

**Comprehensive Annual
Financial Report**

of the

Somerset County Educational Services Commission

County of Somerset

Raritan, New Jersey

For the Fiscal Year Ended June 30, 2012

Prepared by

**Somerset County Educational Services Commission
Finance Department**



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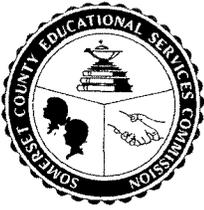
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INTRODUCTORY SECTION



SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION

WWW.SC.ESC.K12.NJ.US

991 Route 22 West, Suite 102 • Bridgewater, NJ • 08807

Phone: 908-707-1640

Business Office Fax: 908-429-3947 • Superintendent Office Fax: 908-707-0871

HAROLD DUNSAVAGE
Superintendent

JEFF SIIPOLA
Business Administrator/Board Secretary

- Coordinated In-County & Out-of-County Public and Nonpublic Transportation
- Special Education Transportation
- Charters & Field Trips
- Special Education Programs, Grades K-12
- Alternative Academic Middle & High School Programs
- Customized In-District Educational Programs
- Virtual School
- Extended School Year
- Nonpublic/Public Programs & Services

November 16, 2012

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

Dear Representative Assembly/Board of Directors:

The comprehensive annual financial report of the Somerset County Educational Services Commission for the fiscal year ended June 30, 2012 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Representative Assembly/Board of Directors. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the Commission. All disclosures necessary to enable the reader to gain an understanding of the Commission's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical, and single audit. The introductory section includes this transmittal letter, the Commission's organizational chart and a list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The Commission is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," and the State Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations are included in the single audit section of this report.

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

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

2) ECONOMIC CONDITION AND OUTLOOK: The Somerset County Educational Services Commission continues expanding and diversifying its services. This expansion and diversification, in conjunction with reviewing efficiency and budgeting for each established program, are expected to continue in order for the Commission to operate within its anticipated budget. The Commission continues to assist school districts maximize their assets, share services, and expand their educational options.

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

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

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

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

During the 2011-2012 school year, the SCESC continued to offer services to the nonpublic schools through their local school districts. Programming offered to Somerset County nonpublic/private schools included the Textbooks Program, IDEA-B, Chapters 192/193, and Chapter 226 Nursing Programs, serving 14 Somerset County school districts, approximately 61 nonpublic schools and approximately 1,500 students.

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

The Commission administers and oversees student transportation for Somerset County school districts. As school districts continue to experience escalating costs of providing quality transportation services for their students, they realize the cost savings of having the Commission provide this service for them. During the 2011–2012 school year, the SCESC provided transportation services to school districts in Somerset County and outlying areas that included specialized routing and transportation of approximately 7,500 public/nonpublic school students. The Commission also manages the nonpublic school transportation for several districts. In addition, the Commission has coordinated and transported over 3,000 charter and field trip routes during the 2011–2012 school year.

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

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

As a recipient of funds from Somerset County school districts, the Commission also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the Commission management.

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

5) BUDGETARY CONTROLS: In addition to internal accounting controls, the Commission maintains budgetary controls. The objective of those budgetary controls is to ensure compliance with legal provisions embodied in the annual budget. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

6) ACCOUNTING SYSTEM AND REPORTS: The Commission's accounting records reflect U.S. generally accepted accounting principals, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the Commission is organized on the basis of

funds and account groups. These funds and account groups are explained in “Notes to the Financial Statements”, Note 1.

7) FINANCIAL INFORMATION AT FISCAL YEAR-END: As demonstrated by the various statements and schedules included in the financial section of this report, the Commission continues meeting its responsibility for sound financial management. You should review in detail the management’s discussion and analysis for the fiscal year ended June 30, 2012, for Financial Summaries.

8) CASH MANAGEMENT: The investment policy of the Commission is guided in large part by state statute as detailed in “Notes to the Financial Statements”, Note 2. The Commission has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where funds are secured in accordance with the Act.

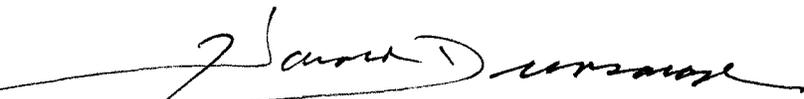
9) RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to general liability, automobile liability, workers’ compensation, errors and omission, automotive comprehensive and collision, hazard and theft on property and contents, and fidelity bonds.

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

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

Appreciation is expressed to the members of the Commission’s Board of Directors for their concern for providing fiscal accountability to the districts that use the Commission’s services and thereby contributing their support to the development and maintenance of our financial operation. Special appreciation is expressed to the members of the Representative Assembly/Board of Directors and Commission staff for their dedication, time, and hard work in an effort to move the Commission forward in 2012–2013 during these challenging economic times.

Respectfully submitted,



Harold Dunsavage, Superintendent

**SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
 ROSTER OF OFFICIALS
 June 30, 2012**

Board of Directors/Representative Assembly

District

Dr. Andrew Rinko (Representative Only)	Bedminster
Linda Wooldridge	Bernards
Dr. Edward Hoffman	Bound Brook
Edward Chelel	Branchburg
Patrick Breslin (Jeffrey Brookner - Alt.)	Bridgewater-Raritan
Richard Arline	Franklin
Maria Piccirilli (Anna Maillaro)	Green Brook
Judith Haas	Hillsborough
Ned Panfile	Manville
Andrea Bradley (Shalini Bhargava - Alt.)	Montgomery
Kathleen Mullen (Sandra Dodd-Alt.)	North Plainfield
Karen McMahon (Linda Kragie - Alt.)	Somerset Hills
James Adamec	Somerville
Theodore Smith	Somerset Vo-Tech
Nancy Santora	South Bound Brook
John DeBellis	Warren
Kathy Caldas	Watchung
Dr. Frances Stromsland	Watchung Hills Regional

Executive Committee

Position

Judith Haas	President
Richard Arline	Vice-President
Kathleen Mullen	Member
Linda Wooldridge	Executive Committee Alternate
Kathy Caldas	Executive Committee Alternate
Patrick Breslin	Executive Committee Alternate

Other Officials

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

**SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
CONSULTANTS AND ADVISORS
June 30, 2012**

Audit Firm

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

Attorney

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

Official Depository

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

1110 ORGANIZATIONAL CHART

February 18, 2009

Amendment First Reading: August 12, 2010

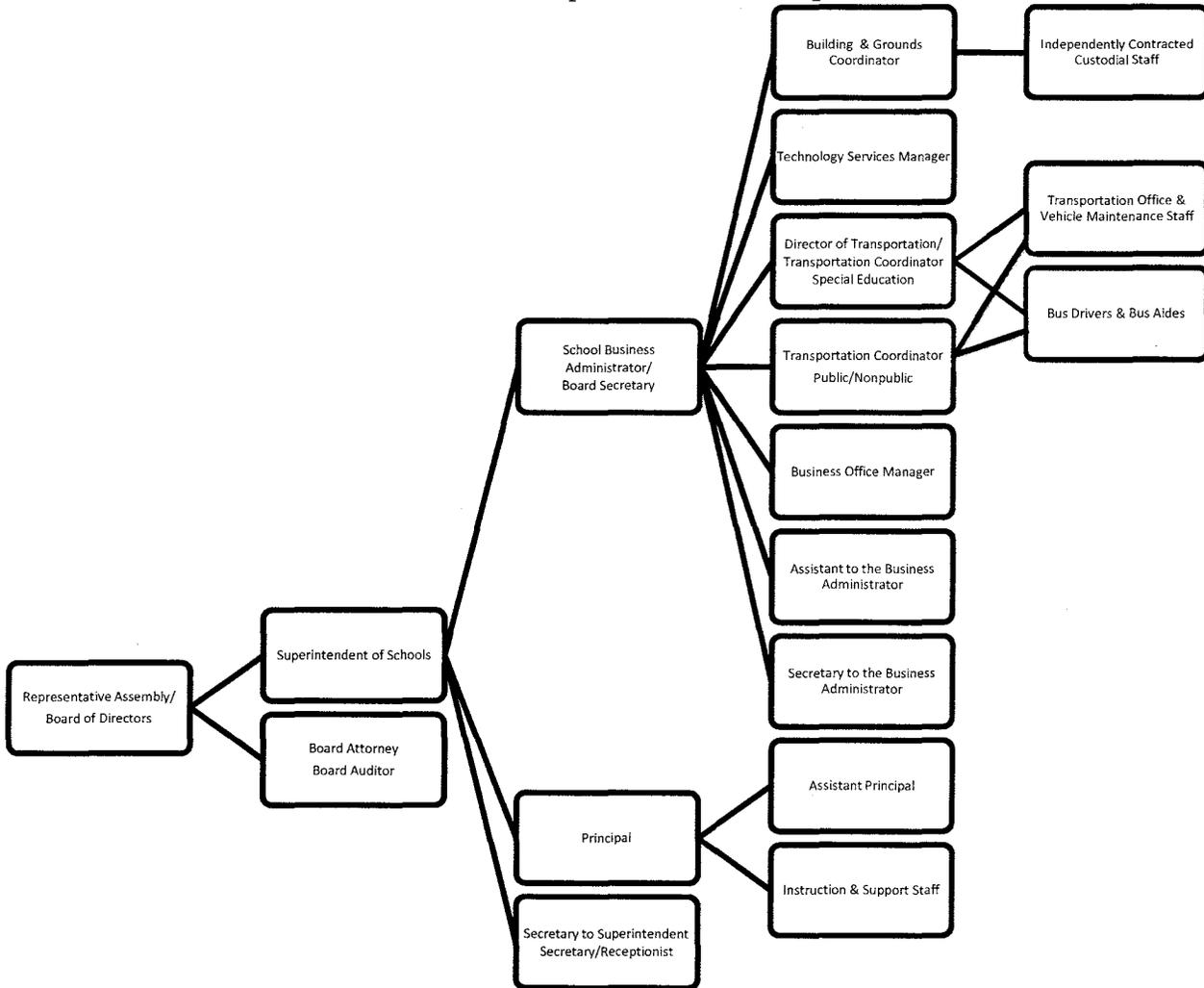
Amendment Adoption: October 14, 2010

Second Amendment First Reading: June 2, 2011

Second Amendment Adoption: August 7, 2011

Third Amendment First Reading: December 8, 2011

Third Amendment Adoption: February 16, 2012



FINANCIAL SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

Telephone 908-789-9300

Fax 908-789-8535

E-mail info@scnco.com

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Somerset County Educational Services Commission, County of Somerset, New Jersey as of and for the year ended June 30, 2012, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Somerset County Educational Services Commission, County of Somerset, New Jersey as of June 30, 2012, 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 16, 2012 on our consideration of the Somerset County Educational Services Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the Somerset County Educational Services Commission's financial statements that collectively comprise the basic financial statements. The accompanying supplementary information schedules such as the combining and individual fund financial statements and the Schedules of Expenditures of Federal and State Awards, as listed in the table of contents, as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Nonprofit Organization," New Jersey's OMB Circular NJOMB 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Somerset County Educational Services Commission, County of Somerset, New Jersey. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

SUPLEE, CLOONEY & COMPANY

In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The accompanying other information, such as the introductory and statistical sections, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.


CERTIFIED PUBLIC ACCOUNTANTS


PUBLIC SCHOOL ACCOUNTANT NO. 962

November 16, 2012

REQUIRED SUPPLEMENTARY INFORMATION – PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
RARITAN, NEW JERSEY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

The Management's Discussion and Analysis of the Somerset County Educational Services Commission (SCESC) offers readers of the Commission's financial statements a narrative overview of the financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the Commission's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the Commission's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis of State and Local Governments* issued in June 1999. Certain comparative information between the current year (2011-2012) and the prior year (2010-2011) is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2012 are as follows:

- In total, governmental net assets decreased \$560,217 which represents an 8.5 percent decrease from 2011.
- Total governmental revenues were \$21,312,605. Charges for services accounted for \$14,145,204 or 66 percent of total revenues. General revenues, mainly tuition, was \$5,471,097 or 26 percent of total revenues.
- The business-type activities generated \$51,327 in revenues through charges for service, federal and state subsidies as well as a board contribution.
- Among governmental funds, the General Fund had \$20,161,693 in revenues, \$20,865,756 in expenditures and other financing uses of \$5,000. The General Fund's fund balance decreased by \$709,063 from 2011.

Using this Comprehensive Annual Financial Report (CAFR)

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

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

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
RARITAN, NEW JERSEY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

Reporting the Commission as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the Commission to provide programs and activities, the view of the Commission as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the Commission's Most Significant Funds

Fund Financial Statements

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

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
RARITAN, NEW JERSEY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

Governmental Funds

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

Enterprise Fund

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

The Commission as a Whole

Recall that the Statement of Net Assets provides the perspective of the Commission as a whole. Table 1 provides a summary of the Commission's net assets for 2012 with a comparison of net assets with the school year ending 2011.

