

**Comprehensive Annual  
Financial Report**

**of the**

**Somerset County Educational Services Commission**

**County of Somerset**

**Raritan, New Jersey**

**For the Fiscal Year Ended June 30, 2011**

**Prepared by**

**Somerset County Educational Services Commission  
Finance Department**



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**INTRODUCTORY SECTION**



## SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION

P.O. Box 68  
Raritan, New Jersey 08869

(908) 707-1640  
Fax (908) 707-0871

**HAROLD DUNSAVAGE**  
SUPERINTENDENT

- Somerset Elementary Academy
- Somerset Secondary Academy
- Alternative Academic Programs
- Virtual School
- Countywide Summer School Programs
- Nonpublic Instruction and Services
- Supplemental Instruction & Services  
for Public Schools
- Coordinated In-County and Out-of-County  
Public & Nonpublic Transportation

February 2, 2012

Honorable President and  
Members of the Representative Assembly/Board of Directors  
Somerset County Educational Services Commission  
P.O. Box 68  
Raritan, NJ 08869

Dear Representative Assembly/Board of Directors:

The comprehensive annual financial report of the Somerset County Educational Services Commission for the fiscal year ended June 30, 2011 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Representative Assembly/Board of Directors. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups 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 general-purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The 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 Non-Profit Organizations," and the State Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES: Somerset County Educational Services Commission is an independent reporting entity within the criteria adopted by the GASB as established by GASB Statement No. 14. All funds and account groups of the Commission are included in this report. The Somerset County Educational Services Commission and its schools constitute the Commission's reporting entity.

The Commission provides a full range of educational services appropriate to grade level pre-K through 12, as well as staff development for educators. These services include students in special and general education programs. All public school districts in Somerset County are members of the Commission, and various out-of-county districts also request to use our programs and services.

2) ECONOMIC CONDITION AND OUTLOOK: The Somerset County Educational Services Commission has been expanding and diversifying over the years. This expansion and diversification, in addition to ongoing improvement of established programs and services, are expected to continue in order to help school districts maximize their assets, share services, and expand their educational options.

3) MAJOR INITIATIVES: The Commission's schools offer alternative settings for sending districts' special education students, grades K-12, and alternative middle school and high school students who require smaller class settings and individual, group and family counseling. We are able to offer diverse services, shared services and team teaching between our regular education and special education teachers.

The Commission's enrollment is accredited to its unique programming, such as Life Skills, specialized P.M. (afternoon) classes, flex-time scheduling, School-to-Work Program, One-Course Program, Project Graduation, Driver's Education, Extended School Year Program, Elementary Enrichment, Summer School and other specialized educational programs.

In addition, the Commission continues its collaboration with Hillsborough Board of Education, with a third classroom introduced. Also, a new shared service program with Piscataway Board of Education was implemented this year, with major success servicing one classroom of students.

SCESC staff worked diligently, enthusiastically and cooperatively in support of the Commission's goals and objectives to better serve the schools districts in Somerset County.

During the 2010-2011 school year, the SCESC continued to offer services to the nonpublic schools through their local school districts. Programming offered to Somerset County nonpublic/private schools included the Textbooks Program, IDEA-B, Chapters 192/193, and Chapter 226 Nursing Programs, serving 14 Somerset County school districts, approximately 61 nonpublic schools and approximately 1,500 students.

The Commission continues to investigate and implement new programs thereby assisting the local school districts by providing cost-effective educational-based services.

The Commission administers and oversees student transportation for Somerset County school districts. As school districts continue to experience escalating costs of providing quality

transportation services for their students, they realize the cost savings of having the Commission provide this service for them. During the 2010–2011 school year, the SCESC provided transportation services to Bedminster, Bernards, Branchburg, Franklin, Hillsborough, Manville, North Plainfield, Somerset Hills, Somerville, Warren and Watchung Hills Regional school districts that included specialized routing and transportation of approximately 7,500 public/nonpublic school students. The Commission also manages the nonpublic school transportation for several districts. In addition, the Commission has coordinated and transported over 3,000 charter and field trip routes during the 2010–2011 school year.

The Somerset County Career Center Program, a shared service program, is moving forward. The Commission received approval from the Somerset County Board of Freeholders for project funding. This Career Center will provide quality career and technical programs for special education students in a cost-effective manner.

4) INTERNAL ACCOUNTING CONTROLS: Management of the Commission is responsible for establishing and maintaining an internal control structure 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 U.S. generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of funds from Somerset County school districts, 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 structure is also subject to periodic evaluation by the Commission management.

As part of the Commission’s single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal awards and state financial assistance 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 those budgetary controls is to ensure compliance with legal provisions embodied in the annual 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.

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

7) FINANCIAL INFORMATION AT FISCAL YEAR-END: As demonstrated by the various statements and schedules included in the financial section of this report, the Commission continues meeting its responsibility for sound financial management. You should review in detail the management's discussion and analysis for the fiscal year ended June 30, 2011, for Financial Summaries.

8) CASH MANAGEMENT: The investment policy of the Commission is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 2. The 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 funds are secured in accordance with the Act.

9) RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to general liability, automobile liability, workers' compensation, errors and omission, automotive comprehensive and collision, hazard and theft on property and contents, and fidelity bonds.

10) OTHER INFORMATION: Independent Audit—State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The Board of Directors selected the accounting firm, Suplee, Clooney & Company CPAs. In addition to meeting the requirements set forth in State statutes, the audit also was designated to meet the requirements of the Single Audit Act Amendments of 1996 and the related OMB Circular A-133 and State Treasury Circular Letter 04-04 OMB. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

11) ACKNOWLEDGMENT: Suplee, Clooney & Company is acknowledged for its review of the Business Office operations and for financial advisory services.

Appreciation is expressed to the members of the Commission's Board of Directors for their concern for providing fiscal accountability to the districts that use the Commission's services and thereby contributing their support to the development and maintenance of our financial operation. Special appreciation is expressed to the members of the Representative Assembly/Board of Directors and Commission staff for their dedication, time, and hard work in an effort to move the Commission forward in 2010-2011 during these challenging economic times.

Respectfully submitted,



Harold Dunsavage, Superintendent

HD:th

**SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
 ROSTER OF OFFICIALS  
 June 30, 2011**

**Board of Directors/Representative Assembly**

**District**

Dr. Andrew Rinko (Representative Only)	Bedminster
Susan Carlsson (Robin McKeon - Alt.)	Bernards
Terence Hoben	Bound Brook
Edward Chehel	Branchburg
Patrick Breslin (Jeffrey Brookner - Alt.)	Bridgewater-Raritan
Richard Arline	Franklin
Maria Piccirilli (Anna Maillaro)	Green Brook
Judith Haas	Hillsborough
Ned Panfile (Cathy Wiedwald - Alt.)	Manville
Andrea Bradley (Shalini Bhargava - Alt.)	Montgomery
Kathleen Mullen (Sandra Dodd-Alt.)	North Plainfield
Karen McMahan (Linda Kragie - Alt.)	Somerset Hills
James Adamec	Somerville
Theodore Smith	Somerset Vo-Tech
Nancy Santora	South Bound Brook
John DeBellis	Warren
Mary Louise DiRosa (Kathy Caldas - Alt.)	Watchung
Lisa DeMizio	Watchung Hills Regional

**Executive Committee**

**Position**

Susan Carlsson	President
Andrea Bradley	Vice-President
Mary Louise DiRosa	Member
Judith Haas	Executive Committee Alternate
Kathleen Mullen	Executive Committee Alternate
Nancy Santora	Executive Committee Alternate

**Other Officials**

Harold Dunsavage	Superintendent
Jeff Siipola	Business Administrator
Nicholas Celso, Esq.	Attorney

**SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
CONSULTANTS AND ADVISORS  
June 30, 2011**

**Audit Firm**

Suplee, Clooney & Company  
Certified Public Accountants  
308 East Broad Street  
Westfield, New Jersey 07090-2122

**Attorney**

Nicholas Celso, Esq.  
Schwartz, Simon,  
Edelstein & Celso, LLP  
100 South Jefferson Road  
Whippany, NJ 07981

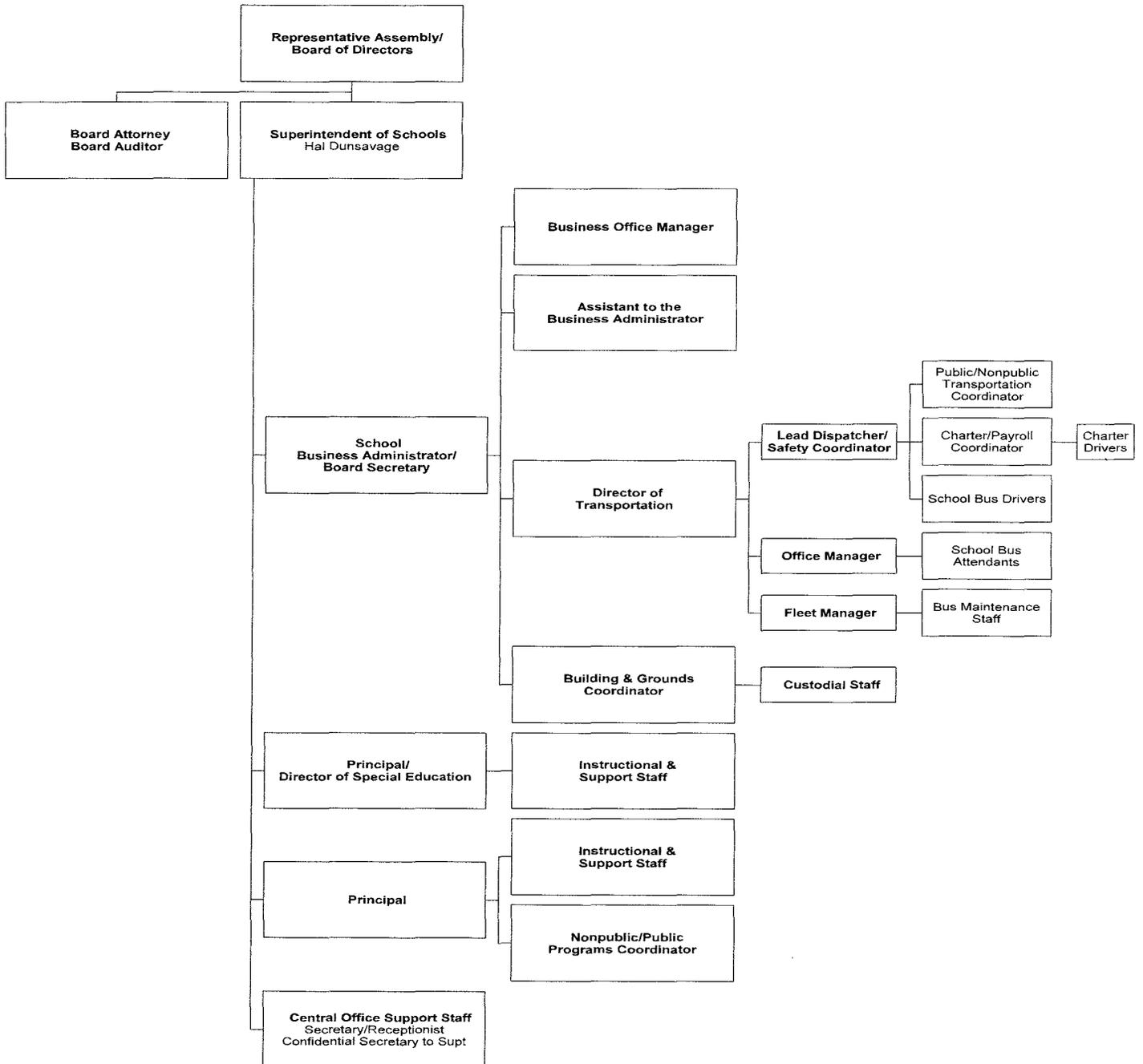
**Official Depository**

TD North Bank  
50 West Main Street  
Somerville, New Jersey 08876

**1110 ORGANIZATIONAL CHART : ADMINISTRATION**

Section: Administration : 1110

Adopted: April 25, 2002  
 Amendment First Reading: December 17, 2008  
 Amendment Adoption: February 18, 2009



**FINANCIAL SECTION**



# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

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E-mail [info@scnco.com](mailto:info@scnco.com)

## INDEPENDENT AUDITOR'S REPORT

Honorable President and Members  
of the Board of Directors  
Somerset County Educational Services Commission  
County of Somerset  
Raritan, New Jersey 08869

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

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Somerset County Educational Services Commission, County of Somerset, New Jersey as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

# SUPLEE, CLOONEY & COMPANY

In accordance with Government Auditing Standards, we have also issued our report dated February 2, 2012 on our consideration of the Somerset County Educational Services Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the required supplementary information, as listed in the foregoing table of contents, respectively, are not a required part of the basic financial statements but are supplementary information required by the U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Somerset County Educational Services Commission's basic financial statements. The introductory section, combining and individual fund schedules and statements, other schedules, statistical tables and the schedules of expenditures of federal awards and state financial assistance as listed in the table of contents are presented for purposes of additional analysis as required by State of New Jersey, Department of Education, Division of Finance and are not a required part of the basic financial statements of the Somerset County Educational Services Commission, County of Somerset, New Jersey. Such information, except for the introductory section and that portion marked unaudited on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
CERTIFIED PUBLIC ACCOUNTANTS

February 2, 2012

  
PUBLIC SCHOOL ACCOUNTANT NO. 93

**REQUIRED SUPPLEMENTARY INFORMATION – PART I**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
RARITAN, NEW JERSEY

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

The Management's Discussion and Analysis of the Somerset County Educational Services Commission (SCESC) offers readers of the Commission's financial statements a narrative overview of the financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the Commission's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the Commission's financial performance.

