilities:					
Salaries of Teachers	262,495	44,971	307,466	307,466	
Other Salaries for Instruction	224,842	(28,757)	196,085	196,085	
Other Purchased Services	18,385		18,385	13,424	4,961
General Supplies	26,127	(2,804)	23,323	13,523	9,800
Total Multiple Disabilities	531,849	13,410	545,259	530,498	14,761
Total Special Education Instruction	531,849	13,410	545,259	530,498	14,761

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Other Instructional Programs - Instruction					
Salaries	\$ 643,705	\$ 95,492	\$ 739,197	\$ 600,438	\$ 138,759
Purchased Services (300-500 series)	309,378	(83,121)	226,257	220,666	5,591
Supplies and Materials	52,593	(20,702)	31,891	28,547	3,344
Other Objects	1,500		1,500	980	520
Total Other Instructional Programs - Instruction	<u>1,007,176</u>	<u>(8,331)</u>	<u>998,845</u>	<u>850,631</u>	<u>148,214</u>
Total Instruction	<u>1,595,324</u>	<u>(9,688)</u>	<u>1,585,636</u>	<u>1,408,718</u>	<u>176,918</u>
Undistributed Expenditures:					
Health Services:					
Salaries	55,655		55,655	54,494	1,161
Purchased Professional and Technical Services	300	(260)	40		40
Supplies and Materials	5,500	(460)	5,040	3,562	1,478
Total Health Services	<u>61,455</u>	<u>(720)</u>	<u>60,735</u>	<u>58,056</u>	<u>2,679</u>
Other Support Services - Students - Related Services:					
Salaries	102,060		102,060	102,060	
Purchased Professional and Educational Services		520	520	520	
Supplies and Materials	1,000	1,467	2,467	2,467	
Total Other Support Services - Students - Related Services	<u>103,060</u>	<u>1,987</u>	<u>105,047</u>	<u>105,047</u>	
Other Support Services - Students - Extraordinary Services:					
Purchased Professional - Educational Services	55,000	566	55,566	55,566	
Supplies and Materials	1,400	48	1,448	1,430	18
Total Other Support Services - Students - Extraordinary Services	<u>56,400</u>	<u>614</u>	<u>57,014</u>	<u>56,996</u>	<u>18</u>

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Other Support Services - Students - Special Services:					
Purchased Professional - Educational Services	\$ 50,000	\$ (4,827)	\$ 45,173	\$ 38,757	\$ 6,416
Supplies and Materials	500	(335)	165		165
Total Other Support Services - Students - Special Services	<u>50,500</u>	<u>(5,162)</u>	<u>45,338</u>	<u>38,757</u>	<u>6,581</u>
Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	16,933		16,933	16,932	1
Total Instructional Staff Training Services	<u>16,933</u>		<u>16,933</u>	<u>16,932</u>	<u>1</u>
Instructional Staff Training Services:					
Other Purchased Services (400-500 series)	5,159		5,159	290	4,869
Total Instructional Staff Training Services	<u>5,159</u>		<u>5,159</u>	<u>290</u>	<u>4,869</u>
Support Services - General Administration:					
Salaries	89,782	53,920	143,702	143,210	492
Legal Services	26,500	4,180	30,680	30,187	493
Audit Fee	12,600		12,600	12,600	
Other Purchased Professional Services	2,500		2,500	2,395	105
Communications/Telephone	21,395	(20,645)	750		750
BOE Other Purchased Services	750	289	1,039	461	578
Miscellaneous Purchased Services (400-500 series)	3,500	678	4,178	3,741	437
General Supplies	5,500	(4,727)	773	701	72
BOE In-House Training/ Meeting Supplies	750	30,750	31,500	31,500	
Miscellaneous Expenditures	13,500	383	13,883	10,052	3,831
Total Support Services - General Administration	<u>176,777</u>	<u>82,720</u>	<u>259,497</u>	<u>250,486</u>	<u>9,011</u>