Table 1
Net Assets

Assets	<u>2012</u>	<u>2011</u>
Current and Other Assets	\$ 5,022,547	\$ 5,910,196
Capital Assets	<u>11,272,551</u>	<u>12,253,631</u>
Total Assets	<u><u>16,295,098</u></u>	<u><u>18,163,827</u></u>
Liabilities		
Long-Term Liabilities	9,526,246	10,656,171
Other Liabilities	<u>747,513</u>	<u>925,637</u>
Total Liabilities	<u><u>10,273,759</u></u>	<u><u>11,581,808</u></u>
Net Assets		
Invested in Capital Assets, Net of Debt	2,035,673	1,894,069
Restricted	6,500	6,500
Unrestricted	<u>3,979,167</u>	<u>4,681,450</u>
Total Net Assets	<u><u>\$ 6,021,340</u></u>	<u><u>\$ 6,582,019</u></u>

The Commission's combined net assets were \$6,021,340 on June 30, 2012.

This represents an decrease of 8.5 percent from the prior year.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
RARITAN, NEW JERSEY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

Table 2 shows changes in net assets for fiscal year 2012 with comparable data for the fiscal year 2011.

Table 2		
Changes in Net Assets		
Revenues	2012	2011
Program Revenues:		
Charges for Services	\$ 14,146,440	\$ 15,659,301
Operating Grants and Contributions	1,741,390	2,448,429
General Revenues:		
Tuition	5,289,505	5,627,123
Other	181,598	282,049
Total Revenues	21,358,933	24,016,903
 Program Expenses		
Instruction	2,813,315	5,494,450
Support Services:		
Pupils and Instructional Staff	1,660,390	962,197
General and School Administration	2,514,098	2,578,704
Plant Operations and Maintenance	777,709	918,914
Pupil Transportation	13,928,147	14,561,992
Other	174,165	174,165
Business Type Activities	51,789	44,425
Total Expenses	21,919,612	24,734,847
Decrease in Net Assets	\$ (560,679)	\$ (717,944)

Government Activities

The Commission's total revenues were \$21,358,933 for the year ended June 30, 2012. Governmental revenues accounted for \$21,312,605 or 99% of all Commission revenues. A breakout of governmental revenues is as follows: charges for services - \$14,145,204, operating grants and contributions - \$1,696,304, tuition - \$5,289,505 and other - \$181,592.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
RARITAN, NEW JERSEY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

Business-Type Activities

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

- Charges for services represent \$1,236 of revenue while federal and state reimbursements were \$45,086. An additional \$5,000 of board contribution was made to offset expenses of \$51,789.

Governmental Activities

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

Table 3

	<u>Total Cost of Services 2012</u>	<u>Total Cost of Services 2011</u>	<u>Net Cost of Services 2012</u>	<u>Net Cost of Services 2011</u>
Instruction	\$ 2,813,315	\$ 5,494,450	\$ 2,058,337	\$ 3,991,385
Support Services:				
Pupils and Instructional Staff	1,660,390	962,197	1,066,431	365,611
General and School Administration	2,514,098	2,578,704	2,423,481	2,500,515
Plant Operation and Maintenance	777,709	918,914	769,648	918,914
Pupil Transportation	13,928,147	14,561,992	(465,747)	(1,328,435)
Other	174,165	174,165	174,165	174,165
Business Type Activities	<u>51,789</u>	<u> </u>	<u>5,467</u>	<u>4,962</u>
Total Expenses	<u>\$ 21,919,612</u>	<u>\$ 24,734,847</u>	<u>\$ 6,031,782</u>	<u>\$ 6,627,117</u>

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

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

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

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

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

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
RARITAN, NEW JERSEY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

The Commission's Funds

All governmental funds (i.e., general fund, special revenue fund and capital projects fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$21,312,605 and expenditures were \$22,016,668.

As demonstrated by the various statements and schedules included in the financial section of this report, the Commission continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2012.

**TABLE 4
REVENUES OF THE GOVERNMENTAL FUNDS**

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Inc/(Dec) FY 2011</u>	<u>Percent Inc/(Dec)</u>
Local Sources	\$ 20,767,214	97.44%	\$ (2,674,649)	-11.41%
State Sources	<u>545,392</u>	<u>2.56%</u>	<u>9,818</u>	<u>1.83%</u>
Total	<u>\$ 21,312,605</u>	<u>100.00%</u>	<u>\$ (2,664,830)</u>	<u>-11.11%</u>

The following schedule represents a summary of general fund, and special revenue fund expenditures for the fiscal year ended June 30, 2012.

**TABLE 5
EXPENDITURES OF THE GOVERNMENTAL FUNDS**

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Inc/(Dec) FY 2011</u>	<u>Percent Inc/(Dec)</u>
Current:				
Instruction	\$ 2,115,897	9.61%	\$ (2,154,811)	-50.46%
Undistributed	19,515,771	88.64%	(1,493,664)	-7.11%
Lease Principal	<u>385,000</u>	<u>1.75%</u>	<u>20,000</u>	<u>5.48%</u>
Total	<u>\$ 22,016,668</u>	<u>100.00%</u>	<u>\$ (3,628,475)</u>	<u>-14.15%</u>

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
RARITAN, NEW JERSEY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

Capital Assets

At the end of the fiscal year 2012, the Commission had \$11,272,551 invested in land, building, machinery and equipment. Table 6 shows fiscal year 2012 balances compared to 2011.

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

	June 30 <u>2012</u>	June 30 <u>2011</u>
Capital Assets (Net of Depreciation)		
Sites and Leasehold Improvements	\$ 1,754,238	\$ 1,754,238
Land Improvements	5,100	6,010
Building and Building Improvements	7,325,193	7,494,784
Trailers/Mobile Classrooms	22,953	26,232
Machinery and Equipment	<u>2,165,067</u>	<u>2,972,367</u>
 Total	 <u>\$ 11,272,551</u>	 <u>\$ 12,253,631</u>

Overall capital assets decreased \$981,080 from fiscal year 2011 to fiscal year 2012. This was due to annual depreciation.

Debt Administration

At the end of the fiscal year 2012, the Commission had \$9,526,246 of outstanding long-term debt. Table 7 shows fiscal year 2012 balances compared to 2011.

**TABLE 7
OUTSTANDING DEBT**

	June 30 <u>2012</u>	June 30 <u>2011</u>
Governmental Funds		
Capital Leases	\$ 9,236,879	\$ 10,359,562
Compensated Absences	<u>289,367</u>	<u>296,609</u>
 Total	 <u>\$ 9,526,246</u>	 <u>\$ 10,656,171</u>

Contacting the Commission's Financial Management Office

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

BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the Commission's operations. These financial statements present the financial position and operating results of all funds as of June 30, 2012.

DISTRICT-WIDE FINANCIAL STATEMENTS

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

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
ASSETS:			
Cash and cash equivalents	\$2,238,984.92	\$1,319.47	\$2,240,304.39
Receivables, net	2,091,372.78	12,003.09	2,103,375.87
Prepaid expenses	659,542.91		659,542.91
Interfund receivable		19,323.62	19,323.62
Capital assets:			
Land and Construction in Progress	1,754,238.00		1,754,238.00
Other capital assets, net of depreciation	9,518,313.46		9,518,313.46
Total Assets	<u>16,262,452.07</u>	<u>32,646.18</u>	<u>16,295,098.25</u>
LIABILITIES:			
Accounts payable	644,425.05		644,425.05
Interfund payables	21,519.07		21,519.07
Deferred revenue	39,475.00	30,181.65	69,656.65
Due to local educational agencies	11,912.39		11,912.39
Noncurrent liabilities:			
Due within one year:			
Capital leases payable	992,086.75		992,086.75
Due beyond one year:			
Compensated absences payable	289,366.96		289,366.96
Capital leases payable	8,244,791.88		8,244,791.88
Total liabilities	<u>10,243,577.10</u>	<u>30,181.65</u>	<u>10,273,758.75</u>
NET ASSETS:			
Invested in capital assets, net of related debt	2,035,672.83		2,035,672.83
Restricted for:			
Other purposes	6,500.00		6,500.00
Unrestricted	<u>3,976,702.14</u>	<u>2,464.53</u>	<u>3,979,166.67</u>
Total net assets	<u>\$6,018,874.97</u>	<u>\$2,464.53</u>	<u>\$6,021,339.50</u>

See accompanying notes to financial statements.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Programs Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
Instruction:						
Special	\$ 2,810,005.23	\$	\$ 754,977.76	\$ (2,055,027.47)	\$	\$ (2,055,027.47)
Other Instruction	3,309.60			(3,309.60)		(3,309.60)
Support services:						
Student & instruction related services	1,660,389.62		593,958.66	(1,066,430.96)		(1,066,430.96)
General administrative services	927,630.47		23,672.21	(903,958.26)		(903,958.26)
School administrative services	604,463.41		33,461.02	(571,002.39)		(571,002.39)
Central services	885,619.66		29,421.16	(856,198.50)		(856,198.50)
Administration information technology	96,384.62		4,062.69	(92,321.93)		(92,321.93)
Plant operations and maintenance	777,708.52		8,060.49	(769,648.03)		(769,648.03)
Pupil transportation	13,928,146.82	14,145,204.19	248,689.77	465,747.14		465,747.14
Unallocated depreciation	174,164.65			(174,164.65)		(174,164.65)
Total governmental activities	<u>21,867,822.60</u>	<u>14,145,204.19</u>	<u>1,696,303.76</u>	<u>(6,026,314.65)</u>		<u>(6,026,314.65)</u>
Business-type activities						
Food Service	<u>51,789.37</u>	<u>1,236.00</u>	<u>45,086.12</u>		<u>(5,467.25)</u>	<u>(5,467.25)</u>
Total business-type activities	<u>51,789.37</u>	<u>1,236.00</u>	<u>45,086.12</u>		<u>(5,467.25)</u>	<u>(5,467.25)</u>
Total primary government	\$ <u>21,919,611.97</u>	\$ <u>14,146,440.19</u>	\$ <u>1,741,389.88</u>	\$ <u>(6,026,314.65)</u>	\$ <u>(5,467.25)</u>	\$ <u>(6,031,781.90)</u>
General Revenues:						
				\$ 5,289,504.73	\$	\$ 5,289,504.73
Tuition				181,592.47		181,592.47
Miscellaneous income				(5,000.00)	5.38	181,597.85
Transfers					5,000.00	
Total general revenues and special items				<u>5,466,097.20</u>	<u>5,005.38</u>	<u>5,471,102.58</u>
Change in net assets				(560,217.45)	(461.87)	(560,679.32)
Net Assets - beginning - restated				6,579,092.42	2,926.40	6,582,018.82
Net Assets ending				<u>6,018,874.97</u>	<u>2,464.53</u>	<u>6,021,339.50</u>

See accompanying notes to financial statements.