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

**Financial Highlights**

Key financial highlights for 2011 are as follows:

- In total, net assets decreased \$717,944 which represents a 9.8 percent decrease from 2010.
- Total Commission revenues were \$24,016,903. Governmental revenues accounted for \$23,977,436 or 99 percent of total revenues.
- Of the governmental revenues \$15,657,725 was generated through charges for services, \$2,410,543 resulted from operating grants and contributions and \$5,627,123 was earned as tuition and \$282,045 was general revenue.
- Among governmental funds, the General Fund had \$22,102,466 in revenues, \$23,770,173 in expenditures and other financing sources of \$698,202. The General Fund's fund balance decreased by \$969,505 from 2010.

**Using this Comprehensive Annual Financial Report (CAFR)**

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

The *Statement of Net Assets and Statement of Activities* provide information about the activities of the whole Commission, presenting both an aggregate view of the Commission's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Commission's most significant funds with all other non-major funds presented in total in one column. In the case of SCESC, the General Fund is the most significant fund.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
RARITAN, NEW JERSEY

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

**Reporting the Commission as a Whole**

**Statement of Net Assets and the Statement of Activities**

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

These two statements report the Commission's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Commission as a whole, the financial position of the Commission has improved or diminished. The causes of this change may be the result of many factors, some financial and some not.

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

- Government activities – All of the Commission's programs and services are reported here including instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- Business-Type Activity – This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Commission charges fees to help it cover the costs of certain services provided. The food service activities are reported as business activities.

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

**Fund Financial Statements**

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

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
RARITAN, NEW JERSEY

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

**Governmental Funds**

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

**Enterprise Fund**

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

**The Commission as a Whole**

Recall that the Statement of Net Assets provides the perspective of the Commission as a whole. Table 1 provides a summary of the Commission's net assets for 2011 with a comparison of net assets with the school year ending 2010.

**Table 1**  
**Net Assets**

<b>Assets</b>	<u>2011</u>	<u>2010</u>
Current and Other Assets	\$ 5,910,196	\$ 7,504,150
Capital Assets	<u>12,253,631</u>	<u>12,682,074</u>
<b>Total Assets</b>	<u><u>18,163,827</u></u>	<u><u>20,186,224</u></u>
 <b>Liabilities</b>		
Long-Term Liabilities	10,656,171	11,375,796
Other Liabilities	<u>925,637</u>	<u>1,510,465</u>
<b>Total Liabilities</b>	<u><u>11,581,808</u></u>	<u><u>12,886,261</u></u>
 <b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	1,894,069	1,646,815
Restricted	6,500	6,500
Unrestricted	<u>4,681,450</u>	<u>5,646,649</u>
<b>Total Net Assets</b>	<u><u>\$ 6,582,019</u></u>	<u><u>\$ 7,299,963</u></u>

The Commission's combined net assets were \$6,582,019 on June 30, 2011. This represents an decrease of 9.8 percent from the prior year.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
RARITAN, NEW JERSEY

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

**Table 2**  
**Changes in Net Assets**

<b>Revenues</b>	<b>2011</b>	<b>2010</b>
Program Revenues:		
Charges for Services	\$ 15,659,301	\$ 19,249,966
Operating Grants and Contributions	2,448,429	2,571,867
General Revenues:		
Tuition	5,627,123	6,378,475
Other	282,049	302,544
	<hr/>	<hr/>
Total Revenues	24,016,903	28,502,852
 <b>Program Expenses</b>		
Instruction	5,494,450	5,513,760
Support Services:		
Pupils and Instructional Staff	962,197	1,295,024
General and School Administration	2,578,704	2,645,276
Plant Operations and Maintenance	918,914	803,708
Pupil Transportation	14,561,992	18,101,009
Other	174,165	181,869
Business Type Activities	44,425	47,269
Disposal of Capital Assets	18,320	18,320
	<hr/>	<hr/>
Total Expenses	24,734,847	28,606,235
 Decrease in Net Assets	 \$ <u>(717,944)</u>	 \$ <u>(103,383)</u>

**Government Activities**

The Commission's total revenues were \$24,016,903 for the year ended June 30, 2011. Governmental revenues accounted for \$23,977,436 or 99% of all Commission revenues. A breakout of governmental revenues is as follows: charges for services - \$15,657,725, operating grants and contributions - \$2,410,543, tuition - \$5,627,123 and other - \$282,045.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
RARITAN, NEW JERSEY

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

**Business-Type Activities**

Revenues for the Commission's business-type activities were comprised of charges for services and operating grants. These services include the Food Services fund. Following are some of our major business-type activity results.

- Charges for services represent \$1,576 of revenue while federal and state reimbursements were \$37,891. These revenues were not enough to cover the \$44,425 of expenses.

**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. The net cost shows the financial burden that was placed on the Commission by each of these functions.

**Table 3**

	<u>Total Cost of Services 2011</u>	<u>Total Cost of Services 2010</u>	<u>Net Cost of Services 2011</u>	<u>Net Cost of Services 2010</u>
Instruction	\$ 5,494,450	\$ 5,513,760	\$ 3,991,385	\$ 4,246,469
Support Services:				
Pupils and Instructional Staff	962,197	1,295,024	365,611	332,035
General and School Administration	2,578,704	2,645,276	2,500,515	2,572,200
Plant Operation and Maintenance	918,914	803,708	918,914	803,708
Pupil Transportation	14,561,992	18,101,009	(1,328,435)	(1,373,500)
Other	174,165	181,869	174,165	181,869
Business Type Activities	<u>44,425</u>	<u>                    </u>	<u>4,962</u>	<u>3,302</u>
<b>Total Expenses</b>	<u>\$ 24,734,847</u>	<u>\$ 28,606,235</u>	<u>\$ 6,627,117</u>	<u>\$ 6,766,082</u>

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

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

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

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

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

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
RARITAN, NEW JERSEY

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

**The Commission's Funds**

All governmental funds (i.e., general fund, special revenue fund and capital projects fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$23,977,436 and expenditures were \$25,645,143.

As demonstrated by the various statements and schedules included in the financial section of this report, the Commission continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2011.

**TABLE 4  
REVENUES OF THE GOVERNMENTAL FUNDS**

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Inc/(Dec) FY 2010</u>	<u>Percent Inc/(Dec)</u>
Local Sources	\$ 23,441,862	97.77%	\$ (4,519,274)	-16.16%
State Sources	<u>535,573</u>	<u>2.23%</u>	<u>37,824</u>	<u>7.60%</u>
Total	<u>\$ 23,977,436</u>	<u>100.00%</u>	<u>\$ (4,481,450)</u>	<u>-15.75%</u>

The following schedule represents a summary of general fund, and special revenue fund expenditures for the fiscal year ended June 30, 2011.

**TABLE 5  
EXPENDITURES OF THE GOVERNMENTAL FUNDS**

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Inc/(Dec) FY 2010</u>	<u>Percent Inc/(Dec)</u>
Current:				
Instruction	\$ 4,270,708	16.65%	\$ 40,434	0.96%
Undistributed	21,009,434	81.92%	(3,473,816)	-14.19%
Lease Principal	<u>365,000</u>	<u>1.42%</u>	<u>10,000</u>	<u>2.82%</u>
Total	<u>\$ 25,645,143</u>	<u>100.00%</u>	<u>\$ (3,423,382)</u>	<u>-11.78%</u>

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
RARITAN, NEW JERSEY

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

**Capital Assets**

At the end of the fiscal year 2011, the Commission had \$12,253,631 invested in land, building, machinery and equipment. Table 6 shows fiscal year 2011 balances compared to 2010.

**TABLE 6  
CAPITAL ASSETS (NET OF DEPRECIATION)**

	June 30 <u>2011</u>	June 30 <u>2010</u>
Capital Assets (Net of Depreciation )		
Sites and Leasehold Improvements	\$ 1,754,238	\$ 1,754,238
Land Improvements	6,010	6,920
Building and Building Improvements	7,494,784	7,664,374
Trailers/Mobile Classrooms	26,232	29,511
Machinery and Equipment	<u>2,972,367</u>	<u>3,227,031</u>
 Total	 <u>\$ 12,253,631</u>	 <u>\$ 12,682,074</u>

Overall capital assets decreased \$428,443 from fiscal year 2010 to fiscal year 2011. This was mainly due to annual depreciation.

**Debt Administration**

At the end of the fiscal year 2011, the Commission had \$10,656,171 of outstanding long-term debt. Table 7 shows fiscal year 2011 balances compared to 2010.

**TABLE 7  
OUTSTANDING DEBT**

	June 30 <u>2011</u>	June 30 <u>2010</u>
<b>Governmental Funds</b>		
Capital Leases	\$ 10,359,562	\$ 11,069,924
Compensated Absences	<u>296,609</u>	<u>305,872</u>
 Total	 <u>\$ 10,656,171</u>	 <u>\$ 11,375,796</u>

**Contacting the Commission's Financial Management Office**

This financial report is designed to provide SCESC member school districts, Commission Board members, Board of Directors, and the general public with an overview of the Somerset County Educational Services Commission's business activities for the fiscal year. To contact the business office, call or write to Jeff Siipola, Business Administrator, or Harold Dunsavage, Superintendent, Somerset County Educational Services Commission, P.O. Box 68, Raritan, NJ 08869 or (908)-707-1640.

## **BASIC FINANCIAL STATEMENTS**

The basic financial statements provide a financial overview of the Commission's operations. These financial statements present the financial position and operating results of all funds as of June 30, 2011.

## **DISTRICT-WIDE FINANCIAL STATEMENTS**

The Statement of Net Assets and the Statement of Activities display information about the Commission. These statements include the financial activities of the overall Commission, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Commission.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
STATEMENT OF NET ASSETS  
JUNE 30, 2011

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
ASSETS:			
Cash and cash equivalents	\$2,773,112.91		\$2,773,112.91
Receivables, net	2,409,530.49	\$5,235.20	2,414,765.69
Prepaid expenses	636,154.20		636,154.20
Interfund receivable	86,162.83		86,162.83
Capital assets:			
Land and Construction in Progress	1,754,238.00		1,754,238.00
Other capital assets, net of depreciation	10,499,393.23		10,499,393.23
Total Assets	<u>18,158,591.66</u>	<u>5,235.20</u>	<u>18,163,826.86</u>
LIABILITIES:			
Accounts payable	755,504.93	2,308.80	757,813.73
Interfund payables	2,390.11		2,390.11
Due to local educational agencies	165,433.57		165,433.57
Noncurrent liabilities:			
Due within one year:			
Capital leases payable	1,122,683.30		1,122,683.30
Due beyond one year:			
Compensated absences payable	296,608.70		296,608.70
Capital leases payable	9,236,878.63		9,236,878.63
Total liabilities	<u>11,579,499.24</u>	<u>2,308.80</u>	<u>11,581,808.04</u>
NET ASSETS:			
Invested in capital assets, net of related debt	1,894,069.30		1,894,069.30
Restricted for:			
Other purposes	6,500.00		6,500.00
Unrestricted	<u>4,678,523.12</u>	<u>2,926.40</u>	<u>4,681,449.52</u>
Total net assets	<u>\$6,579,092.42</u>	<u>\$2,926.40</u>	<u>\$6,582,018.82</u>

See accompanying notes to financial statements.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Programs Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities:</b>						
Instruction:						
Special	\$ 4,321,296.78	\$	\$ 1,446,830.38	\$ (2,874,466.40)	\$	\$ (2,874,466.40)
Other Instruction	1,173,153.50		56,235.05	(1,116,918.45)		(1,116,918.45)
Support services:						
Student & instruction related services	962,196.90		596,585.92	(365,610.98)		(365,610.98)
General administrative services	1,226,891.24		38,401.49	(1,188,489.75)		(1,188,489.75)
School administrative services	374,554.24		14,955.43	(359,598.81)		(359,598.81)
Central services	977,258.53		24,832.07	(952,426.46)		(952,426.46)
Plant operations and maintenance	918,914.20			(918,914.20)		(918,914.20)
Pupil transportation	14,561,992.19	15,657,725.20	232,702.20	1,328,435.21		1,328,435.21
Unallocated depreciation	174,164.65			(174,164.65)		(174,164.65)
Total governmental activities	<u>24,690,422.22</u>	<u>15,657,725.20</u>	<u>2,410,542.54</u>	<u>(6,622,154.49)</u>		<u>(6,622,154.49)</u>
<b>Business-type activities</b>						
Food Service	<u>44,425.10</u>	<u>1,576.10</u>	<u>37,886.62</u>		<u>(4,962.38)</u>	<u>(4,962.38)</u>
Total business-type activities	<u>44,425.10</u>	<u>1,576.10</u>	<u>37,886.62</u>		<u>(4,962.38)</u>	<u>(4,962.38)</u>
Total primary government	<u>\$ 24,734,847.32</u>	<u>\$ 15,659,301.30</u>	<u>\$ 2,448,429.16</u>	<u>\$ (6,622,154.49)</u>	<u>\$ (4,962.38)</u>	<u>\$ (6,627,116.87)</u>
<b>General Revenues:</b>						
Tuition				\$ 5,627,123.04	\$	\$ 5,627,123.04
Miscellaneous income				282,044.82	4.55	282,049.37
Total general revenues and special items				<u>5,909,167.86</u>	<u>4.55</u>	<u>5,909,172.41</u>
Change in net assets				(712,986.63)	(4,957.83)	(717,944.46)
Net Assets - beginning				7,292,079.05	7,884.23	7,299,963.28
Net Assets ending				<u>\$ 6,579,092.42</u>	<u>\$ 2,926.40</u>	<u>\$ 6,582,018.82</u>

See accompanying notes to financial statements.