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	\$ 16,933	\$ 16,932	\$ 33,865	\$ 33,865	
Salaries of Secretarial and Clerical Assistants	53,120		53,120	53,117	\$ 3
Other Purchased Services (400-500 series)	2,000	(1,216)	784	743	41
Supplies and Materials	4,500	(4,363)	137	137	
Other Objects	950		950	750	200
Total Support Services - School Administration	77,503	11,353	88,856	88,612	244
Central Services:					
Salaries	30,103	14,405	44,508	44,508	
Misc. Purchased Services (400-500 series)	1,500		1,500	449	1,051
Supplies and Materials	5,168	(3,503)	1,665	1,665	
Interest on Lease Purchase Agreements	60,274		60,274	60,274	
Miscellaneous Expenditures	3,992	(568)	3,424	3,365	59
Total Central Services	101,037	10,334	111,371	110,261	1,110
Administration Information Technology:					
Purchased Technical Services	18,600	(4,920)	13,680	10,855	2,825
Total Administration Informative Technology	18,600	(4,920)	13,680	10,855	2,825
Required Maintenance of School Facilities:					
Cleaning, Repair and Maintenance Services	5,000	(542)	4,458	4,458	
Total Required Maintenance of School Facilities	5,000	(542)	4,458	4,458	

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Other Operations & Maintenance of Plant:					
Salaries	\$ 17,000		\$ 17,000	\$ 15,631	\$ 1,369
Purchased Professional and Technical Services	19,015	\$ 2,171	21,186	18,656	2,530
Cleaning, Repair and Maintenance Services	6,810	2,155	8,965	7,405	1,560
Other Purchased Property Services	2,200		2,200	1,876	324
Insurance	28,500		28,500	26,623	1,877
General Supplies	5,000	(1,554)	3,446	2,947	499
Energy (Heat and Electricity)	34,500		34,500	28,039	6,461
Other Objects	200	191	391	391	
Total Other Operations & Maintenance of Plant	113,225	2,963	116,188	101,568	14,620
Allocated Benefits:					
Regular Programs - Instruction:					
Health Benefits	5,621		5,621	5,621	
Total Regular Programs - Instruction	5,621		5,621	5,621	
Other Instructional Programs:					
Social Security Contributions		11,332	11,332	5,617	5,715
Health Benefits	69,671	(11,322)	58,349	58,349	
Total Other Instructional Programs	69,671	10	69,681	63,966	5,715
Total Allocated Benefits	75,292	10	75,302	69,587	5,715
Unallocated Benefits:					
Social Security Contributions	37,279	9,698	46,977	46,977	
Other Retirement Contributions - Regular	46,736		46,736	33,881	12,855
Unemployment Compensation	8,162		8,162	6,049	2,113
Health Benefits	160,462		160,462	157,764	2,698
Tuition Reimbursement	11,267	(922)	10,345	2,561	7,784
Total Unallocated Benefits	263,906	8,776	272,682	247,232	25,450

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
On-behalf TPAF Noncontributory Insurance Contributions (non-budgeted)				\$ 3,073	\$ (3,073)
On-behalf TPAF Post Retirement Contributions (non-budgeted)				58,621	(58,621)
Reimbursed TPAF Social Security Contributions (non-budgeted)				76,767	(76,767)
Total Undistributed Expenses	\$ 1,124,847	\$ 107,413	\$ 1,232,260	1,297,598	(65,338)
TOTAL GENERAL CURRENT EXPENSE	<u>2,720,171</u>	<u>97,725</u>	<u>2,817,896</u>	<u>2,706,316</u>	<u>111,580</u>
CAPITAL OUTLAY:					
Equipment:					
General Administration	50,000		50,000	2,651	47,349
Total Equipment	<u>50,000</u>		<u>50,000</u>	<u>2,651</u>	<u>47,349</u>
Facilities Acquisition and Construction Services:					
Construction Services	10,300		10,300		10,300
Lease Purchase Agreements - Principal	54,634		54,634	54,634	
Total Facilities Acquisition and Construction Services	<u>64,934</u>		<u>64,934</u>	<u>54,634</u>	<u>10,300</u>
TOTAL CAPITAL OUTLAY	<u>114,934</u>		<u>114,934</u>	<u>57,285</u>	<u>57,649</u>
SPECIAL SCHOOLS:					
Summer Schools:					
Instruction:					
Salaries of Teachers	31,253		31,253	30,659	594
Other Salaries for Instruction	38,033		38,033	30,031	8,002
Purchased Professional and Technical Services	15,000	(625)	14,375	12,168	2,207
Other Purchased Services	3,120		3,120	1,582	1,538
Total Summer Schools Instruction	<u>87,406</u>	<u>(625)</u>	<u>86,781</u>	<u>74,440</u>	<u>12,341</u>

