

MIDDLESEX **R**EGIONAL
Educational **S**ervices **C**ommission



**BOARD OF DIRECTORS
PISCATAWAY, NJ 08854**

**Comprehensive Annual Financial Report
for the Fiscal Year ended June 30, 2008**

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

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2008

Prepared by

Middlesex Regional Educational Services Commission
Business Office

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Introductory Section



MIDDLESEX REGIONAL EDUCATIONAL SERVICES COMMISSION

1660 Stelton Road

Piscataway, New Jersey 08854

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SERVICES:

Academy Learning Center

Bright Beginnings
Learning Center

Child Study Team &
Related Services

Collaborative Educational
Services

Cooperative
Transportation

Home Instruction

Middlesex County
Academy

Nonpublic School Services

NuView Academy

Piscataway Regional Day
School

Professional Development
Academy

Raritan Valley Academy

- Interim Alternative
Educational Program

Mark J. Finkelstein
Superintendent

Patrick M. Moran
*Business Administrator/
Board Secretary*

November 3, 2008

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

Dear Board Members:

The Comprehensive Annual Financial Report of the Middlesex Regional Educational Services Commission (the "Commission") for the fiscal year ended June 30, 2008, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Directors. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Commission. All disclosures necessary to enable the reader to gain an understanding of the Commission's financial activities have been included.

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

1. Reporting Entity and its Services

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

efficient and economic manner. On June 1, 2006, the State Board of Education officially approved a name change for the Middlesex County Educational Services Commission to the Middlesex Regional Educational Services Commission to more accurately reflect its scope of services. The Commission is a public education agency reporting within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by GASB Statement No. 14. All funds and account groups of the Commission are included in this report for Fiscal Year 2008 (FY2008). The Commission and all of its educational programs constitute the Commission's reporting entity.

The Commission provided educational services and programs to the following member districts, through multi-year contracts during FY2008:

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

In addition, the following non-member districts contracted with the Commission for educational services and programs during the FY2008 school year:

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

The following educational services and programs were provided during the FY2008 school year:

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

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

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

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

As of June 30, 2008 the following services were provided:

Compensatory Education	1,618	services
English as a Second Language	212	services
Home Instruction	11,160	hours
Examination/Classification	967	services
Supplemental Instruction	620	services
Speech Correction	718	services
Speech Evaluations	82	services

RARITAN VALLEY ACADEMY (RVA)

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

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

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

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

Ninety-five (95) disabled students received educational services at the RVA during the FY2008 school year.

NuVIEW ACADEMY

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

NuView Academy operates on a twelve (12) month basis. It has a current capacity of forty-eight (48) students between the ages of 5-18 years of age. In FY2008, NuView Academy served ninety (90) students from twenty-four (24) sending districts within seven (7) counties.

PISCATAWAY REGIONAL DAY SCHOOL (PRDS)

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

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

One hundred forty-nine (149) disabled students received educational services at the PRDS during the FY2008 school year. Augmentative Communication Evaluation Services are also offered.

PRDS EXTENDED SCHOOL YEAR PROGRAM

During the summer of 2008, one hundred seventeen (117) students participated in the extended school year program.

ACADEMY LEARNING CENTER (ALC)

The ALC provides a comprehensive day school program for students with autism or multiple disabilities based on the principles of Applied Behavior Analysis. Its staff of approximately 95 teachers, instructional aides and therapists receive pre-service and in-service training in research-based techniques designed to develop skills in language and communication, social, academic, activities of daily living, vocational, fine motor and gross motor skills.

The school program is located in a state of the art building located in Monroe, New Jersey. The building includes an observation room, a storage room and a bathroom for every classroom. It

serves approximately 141 students from 3-21 years of age in 18 classrooms. The building contains 8 speech and language therapy rooms, a large occupational and physical therapy room, a spacious multipurpose room, health office, and three age appropriate playgrounds on the ten acre site.

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

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

ALC EXTENDED SCHOOL YEAR PROGRAM (ALC ESY)

The ALC ESY program is a continuation of the ten month program and provides a six week program from the last week in June through the first week in August. A high percentage of ten month employees also work in the ESY program. One hundred thirty-three (133) students participated in the 2008 ESY program.

ACADEMY LEARNING CENTER ANNEX (ALCA)

The ALCA opened in January, 2008 in response to the requests of districts in Middlesex County for additional placements for students with autism. Existing programs operated by the Commission were generally full and this situation did not help students or their school districts.

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

A preschool class opened in April, 2008 and an older elementary class opened in June, 2008. During the 2008 Extended School Year program, 12 students were enrolled and benefited from services.

TITLE I PROGRAM

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

Computer Assisted Instruction (CAI) was initiated in 1994 as a pilot program and made available to eligible Title I pupils. During FY2008, twenty (20) students receiving twenty-five (25) services and attending four (4) nonpublic schools participated in computer assisted instruction programs.

Fifty-two (52) students received Title I educational services during the FY2008 school year. (Non-CAI instruction) Seventy-five (75) services were provided at nine (9) nonpublic schools.

COOPERATIVE TRANSPORTATION PROGRAM

The Cooperative Transportation Program consists of the transportation of students from one or more districts to a common location. The Commission coordinates directly with the sending school district, parent/guardian of each student, and the school to which the student is being transported. The purpose of this program is to reduce duplication of services and generate cost savings through cooperative efforts in joint transportation routes for special education, vocational, nonpublic and public students.

Seven hundred six (706) cooperative special and regular education routes, public school routes, vo-tech and nonpublic school routes, transported more than eight thousand five hundred forty-five (8,545) students to and from over two hundred thirty-one (231) destinations each day from twenty-eight (28) districts before and after care transportation and work-study program transportation and mid-day shuttles between schools. Additionally, approximately three hundred fifty (350) students are transported daily on athletic/late routes.

NONPUBLIC TEXTBOOK LOAN PROGRAM

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

During FY2008, these services are being provided to eighty-two (82) private schools located within seventeen (17) districts in Middlesex County.

NONPUBLIC NURSING SERVICES

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

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

During FY2008, these services were provided to seventy-seven (77) nonpublic schools located within twenty-one (21) school districts.

E. S. C. GENERAL PROGRAM

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

HOME INSTRUCTION TO PUBLIC STUDENTS

The Commission has provided home instruction services to two hundred seventy-five (275) public school students from fourteen (14) school districts in and out of Middlesex County during FY2008.

CHARTER SCHOOL SERVICES

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

COUNTY DIAGNOSTIC SERVICES

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

OCCUPATIONAL AND PHYSICAL THERAPY

Occupational therapy and physical therapy were provided to four (4) public school districts during FY2008.

MIDDLESEX COUNTY ACADEMY (MCA)

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

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

During the FY2008 school year, the MCA accepted both classified and non-classified students, serving approximately ninety-four (94) alternative students from public school districts and implemented an SRA program to improve student performance on standardized testing.

INTERIM ALTERNATIVE EDUCATIONAL PROGRAM

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

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

During FY2008, a total of one hundred five (105) students from sixteen (16) school districts participated in the program.

PROFESSIONAL DEVELOPMENT ACADEMY (PDA)

The PDA completed its fifth full year of operation in June, 2008. During the year, 20 public school districts purchased subscriptions to the Academy and 4 nonpublic schools, 2 through their districts and 2 through IDEA-B. As a registered Professional Development Provider with the New Jersey Department of Education, the Academy provided 34 workshops at our facility to 862 participants during the 2007-2008 timeframe. The PDA also provided 35 on-site workshops to 1,120 educators at various schools in our region. The PDA provided learning opportunities to a total of 1,982 educators.

During the 2007-2008 school year, the Commission continued to offer professional development opportunities within Commission schools and through the PDA, focusing on sustained professional development, university partnerships, and support for school

leaders. To ensure that the Local Professional Development Plan reflected the New Jersey Professional Standards for Teachers, questionnaires to assess student/teacher needs were developed using the standards as a framework. Data from the questionnaires were used to design the professional development offerings. In addition, workshops were aligned to the Eight Key Elements of High Quality Professional Development for teachers and also reflected the definition of professional development for the Elementary and Secondary Education Act (No Child Left Behind).

The professional learning programs, held at the PDA, had built into the presentations practical information that educators could immediately apply in their classrooms and emphasized reflective practice as a norm for continuous learning. Readings and websites were included in the workshop handouts.

BRIGHT BEGINNINGS LEARNING CENTER (BBLC)

The BBLC opened in 1998 to provide an educational program for students with autism or severe multiple disabilities based on the principles of Applied Behavior Analysis (ABA). In September 2002, the program relocated to a state-of-the art facility on the Commission's Piscataway campus. The building includes sixteen (16) classrooms, observation rooms, therapy rooms, activities-of-daily-living room, sensory room, multipurpose room, and media center. In September 2004, the BBLC Annex opened on the same campus, offering five (5) additional classrooms for preschool and elementary students on the autism spectrum. In January 2005, a sixth classroom, serving the same population, opened at the site. Responding to the needs of sending districts, the BBLC Annex II, located in North Brunswick, opened with four classrooms to serve preschool and elementary students with autism and multiple disabilities in September 2006. Two additional preschool classrooms opened in January 2007 and April 2007 respectively.

Bright Beginning Learning Center has developed into a program of choice for thirty-eight (38) districts in five (5) counties seeking placement for students classified preschool disabled, multiply disabled, and autistic. Two hundred four (204) students, ages three (3) to twelve (12) years, were enrolled at BBLC during the 2007-2008 school year.

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

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

BBLC EXTENDED SCHOOL YEAR PROGRAM

During the summer of 2008, one hundred eighty-nine (189) students participated in the BBLC Extended School Year.

NONPUBLIC TECHNOLOGY PROGRAM

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

For the FY2008, eighty-eight (88) schools in nineteen (19) districts have benefited from this service.

IDEIA-B

IDEIA-B provides additional educational services to classified students attending private schools. These services provide speech therapy, occupational therapy and physical therapy, supplemental instruction, counseling, instructional aides and supplies. This program is funded through the federal government IDEA-B grant programs for FY2008. The Commission provides services to twenty-four (24) districts and fifty-six (56) private schools.

COLLABORATIVE SERVICES

EDISON COLLABORATIVE

This unique program option for students with autism and the Edison Public Schools began with the start of the 2003-2004 school year. The initial concept derived from the desire of the Edison Public Schools to serve students with autism in their home district. However, they were faced with two major dilemmas: the lack of knowledge and expertise to oversee these specialized classes; and assuring parents of program efficacy when their children were already placed in private schools specifically designed for students with autism.

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

The Edison Collaborative currently serves twenty (20) students diagnosed on the autism spectrum. These students are educated in the following manner:

- 6 Students per primary class (8 in pre-school)
- 2 Primary Classes for students ages 5-8
- 1 Preschool Class for students ages 3-5
- Staffing Ratio of 2:1

Instruction is based on the principles of Applied Behavior Analysis (ABA). This approach is the most widely used and the most documented approach for educating students with autism. Each objective is written in behavioral terms. If an increase in a behavior is the desired outcome, it is addressed through practice and reinforcement. If the desire is to decrease a behavior, it is acted upon through consequences and removal of reinforcement.

Teaching strategies that support these principles include discrete trial teaching, shaping, chaining and incidental teaching.

The progress of students is closely monitored through daily collection of quantitative data. Because of the atypical learning patterns of students with autism, this type of data collection is a key component for two reasons: monitoring overall student progress of goals and objectives is enhanced; and it is also used as a crucial tool for teachers in order to monitor and troubleshoot teaching at a much faster rate.

SAYREVILLE COLLABORATIVE

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

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

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

For the past four years, the Sayreville Collaborative has provided programs and services for students with autism and multiple disabilities. Due to an increased demand for autistic services at the primary level and placement changes for the three enrolled multiply disabled students, the multiply disabled class was dissolved in September 2006 and replaced with an additional primary autistic class. The Sayreville Collaborative currently serves nineteen (19) students diagnosed along the autism spectrum.

These students are educated in the following manner:

- 6 Students per primary autistic class (8 in Preschool)
- 2 Preschool Classes for students ages 3-5
- 1 Primary Autistic Classes for students ages 5-9
- Staffing Ratio for students with autism 2:1

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

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

EARLY CHILDHOOD CENTERS (ECCs)

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

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

2. Economic Condition and Outlook

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

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

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

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

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

Examples of consolidated services include:

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

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

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

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

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

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

3. Internal Control

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

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

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

4. Budgetary Controls

In addition to internal controls, the Commission maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Annual appropriated budgets are adopted for the general fund, special revenue fund and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balances in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance on June 30, 2008.

5. Accounting Systems and Reports

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

6. Cash Management

The investment policy of the Commission is guided in large part by state statute as detailed in "Notes to the Financial Statements," Note 2. The public depositories are protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds

only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

7. Risk Management

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

8. Service Efforts and Accomplishments

The Commission continued to develop new programs and services for its member districts during the FY2008 school year. These efforts were highlighted by the expansion of the Professional Development Academy providing in-service programs for over four hundred (400) participants from member districts, with the relocation of the Middlesex County Academy and expansion of services to middle school aged students. The Commission also expanded its efforts in the area of technology, initiating major initiatives at the Raritan Valley Academy, Piscataway Regional Day School, and the Academy Learning Center. These efforts include the implementation of hardware and software necessary to develop a computer assisted instructional program and to allow student media access for purposes of research as well as internet resources. This initiative will continue into FY2009 with the completion of the networking of Bright Beginnings Learning Center.

9. Major Operational or Fiscal Concerns

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

10. Other Information

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

B. *Grant Awards and Other Significant Acknowledgments:* Through competitive RFP's the Commission was allotted the following grants for 2007-2008 school year:

21st Century Learning Grant

Grant Awards:	\$535,000
Award Received:	\$467,462
Total Expenditures:	\$506,066
Receivable as of 06/30/08:	\$38,604

Teacher Quality Enhancement Grant

Grant Awards and Received:	\$2,728
Total Expenditures:	\$2,728

Social Norms Grant

Grant Awards and Received:	\$3,000
Total Expenditures:	\$3,000

The Governor's Initiative on Autism Grant

Grant Awards:	\$356,697
Award Received:	\$232,694
Total Expenditures:	\$341,282
Receivable as of 06/30/08:	\$19,285

Self-Recognition - The following Commission Staff were recognized for Governor's Teacher Recognition Program for the FY2008 school year:

Janet Kline	Raritan Valley Academy
Lynn Fallon	Academy Learning Center
Deborah Bussiere	Piscataway Regional Day School
Audrey Roderman	Bright Beginnings Learning Center
Carol Zagata	Nonpublic Department

Student Recognition Program – Eight (8) students from the Commission were honored in February 2008 at the annual Middlesex County School Boards Association Student Recognition Dinner. The students were as follows:

Meagan Wilson	Raritan Valley Academy
Dexter Jeanty	Raritan Valley Academy
Ceiona Kelly	Piscataway Regional Day School
Jereme Youmans	Piscataway Regional Day School
Marcell Smith	Middlesex County Academy
Adam Moss	NuView Academy
Vincent Rojas	Academy Learning Center
Patrick Fay	Academy Learning Center

Services – Other significant developments and acknowledgments during the 2007-2008 school year:

- Approval of curriculum as follows – September, 2007
 - Raritan Valley Academy:
 - Mathematics
 - Spanish
 - Physical Education Adventure
 - Middlesex County Academy
 - Mathematics
 - Physical Education Adventure
 - Spanish
 - NuView Academy
 - Mathematics
 - Physical Education Adventure
 - Academy Learning Center, Bright Beginnings Learning Center, Piscataway Regional Day School
 - Language Arts Literacy
 - Career Education
 - Alternate Proficiency Assessment Reference Guide
- Expansion of School to Career Program and development of *Career Education Committee* – September, 2007

C. *Year 2008*: The Commission's transition into Year 2008 went well, with little or no problems to report.

11. For the Future

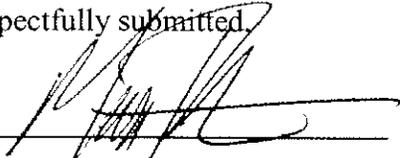
The Commission is presently in very good financial condition and continues to expand service offerings to its participating districts.