## **MAJOR FUND FINANCIAL STATEMENTS**

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

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

	<u>GENERAL</u> <u>FUND</u>	<u>SPECIAL</u> <u>REVENUE</u> <u>FUND</u>	<u>TOTAL</u> <u>GOVERNMENTAL</u> <u>FUNDS</u>
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 2,773,112.91	\$	\$ 2,773,112.91
Other receivables	2,010,167.87	386,508.16	2,396,676.03
Prepaid expenses	636,154.20		636,154.20
Due from other funds	398,125.99	111,317.98	509,443.97
Receivables from other governments	<u>12,854.46</u>		<u>12,854.46</u>
 Total assets	 <u>\$ 5,830,415.43</u>	 <u>\$ 497,826.14</u>	 <u>\$ 6,328,241.57</u>
<b>LIABILITIES AND FUND BALANCES:</b>			
Liabilities:			
Accounts payable	735,075.52	20,429.41	755,504.93
Due to local educational agencies		165,433.57	165,433.57
Interfund payables	<u>113,708.09</u>	<u>311,963.16</u>	<u>425,671.25</u>
 Total liabilities	 <u>848,783.61</u>	 <u>497,826.14</u>	 <u>1,346,609.75</u>
Fund balances:			
Assigned to:			
Other purposes	6,500.00		6,500.00
Unassigned, reported in:			
General fund:			
Undesignated	<u>4,975,131.82</u>		<u>4,975,131.82</u>
 Total fund balances	 <u>4,981,631.82</u>		 <u>4,981,631.82</u>
 Total liabilities and fund balances	 <u>\$ 5,830,415.43</u>	 <u>\$ 497,826.14</u>	

See accompanying notes to financial statements.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

Total Fund Balances (Brought Forward)	\$	4,981,631.82
<p>Amounts Reported for Governmental Activities in the Statement  of Net Assets (A-1) are different because:</p>		
<p>Capital assets used in governmental activities are not financial  resources and therefore are not reported in the funds.</p>		
Cost of Assets	\$	19,131,105.09
Accumulated Depreciation		<u>(6,877,473.86)</u>
		12,253,631.23
<p>Long term liabilities, including bonds payable, and other related  amounts that are not due and payable in the current period  and therefore are not reported as liabilities in the funds.</p>		
Compensated Absences		(296,608.70)
Capital Leases		<u>(10,359,561.93)</u>
		<u>(10,656,170.63)</u>
Net Assets of Governmental Activities	\$	<u><u>6,579,092.42</u></u>

See accompanying notes to financial statements.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Local sources:				
Tuition	\$5,627,123.04			\$5,627,123.04
Transportation	15,657,725.20			15,657,725.20
Miscellaneous	282,044.82	\$1,874,969.24		2,157,014.06
Total revenues - local sources	21,566,893.06	1,874,969.24		23,441,862.30
State sources	535,573.30			535,573.30
Total revenues	22,102,466.36	1,874,969.24		23,977,435.60
EXPENDITURES:				
Current expense:				
Special instruction	2,117,006.23	1,296,605.43		3,413,611.66
Other Instruction	857,096.74			857,096.74
Support services:				
Student & instruction related services	270,321.14	578,363.81		848,684.95
General administrative services	982,729.03			982,729.03
School administrative services	281,194.73			281,194.73
Central services	827,282.83			827,282.83
Plant operations and maintenance	917,815.90			917,815.90
Pupil transportation	13,184,195.24			13,184,195.24
Unallocated benefits	3,303,993.96			3,303,993.96
Capital outlay	663,537.73			663,537.73
Capital outlay - lease principal	365,000.00			365,000.00
Total expenditures	23,770,173.53	1,874,969.24		25,645,142.77
Excess (deficiency) of revenues over (under) expenditures	(1,667,707.17)			(1,667,707.17)
Other financing sources (uses):				
Transfers in/(out)	34,664.75		(\$34,664.75)	
Capital leases (non-budgeted)	663,537.73			663,537.73
Total other financing sources (uses)	698,202.48		(34,664.75)	663,537.73
Net change in fund balances	(969,504.69)		(34,664.75)	(1,004,169.44)
Fund balances, July 1, 2010	5,951,136.51	-0-	34,664.75	5,985,801.26
Fund balances, June 30, 2011	\$4,981,631.82	\$-0-	\$-0-	\$4,981,631.82

See accompanying notes to financial statements.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Total net change in fund balances - governmental funds (from B-2) (\$1,004,169.44)

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

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

Depreciation expense		(1,065,662.96)
Capital outlays	\$663,537.73	
Less: Capital outlays not capitalized	<u>(26,317.57)</u>	
Disposition of capital assets, net of accumulated depreciation		637,220.16

Proceeds from debt issues are a financing source in governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the statement of net assets.

Capital lease proceeds		(663,537.73)
------------------------	--	--------------

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

Payment of capital lease payable		1,373,899.80
----------------------------------	--	--------------

In the statement of activities, certain expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).

Decrease in Compensated Absences		<u>9,263.54</u>
Change in net assets of governmental activities		<u><u>(\$712,986.63)</u></u>

See accompanying notes to financial statements.

**OTHER FUNDS**

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2011

	<u>BUSINESS-TYPE ACTIVITIES</u>	
	<u>FOOD SERVICE FUND</u>	<u>TOTAL ENTERPRISE</u>
<b>ASSETS:</b>		
Current assets:		
Interfund receivable	\$2,390.11	\$2,390.11
Intergovernmental receivables:		
State	36.43	36.43
Federal	2,808.66	2,808.66
	<hr/>	<hr/>
Total current assets	5,235.20	5,235.20
	<hr/>	<hr/>
Total assets	5,235.20	5,235.20
	<hr/>	<hr/>
<b>LIABILITIES:</b>		
Current liabilities:		
Cash overdraft	2,308.80	2,308.80
	<hr/>	<hr/>
Total current liabilities	2,308.80	2,308.80
	<hr/>	<hr/>
Total liabilities	2,308.80	2,308.80
	<hr/>	<hr/>
<b>NET ASSETS:</b>		
Unrestricted	2,926.40	2,926.40
	<hr/>	<hr/>
Total net assets	\$2,926.40	\$2,926.40
	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to financial statements.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>BUSINESS-TYPE ACTIVITIES</u>	
	<u>FOOD SERVICE FUND</u>	<u>TOTAL ENTERPRISE</u>
OPERATING REVENUES:		
Charges for services:		
Daily sales	<u>\$1,576.10</u>	<u>\$1,576.10</u>
Total operating revenues	<u>1,576.10</u>	<u>1,576.10</u>
OPERATING EXPENSES:		
Cost of sales	<u>44,425.10</u>	<u>44,425.10</u>
Total operating expenses	<u>44,425.10</u>	<u>44,425.10</u>
Operating (loss)	<u>(42,849.00)</u>	<u>(42,849.00)</u>
NONOPERATING REVENUES (EXPENSES):		
State Sources:		
State School Lunch Program	473.66	473.66
Federal Sources:		
National School Lunch Program	24,414.22	24,414.22
National School Breakfast Program	<u>12,998.74</u>	<u>12,998.74</u>
Total nonoperating revenues	<u>37,891.17</u>	<u>37,891.17</u>
Change in net assets	<u>(4,957.83)</u>	<u>(4,957.83)</u>
Total net assets - beginning	<u>7,884.23</u>	<u>7,884.23</u>
Total net assets - ending	<u><u>\$2,926.40</u></u>	<u><u>\$2,926.40</u></u>

See accompanying notes to financial statements.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>BUSINESS-TYPE ACTIVITIES</u>	
	<u>FOOD SERVICE FUND</u>	<u>TOTAL ENTERPRISE</u>
Cash flows from operating activities:		
Receipts from customers	\$1,576.10	\$1,576.10
Payments to suppliers	(44,425.10)	(44,425.10)
Net cash provided by (used for) operating activities)	<u>(42,849.00)</u>	<u>(42,849.00)</u>
Cash flows from noncapital financing activities:		
State Sources	563.37	563.37
Federal Sources	37,466.04	37,466.04
Interfund Activity	10,267.90	10,267.90
Net cash provided by noncapital financing activities	<u>48,297.31</u>	<u>48,297.31</u>
Cash flows from investing activities:		
Interest	4.55	4.55
Net cash provided by (used for) investing activities	<u>4.55</u>	<u>4.55</u>
Net increase in cash and cash equivalents	5,452.86	5,452.86
Cash and cash equivalents, July 1, 2010	<u>(7,761.66)</u>	<u>(7,761.66)</u>
Cash and cash equivalents, June 30, 2011	<u>(\$2,308.80)</u>	<u>(\$2,308.80)</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	<u>(\$42,849.00)</u>	<u>(\$42,849.00)</u>
Net cash provided by (used for) operating activities	<u>(\$42,849.00)</u>	<u>(\$42,849.00)</u>

See accompanying notes to financial statements.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	PRIVATE PURPOSE <u>AWARD FUND</u>	<u>AGENCY FUNDS</u>
ASSETS:		
Cash and cash equivalents	\$ <u>8,517.32</u>	\$ <u>138,479.96</u>
Total Assets	\$ <u><u>8,517.32</u></u>	\$ <u><u>138,479.96</u></u>
LIABILITIES:		
Interfund payable	\$ 8,517.32	\$ 77,645.51
Payroll deductions and withholdings		<u>60,834.45</u>
Total Liabilities	\$ <u><u>8,517.32</u></u>	\$ <u><u>138,479.96</u></u>

See accompanying notes to financial statements.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

		<u>PRIVATE PURPOSE AWARD FUND</u>
ADDITIONS:		
Contributions:		
Board contributions	\$	\$8,553.31
Total additions		8,553.31
DEDUCTIONS:		
Awards		8,553.31
Total deductions		8,553.31
Change in net assets	\$	_____

See accompanying notes to financial statements.

**Somerset County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Reporting Entity**

The Somerset County Educational Services Commission is an instrumentality of the State of New Jersey, established to function as an educational institution in one or more counties for the purpose of carrying on programs of education, research and development, and providing to public school districts administrative services as may be authorized pursuant to the rules of the State Board of Education. The Commission consists of representatives of the membership districts and is responsible for the fiscal control of the Commission. A Superintendent is appointed by the Board of Directors of the Commission and is responsible for the administrative control of the Commission.

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

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

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government.
2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources of the organization.
3. The economic resources received or held by an *individual organization* that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

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

**Somerset County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation, Basis of Accounting**

The Commission's basic financial statements consist of district-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

**Basis of Presentation**

District-wide Statements: The Statement of Net Assets and the Statement of Activities display information about the Commission as a whole. These statements include the financial activities of the overall Commission, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish generally between the governmental and business-type activity of the Commission. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Net Assets presents the financial condition of the governmental and business-type activity of the Commission at fiscal year end. The Statement of Activities presents a comparison between direct expenses and program revenues for the business-type activity of the Commission and for each function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirement of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as generally revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the 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, proprietary, and fiduciary - are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models.

**Somerset County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Governmental Fund Types**

**General Fund** - The general fund is the general operating fund of the Commission. It is used to account for all 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 the New Jersey State Department of Education, the Commission includes budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues. 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 commission resolution.

**Special Revenue Fund** - The special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term "proceeds of specific revenue sources" establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund.

**Capital Projects Fund** - Capital project funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

**Somerset County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Proprietary Fund**

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

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Food Service Fund:	
Equipment	12 Years
Light Trucks and Vehicles	4 Years
Heavy Trucks and Vehicles	6 Years

**Fiduciary Fund Types**

**Payroll Agency Funds** – The agency funds are used to account for assets held by the Commission on behalf of others and are custodial in nature.

**Private Purpose Trust Fund** - A trust fund used to account for assets that will provide for the payment of awards to commission students.

**Somerset County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting – Measurement Focus**

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

Districtwide, Proprietary, and Fiduciary Fund Financial Statements: The Districtwide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

The Commission is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an “accounts receivable”. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. “Measurable” means the amount of the transactions can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

**Somerset County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets/Budgetary Control**

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. 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 budget amendments and transfers must be approved by resolution.

All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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

**Somerset County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Encumbrance Accounting**

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

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

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

**Interfunds**

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

**Inventories and Prepaid Expenses**

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

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

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

**Somerset County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets**

The Commission has an established formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

**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.

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.

**Somerset County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Equity**

Fund balance reserves are used to indicate that portion of the fund balance that is not available for expenditures or is legally segregated for a specific future use. Designation of portions of the fund balances are established to indicate tentative plans for financial utilization in a future period. The unreserved fund balances represent the amount available for future budgetary operations.

Unrestricted retained earnings represent the remains of the Commission's equity in the cumulative earnings of the proprietary funds.

**Deferred Revenue**

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

**Accrued Liabilities and Long-Term Obligations**

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

**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.

**Somerset County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Balance Reserves**

In fiscal year 2011, the Commission implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions". This statement modifies fund balance reporting and clarifies fund type definitions. This new Statement aims to enhance the usefulness of fund balance information by providing clearer fund balance clarifications that can be applied more consistently.

The restricted fund balance classification includes amounts that are subject to externally enforceable legal restriction such as by constitutional provision, enabling legislation or other government imposed restrictions. The committed fund balance classification includes amounts constrained for a specific purpose by a government using its highest decision-making authority. The assigned fund balance classification includes amounts for all funds, other than the general fund with any remaining positive balances not already classified as restricted or committed. For the general fund amounts, constrained with the intent to be used for a specific purpose by the governing board or an official delegated authority by the board. The unassigned fund balance classification includes for the general fund, amounts not classified as restricted, committed or assigned. The general fund is the only fund that will report a positive unassigned fund balance. For all other governmental funds the amount of a residual deficit would be classified as unassigned.

**Somerset County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenues – Exchange and Nonexchange Transactions**

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

**Somerset County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Operating Revenues and Expenses**

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

**Allocation of Indirect Expenses**

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

**Extraordinary and Special Items**

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

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS**

The Commission considers petty cash, change funds, cash in banks, and short-term investments with original maturities of three months or less as cash and cash equivalents. Investments are stated at cost, which approximates market.

**Somerset County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2011**

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS**

**Deposits**

New Jersey statutes permit the deposit of public funds in public depositories which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. All collateral must be deposited with the Federal Reserve Bank or a Banking Institution that is a member of the Federal Reserve System, and has capital funds of not less than \$25,000,000.00. Under (GUDPA), if a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of the deposits to the governmental unit.

The Somerset County Educational Services Commission had the following cash and cash equivalents at June 30, 2011.