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
SPECIAL SCHOOLS:					
Support Services:					
Salaries	\$ 24,114	\$ 626	\$ 24,740	\$ 16,607	\$ 8,133
Total Summer Schools Support Services	24,114	626	24,740	16,607	8,133
TOTAL SPECIAL SCHOOLS	111,520	1	111,521	91,047	20,474
TOTAL EXPENDITURES	2,946,625	97,726	3,044,351	2,854,648	189,703
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(31,804)	(97,726)	(129,530)	30,969	(160,499)
Fund Balance, July 1	1,829,442		1,829,442	1,829,442	
Fund Balance, June 30	<u>\$ 1,797,638</u>	<u>\$ (97,726)</u>	<u>\$ 1,699,912</u>	<u>\$ 1,860,411</u>	<u>\$ (160,499)</u>
<u>Recapitulation:</u>					
Reserve for Encumbrance				\$ 2,524	
Unrestricted Fund Balance				<u>1,857,887</u>	
Fund Balance per Governmental Funds (GAAP)/Budgetary Basis				<u>\$ 1,860,411</u>	

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenue:					
State Sources	\$ 20,000	\$ (19,924)	\$ 76		\$ (76)
Federal Sources		36,907	36,907	\$ 32,527	(4,380)
Local Sources		5,333	5,333		(5,333)
	<u>20,000</u>	<u>22,316</u>	<u>42,316</u>	<u>32,527</u>	<u>(9,789)</u>
Total Revenue					
Expenditures:					
Instruction:					
Purchased Professional/Technical Services		3,121	3,121	3,121	
Other Purchased Services		4,784	4,784	4,784	
General Supplies		29,003	29,003	24,622	4,381
Other Objects		75	75		75
		<u>36,983</u>	<u>36,983</u>	<u>32,527</u>	<u>4,456</u>
Total Instruction					
Support Services:					
Other Purchased Services	20,000	(20,000)			
Supplies & Materials		5,333	5,333		5,333
	<u>20,000</u>	<u>(14,667)</u>	<u>5,333</u>		<u>5,333</u>
Total Support Services					
Total Expenditures	<u>20,000</u>	<u>22,316</u>	<u>42,316</u>	<u>32,527</u>	<u>9,789</u>
Excess (Deficiency) of Revenue Over (Under)					
Expenditures and Other Financing Sources (Uses)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 2,885,617	\$ 32,527
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that Encumbrances are Recognized as Expenditures, and the related Revenue is Recognized.		
Prior Year Encumbrances		1,661
 Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 2,885,617	\$ 34,188
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 2,854,648	\$ 32,527
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.		
Prior Year Encumbrances		1,661
 Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 2,854,648	\$ 34,188

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budgets are submitted to the County office. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)l. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions or the annual budgets during the year).

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

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

**SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)**

SPECIAL REVENUE FUND

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Rural Education Achievement Program</u>	<u>Rural Education Achievement Program Carryover</u>	<u>Totals June 30, 2009</u>
REVENUE:			
Federal Sources	\$ 17,220	\$ 15,307	\$ 32,527
Total Revenue	<u>\$ 17,220</u>	<u>\$ 15,307</u>	<u>\$ 32,527</u>
EXPENDITURES:			
Instruction:			
Purchased Professional/Technical Services	\$ 3,121		\$ 3,121
Other Purchased Services	4,784		4,784
General Supplies	<u>9,315</u>	<u>\$ 15,307</u>	<u>24,622</u>
Total Instruction	<u>17,220</u>	<u>15,307</u>	<u>32,527</u>
Total Expenditures	<u>\$ 17,220</u>	<u>\$ 15,307</u>	<u>\$ 32,527</u>

CAPITAL PROJECTS FUND
(NOT APPLICABLE)

PROPRIETARY FUNDS
(NOT APPLICABLE)