MAJOR FUND FINANCIAL STATEMENTS

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

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>GENERAL</u> <u>FUND</u>	<u>SPECIAL</u> <u>REVENUE</u> <u>FUND</u>	<u>TOTAL</u> <u>GOVERNMENTAL</u> <u>FUNDS</u>
ASSETS:			
Cash and cash equivalents	\$ 1,925,334.62	\$ 313,650.30	\$ 2,238,984.92
Other receivables	1,746,587.32	324,960.24	2,071,547.56
Prepaid expenses	659,542.91		659,542.91
Due from other funds	630,430.01		630,430.01
Receivables from other governments	19,825.22		19,825.22
	<hr/>	<hr/>	<hr/>
Total assets	\$ <u>4,981,720.08</u>	\$ <u>638,610.54</u>	\$ <u>5,620,330.62</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	642,172.05	2,253.00	644,425.05
Due to local educational agencies		11,912.39	11,912.39
Interfund payables	27,503.93	624,445.15	651,949.08
Other	39,475.00		39,475.00
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>709,150.98</u>	<u>638,610.54</u>	<u>1,347,761.52</u>
Fund balances:			
Assigned to:			
Other purposes	6,500.00		6,500.00
Unassigned, reported in:			
General fund:			
Undesignated	4,266,069.10		4,266,069.10
	<hr/>	<hr/>	<hr/>
Total fund balances	<u>4,272,569.10</u>	<hr/>	4,272,569.10
Total liabilities and fund balances	\$ <u>4,981,720.08</u>	\$ <u>638,610.54</u>	

See accompanying notes to financial statements.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

Total Fund Balances (Brought Forward)	\$	4,272,569.10
<p>Amounts Reported for Governmental Activities in the Statement of Net Assets (A-1) are different because:</p> <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
Cost of Assets	\$	19,131,105.09
Accumulated Depreciation		<u>(7,858,553.63)</u>
		11,272,551.46
<p>Long term liabilities, including bonds payable, and other related amounts that are not due and payable in the current period and therefore are not reported as liabilities in the funds.</p>		
Compensated Absences		(289,366.96)
Capital Leases		<u>(9,236,878.63)</u>
		<u>(9,526,245.59)</u>
Net Assets of Governmental Activities	\$	<u><u>6,018,874.97</u></u>

See accompanying notes to financial statements.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	GENERAL FUND	SPECIAL REVENUE FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES:			
Local sources:			
Tuition	\$5,289,504.73		\$5,289,504.73
Transportation	14,145,204.19		14,145,204.19
Miscellaneous	181,592.47	\$1,150,912.25	1,332,504.72
Total revenues - local sources	19,616,301.39	1,150,912.25	20,767,213.64
State sources	545,391.51		545,391.51
Total revenues	20,161,692.90	1,150,912.25	21,312,605.15
EXPENDITURES:			
Current expense:			
Special instruction	1,486,234.68	624,202.13	2,110,436.81
Other Instruction	5,460.50		5,460.50
Support services:			
Student & instruction related services	771,202.25	526,710.12	1,297,912.37
General administrative services	798,464.08		798,464.08
School administrative services	423,893.60		423,893.60
Central services	736,460.54		736,460.54
Administration information technology	74,511.63		74,511.63
Plant operations and maintenance	733,891.73		733,891.73
Pupil transportation	12,514,322.58		12,514,322.58
Unallocated benefits	2,936,314.03		2,936,314.03
Capital outlay - lease principal	385,000.00		385,000.00
Total expenditures	20,865,755.62	1,150,912.25	22,016,667.87
Excess (deficiency) of revenues over (under) expenditures	(704,062.72)		(704,062.72)
Other financing sources (uses):			
Transfers in/(out)	(5,000.00)		(5,000.00)
Total other financing sources (uses)	(5,000.00)		(5,000.00)
Net change in fund balances	(709,062.72)		(709,062.72)
Fund balances, July 1, 2011	4,981,631.82	\$-0-	4,981,631.82
Fund balances, June 30, 2012	\$4,272,569.10	\$-0-	\$4,272,569.10

See accompanying notes to financial statements.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Total net change in fund balances - governmental funds (from B-2) (\$709,062.72)

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

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

Depreciation expense (981,079.77)

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

Payment of capital lease payable 1,122,683.30

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 (+).

Increase in Compensated Absences 7,241.74

Change in net assets of governmental activities (\$560,217.45)

See accompanying notes to financial statements.

OTHER FUNDS

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	<u>BUSINESS-TYPE ACTIVITIES</u>	
	<u>FOOD SERVICE FUND</u>	<u>TOTAL ENTERPRISE</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$1,319.47	\$1,319.47
Interfund receivable	19,323.62	19,323.62
Intergovernmental receivables:		
State	152.59	152.59
Federal	11,850.50	11,850.50
	<hr/>	<hr/>
Total current assets	32,646.18	32,646.18
	<hr/>	<hr/>
Total assets	32,646.18	32,646.18
	<hr/>	<hr/>
LIABILITIES:		
Current liabilities:		
Accounts Payable	30,181.65	30,181.65
	<hr/>	<hr/>
Total current liabilities	30,181.65	30,181.65
	<hr/>	<hr/>
Total liabilities	30,181.65	30,181.65
	<hr/>	<hr/>
NET ASSETS:		
Unrestricted	2,464.53	2,464.53
	<hr/>	<hr/>
Total net assets	\$2,464.53	\$2,464.53
	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to financial statements.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>BUSINESS-TYPE ACTIVITIES</u>	
	<u>FOOD SERVICE FUND</u>	<u>TOTAL ENTERPRISE</u>
OPERATING REVENUES:		
Charges for services:		
Daily sales	\$1,236.00	\$1,236.00
Total operating revenues	<u>1,236.00</u>	<u>1,236.00</u>
OPERATING EXPENSES:		
Cost of sales	51,789.37	51,789.37
Total operating expenses	<u>51,789.37</u>	<u>51,789.37</u>
Operating (loss)	<u>(50,553.37)</u>	<u>(50,553.37)</u>
NONOPERATING REVENUES (EXPENSES):		
State Sources:		
State School Lunch Program	559.93	559.93
Federal Sources:		
National School Lunch Program	27,680.35	27,680.35
National School Breakfast Program	16,845.84	16,845.84
Interest on Investments	5.38	5.38
Total nonoperating revenues	<u>45,091.50</u>	<u>45,091.50</u>
Income/(loss) before contributions and transfers	<u>(5,461.87)</u>	<u>(5,461.87)</u>
Operating Transfers:		
General Fund	5,000.00	5,000.00
Total Capital Contributions and Operating Transfers	<u>5,000.00</u>	<u>5,000.00</u>
Change in net assets	<u>(461.87)</u>	<u>(461.87)</u>
Total net assets - beginning	<u>2,926.40</u>	<u>2,926.40</u>
Total net assets - ending	<u><u>\$2,464.53</u></u>	<u><u>\$2,464.53</u></u>

See accompanying notes to financial statements.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>BUSINESS-TYPE ACTIVITIES</u>	
	<u>FOOD SERVICE FUND</u>	<u>TOTAL ENTERPRISE</u>
Cash flows from operating activities:		
Receipts from customers	\$1,236.00	\$1,236.00
Payments to suppliers	<u>(21,607.72)</u>	<u>(21,607.72)</u>
Net cash provided by (used for) operating activities)	<u>(20,371.72)</u>	<u>(20,371.72)</u>
Cash flows from noncapital financing activities:		
State Sources	443.77	443.77
Federal Sources	35,484.35	35,484.35
Interfund Activity	(16,933.51)	(16,933.51)
Operating subsidies and transfers to other funds	<u>5,000.00</u>	<u>5,000.00</u>
Net cash provided by noncapital financing activities	<u>23,994.61</u>	<u>23,994.61</u>
Cash flows from investing activities:		
Interest	<u>5.38</u>	<u>5.38</u>
Net cash provided by (used for) investing activities	<u>5.38</u>	<u>5.38</u>
Net increase in cash and cash equivalents	3,628.27	3,628.27
Cash and cash equivalents, July 1, 2011	<u>(2,308.80)</u>	<u>(2,308.80)</u>
Cash and cash equivalents, June 30, 2012	<u>\$1,319.47</u>	<u>\$1,319.47</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	(\$50,553.37)	(\$50,553.37)
Adjustments to reconciling operating income (loss) to net cash provided by (used for) operating activities:		
Change in assets and liabilities:		
Increase (Decrease) in accounts payable	<u>30,181.65</u>	<u>30,181.65</u>
	<u>30,181.65</u>	<u>30,181.65</u>
Net cash provided by (used for) operating activities	<u>(\$20,371.72)</u>	<u>(\$20,371.72)</u>

See accompanying notes to financial statements.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>PRIVATE PURPOSE AWARD FUND</u>	<u>AGENCY FUNDS</u>
ASSETS:		
Cash and cash equivalents	\$ 5,984.86	\$ 40,775.61
Interfunds receivable		8,180.31
	<hr/>	<hr/>
Total Assets	\$ 5,984.86	\$ 48,955.92
	<hr/>	<hr/>
LIABILITIES:		
Interfund payable	\$ 5,984.86	
Payroll deductions and withholdings		48,955.92
	<hr/>	<hr/>
Total Liabilities	\$ 5,984.86	\$ 48,955.92
	<hr/>	<hr/>

See accompanying notes to financial statements.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

		<u>PRIVATE PURPOSE AWARD FUND</u>
ADDITIONS:		
Contributions:		
Board contributions	\$	\$3,324.44
Total contributions		<u>3,324.44</u>
Investment earnings:		
Interest		<u>6.18</u>
Net investment earnings		<u>6.18</u>
Total additions		<u>3,330.62</u>
DEDUCTIONS:		
Awards		<u>3,330.62</u>
Total deductions		<u>3,330.62</u>
Change in net assets	\$	<u><u> </u></u>

See accompanying notes to financial statements.

Somerset County Educational Services Commission
Notes to the Financial Statements
June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

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

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

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

Somerset County Educational Services Commission
Notes to the Financial Statements
June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Basis of Accounting

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

Basis of Presentation

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

The Statement of Net Assets presents the financial condition of the governmental and business-type activity of the Commission at fiscal year end. The Statement of Activities presents a comparison between direct expenses and program revenues for the business-type activity of the Commission and for each function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirement of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as generally revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the Commission.

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

Somerset County Educational Services Commission
Notes to the Financial Statements
June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Types

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

As required by the New Jersey State Department of Education, the Commission includes budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expense by commission resolution.

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

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

Somerset County Educational Services Commission
Notes to the Financial Statements
June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Fund

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

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

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

Fiduciary Fund Types

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

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

Somerset County Educational Services Commission
Notes to the Financial Statements
June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting – Measurement Focus

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

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

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

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

Somerset County Educational Services Commission
Notes to the Financial Statements
June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control

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

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

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

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

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

Somerset County Educational Services Commission
Notes to the Financial Statements
June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrance Accounting

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

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

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

Interfunds

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

Inventories and Prepaid Expenses

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

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

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

Somerset County Educational Services Commission
Notes to the Financial Statements
June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

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

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

Compensated Absences

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

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

Somerset County Educational Services Commission
Notes to the Financial Statements
June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity

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

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

Deferred Revenue

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

Accrued Liabilities and Long-Term Obligations

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

Net Assets

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

Somerset County Educational Services Commission
Notes to the Financial Statements
June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Reserves

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

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

Somerset County Educational Services Commission
Notes to the Financial Statements
June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues – Exchange and Nonexchange Transactions

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

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

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year-end: transportation fees, tuition charges and interest.

Somerset County Educational Services Commission
Notes to the Financial Statements
June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues and Expenses

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

Allocation of Indirect Expenses

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

Extraordinary and Special Items

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

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

Somerset County Educational Services Commission
Notes to the Financial Statements
June 30, 2012

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

Deposits

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

The Somerset County Educational Services Commission had the following cash and cash equivalents at June 30, 2012.

Fund Type:	Bank	Reconciling Items:		Reconciled
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Governmental	\$3,516,374.62	\$4,164.57	\$1,281,554.27	\$2,238,984.92
Proprietary	1,319.47			1,319.47
Fiduciary	68,687.94		21,927.47	46,760.47
	<u>\$3,586,382.03</u>	<u>\$4,164.57</u>	<u>\$1,303,481.74</u>	<u>\$2,287,064.86</u>

Somerset County Educational Services Commission
Notes to the Financial Statements
June 30, 2012

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

Deposits (Continued)

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Commission does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of June 30, 2012, based upon the coverage provided by FDIC and NJ GUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash on balance in the bank \$250,000.00 was covered by Federal Depository Insurance and \$3,336,382.03 was covered by NJ GUDPA.

Investments

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

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

Somerset County Educational Services Commission
Notes to the Financial Statements
June 30, 2012

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

Investments (Continued)

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

As of June 30, 2012 the Commission had no investments as described above.

Somerset County Educational Services Commission
Notes to the Financial Statements
June 30, 2012

NOTE 3: CHANGE IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 1,750,000.00	\$	\$	\$ 1,750,000.00
Leasehold Improvements	<u>4,238.00</u>	<u> </u>	<u> </u>	<u>4,238.00</u>
Total Capital assets not being depreciated	<u>1,754,238.00</u>	<u> </u>	<u> </u>	<u>1,754,238.00</u>
Land Improvements	108,700.00			108,700.00
Building and Building Improvements	8,251,135.93			8,251,135.93
Trailers/Mobile Classrooms	81,975.00			81,975.00
Machinery & Equipment	<u>8,935,056.16</u>	<u> </u>	<u> </u>	<u>8,935,056.16</u>
Totals as historical cost	<u>17,376,867.09</u>	<u> </u>	<u> </u>	<u>17,376,867.09</u>
Total Gross assets (Memo only)	<u>\$ 19,131,105.09</u>	<u>\$</u>	<u>\$</u>	<u>\$ 19,131,105.09</u>
Less: Accumulated Depreciation for:				
Land Improvements	\$ (102,690.00)	\$ (910.00)		\$ (103,600.00)
Building and Building Improvements	(756,352.16)	(169,590.65)		(925,942.81)
Trailers/Mobile Classrooms	(55,743.00)	(3,279.00)		(59,022.00)
Machinery & Equipment	<u>(5,962,688.70)</u>	<u>(807,300.12)</u>	<u> </u>	<u>(6,769,988.82)</u>
Total depreciation	<u>(6,877,473.86)</u>	<u>(981,079.77)</u>	<u> </u>	<u>(7,858,553.63)</u>
Total Capital assets being depreciated net of accumulated depreciation	<u>10,499,393.23</u>	<u>(981,079.77)</u>	<u> </u>	<u>9,518,313.46</u>
Governmental activities capital assets, net	<u>\$ 12,253,631.23</u>	<u>\$ (981,079.77)</u>	<u>\$</u>	<u>\$ 11,272,551.46</u>

Somerset County Educational Services Commission
Notes to the Financial Statements
June 30, 2012

NOTE 3: CHANGE IN CAPITAL ASSETS

Depreciation Expense was charged to governmental expenses as follows:

Support Services:

Student transportation	\$ 806,915.12
Unallocated depreciation	<u>174,164.65</u>
	<u>\$ 981,079.77</u>

NOTE 4: LONG-TERM DEBT

Operating Leases

The Commission has leases for certain properties which house its administrative offices, school facilities, and transportation department. The lease payments made during the years ended June 30, 2012 and 2011 were \$252,179.80 and \$244,406.13 respectively.