<b>Fund Type:</b>	<b><u>Bank Balance</u></b>	<b>Reconciling Items:</b>		<b><u>Reconciled Balance</u></b>
		<b><u>Additions</u></b>	<b><u>Deletions</u></b>	
Governmental	\$4,855,323.67	\$3,703.86	\$2,085,914.62	\$2,773,112.91
Proprietary	(2,305.90)		2.90	(2,308.80)
Fiduciary	156,048.34		9,051.06	146,997.28
	<u>\$5,009,066.11</u>	<u>\$3,703.86</u>	<u>\$2,094,968.58</u>	<u>\$2,917,801.39</u>

**Somerset County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2011**

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

**Deposits (Continued)**

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Commission does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of June 30, 2011, based upon the coverage provided by FDIC and NJ GUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash on balance in the bank \$250,000.00 was covered by Federal Depository Insurance and \$4,759,066.11 was covered by NJ GUDPA.

**Investments**

The purchase of investments by the Commission is strictly limited by the express authority of the N.J.S.A. 18A:20-37 Education, Administration of School Districts. Permitted investments include any of the following type of securities:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
2. Government money market mutual funds which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a-1 et seq., and operated in accordance with 17 C.F.R. § 270.2a-7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 18A:20-37. These funds are also required to be rated by a nationally recognized statistical rating organization.
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor.
4. Bonds or other obligations of the Local Unit or bonds or other obligations of school districts of which the Local Unit is a part or within which the school district is located.

**Somerset County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2011**

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

**Investments (Continued)**

5. Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Investment of the Department of Treasury for investment by School Districts.
6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 18A:20-37. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization.
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C. 52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities if:
  - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;
  - b. the custody of collateral is transferred to a third party;
  - c. the maturity of the agreement is not more than 30 days;
  - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C. 17:19-41); and;
  - e. a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2011 the Commission had no investments as described above.

**Somerset County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2011**

**NOTE 3: CHANGE IN CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 1,750,000.00	\$	\$	\$ 1,750,000.00
Leasehold Improvements	<u>4,238.00</u>	<u></u>	<u></u>	<u>4,238.00</u>
Total Capital assets not being depreciated	<u>1,754,238.00</u>	<u></u>	<u></u>	<u>1,754,238.00</u>
Land Improvements	108,700.00			108,700.00
Building and Building Improvements	8,251,135.93			8,251,135.93
Trailers/Mobile Classrooms	81,975.00			81,975.00
Machinery & Equipment	<u>9,572,828.00</u>	<u>637,220.16</u>	<u>1,274,992.00</u>	<u>8,935,056.16</u>
Totals as historical cost	<u>18,014,638.93</u>	<u>637,220.16</u>	<u>1,274,992.00</u>	<u>17,376,867.09</u>
Total Gross assets (Memo only)	<u>\$ 19,768,876.93</u>	<u>\$ 637,220.16</u>	<u>1,274,992.00</u>	<u>\$ 19,131,105.09</u>
Less: Accumulated Depreciation for:				
Land Improvements	\$ (101,780.00)	\$ (910.00)		\$ (102,690.00)
Building and Building Improvements	(586,761.51)	(169,590.65)		(756,352.16)
Trailers/Mobile Classrooms	(52,464.00)	(3,279.00)		(55,743.00)
Machinery & Equipment	<u>(6,345,797.39)</u>	<u>(891,883.31)</u>	<u>(1,274,992.00)</u>	<u>(5,962,688.70)</u>
Total depreciation	<u>(7,086,802.90)</u>	<u>(1,065,662.96)</u>	<u>(1,274,992.00)</u>	<u>(6,877,473.86)</u>
Total Capital assets being depreciated net of accumulated depreciation	<u>10,927,836.03</u>	<u>(428,442.80)</u>	<u></u>	<u>10,499,393.23</u>
Governmental activities capital assets, net	<u>\$ 12,682,074.03</u>	<u>\$ (428,442.80)</u>	<u>\$</u>	<u>\$ 12,253,631.23</u>

**Somerset County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2011**

**NOTE 3: CHANGE IN CAPITAL ASSETS**

Depreciation Expense was charged to governmental expenses as follows:

Support Services:

Student transportation	\$ 891,498.31
Unallocated depreciation	<u>174,164.65</u>
	<u>\$ 1,065,662.96</u>

**NOTE 4: LONG-TERM DEBT**

**Operating Leases**

The Commission has leases for certain properties which house its administrative offices, school facilities, and transportation department. The lease payments made during the years ended June 30, 2011 and 2010 were \$244,406.13 and \$226,956.84 respectively.

**Somerset County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2011**

**NOTE 4: LONG-TERM DEBT (CONTINUED)**

**Capital Leases/Lease Purchase Agreements Payable**

The Commission is leasing school buses and a copy machine under capital leases, and has financed the acquisition of land, buildings, and improvements through a lease purchase agreement. The following is a schedule of the future minimum lease payments under these leases, and the present value of the net minimum lease payments at June 30, 2011.

<u>Year</u>	<u>Amount</u>
2012	\$ 1,532,873.39
2013	1,359,143.35
2014	930,053.06
2015	901,873.80
Thereafter	<u>9,038,289.33</u>
Total minimum lease payments	13,762,232.93
Less: Amount representing interest	<u>(3,402,671.00)</u>
Present value of net minimum lease payment	<u>\$ 10,359,561.93</u>

The following is a summary of changes in liabilities that effect other long-term obligations for the year ended June 30, 2011:

	<u>Capital Leases Payable</u>	<u>Compensated Absences Payable</u>	<u>Total</u>
Balance June 30, 2010	\$ 11,069,924.00	\$ 305,872.24	\$ 11,375,796.24
Additions	<u>663,537.73</u>		<u>663,537.73</u>
	11,733,461.73	305,872.24	12,039,333.97
Deletions	<u>1,373,899.80</u>	<u>9,263.54</u>	<u>1,383,163.34</u>
Balance June 30, 2011	<u>\$ 10,359,561.93</u>	<u>\$ 296,608.70</u>	<u>\$ 10,656,170.63</u>
Amounts due within one year	<u>\$ 1,122,683.30</u>		<u>\$ 1,122,683.30</u>

**Somerset County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2011**

**NOTE 5: PENSION PLANS**

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

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

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

**Vesting and Benefit Provisions** - The vesting and benefit provisions of PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years).

**Somerset County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2011**

**NOTE 5: PENSION PLANS (CONTINUED)**

**Vesting and Benefit Provisions** - Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provision of the System.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

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

**Somerset County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2011**

**NOTE 5: PENSION PLANS (CONTINUED)**

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

<u>Three-Year Trend Information for PERS</u>			
<u>Year</u> <u>June 30,</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2011	\$566,950.36	100.00%	\$566,950.36
2010	\$444,633.00	100.00%	\$444,633.00
2009	\$376,759.00	100.00%	\$376,759.00

During the fiscal years ended June 30, 2011, 2010 and 2009, the State of New Jersey did not contribute to the TPAF pension system on behalf of the Commission.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$280,270.30 during the year ended June 30, 2011 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the basic financial statements, and the combining and individual fund and account group statements and schedules as a revenue and expenditure in accordance with GASB 27.

**Somerset County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2011**

**NOTE 6: OTHER POST-RETIREMENT BENEFITS**

For eligible retired employees, the Commission participates in the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 *et seq.*, to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

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

The State is also responsible for the cost attributable to 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 \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in Fiscal Year 2010.

**Somerset County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2011**

**NOTE 6: OTHER POST-RETIREMENT BENEFITS (CONTINUED)**

The State will set the contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the Commission for the years ended June 30, 2011, 2010 and 2009 were \$255,303, \$216,839 and \$216,934, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

**NOTE 7: LITIGATION**

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

**NOTE 8: CONTINGENCIES**

The Commission receives financial assistance from the State of New Jersey and the U.S. Government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. The State and Federal grants received and expended in the 2010-2011 fiscal year were subject to the U.S. OMB A-133 and New Jersey OMB Circular 04-04 which mandates that grant revenues and expenditures be audited in conjunction with the Commission's annual audit. Findings and questioned costs, if any, relative to federal and state financial assistance programs will be discussed in the Single Audit Section, Schedule of Findings and Questioned Costs. In addition, all grants and cost reimbursements are subject to financial and compliance audits by the grantors. Further, the School Child Nutrition Program is a recipient of federal reimbursements and is subject to certain related federal regulations. These federal reimbursements are subject to subsequent audit and interpretation by the New Jersey Department of Education. The Commission management does not believe such an audit would result in material amounts of disallowed costs.

**Somerset County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2011**

**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.

Property and Liability Insurance - The Commission maintains coverage through the New Jersey School Boards Association Insurance Group (NJSBAIG). The administration believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded the commercial coverage in any of the past three years. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

**NOTE 10: FUND BALANCE APPROPRIATED**

**General Fund** – Of the \$4,981,631.82 General Fund fund balance at June 30, 2011, \$6,500.00 was assigned for scholarships and \$4,975,131.82 is unassigned.

**NOTE 11: INTERFUND RECEIVABLES AND PAYABLES**

<u>FUND</u>	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
General Fund	\$ 398,125.99	\$ 113,708.09
Special Revenue Fund	111,317.98	311,963.16
Proprietary Fund	2,390.11	
Fiduciary Fund		86,162.83
	\$ 511,834.08	\$ 511,834.08

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

**Somerset County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2011**

**NOTE 12: DEFERRED COMPENSATION**

The Commission offers its employees a choice of the deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457. The plans permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death, or unforeseeable emergency. Since the Commission does not have any property or rights to the plan assets and no fiduciary relationship exists between the Commission and the deferred compensation plan, the plan assets are not included in the Commission's financial statements as of June 30, 2011.

**REQUIRED SUPPLEMENTARY INFORMATION – PART II**

**BUDGETARY COMPARISON SCHEDULES**

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2011

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS/ AMENDMENTS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FINAL TO ACTUAL</u>
REVENUES:					
Local sources:					
Tuition	\$ 7,134,750.00	\$	\$ 7,134,750.00	\$ 5,627,123.04	\$ (1,507,626.96)
Transportation fees from other LEAs	19,384,938.00		19,384,938.00	15,657,725.20	(3,727,212.80)
Unrestricted miscellaneous revenues	150,000.00		150,000.00	282,044.82	132,044.82
<b>Total revenues-local sources</b>	<b>26,669,688.00</b>		<b>26,669,688.00</b>	<b>21,566,893.06</b>	<b>(5,102,794.94)</b>
State sources:					
Reimbursed TPAF social security contributions (non-budgeted)				280,270.30	280,270.30
On-behalf TPAF post retirement medical (non-budgeted)				243,824.00	243,824.00
On-behalf TPAF pension contributions (non-budgeted)				11,479.00	11,479.00
<b>Total - state sources</b>				<b>535,573.30</b>	<b>535,573.30</b>
<b>Total revenues</b>	<b>26,669,688.00</b>		<b>26,669,688.00</b>	<b>22,102,466.36</b>	<b>(4,567,221.64)</b>
EXPENDITURES:					
CURRENT EXPENSE:					
Regular programs - Undistributed Instruction:					
Other Salaries for Instruction	566,063.00	(311,000.00)	255,063.00		255,063.00
General Supplies	8,000.00		8,000.00		8,000.00
Textbooks	7,500.00		7,500.00		7,500.00
Other Objects	12,000.00		12,000.00		12,000.00
<b>Total Regular Programs</b>	<b>593,563.00</b>	<b>(311,000.00)</b>	<b>282,563.00</b>		<b>282,563.00</b>
Special Education - Instruction:					
Behavioral Disabilities:					
Salaries of Teachers	2,045,900.00		2,045,900.00	1,676,901.92	368,998.08
Other Salaries for Instruction	315,000.00	126,000.00	441,000.00	439,904.31	1,095.69
Purchased Professional - Educational Services	500.00		500.00		500.00
Other Purchased Services (400-500 series)	1,500.00		1,500.00	200.00	1,300.00
General Supplies	10,000.00		10,000.00		10,000.00
Textbooks	7,500.00		7,500.00		7,500.00
<b>Total Behavioral Disabilities</b>	<b>2,380,400.00</b>	<b>126,000.00</b>	<b>2,506,400.00</b>	<b>2,117,006.23</b>	<b>389,393.77</b>
<b>Total Special Education - Instruction</b>	<b>2,380,400.00</b>	<b>126,000.00</b>	<b>2,506,400.00</b>	<b>2,117,006.23</b>	<b>389,393.77</b>

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2011

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
School Sponsored Co/Extra Curricular Activities - Instruction:					
Purchased Services (300-500 series)	\$ 1,000.00	\$ 6,000.00	\$ 7,000.00	\$ 6,751.86	\$ 248.14
Other Objects	1,000.00		1,000.00		1,000.00
<b>Total School Sponsored Co/Extra Curricular Activities - Instruction</b>	<b>2,000.00</b>	<b>6,000.00</b>	<b>8,000.00</b>	<b>6,751.86</b>	<b>1,248.14</b>
Other Instructional Programs - Instruction:					
Salaries	195,000.00	827,000.00	1,022,000.00	792,402.99	229,597.01
Other Salaries for Instruction		58,000.00	58,000.00	57,907.00	93.00
Supplies and Materials	1,000.00		1,000.00	34.89	965.11
<b>Total Other Instructional Programs - Instruction</b>	<b>196,000.00</b>	<b>885,000.00</b>	<b>1,081,000.00</b>	<b>850,344.88</b>	<b>230,655.12</b>
Undistributed Expenditures - Attendance & Social Work:					
Salaries		51,000.00	51,000.00	50,746.10	253.90
<b>Total Undistributed Expenditures - Attendance &amp; Social Work</b>		<b>51,000.00</b>	<b>51,000.00</b>	<b>50,746.10</b>	<b>253.90</b>
Undistributed Expenditures - Health Services:					
Salaries	98,000.00		98,000.00	94,703.62	3,296.38
Supplies and Materials	5,000.00		5,000.00	3,897.51	1,102.49
<b>Total Undistributed Expenditures - Health Services</b>	<b>103,000.00</b>		<b>103,000.00</b>	<b>98,601.13</b>	<b>4,398.87</b>
Undistributed Expenditures - Child Study Teams:					
Salaries of Other Professional Staff	130,750.00		130,750.00	111,316.41	19,433.59
Purchased Professional - Educational Services	25,000.00		25,000.00	9,657.50	15,342.50
<b>Total Undistributed Expenditures - Child Study Teams</b>	<b>155,750.00</b>		<b>155,750.00</b>	<b>120,973.91</b>	<b>34,776.09</b>
Undistributed Expend.-Support Services-General Administration:					
Salaries	311,550.00	331,000.00	642,550.00	541,111.91	101,438.09
Legal Services	150,000.00	14,000.00	164,000.00	97,585.56	66,414.44
Audit Fees	22,000.00		22,000.00		22,000.00
Other Purchased Professional Services	70,000.00	60,000.00	130,000.00	129,570.99	429.01
Purchased Technical Services	20,000.00		20,000.00	5,473.50	14,526.50
Communications/Telephone	120,000.00	(4,000.00)	116,000.00	45,470.09	70,529.91
Misc. Purchased Services (400-500 series, O/T 530 & 585)	2,500.00	38,000.00	40,500.00	40,105.84	394.16
General Supplies	10,000.00	25,000.00	35,000.00	34,113.79	886.21
Judgements Against the School District		75,000.00	75,000.00	75,000.00	
Miscellaneous Expenditures	1,000.00	14,000.00	15,000.00	14,147.35	852.65
BOE Membership Dues and Fees	1,500.00		1,500.00	150.00	1,350.00
<b>Total Undistributed Expend.-Support Services-General Administration</b>	<b>708,550.00</b>	<b>553,000.00</b>	<b>1,261,550.00</b>	<b>982,729.03</b>	<b>278,820.97</b>