FIDUCIARY FUNDS

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2009

	<u>Student Activities</u>	<u>Agency Payroll Agency</u>	<u>Totals</u>
<u>ASSETS:</u>			
Cash and cash equivalents	\$ 1,721	\$ 17,857	\$ 19,578
Total assets	<u>\$ 1,721</u>	<u>\$ 17,857</u>	<u>\$ 19,578</u>
<u>LIABILITIES:</u>			
Payroll deductions and withholdings		\$ 17,857	\$ 17,857
Due to student groups	\$ 1,721		1,721
Total liabilities	<u>\$ 1,721</u>	<u>\$ 17,857</u>	<u>\$ 19,578</u>

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Balance</u> <u>06/30/08</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/09</u>
<u>ASSETS:</u>				
Cash and cash equivalents	\$ 1,553	\$ 1,633	\$ 1,465	\$ 1,721
Total assets	<u>\$ 1,553</u>	<u>\$ 1,633</u>	<u>\$ 1,465</u>	<u>\$ 1,721</u>
 <u>LIABILITIES:</u>				
Liabilities:				
Due to student groups	\$ 1,553	\$ 1,633	\$ 1,465	\$ 1,721
Total liabilities	<u>\$ 1,553</u>	<u>\$ 1,633</u>	<u>\$ 1,465</u>	<u>\$ 1,721</u>

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Balance</u> <u>06/30/08</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>06/30/09</u>
Student Fundraiser Account	\$ 525	\$ 27	\$ 24	\$ 528
Student Activity Account	859	1,606	1,441	1,024
Toybrary Account	169			169
	<u>\$ 1,553</u>	<u>\$ 1,633</u>	<u>\$ 1,465</u>	<u>\$ 1,721</u>

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Balance</u> <u>06/30/08</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/09</u>
<u>ASSETS:</u>				
Cash and cash equivalents	\$ 22,303	\$ 2,427,922	\$ 2,432,368	\$ 17,857
Total assets	<u>\$ 22,303</u>	<u>\$ 2,427,922</u>	<u>\$ 2,432,368</u>	<u>\$ 17,857</u>
<u>LIABILITIES:</u>				
Payroll deductions and withholdings	\$ 22,303	\$ 2,427,922	\$ 2,432,368	\$ 17,857
Total liabilities	<u>\$ 22,303</u>	<u>\$ 2,427,922</u>	<u>\$ 2,432,368</u>	<u>\$ 17,857</u>

LONG-TERM DEBT

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FISCAL YEAR ENDED JUNE 30, 2009

<u>Purpose</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance July 1, 2008</u>	<u>Matured</u>	<u>Balance June 30, 2009</u>
2007 Building Improvement & Addition	3.90%	\$ 1,600,000	<u>\$ 1,559,013</u>	<u>\$ 54,634</u>	<u>\$ 1,504,379</u>
			<u>\$ 1,559,013</u>	<u>\$ 54,634</u>	<u>\$ 1,504,379</u>

STATISTICAL SECTION

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

Contents

Exhibit

Financial Trends

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

J-1 thru J-5

Revenue Capacity - Not Applicable

These schedules contain information to help the reader assess the factors affecting the Commission's ability to generate its property taxes.

J-6 thru J-9

Debt Capacity - Not Applicable

These schedules present information to help the reader assess the affordability of the Commission's current levels of outstanding debt and the Commission's ability to issue additional debt in the future.

J-10 thru J-13

Demographic and Economic Information - Not Applicable

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Commission's financial activities take place and to help make comparisons over time and with other governments.

J-14 thru J-15

Operating Information

These schedules contain information about the Commission's operations and resources to help the reader understand how the Commission's financial information relates to the services the Commission provides and the activities it performs.