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

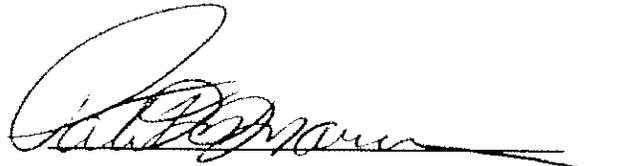
12. Acknowledgments

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

Respectfully submitted,



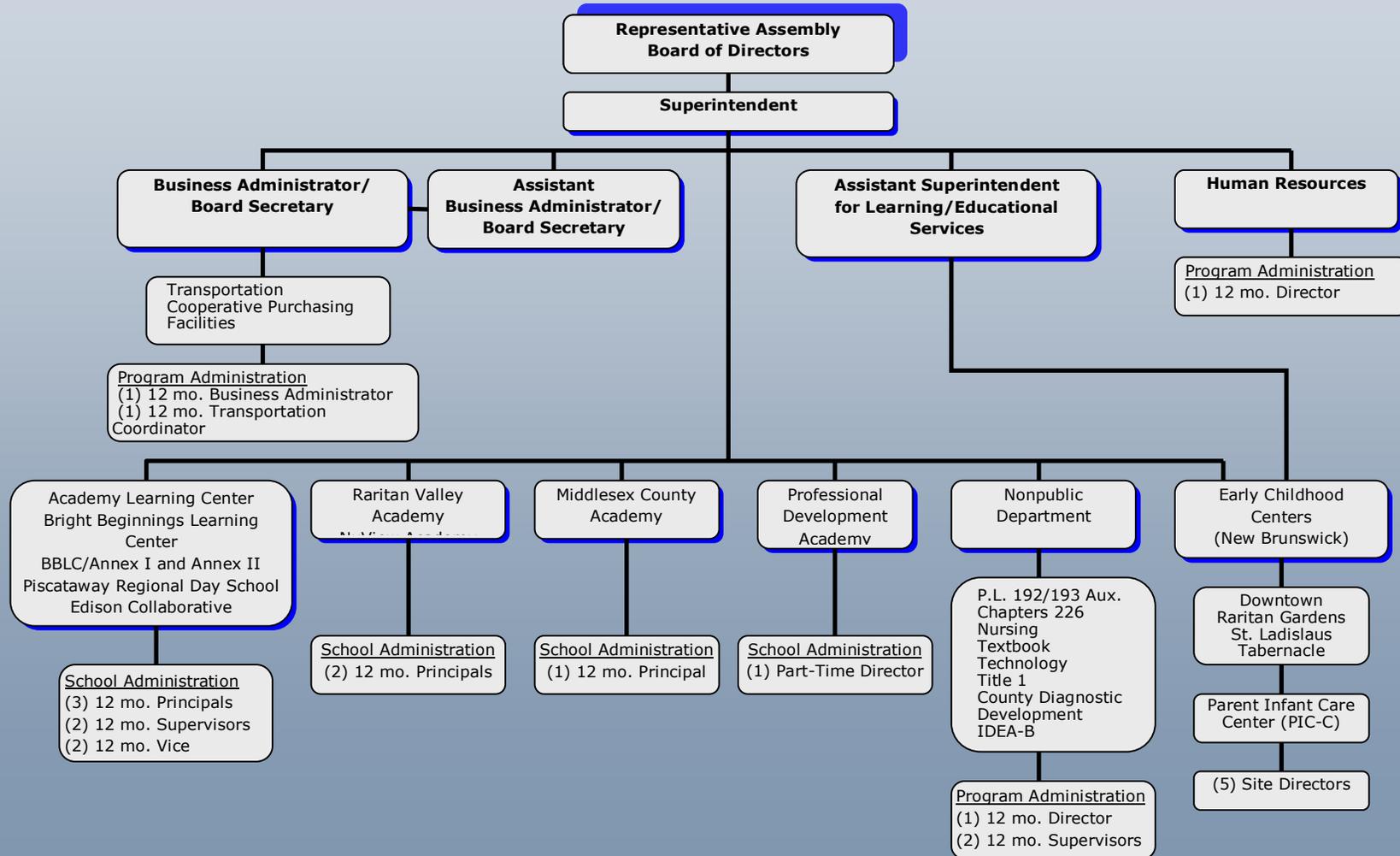
Mr. Mark J. Finkelstein
Superintendent



Mr. Patrick M. Moran
Business Administrator/Board Secretary

Middlesex Regional Educational Services Commission
Piscataway, New Jersey

Organizational Chart
June 30, 2008



Middlesex Regional Educational Services Commission
Piscataway, New Jersey

Roster of Officials

June 30, 2008

<u>Members of the Board of Directors</u>	<u>Term Expires</u>
Mr. Kevin Ahearn – Carteret	5/31/09
Mr. John Haney – Cranbury	5/31/09
Mr. George Johnson – Dunellen	5/31/09
Ms. Holly Howard – East Brunswick	5/31/09
Mr. John DiMuzio – Edison	5/31/09
Dr. Brian Savage – Helmetta	5/31/09
Dr. Frances Wood – Highland Park	5/31/09
Dr. Gail Verona – Jamesburg	5/31/09
Ms. Rose deVries – Metuchen	5/31/09
Mrs. Rosemary Walsh – Middlesex	5/31/09
Mr. Bill Petscavage – Milltown	5/31/09
Mr. John Leary – Monroe	5/31/09
Mr. Dale Caldwell – New Brunswick	5/31/09
Dr. Brian Zychowski – North Brunswick	5/31/09
Ms. Ellen McDermott – Old Bridge	5/31/09
Mr. John Rodecker – Perth Amboy	5/31/09
Dr. Paul Herman – Piscataway	5/31/09
Dr. Frank Alfano – Sayreville	5/31/09
Mr. Robert Sheedy – South Amboy	5/31/09
Dr. Gary McCartney – South Brunswick	5/31/09
Mr. Jose Negron – South Plainfield	5/31/09
Mr. Ronald Grygo – South River	5/31/09
Dr. John Krewer – Spotswood	5/31/09
Mr. Vincent Smith – Woodbridge	5/31/09
Dr. Karen McCloud–Hjازه – Middlesex County Vo Tech	5/31/09
<u>Other Officials</u>	
Mr. Mark J. Finkelstein, Superintendent	N/A
Mr. Simon Hersh, Assistant Superintendent for Learning/Educational Services	N/A
Mr. Patrick M. Moran, Business Administrator/Board Secretary	N/A
Ms. Kai-Li Pao, Assistant Business Administrator/Board Secretary	N/A
Ms. Lorraine Small, Director of Human Resources	N/A

Middlesex Regional Educational Services Commission
Piscataway, New Jersey

Consultants and Advisors

Attorney

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

Audit Firm

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

Labor Consultants

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

Official Depository

Commerce Bank
1906 Lincoln Highway
Edison, New Jersey 08817

Architects

USA Architects
20 North Doughty Avenue
Somerville, New Jersey 08876

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Financial Section

Report of Independent Auditors on General Purpose Financial Statements, Supplementary Schedules and Schedules of Expenditures of Federal and State Awards

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Middlesex Regional Educational Services Commission (the “Commission”) as of and for the year ended June 30, 2008, which collectively comprise the Commission’s basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Commission’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States; audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and requirements require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Commission’s internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Commission as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2008, on our consideration of the Commission’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts,

and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

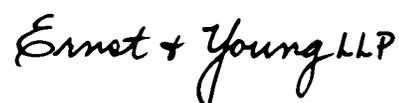
Management's discussion and analysis and budgetary comparison schedules on pages 24 through 36 and 69 through 75 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying supplementary information, including the introductory section, combining and individual fund financial statements, long-term debt schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The school level, combining and individual fund financial statements and long-term debt schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



David J. Milkosky
Licensed Public School Accountant
No. 883



November 3, 2008

Required Supplementary Information
Part I

Management's Discussion and Analysis

Middlesex Regional Educational Services Commission
Piscataway, New Jersey

Management's Discussion and Analysis

As management of the Middlesex Regional Educational Services Commission (the "Commission"), we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 through 18 of this report.

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

Financial Highlights

Key financial highlights for 2008 are as follows:

- General revenues accounted for \$30,372,887 or 40.98 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$43,751,197 or 59.02 percent of total revenues of \$74,124,084.
- The Commission had \$71,718,934 in expenses (governmental and business-type activities); \$43,751,197 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily fees for tuition and services provided to other districts) of \$30,372,887 were adequate to provide for these programs.
- Among major funds, the General Fund had \$52,664,929 in revenues and \$51,662,980 in expenditures and transfers out. The General Fund's fund balance increased \$1,001,949 over 2007. This increase was the result of increases in services, which was expected by the Commission.
- In total, net assets increased \$2,405,150 or 13.36%.

Overview of the Financial Statements

This discussion and analysis of the Commission's financial performance provides an overall review of the Commission's financial activities for the fiscal year ended June 30, 2008 with certain comparisons to the year ended June 30, 2007. The intent of this discussion and analysis is to look at the Commission's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Commission's financial performance. The Commission's basic financial statements comprise of three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This document also contains required and other supplementary information in addition to the basic financial statements themselves.

District-wide Financial Statements

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

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

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

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

The district-wide financial statements can be found on pages 37 and 38 of this report. The Commission uses enterprise funds to account for its operation of the Piscataway Regional Day School, Early Childhood program, and the district-wide Food and Bus Service Program.

Reporting the Commission's Most Significant Funds

Fund Financial Statements

The analysis of the Commission's major funds begins on page 39. Fund financial reports provide detailed information about the Commission's major funds. The Commission uses a number of funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Commission's most significant funds. The Commission's major governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund.

Governmental Funds

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

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

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

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

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

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

The enterprise fund financial statements can be found on pages 42 through 44 of this report.

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

The fiduciary fund financial statements can be found on pages 45 through 46 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 47 through 68 of this report.

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

Combining and individual fund statements and schedules can be found on pages 76 through 89 of this report.

District-Wide (Governmental Activities) Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Commission, assets exceeded liabilities by \$18,266,548 at the close of the most recent fiscal year.

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

Table 1 shows the comparison of the Commission's Government-Wide net assets from fiscal year 2007 to 2008.

Table 1 - Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets						
Current and other assets	\$23,023,940	\$19,852,314	\$1,425,175	\$1,062,747	\$24,449,115	\$20,915,061
Capital assets, net of depreciation	38,903,286	30,756,893	806,809	658,070	39,710,095	31,414,963
Total assets	61,927,226	50,609,207	2,231,984	1,720,817	64,159,210	52,330,024
Liabilities						
Other liabilities	3,126,239	2,904,857	96,205	37,581	3,312,444	2,942,438
Long-term liabilities	40,444,439	31,390,409			40,444,439	31,390,409
Total liabilities	43,660,678	34,295,266	96,205	37,581	43,756,883	34,332,847
Net assets						
Invested in capital assets, net of debt	(907,884)	74,310	806,809	658,070	(101,075)	732,380
Restricted	10,931,852	8,791,334			10,931,852	8,791,334
Unrestricted	8,242,580	7,448,297	1,328,970	1,025,166	9,571,550	8,473,463
Total net assets	\$18,266,548	\$16,313,941	\$2,135,779	\$6,683,236	\$20,402,327	\$17,997,177

Restricted net assets represent resources that are subject to external restrictions on how they may be used. The remaining balance consists of unrestricted net assets \$9,571,550 and may be used to meet the government's ongoing obligations to member districts.

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

Total assets increased mainly due to increases in current assets for receivables related to the expansion of Commission programs, and increased capital assets related to the construction of the NuView Academy and the Center of Lifelong Learning.

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

Total net assets increased \$2,405,150 mainly due to increases in revenue from transportation services, tuition and services provided to other districts.

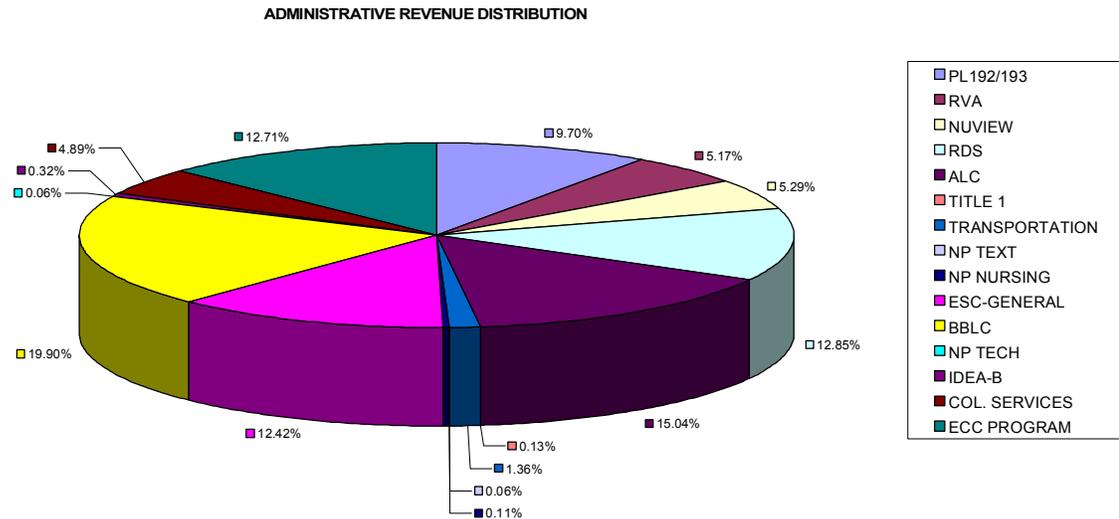
Table 2 shows the changes in net assets from fiscal year 2007 to 2008.

Government-Wide Activities

Governmental activities increased the Commission's net assets by \$2,405,150 thereby accounting for 82.20 percent of the total growth in the net assets of the Commission. Key elements of this increase are as follows:

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues:						
Charges for services	\$22,552,408	\$21,521,584	\$11,397,496	\$10,361,173	\$33,949,904	\$31,882,757
Operating grants and contributions	9,322,936	9,518,615	478,357	393,316	9,801,293	9,911,931
General revenues:						
Tuition	22,527,836	20,478,439			22,527,836	20,478,439
Services provided to other districts	5,282,055	5,164,915		86,061	5,282,055	5,250,976
Grants and entitlements	1,837,857	1,638,362			1,837,857	1,638,362
Other	725,139	855,061		3,228	725,139	858,289
Total revenues	62,248,231	59,176,976	11,875,853	10,843,778	74,124,084	70,020,754
Program Expenses						
Instruction	17,820,197	15,427,298			17,820,197	15,427,298
Support services:						
Pupils and instructional staff	7,407,097	8,870,651			7,407,097	8,870,651
General administration, school administration	2,097,589	1,966,353			2,097,589	1,966,353
Central services	949,542	1,051,071			949,542	1,051,071
Admin. Infor. Technology	196,642	113,310			196,642	113,310
Operations and maintenance of facilities	1,708,220	1,648,485			1,708,220	1,648,485
Pupil transportation	25,427,834	23,906,263			25,427,834	23,906,263
Business and other support svcs	1,278,572	1,666,535			1,278,572	1,666,535
Special schools	1,827,514	1,702,299			1,827,514	1,702,299
Interest on debt	1,726,318	1,271,981			1,726,318	1,271,981
Regional Day School			5,264,305	4,929,321	5,264,305	4,929,321
Bus Services			163,003		163,003	
Early Childhood Program			5,577,675	4,966,436	5,577,675	4,966,436
Food Service			274,427	231,250	274,427	231,250
Total program expenses	60,439,524	57,624,246	11,279,410	10,127,007	71,718,934	67,751,253
Excess before transfers	1,808,707	1,552,730	596,443	716,771	2,405,150	2,269,501
Transfers	143,900	150,000	(143,900)	(150,000)		
Change in net assets	1,952,607	1,702,730	452,543	566,771	2,405,150	2,269,501
Beginning net assets	16,313,941	14,611,211	1,683,236	1,116,465	17,997,177	15,727,676
Ending net assets	\$18,266,548	\$16,313,941	\$2,135,779	\$1,683,236	\$20,402,327	\$17,997,177

Revenues increased primarily due to the increases in services provided to other districts, increased tuition and transportation services. Tuition revenue increased due to an increase in student enrollment and an expansion of services provided by the Commission in addition to the start of the Academy Learning Center Annex I. Expenses increased primarily due to increased transportation fees and educational services provided to the other districts.



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

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

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

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

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

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

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

Financial Analysis of the Commission's Funds

Financial Information at Fiscal Year-End

As demonstrated by the various statements and schedules included in the financial section of this report, the Commission continues to meet its responsibility for sound financial management. The following schedule presents a summary of the general fund, special revenue fund and debt service fund revenues for the fiscal year ended June 30, 2008 and the amount and percentages of increases in relation to the prior year's revenues. The capital projects fund has been excluded as amounts vary substantially from year to year.

Revenues	Amount	Percentage of Total	Increase (Decrease) from 2007	Percentage of Increase
Local sources	\$50,868,928	82.01%	\$3,001,519	6.27%
State sources	8,448,753	13.62	343,948	4.24
Federal sources	2,709,040	4.37	(343,132)	(11.24)
Total	\$62,026,721	100.00%	\$3,002,335	5.09%

The increase in local sources is attributable to the startup of the Academy Learning Center Annex I, an increase in tuition, transportation and Collaborative Educational Services revenue relating to the Commission servicing more districts and servicing more students within existing districts. The increase in State revenue sources is mainly attributable to an increase in State Aid. The decrease in Federal sources is mainly attributable to the timing of expenditures of available funds for the IDEA Part B program.

The following schedule presents a summary of general fund, special revenue fund and debt service fund expenditures for the fiscal year ended June 30, 2008 and the amount and percentages of increases (decreases) in relation to the prior year's expenditures.