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2011

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS/ AMENDMENTS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FINAL TO ACTUAL</u>
Undistributed Expend.-Support Services - School Administration:					
Salaries of Principals/Assistant Principals	\$ 316,300.00	\$ (100,000.00)	\$ 216,300.00	\$ 146,685.54	\$ 69,614.46
Salaries of Other Professional Staff	54,000.00		54,000.00	6,943.82	47,056.18
Salaries of Secretarial and Clerical Assistants	85,250.00		85,250.00	57,106.20	28,143.80
Other Purchased Services (400-500 series)	4,000.00	5,000.00	9,000.00	8,196.80	803.20
Supplies and Materials	35,000.00	20,000.00	55,000.00	54,762.37	237.63
Other Objects	45,000.00		45,000.00	7,500.00	37,500.00
<b>Total Undistributed Expend.-Support Services - School Administration</b>	<b>539,550.00</b>	<b>(75,000.00)</b>	<b>464,550.00</b>	<b>281,194.73</b>	<b>183,355.27</b>
Undistributed Expend. - Central Services:					
Salaries	211,000.00	213,000.00	424,000.00	349,906.48	74,093.52
Supplies and Materials	10,000.00	2,000.00	12,000.00	11,996.82	3.18
Interest on Lease Purchase Agreements	360,000.00	104,000.00	464,000.00	463,669.53	330.47
Other Objects		2,000.00	2,000.00	1,710.00	290.00
<b>Total Undistributed Expend. - Central Services</b>	<b>581,000.00</b>	<b>321,000.00</b>	<b>902,000.00</b>	<b>827,282.83</b>	<b>74,717.17</b>
Undistributed Expend. - Admin. Info. Technology:					
Salaries	12,500.00		12,500.00		12,500.00
<b>Total Undistributed Expend. - Admin. Info. Technology</b>	<b>12,500.00</b>		<b>12,500.00</b>		<b>12,500.00</b>
Undistributed Expend.-Required Maintenance for School Facilities:					
Cleaning, Repair and Maintenance Services	150,000.00		150,000.00	40,695.15	109,304.85
General Supplies	95,000.00		95,000.00	21,078.73	73,921.27
Other Objects	1,000.00		1,000.00		1,000.00
<b>Total Undistributed Expend.-Required Maintenance for School Facilities</b>	<b>246,000.00</b>		<b>246,000.00</b>	<b>61,773.88</b>	<b>184,226.12</b>
Undistributed Expend.-Custodial Services:					
Salaries	97,500.00		97,500.00		97,500.00
Purchased Professional and Technical Services	5,000.00		5,000.00	399.00	4,601.00
Cleaning, Repair and Maintenance Services	65,000.00	8,000.00	73,000.00	72,978.27	21.73
Rental of Land & Bldg. Other Than Lease Purch. Agreement	260,000.00	124,000.00	384,000.00	383,120.62	879.38
Other Purchased Property Services	7,500.00		7,500.00	180.54	7,319.46
Insurance	345,000.00		345,000.00	295,513.18	49,486.82
General Supplies	8,000.00		8,000.00		8,000.00
Energy (Natural Gas)	115,000.00	(37,000.00)	78,000.00		78,000.00
Energy ( Electricity)		104,000.00	104,000.00	103,850.41	149.59
<b>Total Undistributed Expend.-Custodial Services:</b>	<b>903,000.00</b>	<b>199,000.00</b>	<b>1,102,000.00</b>	<b>856,042.02</b>	<b>245,957.98</b>
<b>Total Undistributed Expend.- Oper. &amp; Maintenance of Plant Serv.</b>	<b>1,149,000.00</b>	<b>199,000.00</b>	<b>1,348,000.00</b>	<b>917,815.90</b>	<b>430,184.10</b>

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2011

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS/ AMENDMENTS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FINAL TO ACTUAL</u>
Undistributed Expend.-Student Transportation Services:					
Salaries for Pupil Transportation (bet. home & school)-Reg	\$ 3,560,875.00	\$	\$ 3,560,875.00	\$ 3,278,985.60	\$ 281,889.40
Other Purchased Professional and Technical Services		24,000.00	24,000.00	23,418.79	581.21
Cleaning, Repair and Maintenance Services		30,000.00	30,000.00	29,861.11	138.89
Lease Purchase Payments - School Buses	950,000.00	270,000.00	1,220,000.00	1,008,530.73	211,469.27
Contracted Services (between home and school) - Vendors		1,000.00	1,000.00	332.50	667.50
Contracted Services - Special Ed. Students-Vendors	10,600,000.00	(6,106,500.00)	4,493,500.00	4,167,181.08	326,318.92
Contracted Services - Special Ed. Students - Joint Agreements		3,586,000.00	3,586,000.00	3,585,003.54	996.46
Miscellaneous Purchased Services - Transportation	150,000.00		150,000.00	530.50	149,469.50
General Supplies	1,100,000.00	(805,000.00)	295,000.00	93,172.30	201,827.70
Transportation Supplies		997,000.00	997,000.00	996,279.09	720.91
Other Objects	10,000.00	(1,000.00)	9,000.00	900.00	8,100.00
<b>Total Undistributed Expend.-Student Transportation Services</b>	<b>16,370,875.00</b>	<b>(2,004,500.00)</b>	<b>14,366,375.00</b>	<b>13,184,195.24</b>	<b>1,182,179.76</b>
Unallocated Benefits:					
Social Security Contributions - Other	450,000.00		450,000.00	367,451.19	82,548.81
Other Retirement Contributions - Regular	340,000.00	225,000.00	565,000.00	564,895.79	104.21
Unemployment Compensation	40,000.00		40,000.00	38,649.27	1,350.73
Workmen's Compensation	62,500.00		62,500.00		62,500.00
Health Benefits	2,175,000.00		2,175,000.00	1,741,132.65	433,867.35
Tuition Reimbursement	33,000.00	(2,000.00)	31,000.00		31,000.00
Other Employee Benefits	30,000.00	26,500.00	56,500.00	56,291.76	208.24
<b>Total Unallocated Benefits</b>	<b>3,130,500.00</b>	<b>249,500.00</b>	<b>3,380,000.00</b>	<b>2,768,420.66</b>	<b>611,579.34</b>
<b>Total Personal Services - Employee</b>	<b>3,130,500.00</b>	<b>249,500.00</b>	<b>3,380,000.00</b>	<b>2,768,420.66</b>	<b>611,579.34</b>
Undistributed Expenditures - Food Services					
Transfers to Cover Deficit (Enterprise Fund)	2,000.00		2,000.00		2,000.00
<b>Total Undistributed Expenditures - Food Services</b>	<b>2,000.00</b>		<b>2,000.00</b>		<b>2,000.00</b>
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				280,270.30	(280,270.30)
On-Behalf TPAF Post Retirement Medical (Non-Budgeted)				243,824.00	(243,824.00)
On-Behalf TPAF Pension Contributions (Non-Budgeted)				11,479.00	(11,479.00)
<b>TOTAL UNDISTRIBUTED EXPENDITURES</b>	<b>22,752,725.00</b>	<b>(706,000.00)</b>	<b>22,046,725.00</b>	<b>19,767,532.83</b>	<b>2,279,192.17</b>
<b>TOTAL GENERAL CURRENT EXPENSE</b>	<b>25,924,688.00</b>		<b>25,924,688.00</b>	<b>22,741,635.80</b>	<b>3,183,052.20</b>

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2011

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS/ AMENDMENTS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FINAL TO ACTUAL</u>
CAPITAL OUTLAY:					
EQUIPMENT:					
Undistributed:					
Undist. Expend. - Required Maintenance for School Facilities	\$ 380,000.00	\$ _____	\$ 380,000.00	\$ _____	\$ 380,000.00
TOTAL EQUIPMENT	<u>380,000.00</u>	<u>_____</u>	<u>380,000.00</u>	<u>_____</u>	<u>380,000.00</u>
Facilities Acquisition and Construction Services:					
Lease Purchase Agreements - Principal	<u>365,000.00</u>	<u>_____</u>	<u>365,000.00</u>	<u>365,000.00</u>	<u>_____</u>
	<u>365,000.00</u>	<u>_____</u>	<u>365,000.00</u>	<u>365,000.00</u>	<u>_____</u>
Assets acquired under capital leases (non-budgeted):					
Undistributed:					
Copy Machines	<u>_____</u>	<u>_____</u>	<u>_____</u>	19,945.37	(19,945.37)
Buses	<u>_____</u>	<u>_____</u>	<u>_____</u>	643,592.36	(643,592.36)
Total assets acquired under capital leases (non-budgeted)	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>663,537.73</u>	<u>(663,537.73)</u>
TOTAL CAPITAL OUTLAY	<u>745,000.00</u>	<u>_____</u>	<u>745,000.00</u>	<u>1,028,537.73</u>	<u>(283,537.73)</u>
TOTAL EXPENDITURES	<u>26,669,688.00</u>	<u>_____</u>	<u>26,669,688.00</u>	<u>23,770,173.53</u>	<u>2,899,514.47</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>(1,667,707.17)</u>	<u>(1,667,707.17)</u>
Other financing sources (use)					
Transfer of funds:					
Capital leases (non-budgeted)	<u>_____</u>	<u>_____</u>	<u>_____</u>	663,537.73	663,537.73
Transfer to/from capital projects fund	<u>_____</u>	<u>_____</u>	<u>_____</u>	34,664.75	34,664.75
Total other financing sources	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>698,202.48</u>	<u>698,202.48</u>
Excess/Deficit of Revenues and other Financing Sources Over Expenditures and Other Expenditures and Other Financing Sources	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>(969,504.69)</u>	<u>(969,504.69)</u>
Fund Balances, July 1, 2010	<u>5,951,136.51</u>	<u>_____</u>	<u>5,951,136.51</u>	<u>5,951,136.51</u>	<u>_____</u>
Fund Balances, June 30, 2011	<u>\$ 5,951,136.51</u>	<u>\$ _____</u>	<u>\$ 5,951,136.51</u>	<u>\$ 4,981,631.82</u>	<u>\$ (969,504.69)</u>

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2011

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS/ AMENDMENTS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FINAL TO ACTUAL</u>
Recapitulation:					
Designated for Scholarships				\$ 6,500.00	
Unassigned Fund Balance				<u>4,975,131.82</u>	
Fund Balance per Governmental Funds (GAAP)				\$ <u><u>4,981,631.82</u></u>	

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
REVENUES:					
Local education agencies	\$ 2,044,143.00	\$ 705,685.06	\$ 2,749,828.06	\$ 1,874,969.24	\$ (874,858.82)
Total Revenues	<u>2,044,143.00</u>	<u>705,685.06</u>	<u>2,749,828.06</u>	<u>1,874,969.24</u>	<u>(874,858.82)</u>
EXPENDITURES:					
Instruction:					
Salaries	888,308.00	864,221.94	1,752,529.94	938,691.83	813,838.11
Purchased Professional - Educational Services		38,340.00	38,340.00	34,311.29	4,028.71
General Supplies		16,742.07	16,742.07	16,492.07	250.00
Textbooks	<u>323,703.00</u>		<u>323,703.00</u>	<u>307,110.24</u>	<u>16,592.76</u>
Total Instruction	<u>1,212,011.00</u>	<u>919,304.01</u>	<u>2,131,315.01</u>	<u>1,296,605.43</u>	<u>834,709.58</u>
Support Services:					
Salaries	832,132.00	(581,461.44)	250,670.56	239,882.90	10,787.66
Purchased Professional - Educational Services		83,500.00	83,500.00	82,010.00	1,490.00
Other Purchased Services (400-500 Series)		26.77	26.77	26.77	
Supplies and Materials		226,779.73	226,779.73	225,843.40	936.33
Miscellaneous Expenditures		<u>57,535.99</u>	<u>57,535.99</u>	<u>30,600.74</u>	<u>26,935.25</u>
Total Support Services	<u>832,132.00</u>	<u>(213,618.95)</u>	<u>618,513.05</u>	<u>578,363.81</u>	<u>40,149.24</u>
Total Expenditures	<u>2,044,143.00</u>	<u>705,685.06</u>	<u>2,749,828.06</u>	<u>1,874,969.24</u>	<u>874,858.82</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
BUDGETARY COMPARISON SCHEDULE  
BUDGET TO GAAP RECONCILIATION  
NOTE TO RS!  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Note A - Explanation of difference between budgetary inflows and outflows and GAAP Revenues and Expenditures

