

**Comprehensive Annual  
Financial Report**

of the

**Union County Educational Services Commission**

**County of Union**

**Westfield, New Jersey**

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

**Prepared by**

**Union County Educational Services Commission  
Business Office**



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**INTRODUCTORY SECTION**



Building Partnerships for Tomorrow

45 Cardinal Drive  
Westfield, New Jersey 07090  
Phone: 908-233-9317  
Fax: 908-233-7432  
Transportation Fax: 908-518-1669

**William N. Presutti**  
Superintendent  
wpresutti@ucesc.org

**Robert A. Behot, Ed.D.**  
Business Administrator/  
Board Secretary  
rbehot@ucesc.org

**William C. Schaarschmidt**  
Transportation Coordinator  
wschaarschmidt@ucesc.org

November 28, 2011

Honorable President and  
Members of the Board of Directors  
Union County Educational Services Commission  
45 Cardinal Drive  
Westfield, NJ 07090

Dear Board Members:

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

The Commission continues to work with member districts to expand services. During FY 2011, the Commission worked collaboratively with a local school district to establish an after school program for students with disabilities that is scheduled to begin in September, 2011. In addition, Commission staff has worked closely with member districts to expand contracted services as needed. The Commission continues to work with member districts to meet their diverse needs

Due to significant school aide cuts to local districts, the start of the 2010-2011 school year posed many challenges, particularly for the Commission's schools and nonpublic division. However, as spring arrived, referrals to our schools increased and anticipated enrollment for the Extended School Year program was much larger than expected. In order to keep the programs on sound fiscal footing, a number of staff was downsized including the reduction of one administrator and one central office secretary. In our nonpublic division, full-time staff that retired/resigned were replaced with part-time staff and the number of minutes students received services each week had to be reduced in order to respond to a 15% reduction in 192/193 service allotments.

*The mission of Union County Educational Services Commission is to build partnerships  
and provide innovative educational solutions that support school districts and benefit all 21st century learners.*

**Union County Educational Services Commission**  
**www.ucesc.org**

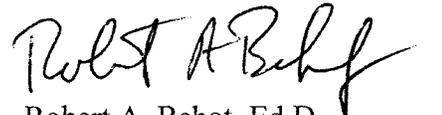
The Educational Council works collaboratively on established objectives throughout the school year. Though different in their focus, each objective is centered on improving student learning. As the Union County Educational Services Commission enters into its 43rd year of service to children, it is important to be a dynamic organization, willing to make the changes needed to insure student success in the world that awaits them. The Educational Council meets this goal.

We would like to express our appreciation to the members of the UCESC Board of Directors and Representative Assembly for their concern in providing fiscal accountability to the members of the UCESC and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our business office staff.

Respectfully submitted,



William N. Presutti  
Superintendent



Robert A. Behot, Ed.D.  
Business Administrator/Bd. Sec.

**UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
ROSTER OF OFFICIALS  
JUNE 30, 2011**

<b><u>Members of the Representative Assembly</u></b>	<b><u>District</u></b>	<b><u>Term Expires</u></b>
Ms. Helen E. Kirsch, President*	Berkeley Heights	6/2012
Ms. Maureen Byrne, Vice President*	Winfield	6/2012
Mrs. Camille Widdows, Executive Committee*	Cranford	6/2012
Ms. Lorraine J. Aklonis*	Clark	6/2012
Ms. Elcy Castillo-Ospina*	Elizabeth	6/2012
Ms. Linda Koenig*	Garwood	6/2012
Ms. Nathalie Yafet*	Hillside	6/2012
Mr. Gerard Laudati*	Kenilworth	6/2012
Ms. Lisa Orman*	Linden	6/2012
Mrs. Cathy Jakositz	Mountainside	6/2012
Mr. David Hasenkopf	New Providence	6/2012
Ms. Brenda L. Gilbert	Plainfield	6/2012
Ms. Deborah Bridges	Rahway	6/2012
Ms. Celeste M. Sitarski	Roselle	6/2012
Mr. Alexander J. Balaban	Roselle Park	6/2012
Mr. Trip Whitehouse*	Scotch Plains/Fanwood	6/2012
Mr. Steven Friedman*	Springfield	6/2012
Mr. Edgar Mokuvos*	Summit	6/2012
Mr. David Aarminio*	Union	6/2012
Ms. Ginny Leiz*	Westfield	6/2012
Alternate to Executive Committee		

**Other Officials**

Mr. William N. Presutti, Superintendent  
 Dr. Robert A. Behot, Board Secretary/Business Administrator  
 Linda Ganz Ott, Attorney

\*Denotes Board of Directors

**UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
CONSULTANTS AND ADVISORS  
JUNE 30, 2011**

**Audit Firm**

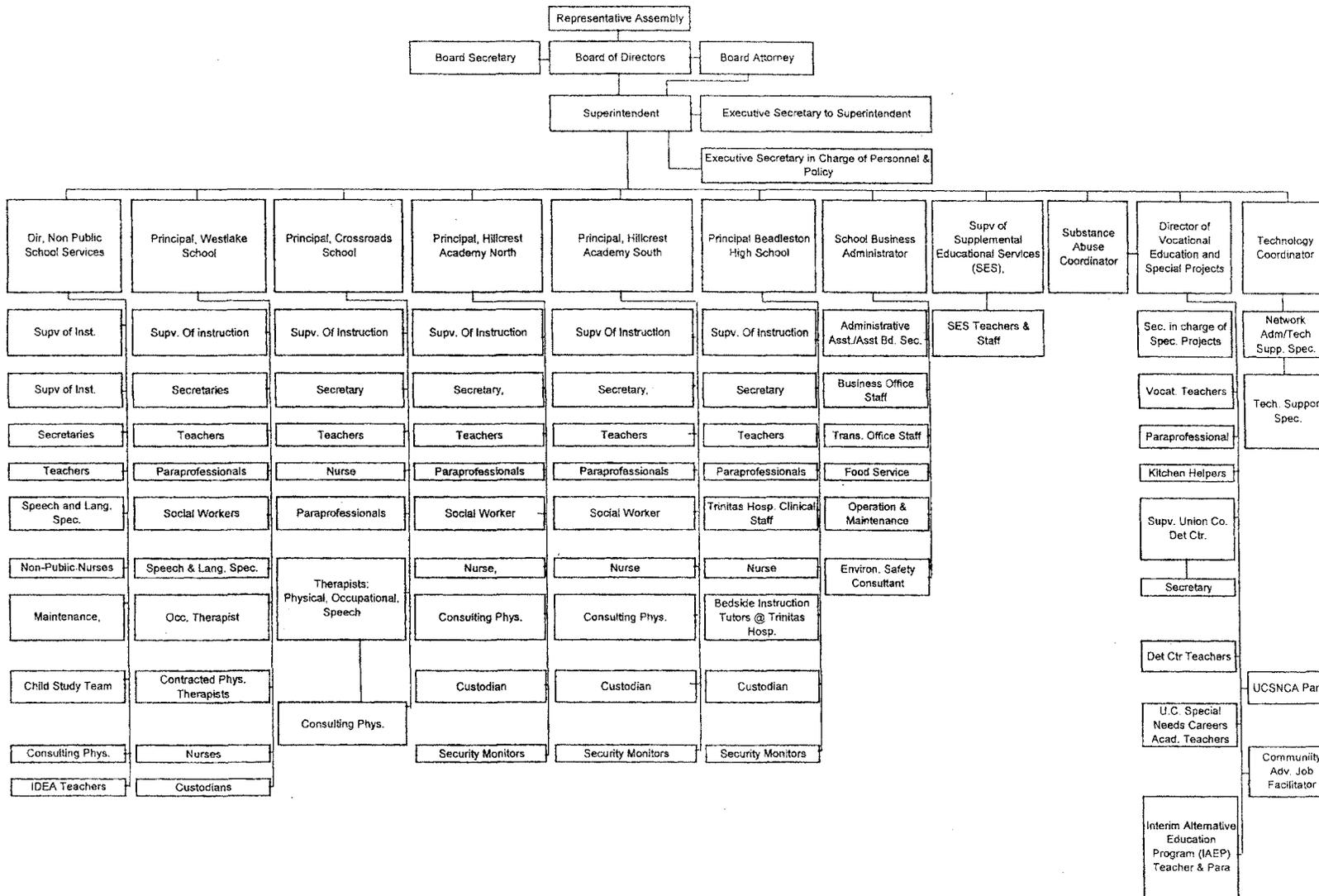
Suplee, Clooney & Company  
Certified Public Accountants  
308 East Broad Street  
Westfield, New Jersey 07090-2122

**Attorney**

Linda Ganz Ott  
Apruzzese, McDermott, Mastro and Murphy  
Somerset Hills Corporate Center  
25 Independence Boulevard  
Warren, New Jersey 07059

**Official Depository**

The Provident Bank  
206 South Avenue  
Fanwood, New Jersey 07023



**FINANCIAL SECTION**



# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

Telephone 908-789-9300

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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  
Union County Educational Services Commission  
County of Union  
Westfield, New Jersey 07090

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 Union County Educational Services Commission, County of Union, 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, State of New Jersey, the provisions of U. S. Office of Management and Budget (OMB) Circular A-133 "Audits of State, Local Governments and Non-Profit Organizations" and State of New Jersey OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." Those standards and provisions 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 opinions.

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 Union County Educational Services Commission, County of Union, 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 November 23, 2011 on our consideration of the Union 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 Union 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 New Jersey OMB's Circular 04-04 "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid" and State of New Jersey, Department of Education, Division of Finance and are not a required part of the basic financial statements of the Union County Educational Services Commission, County of Union, 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

  
PUBLIC SCHOOL ACCOUNTANT NO. 948

November 23, 2011

**REQUIRED SUPPLEMENTARY INFORMATION – Part I**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
WESTFIELD, NEW JERSEY**

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

The Management's Discussion and Analysis of the Union County Educational Services Commission (the "Commission") 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 is to look at the Commission's financial performance as a whole; therefore readers should also review the transmittal letter at the front of this report, along with the Commission's financial statements and notes to the financial statements to enhance their understanding of the Commission's financial performance.

The Management's Discussion and Analysis (MD&A) is a new element of the Required Supplementary Information (RSI) specified in the Governmental Accounting Standards Board's (GASB) Statement Number 34, Basic Financial Statements and Management's Discussion and Analysis of State and Local Governments issued in June 1999.

**Financial Highlights**

- Revenue from governmental activities accounted for \$ 43,458,621 or 99 percent of total Commission revenue. The other 1 percent of revenue was generated by the business type activities.
- Total assets of governmental activities decreased by \$801,987 as cash and cash equivalents decreased \$1,077,393.05, receivables decreased \$199,231, capital assets decreased by \$194,0382 and deferred bond issuance costs decreased by \$29,107.
- Total net assets of the governmental activities of the Commission decreased by \$787,815.
- Governmental fund revenues and other financing sources were exceeded by expenditures and other financing uses by \$881,490.

**Overview of the Financial Statements**

This Comprehensive Annual Financial Report ("CAFR") consists of three parts: Management's Discussion and Analysis (this section), The Basic Financial Statements, and Required Supplementary Information. The Basic Financial Statements include two kinds of statements that present different views of the Commission, Commission-wide Financial Statements and Fund Financial Statements.

- Commission-wide Financial Statements provide both short-term and long-term information about the Commission's overall financial status.
- Fund Financial Statements report the Commission's operations in more detail than the Commission-wide statements on individual parts of the Commission, the Governmental Funds, Proprietary Funds and Fiduciary Funds.

**UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
WESTFIELD, NEW JERSEY**

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

- Governmental Funds Statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- Proprietary Funds Statements offer short and long-term financial information about the activities the Commission operates like a business, which include food services.
- Fiduciary Funds Statements provide information about the financial relationships in which the Commission acts solely as a trustee or agent for the benefit of others.

The notes to financial statements are also included, which are an integral part of the financial statements. The information in the notes provides detailed data on the Commission's financial operations.

Required supplementary information further explains and supports the financial statements with a comparison of the Commission's budget for the year. Exhibit A-1 reflects how the various parts of this annual report are arranged and related to one another.

**Commission-wide Financial Statements**

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

The Commission-wide Financial Statements report the Commission's net assets and how they have changed. Net assets, the difference between the Commission's assets and liabilities, is one way to measure the Commission's financial health or position. Over time, increases or decreases in the Commission's net assets are an indicator of whether its financial position has improved or diminished. The causes of this change may be a result of many factors, some financial and some not. Non-financial factors include current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the Commission-wide Financial Statements, the Commission's activities are divided into two categories, governmental and business-type activities.

- Governmental activities - All of the Commission's programs and services are reported here including, but not limited to regular and special education instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- Business-type activities - These services are 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 it provided. The food service activities are reported as business activities.

**UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
WESTFIELD, NEW JERSEY**

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

**Fund Financial Statements**

The fund financial statements provide more detailed information about the Commission's funds, focusing on major funds. Funds are accounting devices the Commission uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law and by bond covenants. The Commission establishes other funds to control and manage money for particular purposes (i.e. long-term debt) or to show that it is properly using certain restricted revenues (i.e. entitlement grants).

The Commission maintains three financial funds:

- **Governmental Funds:** The Commission's activities reported in governmental funds focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting that measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Commission's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the government-wide Statement of Net Assets and Statement of Activities) and governmental funds statements is reconciled in the financial statements.
- **Proprietary Funds:** Services for which the Commission charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Commission-wide financial statements. The Commission's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flow.
- **Fiduciary Funds:** The Commission is the trustee, or fiduciary, for assets that belong to others, such as payroll deductions. The Commission is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The Commission excludes these activities from the Commission-wide financial statements because it cannot use these assets to finance its operations.

**UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
WESTFIELD, NEW JERSEY**

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

**Financial Analysis of the Commission as a Whole**

The Commission's combined net assets have decreased from the 2009-2010 fiscal year. The net assets from governmental funds decreased \$787,815.56.. Net assets from business-type activities decreased \$14,172.40. Exhibit A-1 below reflects the Commission's net assets as a whole. Exhibit A-2 reflects the changes in net assets from operating results.