Expenditures	Amount	Percentage of Total	Increase (Decrease) from 2007	Percentage of Increase (Decrease)
Current:				
Instruction	\$15,888,449	22.41%	\$ 1,942,243	13.93%
Undistributed expenditures	40,892,486	57.68	(2079,217)	(4.84)
Capital outlay	1,260,659	1.78	(110,785)	(8.08)
Special schools	1,827,514	2.58	125,215	7.36
Debt service:				
Principal	11,031,699	15.56	10,046,499	1019.74
Interest	1,366,068	1.93	354,228	35.01
Total	\$70,900,807	100.00%	\$10,278,183	16.58%

The increase in instruction is due to an increase in the number of programs and the contractual increase in teachers' salaries. The increase in undistributed expenditures is mainly attributable to the expansion of Commission services provided. The increase in special schools is due to the addition of summer school program within district for Sayreville Township.

The increase in principal on debt is due to the timing of the repayment schedule on debt outstanding renewal of construction bond.

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

As of the end of the current fiscal year, the Commission's governmental funds reported combined ending fund balances of \$20,069,264 an increase of \$3,142,467 in comparison with the prior year. Approximately \$7,104,967 of this total amount constitutes *unreserved fund balance*, which is available for spending at the Commission's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period, 2) to pay debt service \$2,619,217, or 3) support program budgets.

The general fund is the chief operating fund of the Commission. At the end of the current fiscal year, unreserved fund balance of the general fund was \$7,104,967 while total fund balance reached \$9,353,804. As a measure of the general fund's viability, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 13.75 percent of total general fund expenditures, while total fund balances represents 18.11 percent of that same amount.

The total fund balance of the Commission's general fund increased by \$1,001,949 during the current fiscal year and the undesignated fund balance increased by \$667,052 during the current fiscal year.

The debt service fund has a total fund balance of \$2,619,217, all of which is reserved for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was \$489,375.

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

General Fund Budgeting Highlights

Significant Budget Variances or Budget Modifications

During the 2008 school year, the Commission experienced several significant budget variances and modifications. These variances and modifications were directly related to the expansion of services at the new Academy Learning Center Annex I, BBLC Annex II summer program and Sayreville Township. Significant budget variances were also experienced as a result of growth in the areas of BBLC Annex II, Cooperative Transportation Program, and Itinerant Instruction Services during the 2008 school year.

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

During the course of the 2008 fiscal year, the Commission amended its General Fund budgets as needed. The Commission uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

For the General Fund, budget-basis revenue and other financing sources was \$50,827,072, \$1,543,984 above original budgeted estimates of \$49,283,088. This difference was due primarily to conservative revenue estimates, the growth of the Bright Beginning Learning Center Annex I, BBLC Annex II, NuView Academy and the addition of the Academy Learning Center Annex I programs.

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

1. Teacher Salary for Learning and Language Disabilities was decreased by (\$63,750). This decrease is directly related to the request for the provision of services for the public districts less than original budgeted.
2. Salaries and other Salaries for Instruction for Behavioral Disabled Students were increased by \$84,691. These increases are directly related to the addition of additional 1:1 aides on behalf of public school districts for the NuView Academy and the Raritan Valley Academy.
3. Salaries for Instruction for Multiple Disabled Students were decreased by (\$135,632). These decreases are directly related to the actual salary paid less than original salary budgeted for itinerant services in County Speech and Supplemental Educational Service.
4. Other Salaries for Instruction for Multiple Disabled Students were increased by \$83,631. These increases are directly related to the expansion of the BBLC Annex II program and the employment of additional 1:1 aides on behalf of public school districts.

5. Salaries of Instruction for Autism were decreased by (\$226,796). These decreases are directly related to the transfer of estimated payroll for speech teachers to purchase professional educational services from agencies and payroll transfer to Salaries of Instruction for Multiple Disabled.
6. Other Support Services for Students line for Salaries of Other Professional Staff decreased (\$211,311). This decrease is directly related to switching the payroll of consulting and counseling service to the line of Purchased Professional – Ed. Services. The Purchased Professional – Ed. Services increased \$143,594. This is related to the increase of purchased professional services for speech teachers, Charter school program, Child Study Team member, and itinerant collaborative services through Commission for IDEA. The salaries of other professional staff decreased (\$239,725). This decrease is directly related to the request for the provision of services for additional related services for speech, additional occupational and physical therapy services being lower than originally budgeted.
7. Salaries of Principals/Assistant Principals for General Administration increased \$76,807. This increase is directly related to the addition of an administrative position for the Children’s Specialized Hospital and the Academy Learning Center Annex I.
8. Other Purchased Professional Services for School Administration decreased (\$467,448). This decrease is directly related to the provision of transition services to public school districts decreasing during FY2008.
9. Purchased Professional Services for Central Services decreased (\$92,305). This decrease is directly related to termination of services provided by ADP and the administrative fees for the provision of the psychiatric and therapeutic services from Princeton House being lower than originally budgeted.
10. The Central Services line for Miscellaneous Purchased Services decreased (\$201,797). This decrease is directly related to various Commission projects completed in FY08 and the required purchased professional services for the architectural and engineering fees directly budgeted in Capital Project Funds for the NuView Academy and the Center for Lifelong Learning projects.
11. Salaries for Custodians increased \$59,255 and cleaning, repair, maintenance decreased by (\$50,432). This increase of salary is directly due to the addition of a custodian position related to the expansion of Commission programs. The cleaning, repair, and maintenance decrease is mainly due to the reclassification of the Chart of Accounts to Miscellaneous Purchased Services for maintenance of information technology equipment.
12. Other Operation and Maintenance for Plant line for Rent increased \$153,774. This increase is directly related to the level of funds transferred to the Commission’s debt service account for payment of current and future obligations. Energy increased \$51,509 which is mainly related to heat and electricity usage in the Academy Learning Center and the Raritan Valley Academy in excess of those originally budgeted.

13. Student Transportation Contracted Services between Home and School line increased \$1,040,067. This increase is directly related to the level of service provided to participating districts. Contracted service for field trips and aide-in-lieu decreased by (\$95,341) and (\$68,208), respectively due to fewer recommendations for service as compared to the original budget.
14. Workmen’s Compensation increased \$116,004. This increase is directly related to employee salary increases and additional payroll for the addition of new and expanded programs.
15. Health Benefits increased \$1,068,587. This represents the distribution of additional revenue for increases in services and tuition.
16. Non-Instructional Equipment for Behavioral Disabilities increased \$103,410. This increase is directly related to the acquisition of furniture and equipment for the NuView Academy facility.
17. Other Non-Instructional Equipment increased \$342,996. This increase is directly related to acquisition of two school buses, furniture, upgraded network servers, and playground resurfacing.
18. Facilities Acquisition and Construction Services line for Construction Services increased \$90,257. This increase is directly related to upgrade of telephone and security systems for the Commission.

The General Fund revenues and other financing sources (uses) of the Commission still exceeded expenditures by approximately \$1,001,949, making the financial position of the Commission strong.

Capital Assets – Governmental Activities

At the end of the fiscal year 2008, the Commission had \$38,903,286 (net) investment in land, buildings, furniture and equipment, and vehicles. Table 3 shows a comparison of capital assets (net of depreciation) from fiscal year 2007 to 2008.

Table 3 - Capital Assets (Net of Depreciation)

	<u>2008</u>	<u>2007</u>
Land and land improvements	\$ 6,008,761	\$ 6,079,453
Construction in progress	9,179,690	878,639
Buildings and improvements	22,030,338	22,763,669
Machinery, equipment and vehicles	1,684,497	1,035,132
Totals	<u>\$38,903,286</u>	<u>\$30,756,893</u>

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

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

Debt Administration

On June 30, 2008, the Commission had \$41,692,884 in outstanding long-term liabilities. Of this amount, \$229,880 is for compensated absences, and the balance of \$41,463,004 for bonds/loans for school construction.

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

Contacting the Commission's Financial Management

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

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Basic Financial Statements

District-wide Financial Statements

The district-wide financial statements provide a financial overview of the Commission's operations. These financial statements present the financial position and operating results of all governmental activities and business-type activities as of and for the year ended June 30, 2008.

Middlesex Regional Educational Services Commission

Statement of Net Assets

June 30, 2008

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 3,099,664	\$ 445,171	\$ 3,544,835
Receivables, net	8,687,678	1,026,870	9,714,548
Deferred charges	403,389		403,389
Internal Balances	46,866	(46,866)	-
Restricted assets:			
Cash and cash equivalents	216,392		216,392
Cash held by fiscal agent	10,569,951		10,569,951
Capital assets, nondepreciable	14,411,304		14,411,304
Capital assets, depreciable, net	24,491,982	806,809	25,298,791
Total assets	<u>61,927,226</u>	<u>2,231,984</u>	<u>64,159,210</u>
Liabilities			
Accounts payable	502,854	76,205	579,059
Accrued interest payable	664,952		664,952
Intergovernmental accounts payable:			
State and federal	123,172		123,172
Districts	269,965		269,965
Accrued liability for health benefits claims	529,520		529,520
Deferred revenue	1,125,776	20,000	1,145,776
Noncurrent liabilities:			
Due within one year	21,078,577		21,078,577
Due beyond one year	19,365,862		19,365,862
Total liabilities	<u>43,660,678</u>	<u>96,205</u>	<u>43,756,883</u>
Net Assets			
Invested in capital assets, net of related debt	(907,884)	806,809	(101,075)
Restricted for:			
Debt service	2,619,217		2,619,217
Capital projects	8,096,243		8,096,243
Other purposes	216,392		216,392
Unrestricted	8,242,580	1,328,970	9,571,550
Total net assets	<u>\$ 18,266,548</u>	<u>\$ 2,135,779</u>	<u>\$ 20,402,327</u>

See accompanying notes.

Middlesex Regional Educational Services Commission

Statement of Activities

Year ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities
Governmental activities					
Instruction	\$ 17,820,197	\$ 22,527,836	\$ 5,612,782	\$ 10,320,421	\$ 10,320,421
Support services:					
Health services	681,759			(681,759)	(681,759)
Student and instruction related services	6,725,338		3,332,512	(3,392,826)	(3,392,826)
General and business administrative services	654,386			(654,386)	(654,386)
School administrative services	1,443,203			(1,443,203)	(1,443,203)
Central services	949,542			(949,542)	(949,542)
Admin. Infor. Technology	196,642			(196,642)	(196,642)
Plant operations and maintenance	1,708,220			(1,708,220)	(1,708,220)
Pupil transportation	25,427,834	22,552,408		(2,875,426)	(2,875,426)
Employee benefits	776,720			(776,720)	(776,720)
Capital outlay	501,852		377,642	(124,210)	(124,210)
Special schools	1,827,514			(1,827,514)	(1,827,514)
Interest on long-term debt	1,726,318			(1,726,318)	(1,726,318)
Total governmental activities	<u>60,439,524</u>	<u>45,080,244</u>	<u>9,322,936</u>	<u>(6,036,344)</u>	<u>(6,036,344)</u>
Business-type activities					
Regional Day School	5,264,305	5,662,998		\$ 398,693	398,693
Bus Service	163,003	156,198		(6,805)	(6,805)
Early Childhood Program	5,577,675	5,505,367	291,649	219,341	219,341
Food service	274,427	72,933	186,708	(14,786)	(14,786)
Total business-type activities	<u>11,279,410</u>	<u>11,397,496</u>	<u>478,357</u>	<u>596,443</u>	<u>596,443</u>
Total primary government	<u>\$ 71,718,934</u>	<u>\$ 56,477,740</u>	<u>\$ 9,801,293</u>	<u>(6,036,344)</u>	<u>(5,439,901)</u>
General revenues:					
Federal and state aid not restricted				1,837,857	1,837,857
Services provided to districts				5,282,055	5,282,055
Interest income				561,994	561,994
Miscellaneous income				163,145	163,145
Transfers				143,900	(143,900)
Total general revenues and transfers, net				<u>7,988,951</u>	<u>7,845,051</u>
Change in net assets				1,952,607	2,405,150
Net assets—beginning				16,313,941	17,997,177
Net assets—ending				<u>\$ 18,266,548</u>	<u>\$ 20,402,327</u>

See accompanying notes.

Fund Financial Statements

Governmental Funds

Middlesex Regional Educational Services Commission
Governmental Funds

Balance Sheet

June 30, 2008

	Major Funds			Total Governmental Funds	
	General	Special Revenue	Capital Projects		Debt Service
Assets					
Cash and cash equivalents	\$ 2,348,971	\$ 136,278		\$ 1,580,751	\$ 4,066,000
Intergovernmental accounts receivable:					
State	92,463	19,285			111,748
Federal		38,604			38,604
Other districts	7,256,572	1,205,937			8,462,509
Accounts Receivable - HBCBS Settlement	40,393				40,393
Interfund receivable	455,390		\$ 7,500	30,623	493,513
Cash and cash equivalents-restricted	216,392				216,392
Cash held by fiscal agent-restricted	97,453		9,457,155	1,015,343	10,569,951
Total assets	<u>\$ 10,507,634</u>	<u>\$ 1,400,104</u>	<u>\$ 9,464,655</u>	<u>\$ 2,626,717</u>	<u>\$ 23,999,110</u>
Liabilities					
Cash overdraft			966,336		966,336
Accounts payable	462,672	\$ 12,206	27,976		502,854
Accrued liability for insurance claims	529,520				529,520
Intergovernmental accounts payable:					
State and federal		123,172			123,172
Other districts		269,965			269,965
Interfunds payable	30,623		374,100	7,500	412,223
Deferred revenue	131,015	994,761			1,125,776
Total liabilities	<u>1,153,830</u>	<u>1,400,104</u>	<u>1,368,412</u>	<u>7,500</u>	<u>3,929,846</u>
Fund balances					
Reserved for:					
Encumbrances	941,351				941,351
Capital reserve	216,392				216,392
Health benefits reserve	1,091,094				1,091,094
Debt service				2,619,217	2,619,217
Unreserved:					
Designated for subsequent year's expenditures					-
Undesignated	7,104,967		8,096,243		15,201,210
Total fund balances	<u>9,353,804</u>		<u>8,096,243</u>	<u>2,619,217</u>	<u>20,069,264</u>
Total liabilities and fund balances	<u>\$ 10,507,634</u>	<u>\$ 1,400,104</u>	<u>\$ 9,464,655</u>	<u>\$ 2,626,717</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$45,940,324 and the accumulated depreciation is \$7,037,038.	38,903,286
Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.	(664,952)
Unamortized portion of debt issuance costs not reported as an asset in the funds.	403,389
Long-term liabilities, including bonds payable, capital leases and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(40,444,439)
Net assets of governmental activities (A-1)	<u>\$ 18,266,548</u>

See accompanying notes.

Middlesex Regional Educational Services Commission
Governmental Funds

Statements of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2008

	Major Funds				Total
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	
Revenues:					
Local sources:					
Tuition from districts	\$ 22,527,836				\$ 22,527,836
Transportation fees	22,552,408				22,552,408
Services provided to districts	5,282,055				5,282,055
Interest on investments	301,628		\$ 221,510	\$ 38,856	561,994
Miscellaneous	163,145				163,145
Total revenues--local sources	50,827,072		221,510	38,856	51,087,438
Local sources		\$ 3,000			3,000
State sources	1,837,857	6,610,896			8,448,753
Federal sources		2,709,040			2,709,040
Total revenues	52,664,929	9,322,936	221,510	38,856	62,248,231
Expenditures:					
Current:					
Instruction	10,275,667	5,612,782			15,888,449
Undistributed:					
Health services	614,484				614,484
Other support: special	2,889,039	3,172,655			6,061,694
General administration	589,813				589,813
School administration	1,300,790				1,300,790
Central Services	855,843				855,843
Admin. Info. Technology	177,237				177,237
Required maintenance for school facilities	646,093				646,093
Operation of plant	893,563				893,563
Student transportation	22,918,661				22,918,661
Employee benefits	3,630,383				3,630,383
Reimbursement TPAF social security and pension (non-budgeted)	1,837,857				1,837,857
Capital outlay	883,017	377,642	8,348,857		9,609,516
Special schools	1,827,514				1,827,514
Debt service:					
Principal				11,031,699	11,031,699
Interest				1,366,068	1,366,068
Total expenditures	49,339,961	9,163,079	8,348,857	12,397,767	79,249,664
Excess (deficiency) of revenues over (under) expenditures	3,324,968	159,857	(8,127,347)	(12,358,911)	(17,001,433)
Other financing sources (uses):					
Transfers in	221,510			2,848,286	3,069,796
Transfers out	(2,544,529)	(159,857)	(221,510)		(2,925,896)
Proceeds - Construction Bonds			10,000,000	10,000,000	20,000,000
Total other financing (uses) sources	(2,323,019)	(159,857)	9,778,490	12,848,286	20,143,900
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	1,001,949		1,651,143	489,375	3,142,467
Fund balances, July 1	8,351,855		6,445,100	2,129,842	16,926,797
Fund balances, June 30	\$ 9,353,804	\$ -	\$ 8,096,243	\$ 2,619,217	\$ 20,069,264

See accompanying notes.

Middlesex Regional Educational Services Commission
Governmental Funds

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

Year ended June 30, 2008

Total net change in fund balances - governmental funds (B-2) \$ 3,142,467

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	\$ (961,270)	
Capital outlays	<u>9,107,664</u>	8,146,394

The issuance of long-term debt (e.g. bonds/loans, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (9,128,588)

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. (199,963)

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation; when the paid amount exceeds the earned amount the difference is an addition to the reconciliation. (7,703)

Change in net assets of governmental activities (A-2) \$ 1,952,607

See accompanying notes.