	GENERAL FUND	SPECIAL REVENUE FUND
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$22,102,466.36	\$1,874,969.24
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	N/A	
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$22,102,466.36</u>	<u>\$1,874,969.24</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule.	\$23,770,173.53	\$1,874,969.24
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.	N/A	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$23,770,173.53</u>	<u>\$1,874,969.24</u>

**OTHER SUPPLEMENTARY INFORMATION**

## **SPECIAL REVENUE FUND DETAIL STATEMENTS**

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term "proceeds of specific revenue sources" establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
 SPECIAL REVENUE FUND  
 COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>IDEA PROGRAM</u>	<u>NON-PUBLIC TEXTBOOKS</u>	<u>NON-PUBLIC NURSING</u>	<u>NON-PUBLIC CH 192-193</u>	<u>LOCAL PROJECTS</u>	<u>TOTAL</u>
Revenues:						
Local Sources	\$ 460,452.76	\$ 307,110.24	\$ 271,344.34	\$ 835,811.90	\$ 250.00	\$ 1,874,969.24
Total Revenues	<u>\$ 460,452.76</u>	<u>\$ 307,110.24</u>	<u>\$ 271,344.34</u>	<u>\$ 835,811.90</u>	<u>\$ 250.00</u>	<u>\$ 1,874,969.24</u>
Expenditures:						
Instruction:						
Salaries	\$ 144,093.05			\$ 794,598.78		\$ 938,691.83
Purchased Professional - Educational Services	17,471.29			16,840.00		34,311.29
General Supplies				16,492.07		16,492.07
Textbooks		307,110.24				307,110.24
Total Instruction	<u>161,564.34</u>	<u>307,110.24</u>		<u>827,930.85</u>		<u>1,296,605.43</u>
Support Services:						
Salaries			232,322.24	7,560.66		239,882.90
Purchased Professional - Educational Services	82,010.00					82,010.00
Other Purchased Services (400-500 Series)				26.77		26.77
Supplies and Materials	201,313.67		23,986.11	293.62	250.00	225,843.40
Miscellaneous Expenditures	15,564.75		15,035.99			30,600.74
Total Support Services	<u>298,888.42</u>		<u>271,344.34</u>	<u>7,881.05</u>	<u>250.00</u>	<u>578,363.81</u>
Total Expenditures	<u>\$ 460,452.76</u>	<u>\$ 307,110.24</u>	<u>\$ 271,344.34</u>	<u>\$ 835,811.90</u>	<u>\$ 250.00</u>	<u>\$ 1,874,969.24</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)						

## **CAPITAL PROJECTS FUND DETAIL STATEMENTS**

Capital project funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital project funds exclude those types of capital related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Other financing sources (uses):	
Payment of long-term debt interest	<u>(\$34,664.75)</u>
Total other financing sources (uses)	<u>(34,664.75)</u>
Fund balance - beginning	<u>34,664.75</u>
Fund balance - ending	<u><u>                    </u></u>

## PROPRIETARY FUND DETAIL STATEMENTS

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

**Food Services Fund:** This fund provides for the operation of food services within the Commission.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
COMBINING STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS - ENTERPRISE FUNDS  
JUNE 30, 2011

	FOOD SERVICE <u>FUND</u>	<u>TOTAL</u>
ASSETS:		
Current assets:		
Interfund Receivable	\$2,390.11	\$2,390.11
Intergovernmental Receivables:		
State	36.43	36.43
Federal	2,808.66	2,808.66
	<hr/>	<hr/>
Total current assets	5,235.20	5,235.20
	<hr/>	<hr/>
Total assets	5,235.20	5,235.20
	<hr/>	<hr/>
LIABILITIES:		
Current liabilities:		
Cash overdraft	2,308.80	2,308.80
	<hr/>	<hr/>
Total current liabilities	2,308.80	2,308.80
	<hr/>	<hr/>
Total liabilities	2,308.80	2,308.80
	<hr/>	<hr/>
NET ASSETS:		
Unrestricted	2,926.40	2,926.40
	<hr/>	<hr/>
Total net assets	\$2,926.40	\$2,926.40
	<hr/> <hr/>	<hr/> <hr/>

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS - ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	FOOD SERVICE FUND	TOTAL
OPERATING REVENUES:		
Charges for services:		
Daily sales	\$1,576.10	\$1,576.10
Total operating revenues	1,576.10	1,576.10
OPERATING EXPENSES:		
Cost of sales	44,425.10	44,425.10
Total operating expenses	44,425.10	44,425.10
Operating income (loss)	(42,849.00)	(42,849.00)
NONOPERATING REVENUES (EXPENSES):		
State Sources:		
State School Lunch Program	473.66	473.66
Federal Sources:		
National School Lunch Program	24,414.22	24,414.22
National School Breakfast Program	12,998.74	12,998.74
Interest on Investments	4.55	4.55
Total nonoperating revenues	37,891.17	37,891.17
Income (loss)	(4,957.83)	(4,957.83)
Change in net assets	(4,957.83)	(4,957.83)
Total net assets - July 1, 2010	7,884.23	7,884.23
Total net assets - June 30, 2011	\$2,926.40	\$2,926.40

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
COMBINING STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS - ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>FOOD SERVICE FUND</u>	<u>TOTAL</u>
Cash flows from operating activities:		
Receipts from customers	\$1,576.10	\$1,576.10
Payments to suppliers	<u>(44,425.10)</u>	<u>(44,425.10)</u>
Net cash provided by (used for) operating activities)	<u>(42,849.00)</u>	<u>(42,849.00)</u>
Cash flows from noncapital financing activities:		
State Sources	563.37	563.37
Federal Sources	37,466.04	37,466.04
Interfund Activity	<u>10,267.90</u>	<u>10,267.90</u>
Net cash provided by noncapital financing activities:	<u>48,297.31</u>	<u>48,297.31</u>
Cash flows from investing activities:		
Interest	<u>4.55</u>	<u>4.55</u>
Net cash provided by (used for) investing activities	<u>4.55</u>	<u>4.55</u>
Net increase in cash and cash equivalents	5,452.86	5,452.86
Cash and cash equivalents, July 1, 2010	<u>(7,761.66)</u>	<u>(7,761.66)</u>
Cash and cash equivalents, June 30, 2011	<u><u>(\$2,308.80)</u></u>	<u><u>(\$2,308.80)</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	<u>(\$42,849.00)</u>	<u>(\$42,849.00)</u>
Net cash provided by (used for) operating activities	<u><u>(\$42,849.00)</u></u>	<u><u>(\$42,849.00)</u></u>

## FIDUCIARY FUND DETAIL STATEMENTS

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

**Awards Fund:** This trust fund is used to for the 'Rewards are Necessary' program awarding special needs students based upon behavior and performance.

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

**Payroll Fund:** This agency fund is used to account for the payroll transactions of the school Commission.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
TRUST AND AGENCY FUNDS  
JUNE 30, 2011

	<u>PAYROLL</u> <u>AGENCY</u>	<u>PRIVATE</u> <u>PURPOSE</u> <u>AWARD FUND</u>	<u>TOTALS</u>
ASSETS:			
Cash and cash equivalents	\$ <u>138,479.96</u>	\$ <u>8,517.32</u>	\$ <u>146,997.28</u>
Total assets	\$ <u><u>138,479.96</u></u>	\$ <u><u>8,517.32</u></u>	\$ <u><u>146,997.28</u></u>
LIABILITIES:			
Interfunds Payable	\$ 77,645.51	\$ 8,517.32	\$ 86,162.83
Payroll deductions and withholdings	<u>60,834.45</u>		<u>60,834.45</u>
Total liabilities	\$ <u><u>138,479.96</u></u>	\$ <u><u>8,517.32</u></u>	\$ <u><u>146,997.28</u></u>

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	PRIVATE PURPOSE AWARD FUND	<u>TOTAL</u>
ADDITIONS:		
Contributions:		
Board contribution	\$ <u>8,553.31</u>	\$ <u>8,553.31</u>
Total contributions	<u>8,553.31</u>	<u>8,553.31</u>
DEDUCTIONS:		
Awards	<u>8,553.31</u>	<u>8,553.31</u>
Total deductions	<u>8,553.31</u>	<u>8,553.31</u>
Change in net assets		
Net assets end of year	<u>                    </u>	<u>                    </u>
Net assets end of year	\$ <u>                    </u>	\$ <u>                    </u>

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
PAYROLL AGENCY FUNDS  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>BALANCE</u> <u>JULY 1, 2010</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2011</u>
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 143,095.03	\$ 3,749,572.46	\$ 3,754,187.53	\$ 138,479.96
Total assets	\$ <u>143,095.03</u>	\$ <u>3,749,572.46</u>	\$ <u>3,754,187.53</u>	\$ <u>138,479.96</u>
<b>LIABILITIES:</b>				
Payroll deductions and withholdings	\$ 30,712.81	\$ 3,211,942.96	\$ 3,181,821.32	\$ 60,834.45
Interfunds payable	<u>112,382.22</u>	<u>537,629.50</u>	<u>572,366.21</u>	<u>77,645.51</u>
Total liabilities	\$ <u>143,095.03</u>	\$ <u>3,749,572.46</u>	\$ <u>3,754,187.53</u>	\$ <u>138,479.96</u>

## **LONG-TERM DEBT SCHEDULES**

The long-term debt schedules are used to reflect the outstanding principal balances of the long-term liabilities of the Commission. This includes obligations under serial bonds and capital leases.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES  
AS OF JUNE 30, 2011

<u>DESCRIPTION</u>	<u>INTEREST RATE PAYABLE</u>	<u>AMOUNT OF ORIGINAL LEASE</u>	<u>AMOUNT OUTSTANDING JUNE 30, 2010</u>	<u>INCREASE</u>	<u>DECREASE</u>	<u>AMOUNT OUTSTANDING JUNE 30, 2011</u>
Copy Machine - 2008	6.32%	\$ 15,639.85	\$ 8,434.60		\$ 3,215.31	\$ 5,219.29
Buses - 2002	Various	511,959.00	77,554.69		61,686.01	15,868.68
Buses - 2003	Various	448,642.00	124,249.75		53,269.39	70,980.36
Buses - 2004	Various	860,585.00	334,045.32		96,787.75	237,257.57
Buses - 2005	Various	700,000.00	197,085.70		98,542.85	98,542.85
Buses - 2006	Various	3,088,838.85	892,231.43		337,131.03	555,100.40
Buses - 2007	3.86%	1,650,549.07	216,697.45		216,697.45	
Land, Building, and Improvement	Various	10,000,000.00	8,985,000.00		365,000.00	8,620,000.00
Buses - 2008	3.34%	380,138.75	234,625.06		75,632.54	158,992.52
Copy Machines - 2011	Various	25,072.67		19,945.37	5,460.79	14,484.58
Buses - 2011	Various	643,592.36	<u>                    </u>	<u>643,592.36</u>	<u>60,476.68</u>	<u>583,115.68</u>
			<u>\$ 11,069,924.00</u>	<u>\$ 663,537.73</u>	<u>\$ 1,373,899.80</u>	<u>\$ 10,359,561.93</u>

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**STATISTICAL SECTION (UNAUDITED)**

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SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
STATISTICAL SECTION

<u>Contents</u>	<u>Page</u>
Financial Trends:	
These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	J-1 to J-4
Revenue Capacity:	
These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	J-5
Debt Capacity:	
These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.	N/A
Demographic and Economic Information:	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	N/A
Operating Information:	
These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	J-16 to J-20

Sources

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The district implemented GASB Statement 34 in the fiscal year ending June 30, 2003; schedules presenting district-wide information include information beginning in that year.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
NET ASSETS BY COMPONENT  
UNAUDITED

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Governmental activities									
Invested in capital assets, net of related debt	\$1,894,069.30	\$1,646,814.78	\$1,027,807.56	\$503,947.98		\$277,003.08	\$562,449.84	\$697,006.65	\$617,216.58
Restricted	6,500.00	6,500.00	6,500.00	6,500.00	\$169,396.97	47,107.00	47,107.00	47,107.00	47,107.00
Unrestricted	4,678,523.12	5,638,764.27	6,169,737.32	5,919,261.01	7,475,777.99	7,432,105.42	6,229,683.22	4,637,670.67	3,087,517.89
Total governmental activities net assets	<u>\$6,579,092.42</u>	<u>\$7,292,079.05</u>	<u>\$7,204,044.88</u>	<u>\$6,429,708.99</u>	<u>\$7,645,174.96</u>	<u>\$7,756,215.50</u>	<u>\$6,839,240.06</u>	<u>\$5,381,784.32</u>	<u>\$3,751,841.47</u>
Business-type activities									
Unrestricted	\$2,926.40	\$7,884.23	\$11,186.58	\$12,554.60	\$12,554.60	\$11,940.55	\$11,856.62	\$342.34	\$774.38
Total business-type activities net assets	<u>\$2,926.40</u>	<u>\$7,884.23</u>	<u>\$11,186.58</u>	<u>\$12,554.60</u>	<u>\$12,554.60</u>	<u>\$11,940.55</u>	<u>\$11,856.62</u>	<u>\$342.34</u>	<u>\$774.38</u>
District-wide									
Invested in capital assets, net of related debt	\$1,894,069.30	\$1,646,814.78	\$1,027,807.56	\$503,947.98	\$0.00	\$277,003.08	\$562,449.84	\$697,006.65	\$617,216.58
Restricted	6,500.00	6,500.00	6,500.00	6,500.00	169,396.97	47,107.00	47,107.00	47,107.00	47,107.00
Unrestricted	4,681,449.52	5,646,648.50	6,180,923.90	5,931,815.61	7,488,332.59	7,444,045.97	6,241,539.84	4,638,013.01	3,088,292.27
Total district net assets	<u>\$6,582,018.82</u>	<u>\$7,299,963.28</u>	<u>\$7,215,231.46</u>	<u>\$6,442,263.59</u>	<u>\$7,657,729.56</u>	<u>\$7,768,156.05</u>	<u>\$6,851,096.68</u>	<u>\$5,382,126.66</u>	<u>\$3,752,615.85</u>