**Exhibit A-1  
Condensed Statement of Net Assets**

	Governmental Activities		Business-Type Activities		Total		Percentage Change
	FY 2011	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010	
Current and							
Other Assets	\$14,832,858.75	\$15,994,533.53	\$58,875.39	\$99,134.25	\$14,891,734.14	\$16,093,667.78	-7.47%
Capital Assets	9,562,378.25	9,756,031.33	5,067.32	5,452.18	9,567,445.57	9,761,483.51	-1.99%
<b>Total Assets</b>	<b>24,395,237.00</b>	<b>25,750,564.86</b>	<b>63,942.71</b>	<b>104,586.43</b>	<b>24,459,179.71</b>	<b>25,855,151.29</b>	<b>-5.40%</b>
Long-Term							
Liabilities	5,704,067.75	6,020,002.31			5,704,067.75	6,020,002.31	-5.25%
Short-Term							
Liabilities	1,353,655.13	1,605,232.87	6,912.04	33,383.36	1,360,567.17	1,638,616.23	-16.97%
<b>Total Liabilities</b>	<b>7,057,722.88</b>	<b>7,625,235.18</b>	<b>6,912.04</b>	<b>33,383.36</b>	<b>7,064,634.92</b>	<b>7,658,618.54</b>	<b>-7.76%</b>
Net Assets:							
Invested in							
Capital Assets							
Net of Related							
Debt	2,934,242.75	3,716,994.35	5,067.32	5,452.18	2,939,310.07	3,722,446.53	-21.04%
Restricted	1,282,315.28	982,865.83			1,282,315.28	982,865.83	30.47%
Unrestricted	13,120,956.09	13,425,469.50	51,963.35	65,750.89	13,172,919.44	13,491,220.39	-2.36%
<b>Total Net Assets</b>	<b>\$17,337,514.12</b>	<b>\$18,125,329.68</b>	<b>\$57,030.67</b>	<b>\$71,203.07</b>	<b>\$17,394,544.79</b>	<b>\$18,196,532.75</b>	<b>-4.41%</b>

**UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
WESTFIELD, NEW JERSEY**

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

**Exhibit A-2  
Changes in Net Assets from Operating Results**

	Governmental Activities <u>FY 2011</u>	Business-Type Activities <u>FY 2011</u>	Total <u>FY 2011</u>
Revenue:			
Program Revenue:			
Charges for Services	\$17,318,550.50	\$18,747.35	\$17,337,297.85
Operating Grants and Contributions	7,697,035.07	137,818.36	7,834,853.43
General Revenue:			
Tuition	14,219,326.23		14,219,326.23
Other	552,717.45	4,607.60	557,325.05
	<u>39,787,629.25</u>	<u>161,173.31</u>	<u>39,948,802.56</u>
Total Revenue			
Expenses:			
Instruction	13,600,677.83		13,600,677.83
Student & Instructional Support Services	4,527,564.43		4,527,564.43
Administrative and Business	3,010,777.94		3,010,777.94
Maintenance & Operations	1,040,848.50		1,040,848.50
Transportation	17,532,976.52		17,532,976.52
Special schools	533,956.00		533,956.00
Other	328,643.59	175,345.71	503,989.30
	<u>40,575,444.81</u>	<u>175,345.71</u>	<u>40,750,790.52</u>
Total Expenses			
Increase/(Decrease) in Net Assets	<u><u>(\$787,815.56)</u></u>	<u><u>(\$14,172.40)</u></u>	<u><u>(\$801,987.96)</u></u>

**UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
WESTFIELD, NEW JERSEY**

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

**Governmental Activities**

Tuition and transportation are the foundation for the Commission's revenue for governmental activities during fiscal year 2011.

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

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

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

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

Pupil transportation includes activities involved with the conveyance of students to and from various schools through parts of Northern and Central New Jersey as well as to and from school activities as provided by state law.

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

**General Fund Budgeting Highlights**

The Commission's budget is prepared according to New Jersey Statutes and is based on accounting for certain transactions on a basis of modified accrual and encumbrance accounting. The most significant budgeted fund is the General Fund.

Over the course of the year, the Commission revised the annual operating budget several times. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent over expenditures in specific line item accounts due to the fluctuation in student enrollment.

**UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
WESTFIELD, NEW JERSEY**

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

**Capital Assets**

During the fiscal year 2010-2011 the Commission purchased various equipment and made improvements to sites and buildings. Exhibit A-3 reflects the comparative balances of capital assets net of depreciation. The detail of the changes in capital assets is reflected in Note 3 to the financial statements.

**Exhibit A-3  
Capital Assets (Net of Depreciation)**

	Governmental Activities		Business-Type Activities	
	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2010</u>
Land	773,250.00	773,250.00		
Building and Improvements	7,995,105.14	8,282,745.98		
Site Improvements	75,868.07	86,964.09		
Machinery and Equipment	<u>718,155.04</u>	<u>613,071.26</u>	<u>5,067.32</u>	<u>5,452.18</u>
Total Assets	<u><u>9,562,378.25</u></u>	<u><u>9,756,031.33</u></u>	<u><u>5,067.32</u></u>	<u><u>-0-</u></u>

**Contacting the Commission's Financial Management**

This financial report is designed to provide UCESC member schools, Commission Board members, Board of Directors, and the general public with an overview of the Union County Educational Services Commission's business activities for the fiscal year. To contact the business office, call or write to Dr, Robert A. Behot, Business Administrator,, Union County Educational Services Commission, 45 Cardinal Drive, Westfield, NJ 07090 or (908)-233-9317.

## **BASIC FINANCIAL STATEMENTS**

The basic financial statements provide a financial overview of the District'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 District. These statements include the financial activities of the overall district, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the District.

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

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$9,451,702.24	\$4,279.23	\$9,455,981.47
Receivables, net	4,996,001.69	27,570.12	5,023,571.81
Interfunds receivable		18,110.57	18,110.57
Inventory		8,915.47	8,915.47
Deferred bond issuance costs	301,528.09		301,528.09
Capital assets:			
Land and construction in progress	773,250.00		773,250.00
Other capital assets, net	8,789,128.25	5,067.32	8,794,195.57
Total assets	<u>24,311,610.27</u>	<u>63,942.71</u>	<u>24,375,552.98</u>
<b>LIABILITIES</b>			
Accounts payable	685,896.12	4,868.35	690,764.47
Interfunds payable	14,380.83		14,380.83
Deferred revenue	117,317.20	2,043.69	119,360.89
Interest payable	32,434.25		32,434.25
Noncurrent liabilities:			
Due within one year	420,000.00		420,000.00
Due beyond one year	5,704,067.75		5,704,067.75
Total liabilities	<u>6,974,096.15</u>	<u>6,912.04</u>	<u>6,981,008.19</u>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	2,934,242.75	5,067.32	2,939,310.07
Restricted for:			
Capital projects fund	846,691.28		846,691.28
Other purposes	435,624.00		435,624.00
Unrestricted	13,120,956.09	51,963.35	13,172,919.44
Total net assets	<u>\$17,337,514.12</u>	<u>\$57,030.67</u>	<u>\$17,394,544.79</u>

See accompanying notes to financial statements.

UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
STATEMENT OF ACTIVITIES  
JUNE 30, 2011

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental Activities:						
Instruction:						
Regular	\$13,404,993.33		\$5,076,818.62	(\$8,328,174.71)		(\$8,328,174.71)
Vocational	195,684.50		12,653.00	(183,031.50)		(183,031.50)
Support services:						
Student and instruction related services	4,527,564.43		2,253,291.45	(2,274,272.98)		(2,274,272.98)
School administrative services	1,388,788.74		113,873.00	(1,274,915.74)		(1,274,915.74)
General administrative services	780,115.47		37,958.00	(742,157.47)		(742,157.47)
Central services	841,873.73		37,958.00	(803,915.73)		(803,915.73)
Plant operations and maintenance	1,040,848.50		37,958.00	(1,002,890.50)		(1,002,890.50)
Student transportation services	17,532,976.52	17,318,550.50	88,568.00	(125,858.02)		(125,858.02)
Special Schools	533,956.00		37,957.00	(495,999.00)		(495,999.00)
Unallocated depreciation and amortization	328,643.59			(328,643.59)		(328,643.59)
Total governmental activities	<u>40,575,444.81</u>	<u>17,318,550.50</u>	<u>7,697,035.07</u>	<u>(15,559,859.24)</u>		<u>(15,559,859.24)</u>
Business-type activities:						
Food service	175,345.71	18,747.35	137,818.36		(\$18,780.00)	(18,780.00)
Total business-type activities	<u>175,345.71</u>	<u>18,747.35</u>	<u>137,818.36</u>		<u>(18,780.00)</u>	<u>(18,780.00)</u>
Total primary government	<u>\$40,750,790.52</u>	<u>\$17,337,297.85</u>	<u>\$7,834,853.43</u>	<u>(\$15,559,859.24)</u>	<u>(\$18,780.00)</u>	<u>(\$15,578,639.24)</u>
General Revenues:						
Tuition				\$14,219,326.23		\$14,219,326.23
Miscellaneous income				552,717.45	\$4,607.60	\$557,325.05
Total general revenues and transfers				<u>14,772,043.68</u>	<u>4,607.60</u>	<u>14,776,651.28</u>
Change in net Assets						
				(787,815.56)	(14,172.40)	(801,987.96)
Net Assets						
				18,125,329.68	71,203.07	18,196,532.75
				<u>\$17,337,514.12</u>	<u>\$57,030.67</u>	<u>\$17,394,544.79</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 fund type.

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

ASSETS AND OTHER DEBITS:	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
<b>Assets:</b>				
Cash and cash equivalents	\$8,572,806.80	\$39,363.16	\$839,532.28	\$9,451,702.24
Accounts receivable:				
Local agency fees		1,131,186.11		1,131,186.11
Transportation fees - other lea's	1,615,180.82			1,615,180.82
Tuition fees - other lea's	2,172,104.26			2,172,104.26
Other	77,530.12	0.38		77,530.50
Interfund	647,574.91		7,159.00	654,733.91
<b>Total assets</b>	<b>13,085,196.91</b>	<b>1,170,549.65</b>	<b>846,691.28</b>	<b>15,102,437.84</b>
<b>LIABILITIES AND FUND BALANCES:</b>				
<b>Liabilities:</b>				
Accounts payable	276,508.84	409,387.28		685,896.12
Deferred revenue		117,317.20		117,317.20
Interfunds payable	25,269.57	643,845.17		669,114.74
<b>Total liabilities</b>	<b>301,778.41</b>	<b>1,170,549.65</b>		<b>1,472,328.06</b>
<b>Fund balances:</b>				
<b>Restricted for:</b>				
Capital projects fund			846,691.28	846,691.28
Assigned for year-end encumbrances	60,736.83			60,736.83
Committed for subsequent years expenditures	435,624.00			435,624.00
<b>Unassigned:</b>				
General fund	12,287,057.67			12,287,057.67
<b>Total fund balances</b>	<b>12,783,418.50</b>		<b>846,691.28</b>	<b>13,630,109.78</b>
<b>Total liabilities and fund balances</b>	<b>\$13,085,196.91</b>	<b>\$1,170,549.65</b>	<b>\$846,691.28</b>	

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

Cost associated with the issuance of various Bonds are expensed in the Governmental Funds in the year the bonds are issued, but are capitalized on the Statement of Net Assets. The Bond Issuance costs are \$568,780 and the accumulated amortization is \$267,251.91	\$301,528.09
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of assets is \$15,934,600.50 and the accumulated depreciation is \$6,372,222.25.	9,562,378.25
Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds. Accrued Interest Payable	(32,434.25)
Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds	(6,124,067.75)
<b>Net assets of governmental activities</b>	<b>\$17,337,514.12</b>

See accompanying notes to financial statements.

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

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>				
Local sources:				
Tuition	\$14,219,326.23			\$14,219,326.23
Transportation fees from other lea's	17,318,550.50			17,318,550.50
Local educational agency sources		\$6,308,395.00		6,308,395.00
Miscellaneous	551,838.00	82,163.00	\$879.45	634,880.45
<b>Total revenues-local sources</b>	<b>32,089,714.73</b>	<b>6,390,558.00</b>	<b>879.45</b>	<b>38,481,152.18</b>
State sources	1,306,477.07			1,306,477.07
<b>Total revenues</b>	<b>33,396,191.80</b>	<b>6,390,558.00</b>	<b>879.45</b>	<b>39,787,629.25</b>
<b>EXPENDITURES:</b>				
Current expense:				
Instruction:				
Regular instruction	6,579,761.80	3,361,772.00		9,941,533.80
Vocational instruction	141,286.00			141,286.00
Support services:				
Student and instruction related services	1,908,702.00	2,056,798.00		3,965,500.00
General administrative services	569,963.00			569,963.00
School administrative services	895,227.00			895,227.00
Central services	683,147.00			683,147.00
Plant operations and maintenance	970,982.00			970,982.00
Student transportation services	17,172,553.00			17,172,553.00
Employee benefits	4,439,209.07	953,398.00		5,392,607.07
Capital outlay-lease purchase principal	309,540.00			309,540.00
Capital outlay	234,776.20	18,590.00		253,366.20
Special schools	373,415.00			373,415.00
<b>Total expenditures</b>	<b>34,278,562.07</b>	<b>6,390,558.00</b>		<b>40,669,120.07</b>
Excess (deficiency) of revenues over (under) expenditures	(882,370.27)		879.45	(881,490.82)
<b>Net change in fund balances</b>	<b>(882,370.27)</b>		<b>879.45</b>	<b>(881,490.82)</b>
Fund balances, July 1, 2010	13,665,788.77	-0-	845,811.83	14,511,600.60
<b>Fund balances, June 30, 2011</b>	<b>\$12,783,418.50</b>	<b>-0-</b>	<b>\$846,691.28</b>	<b>\$13,630,109.78</b>

See accompanying notes to financial statements.

UNION 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)		(\$881,490.82)
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 depreciation exceeded capital outlays in the period.		
Depreciation expense	(\$447,019.28)	
Capital outlays	<u>253,366.20</u>	
		(193,653.08)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.		
		405,000.00
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 leases payable		
		14,036.98
Amortization of bond issuance costs reported on the statement of net assets		
		(29,906.73)
In the statement of activities, interest on long-term debt is accrued, regardless of when due. In governmental funds, interest is reported when due. The accrued interest is a increase in the reconciliation.		
		2,263.53
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 (+).		
		<u>(104,065.44)</u>
Change in net assets of governmental activities		<u><u>(\$787,815.56)</u></u>

See accompanying notes to financial statements.