Somerset County Educational Services Commission
Notes to the Financial Statements
June 30, 2012

NOTE 4: LONG-TERM DEBT (CONTINUED)

Capital Leases/Lease Purchase Agreements Payable

The Commission is leasing school buses and a copy machine under capital leases, and has financed the acquisition of land, buildings, and improvements through a lease purchase agreement. The following is a schedule of the future minimum lease payments under these leases, and the present value of the net minimum lease payments at June 30, 2012.

<u>Year</u>	<u>Amount</u>
2013	\$ 1,359,143.35
2014	930,053.06
2015	901,873.80
2016	818,498.68
2017-2021	3,733,346.90
2022-2027	<u>4,486,443.75</u>
 Total minimum lease payments	 12,229,359.54
 Less: Amount representing interest	 <u>(2,992,480.91)</u>
 Present value of net minimum lease payment	 \$ <u>9,236,878.63</u>

The following is a summary of changes in liabilities that effect other long-term obligations for the year ended June 30, 2012:

	<u>Capital Leases Payable</u>	<u>Compensated Absences Payable</u>	<u>Total</u>
Balance June 30, 2011	\$ 10,359,561.93	\$ 296,608.70	\$ 10,656,170.63
Deletions	<u>1,122,683.30</u>	<u>7,241.74</u>	<u>1,129,925.04</u>
Balance June 30, 2012	<u>\$ 9,236,878.63</u>	<u>\$ 289,366.96</u>	<u>\$ 9,526,245.59</u>
Amounts due within one year	<u>\$ 992,086.75</u>		<u>\$ 992,086.75</u>

Somerset County Educational Services Commission
Notes to the Financial Statements
June 30, 2012

NOTE 5: PENSION PLANS

Description of Plans All required employees of the District are covered by the Public Employees' Retirement System, the Teachers' Pension and Annuity Fund or the Defined Contribution Retirement Program 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 each system will be assumed by the State of New Jersey should the system terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for each of the above systems. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625 or on line at www.state.nj.us/treasury/pensions.

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 District and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

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

Defined Contribution Retirement Program (DCRP) The Defined Contribution Retirement Program (DCRP) was established under the provision of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 to provide coverage elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one year of membership.

Somerset County Educational Services Commission
Notes to the Financial Statements
June 30, 2012

NOTE 5: PENSION PLANS (CONTINUED)

Significant Legislation

Effective June 28, 2011, P.L. 2011, c. 78 enacted certain changes in the operations and benefit provisions of the TPAF and the PERS systems.

Pension Plan Design Changes

Effective June 28, 2011, P.L. 2011, c. 78, new members of TPAF and PERS, hired on or after June 28, 2011, will need 30 years of creditable service and have attained the age of 65 for receipt of the early retirement benefit without a reduction of 1/4 of 1% for each month that the member is under age 65. New members will be eligible for a service retirement benefit at age 65.

Funding Changes

Under the new legislation, the methodology for calculating the unfunded accrued liability payment portion of the employer's annual pension contribution to the PERS, and TPAF. The unfunded actuarial accrued liability (UAAL) will be amortized for each plan over an open-ended 30 year period and paid in level dollars. Beginning with the July 1, 2019 actuarial valuation (July 1, 2018 for PFRS), the UAAL will be amortized over a closed 30 year period until the remaining period reaches 20, when the amortization period will revert to an open-ended 20 year period.

COLA Suspension

The payment of automatic cost-of-living adjustment to current and future retirees and beneficiaries are suspended until reactivated as permitted by this law.

Somerset County Educational Services Commission
Notes to the Financial Statements
June 30, 2012

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 ten years of service, except for post-retirement healthcare benefits that vest after 25 years of service.

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.

Contribution Requirements The contribution policy is set by N.J.S.A. 43:15A 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.

Effective June 28, 2011, P.L. 2011, c. 78 provides for increases in the employee contribution rates: from 5.5% to 6.5% plus an additional 1% phased-in over 7 years beginning in the first year, meaning after 12 months, after the law's effective date for TPAF and PERS.

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 District is a non-contributing employer of TPAF (i.e. the State of New Jersey makes the employer contribution on behalf of public school districts).

<u>Three Year Trend Information for PERS</u>			
<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>Pension Cost</u> <u>(APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2012	\$646,968.00	100%	\$646,968.00
2011	\$657,011.00	100%	\$657,011.00
2010	\$562,084.00	100%	\$562,084.00

For the fiscal year ended June 30, 2012 the State of New Jersey contributed \$119,423.00 to the TPAF pension system on behalf of the District. During the fiscal years ended June 30, 2011, and 2010, the State of New Jersey did not contribute to the TPAF pension system on behalf of the District.

Somerset County Educational Services Commission
Notes to the Financial Statements
June 30, 2012

NOTE 5: PENSION PLANS (CONTINUED)

In accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$185,898.51 during the year ended June 30, 2012 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.

NOTE 6: OTHER POST-RETIREMENT BENEFITS

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

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

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on state disability retirement. P.L. 2007, Chapter 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2011, there were 93,323 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in Fiscal Year 2011.

Somerset County Educational Services Commission
Notes to the Financial Statements
June 30, 2012

NOTE 6: OTHER POST-RETIREMENT BENEFITS (CONTINUED)

The State will set the contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the Commission for the years ended June 30, 2012, 2011 and 2010 were \$240,070, \$255,303 and \$216,839, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

NOTE 7: LITIGATION

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

NOTE 8: CONTINGENCIES

The Commission receives financial assistance from the State of New Jersey and the U.S. Government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. The State and Federal grants received and expended in the 2011-2012 fiscal year were subject to the U.S. OMB A-133 and New Jersey OMB Circular 04-04 which mandates that grant revenues and expenditures be audited in conjunction with the Commission's annual audit. Findings and questioned costs, if any, relative to federal and state financial assistance programs will be discussed in the Single Audit Section, Schedule of Findings and Questioned Costs. In addition, all grants and cost reimbursements are subject to financial and compliance audits by the grantors. Further, the School Child Nutrition Program is a recipient of federal reimbursements and is subject to certain related federal regulations. These federal reimbursements are subject to subsequent audit and interpretation by the New Jersey Department of Education. The Commission management does not believe such an audit would result in material amounts of disallowed costs.

Somerset County Educational Services Commission
Notes to the Financial Statements
June 30, 2012

NOTE 9: RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

NOTE 10: FUND BALANCE APPROPRIATED

General Fund – Of the \$4,272,569.10 General Fund fund balance at June 30, 2012, \$6,500.00 was assigned for scholarships and \$4,266,069.10 is unassigned.

NOTE 11: INTERFUND RECEIVABLES AND PAYABLES

<u>FUND</u>	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
General Fund	\$ 630,430.01	\$ 27,503.93
Special Revenue Fund		624,445.15
Proprietary Fund	19,323.62	
Fiduciary Fund	<u>8,180.31</u>	<u>5,984.86</u>
	\$ <u>657,933.94</u>	\$ <u>657,933.94</u>

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

Somerset County Educational Services Commission
Notes to the Financial Statements
June 30, 2012

NOTE 12: DEFERRED COMPENSATION

The Commission offers its employees a choice of the deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457. The plans permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death, or unforeseeable emergency. Since the Commission does not have any property or rights to the plan assets and no fiduciary relationship exists between the Commission and the deferred compensation plan, the plan assets are not included in the Commission's financial statements as of June 30, 2012.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

BUDGETARY COMPARISON SCHEDULES

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2012

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS/ AMENDMENTS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FINAL TO ACTUAL</u>
REVENUES:					
Local sources:					
Tuition	\$ 4,934,250.00	\$	\$ 4,934,250.00	\$ 5,289,504.73	\$ 355,254.73
Transportation fees from other LEAs	16,437,591.00		16,437,591.00	14,145,204.19	(2,292,386.81)
Unrestricted miscellaneous revenues	100,000.00		100,000.00	181,592.47	81,592.47
Total revenues-local sources	21,471,841.00		21,471,841.00	19,616,301.39	(1,855,539.61)
State sources:					
Reimbursed TPAF social security contributions (non-budgeted)				185,898.51	185,898.51
On-behalf TPAF post retirement medical (non-budgeted)				240,070.00	240,070.00
On-behalf TPAF pension contributions (non-budgeted)				119,423.00	119,423.00
Total - state sources				545,391.51	545,391.51
Total revenues	21,471,841.00		21,471,841.00	20,161,692.90	(1,310,148.10)
EXPENDITURES:					
CURRENT EXPENSE:					
Special Education - Instruction:					
Behavioral Disabilities:					
Salaries of Teachers	1,904,241.00	(1,904,241.00)			
Other Salaries for Instruction	173,356.00	(173,356.00)			
Purchased Professional - Educational Services	500.00	(500.00)			
Other Purchased Services (400-500 series)	1,500.00	(1,500.00)			
General Supplies	2,500.00	(2,500.00)			
Textbooks	2,500.00	(2,500.00)			
Total Behavioral Disabilities	2,084,597.00	(2,084,597.00)			
Multiple Disabilities:					
Salaries of Teachers		1,244,621.00	1,244,621.00	1,223,910.36	20,710.64
Other Salaries for Instruction		261,545.00	261,545.00	251,426.11	10,118.89
Other Purchased Services (400-500 series)		100.00	100.00	11.16	88.84
General Supplies		6,500.00	6,500.00	4,270.59	2,229.41
Textbooks		10,433.00	10,433.00	6,616.46	3,816.54
Total Multiple Disabilities		1,523,199.00	1,523,199.00	1,486,234.68	36,964.32
Total Special Education - Instruction	2,084,597.00	(561,398.00)	1,523,199.00	1,486,234.68	36,964.32

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2012

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
School Sponsored Co/Extra Curricular Activities - Instruction:					
Purchased Services (300-500 series)	1,000.00	2,000.00	3,000.00	2,488.73	511.27
Supplies and Materials		12,000.00	12,000.00	2,971.77	9,028.23
Other Objects	1,000.00	(1,000.00)			
Total School Sponsored Co/Extra Curricular Activities - Instruction	2,000.00	13,000.00	15,000.00	5,460.50	9,539.50
Other Instructional Programs - Instruction:					
Salaries	200,000.00	(200,000.00)			
Supplies and Materials	1,000.00	(1,000.00)			
Total Other Instructional Programs - Instruction	201,000.00	(201,000.00)			
Undistributed Expenditures - Health Services:					
Salaries	100,354.00	16,094.00	116,448.00	101,407.42	15,040.58
Purchased Professional and Technical Services		13,225.00	13,225.00	3,009.00	10,216.00
Supplies and Materials	4,000.00	4,000.00	8,000.00	2,654.56	5,345.44
Total Undistributed Expenditures - Health Services	104,354.00	33,319.00	137,673.00	107,070.98	30,602.02
Undistributed Expend. - Speech, OT, PT & Related Services:					
Salaries		80,404.00	80,404.00	79,227.01	1,176.99
Supplies and materials		100.00	100.00		100.00
Total Undistributed Expend. - Speech, OT, PT & Related Services		80,504.00	80,504.00	79,227.01	1,276.99
Undistributed Expend. - Other Supp. Serv. -Students- Extra Services:					
Salaries		67,318.00	67,318.00	66,404.77	913.23
Total Undistributed Expend. - Other Supp. Serv. -Students- Extra Services		67,318.00	67,318.00	66,404.77	913.23
Undistributed Expenditures - Child Study Teams:					
Salaries of Other Professional Staff	135,000.00	316,678.00	451,678.00	433,297.47	18,380.53
Other Salaries		79,323.00	79,323.00	78,323.20	999.80
Purchased Professional - Educational Services	25,000.00	(18,300.00)	6,700.00	5,498.90	1,201.10
Total Undistributed Expenditures - Child Study Teams	160,000.00	377,701.00	537,701.00	517,119.57	20,581.43