J-16 thru J-20

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

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
NET ASSETS BY COMPONENT
LAST FIVE FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	June 30,				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental Activities					
Invested in Capital Assets, Net of Related Debt	\$ 590,203	\$ 638,806	\$ 689,135	\$ 927,035	\$ 917,959
Restricted	125,010	105,855	101,585	31,804	2,524
Unrestricted	1,122,298	1,302,150	1,618,074	1,712,888	1,776,921
Total Governmental Activities Net Assets	<u>1,837,511</u>	<u>\$ 2,046,811</u>	<u>\$ 2,408,794</u>	<u>\$ 2,671,727</u>	<u>\$ 2,697,404</u>

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

Source: School District Financial Reports

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
CHANGES IN NET ASSETS, LAST FIVE FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	Fiscal Year Ending June 30,				
	2005	2006	2007	2008	2009
Expenses:					
Governmental activities:					
Instruction:					
Regular		\$ 46,491	\$ 13,762	\$ 81,649	\$ 40,500
Special Education	\$ 721,029	737,163	605,302	664,721	728,881
Other Special Instruction	817,782	787,316	859,427	1,028,212	1,073,236
Support Services:					
Student & Instruction Related Services	232,168	315,645	452,270	349,637	327,554
School Administrative Services	147,947	163,175	173,800	197,460	279,774
General Administrative Services	168,744	166,949	220,590	123,476	114,200
Central Services				120,673	119,124
Administrative Information Technology	78,917	90,690	105,138	17,045	10,855
Plant Operations and Maintenance	73,248	81,533	79,950	89,759	108,957
Capital Outlay	12,669	17,016	9,453	13,458	
Special Schools	85,627	94,519	96,574	104,338	91,047
Total Governmental Activities Expenses	2,338,131	2,500,497	2,616,266	2,790,428	2,894,128
Program Revenues:					
Governmental Activities:					
Charges for services:					
Instruction	1,540,150	1,582,056	1,584,681	1,807,457	1,689,030
Student & Instruction Related Services	232,370	317,872	484,754	356,114	300,252
School Administrative Services	148,076	164,326	186,283	125,763	256,454
General Administrative Services	168,891	168,127	236,434	201,118	104,681
Central Services				122,908	109,195
Administrative Information Technology	78,986	91,330	112,689	17,361	9,950
Plant Operations and Maintenance	73,312	82,108	85,692	91,422	99,875
Capital Outlay	12,680	17,136	10,132	13,707	
Special Schools	85,701	95,186	103,510	106,271	83,458
Operating Grants and Contributions	82,674	97,088	147,251	171,950	172,649
Total Governmental Activities Program Revenues	2,422,840	2,615,229	2,951,426	3,014,071	2,825,544

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
CHANGES IN NET ASSETS, LAST FIVE FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	Fiscal Year Ending June 30,				
	2005	2006	2007	2008	2009
Net (Expense)/Revenue					
Total Governmental Activities Net Expense	\$ 84,709	\$ 114,732	\$ 335,160	\$ 223,643	\$ (68,584)
General Revenues and Other Changes in Net Assets					
Governmental Activities:					
Investment Earnings	16,643	27,092	24,597	26,788	23,589
Miscellaneous Income	4,700	67,476	2,226	12,502	70,672
Total Governmental Activities	<u>21,343</u>	<u>94,568</u>	<u>26,823</u>	<u>39,290</u>	<u>94,261</u>
Change in Net Assets					
Total Governmental Activities	<u>\$ 106,052</u>	<u>\$ 209,300</u>	<u>\$ 361,983</u>	<u>\$ 262,933</u>	<u>\$ 25,677</u>

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

Source: School District Financial Reports

Exhibit J-3

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
FUND BALANCES, GOVERNMENTAL FUNDS
LAST FIVE FISCAL YEARS
UNAUDITED
(modified accrual basis of accounting)

	June 30,				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund					
Reserved	\$ 125,010	\$ 105,855	\$ 101,585	\$ 31,804	\$ 2,524
Unreserved	1,168,511	1,348,961	1,665,786	1,797,638	1,857,887
Total General Fund	<u>\$1,293,521</u>	<u>\$1,454,816</u>	<u>\$1,767,371</u>	<u>\$1,829,442</u>	<u>\$1,860,411</u>