Middlesex Regional Educational Services Commission
Proprietary Funds

Statement of Net Assets

June 30, 2008

	Regional Day School Fund	Bus Services Fund	Early Childhood Program Fund	Food Services Fund	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 237,615		\$ 205,685	\$ 27,466	\$ 470,766
Intergovernmental accounts receivable:					
State			1,077	873	1,950
Federal			24,920	15,980	40,900
Other districts	508,879	\$ 27,662	447,479		984,020
Interfund receivable			2,068		2,068
Total current assets	<u>746,494</u>	<u>27,662</u>	<u>681,229</u>	<u>44,319</u>	<u>1,499,704</u>
Capital assets:					
Site Improvement	556,742				556,742
Equipment	371,307		158,929		530,236
Accumulated depreciation	(241,767)		(38,402)		(280,169)
Total capital assets	<u>686,282</u>	<u>-</u>	<u>120,527</u>	<u>-</u>	<u>806,809</u>
Total assets	<u>1,432,776</u>	<u>27,662</u>	<u>801,756</u>	<u>44,319</u>	<u>2,306,513</u>
Liabilities					
Current liabilities:					
Cash overdraft		25,595			25,595
Accounts payable	39,668	2,772	33,473	292	76,205
Interfunds payable				48,934	48,934
Deferred Revenues	20,000				20,000
Total current liabilities	<u>59,668</u>	<u>28,367</u>	<u>33,473</u>	<u>49,226</u>	<u>170,734</u>
Net Assets					
Invested in capital assets, net of related debt	686,282	-	120,527		806,809
Unrestricted	686,826	(705)	647,756	(4,907)	1,328,970
Total net assets	<u>\$ 1,373,108</u>	<u>\$ (705)</u>	<u>\$ 768,283</u>	<u>\$ (4,907)</u>	<u>\$ 2,135,779</u>

See accompanying notes.

Middlesex Regional Educational Services Commission
Proprietary Funds

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

Year ended June 30, 2008

	Regional Day School Fund	Bus Services Fund	Early Childhood Program Fund	Food Services Fund	Total
Operating revenues:					
Local sources:					
School lunch program				\$ 72,933	\$ 72,933
Tuition	\$ 5,662,998		\$ 5,493,467		11,156,465
Services	-	\$ 156,198	11,900		168,098
Miscellaneous	-		-		-
Total operating revenues	5,662,998	156,198	5,505,367	72,933	11,397,496
Operating expenses:					
Cost of food			271,448	255,732	527,180
Salaries and wages	3,076,223	159,512	3,242,242	18,695	6,496,672
Employee benefits	1,157,000		1,314,398		2,471,398
Materials and supplies	112,497		113,882		226,379
Textbooks	955		-		955
Maintenance and repairs	53,716	3,491	82,884		140,091
Travel	2,363		20,655		23,018
Other professional services	624,893		60,694		685,587
Insurance	18,643		20,442		39,085
Telephone/Communications	23,073		7,268		30,341
Utilities	112,682		13,930		126,612
Depreciation	32,547		21,247		53,794
Miscellaneous	49,713		408,585		458,298
Total operating expenses	5,264,305	163,003	5,577,675	274,427	11,279,410
Operating income (loss)	398,693	(6,805)	(72,308)	(201,494)	118,086
Nonoperating revenues:					
National breakfast program - state			5,618	4,502	10,120
State school lunch program			6,740	5,232	11,972
National breakfast program - federal			76,130	60,497	136,627
Federal school lunch program			154,835	112,069	266,904
After school snack program			48,326	4,408	52,734
Total nonoperating revenues			291,649	186,708	478,357
Income before transfers	398,693	(6,805)	219,341	(14,786)	596,443
Transfers in		6,100			6,100
Transfers out	(150,000)				(150,000)
Total Transfer	(150,000)	6,100			(143,900)
Change in net assets	248,693	(705)	219,341	(14,786)	452,543
Net assets, beginning of year, as restated	1,124,415	-	548,942	9,879	1,683,236
Net assets, end of year	\$ 1,373,108	\$ (705)	\$ 768,283	\$ (4,907)	\$ 2,135,779

See accompanying notes.

Middlesex Regional Educational Services Commission
Proprietary Fund

Statement of Cash Flows

Year ended June 30, 2008

	Regional Day School Fund	Bus Services Fund	Early Childhood Program Fund	Food Services Fund	Total
Cash flows from operating activities					
Receipts from customers	\$ 5,566,276	\$ 128,536	\$ 5,394,901	\$ 72,933	\$ 11,162,646
Payments to employees	(3,076,223)	(159,512)	(3,242,242)	(18,695)	(6,496,672)
Payments for employee benefits	(1,157,000)	-	(1,314,398)	-	(2,471,398)
Payments to suppliers	(971,891)	(719)	(988,033)	(258,279)	(2,218,922)
Net cash provided by (used in) operating activities	361,162	(31,695)	(149,772)	(204,041)	(24,346)
Cash flows from noncapital financing activities					
State sources			12,293	9,548	21,841
Federal sources			275,406	173,193	448,599
Operating subsidies and transfers to other funds	(150,000)	6,100	375	46,491	(97,034)
Net cash (used in) provided by noncapital financing activities	(150,000)	6,100	288,074	229,232	373,406
Cash flows from capital and related financing					
Purchases of capital assets	(178,230)		(24,303)		(202,533)
Net cash used in capital and related financing activities	(178,230)		(24,303)		(202,533)
Net decrease in cash and cash equivalents	32,932	(25,595)	113,999	25,191	146,527
Balances—beginning of year	204,683	-	91,686	2,275	298,644
Balances—end of year	\$ 237,615	\$ (25,595)	\$ 205,685	\$ 27,466	\$ 445,171
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ 398,693	\$ (6,805)	\$ (72,308)	\$ (201,494)	\$ 118,086
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation and net amortization	32,547		21,247		53,794
Change in assets and liabilities:					
(Increase) Decrease in accounts receivable, net	(116,722)	(27,662)	(110,466)		(254,850)
(Decrease) Increase in accounts payable, net	26,644	2,772	11,755	(2,547)	38,624
(Decrease) Increase in deferred revenue, net	20,000				20,000
Net cash provided by (used in) operating activities	\$ 361,162	\$ (31,695)	\$ (149,772)	\$ (204,041)	\$ (24,346)

See accompanying notes.

Middlesex Regional Educational Services Commission
Fiduciary Funds

Statement of Fiduciary Net Assets

June 30, 2008

	Unemployment Compensation Trust Fund	Agency Fund
Assets		
Cash and cash equivalents	\$ 214,418	\$ 245,012
Interfund receivable	17,578	
Accounts receivable- other		1,783
Total assets	\$ 231,996	\$ 246,795
Liabilities		
Account payable	\$ 14,671	\$ 177,969
Interfunds payable		52,002
Payroll, payroll deductions and withholdings payable		3,272
Due to student groups		13,552
Total liabilities	14,671	\$ 246,795
Net assets		
Held in trust for unemployment claims	\$ 217,325	

See accompanying notes.

Middlesex Regional Educational Services Commission
Fiduciary Funds

Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2008

	Unemployment Compensation Trust Fund
Additions	
Contributions	\$ 170,965
Interest on investments	8,057
Total additions	179,022
Deductions	
Payment of claims	150,689
Total deductions	150,689
Change in net assets	28,333
Net assets - beginning	188,992
Net assets - ending	\$ 217,325

See accompanying notes.

Middlesex Regional Educational Services Commission

Notes to Financial Statements

June 30, 2008

1. Summary of Significant Accounting Policies

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

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

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

A. Reporting Entity

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

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

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

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

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

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

B. District-Wide and Fund Financial Statements

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

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

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

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

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

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

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

The Commission has reported the following major governmental funds:

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

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

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

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

The Commission reports the following major proprietary funds:

Food Service, Regional Day School Funds and Early Childhood Program: The food service fund accounts for all revenues and expenses pertaining to cafeteria operations. The food service fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and any indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges. The regional day school fund accounts for all revenues and expenses in the operation of the school similar to a private business enterprise. The early childhood program accounts for all revenues and expenses in the operation of the program similar to a private business enterprise.

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Additionally, the Commission reports the following fund types:

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

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

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

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

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

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

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

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

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

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

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

D. Budgets/Budgetary Control

Annual budgets are adopted each year for the general fund, special revenue fund and debt service fund. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23. All budget amendments must be approved by Commission resolution. Budget amendments during the year ended June 30, 2008 were properly approved by Commission resolution.

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

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

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

E. Interfund Receivables/Payables

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

F. Capital Assets

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

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

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

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

G. Compensated Absences

A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits. The Commission uses the “vesting method” for estimating its accrued sick and vacation leave liability.

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

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

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

The liability for compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2008, no liability existed for compensated absences in the proprietary fund types.

H. Deferred Revenue

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

I. Long-Term Obligations

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

J. Fund Equity

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

K. Net Assets

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

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

L. On-Behalf Payments

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

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

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

N. New Accounting Pronouncements

In June 2004, the GASB issued Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." This statement establishes standards for the measurement, recognition, and display of other postemployment benefits expenditures and related liabilities, note disclosures, and, if applicable required supplementary information (RSI) in the financial reports of state and local governmental employers. The District is required to adopt GASB Statement No. 45 for its 2009 financial statements.

2. Reconciliation of District-Wide and Fund Financial Statements

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

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

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

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

including bonds and loans payable, are not due and payable in the current period and therefore are not reported in the funds. The details of this \$40,444,439 difference are as follows:

Bonds/loans payable	\$41,463,004
Less:	
Deferred loss on refunding	(1,073,384)
Unamortized bond issuance discount	(175,061)
Compensated absences	229,880
Net adjustment to reduce fund balance-total governmental funds to arrive at net assets – governmental activities	<u>\$40,444,439</u>

3. Deposits and Investments

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

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

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.

Additionally, the Commission has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect Government Units from a loss of funds on deposit with a failed banking institution in New Jersey.

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

3. Deposits and Investments (continued)

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

Deposits

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

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

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

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

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

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

3. Deposits and Investments (continued)

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

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

At June 30, 2008, the carrying amount of the Commission's deposits was \$4,194,625 and the bank balance was \$8,864,389. Of the bank balance, \$100,000 was covered by federal depository insurance and \$8,764,389 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Governmental Unit Deposit Protection Act (GUDPA).

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

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

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

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

3. Deposits and Investments (continued)

Investments

As of June 30, 2008, the Commission had investments totaling \$12,851,607. The Commission's investments have maturities of three months or less and are considered cash and cash equivalents. These amounts are entirely invested in U.S. Treasuries and held by an agent in the Commission's name.

Concentration of Credit Risk

The Commission places no limit on the amount the Commission may invest in any one issuer. At June 30, 2008, all of the Commission's investments are invested in U.S. Treasuries.

Credit Risk

The Commission does not have an investment policy regarding the management of credit risk. GASB Statement No. 40 requires that the Commission disclose the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The Commission is exempt from this requirement because all of its investments at June 30, 2008 are invested in U.S. Treasuries.

Interest Rate Risk

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

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

4. Capital Assets

The following schedule is a summarization of the governmental activities changes in capital assets for the fiscal year ended June 30, 2008:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,231,614			\$ 5,231,614
Construction in progress	878,639	\$8,301,051		9,179,690
Total capital assets, not being depreciated	6,110,253	8,301,051		14,411,304
Capital assets, being depreciated:				
Buildings and building improvements	26,880,417		\$ 14,300	26,894,717
Land improvements	1,167,746		(14,300)	1,153,446
Vehicles	696,052	119,438	117,984	933,475
Machinery and equipment	1,978,192	687,174	(117,984)	2,547,383
Total capital assets, being depreciated	30,722,407	806,613	-	31,529,020
Less accumulated depreciation for:				
Buildings and building improvements	(4,116,748)	(746,349)	(1,281)	(4,864,379)
Land improvements	(319,907)	(57,672)	1,281	(376,299)
Vehicles	(542,688)	(53,103)	(25,515)	(621,306)
Machinery and equipment	(1,096,424)	(104,146)	25,515	(1,175,055)
Total accumulated depreciation	(6,075,767)	(961,270)	-	(7,037,038)
Total capital assets, being depreciated, net	24,646,640	(154,657)	-	24,491,982
Governmental activities capital assets, net	\$ 30,756,893	\$8,146,394	\$ -	\$ 38,903,286

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

Instruction	(\$192,254)
Business and other support services	(769,016)
Total allocated depreciation	<u>(\$961,270)</u>

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

4. Capital Assets (continued)

The following is a summary of business-type capital assets for the fiscal year ended June 30, 2008.

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, being depreciated:				
Building and building improvements	\$ 307,477	\$ 156,800		\$ 464,277
Land improvements	6,163			6,163
Machinery and equipment	570,805	45,733		616,538
Total capital assets being depreciated	884,445	202,533		1,086,978
Less accumulated depreciation for:				
Land improvements	(7,639)	(12,244)	\$ (180)	(20,062)
Building and building improvements	(1,194)	(308)	180	(1,323)
Machinery and equipment	(217,542)	(41,243)		(258,784)
Total accumulated depreciation	(226,375)	(53,795)	-	(280,169)
Total capital assets, being depreciated, net	658,070	148,738	-	806,809
Business-type activities capital assets, net	\$ 658,070	\$ 148,738	\$ -	\$ 806,809

5. Long-Term Liabilities

Changes in Long-term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences payable	\$ 222,177	\$ 7,703		\$ 229,880	\$ 5,000
Loans payable	429,703		\$ (96,699)	333,004	103,577
MCIA loans payable	32,065,000	20,000,000	(10,935,000)	41,130,000	20,970,000
Less deferred amounts:					
Loss on refunding	(1,140,470)		67,086	(1,073,384)	
Issuance discount	(186,001)		10,941	(175,061)	
	\$ 31,390,409	\$ 20,007,703	\$ (10,953,672)	\$ 40,444,439	\$ 21,078,577

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

5. Long-Term Liabilities (continued)

Bonds/Loan Payable

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

In fiscal year 2000, the Middlesex County Improvement Authority issued a \$16,170,000 County-Guaranteed Lease Revenue Bonds (Middlesex Regional Educational Services Commission Project) Series 2000 to finance the costs of the acquisition of real property in Middlesex County and for constructing two special education school facilities (Academy Learning Center and Bright Beginnings Learning Center). Terms of the loan repayment call for semi-annual interest with rates that vary from 4.85% to 5.10% and annual principal repayments. In fiscal year 2005, the Commission advance refunded \$12,275,000 of the 2000 County Guaranteed Revenue Bonds. The principal amount outstanding as of June 30, 2008 is \$1,485,000.

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

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

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

As of June 30, 2008, \$18,075,000 of defeased bonds remains outstanding.

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

5. Long-Term Liabilities (continued)

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

Future loan payments are as follows:

Year ending June 30:	1999		2000		2004		2006		2007		Total		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2009	\$ 385,000	\$ 269,093	\$ 470,000	\$ 63,268	\$ 115,000	\$ 565,496	\$103,439	\$ 19,568	\$ 20,000,000	\$800,000	\$21,073,439	\$ 1,717,425	\$22,790,864
2010	400,000	252,800	495,000	39,019	120,000	561,527	110,873	12,264			1,125,873	865,610	1,991,483
2011	420,000	235,370	520,000	13,260	125,000	557,553	118,692	4,445			1,183,692	810,628	1,994,320
2012	435,000	216,770			670,000	544,455					1,105,000	761,225	1,866,225
2013	455,000	196,963			695,000	518,464					1,150,000	715,427	1,865,427
2014	475,000	175,800			720,000	490,735					1,195,000	666,535	1,861,535
2015	500,000	153,125			750,000	463,900					1,250,000	617,025	1,867,025
2016	520,000	128,701			775,000	435,300					1,295,000	564,001	1,859,001
2017	555,000	102,497			805,000	404,878					1,360,000	507,375	1,867,375
2018	580,000	74,831			835,000	372,480					1,415,000	447,311	1,862,311
2019	610,000	45,825			870,000	337,836					1,480,000	383,661	1,863,661
2020	635,000	15,478			905,000	300,887					1,540,000	316,365	1,856,365
2021					945,000	261,801					945,000	261,801	1,206,801
2022					980,000	220,283					980,000	220,283	1,200,283
2023					1,020,000	176,405					1,020,000	176,405	1,196,405
2024					1,070,000	129,890					1,070,000	129,890	1,199,890
2025					1,110,000	80,285					1,110,000	80,285	1,190,285
2026					1,165,000	27,377					1,165,000	27,377	1,192,377
Totals	\$5,970,000	\$1,867,253	\$1,485,000	\$ 115,547	\$13,675,000	\$ 6,449,552	\$333,004	\$ 36,277	\$20,000,000	\$800,000	\$41,463,004	\$9,268,629	\$ 50,731,633

Bonds Authorized But Not Issued

As of June 30, 2008, the Commission had bonds authorized but not issued in the amount of \$40,000,000. The authorization is for the acquisition of land and the construction of a new school through the issuance of bonds through the Middlesex County Improvement Authority.