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2012

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	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS/ AMENDMENTS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FINAL TO ACTUAL</u>
Undistributed Expend.- Instructional Staff Training Services:					
Other Purchased Services (400-500 series)		5,500.00	5,500.00	1,379.92	4,120.08
Total Undistributed Expend.- Instructional Staff Training Services		5,500.00	5,500.00	1,379.92	4,120.08
Undistributed Expend.-Support Services-General Administration:					
Salaries	319,306.00	(51,790.00)	267,516.00	267,056.40	459.60
Legal Services	125,000.00	(43,000.00)	82,000.00	80,042.07	1,957.93
Audit Fees	18,500.00		18,500.00	17,475.00	1,025.00
Other Purchased Professional Services	65,000.00	19,000.00	84,000.00	73,973.99	10,026.01
Purchased Technical Services	15,000.00	(13,000.00)	2,000.00		2,000.00
Communications/Telephone	125,000.00	(71,000.00)	54,000.00	29,907.66	24,092.34
Misc. Purchased Services (400-500 series, O/T 530 & 585)	1,000.00	317,000.00	318,000.00	316,074.61	1,925.39
General Supplies	5,000.00		5,000.00	2,184.45	2,815.55
Judgements against the School District		3,000.00	3,000.00	2,000.00	1,000.00
Miscellaneous Expenditures	1,000.00	130,000.00	131,000.00	9,749.90	121,250.10
BOE Membership Dues and Fees	1,000.00	(1,000.00)			
Total Undistributed Expend.-Support Services-General Administration	675,806.00	289,210.00	965,016.00	798,464.08	166,551.92
Undistributed Expend.-Support Services - School Administration:					
Salaries of Principals/Assistant Principals	307,051.00	(13,120.00)	293,931.00	247,075.11	46,855.89
Salaries of Other Professional Staff	35,000.00	(31,000.00)	4,000.00	2,147.26	1,852.74
Salaries of Secretarial and Clerical Assistants	88,108.00	30,054.00	118,162.00	104,631.95	13,530.05
Other Salaries		27,400.00	27,400.00	23,633.91	3,766.09
Other Purchased Services (400-500 series)	4,000.00	1,900.00	5,900.00	5,064.58	835.42
Supplies and Materials	36,000.00	7,842.00	43,842.00	39,565.79	4,276.21
Other Objects	46,000.00	(43,200.00)	2,800.00	1,775.00	1,025.00
Total Undistributed Expend.-Support Services - School Administration	516,159.00	(20,124.00)	496,035.00	423,893.60	72,141.40
Undistributed Expend. - Central Services					
Salaries	263,410.00	68,641.00	332,051.00	331,912.82	138.18
Purchased Professional Services		27,000.00	27,000.00	26,836.40	163.60
Miscellaneous Purchased Services (400-500 series, O/T 594)		4,657.00	4,657.00	4,103.23	553.77
Supplies and Materials	9,000.00	3,000.00	12,000.00	11,410.06	589.94
Interest on Lease Purchase Agreements	385,000.00	(29,000.00)	356,000.00	355,540.89	459.11
Other Objects		7,000.00	7,000.00	6,657.14	342.86
Total Undistributed Expend. - Central Services	657,410.00	81,298.00	738,708.00	736,460.54	2,247.46

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2012

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS/ AMENDMENTS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FINAL TO ACTUAL</u>
Undistributed Expend. - Admin. Info. Technology:					
Salaries	12,500.00	33,918.00	46,418.00	45,833.00	585.00
Purchased Technical Services		2,200.00	2,200.00	2,100.00	100.00
Other Purchased Services (400-500 series)		1,000.00	1,000.00	339.04	660.96
Supplies and Materials		27,275.00	27,275.00	26,239.59	1,035.41
Total Undistributed Expend. - Admin. Info. Technology	12,500.00	64,393.00	76,893.00	74,511.63	2,381.37
Undistributed Expend.-Required Maintenance for School Facilities:					
Salaries		91,515.00	91,515.00	90,933.84	581.16
Cleaning, Repair and Maintenance Services	130,000.00	(99,000.00)	31,000.00	25,303.00	5,697.00
General Supplies	85,000.00	(69,546.00)	15,454.00	8,891.92	6,562.08
Other Objects	1,000.00		1,000.00	605.92	394.08
Total Undistributed Expend.-Required Maintenance for School Facilities	216,000.00	(77,031.00)	138,969.00	125,734.68	13,234.32
Undistributed Expend.-Custodial Services:					
Salaries	86,515.00	(86,515.00)			
Purchased Professional and Technical Services	1,500.00		1,500.00		1,500.00
Cleaning, Repair and Maintenance Services	45,000.00	15,000.00	60,000.00	58,879.74	1,120.26
Rental of Land & Bldg. Other Than Lease Purch. Agreement	240,000.00	158,300.00	398,300.00	393,900.63	4,399.37
Other Purchased Property Services	6,000.00		6,000.00	1,447.52	4,552.48
Insurance	355,000.00	(355,000.00)			
General Supplies	10,000.00	16,700.00	26,700.00	2,033.73	24,666.27
Energy (Electricity)	110,000.00		110,000.00	88,805.43	21,194.57
Total Undistributed Expend.-Custodial Services:	854,015.00	(251,515.00)	602,500.00	545,067.05	57,432.95
Care and Upkeep of Grounds:					
Cleaning, Repair and Maintenance Services		15,000.00	15,000.00	12,830.00	2,170.00
Total Care and Upkeep of Grounds		15,000.00	15,000.00	12,830.00	2,170.00
Security:					
Purchased Professional and Technical Services		52,325.00	52,325.00	50,260.00	2,065.00
Total Security:		52,325.00	52,325.00	50,260.00	2,065.00
Total Undistributed Expend.- Oper. & Maintenance of Plant Serv.	1,070,015.00	(261,221.00)	808,794.00	733,891.73	74,902.27

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2012

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS/ AMENDMENTS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FINAL TO ACTUAL</u>
Undistributed Expend.-Student Transportation Services:					
Salaries of Non-Instructional Aides		250,000.00	250,000.00	206,339.34	43,660.66
Salaries for Pupil Transportation (bet. home & school)-Reg	3,115,000.00	(1,147,000.00)	1,968,000.00	1,966,212.68	1,787.32
Salaries for Pupil Transportation (other than bet. home & school)		640,000.00	640,000.00	633,024.90	6,975.10
Other Purchased Professional and Technical Services	50,000.00	(19,000.00)	31,000.00	2,107.37	28,892.63
Cleaning, Repair and Maintenance Services	50,000.00	2,000.00	52,000.00	51,024.25	975.75
Lease Purchase Payments - School Buses	780,000.00	3,000.00	783,000.00	782,111.75	888.25
Contracted Services - Special Ed. Students-Vendors	7,700,000.00	645,000.00	8,345,000.00	7,834,109.25	510,890.75
Miscellaneous Purchased Services - Transportation	150,000.00	(135,320.00)	14,680.00	13,460.49	1,219.51
General Supplies		7,820.00	7,820.00	5,052.99	2,767.01
Transportation Supplies	960,000.00	148,000.00	1,108,000.00	1,018,309.57	89,690.43
Other Objects	5,000.00		5,000.00	2,589.99	2,430.01
Total Undistributed Expend.-Student Transportation Services	12,810,000.00	394,500.00	13,204,500.00	12,514,322.58	690,177.42
Unallocated Benefits:					
Social Security Contributions - Other	415,000.00	(98,000.00)	317,000.00	315,192.91	1,807.09
Other Retirement Contributions - Regular	500,000.00	60,000.00	560,000.00	558,578.27	1,421.73
Unemployment Compensation	65,000.00	(30,000.00)	35,000.00	32,056.57	2,943.43
Workmen's Compensation	64,000.00	(63,000.00)	1,000.00	(1,899.18)	2,899.18
Health Benefits	1,725,000.00	(269,000.00)	1,456,000.00	1,435,754.12	20,245.88
Tuition Reimbursement	24,000.00		24,000.00	19,403.00	4,597.00
Other Employee Benefits		32,000.00	32,000.00	31,836.83	163.17
Total Unallocated Benefits	2,793,000.00	(368,000.00)	2,425,000.00	2,390,922.52	34,077.48
Total Personal Services - Employee	2,793,000.00	(368,000.00)	2,425,000.00	2,390,922.52	34,077.48
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				185,898.51	(185,898.51)
On-Behalf TPAF Post Retirement Medical (Non-Budgeted)				240,070.00	(240,070.00)
On-Behalf TPAF Pension Contributions (Non-Budgeted)				119,423.00	(119,423.00)
TOTAL UNDISTRIBUTED EXPENDITURES	18,799,244.00	744,398.00	19,543,642.00	18,989,060.44	554,581.56
TOTAL GENERAL CURRENT EXPENSE	21,086,841.00	(5,000.00)	21,081,841.00	20,480,755.62	601,085.38

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2012

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS/ AMENDMENTS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FINAL TO ACTUAL</u>
CAPITAL OUTLAY:					
Facilities Acquisition and Construction Services:					
Lease Purchase Agreements - Principal	385,000.00		385,000.00	385,000.00	
	385,000.00		385,000.00	385,000.00	
TOTAL CAPITAL OUTLAY	385,000.00		385,000.00	385,000.00	
TOTAL EXPENDITURES	21,471,841.00	(5,000.00)	21,466,841.00	20,865,755.62	601,085.38
67 Excess (Deficiency) of Revenues Over (Under) Expenditures		5,000.00	5,000.00	(704,062.72)	(709,062.72)
Other financing sources (use)					
Transfer of funds:					
Transfer to/from other funds		(5,000.00)	(5,000.00)	(5,000.00)	
Total other financing sources		(5,000.00)	(5,000.00)	(5,000.00)	
Excess/Deficit of Revenues and other Financing Sources Over Expenditures and Other Expenditures and Other Financing Sources				(709,062.72)	(709,062.72)
Fund Balances, July 1, 2011	4,981,631.82		4,981,631.82	4,981,631.82	
Fund Balances, June 30, 2012	\$ 4,981,631.82	\$	\$ 4,981,631.82	\$ 4,272,569.10	\$ (709,062.72)
Recapitulation:					
Designated for Scholarships				\$ 6,500.00	
Unrestricted Fund Balance				4,266,069.10	
Fund Balance per Governmental Funds (GAAP)				\$ 4,272,569.10	

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
REVENUES:					
Local education agencies	\$ 1,513,500.00	\$ (362,587.75)	\$ 1,150,912.25	\$ 1,150,912.25	\$ _____
Total Revenues	1,513,500.00	(362,587.75)	1,150,912.25	1,150,912.25	_____
EXPENDITURES:					
Instruction:					
Salaries	573,500.00	(492,549.30)	80,950.70	80,950.70	
Purchased Professional - Educational Services		337,970.96	337,970.96	337,970.96	
General Supplies		11,376.00	11,376.00	11,376.00	
Textbooks	275,000.00	(88,373.57)	186,626.43	186,626.43	
Other Objects		7,278.04	7,278.04	7,278.04	
Total Instruction	848,500.00	(224,297.87)	624,202.13	624,202.13	_____
Support Services:					
Salaries	665,000.00	(225,843.99)	439,156.01	439,156.01	
Personal Services - Employee Benefits		20,016.04	20,016.04	20,016.04	
Supplies and Materials		21,369.27	21,369.27	21,369.27	
Miscellaneous Expenditures		46,168.80	46,168.80	46,168.80	
Total Support Services	665,000.00	(138,289.88)	526,710.12	526,710.12	_____
Total Expenditures	1,513,500.00	(362,587.75)	1,150,912.25	1,150,912.25	_____
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
BUDGET TO GAAP RECONCILIATION
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$20,161,692.90	\$1,150,912.25
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	N/A	
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$20,161,692.90</u>	<u>\$1,150,912.25</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule.	\$20,865,755.62	\$1,150,912.25
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	N/A	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$20,865,755.62</u>	<u>\$1,150,912.25</u>

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND DETAIL STATEMENTS

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

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	IDEA PROGRAM	NON-PUBLIC TEXTBOOKS	NON-PUBLIC NURSING	NON-PUBLIC CH 192-193	LOCAL PROJECTS	TOTAL
Revenues:						
Local Sources	\$ 128,578.70	\$ 186,626.43	\$ 260,911.53	\$ 564,795.59	\$ 10,000.00	\$ 1,150,912.25
Total Revenues	<u>\$ 128,578.70</u>	<u>\$ 186,626.43</u>	<u>\$ 260,911.53</u>	<u>\$ 564,795.59</u>	<u>\$ 10,000.00</u>	<u>\$ 1,150,912.25</u>
Expenditures:						
Instruction:						
Salaries	\$ 22,963.70			\$ 57,987.00		\$ 80,950.70
Purchased Professional - Educational Services	96,960.96			241,010.00		337,970.96
General Supplies	1,376.00				10,000.00	11,376.00
Textbooks		186,626.43				186,626.43
Other Objects	7,278.04					7,278.04
Total Instruction	<u>128,578.70</u>	<u>186,626.43</u>		<u>298,997.00</u>	<u>10,000.00</u>	<u>624,202.13</u>
Support Services:						
Salaries			225,349.50	213,806.51		439,156.01
Personal Services - Employee Benefits				20,016.04		20,016.04
Supplies and Materials			21,369.27			21,369.27
Miscellaneous Expenditures			14,192.76	31,976.04		46,168.80
Total Support Services			<u>260,911.53</u>	<u>265,798.59</u>		<u>526,710.12</u>
Total Expenditures	<u>\$ 128,578.70</u>	<u>\$ 186,626.43</u>	<u>\$ 260,911.53</u>	<u>\$ 564,795.59</u>	<u>\$ 10,000.00</u>	<u>\$ 1,150,912.25</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)						