**OTHER FUNDS**

UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
PROPRIETARY FUND  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2011

	<u>NON-MAJOR TOTAL</u>
<b>ASSETS:</b>	
Current assets:	
Cash	\$4,279.23
Accounts receivable:	
State	397.44
Federal	27,172.68
Interfunds	25,269.57
Inventories	8,915.47
	66,034.39
Total current assets	
Noncurrent assets:	
Furniture, machinery & equipment	5,772.90
Less accumulated depreciation	(705.58)
	5,067.32
Total noncurrent assets	
	71,101.71
<b>TOTAL ASSETS</b>	
<b>LIABILITIES:</b>	
Current liabilities:	
Accounts Payable	4,868.35
Deferred Revenue	2,043.69
Interfunds	7,159.00
	14,071.04
Total current liabilities	
<b>NET ASSETS:</b>	
Invested in capital assets, net of depreciation	5,067.32
Unrestricted	51,963.35
	\$57,030.67
<b>TOTAL NET ASSETS</b>	

See accompanying notes to financial statements

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

	<u>NON-MAJOR TOTAL</u>
OPERATING REVENUES:	
Local sources:	
Daily sales-reimbursable programs:	
School lunch & breakfast programs	\$18,747.35
Miscellaneous	4,607.60
	<hr/>
Total operating revenue	23,354.95
	<hr/>
OPERATING EXPENSES:	
Salaries	22,027.00
Cost of sales	137,645.68
Other purchased professional services	810.00
Cleaning, repair and maintenance	6,167.91
Supplies	8,310.26
Depreciation	384.86
	<hr/>
Total operating expenses	175,345.71
	<hr/>
Operating (loss)	(151,990.76)
	<hr/>
Nonoperating revenues:	
State sources:	
State school lunch program	1,753.07
Federal sources:	
National school lunch program	84,835.00
National school breakfast program	43,519.84
National food distribution commodities	7,710.45
	<hr/>
Total nonoperating revenues	137,818.36
	<hr/>
Income/(loss) before contributions and transfers	(14,172.40)
	<hr/>
Net assets - July 1	71,203.07
	<hr/>
Net assets - June 30	\$57,030.67
	<hr/> <hr/>

See accompanying notes to financial statements

UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
PROPRIETARY FUND  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>NON-MAJOR TOTAL</u>
Cash flows from operating activities:	
Receipts from customers	\$23,354.95
Payments to employees	(22,027.00)
Payments to suppliers	(152,183.26)
Net cash provided (used) by operating activities	<u>(150,855.31)</u>
Cash flows from noncapital financing activities:	
State sources	1,956.15
Federal sources	114,180.46
Other subsidies and transfers to other funds	6,181.52
Net cash provided by noncapital financing activities	<u>122,318.13</u>
Net (decrease) in cash and cash equivalents	(28,537.18)
Cash and cash equivalents, July 1	<u>38,697.72</u>
Cash and cash equivalents, June 30	<u><u>\$10,160.54</u></u>
Operating (loss)	(\$151,990.76)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:	
Depreciation	384.86
Federal commodities	7,710.45
Change in assets and liabilities:	
(Increase) Decrease in inventory	(2,860.54)
Increase (Decrease) in deferred revenue	505.26
Increase (Decrease) in accounts payable	(4,604.58)
Net cash (used) by operating activities	<u><u>(\$150,855.31)</u></u>

See accompanying notes to financial statements

UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
FIDUCIARY FUND  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2011

	AGENCY FUNDS
ASSETS:	
Cash	\$548,782.88
Total assets	548,782.88
LIABILITIES:	
Liabilities:	
Payroll deductions & withholdings	108,401.60
Accrued salaries	408,959.03
Interfund payable	3,729.74
Payable to student groups	27,692.51
Total liabilities	548,782.88
NET ASSETS:	
Total net assets	\$ -0-

See accompanying notes to financial statements

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

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

The financial statements of the Union 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 Union 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 commissions administrative services as may be authorized pursuant to the rules of the State Board of Education. The Commission consists of representatives of the membership commissions 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.

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

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

The combined financial statements include all funds of the Commission over which the Board exercises operating control. The operations of the Commission include two elementary schools, and three high schools. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the Commission is not includable in any other reporting entity on the basis of such criteria.

**Basis of Presentation, Basis of Accounting**

The Commission's basic financial statements consist of Commission-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**

*Commission-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 non-exchange 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 general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the Commission.

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

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

*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 Commissions to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among public school Commission financial reporting models.

**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 acquisition of facilities and/or equipment which are classified in the Capital Outlay sub-fund.

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. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, Commission transportation and tuition fees and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution, subject to approval from the County Superintendent of Schools.

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

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

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

**Capital Projects Fund** - The capital projects fund is used to account for and report all financial resources that are restricted, committed or assigned to expenditures for capital outlays including the acquisition or construction of major capital facilities or other capital assets.

**Proprietary Fund**

**Enterprise Fund** - The enterprise fund accounts for all revenues and expenses pertaining to the cafeteria operation, community education and the summer enrichment program. The enterprise 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.

**Fiduciary Fund Types -**

**Agency Funds** The agency funds are used to account for assets held by the Commission on behalf of others and are custodial in nature. The agency funds included in this category are as follows:

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

**Basis of Accounting - Measurement Focus**

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

*Commission-wide, Proprietary, and Fiduciary Fund Financial Statements:* The Commission-wide 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. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

**Union 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**

*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. 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, Account Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

**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 and special revenue funds. The budgets are submitted to the county superintendent of schools' office and are approved by the Board of School Estimates. 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 School Board 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.

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

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

**Budgets/Budgetary Control**

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 deferred state aid payments 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.

**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 expendable resources.

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

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

**Tuition and Transportation Fees**

Tuition is based on estimates made by the Commission. Transportation fees are based on actual costs incurred plus an administrative fee.

**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 or, in the case of Food Distribution Commodities, at stated value which approximates market.

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

**Capital Assets**

The Commission has established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994 are recorded at actual cost. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Donated fixed assets are valued at their estimated fair market value on the date received. The cost of normal repairs and maintenance are not capitalized. Interest is not capitalized on Capital Assets.

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

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

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

**Capital Assets**

<b><u>Asset Class</u></b>	<b><u>Estimated Useful Lives</u></b>
School Buildings	50
Building Improvements	20
Electrical/Plumbing	30
Vehicles	6-8
Office & Computer equipment	5-20
Instructional equipment	5-20
Grounds equipment	5-15
Food service equipment	7-20

**Accrued Salaries and Wages**

Certain Commission employees who provide services to the Commission over the ten-month academic year have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned, but undisbursed, amounts be retained in a separate bank account. As of June 30, 2011, the amounts earned by these employees, but not disbursed, was \$407,847.33.

**Compensated Absences**

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

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

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

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

**Compensated Absences**

The liability for compensated absences was accrued using the termination payment method, whereby the liability is calculated based on the amount of sick leave and vacation days that are expected to become eligible for payment upon termination. The Commission estimates its accrued compensated absences liability based on the accumulated sick and vacation days at the balance sheet date by those employees who are currently eligible to receive termination payments.

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

**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. Designations 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 food service and summer enrichment fund.

**Deferred/ Unearned Revenue**

Deferred revenue in the general, special revenue and capital projects 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.

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

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

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported on the Commission-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.

**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.

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

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

**Fund Balance Reserves (continued)**

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. Fund balance restrictions have been established for excess surplus, excess surplus-designated for subsequent year's expenditures, capital reserve and emergency reserve.

**Revenues- Exchange and Non-exchange 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.

Non-exchange transactions, in which the Commission receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the 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 non-exchange transactions must also be available before it can be recognized.

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

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

**Revenues- Exchange and Non-exchange Transactions**

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

**Proprietary Funds Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the School Commission enterprise funds are charges to customers for sales of food service and charges for the summer enrichment program. Operating expenses for enterprise funds include the cost of sales and services, administrative expense and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**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 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 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.

**Management Estimates**

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

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

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

The Commission considers petty cash, change funds, cash in banks, certificates of deposits, and short term investments with original maturities of three months or less as cash and cash equivalents. Investments are stated at fair value.

**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. Each depository participating in the GUDPA system must pledge collateral equal to 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of 75% of its capital funds. No collateral is required for amounts covered by FDIC insurance. The collateral which may be pledged to support these deposits includes obligations of the State and federal governments, insured securities and other collateral approved by the Department. When the capital position of the depository deteriorates or the depository takes an unusually large amount of public deposits, the Department of Banking and Insurance requires additional collateral to be pledged. 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 Commission had the following cash and cash equivalents at June 30, 2011.

<b>Fund Type:</b>	<b>Bank</b>	<b>Reconciling Items:</b>		<b>Reconciled</b>
	<b><u>Balance</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Balance</u></b>
Governmental	\$9,628,684.48	\$2,351,930.56	\$2,528,912.80	\$9,451,702.24
Proprietary	27,923.11	\$0.00	23,643.88	4,279.23
Fiduciary	609,867.26	3,000.00	64,084.38	548,782.88
	<u>\$10,266,474.85</u>	<u>\$2,354,930.56</u>	<u>\$2,616,641.06</u>	<u>\$10,004,764.35</u>

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

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (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 NJGUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash on balance in the bank, \$1,000,000.00 was covered by Federal Depository Insurance and \$8,019,426.14 was covered under the provisions of NJGUDPA, 685,205.34 was on deposit with the New Jersey Cash Management Fund and \$561,843.37 was on deposit in government money market mutual funds, which are considered a cash equivalent. These funds are not insured by either FDIC or GUDPA, but are collateralized by the underlying governmental securities.

**Investments**

The purchases of investments by the Commission are strictly limited by the express authority of the N.J.S.A. 18A:20-37 Education, Administration of School Boards. 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 Commissions of which the Local Unit is a part or within which the Commission is located.

**Union 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 Boards;
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 District had \$685,205.84 on deposit with the New Jersey Cash Management Fund. Based upon the limitations set forth by New Jersey Statutes 40A:5-15.1 and existing investment practices of the Investment Council of the New Jersey Cash Management Fund, the Town is generally not exposed to credit risks, custodial credit risks, concentration of credit risks and interest rate risks for its investments nor is it exposed to foreign currency risk for its deposits and investments.

**Union 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:

	Beginning <u>Balance</u>	Additions/ <u>Transfers</u>	Retirements/ <u>Transfers</u>	Ending <u>Balance</u>
<u>Governmental Activities:</u>				
Capital Assets not being depreciated				
Sites	\$773,250.00			\$773,250.00
Total Capital Assets not being depreciated	<u>\$773,250.00</u>			<u>\$773,250.00</u>
Capital Assets being depreciated				
Site Improvements	243,520.00			243,520.00
Building & Building Improvements	11,510,897.00			11,510,897.00
Machinery & Equipment	<u>3,389,660.30</u>	<u>253,366.20</u>	<u>(\$236,093.00)</u>	<u>3,406,933.50</u>
Total Capital Assets being depreciated	<u>15,144,077.30</u>	<u>253,366.20</u>	<u>(236,093.00)</u>	<u>15,161,350.50</u>
Totals at historical cost	<u>15,917,327.30</u>	<u>253,366.20</u>	<u>(236,093.00)</u>	<u>15,934,600.50</u>
Total Gross assets (Memo only)	15,917,327.30	253,366.20	(236,093.00)	15,934,600.50
Less: Accumulated Depreciation for:				
Building & Building Improvements	(3,228,151.02)	(287,640.84)		(3,515,791.86)
Site Improvements	(156,555.91)	(11,096.02)		(167,651.93)
Machinery & Equipment	<u>(2,776,589.04)</u>	<u>(148,282.42)</u>	<u>236,093.00</u>	<u>(2,688,778.46)</u>
Total depreciation	<u>(6,161,295.97)</u>	<u>(447,019.28)</u>	<u>236,093.00</u>	<u>(6,372,222.25)</u>
Total capital assets being depreciated net of accumulated depreciation	<u>9,756,031.33</u>	<u>(193,653.08)</u>		<u>9,562,378.25</u>
Governmental activities capital assets, net	<u>\$9,756,031.33</u>	<u>(\$193,653.08)</u>		<u>\$9,562,378.25</u>
<u>Business-type activities:</u>				
Equipment	\$5,772.90			\$5,772.90
Less: Accumulated Depreciation	<u>(320.72)</u>	<u>(384.86)</u>		<u>(705.58)</u>
Proprietary fund capital assets, net	<u>\$5,452.18</u>	<u>(\$384.86)</u>		<u>\$5,067.32</u>

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

**NOTE 3: CHANGE IN CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to governmental expenses as follows:

Regular Instruction	\$118,625.94
General administration	29,656.48
Direct Expense of various functions	<u>298,736.86</u>
	<u><u>\$447,019.28</u></u>

**NOTE 4: LONG-TERM DEBT**

Bonds are issued by the Commission pursuant to the provisions of Title 18A-Education, of the New Jersey Statutes and are required to be approved by the voters of the municipality through referendum. The proceeds of bonds are recorded in the Capital Projects Fund and are restricted to the use for which they were approved in the bond referendum. All bonds are retired in annual installments within the statutory period of usefulness.

School Bonds issued by the Commission are entitled to and benefit from the provision of the New Jersey School Board Reserve Act P.L. 1980 c.72. Statutorily, funds are held by the State of New Jersey within its State Fund for the Support of Free Public Schools as a school bond reserve pledged by law to secure payment of principal and interest due on such bonds in the event of the inability of the issuer to make payments.

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

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

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

	Compensated Absences <u>Payable</u>	Capital Lease/ Lease Purchase <u>Agreements</u>	<u>Total</u>
Balance June 30, 2010	\$400,002.31	\$6,039,036.98	\$6,439,039.29
Additions	<u>104,065.44</u>		<u>104,065.44</u>
	504,067.75	6,039,036.98	6,543,104.73
Deletions		<u>419,036.98</u>	<u>419,036.98</u>
Balance June 30, 2011	<u>\$504,067.75</u>	<u>\$5,620,000.00</u>	<u>\$6,124,067.75</u>
Amounts due within one year		<u>\$420,000.00</u>	

**Capital Leases/Lease Purchase Agreements Payable:**

The Commission is leasing school buses under a capital lease, and has financed the acquisition of land, buildings, and improvements through two lease purchase agreements. 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	666,075.02
2013	663,850.02
2014	665,820.02
2015	661,787.52
2016	666,737.52
2017-22	<u>3,878,760.06</u>
Total Minimum Lease Payments	7,203,030.16
Less: Amounts Representing Interest	<u>1,583,030.16</u>
Present Value of Minimum Lease Payments	<u>\$5,620,000.00</u>

**Union 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 (PERS) or the Teachers' Pension and Annuity Fund (TPAF) 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 Commission, 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.

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

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

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

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

**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.

**Union 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 5.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Commission is a non-contributing employer of TPAF.

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

<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	\$379,695.00	100.00%	\$379,695.00
2010	\$289,748.00	100.00%	\$289,748.00
2009	\$254,732.00	100.00%	\$254,732.00

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 Commission \$679,108.07 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 statements and schedules as a revenue and expenditure in accordance with GASB 27.