6. Pension Plans

Description of Systems

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

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

6. Pension Plans (continued)

Teachers' Pension and Annuity Fund: The Teachers' Pension and Annuity Fund was established in January 1955 under the provisions of N.J.S.A. 18A:66 to provide coverage, including post-retirement health care to substantially all full time public school teachers. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for health care coverage. Members are eligible for retirement at age 55 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Early retirement is available to those under age 55 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55).

Public Employees' Retirement System: The Public Employees' Retirement System was established in January 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service. Members are eligible for retirement at age 55 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 55 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55).

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

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

6. Pension Plans (continued)

Funding Policy

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

In accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Commission \$923,795 during the year ended June 30, 2008 for the employer's share of social security contributions for TPAF members as calculated on their base salaries and \$745,480 for post-retirement medical benefits and normal pension costs.

The Commission's contributions to PERS for the years ended June 30, 2008, 2007 and 2006 were \$419,278, \$183,395 and \$95,398, respectively, for each of the three years, equal to the required contributions for each year.

Post-retirement Benefits

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2005, there were 67,930 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. The State made post-retirement (PRM) contributions of \$494.7 million for TPAF and \$190.8 million for PERS in fiscal year 2005.

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

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

7. Contingent Liabilities

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

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

8. Risk Management

The Commission contracts with Horizon Blue Cross/Blue Shield to provide claims administration and payment services for health benefits. As of June 30, 2008, the Commission has recorded a liability for incurred but not reported claims of approximately \$529,520.

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

Fiscal Year	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at End of Fiscal Year
2007-2008	\$ 452,089	\$ 3,943,559	\$ 3,866,128	\$ 529,520
2006-2007	808,865	3,436,316	3,793,092	452,089
2005-2006	500,000	2,265,433	1,956,568	808,865

The Commission has also set aside a health insurance reserve in the amount of \$1,091,094, which represents approximately three months of claims.

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

8. Risk Management (continued)

Property and Liability Insurance

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

New Jersey Unemployment Compensation Insurance

The Commission has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method.” Under this plan, the Commission is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Commission is billed quarterly for amounts due to the State and paid \$150,689 in the 2008 fiscal year.

9. Capital Reserve Account – Restricted Assets

Capital reserve accounts may be established for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. A capital reserve account is maintained in the General Fund and its activity is included in the General Fund annual budget. Funds placed in the capital reserve account are restricted to capital outlay expenditures and transfers of such funds for other uses are prohibited pursuant to N.J.S.A. 18A:22-8.2. The amount included in the Commission’s capital reserve account at June 30, 2008 is \$216,392.

10. Interfund Receivables and Payables

The following interfund balances remained on the balance sheet at June 30, 2008:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 455,390	\$ 30,623
Capital Projects Fund	7,500	374,100
Debt Service Fund	30,623	7,500
Trust and Agency Fund - Payroll	17,578	52,002
Food Service Fund		48,934
Early Childhood Program Fund	2,068	
	<u>\$ 513,159</u>	<u>\$ 513,159</u>

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

10. Interfund Receivables and Payables

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

The Commission expects to liquidate these Interfunds within one year.

11. Transfers - Reconciliation

	Transfers In	Transfers Out
General Fund	\$ 221,510	\$ 2,544,529
Special Revenue Fund		159,857
Capital Projects Fund		221,510
Debt Service Fund	2,848,286	
Enterprise Fund - Regional Day School/Bus Services	6,100	150,000
	<u>\$ 3,075,896</u>	<u>\$ 3,075,896</u>

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

12. Fund Balance Components – General Fund

Of the \$9,353,804 of General Fund fund balance at June 30, 2008, \$941,351 is reserved for encumbrances; \$216,392 has been reserved in a Capital Reserve account; \$1,091,094 has been reserved for health benefits; and the remaining \$7,104,967 is undesignated.

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

13. Deferred Charges

The deferred charges related to debt issuance costs are recorded in the district-wide statement of net assets. These amounts are being amortized using a method that approximates the effective interest method over the life of the related bonds. The unamortized debt issue costs associated with the issues of the various bonds/loans amounted to \$403,389 at June 30, 2008. The amortization expense for the year ended June 30, 2008 amounted to \$324,302.

The noncurrent liabilities reflected in the district-wide statement of net assets are shown net of deferred charges for a deferred loss on a refunding and an original issue discount. The amounts are being amortized using a method that approximates the effective interest method over the life of the related bonds. The unamortized cost associated with the Commission's deferred loss on a refunding and original issue discount amounted to \$1,073,384 and \$175,061, respectively. The amortization expense for the year ended June 30, 2008 amounted to \$312,109.

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

Required Supplementary Information
Part II

Budgetary Comparison Schedules

Middlesex Regional Educational Services Commission
General Fund

Budgetary Comparison Schedule

Year ended June 30, 2008

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local sources:					
Tuition	\$ 21,755,824	\$ 772,012	\$ 22,527,836	\$ 22,527,836	
Transportation fees	21,661,070	891,338	22,552,408	22,552,408	
Services provided to districts	5,475,819	(193,764)	5,282,055	5,282,055	
Interest on investments	230,000	71,628	301,628	301,628	
Miscellaneous	160,375	2,770	163,145	163,145	
Total - local sources	49,283,088	1,543,984	50,827,072	50,827,072	-
State sources:					
Reimbursed TPAF social security and pension contributions (non-budgeted)				1,837,857	\$ 1,837,857
Total - state sources				1,837,857	1,837,857
Total revenues	49,283,088	1,543,984	50,827,072	52,664,929	1,837,857
Expenditures					
Current:					
Regular programs - Instruction					
Grades 9-12					
Salaries of teachers	360,000	(15,609)	344,391	344,391	
Total instruction - regular programs	360,000	(15,609)	344,391	344,391	-
Home instruction:					
Salaries of teachers	382,500	21,803	404,303	404,303	
Total home instruction	382,500	21,803	404,303	404,303	-
Charter School:					
Salaries of teachers	38,850	(17,500)	21,350	21,350	
Total Charter School	38,850	(17,500)	21,350	21,350	-
For Keeps Children's program:					
Salaries of teachers	85,000	(21,762)	63,238	63,238	
Total adolescent day program	85,000	(21,762)	63,238	63,238	-
Learning and/or language disabilities:					
Salaries of teachers	77,000	(63,750)	13,250	13,250	
Total learning and/or language disabilities	77,000	(63,750)	13,250	13,250	-
Regular programs - Undistributed Instruction					
Other salaries of instruction	33,300	(1,350)	31,950	31,950	
General supplies	18,400	15,550	33,950	21,637	12,313
Textbooks	3,400	158	3,558	2,558	1,000
Other objects	2,700	(1,531)	1,169	169	1,000
Total interim alternative education program	57,800	12,827	70,627	56,314	14,313
Total instruction - regular programs	1,001,150	(83,991)	917,159	902,846	14,313

Middlesex Regional Educational Services Commission
General Fund

Budgetary Comparison Schedule

Year ended June 30, 2008

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Special education:					
Behavioral disabilities:					
Salaries of teachers	\$ 704,000	\$ (3,016)	\$ 700,984	\$ 700,984	
Other salaries of instruction	186,000	84,691	270,691	270,691	
General supplies	28,600	43,331	71,931	37,640	\$ 34,291
Textbooks	18,700	23,035	41,735	13,570	28,165
Other objects	8,050	16,695	24,745	17,331	7,414
Total behavioral disabilities	945,350	164,736	1,110,086	1,040,216	69,870
Multiple disabilities:					
Salaries of teachers	1,873,620	(135,632)	1,737,988	1,737,988	
Other salaries of instruction	1,548,500	83,631	1,632,131	1,630,997	1,135
General supplies	61,580	3,330	64,910	59,739	5,171
Textbooks	2,205	(1,792)	413	413	
Other objects	8,995	(5,535)	3,460	3,460	
Total multiple disabilities	3,494,900	(55,999)	3,438,902	3,432,596	6,306
Autism:					
Salaries of teachers	2,883,620	(226,796)	2,656,824	2,656,824	
Other salaries of instruction	2,150,500	6,072	2,156,572	2,155,439	1,134
General supplies	77,960	4,715	82,675	77,504	5,171
Textbooks	4,062	(2,836)	1,226	1,226	
Other objects	12,525	(9,321)	3,204	3,204	
Total autism	5,128,667	(228,167)	4,900,501	4,894,196	6,305
Preschool:					
General supplies	5,980	(1,141)	4,839	4,839	
Textbooks	207	(207)	-	-	
Other objects	1,150	(176)	974	974	
Total preschool	7,337	(1,524)	5,813	5,813	-
Total special education	9,576,254	(120,953)	9,455,301	9,372,821	82,480
Total instruction	10,577,404	(204,944)	10,372,460	10,275,667	96,793
Undistributed expenditures:					
Health services:					
Salaries	401,700	2,755	404,455	404,455	
Purchased professional and technical services	230,910	(35,594)	195,316	195,316	
Supplies	29,120	(8,723)	20,397	14,713	5,684
Total health services	661,730	(41,562)	620,168	614,484	5,684
Other support services - students special services:					
Salaries of other professional staff	674,000	(211,311)	462,689	462,689	
Purchased Professional - Ed. Services	974,288	143,594	1,117,882	895,910	221,972
Other Purchased Prof. And Tech Services	1,748,482	(239,725)	1,508,757	1,498,975	9,782
Supplies and materials	8,340	(5,713)	2,627	462	2,165
Total other support services - students special services	3,405,110	(313,155)	3,091,955	2,858,036	233,919
Improvement of Instructional Services					
Other purchased services	46,640	(15,442)	31,198	31,003	195
Total Improvement of Instructional Services	46,640	(15,442)	31,198	31,003	195

Middlesex Regional Educational Services Commission
General Fund

Budgetary Comparison Schedule

Year ended June 30, 2008

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Undistributed expenditures (continued):					
Support services - general administration:					
Salaries	\$ 281,000	\$ (18,414)	\$ 262,586	\$ 262,586	
Legal services	19,500	(6,160)	13,340	11,340	\$ 2,000
Audit Fess	40,500	29,631	70,131	34,650	35,481
Other purchased professional Services	134,150	(25,750)	108,400	107,313	1,087
Telephone	127,500	(14,145)	113,355	111,463	1,892
Supplies and materials	25,300	(13,259)	12,041	12,041	
Other objects	49,560	860	50,420	50,420	
Total support services - general administration	677,510	(47,237)	630,273	589,813	40,460
Support services - school administration:					
Salaries of principals/asst. principals	787,000	76,807	863,807	863,807	
Salaries of secretarial and clerical assistants	409,000	(42,392)	366,608	366,608	
Other purchased professional services	499,160	(467,448)	31,712	19,205	12,507
Supplies and materials	78,620	(22,026)	56,594	43,264	13,330
Other objects	16,560	(6,844)	9,716	7,906	1,810
Total support services - school administration	1,790,340	(461,903)	1,328,437	1,300,790	27,647
Central services:					
Salaries	556,794	2,246	559,040	559,040	
Purchased professional services	267,500	(92,305)	175,195	175,195	
Misc. purchased services (400-500 series)	285,010	(201,797)	83,213	82,973	240
Supplies and materials	26,500	(364)	26,136	26,136	
Miscellaneous expenditures	8,000	4,499	12,499	12,499	
Total central services	1,143,804	(287,721)	856,083	855,843	240
Admin. Infor. Technology:					
Misc. purchased services (400-500 series)	136,600	36,740	173,340	173,340	
Supplies and materials	2,000	1,897	3,897	3,897	
Total admin. Infor. Technology	138,600	38,637	177,237	177,237	-
Required maintenance of school facilities:					
Salaries	360,400	59,255	419,655	399,655	20,000
Cleaning, repair, maintenance	225,650	(50,432)	175,218	167,492	7,726
General supplies	67,000	20,874	87,874	78,946	8,928
Total required maintenance of school facilities	653,050	29,697	682,747	646,093	36,654
Other operation and maintenance for plant:					
Rent	559,920	153,774	713,694	313,694	400,000
Other Purchased Property Services	25,100	(3,883)	21,217	21,217	
Insurance	82,100	14,415	96,515	96,515	
Energy (heat and electricity)	405,470	51,509	456,979	454,109	2,870
Other objects	16,340	(8,312)	8,028	8,028	
Total other operation and maintenance or plant	1,088,930	207,503	1,296,433	893,563	402,870

Middlesex Regional Educational Services Commission
General Fund

Budgetary Comparison Schedule

Year ended June 30, 2008

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Undistributed expenditures (continued):					
Student transportation services:					
Salaries for pupil transportation (between home and school) - regular	\$ 87,000	\$ 454	\$ 87,454	\$ 87,454	
Salaries of secretarial and clerical assistants	195,500	43,112	238,612	238,612	
Contracted svc (bet. Home and Sch) -Vendors	21,200,000	1,040,067	22,240,067	22,221,458	\$ 18,609
Contracted svc (oth. Than bet. Home and Sch)	360,600	(95,341)	265,259	264,554	705
Contracted svc -Aide in Lieu Pymts -NP Sch	161,070	(68,208)	92,862	82,950	9,912
Supplies and materials& Misc	12,750	10,883	23,633	23,633	
Total student transportation services	22,016,920	930,967	22,947,887	22,918,661	29,226
Employee benefits:					
Social security	379,450	10,995	390,445	390,445	
Other retirement contributions - regular	270,200	(2,662)	267,538	267,538	
Unemployment compensation	144,840	(44,840)	100,000	70,000	30,000
Workmen's compensation	145,200	116,004	261,204	215,590	45,614
Health benefits	2,632,686	1,068,587	3,701,273	2,600,238	1,101,035
Tuition reimbursement	90,000	-	90,000	53,268	36,732
Other employee benefits	25,100	8,204	33,304	33,304	
Total employee benefits	3,687,476	1,156,288	4,843,764	3,630,383	1,213,381
Reimbursed social security and pension contributions (non-budgeted)				1,837,857	(1,837,857)
Total				1,837,857	(1,837,857)
Total undistributed expenditures	35,310,110	1,196,072	36,506,182	36,353,763	152,419
Total expenditures - current	45,887,514	991,128	46,878,642	46,629,430	249,212
Capital outlay					
Equipment:					
Regular programs - instruction:					
Special education - instruction:					
Multiple disabilities	2,750	3,476	6,226	4,326	1,900
Behavioral disabilities	2,000	(2,000)	-	-	
Autism	2,750	3,476	6,226	4,326	1,900
Special education - non-instruction:					
Multiple disabilities	-	5,687	5,687	2,516	3,171
Behavioral disabilities	-	103,410	103,410	22,068	81,342
Autism	-	5,687	5,687	2,516	3,171
Others	361,000	342,996	703,996	477,624	226,372
Total equipment	368,500	462,732	831,232	513,376	317,856
Facilities acquisition and construction services:					
Construction services	610,000	90,257	700,257	369,641	330,616
Total facilities acquisition and construction services	610,000	90,257	700,257	369,641	330,616
Total capital outlay	978,500	552,989	1,531,489	883,017	648,472

Middlesex Regional Educational Services Commission
General Fund

Budgetary Comparison Schedule

Year ended June 30, 2008

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Special schools:					
Summer School - Instruction					
Salaries of teachers	\$ 627,267	\$ 5,143	\$ 632,410	\$ 632,410	
Other salaries of instruction	378,701	29,044	407,745	407,745	
General supplies	33,420	533	33,953	29,273	\$ 4,680
Total summer school year - Instruction	1,039,388	34,720	1,074,108	1,069,428	4,680
Summer School - Support Services					
Salaries	346,639	(39,707)	306,932	306,932	
Personal Services - Employee Benefits	159,757	(1,873)	157,884	157,884	
Purch Pro & Tech Services	289,980	(5,638)	284,342	284,342	
Other Purchased Services	15,500	(6,572)	8,928	8,928	
Total summer school year - Support Services	811,876	(53,790)	758,086	758,086	-
Total special schools	1,851,264	(19,070)	1,832,194	1,827,514	4,680
Total expenditures	48,717,278	1,525,047	50,242,325	49,339,961	902,364
(Deficiency) excess of revenues (under) over expenditures	565,810	18,937	584,747	3,324,968	2,740,221
Other financing sources (uses):					
Transfers in				221,510	(221,510)
Transfers out	(1,565,810)	(978,719)	(2,544,529)	(2,544,529)	
Total other financing sources (uses)	(1,565,810)	(978,719)	(2,544,529)	(2,323,019)	(221,510)
(Deficiency) excess of revenues (under) over expenditures and other financing sources (uses)	(1,000,000)	(959,782)	(1,959,782)	1,001,949	2,961,731
Fund balances, July 1	8,351,855		8,351,855	8,351,855	
Fund balances, June 30	\$ 7,351,855	\$ (959,782)	\$ 6,392,073	\$ 9,353,804	\$ 2,961,731
Recapitulation of (deficiency) excess of revenues (under) over expenditures and other financing sources (uses)					
Adjustment for prior year encumbrances		(959,782)	(959,782)	(959,782)	
Budgeted fund balance	(1,000,000)	-	(1,000,000)	1,961,731	2,961,731
Total	\$ (1,000,000)	\$ (959,782)	\$ (1,959,782)	\$ 1,001,949	\$ 2,961,731