CAPITAL PROJECTS FUND DETAIL STATEMENTS

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

PROPRIETARY FUND DETAIL STATEMENTS

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

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

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
COMBINING STATEMENT OF NET ASSETS
PROPRIETARY FUNDS - ENTERPRISE FUNDS
JUNE 30, 2012

	FOOD SERVICE <u>FUND</u>	<u>TOTAL</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$1,319.47	\$1,319.47
Interfund Receivable	19,323.62	19,323.62
Intergovernmental Receivables:		
State	152.59	152.59
Federal	11,850.50	11,850.50
	<hr/>	<hr/>
Total current assets	32,646.18	32,646.18
	<hr/>	<hr/>
Total assets	32,646.18	32,646.18
	<hr/>	<hr/>
LIABILITIES:		
Current liabilities:		
Accounts Payable	30,181.65	30,181.65
	<hr/>	<hr/>
Total current liabilities	30,181.65	30,181.65
	<hr/>	<hr/>
Total liabilities	30,181.65	30,181.65
	<hr/>	<hr/>
NET ASSETS:		
Unrestricted	2,464.53	2,464.53
	<hr/>	<hr/>
Total net assets	\$2,464.53	\$2,464.53
	<hr/> <hr/>	<hr/> <hr/>

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS - ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	FOOD SERVICE FUND	TOTAL
OPERATING REVENUES:		
Charges for services:		
Daily sales	\$1,236.00	\$1,236.00
Total operating revenues	<u>1,236.00</u>	<u>1,236.00</u>
OPERATING EXPENSES:		
Cost of sales	51,789.37	51,789.37
Total operating expenses	<u>51,789.37</u>	<u>51,789.37</u>
Operating income (loss)	<u>(50,553.37)</u>	<u>(50,553.37)</u>
NONOPERATING REVENUES (EXPENSES):		
State Sources:		
State School Lunch Program	559.93	559.93
Federal Sources:		
National School Lunch Program	27,680.35	27,680.35
National School Breakfast Program	16,845.84	16,845.84
Interest on Investments	5.38	5.38
Total nonoperating revenues	<u>45,091.50</u>	<u>45,091.50</u>
Income (loss)	<u>(5,461.87)</u>	<u>(5,461.87)</u>
Capital Contributions and Operating Transfers:		
Operating Transfers:		
General Fund	5,000.00	5,000.00
Total Capital Contributions and Operating Transfers	<u>5,000.00</u>	<u>5,000.00</u>
Change in net assets	(461.87)	(461.87)
Total net assets - July 1, 2011	<u>2,926.40</u>	<u>2,926.40</u>
Total net assets - June 30, 2012	<u>\$2,464.53</u>	<u>\$2,464.53</u>

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>FOOD SERVICE FUND</u>	<u>TOTAL</u>
Cash flows from operating activities:		
Receipts from customers	\$1,236.00	\$1,236.00
Payments to suppliers	(21,607.72)	(21,607.72)
Net cash provided by (used for) operating activities	<u>(20,371.72)</u>	<u>(20,371.72)</u>
Cash flows from noncapital financing activities:		
State Sources	443.77	443.77
Federal Sources	35,484.35	35,484.35
Interfund Activity	(16,933.51)	(16,933.51)
Operating subsidies and transfers to other funds	<u>5,000.00</u>	<u>5,000.00</u>
Net cash provided by noncapital financing activities:	<u>23,994.61</u>	<u>23,994.61</u>
Cash flows from investing activities:		
Interest	<u>5.38</u>	<u>5.38</u>
Net cash provided by (used for) investing activities	<u>5.38</u>	<u>5.38</u>
Net increase in cash and cash equivalents	3,628.27	3,628.27
Cash and cash equivalents, July 1, 2011	<u>(2,308.80)</u>	<u>(2,308.80)</u>
Cash and cash equivalents, June 30, 2012	<u>\$1,319.47</u>	<u>\$1,319.47</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	(\$50,553.37)	(\$50,553.37)
Adjustments to reconciling operating income (loss) to net cash provided by (used for) operating activities:		
Change in assets and liabilities:		
Increase (Decrease) in accounts payable	<u>30,181.65</u>	<u>30,181.65</u>
Net cash provided by (used for) operating activities	<u>(\$20,371.72)</u>	<u>(\$20,371.72)</u>

FIDUCIARY FUND DETAIL STATEMENTS

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

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

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

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

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
TRUST AND AGENCY FUNDS
JUNE 30, 2012

	<u>PAYROLL</u> <u>AGENCY</u>	<u>PRIVATE</u> <u>PURPOSE</u> <u>AWARD FUND</u>	<u>TOTALS</u>
ASSETS:			
Cash and cash equivalents	\$ 40,775.61	\$ 5,984.86	\$ 46,760.47
Interfund receivable	<u>8,180.31</u>		<u>8,180.31</u>
Total assets	<u>\$ 48,955.92</u>	<u>\$ 5,984.86</u>	<u>\$ 54,940.78</u>
LIABILITIES:			
Interfunds Payable		\$ 5,984.86	\$ 5,984.86
Payroll deductions and withholdings	<u>48,955.92</u>		<u>48,955.92</u>
Total liabilities	<u>\$ 48,955.92</u>	<u>\$ 5,984.86</u>	<u>\$ 54,940.78</u>

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	PRIVATE PURPOSE AWARD FUND	TOTAL
ADDITIONS:		
Contributions:		
Board contribution	\$ 3,324.44	\$ 3,324.44
Total contributions	<u>3,324.44</u>	<u>3,324.44</u>
Investment earnings:		
Interest	6.18	6.18
Net investment earnings	<u>6.18</u>	<u>6.18</u>
Total additions	<u>3,330.62</u>	<u>3,330.62</u>
DEDUCTIONS:		
Awards	3,330.62	3,330.62
Total deductions	<u>3,330.62</u>	<u>3,330.62</u>
Change in net assets		
Net assets end of year	<u> </u>	<u> </u>
Net assets end of year	\$ <u> </u>	\$ <u> </u>

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
PAYROLL AGENCY FUNDS
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>BALANCE</u> <u>JULY 1, 2011</u>		<u>ADDITIONS</u>		<u>DEDUCTIONS</u>		<u>BALANCE</u> <u>JUNE 30, 2012</u>
ASSETS:							
Cash and cash equivalents	\$ 138,479.96	\$	3,010,933.68	\$	3,108,638.03	\$	40,775.61
Interfunds receivable	<u>8,180.31</u>		<u>8,180.31</u>		<u>8,180.31</u>		<u>8,180.31</u>
Total assets	<u>\$ 138,479.96</u>	\$	<u>3,019,113.99</u>	\$	<u>3,108,638.03</u>	\$	<u>48,955.92</u>
LIABILITIES:							
Payroll deductions and withholdings	\$ 60,834.45	\$	2,556,728.90	\$	2,568,607.43	\$	48,955.92
Interfunds payable	<u>77,645.51</u>		<u>462,385.09</u>		<u>540,030.60</u>		<u>48,955.92</u>
Total liabilities	<u>\$ 138,479.96</u>	\$	<u>3,019,113.99</u>	\$	<u>3,108,638.03</u>	\$	<u>48,955.92</u>

LONG-TERM DEBT SCHEDULES

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

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
AS OF JUNE 30, 2012

<u>DESCRIPTION</u>	<u>INTEREST RATE PAYABLE</u>	<u>AMOUNT OF ORIGINAL LEASE</u>	<u>AMOUNT OUTSTANDING JUNE 30, 2011</u>	<u>INCREASE</u>	<u>DECREASE</u>	<u>AMOUNT OUTSTANDING JUNE 30, 2012</u>
Copy Machine - 2008	6.32%	\$ 15,639.85	\$ 5,219.29	\$	\$ 3,424.44	\$ 1,794.85
Buses - 2002	Various	11,959.00	15,868.68		15,868.68	
Buses - 2003	Various	448,642.00	70,980.36		56,378.71	14,601.65
Buses - 2004	Various	860,585.00	237,257.57		102,000.16	135,257.41
Buses - 2005	Various	700,000.00	98,542.85		98,542.85	
Buses - 2006	Various	3,088,838.85	555,100.40		254,013.28	301,087.12
Land, Building, and Impr	Various	10,000,000.00	8,620,000.00		385,000.00	8,235,000.00
Buses - 2008	3.34%	380,138.75	158,992.52		78,179.76	80,812.76
Copy Machines - 2011	Various	25,072.67	14,484.58		5,815.97	8,668.61
Buses - 2011	Various	643,592.36	583,115.68		123,459.45	459,656.23
			\$ 10,359,561.93	\$	\$ 1,122,683.30	\$ 9,236,878.63

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STATISTICAL SECTION (UNAUDITED)



SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
STATISTICAL SECTION

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

Sources

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
NET ASSETS BY COMPONENT
UNAUDITED

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities										
Invested in capital assets, net of related debt	\$2,035,672.83	\$1,894,069.30	\$1,646,814.78	\$1,027,807.56	\$503,947.98		\$277,003.08	\$562,449.84	\$697,006.65	\$617,216.58
Restricted	6,500.00	6,500.00	6,500.00	6,500.00	6,500.00	\$169,396.97	47,107.00	47,107.00	47,107.00	47,107.00
Unrestricted	3,976,702.14	4,678,523.12	5,638,764.27	6,169,737.32	5,919,261.01	7,475,777.99	7,432,105.42	6,229,683.22	4,637,670.67	3,087,517.89
Total governmental activities net assets	<u>\$6,018,874.97</u>	<u>\$6,579,092.42</u>	<u>\$7,292,079.05</u>	<u>\$7,204,044.88</u>	<u>\$6,429,708.99</u>	<u>\$7,645,174.96</u>	<u>\$7,756,215.50</u>	<u>\$6,839,240.06</u>	<u>\$5,381,784.32</u>	<u>\$3,751,841.47</u>
Business-type activities										
Unrestricted	\$2,464.53	\$2,926.40	\$7,884.23	\$11,186.58	\$12,554.60	\$12,554.60	\$11,940.55	\$11,856.62	\$342.34	\$774.38
Total business-type activities net assets	<u>\$2,464.53</u>	<u>\$2,926.40</u>	<u>\$7,884.23</u>	<u>\$11,186.58</u>	<u>\$12,554.60</u>	<u>\$12,554.60</u>	<u>\$11,940.55</u>	<u>\$11,856.62</u>	<u>\$342.34</u>	<u>\$774.38</u>
District-wide										
Invested in capital assets, net of related debt	\$2,035,672.83	\$1,894,069.30	\$1,646,814.78	\$1,027,807.56	\$503,947.98	\$0.00	\$277,003.08	\$562,449.84	\$697,006.65	\$617,216.58
Restricted	6,500.00	6,500.00	6,500.00	6,500.00	6,500.00	169,396.97	47,107.00	47,107.00	47,107.00	47,107.00
Unrestricted	3,979,166.67	4,681,449.52	5,646,648.50	6,180,923.90	5,931,815.61	7,488,332.59	7,444,045.97	6,241,539.84	4,638,013.01	3,088,292.27
Total district net assets	<u>\$6,021,339.50</u>	<u>\$6,582,018.82</u>	<u>\$7,299,963.28</u>	<u>\$7,215,231.46</u>	<u>\$6,442,263.59</u>	<u>\$7,657,729.56</u>	<u>\$7,768,156.05</u>	<u>\$6,851,096.68</u>	<u>\$5,382,126.66</u>	<u>\$3,752,615.85</u>

Source: CAFR Schedule A-1

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
CHANGES IN NET ASSETS
UNAUDITED