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

Source: School District Financial Reports

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST FIVE FISCAL YEARS
UNAUDITED
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,				
	2005	2006	2007	2008	2009
Revenues:					
Tuition Charges	\$ 893,293	\$ 944,483	\$ 976,325	\$ 1,264,720	\$ 1,184,153
Other Local Government Units	1,446,873	1,573,659	1,827,850	1,577,401	1,468,742
Miscellaneous	21,343	94,568	26,823	39,290	94,261
State Sources	72,409	90,943	141,837	152,684	138,536
Federal Sources	10,265	6,144	5,414	19,266	34,113
Total Revenue	2,444,183	2,709,797	2,978,249	3,053,361	2,919,805
Expenditures:					
Instruction:					
Regular Instruction		46,491	13,762	63,534	27,589
Special Education Instruction	511,100	513,789	501,819	503,253	564,686
Other Special Instruction	817,782	787,316	859,427	828,801	850,631
Support Services:					
Student & Instruction Related Serv	170,077	232,133	261,554	270,291	276,078
General Administrative Services	144,112	141,131	164,280	164,090	250,486
School Administrative Services	100,502	110,948	107,779	98,599	88,612
Central Services	99,690	103,913	85,766	91,966	110,261
Administrative Information Technology Services				17,045	10,855
Plant Operations and Maintenance	70,245	78,368	75,690	87,083	106,026
Allocated and Unallocated Benefits	299,861	347,878	412,569	472,845	455,280

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST FIVE FISCAL YEARS
UNAUDITED
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,				
	2005	2006	2007	2008	2009
Expenditures:					
Special Schools	\$ 85,627	\$ 92,016	\$ 86,474	\$ 104,338	\$ 91,047
Capital Outlay	85,812	94,519	96,574	289,445	57,285
Total Expenditures	<u>2,384,808</u>	<u>2,548,502</u>	<u>2,665,694</u>	<u>2,991,290</u>	<u>2,888,836</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>59,375</u>	<u>161,295</u>	<u>312,555</u>	<u>62,071</u>	<u>30,969</u>
Net Change in Fund Balances	<u>\$ 59,375</u>	<u>\$ 161,295</u>	<u>\$ 312,555</u>	<u>\$ 62,071</u>	<u>\$ 30,969</u>

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

Source: School District Financial Reports

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
UNAUDITED
(modified accrual basis of accounting)

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Other Local</u> <u>Governmental</u> <u>Units</u>	<u>Tuition</u>	<u>Miscellaneous</u>	<u>Total</u>
2000	\$ 3,816	\$ 1,190,447	\$ 791,436	\$ 3,562	\$ 1,989,261
2001	15,359	1,248,811	762,160	16,708	2,043,038
2002	21,632	1,190,340	881,529	2,364	2,095,865
2003	20,580	1,134,588	878,525	4,464	2,038,157
2004	12,613	1,353,061	867,723	15,759	2,249,156
2005	16,643	1,446,873	893,293	4,700	2,361,509
2006	27,092	1,573,659	944,483	67,476	2,612,710
2007	24,597	1,827,850	976,325	2,226	2,830,998
2008	26,788	1,854,389	998,781	1,453	2,881,411
2009	23,589	1,468,742	1,184,153	70,672	2,747,156

Source: School District Records

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST FIVE FISCAL YEARS
UNAUDITED

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Instruction					
Special education	5.5	5.5	5.5	5.5	5.5
Other special education	22.0	22.0	22.0	22.0	22.0
Support Services:					
Student & instruction related services	7.5	7.5	7.5	7.5	7.5
School administrative services	4.5	4.5	4.5	4.5	4.5
Plant operations and maintenance	0.5	0.5	0.5	0.5	0.5
Business and other support services	1.0	1.0	1.0	1.0	1.0
Total	<u>41.0</u>	<u>41.0</u>	<u>41.0</u>	<u>41.0</u>	<u>41.0</u>

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

Source: District Personnel Records

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
OPERATING STATISTICS
LAST FIVE FISCAL YEARS
UNAUDITED

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures^a</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff^b</u>	<u>Pupil/Teacher Ratio</u> <u>Special School</u>	<u>Average Daily Enrollment (ADE)^c</u>	<u>Average Daily Attendance (ADA)^c</u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2005	23	\$ 2,298,996	\$ 99,956	14.05%	8.50	23:5	22.60	19.70	-0.88%	85.65%
2006	22	2,453,983	111,545	11.59%	8.50	22:5	21.60	18.80	-4.42%	85.45%
2007	21	2,569,120	122,339	9.68%	8.50	21:5	21.60	18.80	0.00%	89.52%
2008	22	2,701,845	122,811	0.39%	8.50	22:5	21.60	18.70	0.00%	85.00%
2009	21	2,831,551	134,836	9.79%	8.50	21:5	20.50	18.00	-5.09%	85.71%

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

Note: Enrollment based on annual October district count and is for the Special Children's School only.