Middlesex Regional Educational Services Commission
Special Revenue Fund

Budgetary Comparison Schedule
(Budgetary Basis)
Year ended June 30, 2008

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local sources		\$ 3,000	\$ 3,000	\$ 3,000	
State sources	\$ 6,614,121	3,608	6,617,729	6,536,069	\$ (81,660)
Federal sources	2,529,788	790,657	3,320,445	2,774,390	(546,055)
Total revenues	9,143,909	797,265	9,941,174	9,313,459	(627,715)
Expenditures					
Instruction:					
Salaries of teachers	2,496,912	(304,927)	2,191,985	2,180,077	11,908
Purchased professional and technical services	2,175,304	709,508	2,884,812	2,547,988	336,824
General supplies	279,888	290,112	570,000	419,231	150,769
Textbooks	761,612	(113,906)	647,706	630,665	17,041
Total instruction	5,713,716	580,787	6,294,503	5,777,961	516,542
Support services:					
Salaries of supervisors of instruction	254,254	(2,490)	251,764	251,764	
Salaries of other professional staff	995,055	16,585	1,011,640	962,932	48,708
Salaries of secretarial and clerical employees	167,831	(3,214)	164,617	164,617	
Personal services-employee benefits	768,656	272,793	1,041,449	1,037,341	4,108
Travel	23,314	7,437	30,751	29,419	1,332
Supplies and materials	76,966	773	77,739	72,350	5,389
Others	550,983	22,006	572,989	524,731	48,258
Total support services	2,837,059	313,890	3,150,949	3,043,154	107,795
Facilities acquisition and construction services:					
Construction services					
Instructional equipment-NP	384,314	(60,709)	323,605	320,227	3,378
Noninstructional equipment	50,000	(37,740)	12,260	12,260	
Total facilities acquisition and construction services	434,314	(98,449)	335,865	332,487	3,378
Total expenditures	8,985,089	796,228	9,781,317	9,153,602	627,715
Other financing uses:					
Transfers out	(158,820)	(1,037)	(159,857)	(159,857)	
Total other financing uses	(158,820)	(1,037)	(159,857)	(159,857)	
Excess (deficiency) of revenues over (under) expenditures and other financing (uses)	\$ -	\$ -	\$ -	\$ -	\$ -

Middlesex Regional Educational Services Commission
Note to Required Supplementary Information

Budget to GAAP Reconciliation

Year ended June 30, 2008

		<u>Special Revenue Fund</u>
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-2]	\$ 9,313,459
Differences - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized		<u>9,477</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	[B-2]	<u><u>\$ 9,322,936</u></u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-2]	\$ 9,313,459
Differences - budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes		<u>9,477</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2]	<u><u>\$ 9,322,936</u></u>

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Other Supplementary Information

School Level Schedules

Not applicable.

Special Revenue Fund Detail Statements

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

Middlesex Regional Educational Services Commission
Special Revenue Fund

Combining Schedule of Revenues and Expenditures –
Budgetary Basis

Year ended June 30, 2008

Nonpublic Aid									
	Compensatory Education	ESL	Home Instruction	Transportation	Supp. Instruct	Exam and Class	Speech Corr.	Text- Books	Nursing
Revenues:									
Local sources									
State sources	\$ 1,604,842	\$ 195,592	\$ 40,492	\$ 422,500	\$ 500,308	\$ 835,791	\$ 674,244	\$ 630,665	\$ 791,297
Federal sources									
Total revenues	\$ 1,604,842	\$ 195,592	\$ 40,492	\$ 422,500	\$ 500,308	\$ 835,791	\$ 674,244	\$ 630,665	\$ 791,297
Expenditures:									
Instruction:									
Salaries of teachers	\$ 954,494	\$ 101,789	\$ 31,913		\$ 127,708		\$ 454,855		
Purchased professional and technical services			4,296			\$ 543,650			
General supplies/Misc	47,894	6,856	1,149		14,198	48,564	20,785		
Textbooks								\$ 630,665	
Total instruction	1,002,388	108,645	37,358		141,906	592,214	475,640	630,665	
Support services:									
Salaries of supervisors of instruction	78,584	11,341			46,750	31,772	25,906		\$ 6,830
Salaries of other professional staff	88,252	12,737			52,501	35,681	29,093		614,363
Salaries of secretarial and clerical employees	31,823	4,593	166	\$ 22,317	18,932	12,866	10,491		18,200
Personal services - employee benefits	293,489	42,357	1,527		174,597	118,660	96,751		133,169
Travel	9,252	1,335	48	6,489	5,504	3,741	3,050		
Supplies and materials	17,626	2,544	92	12,361	10,486	7,126	5,811		16,117
Other	79,573	11,484	1,282	378,629	47,338	32,172	26,232		2,618
Total support services	598,599	86,391	3,114	419,796	356,108	242,018	197,333		791,297
Facilities acquisition and construction services:									
Construction services									
Instructional equipment									
Noninstructional equipment	3,856	556	20	2,704	2,294	1,559	1,271		
Total facilities acquisition and construction services	3,856	556	20	2,704	2,294	1,559	1,271		
Total expenditures	\$ 1,604,842	\$ 195,592	\$ 40,492	\$ 422,500	\$ 500,308	\$ 835,791	\$ 674,244	\$ 630,665	\$ 791,297

Middlesex Regional Educational Services Commission
Special Revenue Fund

Combining Schedule of Revenues and Expenditures –
Budgetary Basis

Year ended June 30, 2008

Nonpublic Aid									
	Technology	Title I Grant	IDEA-B Regular	IDEA-B Preschool	Social Norms	Autism Grant	21ST Century	TQE Grant	Total
Revenues:									
Local sources					\$ 3,000				\$ 3,000
State sources	\$ 499,056					\$ 341,282			6,536,069
Federal sources		\$ 55,834	\$ 2,135,672	\$ 74,090			\$ 506,066	\$ 2,728	2,774,390
Total revenues	\$ 499,056	\$ 55,834	\$ 2,135,672	\$ 74,090	\$ 3,000	\$ 341,282	\$ 506,066	\$ 2,728	\$ 9,313,459
Expenditures:									
Instruction:									
Salaries of teachers		\$ 19,325				\$ 149,743	\$ 340,250		\$ 2,180,077
Purchased professional and technical services			\$ 1,969,196	\$ 28,846			2,000		2,547,988
General supplies/Misc.	\$ 152,937		22,133	40,536	\$ 3,000	52,384	8,795		419,231
Textbooks									630,665
Total instruction	152,937	19,325	1,991,329	69,382	3,000	202,127	351,045		5,777,961
Support services:									
Salaries of supervisors of instruction	1,947	4,676	42,569	1,388					251,764
Salaries of other professional staff	2,000	3,300	3,196	104		54,438	65,467	\$ 1,800	962,932
Salaries of secretarial and clerical employees	8,750	1,920	33,468	1,092					164,617
Personal services - employee benefits	11,707	20,918	52,843	1,724		54,507	35,093		1,037,341
Travel									29,419
Supplies and materials	20	168							72,350
Other	1,468	5,527	12,267	400		30,210	54,461	928	684,588
Total support services	25,892	36,509	144,343	4,708		139,155	155,021	2,728	3,203,011
Facilities acquisition and construction services:									
Construction services:									
Instructional equipment	320,227								320,227
Noninstructional equipment									12,260
Total facilities acquisition and construction services	320,227								332,487
Total expenditures	\$ 499,056	\$ 55,834	\$ 2,135,672	\$ 74,090	\$ 3,000	\$ 341,282	\$ 506,066	\$ 2,728	\$ 9,313,459

Middlesex Regional Educational Services Commission

Schedule of Demonstrably Effective Program Aid Expenditures – Budgetary Basis

Year Ended June 30, 2008

Not Applicable

Middlesex Regional Educational Services Commission
Schedule of Early Childhood Program Aid Expenditures – Budgetary Basis
Year Ended June 30, 2008

Not Applicable

Middlesex Regional Educational Services Commission
Schedule of Distance Learning Network Aid Expenditures – Budgetary Basis
Year Ended June 30, 2008

Not Applicable

Middlesex Regional Educational Services Commission
Schedule of Instructional Supplement Aid Expenditures – Budgetary Basis
Year Ended June 30, 2008

Not Applicable

Capital Projects Fund Detail Statements

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

Middlesex Regional Educational Services Commission
Capital Projects Fund

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

Year ended June 30, 2007

Revenues and Other Financing Sources

Proceeds - Construction Bonds	\$ 10,000,000
Interest on investments	221,510
Total revenues	10,221,510

Expenditures and Other Financing Uses

Construction services	8,348,857
Transfers out	221,510
Total expenditures	8,570,367

Excess of revenues over expenditures	1,651,143
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Fund balance, July 1	6,445,100
Fund balance, June 30	\$ 8,096,243

Middlesex Regional Educational Services Commission
Capital Projects Fund

Summary Schedule of Project Expenditures

Year ended June 30, 2008

Project Title	Appropriations	Prior Years		Current Year Expenditures	Unexpended Balance
		Expenditures	Cancellation		
Construction-new school	\$ 9,859,069	\$ 9,855,412	\$ 124		\$ 3,533
New buildings	500,000	460,804			39,196
School projects	2,000,000	1,999,386			614
Sayreville Projects	13,300,000	3,760,017		\$ 2,765,951	6,774,032
NuView Projects	7,200,000	338,226		5,582,906	1,278,868
		<u>\$ 16,413,845</u>	<u>\$ 124</u>	<u>\$ 8,348,857</u>	<u>\$ 8,096,243</u>

Enterprise Funds Detail Statements

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

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

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

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

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

Middlesex Regional Educational Services Commission
Enterprise Funds

Combining Statement of Net Assets

June 30, 2008

	Regional Day School Fund	Bus Services Fund	Early Childhood Program Fund	Food Services Fund	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 237,615		\$ 205,685	\$ 27,466	\$ 470,766
Intergovernmental accounts receivable:					
State			1,077	873	1,950
Federal			24,920	15,980	40,900
Other	508,879	\$ 27,662	447,479		984,020
Interfund receivable			2,068		2,068
Total current assets	746,494	27,662	681,229	44,319	1,499,704
Capital assets:					
Site Improvement	556,742		158,929		715,671
Equipment	371,307				371,307
Accumulated depreciation	(241,767)		(38,402)		(280,169)
Total capital assets	686,282	-	120,527	-	806,809
Total assets	1,432,776	27,662	801,756	44,319	2,306,513
Liabilities					
Current liabilities:					
Cash overdraft		25,595			25,595
Accounts payable	39,668	2,772	33,473	292	76,205
Interfunds payable				48,934	48,934
Deferred Revenues	20,000				20,000
Total current liabilities	59,668	28,367	33,473	49,226	170,734
Net Assets					
Invested in capital assets, net of related debt	686,282	-	120,527		806,809
Unrestricted	686,826	(705)	647,756	(4,907)	1,328,970
Total net assets	\$ 1,373,108	\$ (705)	\$ 768,283	\$ (4,907)	\$ 2,135,779

Middlesex Regional Educational Services Commission
Enterprise Funds

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

Year ended June 30, 2008

	Regional Day School Fund	Bus Services Fund	Early Childhood Program Fund	Food Services Fund	Total
Operating revenues:					
Local sources:					
School lunch program				\$ 72,933	\$ 72,933
Tuition	\$ 5,662,998		\$ 5,493,467		11,156,465
Services		\$ 156,198	11,900		168,098
Total operating revenues	5,662,998	156,198	5,505,367	72,933	11,397,496
Operating expenses:					
Cost of food			271,448	255,732	527,180
Salaries and wages	3,076,223	159,512	3,242,242	18,695	6,496,672
Employee benefits	1,157,000		1,314,398		2,471,398
Materials and supplies	112,497		113,882		226,379
Textbooks	955				955
Maintenance and repairs	53,716	3,491	82,884		140,091
Travel	2,363		20,655		23,018
Other professional services	624,893		60,694		685,587
Insurance	18,643		20,442		39,085
Telephone/Communications	23,073		7,268		30,341
Utilities	112,682		13,930		126,612
Depreciation	32,547		21,247		53,794
Miscellaneous	49,713		408,585		458,298
Total operating expenses	5,264,305	163,003	5,577,675	274,427	11,279,410
Operating income (loss)	398,693	(6,805)	(72,308)	(201,494)	118,086
Nonoperating revenues:					
National breakfast program - state			5,618	4,502	10,120
State school lunch program			6,740	5,232	11,972
National breakfast program - federal			76,130	60,497	136,627
Federal school lunch program			154,835	112,069	266,904
After school snack program			48,326	4,408	52,734
Total nonoperating revenues			291,649	186,708	478,357
Income before transfers	398,693	(6,805)	219,341	(14,786)	596,443
Transfers in		6,100			6,100
Transfers out	(150,000)				(150,000)
Total Transfer	(150,000)	6,100			(143,900)
Change in net assets	248,693	(705)	219,341	(14,786)	452,543
Net assets, beginning of year, as restated	1,124,415	-	548,942	9,879	1,683,236
Net assets, end of year	\$ 1,373,108	\$ (705)	\$ 768,283	\$ (4,907)	\$ 2,135,779

Middlesex Regional Educational Services Commission
Proprietary Fund - Enterprise Funds

Combining Statement of Cash Flows

Year ended June 30, 2008

	Regional Day School Fund	Bus Services Fund	Early Childhood Program Fund	Food Services Fund	Total
Cash flows from operating activities					
Receipts from customers	\$ 5,566,276	\$ 128,536	\$ 5,394,901	\$ 72,933	\$ 11,162,646
Payments to employees	(3,076,223)	(159,512)	(3,242,242)	(18,695)	(6,496,672)
Payments for employee benefits	(1,157,000)	0	(1,314,398)		(2,471,398)
Payments to suppliers	(971,891)	(719)	(988,033)	(258,279)	(2,218,922)
Net cash provided by (used in) operating activities	361,162	(31,695)	(149,772)	(204,041)	(24,346)
Cash flows from noncapital financing activities					
State sources			12,293	9,548	21,841
Federal sources			275,406	173,193	448,599
Operating subsidies and transfers to/from other funds	(150,000)	6,100	375	46,491	(97,034)
Net cash (used in) provided by noncapital financing activities	(150,000)	6,100	288,074	229,232	373,406
Cash flows from capital and related financing					
Purchases of capital assets	(178,230)		(24,303)		(202,533)
Net cash used in capital and related financing activities	(178,230)	-	(24,303)		(202,533)
Net decrease in cash and cash equivalents	32,932	(25,595)	113,999	25,191	146,527
Balances—beginning of year	204,683	-	91,686	2,275	298,644
Balances—end of year	\$ 237,615	\$ (25,595)	\$ 205,685	\$ 27,466	\$ 445,171
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ 398,693	\$ (6,805)	\$ (72,308)	\$ (201,494)	\$ 118,086
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation and net amortization	32,547		21,247		53,794
Change in assets and liabilities:					
(Increase) Decrease in accounts receivable, net	(116,722)	(27,662)	(110,466)		(254,850)
(Decrease) Increase in accounts payable, net	26,644	2,772	11,755	(2,547)	38,624
(Decrease) Increase in deferred revenue, net	20,000				20,000
Net cash provided by (used in) operating activities	\$ 361,162	\$ (31,695)	\$ (149,772)	\$ (204,041)	\$ (24,346)

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Fiduciary Funds Detail Statements

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

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

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

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

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

Middlesex Regional Educational Services Commission
Trust and Agency Funds

Combining Statement of Fiduciary Net Assets

June 30, 2008

	Trust	Agency		Total Agency
	Unemployment Compensation	Student Activity	Payroll	
Assets				
Cash and cash equivalents	\$ 214,418	\$ 13,552	\$ 231,460	\$ 245,012
Interfund receivable	17,578			
Accounts receivable - other			1,783	1,783
Total assets	<u>\$ 231,996</u>	<u>\$ 13,552</u>	<u>\$ 233,243</u>	<u>\$ 246,795</u>
Liabilities				
Accounts payable	\$ 14,671		\$ 177,969	\$ 177,969
Interfund payable			52,002	52,002
Payroll, payroll deductions and withholdings payable			3,272	3,272
Due to student groups		\$ 13,552		13,552
Total liabilities	<u>14,671</u>	<u>\$ 13,552</u>	<u>\$ 233,243</u>	<u>\$ 246,795</u>
Net assets held in trust for unemployment claims	<u>\$ 217,325</u>			

Middlesex Regional Educational Services Commission
Trust Funds

Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2008

	Unemployment Compensation Trust Fund
Additions:	
Contributions	\$ 170,965
Interest on investments	8,057
Total additions	179,022
Deductions:	
Payment of claims	150,689
Total deductions	150,689
Change in net assets	28,333
Net assets - beginning	188,992
Net assets - ending	\$ 217,325