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
EXPENSES										
Governmental activities										
Instruction										
Special education	\$2,810,005.23	\$4,321,296.78	\$4,144,503.84	\$3,758,387.62	\$3,781,355.48	\$3,699,925.25	\$3,224,841.93	\$2,799,733.17	\$3,472,988.97	\$1,263,498.86
Other instruction	3,309.60	1,173,153.50	1,369,256.01	1,537,250.21	1,529,122.98	1,515,081.38	996,353.98	1,035,369.66	957,848.26	1,151,991.68
Support Services:										
Student & instruction related services	1,660,389.62	962,196.90	1,295,023.84	1,470,536.25	1,194,383.38	1,535,395.41	1,464,559.72	1,093,899.64	336,305.20	1,171,295.35
General administrative services	927,630.47	1,226,891.24	665,803.05	603,365.61	540,264.60	904,672.28	1,057,145.46	788,145.38	1,087,851.45	1,071,680.38
School administrative services	604,463.41	374,554.24	845,675.88	787,088.37	780,202.54	437,248.69	382,999.89	415,199.49	190,779.72	245,777.54
Central services/Admin. Info. Technology	982,004.28	977,258.53	1,133,797.25	856,666.20	1,117,982.43	853,297.82	453,558.60	267,244.01	235,436.36	753,138.71
Plant operations and maintenance	777,708.52	918,914.20	803,708.02	840,271.86	1,037,556.68	1,252,172.96	2,604,497.36	1,355,605.07	1,037,159.23	766,499.39
Student transportation services	13,928,146.82	14,561,992.19	18,101,009.47	18,373,527.29	17,536,631.14	15,528,088.27	13,553,163.38	12,712,845.71	11,302,790.41	10,198,224.40
Interest on long-term debt				140,869.14	182,221.86					
Unallocated depreciation	174,164.65	174,164.65	181,869.11	173,616.68	173,583.66	103,664.96	13,055.42	13,055.42	12,305.42	12,305.42
Total governmental activities expenses	<u>21,867,822.60</u>	<u>\$24,690,422.22</u>	<u>\$28,540,646.47</u>	<u>\$28,541,579.23</u>	<u>\$27,873,304.75</u>	<u>25,629,547.02</u>	<u>23,750,175.74</u>	<u>20,481,097.55</u>	<u>18,633,465.02</u>	<u>16,634,411.73</u>
Business-type activities:										
Food Service	51,789.37	44,425.10	47,268.73	46,811.65	36,917.35	33,944.15	37,996.25	34,760.00	23,534.20	11,666.40
Total business-type activities expense	<u>51,789.37</u>	<u>44,425.10</u>	<u>47,268.73</u>	<u>46,811.65</u>	<u>36,917.35</u>	<u>33,944.15</u>	<u>37,996.25</u>	<u>34,760.00</u>	<u>23,534.20</u>	<u>11,666.40</u>
Total district expenses	<u>\$21,919,611.97</u>	<u>\$24,734,847.32</u>	<u>\$28,587,915.20</u>	<u>\$28,588,390.88</u>	<u>\$27,910,222.10</u>	<u>\$25,663,491.17</u>	<u>\$23,788,171.99</u>	<u>\$20,515,857.55</u>	<u>\$18,656,999.22</u>	<u>\$16,646,078.13</u>
PROGRAM REVENUES										
Governmental activities:										
Charges for services	\$14,145,204.19	\$15,657,725.20	\$19,247,849.18	\$19,900,723.93	\$17,511,906.91	\$15,781,795.01	\$14,680,422.55	\$12,759,252.99	\$12,127,849.85	\$11,043,121.29
Operating grants and contributions	1,696,303.76	2,410,542.54	2,530,017.27	2,690,066.45	3,002,619.19	2,904,056.22	2,766,278.41	2,576,714.25	2,445,348.30	2,010,825.28
Total governmental activities program revenues	<u>\$15,841,507.95</u>	<u>\$18,068,267.73</u>	<u>21,777,866.45</u>	<u>22,590,790.38</u>	<u>20,514,526.10</u>	<u>18,685,851.23</u>	<u>17,446,700.96</u>	<u>15,335,967.24</u>	<u>14,573,198.15</u>	<u>13,053,946.57</u>
Business-type activities:										
Charges for services										
Food Service	1,236.00	1,576.10	2,116.35	4,441.40	3,535.75	4,419.20	5,805.15	3,766.45	3,521.90	1,916.01
Operating grants and contributions	45,086.12	37,886.62	41,850.03	41,002.23	30,714.78	27,139.00	28,605.76	27,892.71	19,568.47	9,344.52
Total business type activities program revenues	<u>46,322.12</u>	<u>39,462.72</u>	<u>43,966.38</u>	<u>45,443.63</u>	<u>34,250.53</u>	<u>31,558.20</u>	<u>34,410.91</u>	<u>31,659.16</u>	<u>23,090.37</u>	<u>11,260.53</u>
Total district program revenues	<u>\$15,887,830.07</u>	<u>\$18,107,730.45</u>	<u>\$21,821,832.83</u>	<u>\$22,636,234.01</u>	<u>\$20,548,776.63</u>	<u>\$18,717,409.43</u>	<u>\$17,481,111.87</u>	<u>\$15,367,626.40</u>	<u>\$14,596,288.52</u>	<u>\$13,065,207.10</u>
NET (EXPENSE)/REVENUE										
Governmental activities										
	(\$6,026,314.65)	(\$6,622,154.49)	(\$6,762,780.02)	(\$5,950,788.85)	(\$7,358,778.65)	(\$6,943,695.79)	(\$6,303,474.78)	(\$5,145,130.31)	(\$4,060,266.87)	(\$3,580,465.16)
Business-type activities	(5,467.25)	(4,962.38)	(3,302.35)	(1,368.02)	(2,666.82)	(2,385.95)	(3,585.34)	(3,100.84)	(443.83)	(405.87)
Total district-wide net expense	<u>(\$6,031,781.90)</u>	<u>(\$6,627,116.87)</u>	<u>(\$6,766,082.37)</u>	<u>(\$5,952,156.87)</u>	<u>(\$7,361,445.47)</u>	<u>(\$6,946,081.74)</u>	<u>(\$6,307,060.12)</u>	<u>(\$5,148,231.15)</u>	<u>(\$4,060,710.70)</u>	<u>(\$3,580,871.03)</u>

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
CHANGES IN NET ASSETS
UNAUDITED

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<u>GENERAL REVENUES AND OTHER CHANGES</u>										
<u>IN NET ASSETS</u>										
Governmental activities:										
Tuition	\$5,289,504.73	\$5,627,123.04	\$6,378,474.67	\$6,538,534.51	\$5,849,973.59	\$6,351,572.31	\$6,914,833.52	\$6,380,101.70	\$5,608,874.47	\$4,613,228.66
Transfers	(5,000.00)				(2,666.82)	(3,000.00)	(3,669.27)	(14,611.00)		
Miscellaneous income	181,592.47	282,044.82	302,544.42	186,590.21	296,005.91	484,082.94	291,575.33	237,095.35	81,335.25	147,045.63
Disposal of capital assets	-		(18,319.92)							
Total governmental activities	<u>5,466,097.20</u>	<u>5,909,167.86</u>	<u>6,662,699.17</u>	<u>6,725,124.72</u>	<u>6,143,312.68</u>	<u>6,832,655.25</u>	<u>7,202,739.58</u>	<u>6,602,586.05</u>	<u>5,690,209.72</u>	<u>4,760,274.29</u>
Business-type activities:										
Transfers in (out)	5,000.00				2,666.82	3,000.00	3,669.27	14,611.00		
Miscellaneous Income	5.38	4.55						4.11	11.79	
Total business-type activities	<u>5,005.38</u>	<u>4.55</u>			<u>2,666.82</u>	<u>3,000.00</u>	<u>3,669.27</u>	<u>14,615.11</u>	<u>11.79</u>	<u>-</u>
Total district-wide	<u>\$5,471,102.58</u>	<u>\$5,909,172.41</u>	<u>\$6,662,699.17</u>	<u>\$6,725,124.72</u>	<u>\$6,145,979.50</u>	<u>\$6,835,655.25</u>	<u>\$7,206,408.85</u>	<u>\$6,617,201.16</u>	<u>\$5,690,221.51</u>	<u>\$4,760,274.29</u>
<u>CHANGE IN NET ASSETS</u>										
Governmental activities	(\$560,217.45)	(\$712,986.63)	(\$100,080.85)	\$774,335.87	(\$1,215,465.97)	(\$111,040.54)	\$899,264.80	\$1,457,455.74	\$1,629,942.85	\$1,179,809.13
Business-type activities	(461.87)	(4,957.83)	(3,302.35)	(1,368.02)	-	614.05	83.93	11,514.27	(432.04)	(405.87)
Total district	<u>(\$560,679.32)</u>	<u>(\$717,944.46)</u>	<u>(\$103,383.20)</u>	<u>\$772,967.85</u>	<u>(\$1,215,465.97)</u>	<u>(\$110,426.49)</u>	<u>\$899,348.73</u>	<u>\$1,468,970.01</u>	<u>\$1,629,510.81</u>	<u>\$1,179,403.26</u>

Source: CAFR Schedule A-2

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
FUND BALANCES - GOVERNMENTAL FUNDS
UNAUDITED

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General Fund										
Assigned	\$6,500.00	\$6,500.00								
Unassigned	4,266,069.10	4,975,131.82								
Reserved			\$6,500.00	\$6,500.00	\$6,500.00	\$6,500.00	\$85,668.57	\$47,107.00	\$47,107.00	\$47,107.00
Unreserved			5,944,636.51	6,365,352.52	6,150,796.08	7,645,273.93	7,544,288.81	6,325,564.09	4,700,993.67	3,125,106.67
Total general fund	<u>\$4,272,569.10</u>	<u>\$4,981,631.82</u>	<u>\$5,951,136.51</u>	<u>\$6,371,852.52</u>	<u>\$6,157,296.08</u>	<u>\$7,651,773.93</u>	<u>\$7,629,957.38</u>	<u>\$6,372,671.09</u>	<u>\$4,748,100.67</u>	<u>\$3,172,213.67</u>
All Other Governmental Funds										
Reserved						\$2,535,333.43				
Unreserved, reported in:										
Special revenue fund										
Capital projects fund			\$34,664.75	\$223,588.07	\$223,588.07	607,048.82				
Debt service fund										
Total all other governmental funds	<u> </u>	<u> </u>	<u>\$34,664.75</u>	<u>\$223,588.07</u>	<u>\$223,588.07</u>	<u>\$3,142,382.25</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Source: CAFR Schedule B-1

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues										
Tax levy										
Tuition charges	\$5,289,504.73	\$5,627,123.04	\$6,378,474.67	\$6,538,534.51	\$5,849,973.59	\$6,351,572.31	\$6,914,833.52	\$6,380,101.70	\$5,608,874.47	\$4,613,228.66
Transportation fees from other LEA's	14,145,204.19	15,657,725.20	19,247,849.18	19,900,723.93	17,511,906.91	15,781,795.01	14,680,422.55	12,759,252.99	12,127,849.85	11,043,121.29
Local educational agency fees	1,150,912.25	1,874,969.24	2,032,267.63	2,205,910.30	2,482,994.06	2,390,988.76	2,482,923.48	2,339,797.80	2,228,235.28	1,839,572.05
Miscellaneous	181,592.47	282,044.82	302,544.42	186,876.13	297,488.41	484,372.94	291,575.33	237,095.35	81,335.25	147,045.63
State sources	545,391.51	535,573.30	497,749.63	483,870.24	518,142.63	512,777.46	283,354.93	236,916.45	217,113.02	171,253.22
Total revenue	<u>21,312,605.15</u>	<u>23,977,435.60</u>	<u>28,458,885.53</u>	<u>29,315,915.11</u>	<u>26,660,505.60</u>	<u>25,521,506.48</u>	<u>24,653,109.81</u>	<u>21,953,164.29</u>	<u>20,263,407.87</u>	<u>17,814,220.85</u>
Expenditures										
Instruction										
Special education instruction	2,110,436.81	3,413,611.66	3,263,238.39	2,868,663.85	3,068,108.75	3,092,504.78	2,827,060.72	2,464,611.88	3,141,501.61	1,263,498.86
Other instruction	5,460.50	857,096.74	967,036.21	1,090,531.39	1,037,737.31	1,066,726.95	869,086.75	902,469.75	719,914.22	1,151,991.67
Support Services:										
Student & instruction related services	1,297,912.37	848,684.95	1,205,048.71	1,341,123.26	1,067,715.84	1,195,405.05	1,295,074.96	967,742.26	274,459.47	1,171,295.35
General administrative services	798,464.08	982,729.03	573,257.79	518,231.12	460,105.67	735,924.01	937,819.64	690,178.84	915,871.55	828,788.23
School Administrative services	423,893.60	281,194.73	642,021.62	565,682.16	580,670.52	384,238.95	334,079.71	367,579.35	144,265.16	260,652.18
Central services/Administration Information Technology	810,972.17	827,282.83	913,150.65	781,489.63	980,880.29	530,758.24	402,944.54	236,604.17	187,905.91	591,884.57
Plant operations and maintenance	733,891.73	917,815.90	804,368.57	842,544.41	1,031,244.21	1,253,562.34	1,757,379.68	1,199,163.88	990,644.67	766,499.69
Student transportation services	12,514,322.58	13,184,195.24	16,910,357.07	17,391,414.51	16,499,752.51	14,542,936.26	12,279,526.03	11,121,692.58	10,779,840.66	10,309,545.76
Unallocated employee benefits	2,936,314.03	3,303,993.96	3,435,045.85	3,366,678.34	3,101,101.53	2,694,633.35	2,689,182.22	2,348,940.16	1,533,117.62	409,930.57
Capital outlay	385,000.00	1,028,537.73	355,000.00	335,000.00	3,639,572.78	10,166,812.82	1,430,192.85	889,088.00	869,275.00	448,642.00
Total expenditures	<u>22,016,667.87</u>	<u>25,645,142.77</u>	<u>29,068,524.86</u>	<u>29,101,358.67</u>	<u>31,466,889.41</u>	<u>35,663,502.75</u>	<u>24,822,347.10</u>	<u>21,188,070.87</u>	<u>19,556,795.87</u>	<u>17,202,728.88</u>
Excess (Deficiency) of revenues over (under) expenditures	(704,062.72)	(1,667,707.17)	(609,639.33)	214,556.44	(4,806,383.81)	(10,141,996.27)	(169,237.29)	765,093.42	706,612.00	611,491.97
Other Financing sources (uses)										
Lease proceeds (non-budgeted)		663,537.73			395,778.60	13,309,195.07	1,430,192.85	874,088.00	869,275.00	448,642.00
Transfers in (out)	(5,000.00)				(2,666.82)	(3,000.00)	(3,669.27)	(14,611.00)		
Total other financing sources (uses)	<u>(5,000.00)</u>	<u>663,537.73</u>			<u>393,111.78</u>	<u>13,306,195.07</u>	<u>1,426,523.58</u>	<u>859,477.00</u>	<u>869,275.00</u>	<u>448,642.00</u>
Net change in fund balances	<u>(\$709,062.72)</u>	<u>(\$1,004,169.44)</u>	<u>(\$609,639.33)</u>	<u>\$214,556.44</u>	<u>(\$4,413,272.03)</u>	<u>\$3,164,198.80</u>	<u>\$1,257,286.29</u>	<u>\$1,624,570.42</u>	<u>\$1,575,887.00</u>	<u>\$1,060,133.97</u>