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

Sources: Sussex Educational Services Commission records

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
SCHOOL BUILDING INFORMATION
LAST FIVE FISCAL YEARS
UNAUDITED

<u>District Buildings</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Special Children's School (1994)					
Square Feet	7,100	7,100	7,100	7,100	11,091
Capacity (students)	32	32	32	32	72
Enrollment	23	22	21	22	21
Number of Schools at June 30, 2009					
Other = 1					

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

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

Source: School District records.

Exhibit J-19

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF REQUIRED MAINTENANCE
LAST EIGHT FISCAL YEARS
UNAUDITED

Undistributed Expenditures - Required Maintenance for School Facilities
Account # 11-000-261-xxx

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Special</u> <u>Children's School</u>
2002	\$ 25,809
2003	25,158
2004	18,618
2005	1,723
2006	2,928
2007	1,169
2008	1,768
2009	4,458

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

This schedule does not provide ten years of information as the State Department of Education required this information beginning with the fiscal year ended June 30, 2001.

Source: School District records.

Exhibit J-20

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
INSURANCE SCHEDULE
JUNE 30, 2009
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
Commerical Package Policy - Selective Insurance Company		
Property - Blanket Buildings and Content Including Boiler and Machinery, Inland Marine & Schedules	\$ 1,350,909	\$ 500
Casualty Coverage Including General Liability, Auto Liability, and Employee Benefits Liability - Selective Insurance Company	1,000,000/3,000,000	
School Board Legal Liability	1,000,000	
Excess Liability	2,000,000	
Public Official's Bonds - Selective Insurance Company		
Treasurer of School Monies	128,000	
School Business Administrator/Commission Secretary	128,000	
Workers' Compensation - Selective Insurance Company:		
School Professionals and Non-Professionals	As per State Statue	
Peerless Builder's Risk Program	1,500,000	

Source: School District records.

SINGLE AUDIT SECTION



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 200 Valley Road Suite 300
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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Honorable President and Members
 of the Board of Directors
 Sussex County Educational Services Commission
 Sparta, New Jersey

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sussex County Educational Services Commission as of, and for the fiscal year ended June 30, 2009, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated October 31, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey (the "Department").

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 providing 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the Commission's financial statements that is more than inconsequential will not be prevented or detected by the Commission's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Commission's internal control.

Our consideration of the internal control over financial reporting 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 financial reporting that we consider to be material weaknesses, as defined above.

The Honorable President and Members
of the Board of Directors
Sussex County Educational Services Commission
Page 2

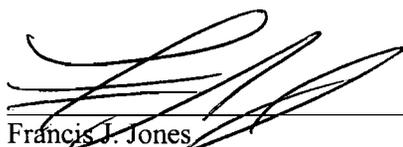
Compliance and Other Matters

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*. However, we have noted certain matters that we have reported to the Commission in a separate report, the Auditor's Management Report on Administrative Findings – Financial, Compliance, and Performance, dated October 31, 2009.

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

October 31, 2009
Mount Arlington, New Jersey


NISIVOCCLIA & COMPANY LLP


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



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Independent Auditors' 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's OMB Circular NJOMB 04-04

The Honorable President and Members
 of the Board of Directors
 Sussex County Educational Services Commission
 Sparta, New Jersey

Compliance

We have audited the compliance of the Sussex County 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 Aid/ Grant Compliance Supplement* that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 2009. The Board's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey (the "Department"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*; and Federal Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards, Federal OMB Circular A-133, and New Jersey's OMB Circular NJOMB 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Board's compliance with those requirements.

In our opinion, the 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 fiscal year ended June 30, 2009.