Middlesex Regional Educational Services Commission
Student Activity Agency Fund

Schedule of Receipts and Disbursements

Year ended June 30, 2008

	Balance July 1, 2007	Cash Receipts	Cash Disbursements	Balance June 30, 2008
Raritan Valley Academy				
Student activity	\$ 1,977	\$ 741	\$ 986	\$ 1,732
Year book	854	676	620	910
Total	<u>2,831</u>	<u>1,417</u>	<u>1,606</u>	<u>2,642</u>
Piscataway Regional Day School				
Student activity	1,591	6,598	6,558	1,631
Total	<u>1,591</u>	<u>6,598</u>	<u>6,558</u>	<u>1,631</u>
Academy Learning Center				
Student activity	8,991	1,063	5,157	4,897
Total	<u>8,991</u>	<u>1,063</u>	<u>5,157</u>	<u>4,897</u>
Academy High School				
Yearbook	54	-	54	-
Total	<u>54</u>	<u>-</u>	<u>54</u>	<u>-</u>
Bright Beginning Learning Center				
Student activity	2,100	5,351	3,069	4,382
Total	<u>2,100</u>	<u>5,351</u>	<u>3,069</u>	<u>4,382</u>
Total of all schools	<u>\$ 15,567</u>	<u>\$ 14,429</u>	<u>\$ 16,444</u>	<u>\$ 13,552</u>

Middlesex Regional Educational Services Commission
Payroll Agency Fund

Schedule of Cash Receipts and Disbursements

Year ended June 30, 2008

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Assets				
Cash and cash equivalents	\$ 183,321	\$ 27,482,302	\$ 27,434,163	\$ 231,460
Accounts receivable - other	20,151	1,783	20,151	1,783
Total assets	<u>\$ 203,472</u>	<u>\$ 27,484,085</u>	<u>\$ 27,454,314</u>	<u>\$ 233,243</u>
Liabilities				
Accounts payable	\$ 169,387	\$ 177,969	\$ 169,387	\$ 177,969
Interfund payable	34,085	27,893	9,976	52,002
Payroll, payroll deductions and withholdings payable	-	27,278,223	27,274,951	3,272
Total liabilities	<u>\$ 203,472</u>	<u>\$ 27,484,085</u>	<u>\$ 27,454,314</u>	<u>\$ 233,243</u>

Long-Term Debt

Middlesex Regional Educational Services Commission
Long-Term Debt

Schedule of Bonds/Loans Payable

June 30, 2008

Description	Interest Rate Payable	Amount of Issue	Balance July 1, 2007	Issued	Retired	Balance June 30, 2008
Bonds/loan payable - Middlesex County Improvement Authority - 1999 (refunding issue)	Various	\$ 7,455,000	\$ 6,340,000		\$ 370,000	\$ 5,970,000
Bonds/loan payable – Middlesex County Improvement Authority - 2000	Various	16,170,000	1,935,000		450,000	1,485,000
Bonds/loan payable - Middlesex County Improvement Authority - 2004 (refunding issue)	Various	14,010,000	13,790,000		115,000	13,675,000
Bonds/loan payable – Middlesex County Improvement Authority - 2006	Various	20,000,000	10,000,000	\$ 20,000,000	10,000,000	20,000,000
Loans payable - Commerce Bank -06/08/2006	6.74%	520,000	429,703		96,699	333,004
			<u>\$ 32,494,703</u>	<u>\$ 20,000,000</u>	<u>\$ 11,031,699</u>	<u>\$ 41,463,004</u>

Middlesex Regional Educational Services Commission
Long-Term Debt

Schedule of Obligations Under Capital Leases

June 30, 2008

Not Applicable

Middlesex Regional Educational Services Commission
Debt Service Fund

Budgetary Comparison Schedule

Year ended June 30, 2008

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Actual to Final
Revenues:					
Interest earned				\$ 38,856	\$ 38,856
Total revenues				38,856	38,856
Expenditures:					
Regular debt service:					
Interest	\$ 939,630		\$ 939,630	1,366,068	(426,438)
Principal	935,000		935,000	11,031,699	(10,096,699)
Total expenditures	1,874,630	-	1,874,630	12,397,767	(10,523,137)
(Deficiency) excess of revenues (under) over expenditures	(1,874,630)	-	(1,874,630)	(12,358,911)	(10,484,281)
Other financing sources:					
Transfers in	2,364,005		2,364,005	2,848,286	484,281
Transfers out					
Proceeds - Loans				10,000,000	10,000,000
Total other financing sources (uses)	2,364,005	-	2,364,005	12,848,286	10,484,281
Excess (deficiency) of revenues and other financing sources over (under) expenditures	489,375	-	489,375	489,375	-
Fund balance, July 1	2,129,842		2,129,842	2,129,842	-
Fund balance, June 30	\$ 2,619,217	\$ -	\$ 2,619,217	\$ 2,619,217	\$ -

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Statistical Section
(Unaudited)

Financial Trends

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

	Fiscal Year Ending June 30,			
	2005	2006	2007	2008
Governmental activities				
Invested in capital assets, net of related debt	\$ 4,798,939	\$ 5,456,599	\$ 74,310	\$ (907,884)
Restricted for:				
Debt service	2,246,915	2,591,639	2,129,842	2,619,217
Capital projects	73,559	43,343	6,445,100	8,096,243
Other purposes	216,392	216,392	216,392	216,392
Unrestricted	5,443,949	6,303,238	7,448,297	8,242,580
Total governmental activities net assets	\$ 12,779,754	\$ 14,611,211	\$ 16,313,941	\$ 18,266,548
Business-type activities				
Invested in capital assets, net of related debt	\$ 98,488	\$ 242,976	\$ 658,070	\$ 806,809
Restricted				
Unrestricted	664,925	873,489	1,025,166	1,328,970
Total business-type activities net assets	\$ 763,413	\$ 1,116,465	\$ 1,683,236	\$ 2,135,779
District-wide				
Invested in capital assets, net of related debt	\$ 4,897,427	\$ 5,699,575	\$ 732,380	\$ (101,075)
Restricted for:				
Debt service	2,246,915	2,591,639	2,129,842	2,619,217
Capital projects	73,559	43,343	6,445,100	8,096,243
Other purposes	216,392	216,392	216,392	216,392
Unrestricted	6,108,874	7,176,727	8,473,463	9,571,550
Total district net assets	\$ 13,543,167	\$ 15,727,676	\$ 17,997,177	\$ 20,402,327

Source: CAFR Schedule A-1

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

Unaudited

	Fiscal Year Ending June 30,			
	2005	2006	2007	2008
Expenses				
Governmental activities				
Instruction	\$ 11,711,007	\$ 13,567,181	\$ 15,427,298	\$ 17,820,197
Support Services:				
Health services	376,269	526,476	590,115	681,759
Student & instruction related services	6,045,929	7,215,021	8,280,536	6,725,338
General administrative services	490,910	498,747	658,020	654,386
School administrative services	1,251,931	1,409,497	1,308,333	1,443,203
Central Services	787,261	1,334,618	1,051,071	949,542
Admin. Infor. Technology	72,506	114,514	113,310	196,642
Plant operations and maintenance	1,090,047	1,240,844	1,648,485	1,708,220
Pupil transportation	19,888,448	22,713,537	23,906,263	25,427,834
Employee benefits	619,121	768,269	707,911	776,720
Business administrative services				
Capital outlay	399,268	421,292	958,624	501,852
Special Schools	1,250,338	1,461,003	1,702,299	1,827,514
Interest on long-term debt	1,238,860	1,123,139	1,271,981	1,726,318
Unallocated depreciation				
Total governmental activities expenses	\$ 45,221,894	\$ 52,394,137	\$ 57,624,245	\$ 60,439,524
Business-type activities:				
Regional Day School	\$ 4,069,217	\$ 4,670,095	\$ 4,929,321	\$ 5,264,305
Bus Service				163,003
Early Childhood Program		1,965,308	4,966,436	5,577,675
Food service	234,096	210,539	231,250	274,427
Total business-type activities expense	4,303,313	6,845,942	10,127,007	11,279,410
Total district expenses	\$ 49,525,207	\$ 59,240,079	\$ 67,751,252	\$ 71,718,934
Program Revenues				
Governmental activities:				
Charges for services:				
Pupil transportation	\$ 18,128,655	\$ 20,706,149	\$ 21,521,584	\$ 22,552,408
Operating grants and contributions	7,707,304	9,462,226	9,518,615	9,322,936
Total governmental activities program revenues	25,835,959	30,168,375	31,040,199	31,875,344
Business-type activities:				
Charges for services				
Regional Day School	\$ 4,582,216	\$ 4,910,145	\$ 5,343,578	\$ 5,662,998
Bus service				156,198
Early Childhood Program		2,079,420	4,949,768	5,505,367
Food service	62,143	70,345	67,827	72,933
Operating grants and contributions	124,282	231,447	393,316	478,357
Total business type activities program revenues	4,768,641	7,291,357	10,754,489	11,875,853
Total district program revenues	\$ 30,604,600	\$ 37,459,732	\$ 41,794,688	\$ 43,751,197
Net (Expense)/Revenue				
Governmental activities	\$ (19,385,935)	\$ (22,225,762)	\$ (26,584,046)	\$ (28,564,180)
Business-type activities	465,328	445,415	627,482	596,443
Total district-wide net expense	\$ (18,920,607)	\$ (21,780,347)	\$ (25,956,564)	\$ (27,967,737)
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Federal and state aid not restricted	\$ 612,230	\$ 922,184	\$ 1,638,362	\$ 1,837,857
Tuition received	16,768,466	18,411,306	20,478,439	22,527,836
Services provided to districts	3,092,996	3,911,988	5,164,915	5,282,055
Interest income	210,949	391,878	654,726	561,994
Special items		60,125	-	-
Miscellaneous income	162,854	231,738	200,335	163,145
Transfers	125,000	128,000	150,000	143,900
Total governmental activities	20,972,495	24,057,219	28,286,777	30,516,787
Business-type activities:				
Services provided to districts		33,928	86,061	-
Miscellaneous income	3,135	1,709	3,228	-
Transfers	(125,000)	(128,000)	(150,000)	(143,900)
Total business-type activities	(121,865)	(92,363)	(60,711)	(143,900)
Total district-wide	\$ 20,850,630	\$ 23,964,856	\$ 28,226,066	\$ 30,372,887
Change in Net Assets				
Governmental activities	\$ 1,586,560	\$ 1,831,457	\$ 1,702,731	\$ 1,952,607
Business-type activities	343,463	353,052	566,771	452,543
Total district	\$ 1,930,023	\$ 2,184,509	\$ 2,269,502	\$ 2,405,150

Source: CAFR Schedule A-2

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

	Fiscal Year Ending June 30,			
	2005	2006	2007	2008
General Fund				
Reserved for:				
Encumbrances	\$ 591,420	\$ 1,282,784	\$ 959,782	\$ 941,351
Capital reserve	216,392	216,392	216,392	216,392
Health benefits reserve	657,788	699,228	737,766	1,091,094
Debt service				
Unreserved :				
Designated for subsequent year's expenditures	500,000	-	1,000,000	-
Undesignated	4,104,904	4,755,127	5,437,915	7,104,967
Total general fund	\$ 6,070,504	\$ 6,953,531	\$ 8,351,855	\$ 9,353,804
All Other Governmental Funds				
Reserved for:				
Debt service fund	\$ 2,246,915	\$ 2,591,639	\$ 2,129,842	\$ 2,619,217
Unreserved, reported in:				
Capital projects fund	73,559	43,343	6,445,100	8,096,243
Total all other governmental funds	\$ 2,320,474	\$ 2,634,982	\$ 8,574,942	\$ 10,715,460
Total Governmental Funds	\$ 8,390,978	\$ 9,588,513	\$ 16,926,797	\$ 20,069,264

Source: CAFR Schedule B-1

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

Unaudited

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Fund				
Revenues				
Local sources:				
Tuition	\$ 16,768,466	\$ 18,411,306	\$ 20,478,439	\$ 22,527,836
Transportation fees	18,128,655	20,706,149	21,521,584	22,552,408
Services provided to districts	3,092,996	3,911,988	5,164,915	5,282,055
Interest on investments	189,732	384,001	488,423	301,628
Special items		60,125		
Miscellaneous	155,919	231,738	200,335	163,145
Total - Local sources	<u>38,335,768</u>	<u>43,705,307</u>	<u>47,853,696</u>	<u>50,827,072</u>
State sources				
Reimbursed TPAF S.S. Contributions	574,552	847,238	892,882	923,795
On-behalf TPAF pension Contributions	37,678	74,946	745,480	914,062
Total - State sources	<u>612,230</u>	<u>922,184</u>	<u>1,638,362</u>	<u>1,837,857</u>
Total revenue	<u>38,947,998</u>	<u>44,627,491</u>	<u>49,492,058</u>	<u>52,664,929</u>
Expenditures				
Instruction	6,921,324	7,841,582	9,522,342	10,275,667
Support Services:				
Health services	347,868	485,621	539,185	614,484
Student & instruction related services	2,216,986	2,601,331	3,026,688	2,889,039
General administrative services	453,856	460,044	601,229	589,813
School Administrative services	1,157,435	1,300,120	1,195,417	1,300,790
Central Services	727,838	1,231,051	960,358	855,843
Admin. Infor. Technology	67,033	105,628	103,531	177,237
Required maint for school facilities	532,871	583,266	665,132	646,093
Operation of plant	474,899	561,288	841,080	893,563
Pupil transportation	18,387,260	20,950,963	21,843,023	22,918,661
Business and other support services				
Unallocated employee benefits	2,563,526	3,003,979	2,920,262	3,630,383
Reimbursed S.S. contributions	574,552	847,238	892,882	923,795
On-behalf TPAF pension contributions	37,678	74,946	745,480	914,062
Capital outlay	286,192	835,350	990,311	883,017
Special Schools	1,250,338	1,461,003	1,702,299	1,827,514
Total expenditures	<u>35,999,656</u>	<u>42,343,410</u>	<u>46,549,219</u>	<u>49,339,961</u>
Excess (Deficiency) of revenues over (under) expenditures	2,948,342	2,284,081	2,942,839	3,324,968
Other Financing sources (uses)				
Transfers in	6,236	521,086	152,590	221,510
Transfers out	(1,776,209)	(1,922,140)	(1,697,105)	(2,544,529)
Total other financing sources (uses)	<u>(1,769,973)</u>	<u>(1,401,054)</u>	<u>(1,544,515)</u>	<u>(2,323,019)</u>
Net change in fund balances, General Fund	<u>\$ 1,178,369</u>	<u>\$ 883,027</u>	<u>\$ 1,398,324</u>	<u>\$ 1,001,949</u>
Special Revenue Fund				
Revenues				
Local sources				\$ 3,000
State sources	\$ 6,601,277	\$ 6,792,742	\$ 6,466,443	6,610,896
Federal sources	1,106,027	2,669,484	3,052,172	2,709,040
Total revenue	<u>7,707,304</u>	<u>9,462,226</u>	<u>9,518,615</u>	<u>9,322,936</u>
Expenditures				
Instruction	3,776,708	4,540,793	4,423,864	5,612,782
Other support : special	3,372,594	4,053,803	4,539,193	3,172,655
Capital outlay	369,023	698,880	381,133	377,642
Total expenditures	<u>7,518,325</u>	<u>9,293,476</u>	<u>9,344,190</u>	<u>9,163,079</u>
Excess (Deficiency) of revenues over (under) expenditures	188,979	168,750	174,425	159,857
Other Financing sources (uses)				
Transfers in				
Transfers out	(188,979)	(168,750)	(174,425)	(159,857)
Total other financing sources (uses)	<u>(188,979)</u>	<u>(168,750)</u>	<u>(174,425)</u>	<u>(159,857)</u>
Net change in fund balances, Special Revenue fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Capital Projects Fund				
Revenues				
Interest Earned	\$ 965	\$ 1,086	\$ 152,590	\$ 221,510
Total revenue	<u>965</u>	<u>1,086</u>	<u>152,590</u>	<u>221,510</u>
Expenditures				
Capital outlay	50,000	30,216	4,098,243	8,348,857
Total expenditures	<u>50,000</u>	<u>30,216</u>	<u>4,098,243</u>	<u>8,348,857</u>
Excess (Deficiency) of revenues over (under) expenditures	(49,035)	(29,130)	(3,945,653)	(8,127,347)
Other Financing sources (uses)				
Transfers in			500,000	
Transfers out	(1,089)	(1,086)	(152,590)	(221,510)
Proceeds - Bonds			10,000,000	10,000,000
Total other financing sources (uses)	<u>(1,089)</u>	<u>(1,086)</u>	<u>10,347,410</u>	<u>9,778,490</u>
Net change in fund balances, Capital projects fund	<u>\$ (50,124)</u>	<u>\$ (30,216)</u>	<u>\$ 6,401,757</u>	<u>\$ 1,651,143</u>
Debt service Fund				
Revenues				
Interest Earned	\$ 20,252	\$ 6,791	\$ 13,713	\$ 38,856
Total revenue	<u>20,252</u>	<u>6,791</u>	<u>13,713</u>	<u>38,856</u>
Expenditures				
Principal	725,000	865,000	985,200	11,031,699
Interest	1,090,208	1,015,957	1,011,840	1,366,068
Total expenditures	<u>1,815,208</u>	<u>1,880,957</u>	<u>1,997,040</u>	<u>12,397,767</u>
Excess (Deficiency) of revenues over (under) expenditures	(1,794,956)	(1,874,166)	(1,983,327)	(12,358,911)
Other Financing sources (uses)				
Transfers in	2,090,188	2,218,890	2,021,530	2,848,286
Transfers out	(5,147)	(520,000)	(500,000)	
Proceeds - Loans		520,000		
Proceeds - bonds	14,010,000			10,000,000
Payment to refunded bond escrow agent	(14,003,065)			
Total other financing sources (uses)	<u>2,091,976</u>	<u>2,218,890</u>	<u>1,521,530</u>	<u>12,848,286</u>
Net change in fund balances, Debt Svc Fund	<u>\$ 297,020</u>	<u>\$ 344,724</u>	<u>\$ (461,797)</u>	<u>\$ 489,375</u>
Net change in fund balances, Governmental Fund	<u>\$ 1,425,265</u>	<u>\$ 1,197,535</u>	<u>\$ 7,338,284</u>	<u>\$ 3,142,467</u>