Source: CAFR Schedule A-1

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
CHANGES IN NET ASSETS  
UNAUDITED

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>EXPENSES</b>									
Governmental activities									
Instruction									
Special education	\$4,321,296.78	\$4,144,503.84	\$3,758,387.62	\$3,781,355.48	\$3,699,925.25	\$3,224,841.93	\$2,799,733.17	\$3,472,988.97	\$1,263,498.86
Other instruction	1,173,153.50	1,369,256.01	1,537,250.21	1,529,122.98	1,515,081.38	996,353.98	1,035,369.66	957,848.26	1,151,991.68
Support Services:									
Student & instruction related services	962,196.90	1,295,023.84	1,470,536.25	1,194,383.38	1,535,395.41	1,464,559.72	1,093,899.64	336,305.20	1,171,295.35
General administrative services	1,226,891.24	665,803.05	603,365.61	540,264.60	904,672.28	1,057,145.46	788,145.38	1,087,851.45	1,071,680.38
School administrative services	374,554.24	845,675.88	787,088.37	780,202.54	437,248.69	382,999.89	415,199.49	190,779.72	245,777.54
Central services/Admin. Info. Technology	977,258.53	1,133,797.25	856,666.20	1,117,982.43	653,297.82	453,558.60	267,244.01	235,436.36	753,138.71
Plant operations and maintenance	918,914.20	803,708.02	840,271.86	1,037,556.68	1,252,172.96	2,604,497.36	1,355,605.07	1,037,159.23	766,499.39
Student transportation services	14,561,992.19	18,101,009.47	18,373,527.29	17,536,631.14	15,528,088.27	13,553,163.38	12,712,845.71	11,302,790.41	10,198,224.40
Interest on long-term debt			140,869.14	182,221.86					
Unallocated depreciation	174,164.65	181,869.11	173,616.68	173,583.66	103,664.96	13,055.42	13,055.42	12,305.42	12,305.42
Total governmental activities expenses	<u>24,690,422.22</u>	<u>\$28,540,646.47</u>	<u>\$28,541,579.23</u>	<u>\$27,873,304.75</u>	<u>25,629,547.02</u>	<u>23,750,175.74</u>	<u>20,481,097.55</u>	<u>18,633,465.02</u>	<u>16,634,411.73</u>
Business-type activities:									
Food Service	44,425.10	47,268.73	46,811.65	36,917.35	33,944.15	37,996.25	34,760.00	23,534.20	11,666.40
Total business-type activities expense	<u>44,425.10</u>	<u>47,268.73</u>	<u>46,811.65</u>	<u>36,917.35</u>	<u>33,944.15</u>	<u>37,996.25</u>	<u>34,760.00</u>	<u>23,534.20</u>	<u>11,666.40</u>
Total district expenses	<u>\$24,734,847.32</u>	<u>\$28,587,915.20</u>	<u>\$28,588,390.88</u>	<u>\$27,910,222.10</u>	<u>\$25,663,491.17</u>	<u>\$23,788,171.99</u>	<u>\$20,515,857.55</u>	<u>\$18,656,999.22</u>	<u>\$16,646,078.13</u>
<b>PROGRAM REVENUES</b>									
Governmental activities:									
Charges for services	\$15,657,725.20	\$19,247,849.18	\$19,900,723.93	\$17,511,906.91	\$15,781,795.01	\$14,680,422.55	\$12,759,252.99	\$12,127,849.85	\$11,043,121.29
Operating grants and contributions	2,410,542.54	2,530,017.27	2,690,066.45	3,002,619.19	2,904,056.22	2,766,278.41	2,576,714.25	2,445,348.30	2,010,825.28
Total governmental activities program revenues	<u>18,068,267.73</u>	<u>21,777,866.45</u>	<u>22,590,790.38</u>	<u>20,514,526.10</u>	<u>18,685,851.23</u>	<u>17,446,700.96</u>	<u>15,335,967.24</u>	<u>14,573,198.15</u>	<u>13,053,946.57</u>
Business-type activities:									
Charges for services									
Food Service	1,576.10	2,116.35	4,441.40	3,535.75	4,419.20	5,805.15	3,766.45	3,521.90	1,916.01
Operating grants and contributions	37,886.62	41,850.03	41,002.23	30,714.78	27,139.00	28,605.76	27,892.71	19,568.47	9,344.52
Total business type activities program revenues	<u>39,462.72</u>	<u>43,966.38</u>	<u>45,443.63</u>	<u>34,250.53</u>	<u>31,558.20</u>	<u>34,410.91</u>	<u>31,659.16</u>	<u>23,090.37</u>	<u>11,260.53</u>
Total district program revenues	<u>\$18,107,730.45</u>	<u>\$21,821,832.83</u>	<u>\$22,636,234.01</u>	<u>\$20,548,776.63</u>	<u>\$18,717,409.43</u>	<u>\$17,481,111.87</u>	<u>\$15,367,626.40</u>	<u>\$14,596,288.52</u>	<u>\$13,065,207.10</u>
<b>NET (EXPENSE)/REVENUE</b>									
Governmental activities	(\$6,622,154.49)	(\$6,762,780.02)	(\$5,950,788.85)	(\$7,358,778.65)	(\$6,943,695.79)	(\$6,303,474.78)	(\$5,145,130.31)	(\$4,060,266.87)	(\$3,580,465.16)
Business-type activities	(4,962.38)	(3,302.35)	(1,368.02)	(2,666.82)	(2,385.95)	(3,585.34)	(3,100.84)	(443.83)	(405.87)
Total district-wide net expense	<u>(\$6,627,116.87)</u>	<u>(\$6,766,082.37)</u>	<u>(\$5,952,156.87)</u>	<u>(\$7,361,445.47)</u>	<u>(\$6,946,081.74)</u>	<u>(\$6,307,060.12)</u>	<u>(\$5,148,231.15)</u>	<u>(\$4,060,710.70)</u>	<u>(\$3,580,871.03)</u>

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
CHANGES IN NET ASSETS  
UNAUDITED

	2011	2010	2009	2008	2007	2006	2005	2004	2003
<u>GENERAL REVENUES AND OTHER CHANGES</u>									
<u>IN NET ASSETS</u>									
Governmental activities:									
Tuition	\$5,627,123.04	\$6,378,474.67	\$6,538,534.51	\$5,849,973.59	\$6,351,572.31	\$6,914,833.52	\$6,380,101.70	\$5,608,874.47	\$4,613,228.66
Transfers				(2,666.82)	(3,000.00)	(3,669.27)	(14,611.00)		
Miscellaneous income	282,044.82	302,544.42	186,590.21	296,005.91	484,082.94	291,575.33	237,095.35	81,335.25	147,045.63
Disposal of capital assets		(18,319.92)							
Total governmental activities	<u>5,909,167.86</u>	<u>6,662,699.17</u>	<u>6,725,124.72</u>	<u>6,143,312.68</u>	<u>6,832,655.25</u>	<u>7,202,739.58</u>	<u>6,602,586.05</u>	<u>5,690,209.72</u>	<u>4,760,274.29</u>
Business-type activities:									
Transfers in (out)				2,666.82	3,000.00	3,669.27	14,611.00		
Miscellaneous Income	4.55						4.11	11.79	
Total business-type activities	<u>4.55</u>			<u>2,666.82</u>	<u>3,000.00</u>	<u>3,669.27</u>	<u>14,615.11</u>	<u>11.79</u>	
Total district-wide	<u>\$5,909,172.41</u>	<u>\$6,662,699.17</u>	<u>\$6,725,124.72</u>	<u>\$6,145,979.50</u>	<u>\$6,835,655.25</u>	<u>\$7,206,408.85</u>	<u>\$6,617,201.16</u>	<u>\$5,690,221.51</u>	<u>\$4,760,274.29</u>
<u>CHANGE IN NET ASSETS</u>									
Governmental activities	(\$712,986.63)	(\$100,080.85)	\$774,335.87	(\$1,215,465.97)	(\$111,040.54)	\$899,264.80	\$1,457,455.74	\$1,629,942.85	\$1,179,809.13
Business-type activities	(4,957.83)	(3,302.35)	(1,368.02)	-	614.05	83.93	11,514.27	(432.04)	(405.87)
Total district	<u>(\$717,944.46)</u>	<u>(\$103,383.20)</u>	<u>\$772,967.85</u>	<u>(\$1,215,465.97)</u>	<u>(\$110,426.49)</u>	<u>\$899,348.73</u>	<u>\$1,468,970.01</u>	<u>\$1,629,510.81</u>	<u>\$1,179,403.26</u>

Source: CAFR Schedule A-2

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
 FUND BALANCES - GOVERNMENTAL FUNDS  
 UNAUDITED

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General Fund									
Assigned	\$6,500.00								
Unassigned	4,975,131.82								
Reserved		\$6,500.00	\$6,500.00	\$6,500.00	\$6,500.00	\$85,868.57	\$47,107.00	\$47,107.00	\$47,107.00
Unreserved		6,365,352.52	6,365,352.52	6,150,796.08	7,645,273.93	7,544,288.81	6,325,564.09	4,700,993.67	3,125,106.67
Total general fund	<u>\$4,981,631.82</u>	<u>\$6,371,852.52</u>	<u>\$6,371,852.52</u>	<u>\$6,157,296.08</u>	<u>\$7,651,773.93</u>	<u>\$7,629,957.38</u>	<u>\$6,372,671.09</u>	<u>\$4,748,100.67</u>	<u>\$3,172,213.67</u>
All Other Governmental Funds									
Reserved					\$2,535,333.43				
Unreserved, reported in:									
Special revenue fund									
Capital projects fund		\$223,588.07	\$223,588.07	\$223,588.07	607,048.82				
Debt service fund									
Total all other governmental funds		<u>\$223,588.07</u>	<u>\$223,588.07</u>	<u>\$223,588.07</u>	<u>\$3,142,382.25</u>				

Source: CAFR Schedule B-1

**SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**UNAUDITED**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Revenues</b>									
Tax levy									
Tuition charges	\$5,627,123.04	\$6,378,474.67	\$6,538,534.51	\$5,849,973.59	\$6,351,572.31	\$6,914,833.52	\$6,380,101.70	\$5,608,874.47	\$4,613,228.66
Transportation fees from other LEA's	15,657,725.20	19,247,849.18	19,900,723.93	17,511,906.91	15,781,795.01	14,680,422.55	12,759,252.99	12,127,849.85	11,043,121.29
Local educational agency fees	1,874,969.24	2,032,267.63	2,205,910.30	2,482,994.06	2,390,988.76	2,482,923.48	2,339,797.80	2,228,235.28	1,839,572.05
Miscellaneous	282,044.82	302,544.42	186,876.13	297,488.41	484,372.94	291,575.33	237,095.35	81,335.25	147,045.63
State sources	535,573.30	497,749.63	483,870.24	518,142.63	512,777.46	283,354.93	236,916.45	217,113.02	171,253.22
Total revenue	<u>23,977,435.60</u>	<u>28,458,885.53</u>	<u>29,315,915.11</u>	<u>26,660,505.60</u>	<u>25,521,506.48</u>	<u>24,653,109.81</u>	<u>21,953,164.29</u>	<u>20,263,407.87</u>	<u>17,814,220.85</u>
<b>Expenditures</b>									
<b>Instruction</b>									
Special education instruction	3,413,611.66	3,263,238.39	2,868,663.85	3,068,108.75	3,092,504.78	2,827,060.72	2,464,611.88	3,141,501.61	1,263,498.86
Other instruction	657,096.74	967,036.21	1,090,531.39	1,037,737.31	1,066,726.95	669,086.75	902,469.75	719,914.22	1,151,991.67
<b>Support Services:</b>									
Student & instruction related services	648,684.95	1,205,048.71	1,341,123.26	1,067,715.84	1,195,405.05	1,295,074.96	967,742.26	274,459.47	1,171,295.35
General administrative services	982,729.03	573,257.79	518,231.12	460,105.67	735,924.01	937,819.64	690,178.84	915,871.55	828,788.23
School Administrative services	281,194.73	642,021.62	565,682.16	580,670.52	384,238.95	334,079.71	367,579.35	144,265.16	260,652.18
Central services/Administration Information Technology	827,282.83	913,150.65	781,489.63	980,880.29	530,758.24	402,944.54	236,604.17	187,905.91	591,884.57
Plant operations and maintenance	917,815.90	804,368.57	842,544.41	1,031,244.21	1,253,562.34	1,757,379.68	1,199,163.88	990,644.67	766,499.69
Student transportation services	13,184,195.24	16,910,357.07	17,391,414.51	16,499,752.51	14,542,936.26	12,279,526.03	11,121,692.58	10,779,840.66	10,309,545.76
Unallocated employee benefits	3,303,993.96	3,435,045.85	3,366,678.34	3,101,101.53	2,694,633.35	2,689,182.22	2,348,940.16	1,533,117.62	409,930.57
Capital outlay	1,028,537.73	355,000.00	335,000.00	3,639,572.78	10,166,812.82	1,430,192.85	889,088.00	869,275.00	448,642.00
Total expenditures	<u>25,645,142.77</u>	<u>29,068,524.86</u>	<u>29,101,358.67</u>	<u>31,466,889.41</u>	<u>35,663,502.75</u>	<u>24,822,347.10</u>	<u>21,188,070.87</u>	<u>19,556,795.87</u>	<u>17,202,728.88</u>
Excess (Deficiency) of revenues over (under) expenditures	(1,667,707.17)	(609,639.33)	214,556.44	(4,806,383.81)	(10,141,996.27)	(169,237.29)	765,093.42	706,612.00	611,491.97
<b>Other Financing sources (uses)</b>									
Lease proceeds (non-budgeted)	663,537.73			395,778.60	13,309,195.07	1,430,192.85	874,088.00	869,275.00	448,642.00
Transfers in (out)				(2,666.82)	(3,000.00)	(3,669.27)	(14,611.00)		
Total other financing sources (uses)	<u>663,537.73</u>			<u>393,111.78</u>	<u>13,306,195.07</u>	<u>1,426,523.58</u>	<u>859,477.00</u>	<u>869,275.00</u>	<u>448,642.00</u>
Net change in fund balances	<u>(\$1,004,169.44)</u>	<u>(\$609,639.33)</u>	<u>\$214,556.44</u>	<u>(\$4,413,272.03)</u>	<u>\$3,164,198.80</u>	<u>\$1,257,286.29</u>	<u>\$1,624,570.42</u>	<u>\$1,575,867.00</u>	<u>\$1,060,133.97</u>