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

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

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

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

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 School Commission for the years ended June 30, 2011, 2010 and 2009 were, \$627,369.00, \$556,519.00, and \$540,296.00 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 Commission was not determined or made available by the State of New Jersey.

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

**NOTE 7: LITIGATION**

The School Commission, based upon the opinions of the School Commission attorney and special counsel for construction advised that with the exception of litigation arising out of the high school construction project, there is no litigation, pending claims, contingent liabilities, unasserted claims or assessments or statutory violations which involve the School Commission and which might materially affect the Commission's financial position. The litigation regarding the high school construction project is ongoing; therefore any estimate of the School Commission's monetary exposure, if any, cannot presently be determined.

**NOTE 8: INVENTORY**

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

Food and Supplies	<u>\$8,915.47</u>
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The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1984) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of non-operating revenue in the financial statements.

**NOTE 9: CONTINGENCIES**

The Board 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 awards and state financial assistance programs are disclosed 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's management does not believe such an audit would result in material amounts of disallowed costs.

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

**NOTE 10: 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 commercial coverage covering each of those risks of loss. The administration believes such coverage is sufficient to preclude any significant uninsured losses to the Commission. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**New Jersey Unemployment Compensation Insurance**

The Commission has elected to fund its New Jersey Unemployment Compensation Insurance under the "Liability Method". Under this plan, the Commission is required to calculate and pay the amount required on a quarterly basis based upon rates as determined by the New Jersey Department of Labor.

**NOTE 11: DEFERRED BOND ISSUANCE COSTS**

Governmental funds recognize debt issuance costs within the current period. For the Commission-wide financial statements, debt issuance costs are amortized straight-line over the life of the specific certificate of participation (16 to 25 years). The total debt issuance cost for all issues was \$568,780. Amortization expense for the fiscal year ended June 30, 2011 was \$29,906.73.

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

**NOTE 12: COMPENSATED ABSENCES**

Commission employees earn a full years allowance of sick leave effective July 1<sup>st</sup> of each school year. Twelve days leave is granted for ten month employees and fourteen days leave for twelve month employees. Upon retirement for service and age, or disability from TPAF or PERS, an employee is entitled to receive payment for accumulated sick days as follows:

All certified employees represented by the Westlake Education Association (teachers) will be compensated for unused sick leave at \$50 per day for the first 100 days and \$55 per day for the next 100 days in school year 2010-2011 for a maximum of 200 days. All employees who are employed for the purpose of aiding teachers with instructional/clerical tasks or behavior management (paraprofessionals) will be compensated for unused sick leave at \$33 per day for the first 100 days and \$36 per day for the next 100 days in the school year 2010-2011 for a maximum of 200 days. No payment to either teachers or paraprofessionals will be made unless the employee has completed a minimum of ten years of service.

Principals and Directors who have ten years or more of service will be compensated for unused sick days at \$70 per day for a maximum of 175 days. Twelve month employees are entitled to carry over no more than ten vacation days to be used in subsequent years.

Twelve month supervisory and administrative personnel are entitled to carry over no more than five vacation days to be used in subsequent years.

The Superintendent of schools, upon retirement, shall be compensated for accumulated sick days in excess of one hundred at 50% of the per diem rate of his final salary and all unused vacation days at the per diem rate of his final salary. Throughout this employment contract, the Superintendent's per diem rate shall be calculated as 1/240<sup>th</sup> of his then current annual salary.

The liability for vested compensated absences of the governmental fund types is recorded in the general long-term debt account group. The current portion of the compensated absence balance is not considered material to the applicable fund total liabilities, and is therefore not shown separately for the long-term liability balance of compensated absences.

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

For additional descriptive information see Note 1, Summary of Significant Accounting Policies.

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

**NOTE 13: DEFERRED COMPENSATION**

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

Vanguard  
AIG Valic  
Thomas Seely Agency

**NOTE 14: FOUNDATION**

A charitable Foundation has been established for the benefit of the Commission. Since this Foundation operates under an independent Board of Trustees and independent management, the financial statement of the Foundation are not included in the accompanying financial statements. As of June 30, 2011, the Commission estimated that the Foundation had net assets of approximately \$140,000.00. Revenue and support received by the Foundation, and not reflected in the financial statements of the Commission, aggregated approximately \$79,000.00 to June 30, 2011.

**NOTE 15: INTERFUNDS RECEIVABLE AND PAYABLE**

The following interfund balances remained on the balance sheet at June 30, 2011:

<u>FUND</u>	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
General Fund	\$ 647,574.91	\$ 25,269.57
Special Revenue Fund		643,845.17
Capital Projects Fund	7,159.00	
Proprietary Fund	25,269.57	7,159.00
Fiduciary Fund	<u>                    </u>	<u>3,729.74</u>
	<u>\$ 680,003.48</u>	<u>\$ 680,003.48</u>

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

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

**NOTE 16: OPERATING LEASES**

The Commission had a one year lease that expired on June 30, 2011 with the Township of Clark for use of the Oliver B. Resch Gymnasium. Total rent expense for this lease for the fiscal year ended June 30, 2011 was \$14,000.00. The Commission has a two year lease that expires June 30, 2012 with AM School Associates to rent building space. Total rent expense for this lease for the fiscal year ended June 30, 2011 was \$174,301.82.

**NOTE 17: FUND BALANCE APPROPRIATED**

**General Fund** – Of the \$13,66,788.77 General Fund fund balance at June 30, 2011, \$228,956.31 is restricted for encumbrances, \$137,054.00 has been appropriated and included as anticipated revenue for the year ended June 30, 2012 and \$13,299,778.46 is unreserved and undesignated.

**REQUIRED SUPPLEMENTARY INFORMATION – Part II**

**BUDGETARY COMPARISON SCHEDULES**

UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
GENERAL FUND  
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEARS ENDED JUNE 30, 2011

	ADOPTED BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
<b>REVENUES</b>					
Local sources					
Tuition	\$15,655,194.00		\$15,655,194.00	\$14,219,326.23	(\$1,435,867.77)
Transportation fees from other LEA's	22,812,035.00		22,812,035.00	17,318,550.50	(5,493,484.50)
Miscellaneous	149,017.00		149,017.00	481,838.00	332,821.00
Total-local sources	38,616,246.00		38,616,246.00	32,019,714.73	(6,596,531.27)
Intermediate sources:					
Restricted sources				70,000.00	70,000.00
Total-intermediate sources				70,000.00	70,000.00
State sources:					
On-behalf TPAF Non-Contributory Insurance (non-budgeted)				28,209.00	28,209.00
On-behalf TPAF Post Retirement Contributions (non-budgeted)				599,160.00	599,160.00
Reimbursed TPAF social security contributions (non-budgeted)				679,108.07	679,108.07
Total - state sources				1,306,477.07	1,306,477.07
Total revenues	38,616,246.00		38,616,246.00	33,396,191.80	(5,220,054.20)
<b>EXPENDITURES</b>					
<b>CURRENT EXPENSE</b>					
Instruction - regular programs:					
Salaries of teachers:					
Grades 9-12	4,289,501.00	\$153,795.00	4,443,296.00	4,374,116.00	69,180.00
Regular programs - Home Instruction					
Salaries of teachers:	509,581.00	85,123.00	594,704.00	594,704.00	
Regular programs - undistributed instruction					
Other salaries for instruction	1,355,507.00	37,493.00	1,393,000.00	1,365,020.00	27,980.00
Purchased technical services	41,100.00	(6,118.00)	34,982.00	30,990.00	3,992.00
General supplies	293,092.00	24,535.00	317,627.00	207,149.00	110,478.00
Textbooks	16,850.00	(6,977.00)	9,873.00	5,743.00	4,130.00
Other objects	10,500.00	5,500.00	16,000.00	15,420.00	580.00
Total regular programs	6,516,131.00	293,351.00	6,809,482.00	6,593,142.00	216,340.00
Vocational Programs - Local - Instruction					
Salaries of Teachers	67,061.00		67,061.00	66,858.00	203.00
Other Salaries for Instruction	69,467.00		69,467.00	69,467.00	10.00
General Supplies	4,000.00		4,000.00	3,276.00	724.00
Textbooks	750.00		750.00	750.00	750.00
Other Objects	4,000.00	(1,000.00)	3,000.00	1,695.00	1,305.00
Total vocational programs	145,278.00	(1,000.00)	144,278.00	141,286.00	2,992.00
Total - instruction	6,661,409.00	292,351.00	6,953,760.00	6,734,428.00	219,332.00
Health services:					
Salaries	297,060.00	37,775.00	334,835.00	332,915.00	1,920.00
Purchased Professional and Technical Services	396,092.00	46,419.00	442,511.00	437,851.00	4,660.00
Supplies and materials	10,975.00		10,975.00	8,671.00	2,304.00
Total health services	704,127.00	84,194.00	788,321.00	779,437.00	8,884.00
Other support services - students - special services:					
Salaries of other professional staff	289,229.00	510.00	289,739.00	289,728.00	11.00
Purchased professional - educational services	22,650.00	62,027.00	84,677.00	79,037.00	5,640.00
Other purchased prof. and tech. services	45,500.00	(5,500.00)	40,000.00	30,215.00	9,785.00
Total other support services - students - special services	357,379.00	57,037.00	414,416.00	398,980.00	15,436.00

UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
GENERAL FUND  
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEARS ENDED JUNE 30, 2011

(Continued from prior page)	ADOPTED BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
Improvement of instruction services/ other support services-instructional staff					
Salaries of supervisors of instruction	\$571,179.00	\$11,315.00	\$582,494.00	\$543,590.00	\$38,904.00
Salaries of Secr and Clerical Assist.	52,473.00	10,449.00	62,922.00	62,922.00	
Other Purch Services (400-500)	3,360.00	(1,881.00)	1,479.00	685.00	794.00
Supplies and materials	2,750.00	(125.00)	2,625.00	2,500.00	125.00
Other objects	3,000.00	(2,000.00)	1,000.00	411.00	589.00
Total improvement of instruction services/ other support services-instructional staff	<u>632,762.00</u>	<u>17,758.00</u>	<u>650,520.00</u>	<u>610,108.00</u>	<u>40,412.00</u>
Educational media services/school library:					
Salaries of Technology Coordinators	124,169.00		124,169.00	118,194.00	5,975.00
Supplies and materials	3,500.00		3,500.00	1,983.00	1,517.00
Total educational media services/school library	<u>127,669.00</u>		<u>127,669.00</u>	<u>120,177.00</u>	<u>7,492.00</u>
Support services general administration:					
Salaries	313,374.00	(70,000.00)	243,374.00	241,554.00	1,820.00
Legal services	30,000.00	(8,550.00)	21,450.00	16,582.00	4,868.00
Auditor	27,000.00		27,000.00	26,650.00	350.00
Other purchased professional services	64,500.00	6,532.00	71,032.00	55,272.00	15,760.00
Purchased Technical Services	8,000.00	(8,000.00)			
Communications/telephone	74,100.00	(1,177.00)	72,923.00	48,412.00	24,511.00
Other purchased services (400-500)	174,941.00	(9,720.00)	165,221.00	144,571.00	20,650.00
Supplies and materials	16,000.00	1,000.00	17,000.00	16,656.00	344.00
Miscellaneous expenditures	30,000.00	7,500.00	37,500.00	20,266.00	17,234.00
Total support services general administration	<u>737,915.00</u>	<u>(82,415.00)</u>	<u>655,500.00</u>	<u>569,963.00</u>	<u>85,537.00</u>
Support services school administration:					
Salaries of principals/asst. principals	635,733.00	14,741.00	650,474.00	649,456.00	1,018.00
Salaries of secretarial and clerical assistants	217,501.00		217,501.00	217,381.00	120.00
Other Purchased Services (400-500 series)	8,535.00	300.00	8,835.00	3,436.00	5,399.00
Supplies and Materials	25,125.00		25,125.00	12,897.00	12,228.00
Other Objects	22,500.00		22,500.00	12,057.00	10,443.00
Total support services school administration	<u>909,394.00</u>	<u>15,041.00</u>	<u>924,435.00</u>	<u>895,227.00</u>	<u>29,208.00</u>
Central services					
Salaries	369,595.00	(64,640.00)	304,955.00	303,469.00	1,486.00
Purchased professional services	6,000.00		6,000.00	5,992.00	8.00
Purchased technical services	86,600.00	8,700.00	95,300.00	89,660.00	5,640.00
Misc. Purchased Services (400-500)	3,300.00		3,300.00	1,685.00	1,615.00
Supplies and materials	15,000.00	5,500.00	20,500.00	20,394.00	106.00
Interest on Lease Purchase Agreements	263,523.00		263,523.00	253,009.00	10,514.00
Board office misc dues and fees	14,500.00		14,500.00	8,938.00	5,562.00
Total central services	<u>758,518.00</u>	<u>(50,440.00)</u>	<u>708,078.00</u>	<u>683,147.00</u>	<u>24,931.00</u>
Other operation and maint. of plant:					
Salaries	234,853.00	29,188.00	264,041.00	246,902.00	17,139.00
Cleaning, repair and maint. services	348,063.00	(421.00)	347,642.00	259,133.00	88,509.00
Rental of land & building other than lease pur agrmt	192,000.00	(3,658.00)	188,342.00	188,302.00	40.00
General supplies	50,090.00	2,063.00	52,153.00	36,862.00	15,291.00
Energy (heat and electricity)	316,320.00	(2,935.00)	313,385.00	239,783.00	73,602.00
Total other operation and maint. of plant	<u>1,141,326.00</u>	<u>24,237.00</u>	<u>1,165,563.00</u>	<u>970,982.00</u>	<u>194,581.00</u>

UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
GENERAL FUND  
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEARS ENDED JUNE 30, 2011