Source: CAFR Schedule B-2

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

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Local Agency</u> <u>Fees</u>	<u>Transportation</u> <u>Fees</u>	<u>Tuition</u>	<u>Miscellaneous</u>	<u>Total</u>
2012	\$1,150,912.25	\$14,145,204.19	\$5,289,504.73	\$181,592.47	\$20,767,213.64
2011	1,874,969.24	15,657,725.20	5,627,123.04	282,044.82	23,441,862.30
2010	2,032,267.63	19,247,849.18	6,378,474.67	302,544.42	27,961,135.90
2009	2,205,910.30	19,900,723.93	6,538,534.51	186,876.13	28,832,044.87
2008	2,482,994.06	17,511,906.91	5,849,973.59	297,488.41	26,142,362.97
2007	2,390,988.76	15,781,795.01	6,351,572.31	484,372.94	25,008,729.02
2006	2,482,923.48	14,680,422.55	6,914,833.52	291,575.33	24,369,754.88
2005	2,339,797.80	12,759,252.99	6,380,101.70	237,095.35	21,716,247.84
2004	2,228,235.28	12,127,849.85	5,608,874.47	81,335.25	20,046,294.85
2003	1,839,572.05	11,043,121.29	4,613,228.66	147,045.63	17,642,967.63

Source: District Records

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

Function/Program	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Instruction:								
Regular and Special Education	50	52	61	68	77	75	75	72
Support Services:								
Student & instruction related services	36	41	51	56	58	89	89	94
General administrative services	3	3	3	3	3	4	4	4
School administrative services	3	3	3	3	3	2	2	2
Central services	7	7	7	7	7	7	7	7
Plant operations and maintenance	1	1	3	3	3	4	5	6
Student transportation	131	142	166	178	186	164	149	133
Total	<u>231</u>	<u>249</u>	<u>294</u>	<u>318</u>	<u>337</u>	<u>345</u>	<u>331</u>	<u>318</u>

Source: District Personnel Records

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
OPERATING STATISTICS
UNAUDITED

<u>Fiscal Year</u>	<u>Enrollment (d)</u>	<u>Operating Expenditures (a)</u>	<u>Cost Per Pupil</u>	<u>% Change</u>	<u>Teaching Staff (b)</u>	<u>Teacher/Pupil Ratio</u>	<u>Average Daily Enrollment (c)</u>	<u>Average Daily Attendance (c)</u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2012	148	\$ 21,631,667.87	\$ 146,159.92	-15.69%	50	1/3	136	96	-10.53%	70.59%
2011	142	24,616,605.04	173,356.37	3.24%	52	1/2	152	111	-16.94%	73.03%
2010	171	28,713,524.86	167,915.35	-0.18%	61	1/2	183	137	1.10%	74.86%
2009	171	28,766,358.67	168,224.32	-0.86%	68	1/2	181	146	2.26%	80.66%
2008	164	27,827,316.63	169,678.76	66.37%	77	1/2	177	140	-25.63%	79.10%
2007	250	25,496,689.93	101,986.76	6.82%	75	1/3	238	190	-0.83%	79.83%
2006	245	23,392,154.25	95,478.18	1.13%	75	1/3	240	193	4.35%	80.42%
2005	215	20,298,982.87	94,413.87	-1.48%	72	1/3	230	187	8.49%	81.30%
2004	195	18,687,520.87	95,833.44	0.10%	70	1/3	212	170	29.27%	80.19%
2003	175	16,754,086.88	95,737.64	-3.95%	51	1/3	164	128	#DIV/0!	78.05%

Sources: District records

Note: Enrollment based on annual October district count.

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

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

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

(d) Enrollment obtained from fall survey system report.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
SCHOOL BUILDING INFORMATION
UNAUDITED

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<u>District Buildings</u>										
Somerset County Educational Services Commission										
Elementary/Secondary										
Square Feet	38,000	38,000	38,000	38,000	38,000	38,000	38,000	38,000	38,000	38,000
Capacity (students - full time)	275	275	275	275	275	275	275	275	275	275
Enrollment *	91	89	96	98	93	118	118	115	110	110
Alternative High School										
Square Feet	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Capacity (students - full time)	225	225	225	225	225	225	225	225	225	225
Enrollment *	57	62	78	79	82	116	116	110	112	110

* full and part-time students

Number of Schools at June 30, 2012
 Elementary/Secondary School = 1
 Alternative High School = 1

Source: District records

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

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
INSURANCE SCHEDULE
JUNE 30, 2012
UNAUDITED

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

Source: District records.

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SINGLE AUDIT SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

EXHIBIT "K-1"

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

Telephone 908-789-9300

Fax 908-789-8535

E-mail info@scnco.com

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

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

We have audited the basic financial statements of the Somerset County Educational Services Commission, County of Somerset, New Jersey as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated November 16, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

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

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

SUPLEE, CLOONEY & COMPANY

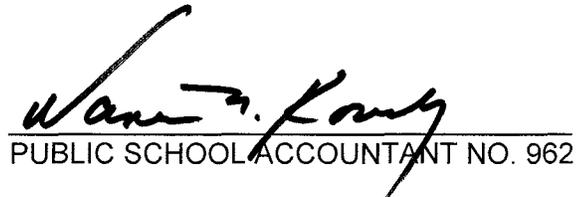
Our consideration of the internal control over financial reporting was limited for the purposed described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material 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 Somerset County Educational Services Commission's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However we noted a matter involving compliance that we have reported to the Representative Assembly/Board of Directors of the Somerset County Educational Services Commission in a separate Auditor's Management Report on Administrative Findings – Financial and Compliance dated November 16, 2012.

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


CERTIFIED PUBLIC ACCOUNTANTS


PUBLIC SCHOOL ACCOUNTANT NO. 962

November 16, 2012

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE AT JUNE 30, 2011	CARRYOVER AMOUNT	CASH RECEIPTS	BUDGETARY EXPENDITURES	BALANCE AT JUNE 30, 2012		
									(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	7/1/11 - 6/30/12	\$27,680.35	\$	\$	20,130.71	(27,680.35)	(7,549.64)	\$	\$
National School Lunch Program	10.555	N/A	7/1/10 - 6/30/11	24,414.22	(1,727.28)		1,727.28				
National School Breakfast Program	10.553	N/A	7/1/11 - 6/30/12	16,845.84			12,544.98	(16,845.84)	(4,300.86)		
National School Breakfast Program	10.553	N/A	7/1/10 - 6/30/11	12,998.74	(1,081.38)		1,081.38				
Total U.S. Department of Agriculture					(1,928.28)		35,484.35	(44,526.19)	(11,850.50)		
Total Expenditures of Federal Awards					\$ (1,928.28)	\$	\$ 35,484.35	\$ (44,526.19)	\$ (11,850.50)	\$	\$

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

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

STATE GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE AT JUNE 30, 2011	CARRYOVER AMOUNT	CASH RECEIPTS	BUDGETARY EXPENDITURES	ADJUSTMENT/ REPAYMENT OF PRIOR YEAR'S BALANCES	BALANCE AT JUNE 30, 2012			BUDGETARY RECEIVABLE	MEMO CUMULATIVE TOTAL EXPENDITURES
									(ACCOUNTS RECEIVABLE)	DEFERRED REVENUE	DUE TO GRANTOR		
State Department of Education													
General Funds:													
Reimbursed TPAF social security contributions	12-495-034-5095-002	7/1/11 - 6/30/12	\$185,898.51	\$	\$	\$ 166,073.29	\$ (185,898.51)	\$	\$ (19,825.22)	\$	\$	\$	\$ (185,898.51)
Reimbursed TPAF social security contributions	11-495-034-5095-002	7/1/10 - 6/30/11	280,270.30	(\$12,854.46)		12,854.46							
Total General Funds				(12,854.46)		178,927.75	(185,898.51)		(19,825.22)				(185,898.51)
Enterprise Fund:													
State School Lunch Program	12-100-010-3360-067	7/1/11 - 6/30/12	559.93			407.34	(559.93)		(152.59)				(559.93)
State School Lunch Program	11-100-010-3360-067	7/1/10 - 6/30/11	473.66	(36.43)		36.43							
Total Enterprise Fund				(36.43)		443.77	(559.93)		(152.59)				(559.93)
Total State Financial Assistance Subject to Single Audit				(12,890.89)		179,371.52	(186,458.44)	-	(19,977.81)				(186,458.44)
General Fund:													
On-Behalf TPAF Pension Contributions	12-495-034-5095-007	7/1/11 - 6/30/12	119,423.00			119,423.00	(119,423.00)						(119,423.00)
On-Behalf TPAF Post-Retirement Medical Benefits	12-495-034-5095-001	7/1/11 - 6/30/12	240,070.00			240,070.00	(240,070.00)						(240,070.00)
Total State Financial Assistance				\$ (12,890.89)	\$	\$ 538,864.52	\$ (545,951.44)	\$	\$ (19,977.81)	\$	\$	\$	\$ (545,951.44)

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

Somerset County Educational Services Commission
Notes to the Schedules of Expenditures of Federal Awards
and State Financial Assistance
Year Ended June 30, 2012

NOTE 1: GENERAL

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

NOTE 2: BASIS OF ACCOUNTING

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

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

Somerset County Educational Services Commission
Notes to the Schedules of Expenditures of Federal Awards
and State Financial Assistance
Year Ended June 30, 2012

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

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

	<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Total</u>
General Fund		\$545,391.51		\$545,391.51
Special Revenue Fund			\$1,150,912.25	1,150,912.25
Food Service Fund	<u>\$44,526.19</u>	<u>559.93</u>		<u>45,086.12</u>
Total Awards & Financial Assistance	<u><u>\$44,526.19</u></u>	<u><u>\$545,951.44</u></u>	<u><u>\$1,150,912.25</u></u>	<u><u>\$1,741,389.88</u></u>

NOTE 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5: OTHER

The amount reported as TPAF pension contributions and post-retirement medical benefits represents the amount paid by the state on behalf of the commission for the year ended June 30, 2012. 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, 2012.

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

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

Somerset County Educational Services Commission
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

Section I – Summary of Auditor’s Results

Financial Statements

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

Federal Program(s) – Not Applicable

State Program(s) – Not Applicable

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

Internal Control Findings

None Reported

Compliance Findings

None Reported

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

Federal Programs – None Reported

State Programs – None Reported

Somerset County Educational Services Commission

Schedule of Prior Year Audit Findings

Not Applicable