The Honorable President and Members
of the Board of Directors
Sussex County Educational Services Commission
Page 2

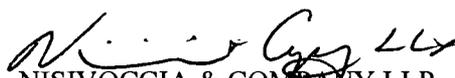
Internal Control Over Compliance

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 requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Federal OMB Circular A-133 and New Jersey's OMB Circular NJOMB 04-04.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal or state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

October 31, 2009
Mount Arlington, New Jersey


NISIVOCCIA & COMPANY LLP


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

SUSSEX COUNTY 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	Grant Period	Award Amount	Balance, June 30, 2008		Cash Received	Budgetary Expendi- tures	Balance, June 30, 2009		
					Deferred Revenue	(Accounts Receivable)			Deferred Revenue	(Accounts Receivable)	
<u>U.S. Department of Education:</u>											
Passed-through State Department of Education:											
USDA WHIP Grant		N/A	7/1/07-9/30/08	\$ 1,600		\$ (1,586)	\$ 1,120			\$ (466)	
Rural Education Achievement Program	84.358A	S358A046039	7/1/08-9/30/09	20,000			110	\$ (17,220)		(17,110)	
Rural Education Achievement Program	84.358A	S358A046039	7/1/07-9/30/08	20,000		(4,693)	20,000	(15,307)			
Total U.S. Department of Education						(6,279)	21,230	(32,527)		(17,576)	
Total Federal Financial Assistance						\$ -0-	\$ (6,279)	\$ 21,230	\$ (32,527)	\$ -0-	\$ (17,576)

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance Accounts Receivable 6/30/08	Cash Received	Budgetary Expenditures	GAAP Receivable 6/30/09	Memo	
								Budgetary Receivable	Cumulative Total Expenditures
State Department of Education:									
General Fund State Aid:									
Reimbursed TPAF Social Security Contributions	09-495-034-5095-002	7/1/08 - 6/30/09	\$ 76,767		\$ 69,090	\$ (76,767)	\$ 7,677	\$ 7,677	\$ 76,767
Reimbursed TPAF Social Security Contributions	08-495-034-5095-002	7/1/07 - 6/30/08	74,143	\$ 3,560	3,560				74,143
Total General Fund State Aid				3,560	72,650	(76,767)	7,677	7,677	150,910
Special Revenue Fund:									
New Jersey SSI Grant	N/A	7/1/07 - 6/30/08	5,000	1,500			1,500	1,500	5,000
Total Special Revenue Fund State Aid				1,500			1,500	1,500	5,000
Total State Financial Assistance				\$ 5,060	\$ 72,650	\$ (76,767)	\$ 9,177	\$ 9,177	\$ 155,910

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 1. GENERAL

The accompanying schedules of federal and state awards include all federal and state award activity of the Sussex County Educational Services Commission. The Commission is defined in Note 1 to the Commission's financial statements. All federal and state awards received directly from federal and state agencies, as well as federal and state awards passed through other government agencies is included on the schedules of expenditures of federal and state awards.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal and state awards are presented using the budgetary basis of accounting. This basis of accounting is described in Note 1 to the Commission's basic financial statements. The information in these schedules are presented in accordance with the requirements of Federal OMB Circular A-133, *Audits of States Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$-0- for the general fund and \$1,661 for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Additionally, the schedule of expenditures of state awards does not include on-behalf TPAF Non-contributory Insurance and Post Retirement Medical Contributions revenue of \$3,073 and \$58,621 respectively. Awards and financial assistance revenue are reported on the Commission's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 138,461	\$ 138,461
Special Revenue Fund	\$ 34,113	75	34,188
Total Financial Assistance	<u>\$ 34,113</u>	<u>\$ 138,536</u>	<u>\$ 172,649</u>

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

(Continued)

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

The amount reported as TPAF Pension Contributions represents the amount paid by the State on behalf of the Commission for the year ended June 30, 2009. TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the year ended June 30, 2009.

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Summary of Auditors' Results:

- An unqualified report was issued on the Commission's financial statements.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the Commission.
- The audit did not disclose any noncompliance which is material in relation to the financial statements of the Commission.
- The Commission was not subject to the single audit provisions of Federal OMB Circular A-133 for fiscal year end June 30, 2009 or New Jersey's OMB Circular NJOMB 04-04 as grant expenditures were less than the single audit threshold of \$500,000 identified in the Circulars.

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

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

Findings and Questioned Costs for Federal Awards:

- Not Applicable since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- Not Applicable since state expenditures were below the single audit threshold.

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009

Status of Prior Year Findings:

There were no prior year findings.