(Continued from prior page)	ADOPTED BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
Student transportation services:					
Sal for Pupil Trans (bet Home & Sch) - Sp Ed	\$376,179.00	\$3,260.00	\$379,439.00	\$374,481.00	\$4,958.00
Sal For Pupil Trans (Other than Bet. Home & Sch) - Vend	295,282.00	(8,428.00)	286,854.00	286,854.00	
Cleaning, Repair, & Maint. Services	90,010.00	9,331.00	99,341.00	99,129.00	212.00
Lease Purchase Buses					
Contr Serv (Bet. Home & Sch) - Vendors	21,556,445.00	(28,829.00)	21,527,616.00	16,340,609.00	5,187,007.00
Contracted services (between home & school) - vendors	4,600.00		4,600.00	710.00	3,890.00
Supplies and Materials	8,000.00	3,295.00	11,295.00	8,270.00	3,025.00
Other Objects	38,500.00	24,000.00	62,500.00	62,500.00	
<b>Total student transportation services</b>	<b>22,369,016.00</b>	<b>2,629.00</b>	<b>22,371,645.00</b>	<b>17,172,553.00</b>	<b>5,199,092.00</b>
Unallocated benefits - employee benefits:					
Social Security Contributions	269,872.00	20,161.00	290,033.00	290,033.00	
Other Retirement Contributions - Regular	320,790.00	15,133.00	335,923.00	334,238.00	1,685.00
Unemployment Compensation	39,098.00	141.00	39,239.00	31,433.00	7,806.00
Workmen's Compensation	108,855.00	(5,154.00)	103,701.00	96,795.00	6,906.00
Health benefits	2,835,227.00	(341,426.00)	2,493,801.00	2,380,233.00	113,568.00
<b>Total unallocated benefits - employee benefits:</b>	<b>3,573,842.00</b>	<b>(311,145.00)</b>	<b>3,262,697.00</b>	<b>3,132,732.00</b>	<b>129,965.00</b>
On-behalf TPAF Non-Contributory Insurance (non-budgeted)				28,209.00	(28,209.00)
On-behalf TPAF Post Retirement Contributions (non-budgeted)				599,160.00	(599,160.00)
Reimbursed TPAF social security contributions (non-budgeted)				679,108.07	(679,108.07)
<b>Total undistributed expenditures</b>	<b>31,311,948.00</b>	<b>(243,104.00)</b>	<b>31,068,844.00</b>	<b>26,639,783.07</b>	<b>4,429,060.93</b>
<b>TOTAL EXPENDITURES - CURRENT EXPENSE</b>	<b>37,973,357.00</b>	<b>49,247.00</b>	<b>38,022,604.00</b>	<b>33,374,211.07</b>	<b>4,648,392.93</b>
CAPITAL OUTLAY:					
Equipment:					
Undistributed expenditures- Instruction	32,516.00	(13,416.00)	19,100.00	5,260.00	13,840.00
Undistributed expenditures -General Admin.	7,167.00	(3,132.00)	4,035.00		4,035.00
School Buses- Special		216,136.00	216,136.00	216,136.00	
Undistributed expenditures -Non-Inst. Serv.	7,167.00	(4,700.00)	2,467.00		2,467.00
<b>Total equipment</b>	<b>46,850.00</b>	<b>194,888.00</b>	<b>241,738.00</b>	<b>221,396.00</b>	<b>20,342.00</b>
Facilities Acquisition & Construction Svcs					
Lease Purchase Agreements - Principal	309,540.00		309,540.00	309,540.00	
<b>Total Facilities Acquisition and Const. Serv.</b>	<b>309,540.00</b>		<b>309,540.00</b>	<b>309,540.00</b>	
<b>TOTAL CAPITAL OUTLAY</b>	<b>356,390.00</b>	<b>194,888.00</b>	<b>551,278.00</b>	<b>530,936.00</b>	<b>20,342.00</b>
SPECIAL SCHOOLS					
Summer School- Instruction					
Salaries of Teachers	159,687.00	(3,518.00)	156,169.00	151,597.00	4,572.00
Other Salaries for Instruction	72,820.00	6,495.00	79,315.00	74,772.00	4,543.00
General Supplies	55,822.00	(21,173.00)	34,649.00	11,254.00	23,395.00
<b>Total Summer School- Instruction</b>	<b>288,329.00</b>	<b>(18,196.00)</b>	<b>270,133.00</b>	<b>237,623.00</b>	<b>32,510.00</b>

UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
GENERAL FUND  
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEARS ENDED JUNE 30, 2011

(Continued from prior page)	ADOPTED BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
Summer School- Support Services					
Salaries	\$59,380.00	(\$8,627.00)	\$50,753.00	\$50,098.00	\$655.00
Personal Services - Employee Benefits	20,520.00	\$19,938.00	40,458.00	22,174.00	18,284.00
Purchased Professional and Technical Services	45,202.00	14,448.00	59,650.00	58,387.00	1,263.00
Other Purchased Services (400-500 series)	10,122.00	1,597.00	11,719.00	5,133.00	6,586.00
Total Summer School - Support Services	<u>135,224.00</u>	<u>27,356.00</u>	<u>162,580.00</u>	<u>135,792.00</u>	<u>26,788.00</u>
TOTAL SPECIAL SCHOOLS	<u>423,553.00</u>	<u>9,160.00</u>	<u>432,713.00</u>	<u>373,415.00</u>	<u>59,298.00</u>
TOTAL EXPENDITURES	<u>38,753,300.00</u>	<u>253,295.00</u>	<u>39,006,595.00</u>	<u>34,278,562.07</u>	<u>4,728,032.93</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(137,054.00)</u>	<u>(253,295.00)</u>	<u>(390,349.00)</u>	<u>(882,370.27)</u>	<u>(9,948,087.13)</u>
Other financing sources					
Transfer of funds - enterprise fund					
Total other financing sources					
Excess of revenues and other financing sources over Expenditures and other financing sources	<u>(137,054.00)</u>	<u>(253,295.00)</u>	<u>(390,349.00)</u>	<u>(882,370.27)</u>	<u>(9,948,087.13)</u>
Fund balances, July 1	<u>13,665,788.77</u>		<u>13,665,788.77</u>	<u>13,665,788.77</u>	
Fund balances, June 30	<u>\$13,528,734.77</u>	<u>(\$253,295.00)</u>	<u>\$13,275,439.77</u>	<u>\$12,783,418.50</u>	<u>(\$9,948,087.13)</u>
Recapitulation:					
Reserve for encumbrances				\$60,736.83	
legally restricted-designated for subsequent year's expenditures				435,624.00	
Unrestricted fund balance				<u>12,287,057.67</u>	
Reconciliation to governmental funds statements (GAAP)				12,783,418.50	
Fund balance per governmental funds (GAAP)				<u>\$12,783,418.50</u>	

UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
 BUDGETARY COMPARISON SCHEDULE  
 SPECIAL REVENUE FUND  
 FOR FISCAL YEARS ENDED JUNE 30, 2011

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
REVENUES:					
Local education agency sources	\$6,052,109.00	\$1,984,465.00	\$8,036,574.00	\$6,170,421.00	\$1,866,153.00
Other sources		90,084.00	90,084.00	82,163.00	7,921.00
State sources		137,974.00	137,974.00	137,974.00	
Total revenues	<u>\$6,052,109.00</u>	<u>\$2,212,523.00</u>	<u>\$8,264,632.00</u>	<u>\$6,390,558.00</u>	<u>\$1,874,074.00</u>
EXPENDITURES:					
Instruction:					
Salaries of teachers	2,357,162.00	\$377,151.00	\$2,734,313.00	\$2,206,104.00	\$528,209.00
Other salaries for instruction	133,000.00	59,290.00	192,290.00	166,825.00	25,465.00
Purchased professional educational services		102,512.00	102,512.00	40,596.00	61,916.00
Purchased professional technical services		3,328.00	3,328.00	3,328.00	
Other purchased services		6,429.00	6,429.00	6,429.00	
Supplies	42,299.00	682,536.00	724,835.00	574,929.00	149,906.00
Textbooks	454,074.00		454,074.00	363,561.00	90,513.00
Total instruction	<u>2,986,535.00</u>	<u>1,231,246.00</u>	<u>4,217,781.00</u>	<u>3,361,772.00</u>	<u>856,009.00</u>
Support services:					
Salaries of supervisor's of instruction	246,478.00	14,491.00	260,969.00	260,786.00	183.00
Salaries of other professional staff	300,000.00	116,167.00	416,167.00	351,239.00	64,928.00
Salaries of secretarial and clerical assistants	50,364.00	5,355.00	55,719.00	55,719.00	
Other salaries for instruction	85,839.00		85,839.00	55,839.00	30,000.00
Purchased professional educational services	626,117.00	87,573.00	713,690.00	582,542.00	131,148.00
Other purchased professional services	18,500.00	(2,750.00)	15,750.00	14,780.00	970.00
Personal services - employee benefits	1,023,339.00	97,479.00	1,120,818.00	953,398.00	167,420.00
Rentals	107,460.00	1,460.00	108,920.00	98,503.00	10,417.00
Other purchased services	186,633.00	40,213.00	226,846.00	165,572.00	61,274.00
Supplies and materials	131,751.00	17,393.00	149,144.00	131,749.00	17,395.00
Indirect costs - administrative fees	286,093.00	24,070.00	310,163.00	310,163.00	
Miscellaneous expenditures	3,000.00	31,140.00	34,140.00	29,906.00	4,234.00
Total support services	<u>3,065,574.00</u>	<u>432,591.00</u>	<u>3,498,165.00</u>	<u>3,010,196.00</u>	<u>487,969.00</u>
Facilities acquisition & construction services:					
Instructional equipment		28,878.00	28,878.00	18,590.00	10,288.00
Total expenditures	<u>\$6,052,109.00</u>	<u>\$1,692,715.00</u>	<u>\$7,744,824.00</u>	<u>\$6,390,558.00</u>	<u>\$1,354,266.00</u>

UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
BUDGETARY COMPARISON SCHEDULE  
BUDGET TO GAAP RECONCILIATION  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>
<b>Sources/inflows of resources</b>		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$33,396,191.80	\$6,390,558.00
Difference - budget to GAAP		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and related revenue is recognized.	-0-	-0-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$33,396,191.80</u>	<u>\$6,390,558.00</u>
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules	\$34,278,562.07	\$6,390,558.00
Difference - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial purposes	-0-	-0-
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$34,278,562.07</u>	<u>\$6,390,558.00</u>

## SPECIAL REVENUE FUND DETAIL STATEMENTS

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

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

	<u>NON-PUBLIC NURSING SERVICES</u>	<u>NON-PUBLIC TEXTBOOKS</u>	<u>IDEA PART B PROGRAM</u>	<u>IDEA PART B-ARRA PROGRAM</u>
REVENUES:				
State sources				
Other sources				
Local education agency sources	\$402,824.00	\$363,561.00	\$1,482,039.00	\$511,381.00
Total revenues	<u>\$402,824.00</u>	<u>\$363,561.00</u>	<u>\$1,482,039.00</u>	<u>\$511,381.00</u>
EXPENDITURES:				
Instruction:				
Salaries of teachers			\$706,874.00	\$21,731.00
Other salaries for instruction			146,980.00	
Purchased professional educational services				39,096.00
Purchased professional technical services				
Other purchased services				
Supplies			70,870.00	422,692.00
Textbooks		\$363,561.00		
Total instruction		<u>363,561.00</u>	<u>924,724.00</u>	<u>483,519.00</u>
Support services:				
Salaries of supervisor's of instruction			22,441.00	
Salaries of other professional staff	236,945.00			
Salaries of secretarial and clerical assistants			15,719.00	
Other salaries for instruction				
Purchased professional educational services			133,918.00	3,792.00
Other purchased professional services	1,000.00			
Personal services - employee benefits	114,034.00		305,634.00	
Rentals				
Other purchased services	11,633.00		12,000.00	
Supplies and materials	16,419.00			
Indirect costs - administrative fees	22,793.00		67,603.00	24,070.00
Miscellaneous expenditures				
Total support services	<u>402,824.00</u>		<u>557,315.00</u>	<u>27,862.00</u>
Facilities acquisition & construction services:				
Instructional equipment				
Total facilities acquisition & construction services				
Total expenditures	<u>\$402,824.00</u>	<u>\$363,561.00</u>	<u>\$1,482,039.00</u>	<u>\$511,381.00</u>

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

	UCESC FOUNDATION	NON-PUBLIC CHAPTER 192	NON-PUBLIC CHAPTER 193	HOME INSTRUCTION	TITLE I
<b>REVENUES:</b>					
State sources					
Other sources	\$82,163.00				
Local education agency sources					
	<u>                    </u>				
Total revenues	<u>\$82,163.00</u>	<u>\$1,798,295.00</u>	<u>\$1,441,615.00</u>	<u>\$21,645.00</u>	<u>\$125,550.00</u>
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of teachers		\$872,922.00	\$525,217.00	\$20,201.00	\$59,159.00
Other salaries for instruction					19,845.00
Purchased professional educational services					
Purchased professional technical services					
Other purchased services					
Supplies		47,432.00	33,935.00		
Textbooks					
	<u>                    </u>				
Total instruction		<u>920,354.00</u>	<u>559,152.00</u>	<u>20,201.00</u>	<u>79,004.00</u>
Support services:					
Salaries of supervisor's of instruction		160,660.00	77,685.00		
Salaries of other professional staff					
Salaries of secretarial and clerical assistants		20,008.00	19,992.00		
Other salaries for instruction		55,839.00			
Purchased professional educational services			421,152.00		
Other purchased professional services		6,765.00	7,015.00		
Personal services - employee benefits		307,576.00	187,821.00	145.00	38,188.00
Rentals		54,936.00	43,567.00		
Other purchased services	9,961.00	119,114.00	12,864.00		
Supplies and materials	33,206.00	42,644.00	25,868.00		8,358.00
Indirect costs - administrative fees		107,899.00	86,499.00	1,299.00	
Miscellaneous expenditures	\$27,406.00	2,500.00			
	<u>                    </u>				
Total support services	<u>70,573.00</u>	<u>877,941.00</u>	<u>882,463.00</u>	<u>1,444.00</u>	<u>46,546.00</u>
Facilities acquisition & construction services:					
Instructional equipment	11,590.00				
	<u>                    </u>				
Total facilities acquisition & construction services	<u>11,590.00</u>				
Total expenditures	<u>\$82,163.00</u>	<u>\$1,798,295.00</u>	<u>\$1,441,615.00</u>	<u>\$21,645.00</u>	<u>\$125,550.00</u>

(Continued on next page)

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

	TITLE I ARRA	DYFS DAY TREATMENT PROGRAM	COMPARATIVE TOTALS	
			TOTAL 2011	TOTAL 2010
<b>REVENUES:</b>				
State sources		\$137,974.00	\$137,974.00	\$138,644.00
Other sources			82,163.00	42,962.00
Local education agency sources	\$23,511.00		6,170,421.00	6,490,153.00
<b>Total revenues</b>	<b>\$23,511.00</b>	<b>\$137,974.00</b>	<b>\$6,390,558.00</b>	<b>\$6,671,759.00</b>
<b>EXPENDITURES:</b>				
Instruction:				
Salaries of teachers			\$2,206,104.00	\$2,265,862.00
Other salaries for instruction			166,825.00	159,661.00
Purchased professional educational services	1,500.00		40,596.00	
Purchased professional technical services	3,328.00		3,328.00	
Other purchased services	6,429.00		6,429.00	
Supplies			574,929.00	731,732.00
Textbooks			363,561.00	449,310.00
<b>Total instruction</b>	<b>11,257.00</b>		<b>3,361,772.00</b>	<b>3,606,565.00</b>
Support services:				
Salaries of supervisor's of instruction			280,786.00	227,430.00
Salaries of other professional staff		\$114,294.00	351,239.00	435,681.00
Salaries of secretarial and clerical assistants			55,719.00	63,329.00
Other salaries for instruction			55,839.00	55,217.00
Purchased professional educational services		23,680.00	582,542.00	621,971.00
Other purchased professional services			14,780.00	19,228.00
Personal services - employee benefits			953,398.00	941,756.00
Rentals			98,503.00	106,460.00
Other purchased services			165,572.00	174,779.00
Supplies and materials	5,254.00		131,749.00	89,419.00
Indirect costs - administrative fees			310,163.00	298,251.00
Miscellaneous expenditures			29,906.00	31,673.00
<b>Total support services</b>	<b>5,254.00</b>	<b>137,974.00</b>	<b>3,010,196.00</b>	<b>3,065,194.00</b>
Facilities acquisition & construction services:				
Instructional equipment	7,000.00		18,590.00	
<b>Total facilities acquisition &amp; construction services</b>	<b>7,000.00</b>		<b>18,590.00</b>	
<b>Total expenditures</b>	<b>\$23,511.00</b>	<b>\$137,974.00</b>	<b>\$6,390,558.00</b>	<b>\$6,671,759.00</b>

## **CAPITAL PROJECTS FUND DETAIL STATEMENTS**

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

UNION 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

REVENUES AND OTHER FINANCING SOURCES:	
Interest earned	<u>\$879.45</u>
Total revenues and other financing sources	<u>879.45</u>
Excess (deficiency) of revenues over (under) expenditures	879.45
Fund balance - July 1	<u>845,811.83</u>
Fund balance - June 30	<u><u>\$846,691.28</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 in all schools within the Commission.

UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
PROPRIETARY FUND  
COMBINING STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2011

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND	<u>COMPARATIVE TOTALS</u>	
	<u>FOOD SERVICE FUND</u>	<u>2011</u>	<u>JUNE 30</u> <u>2010</u>
ASSETS:			
Current assets:			
Cash and cash equivalents	\$4,279.23	4,279.23	\$32,816.41
Accounts receivable:			
State	397.44	397.44	600.52
Federal	27,172.68	27,172.68	12,998.30
Interfunds	25,269.57	25,269.57	46,664.09
Inventories	8,915.47	8,915.47	6,054.93
Total current assets	<u>66,034.39</u>	<u>66,034.39</u>	<u>99,134.25</u>
Noncurrent assets:			
Furniture, machinery & equipment	5,772.90	5,772.90	5,772.90
Less accumulated depreciation	(705.58)	(705.58)	(320.72)
Total noncurrent assets	<u>5,067.32</u>	<u>5,067.32</u>	<u>5,452.18</u>
TOTAL ASSETS	<u>71,101.71</u>	<u>71,101.71</u>	<u>104,586.43</u>
LIABILITIES:			
Current liabilities:			
Accounts Payable	4,868.35	4,868.35	9,472.93
Deferred Revenue	2,043.69	2,043.69	1,538.43
Interfunds	7,159.00	7,159.00	22,372.00
Total current liabilities	<u>14,071.04</u>	<u>14,071.04</u>	<u>33,383.36</u>
NET ASSETS:			
Invested in capital assets, net of depreciation	5,067.32	5,067.32	5,452.18
Unrestricted	51,963.35	51,963.35	65,750.89
TOTAL NET ASSETS	<u>\$57,030.67</u>	<u>\$57,030.67</u>	<u>\$71,203.07</u>

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

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND	COMPARATIVE TOTALS	
	FOOD SERVICE	2011	JUNE 30 2010
OPERATING REVENUES:			
Local sources:			
Daily sales-reimbursable programs:			
Food Service Sales	\$18,747.35	\$18,747.35	\$14,725.69
Miscellaneous	4,607.60	4,607.60	1,265.57
Total operating revenue	<u>23,354.95</u>	<u>23,354.95</u>	<u>15,991.26</u>
OPERATING EXPENSES:			
Salaries	22,027.00	22,027.00	
Cost of sales	137,645.68	137,645.68	144,745.19
Other purchased professional services	810.00	810.00	900.00
Cleaning, repair and maintenance services	6,167.91	6,167.91	6,178.15
General supplies	8,310.26	8,310.26	8,990.91
Depreciation	384.86	384.86	320.72
Total operating expenses	<u>175,345.71</u>	<u>175,345.71</u>	<u>161,134.97</u>
Operating (loss)	<u>(151,990.76)</u>	<u>(151,990.76)</u>	<u>(145,143.71)</u>
Nonoperating revenues:			
State sources:			
State school lunch program	1,753.07	1,753.07	3,714.44
State school breakfast program			2,849.60
Federal sources:			
National school lunch program	84,835.00	84,835.00	95,855.87
National school breakfast program	43,519.84	43,519.84	47,885.72
ARRA			5,772.90
National food distribution program	7,710.45	7,710.45	11,297.00
Total nonoperating revenues	<u>137,818.36</u>	<u>137,818.36</u>	<u>167,375.53</u>
Income before contributions and transfers	<u>(14,172.40)</u>	<u>(14,172.40)</u>	22,231.82
Transfers in			<u>13,000.00</u>
Change in net assets	(14,172.40)	(14,172.40)	35,231.82
Net assets - July 1	<u>71,203.07</u>	<u>71,203.07</u>	<u>35,971.25</u>
Net assets - June 30	<u>\$57,030.67</u>	<u>\$57,030.67</u>	<u>\$71,203.07</u>

UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
PROPRIETARY FUND  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND		COMPARATIVE TOTALS	
	FOOD SERVICE	JUNE 30		
		2011	2010	
Cash flows from operating activities:				
Receipts from customers	\$23,354.95	\$23,354.95	\$15,991.26	
Payments to employees	(22,027.00)	(22,027.00)		
Payments to suppliers	(152,183.26)	(152,183.26)	(152,319.07)	
Net cash provided (used) by operating activities	(150,855.31)	(150,855.31)	(136,327.81)	
Cash flows from noncapital financing activities:				
State sources	1,956.15	1,956.15	6,464.56	
Federal sources	114,180.46	114,180.46	147,085.11	
Interfunds	6,181.52	6,181.52	(30,330.27)	
Board contribution			13,000.00	
Net cash provided by noncapital financing activities	122,318.13	122,318.13	136,219.40	
Cash flows from capital activities:				
Purchase of capital assets			(5,772.90)	
Net cash provided (used) by investing activities			(5,772.90)	
Net (decrease) in cash and cash equivalents	(28,537.18)	(28,537.18)	(5,881.31)	
Cash and cash equivalents, July 1	32,816.41	32,816.41	38,697.72	
Cash and cash equivalents, June 30	\$4,279.23	\$4,279.23	\$32,816.41	
Operating (loss)	(\$151,990.76)	(\$151,990.76)	(\$142,222.85)	
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:				
Depreciation and net amortization	384.86	384.86	320.72	
Federal commodities	7,710.45	7,710.45	8,376.14	
Change in assets and liabilities:				
(Increase) decrease in inventories	(2,860.54)	(2,860.54)	5,374.43	
Increase (decrease) in deferred revenue	505.26	505.26	(2,920.86)	
Increase (decrease) in accounts payable	(4,604.58)	(4,604.58)	(5,255.39)	
Net cash (used) by operating activities	(150,855.31)	(150,855.31)	(136,327.81)	

## FIDUCIARY FUND DETAIL STATEMENTS

Fiduciary funds are used to account for assets when the Commission is functioning either as a trustee or as an agent for another party.

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

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

UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
FIDUCIARY FUND  
COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2011

	PAYROLL AGENCY	STUDENT ACTIVITY	COMPARATIVE TOTALS	
			JUNE 30	
			2011	2010
<b>ASSETS:</b>				
Cash and cash equivalents	\$521,090.37	\$27,692.51	\$548,782.88	\$540,341.90
Total assets	521,090.37	27,692.51	548,782.88	540,341.90
<b>LIABILITIES:</b>				
Liabilities:				
Payroll deductions payable	108,401.60		108,401.60	115,975.90
Accrued salaries	408,959.03		408,959.03	395,790.83
Interfund payable	3,729.74		3,729.74	3,369.16
Payable to student groups		27,692.51	27,692.51	25,206.01
Total liabilities	521,090.37	27,692.51	548,782.88	540,341.90
<b>NET ASSETS:</b>				
Total net assets	\$ -0-	\$ -0-	\$ -0-	\$ -0-

UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
STUDENT ACTIVITY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>BALANCE</u> <u>JULY 1, 2010</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2011</u>
WESTLAKE/WESTFIELD	\$21,204.60	\$37,188.19	\$35,698.51	\$22,694.28
LAMBERTS MILL ACADEMY	503.48	560.00	900.00	163.48
CROSSROADS SCHOOL	3,359.33	3,734.32	2,413.03	4,680.62
HILLCREST ACADEMY SOUTH	62.42	2,051.70	2,002.16	111.96
HILLCREST ACADEMY NORTH	10.04	946.35	956.39	0.00
Other	66.14	296.77	320.74	42.17
	<u>\$25,206.01</u>	<u>\$44,777.33</u>	<u>\$42,290.83</u>	<u>\$27,692.51</u>

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

	<u>BALANCE</u> <u>JULY 1, 2010</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2011</u>
<b>ASSETS:</b>				
Cash and cash equivalents	<u>\$515,135.89</u>	<u>\$11,779,111.63</u>	<u>\$11,773,157.15</u>	<u>\$521,090.37</u>
Total assets	<u><u>\$515,135.89</u></u>	<u><u>\$11,779,111.63</u></u>	<u><u>\$11,773,157.15</u></u>	<u><u>\$521,090.37</u></u>
<b>LIABILITIES:</b>				
Payroll deductions payable	\$115,975.90	\$11,369,156.10	\$11,376,730.40	\$108,401.60
Accrued salaries	397,899.03	407,486.75	396,426.75	408,959.03
Interfund payable	<u>1,260.96</u>	<u>2,468.78</u>	<u></u>	<u>3,729.74</u>
Total liabilities	<u><u>\$515,135.89</u></u>	<u><u>\$11,779,111.63</u></u>	<u><u>\$11,773,157.15</u></u>	<u><u>\$521,090.37</u></u>

## **LONG-TERM DEBT SCHEDULES**

The Long-Term schedules are used to reflect the outstanding principal balances of the long-term liabilities of the Commission. This may include obligations under Capital Leases and Certificates of Participation

UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
LONG-TERM DEBT  
SCHEDULE OF CERTIFICATES OF PARTICIPATION  
JUNE 30, 2011

ISSUE	DATE OF ISSUE	AMOUNT OF ISSUE	MATURITIES		RATE OF INTEREST	BALANCE JULY 1, 2010	RETIRED	BALANCE JUNE 30, 2011
			DATE	AMOUNT				
Purchase and renovation of Cardinal Drive property	2002	\$3,500,000.00	2/15/2012	170,000.00	4.250%	\$2,270,000.00	\$165,000.00	\$2,105,000.00
			2/15/2013	180,000.00	4.350%			
			2/15/2014	185,000.00	4.450%			
			2/15/2015	195,000.00	4.500%			
			2/15/2016	205,000.00	4.625%			
			2/15/2017	215,000.00	4.700%			
			2/15/2018	220,000.00	4.800%			
			2/15/2019	235,000.00	4.850%			
			2/15/2020	245,000.00	4.900%			
			2/15/2021	255,000.00	4.900%			
Refinance of purchase and renovation of Lamberts Mill Road School	2006	4,465,000.00	6/15/2012	250,000.00	4.000%	3,755,000.00	240,000.00	3,515,000.00
			6/15/2013	255,000.00	4.000%			
			6/15/2014	270,000.00	4.000%			
			6/15/2015	275,000.00	4.100%			
			6/15/2016	290,000.00	4.125%			
			6/15/2017	300,000.00	4.200%			
			6/15/2018	315,000.00	4.250%			
			6/15/2019	330,000.00	4.300%			
			6/15/2020	345,000.00	4.300%			
			6/15/2021	360,000.00	4.375%			
6/15/2022	525,000.00	4.375%						
						<u>3,755,000.00</u>	<u>240,000.00</u>	<u>3,515,000.00</u>
						<u>\$6,025,000.00</u>	<u>\$405,000.00</u>	<u>\$5,620,000.00</u>

UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
LONG-TERM DEBT  
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES/LEASE PURCHASE AGREEMENTS  
JUNE 30, 2011

<u>DESCRIPTION</u>	<u>INTEREST RATE PAYABLE</u>	<u>AMOUNT OF ORIGINAL ISSUE</u>	<u>AMOUNT OUTSTANDING JUNE 30, 2010</u>	<u>RETIRED CURRENT YEAR</u>	<u>AMOUNT OUTSTANDING JUNE 30, 2011</u>
2002 - Cardinal Drive	3.45 to 4.90%	\$3,500,000.00	\$2,270,000.00	\$165,000.00	\$2,105,000.00
2006 - 1997 Refinance	4.0 to 4.373%	4,465,000.00	3,755,000.00	240,000.00	3,515,000.00
2006 School Buses	4.250%	127,930.00	14,036.98	14,036.98	
			<u>\$6,039,036.98</u>	<u>\$419,036.98</u>	<u>\$5,620,000.00</u>

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**STATISTICAL SECTION  
(UNAUDITED)**

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UNION 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 Commission'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 Commission'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 Commission's current levels of outstanding debt and the Commission'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 Commission'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 Commission's financial report relates to the services the Commission provides and the activities it performs.	J-18 and 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 Commission implemented GASB Statement 34 in the fiscal year ending June 30, 2003; schedules presenting Commission-wide information include information beginning in that year.