Source: CAFR Schedule B-2

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE  
UNAUDITED

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Local Agency</u> <u>Fees</u>	<u>Transportation</u> <u>Fees</u>	<u>Tuition</u>	<u>Miscellaneous</u>	<u>Total</u>
2011	\$1,874,969.24	\$15,657,725.20	\$5,627,123.04	\$282,044.82	\$23,441,862.30
2010	2,032,267.63	19,247,849.18	6,378,474.67	302,544.42	27,961,135.90
2009	2,205,910.30	19,900,723.93	6,538,534.51	186,876.13	28,832,044.87
2008	2,482,994.06	17,511,906.91	5,849,973.59	297,488.41	26,142,362.97
2007	2,390,988.76	15,781,795.01	6,351,572.31	484,372.94	25,008,729.02
2006	2,482,923.48	14,680,422.55	6,914,833.52	291,575.33	24,369,754.88
2005	2,339,797.80	12,759,252.99	6,380,101.70	237,095.35	21,716,247.84
2004	2,228,235.28	12,127,849.85	5,608,874.47	81,335.25	20,046,294.85
2003	1,839,572.05	11,043,121.29	4,613,228.66	147,045.63	17,642,967.63
2002	1,790,089.00	11,236,834.00	3,440,508.00	65,304.00	16,532,735.00

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Source: District Records

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM  
UNAUDITED

Function/Program	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Instruction:							
Regular and Special Education	52	61	68	77	75	75	72
Support Services:							
Student & instruction related services	41	51	56	58	89	89	94
General administrative services	3	3	3	3	4	4	4
School administrative services	3	3	3	3	2	2	2
Central services	7	7	7	7	7	7	7
Plant operations and maintenance	1	3	3	3	4	5	6
Student transportation	142	166	178	186	164	149	133
Total	<u>249</u>	<u>294</u>	<u>318</u>	<u>337</u>	<u>345</u>	<u>331</u>	<u>318</u>

Source: District Personnel Records

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
OPERATING STATISTICS  
UNAUDITED

<u>Fiscal Year</u>	<u>Enrollment (d)</u>	<u>Operating Expenditures (a)</u>	<u>Cost Per Pupil</u>	<u>% Change</u>	<u>Teaching Staff (b)</u>	<u>Teacher/Pupil Ratio</u>	<u>Average Daily Enrollment (c)</u>	<u>Average Daily Attendance (c)</u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2011	142	\$ 24,616,605.04	\$ 173,356.37	3.24%	52	1/2	152	111	-16.94%	73.03%
2010	171	28,713,524.86	167,915.35	-0.18%	61	1/2	183	137	1.10%	74.86%
2009	171	28,766,358.67	168,224.32	-0.86%	68	1/2	181	146	2.26%	80.66%
2008	164	27,827,316.63	169,678.76	66.37%	77	1/2	177	140	-25.63%	79.10%
2007	250	25,496,689.93	101,986.76	6.82%	75	1/3	238	190	-0.83%	79.83%
2006	245	23,392,154.25	95,478.18	1.13%	75	1/3	240	193	4.35%	80.42%
2005	215	20,298,982.87	94,413.87	-1.48%	72	1/3	230	187	8.49%	81.30%
2004	195	18,687,520.87	95,833.44	0.10%	70	1/3	212	170	29.27%	80.19%
2003	175	16,754,086.88	95,737.64	-3.95%	51	1/3	164	128	23.31%	78.05%
2002	159	15,848,888.00	99,678.54	--	49	1/3	133	104	---	78.20%

Sources: District records

Note: Enrollment based on annual October district count.

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

(b) Teaching staff includes only full-time equivalents of certificated staff.

(c) Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

(d) Enrollment obtained from fall survey system report.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
SCHOOL BUILDING INFORMATION  
UNAUDITED

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<u>District Buildings</u>										
Somerset County Educational Services Commission										
Elementary/Secondary										
Square Feet	38,000	38,000	38,000	38,000	38,000	38,000	38,000	38,000	38,000	38,000
Capacity (students - full time)	275	275	275	275	275	275	275	275	275	275
Enrollment *	89	96	98	93	118	118	115	110	110	105
Alternative High School										
Square Feet	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Capacity (students - full time)	225	225	225	225	225	225	225	225	225	225
Enrollment *	62	78	79	82	116	116	110	112	110	105

\* full and part-time students

Number of Schools at June 30, 2011  
 Elementary/Secondary School = 1  
 Alternative High School = 1

Source: District records

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

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
INSURANCE SCHEDULE  
JUNE 30, 2011  
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
New Jersey School Boards Association Insurance Group (NJSBAIG)		
Educational Risk Insurance Consortium - North:		
School Buildings and Contents		
Blanket real and personal property	\$300,000,000.00	\$5,000.00
Valuable papers and records	10,000,000.00	
Extra expense	50,000,000.00	
Comprehensive General Liability Insurance:		
Bodily injury and property damage - single limit	16,000,000.00	
Employee benefit liability per claim	16,000,000.00	
Electronic Data Processing:		
Blanket hardware/software	75,000.00	1,000.00
Equipment breakdown	100,000,000.00	1,000.00
Automobile Insurance:		
Bodily injury and property damage	16,000,000.00	
Uninsured/underinsured motorist	1,000,000.00	
Public Officials Bond:		
Business administrator/board secretary	300,000.00	1,000.00
Public Employee Dishonesty/Forgery or Alteration	500,000.00	1,000.00

Source: District records.

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**SINGLE AUDIT SECTION**



# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

EXHIBIT "K-1"

308 East Broad Street, Westfield, New Jersey 07090-2122

Telephone 908-789-9300

Fax 908-789-8535

E-mail [info@scnco.com](mailto:info@scnco.com)

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

Honorable President and Members  
of the Board of Directors  
Somerset County Educational Services Commission  
County of Somerset  
Raritan, New Jersey 08869

We have audited the basic financial statements of the Somerset County Educational Services Commission, County of Somerset, New Jersey as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated February 2, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

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

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

# SUPLEE, CLOONEY & COMPANY

Our consideration of the internal control over financial reporting was limited for the purposes described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However we noted immaterial matters involving the internal control over financial reporting that we have reported to the Representative Assembly/Board of Directors of the Somerset County Educational Services Commission in a separate Auditor's Management Report on Administrative Findings – Financial and Compliance dated February 2, 2012.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Somerset County Educational Services Commission's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However we noted other matters involving compliance that we have reported to the Representative Assembly/Board of Directors of the Somerset County Educational Services Commission in a separate Auditor's Management Report on Administrative Findings – Financial and Compliance dated February 2, 2012.

This report is intended solely for the information and use of management of the Somerset County Educational Services Commission, the New Jersey State Department of Education and federal and state audit awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

  
CERTIFIED PUBLIC ACCOUNTANTS

  
PUBLIC SCHOOL ACCOUNTANT NO. 93

February 2, 2012

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE AT JUNE 30, 2010	CARRYOVER AMOUNT	CASH RECEIPTS	BUDGETARY EXPENDITURES	BALANCE AT JUNE 30, 2011		
									(ACCOUNTS RECEIVABLE)	DEFERRED REVENUE	DUE TO GRANTOR
Enterprise Funds											
U.S. Department of Agriculture											
Passed-Through State Department of Education											
National School Lunch Program	10 555	N/A	7/1/09 - 6/30/10	\$28,184.31	\$ (1,966.12)	\$	\$ 1,966.12	\$	\$	\$	
National School Lunch Program	10 555	N/A	7/1/10 - 6/30/11	24,414.22			22,686.94	(24,414.22)	(1,727.28)		
National School Breakfast Program	10 553	N/A	7/1/09 - 6/30/10	11,900.10	(895.62)		895.62				
National School Breakfast Program	10 553	N/A	7/1/10 - 6/30/11	12,998.74			11,917.36	(12,998.74)	(1,081.38)		
Total U.S. Department of Agriculture					(1,928.28)		37,466.04	(37,412.96)	(2,808.66)		
Total Expenditures of Federal Awards					\$ (1,928.28)	\$	\$ 37,466.04	\$ (37,412.96)	\$ (2,808.66)	\$	

See accompanying notes to schedules of expenditures of awards and financial assistance.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

STATE GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE AT JUNE 30, 2010	CARRYOVER AMOUNT	CASH RECEIPTS	BUDGETARY EXPENDITURES	ADJUSTMENT/ REPAYMENT OF PRIOR YEAR'S BALANCES	BALANCE AT JUNE 30, 2011			MEMO BUDGETARY RECEIVABLE	MEMO CUMULATIVE TOTAL EXPENDITURES
									(ACCOUNTS RECEIVABLE)	DEFERRED REVENUE	DUE TO GRANTOR		
State Department of Education													
General Funds:													
Reimbursed TPAF social security contributions	10-495-034-5095-002	7/1/09 - 6/30/10	\$269,365.63	\$ (27,208.63)	\$	\$ 27,208.63	\$	\$	\$	\$	\$	\$	\$
Reimbursed TPAF social security contributions	11-495-034-5095-002	7/1/10 - 6/30/11	280,270.30			267,415.84	(280,270.30)		(12,854.46)				(280,270.30)
Total General Funds				(27,208.63)		294,624.47	(280,270.30)		(12,854.46)				(280,270.30)
Special Revenue Fund:													
Passed-through State Department of Education:													
Passed Through Local Agencies:													
Character Education	06-495-034-5120-053	7/1/05 - 6/30/06	4,000.00	2,660.82				(2,660.82)					
Total Special Revenue Fund				2,660.82				(2,660.82)					
Enterprise Fund:													
State School Lunch Program	10-100-010-3360-067	7/1/09 - 6/30/10	1,073.82	(74.34)		74.34							
State School Lunch Program	11-100-010-3360-067	7/1/10 - 6/30/11	473.66			437.23	(473.66)		(36.43)				(473.66)
State School Breakfast Program	10-100-010-3360-096	7/1/09 - 6/30/10	691.80	(51.80)		51.80							
Total Enterprise Fund				(126.14)		563.37	(473.66)		(36.43)				(473.66)
Total State Financial Assistance Subject to Single Audit				(24,673.95)		295,187.84	(280,743.96)	(2,660.82)	(12,890.89)				(280,743.96)
General Fund:													
On-Behalf TPAF Non Contributory Insurance	11-495-034-5095-007	7/1/10 - 6/30/11	11,479.00			11,479.00	(11,479.00)						(11,479.00)
On-Behalf TPAF Post-Retirement Medical Benefits	11-495-034-5095-001	7/1/10 - 6/30/11	243,824.00			243,824.00	(243,824.00)						(243,824.00)
Total State Financial Assistance				(24,673.95)		550,490.84	(536,046.96)	(2,660.82)	(12,890.89)				(536,046.96)

See accompanying notes to schedules of expenditures of awards and financial assistance.

**Somerset County Educational Services Commission**  
**Notes to the Schedules of Expenditures of Federal Awards**  
**and State Financial Assistance**  
**Year Ended June 30, 2011**

**NOTE 1: GENERAL**

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

**NOTE 2: BASIS OF ACCOUNTING**

The accompanying schedules of expenditures of awards and federal awards and state financial assistance are presented on the budgetary basis of accounting with the exceptions of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 of the Commission's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

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

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

**Somerset County Educational Services Commission**  
**Notes to the Schedules of Expenditures of Federal Awards**  
**and State Financial Assistance**  
**Year Ended June 30, 2011**

**NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

There is no net adjustment to reconcile from the budgetary basis to the GAAP basis. Federal awards, state financial assistance and local revenues are reported in the Commission's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Total</u>
General Fund		\$535,573.30		\$535,573.30
Special Revenue Fund			\$1,874,969.24	1,874,969.24
Food Service Fund	<u>\$37,412.96</u>	<u>473.66</u>		<u>37,886.62</u>
Total Awards & Financial Assistance	<u><u>\$37,412.96</u></u>	<u><u>\$536,046.96</u></u>	<u><u>\$1,874,969.24</u></u>	<u><u>\$2,448,429.16</u></u>

**NOTE 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

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

**NOTE 5: OTHER**

The amount reported as TPAF non-contributory insurance and post-retirement medical benefits represents the amount paid by the state on behalf of the commission for the year ended June 30, 2011. TPAF Social Security contributions represent the amount reimbursed by the state for the employer's share of Social Security contributions for TPAF members for the year ended June 30, 2011.

**NOTE 6: ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT**

On-behalf State Programs for TPAF Pension and Post-Retirement Medical Benefits Contributions are not subject to a state single audit, and therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of state financial assistance reported in the Commission's basic financial statements and the amounts subject to state single audit and major program determination

**Somerset County Educational Services Commission**  
**Schedule of Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2011**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

- |     |                                                                                            |             |
|-----|--------------------------------------------------------------------------------------------|-------------|
| (1) | Type of Auditor’s Report Issued:                                                           | Unqualified |
| (2) | Internal Control Over Financial Reporting:                                                 |             |
|     | (a) Material weakness identified?                                                          | No          |
|     | (b) Significant deficiencies identified that are not considered to be material weaknesses? | No          |
| (3) | Noncompliance material to basic financial statements noted?                                | No          |

**Federal Program(s)** – Not Applicable

**State Program(s)** – Not Applicable

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

**Internal Control Findings**

None Reported

**Compliance Findings**

None Reported

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

Federal Programs – None Reported

State Programs – None Reported

**Somerset County Educational Services Commission**

**Schedule of Prior Year Audit Findings**

Not Applicable