UNION 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>
Governmental activities							
Invested in capital assets, net of related debt	\$ 2,934,242.75	\$ 3,716,994.35	\$ 3,612,992.34	\$ 2,476,886.58	\$ 5,298,801.00	\$ 5,247,301.00	\$ 5,423,216.00
Restricted	1,282,315.28	982,865.83	844,288.45	833,889.73	800,503.00	759,725.00	626,133.00
Unrestricted	<u>13,120,956.09</u>	<u>13,425,469.50</u>	<u>13,766,348.02</u>	<u>13,122,196.40</u>	<u>12,755,456.00</u>	<u>12,219,716.00</u>	<u>11,081,198.00</u>
Total governmental activities net assets	<u>\$ 17,337,514.12</u>	<u>\$ 18,125,329.68</u>	<u>\$ 18,223,628.81</u>	<u>\$ 16,432,972.71</u>	<u>\$ 18,854,760.00</u>	<u>\$ 18,226,742.00</u>	<u>\$ 17,130,547.00</u>
Business-type activities							
Invested in capital assets, net of related debt	\$ 5,067.32	\$ 5,452.18	\$	\$	\$	\$	\$
Unrestricted	<u>51,963.35</u>	<u>65,750.89</u>	<u>35,971.25</u>	<u>7,876.86</u>	<u>20,789.00</u>	<u>28,536.00</u>	<u>34,903.00</u>
Total business-type activities net assets	<u>\$ 57,030.67</u>	<u>\$ 71,203.07</u>	<u>\$ 35,971.25</u>	<u>\$ 7,876.86</u>	<u>\$ 20,789.00</u>	<u>\$ 28,536.00</u>	<u>\$ 34,903.00</u>
Commission-wide							
Invested in capital assets, net of related debt	\$ 2,939,310.07	\$ 3,716,994.35	\$ 3,612,992.34	\$ 2,476,886.58	\$ 5,298,801.00	\$ 5,247,301.00	\$ 5,423,216.00
Restricted	1,282,315.28	982,865.83	844,288.45	833,889.73	800,503.00	759,725.00	626,133.00
Unrestricted	<u>13,172,919.44</u>	<u>13,491,220.39</u>	<u>13,802,319.27</u>	<u>13,130,073.26</u>	<u>12,776,245.00</u>	<u>12,248,252.00</u>	<u>11,116,101.00</u>
Total Commission net assets	<u>\$ 17,394,544.79</u>	<u>\$ 18,191,080.57</u>	<u>\$ 18,259,600.06</u>	<u>\$ 16,440,849.57</u>	<u>\$ 18,875,549.00</u>	<u>\$ 18,255,278.00</u>	<u>\$ 17,165,450.00</u>

Source: CAFR Schedule A-1

**UNION 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>
<b>EXPENSES</b>							
Governmental activities							
Instruction:							
Regular	\$ 13,404,993.33	\$ 13,763,841.36	\$ 12,660,264.12	\$ 11,905,465.23	\$ 9,705,412.00	\$ 8,741,185.00	\$ 5,860,074.00
Vocational	195,684.50	187,512.39	325,155.89	417,246.03	339,402.00	267,559.00	199,047.00
Nonpublic school programs					2,323,471.00	2,589,522.00	2,458,989.00
Support Services:							
Student & instruction related services	4,527,564.43	4,651,154.85	4,815,580.34	4,861,533.90	4,170,829.00	3,724,437.00	2,191,638.00
School administrative services	1,388,788.74	1,234,189.37	1,266,687.49	1,314,690.32	793,768.00	661,863.00	836,542.00
General administrative services	780,115.47	729,309.11	714,339.08	680,067.10	1,871,746.00	1,829,387.00	2,762,864.00
Plant operations and maintenance	1,040,848.50	1,046,351.45	1,086,492.15	1,427,577.20	1,454,153.00	1,077,037.00	1,075,626.00
Pupil transportation	17,532,976.52	20,135,543.88	22,057,377.72	22,670,075.03	22,175,190.00	19,568,136.00	18,204,452.00
Other support services	841,873.73	844,893.50	728,399.23	737,099.72	632,441.00	618,188.00	3,175,250.00
Special Schools	533,956.00	581,262.17	386,914.87	339,410.80	262,118.00	259,511.00	243,031.00
Interest on long-term debt					363,260.00	415,109.00	369,468.00
Amortization of bond issuance costs	29,906.73	29,906.73	29,907.00	29,907.00	29,907.00	20,031.00	16,740.00
Unallocated depreciation	298,736.86	298,736.83	297,822.63	354,368.73	231,825.00	231,823.00	296,318.00
Total governmental activities expenses	<u>40,575,444.81</u>	<u>43,502,701.64</u>	<u>44,368,940.52</u>	<u>44,737,441.06</u>	<u>44,353,522.00</u>	<u>40,003,788.00</u>	<u>37,690,039.00</u>
Business-type activities:							
Food Service	175,345.71	161,134.97	152,994.16	171,935.35	150,462.00	148,092.00	120,752.00
Total business-type activities expense	<u>175,345.71</u>	<u>161,134.97</u>	<u>152,994.16</u>	<u>171,935.35</u>	<u>150,462.00</u>	<u>148,092.00</u>	<u>120,752.00</u>
Total Commission expenses	\$ <u>40,750,790.52</u>	\$ <u>43,663,836.61</u>	\$ <u>44,521,934.68</u>	\$ <u>44,909,376.41</u>	\$ <u>44,503,984.00</u>	\$ <u>40,151,880.00</u>	\$ <u>37,810,791.00</u>
<b>PROGRAM REVENUES</b>							
Governmental activities:							
Charges for Services:							
Instruction (tuition)	\$ 14,219,326.23	\$ 14,498,674.45	\$ 13,797,815.85	\$ 13,191,879.69	\$ 13,331,693.00	\$ 12,796,017.00	\$ 11,638,583.00
Pupil transportation	17,318,550.50	20,492,128.95	22,233,934.39	22,774,224.97	22,493,392.00	19,904,035.00	18,623,851.00
Operating grants and contributions	7,697,035.07	7,957,181.26	8,218,073.64	8,643,297.09	8,325,695.00	7,614,413.00	7,302,662.00
Total governmental activities program revenues	<u>39,234,911.80</u>	<u>42,947,984.66</u>	<u>44,249,823.88</u>	<u>44,609,401.75</u>	<u>44,150,780.00</u>	<u>40,314,465.00</u>	<u>37,565,096.00</u>
Business-type activities:							
Charges for services							
Food Service	18,747.35	14,725.69	16,836.75	17,346.68	16,170.00	21,232.00	21,298.00
Operating grants and contributions	137,818.36	167,375.53	148,767.54	140,276.20	126,537.00	120,493.00	91,455.00
Total business type activities program revenues	<u>156,565.71</u>	<u>182,101.22</u>	<u>165,604.29</u>	<u>157,622.88</u>	<u>142,707.00</u>	<u>141,725.00</u>	<u>112,753.00</u>
Total Commission program revenues	\$ <u>39,391,477.51</u>	\$ <u>43,130,085.88</u>	\$ <u>44,415,428.17</u>	\$ <u>44,767,024.63</u>	\$ <u>44,293,487.00</u>	\$ <u>40,456,190.00</u>	\$ <u>37,677,849.00</u>
<b>NET (EXPENSE)/REVENUE</b>							
Governmental activities	(1,340,533.01)	(554,716.98)	(119,116.64)	(128,039.31)	(202,742.00)	310,677.00	(124,943.00)
Business-type activities	<u>(18,780.00)</u>	<u>20,966.25</u>	<u>12,610.13</u>	<u>(14,312.47)</u>	<u>(7,755.00)</u>	<u>(6,367.00)</u>	<u>(7,999.00)</u>
Total Commission-wide net expense	\$ <u>(1,359,313.01)</u>	\$ <u>(533,750.73)</u>	\$ <u>(106,506.51)</u>	\$ <u>(142,351.78)</u>	\$ <u>(210,497.00)</u>	\$ <u>304,310.00</u>	\$ <u>(132,942.00)</u>

UNION 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>GENERAL REVENUES AND OTHER CHANGES</u>							
<u>IN NET ASSETS</u>							
Governmental activities:							
Investment earnings	\$ 96,986.45	\$ 91,548.18	\$ 204,972.53	\$ 374,476.98	\$ 373,922.00	\$ 300,749.00	\$ 143,746.00
Miscellaneous income	455,731.00	377,869.67	423,408.15	366,793.16	402,838.00	484,769.00	554,010.00
Transfers		(13,000.00)	(13,000.00)				
Total governmental activities	<u>552,717.45</u>	<u>456,417.85</u>	<u>615,380.68</u>	<u>741,270.14</u>	<u>776,760.00</u>	<u>785,518.00</u>	<u>697,756.00</u>
Business-type activities:							
Miscellaneous income	4,607.60	1,265.57	2,484.26	1,402.33			
Transfers		13,000.00	13,000.00				
Total business-type activities	<u>4,607.60</u>	<u>14,265.57</u>	<u>15,484.26</u>	<u>1,402.33</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Commission-wide	<u>\$ 557,325.05</u>	<u>\$ 470,683.42</u>	<u>\$ 630,864.94</u>	<u>\$ 742,672.47</u>	<u>\$ 776,760.00</u>	<u>\$ 785,518.00</u>	<u>\$ 697,756.00</u>
<u>CHANGE IN NET ASSETS</u>							
Governmental activities	\$ (787,815.56)	\$ (98,299.13)	\$ 496,264.04	\$ 613,230.83	\$ 574,018.00	\$ 1,096,195.00	\$ 572,813.00
Business-type activities	<u>(14,172.40)</u>	<u>35,231.82</u>	<u>28,094.39</u>	<u>(12,910.14)</u>	<u>(7,755.00)</u>	<u>(6,367.00)</u>	<u>(7,999.00)</u>
Total Commission	<u>\$ (801,987.96)</u>	<u>\$ (63,067.31)</u>	<u>\$ 524,358.43</u>	<u>\$ 600,320.69</u>	<u>\$ 566,263.00</u>	<u>\$ 1,089,828.00</u>	<u>\$ 564,814.00</u>

Source: CAFR Schedule A-2

UNION 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>
General Fund							
Reserved	\$	\$ 228,956.31	184,835.34				
Assigned	496,360.83						
Unassigned	12,287,057.67						
Unreserved		<u>13,436,832.46</u>	<u>\$ 13,606,980.69</u>	<u>\$ 13,074,136.10</u>	<u>\$ 12,782,771.00</u>	<u>\$ 12,263,035.00</u>	<u>\$ 11,278,071.00</u>
Total general fund	<u>\$ 12,783,418.50</u>	<u>\$ 13,665,788.77</u>	<u>\$ 13,791,816.03</u>	<u>\$ 13,074,136.10</u>	<u>\$ 12,782,771.00</u>	<u>\$ 12,263,035.00</u>	<u>\$ 11,278,071.00</u>
All Other Governmental Funds							
Unreserved, reported in:							
Capital projects fund	\$	\$ 845,811.83	\$ 844,288.45	\$ 833,889.73	\$ 800,503.00	\$ 759,725.00	\$ 626,133.00
Restricted	435,624.00						
	<u>\$ 435,624.00</u>	<u>\$ 845,811.83</u>	<u>\$ 844,288.45</u>	<u>\$ 833,889.73</u>	<u>\$ 800,503.00</u>	<u>\$ 759,725.00</u>	<u>\$ 626,133.00</u>

Source: CAFR Schedule B-1

UNION 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>
<b>Revenues</b>					
Commission charges	\$ 6,308,395.00	\$ 6,631,797.00	\$ 6,816,308.32	\$ 6,784,935.00	\$ 6,514,713.00
Tuition	14,219,326.23	14,498,674.45	13,797,815.85	13,191,879.69	13,331,693.00
Transportation fees from other lea's	17,318,550.50	20,492,128.95	22,233,934.39	22,774,224.97	22,493,392.00
Interest earnings	96,986.45	91,548.18	204,972.53	374,476.98	373,922.00
Miscellaneous	537,894.00	417,831.67	469,702.47	412,565.16	467,719.00
State sources	1,306,477.07	1,285,422.26	1,355,471.00	1,812,590.09	1,746,101.00
Federal sources					
<b>Total revenue</b>	<u>39,787,629.25</u>	<u>43,417,402.51</u>	<u>44,878,204.56</u>	<u>45,350,671.89</u>	<u>44,927,540.00</u>
<b>Expenditures</b>					
<b>Instruction</b>					
Regular instruction	9,941,533.80	10,571,299.83	9,574,973.59	8,822,753.88	6,454,703.00
Vocational education	141,286.00	137,922.00	234,090.00	266,481.03	245,620.00
Nonpublic school programs					2,234,534.00
<b>Undistributed</b>					
Student & instruction related services	3,965,500.00	3,930,872.00	4,269,185.02	4,258,473.90	3,398,404.00
General administrative services	569,963.00	594,303.00	546,346.00	555,722.10	1,069,467.00
School administrative services	895,227.00	869,194.00	856,891.00	862,395.32	982,903.00
Central services	683,147.00	690,428.00	593,784.00	622,442.75	632,441.00
Plant operations and maintenance	970,982.00	988,518.00	982,245.00	1,327,068.20	1,736,212.00
Student transportation services	17,172,553.00	19,802,771.00	21,765,851.00	22,343,299.40	21,964,604.00
Unallocated employee benefits	5,392,607.07	5,105,739.26	4,553,294.30	5,025,498.61	4,844,205.00
Special schools	373,415.00	428,090.00	295,849.00	238,900.19	262,118.00
Capital outlay	253,366.20	120,229.30	123,089.00	393,971.33	387,736.00
Principal payment on lease	309,540.00	289,540.00	341,528.00	308,913.35	208,979.00
<b>Total expenditures</b>	<u>40,669,120.07</u>	<u>43,528,906.39</u>	<u>44,137,125.91</u>	<u>45,025,920.06</u>	<u>44,421,926.00</u>
Excess (Deficiency) of revenues over (under) expenditures	(881,490.82)	(111,503.88)	741,078.65	324,751.83	505,614.00
<b>Other Financing sources (uses)</b>					
Proceeds from borrowing					
Capital leases (non-budgeted)					
Transfers out		(13,000.00)	(13,000.00)		
Repayment under bond refinancing					
<b>Total other financing sources (uses)</b>	<u>0.00</u>	<u>(13,000.00)</u>	<u>(13,000.00)</u>	<u>0.00</u>	<u>0.00</u>
<b>Net change in fund balances</b>	<u>\$ (881,490.82)</u>	<u>\$ (124,503.88)</u>	<u>\$ 728,078.65</u>	<u>\$ 324,751.83</u>	<u>\$ 505,614.00</u>
<b>Debt service as a percentage of noncapital expenditures</b>		0.67%	0.77%	0.70%	0.47%

Source: CAFR Schedule B-2

UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
UNAUDITED

EXHIBIT "J-4"  
SHEET 2

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Revenues</b>					
Commission charges	\$ 6,326,232.00	\$ 6,344,183.00	\$ 5,681,208.00	\$ 5,804,773.00	\$ 5,173,333.00
Tuition	12,796,017.00	11,638,583.00	17,468,663.00	17,661,755.00	18,844,908.00
Transportation fees from other lea's	19,904,035.00	18,623,851.00	12,482,759.00	12,413,313.00	11,355,182.00
Interest earnings	300,749.00	143,746.00	73,675.00	83,771.00	149,173.00
Miscellaneous	564,478.00	553,560.00	421,976.00	501,217.00	315,734.00
State sources	1,142,766.00	867,789.00	834,032.00	801,851.00	694,575.00
Federal sources	65,706.00	91,140.00	150,500.00	105,595.00	109,540.00
<b>Total revenue</b>	<u>41,099,983.00</u>	<u>38,262,852.00</u>	<u>37,112,813.00</u>	<u>37,372,275.00</u>	<u>36,642,445.00</u>
<b>Expenditures</b>					
<b>Instruction</b>					
Regular instruction	6,139,652.00	5,798,648.00	5,565,791.00	6,209,852.00	5,267,295.00
Vocational education	202,920.00	199,047.00	231,005.00	284,404.00	264,643.00
Nonpublic school programs	2,466,671.00	2,458,989.00	2,369,322.00	2,613,258.00	2,894,179.00
<b>Undistributed</b>					
Student & instruction related services			2,144,359.00	2,216,252.00	2,506,408.00
General administrative services	3,104,959.00	2,184,452.00			458,565.00
School administrative services	973,757.00		806,559.00	879,866.00	907,643.00
Central services	1,002,560.00	836,542.00	2,382,018.00	2,159,329.00	1,172,729.00
Administrative information technology	618,188.00	637,752.00			
Plant operations and maintenance		2,375,931.00	1,047,217.00	938,286.00	864,674.00
Student transportation services	1,407,577.00	1,069,483.00	17,065,855.00	17,168,219.00	18,305,599.00
Unallocated employee benefits	19,394,717.00	18,152,240.00	3,308,492.00	3,002,177.00	2,481,216.00
Special schools	3,915,634.00	3,227,613.00	213,045.00	147,943.00	89,329.00
Capital outlay	259,511.00	243,031.00	514,205.00	411,480.00	512,959.00
Principal payment on lease	634,438.00	328,621.00	270,000.00	255,000.00	255,000.00
Interest & other charges	306,617.00	280,000.00			393,544.00
<b>Total expenditures</b>	<u>40,427,201.00</u>	<u>37,792,349.00</u>	<u>35,917,868.00</u>	<u>36,286,066.00</u>	<u>36,373,783.00</u>
Excess (Deficiency) of revenues over (under) expenditures	672,782.00	470,503.00	1,194,945.00	1,086,209.00	268,662.00
<b>Other Financing sources (uses)</b>					
Proceeds from borrowing					648,544.00
Capital leases (non-budgeted)	4,465,000.00				
Transfers in	(4,146,256.00)				
Transfers out				(7,242.00)	(7,083.00)
Repayment under bond refinancing	127,930.00				
<b>Total other financing sources (uses)</b>	<u>446,674.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(7,242.00)</u>	<u>641,461.00</u>
<b>Net change in fund balances</b>	<u>\$ 1,119,456.00</u>	<u>\$ 470,503.00</u>	<u>\$ 1,194,945.00</u>	<u>\$ 1,078,967.00</u>	<u>\$ 910,123.00</u>
<b>Debt service as a percentage of noncapital expenditures</b>	0.77%	0.75%	0.75%	0.70%	1.81%

Source: CAFR Schedule B-2

UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
GENERAL FUND OTHER MISCELLANEOUS REVENUE BY SOURCE  
UNAUDITED

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>County</u> <u>Support</u>	<u>Commission</u> <u>Charges</u>	<u>Insurance</u> <u>Dividend/</u> <u>Refund</u>	<u>Refund Prior</u> <u>Year</u> <u>Expenditures</u>	<u>Membership</u> <u>Fees</u>	<u>Miscellaneous</u>	<u>Total</u>
2011	\$ 70,000.00	\$ 118,938.45	\$	\$	\$	292,245.55	\$ 481,184.00
2010	70,000.00	114,213.05			24,912.70	208,705.92	417,831.67
2009	70,000.00	159,659.95			13,071.20	226,971.32	469,702.47
2008	70,000.00	137,751.30			13,102.40	191,711.46	412,565.16
2007	70,000.00	255,852.00	9,846.00	68,980.00	17,748.00	34,412.00	456,838.00
2006	70,000.00	283,087.00	10,470.00	68,023.00	17,049.00	36,140.00	484,769.00
2005	70,000.00	374,279.00	13,773.00	78,515.00	16,993.00		553,560.00
2004	70,000.00	278,645.00	9,155.00	28,640.00	16,821.00	18,715.00	421,976.00
2003	70,000.00	327,570.00	10,230.00	20,822.00	16,477.00	56,118.00	501,217.00
2002	75,300.00	136,311.00	32,127.00	7,363.00	16,094.00	48,539.00	315,734.00

Source: Commission Records

UNION 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>Commission Building</u>								
<u>Elementary</u>								
Crossroad (2001)								
Square Feet	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000
Capacity (students)	66	66	66	66	66	66	66	66
Enrollment	46	51	55	49	50	55	55	60
Westlake (1997)								
Square Fee	25,650	25,650	25,650	25,650	38,666	38,666	38,666	38,666
Capacity (students)	225	225	225	225	252	252	252	252
Enrollment	77	81	84	86	88	98	110	131
<u>High School</u>								
Lamberts Mill Academy(Beedleston) (1997)								
Square Feet	17,670	17,670	17,670	17,670	19,334	19,334	19,334	19,334
Capacity (students)	72	72	72	72	72	72	72	72
Enrollment	58	64	53	65	52	62	54	61
Hillcrest Academy - South (2005)								
Square Feet	13,680	13,680	13,680	13,680				
Capacity (students)	160	160	160	160				
Enrollment	80	80	80	54				
Hillcrest Academy - North (Building is Leased)								
Square Feet	10200	10200						
Capacity (students)	100	100						
Enrollment	75	75						
Number of Schools at June 30, 2011								
Elementary =	2							
Middle School =	0							
Senior High School =	3							
Other =	0							

Source: Commission 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 Commission count.

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

	<u>Coverage</u>	<u>Deductible</u>
General Insurance		
Diploma Joint Insurance		
Blanket real and personal property	\$20,827,025.00	\$1,000.00
Electronic Data Processing	1,922,383.00	1,000.00
Automobile	5,000,000.00	1,000.00
General Liability	5,000,000.00	
Umbrella - Diploma Joint Insurance fund	5,000,000.00	
Excess Liability		
Firemens Fund CAP	50,000,000.00	
Educators Legal Liability		
Diploma Joint Insurance fund	5,000,000.00	5,000.00
Officials Bonds-		
CSN Continental Casualty Co.		
Board Secretary/Business Administrator	320,000.00	
Public Officials Bond:- Crime Policy		
Diploma Joint Insurance fund		
Per Person	100,000.00	1,000.00
Per Loss	400,000.00	
Public Employee Dishonesty Bond		
Workmens Compensation		
Diploma Joint Insurance fund	5,000,000.00	
Hospital Professional Liability-		
Princeton Insurance Company:		
Per Occurrence	2,000,000.00	5,000.00
Aggregate	4,000,000.00	
Boiler and Machinery		
Chubb Group-Blanket limit	20,827,025.00	1,000.00
(included in blanket limit)		

Source: Commission records.

**SINGLE AUDIT SECTION**



# SUPLEE, CLOONEY & COMPANY

EXHIBIT "K-1"

CERTIFIED PUBLIC ACCOUNTANTS

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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  
Union County Educational Services Commission  
County of Union  
Westfield, New Jersey 07090

We have audited the basic financial statements of the Union County Educational Services Commission, County of Union, New Jersey as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated November 23, 2011. 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 Union County Educational Services Commission, County of Union, 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 Union County Educational Services Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Union County Educational Services Commission's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a 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

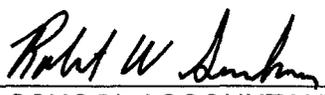
Our consideration of the internal control over financial reporting was limited for the purposes described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Union 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 an immaterial instance of noncompliance that we have reported to the Board of Directors of the Union County Educational Services Commission in a separate Auditor's Management Report on Administrative Findings – Financial and Compliance dated November 23, 2011.

This report is intended solely for the information and use of management and the Board of Directors of the Union 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. 948

November 23, 2011



**SUPLEE, CLOONEY & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS

EXHIBIT "K-2"

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
STATE FINANCIAL ASSISTANCE PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH NEW JERSEY OMB CIRCULAR 04-04

Honorable President and Members  
of the Board of Directors  
Union County Educational Services Commission  
County of Union  
Westfield, New Jersey 07090

Compliance

We have audited the compliance of the Union County Educational Services Commission with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the New Jersey State Grant Compliance Supplement that are applicable to each of its major state programs for the year ended June 30, 2011. The Union County Educational Services Commission's major state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of Union County Educational Services Commission's management. Our responsibility is to express an opinion on Union County Educational Services Commission's compliance based on our audit.

We conducted our audit of compliance 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, audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey and the provisions of U.S. Office of Management and Budget (OMB) Circular A-133 "Audits of States, Local Governments and Non-Profit Organizations" and State of New Jersey OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Union County Educational Services Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Union County Educational Services Commission's compliance with those requirements.

## SUPLEE, CLOONEY & COMPANY

In our opinion, the Union County Educational Services Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2011.

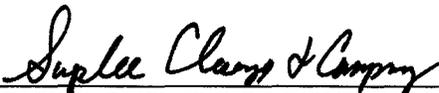
### Internal Control Over Compliance

The management of the Union County Educational Services Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Union County Educational Services Commission's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Union County Educational Services Commission's internal control over compliance.

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

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

This report is intended solely for the information and use of management and the Board of Directors of the Union 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. 948

November 23, 2011

UNION 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	REPAYMENT TO DISTRICT	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	\$96,855.87	(\$8,700.56)		\$8,700.56					
National School Lunch Program	10 555	N/A	7/1/10 - 6/30/11	84,835.00			67,011.58	(\$64,835.00)		(\$17,823.42)		
National School Breakfast Program	10 553	N/A	7/1/09 - 6/30/10	47,885.72	(4,297.74)		4,297.74					
National School Breakfast Program	10 553	N/A	7/1/10 - 6/30/11	43,519.84			34,170.58	(43,519.84)		(9,349.26)		
National Food Distribution Program	10 550	N/A	7/1/09 - 6/30/10	8,376.14	1,538.43			(1,538.43)				
National Food Distribution Program	10 550	N/A	7/1/10 - 6/30/11	8,215.71			8,215.71	(6,172.02)			2,043.69	
Total U.S. Department of Agriculture					(11,459.87)		122,396.17	(136,065.29)		(27,172.68)	2,043.69	
Total Expenditures of Federal Awards					(\$11,459.87)		\$122,396.17	(\$136,065.29)		(\$27,172.68)	\$2,043.69	

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

UNION 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	699,272.26	(\$69,240.76)		\$69,240.76							\$699,272.26
Reimbursed TPAF social security contributions	11-495-034-5095-002	7/1/10 - 6/30/11	679,108.07			648,908.35	(\$679,108.07)		(\$30,199.72)			\$30,199.72	679,108.07
Total General Funds				(\$69,240.76)		718,149.11	(\$679,108.07)		(30,199.72)			30,199.72	1,378,380.33
Special Revenue Fund:													
Passed-through State Department of Children & Families													
DYFS Day Treatment	10CCXM	7/1/10 - 6/30/11	137,974.00			137,974.00	(137,974.00)						
Total Special Revenue Fund						137,974.00	(137,974.00)						
Enterprise Fund:													
National School Lunch Program (state share)	10-100-010-3360-067	7/1/09 - 6/30/10	3,714.44	(339.92)		339.92							
National School Lunch Program (state share)	11-100-010-3360-067	7/1/10 - 6/30/11	1,753.07			1,355.63	(1,753.07)		(397.44)			(397.44)	1,753.07
National School Breakfast Program (state share)	10-100-010-3360-096	7/1/09 - 6/30/10	2,849.60	(260.60)		260.60							
Total Enterprise Fund				(600.52)		1,956.15	(1,753.07)		(397.44)			(397.44)	1,753.07
Total Expenditures of State Financial Assistance Subject to OMB 04-04				(\$69,841.28)		\$858,079.26	(\$818,835.14)		(\$30,597.16)			\$29,802.28	\$1,380,133.40
On Behalf TPAF Contributions Not Subject to OMB 04-04:													
On-behalf TPAF non-contributory insurance		7/1/10 - 6/30/11	28,209.00			28,209.00	(28,209.00)						
On-behalf TPAF post retirement medical		7/1/10 - 6/30/11	599,160.00			599,160.00	(599,160.00)						
						\$1,485,448.26	(\$1,446,204.14)						

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

**Union 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 Union 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.

**Union 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 adjustment to reconcile from the budgetary basis to the GAAP basis. Federal awards and state financial assistance revenues are reported in the Commission's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$679,108.07	\$679,108.07
Special Revenue Fund		137,974.00	137,974.00
Food Service Fund	\$136,065.29	1,753.07	137,818.36
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Awards & Financial Assistance	<u>\$136,065.29</u>	<u>\$818,835.14</u>	<u>\$954,900.43</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**

Revenues and expenditures reported in the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF pension contributions represents the amount paid by the state on behalf of the district for the year ended June 30, 2011. TPAF Social Security contributions 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.

**Union 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? | N/A         |
| (3) | Noncompliance material to basic financial statements noted?                                | No          |

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

**State Program(s)**

- |     |   |               |
|-----|---|---------------|
| (1) | Internal Control Over Major State Programs:   |               |
|     | (a) Material weakness identified?   | None Reported |
|     | (a) Significant deficiencies identified that are not considered to be material weaknesses?                | N/A           |
| (2) | Type of Auditor’s Report issued on compliance for major state program(s)?                                 | Unqualified   |
| (3) | Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 04-04? | None Reported |

**Union 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 (Continued)**

(4) Identification of Major State Program(s):

<u>Program</u>	<u>Grant Number</u>
Reimbursed TPAF Social Security Cont.	11-495-034-5095-002

**State Program(s) Continued**

(5) Program Threshold Determination:

Type A State Program Threshold > \$300,000.00  
Type B State Program Threshold <= \$300,000.00

(6) Auditee qualified as a low-risk auditee under OMB Circular A-133? Yes

**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 – Not Applicable

State Programs – None Reported

Union County Educational Services Commission

Schedule of Prior Year Audit Findings

Not Applicable