Source: CAFR Schedule B-2

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Miscellaneous Revenue										
Proceeds from lease purchase	\$ 62,000	\$ 120,644								
Sale of property	100,000									
Insurance proceeds			\$ 18,219		\$ 31,435	\$ 35,244				\$ 21,131
Refunds	126,157	49,462	37,879	\$ 54,981	4,749	21,573	\$ 53,156	\$ 10,621	\$ 93,349	5,173
Cancellation of aging liabilities						150,401	4,013	10,075	728	16,776
E-rate reimbursement				27,971	74,401	44,665	37,485	40,774	52,214	86,935
Other	111,431	70,016	47,784	176,181	39,622	60,483	61,265	170,268	54,044	33,130
Total Other Local Revenue	\$ 399,588	\$ 240,122	\$ 103,882	\$ 259,133	\$ 150,207	\$ 312,366	\$ 155,919	\$ 231,738	\$ 200,335	\$ 163,145

Source: Commission records

Revenue Capacity

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

Not Applicable

Middlesex Regional Educational Services Commission
Direct and Overlapping Property Tax Rates

Not Applicable

Middlesex Regional Educational Services Commission
Principal Property Tax Payers,

Not Applicable

Middlesex Regional Educational Services Commission
Property Tax Levies and Collections

Not Applicable

Debt Capacity

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

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities	Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Promissory Notes	Capital Leases			
1999	8,940,000		\$ 546,446			9,486,446	0.36%	33,898
2000	24,720,000		435,288			25,155,288	0.15%	36,486
2001	24,445,000		318,501			24,763,501	0.15%	37,819
2002	24,160,000		195,800			24,355,800	0.16%	38,035
2003	23,510,000		66,885			23,576,885	0.16%	38,441
2004	22,815,000					22,815,000	0.18%	40,036
2005	23,825,000					23,825,000	0.17%	41,050
2006	22,960,000			\$ 520,000		23,480,000	0.19%	44,022
2007	32,065,000			429,703		32,494,703		
2008	41,130,000			333,004		41,463,004		

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

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

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

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

Not Applicable

Middlesex Regional Educational Services Commission
Ratios of Overlapping Governmental Activities Debt
As of June 30, 2007

Not Applicable

Middlesex Regional Educational Services Commission
Legal Debt Margin Information,

Not Applicable

Demographic and Economic Statistics

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

<u>Year</u>	<u>Population</u> ^a	<u>Personal Income</u> <u>(thousands of dollars)</u> ^b	<u>Per Capita</u> <u>Personal Income</u> ^c	<u>Unemployment Rate</u> ^d
1997	725,103	\$ 22,497,907	\$ 31,027	4.2%
1998	733,257	24,151,593	32,937	3.7%
1999	742,213	25,159,409	33,898	3.7%
2000	753,076	27,476,727	36,486	3.3%
2001	761,957	28,816,391	37,819	4.0%
2002	770,042	29,288,510	38,035	5.6%
2003	777,646	29,893,592	38,441	5.5%
2004	783,665	31,374,912	40,036	4.5%
2005	789,283	32,400,068	41,050	4.2%
2006	783,371	34,485,431	44,022	4.3%

Source:

^a Population based on the Bureau of Economic Analysis Table CA04, April 2008

^b Personal income based on the Bureau of Economic Analysis Table CA04, April 2008

^c Per Capita based on the Bureau of Economic Analysis Table CA04, April 2008

^d Unemployment data based on the NJ Dept of Labor and Workforce Development, August 2008

Middlesex Regional Educational Services Commission
Principal Employers,

Not Applicable

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

<u>Function/Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Instruction						
PL192/193	41.00	37.00	35.90	36.50	37.30	36.20
RVA	38.50	32.50	28.60	18.95	19.47	16.50
NuView	3.00	4.00	4.20	5.10	7.00	7.30
Piscataway Regional Day School	54.50	64.00	70.33	68.88	77.43	79.70
Academy Learning Center	73.00	80.00	91.34	84.14	86.24	86.08
Academy Learning Center Annex I						2.00
Title I	1.00	1.00	1.00	1.00	1.00	1.00
Middlesex County Academy High School	4.00	3.50	3.90	4.00	4.70	4.90
Bright Beginnings Learning Center	61.30	70.00	64.03	66.18	67.03	65.60
Bright Beginnings Learning Center Annex II					14.00	24.55
Bright Beginnings Learning Center Annex				21.35	25.63	24.60
IDEA B		2.00	25.00	35.60	65.90	65.90
Edison Collaborative Services		3.00	10.00	10.75	17.50	18.15
Sayreville Collaborative Services				14.50	14.40	16.40
Early Childhood Program				26.00	54.00	57.33
Health Services:						
RVA	1.25	1.25	1.00	0.95	0.67	0.95
Piscataway Regional Day School	1.25	2.00	2.00	2.00	2.00	2.00
Academy Learning Center	1.75	1.80	2.00	2.00	2.00	2.00
Academy Learning Center Annex I						-
Non-Public Nursing	29.00	29.00	28.00	35.00	43.00	38.87
Bright Beginnings Learning Center	2.25	1.75	2.00	2.00	2.00	2.00
Bright Beginnings Learning Center Annex II					1.00	1.00
Bright Beginnings Learning Center Annex				0.05	0.33	0.05
Edison Collaborative Services			0.17		1.00	1.00
Sayreville Collaborative Services			0.17		0.25	0.25
Support Services:						
RVA	6.00	6.00	5.00	4.00	5.00	4.00
Piscataway Regional Day School	1.50	1.50	1.50	1.50	2.00	2.00
Academy Learning Center	1.00	1.00	1.50	1.50	2.00	2.00
Middlesex County Academy High School	0.50	0.50	0.50	0.50	0.50	0.44
Bright Beginnings Learning Center	1.00	1.50	1.50	1.45	2.00	2.00
Bright Beginnings Learning Center Annex II					0.50	0.50
Bright Beginnings Learning Center Annex				0.55	0.55	0.50
IDEA B			1.00	1.00	1.00	1.00
Early Childhood Program				6.00	13.22	12.31
General Administration						
	5.00	5.00	3.00	3.00	5.00	5.00
School Administration						
PL192/193	4.65	3.85	5.50	3.82	6.07	4.53
RVA	4.00	4.00	4.00	3.16	3.03	2.13
NuView	1.50	2.00	2.00	2.07	2.00	2.00
Piscataway Regional Day School	3.35	3.85	3.75	3.93	3.92	3.78
Academy Learning Center	3.85	3.85	3.75	4.01	4.03	3.48
Title I	0.05	0.05	0.05	0.15	0.20	0.10
Non-Public Textbook	0.30	0.40	0.40	0.39	0.45	0.42
Non-Public Nursing	0.30	0.25	0.25	0.60	0.35	0.55
Professional Development Program			1.00	1.60	1.00	1.60
Middlesex County Academy High School	1.50	1.50	1.10	1.77	2.00	2.00
Bright Beginnings Learning Center	3.35	3.95	3.90	3.59	3.79	3.73
Bright Beginnings Learning Center Annex II					2.15	1.65
Bright Beginnings Learning Center Annex				1.34	1.33	1.15
Non-Public Technology	0.30	0.35	0.35	0.27	0.31	0.27
IDEA B	0.30	0.10	0.20	1.40	1.50	1.45
Edison Collaborative Services			0.05	0.10	0.15	0.15
Sayreville Collaborative Services				1.13	1.00	0.50
Early Childhood Program				4.00	7.50	7.00
Central Services						
			13.50	14.50	16.66	17.50
Operations & Maintenance						
PL192/193	2.20	2.40	2.20	2.20	2.20	3.30
RVA	3.70	3.70	3.70	3.20	3.20	2.75
NuView		0.50	0.75	0.60	0.50	0.60
Piscataway Regional Day School	2.20	2.20	2.20	2.20	2.70	2.70
Academy Learning Center	2.70	2.20	2.20	2.20	2.20	2.30
Middlesex County Academy High School	0.25	0.50	0.25	0.20	0.50	0.60
Bright Beginnings Learning Center	2.20	2.20	2.20	2.20	2.20	2.25
Bright Beginnings Learning Center Annex II					0.20	0.20
Bright Beginnings Learning Center Annex				1.00	0.50	0.50
Early Childhood Program				2.00	1.65	3.33
Student Transportation						
Student Transportation - Bus driver	6.00	6.00	6.50	5.50	5.50	5.50
				2.00	5.00	2.00
Business Services						
	12.00	12.50				
Total	381.50	404.65	443.44	525.58	659.41	664.10

Source: Based on Commission record.

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

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Other Staff ^c	Average Daily Enrollment (ADE) ^d	Average Daily Attendance (ADA) ^d	% Change in Average Daily Enrollment	Student Attendance Percentage
1999	396	21,927,112	55,371	27.94%	201	150	421.10	356.70	18.02%	84.71%
2000	437	28,385,632	64,956	17.31%	207	153	471.30	404.20	11.92%	85.76%
2001	437	30,448,046	69,675	7.27%	207	153	477.80	408.70	1.38%	85.54%
2002	501	33,227,972	66,323	-4.81%	147	193	500.90	432.90	4.83%	86.42%
2003	547	36,931,897	67,517	1.80%	168	231	544.30	468.90	8.66%	86.15%
2004	568	41,425,291	72,932	8.02%	176	246	521.00	444.00	-4.28%	85.22%
2005	601	42,862,766	71,319	-2.21%	182	272	566.40	489.30	8.71%	86.39%
2006	805	50,102,656	62,239	-12.73%	200	307	768.00	673.00	35.59%	87.63%
2007	1,051	54,521,965	51,876	-16.65%	240	345	1,037.00	905.70	35.03%	87.34%
2008	1,034	57,242,381	55,360	6.72%	211	429	1,099.70	988.00	6.05%	89.84%

Sources: Commission records.

Note: Enrollment based on actual annual district count for recommended budget.

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

Operating Information

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

		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
District Building											
<u>Raritan Valley Academy, 1690 Stelton Rd, Piscataway</u>											
(September 1997)											
RVA	Square Feet	48,000	48,000	48,000	48,000	42,755	42,755	42,755	42,755	42,755	42,755
RVA	Capacity (students)	198	198	198	198	132	132	132	132	132	132
RVA	Enrollment		151	142	138	123	89	71	70	70	70
BB Annex I	Square Feet							5,245	5,770	5,770	5,770
BB Annex I	Capacity (students)							42	42	42	42
BB Annex I	Enrollment							27	40	40	40
Nonpublic	Square Feet	982	982	2,360	2,360	2,360	2,360	2,360	2360	2360	2360
<u>Nuview Academy, Park Ave, Piscataway</u>											
(September 2001, September 2008)											
NV	Square Feet			3,500	8,050	8,050	8,050	8,050	6,000	6,000	22,500
NV	Capacity (students)			48	48	48	48	48	48	48	72
NV	Enrollment			12	12	27	30	32	34	34	45
<u>Academy Learning Center, 145 Pergola Ave, Monroe</u>											
(September 2000)											
ALC	Square Feet		42,516	42,516	42,516	42,516	42,516	42,516	42,516	42,516	42,516
ALC	Capacity (students)		110	110	148	148	148	148	148	148	148
ALC	Enrollment		110	96	133	139	142	140	138	138	138
<u>Bright Beginnings Learning Center, 1660 Stelton Rd, Piscataway</u>											
(September 1998, September 2002)											
BBLC	Square Feet	8,050	8,050	8,050	36,422	36,422	36,422	36,422	36,422	36,422	36,422
BBLC	Capacity (students)	48	48	48	130	130	130	130	130	130	130
BBLC	Enrollment		44	40	40	123	129	127	127	127	127
Central Office	Square Feet				7,583	7,583	7,583	7,583	7,583	7,583	7,583
Transportation	Square Feet				920	920	920	920	920	920	920

Source: Commission records.

Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of and additions.

Enrollment is based on the annual district count.

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

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

<u>School Facilities</u>	<u>Project # (s)</u>	<u>2,003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
RVA	N/A	\$ 220,592	\$ 191,024	\$ 143,235	\$ 145,937	\$ 145,937	\$ 180,604
Nuview	N/A	21,861	37,270	44,216	40,546	40,546	29,224
ALC	N/A	143,143	149,902	137,771	168,826	168,826	180,619
ALC Annex I							554
Transportation	N/A	19,840	5,691	4,096	3,072	3,072	5,959
ESC - General	N/A	14,523	44,242	24,934	42,861	42,861	9,820
ESC - MCA	N/A	19,901	9,167	9,581	25,290	25,290	27,785
BBLC	N/A	86,253	114,881	141,254	125,118	125,118	160,791
BBLC Annex II							7,835
BBLC Annex I	N/A			24,302	25,927	25,927	28,429
Edison Collaborative	N/A		8,324	2,820	1,962	1,962	7,350
Sayreville Collaborative	N/A			662	3,727	3,727	7,123
Total School Facilities		\$ 526,113	\$ 560,501	\$ 532,871	\$ 583,266	\$ 583,266	\$ 646,093

* Commission records

Middlesex Regional Educational Services Commission
Insurance Schedule
For the Fiscal Year Ended June 30, 2008
Unaudited

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
NJSBAIG	MULTI PERIL PACKAGE POLICY		
	Property:		
	Blanket building and contents	\$ 29,403,647	\$ 5,000
	Extra Expense	1,000,000	
	Musical Instruments	Incl in prop limit	
	Misc Equipment	Incl in prop limit	
	Computer equipment	250,000	
	Flood	Various limits	25,000
	Demolition/incr. Cost of construction	5,000,000	
	Energy Systems:		
	Spoilage	100,000,000	
	Commercial Liability:		
	Per occurrence	6,000,000	
	Sexual molestation	1000000/3000000	
	Fire damage	1,000,000	
	Medical expense (excludes students)	10,000	
	Employee benefits programs	1,000,000	
	Crime:		
	Money & Securities	50,000	
	Employee Dishonesty	1,000,000	
	Forgery	50,000	
	Automobile		
	Bodily injury/property damage	6,000,000	
	Personal injury protection	Statutory	
	Underinsured/uninsured	1,000,000	
	Private passenger	10,000	
	Comprehensive deductible		1,000
	Collision deductible		1,000
NJSBAIG	SCHOOL BOARD LEGAL	6,000,000	5,000
NJSBAIG	UMBRELLA		
	Limit of liability	5,000,000	
Firemans Fund	CAP		
	Limit of liability	50,000,000	
NJSBAIG	WORKERS COMPENSATION		
	Section B limits	2,000,000	
NJSBAIG	SUPPLEMENTARY WORKERS COMP		
	Weekly maximum	1,750	
Chubb	ENVIRONMENTAL IMPAIRMENT	1000000/3000000	
Selective	BONDS		
	Business Administrator - Patrick Moran	250,000	
NJSBAIG	STUDENT ACCIDENT		
	Medical Benefit	5,000,000	

Source: Commission Records

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Single Audit Section

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Middlesex Regional Educational Services Commission, (the “Commission”) as of and for the year ended June 30, 2008, which collectively comprise the Commission’s basic financial statements, and have issued our report thereon dated November 3, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States; audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity’s financial statements that is more than inconsequential will not be prevented or detected by the entity’s internal control.

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

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

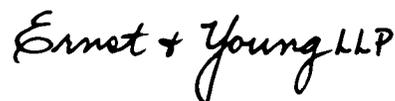
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey.

This report is intended solely for the information and use of the Commission's management and Board, the State of New Jersey Department of Education, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



David J. Milkosky
Licensed Public School Accountant
No. 883



November 3, 2008

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

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

Compliance

We have audited the compliance of Middlesex Regional Educational Services Commission, (the “Commission”) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement and the New Jersey State Grant Compliance Supplement*, that are applicable to each of its major federal and state programs for the year ended June 30, 2008. The Commission’s major federal and state programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the Commission’s management. Our responsibility is to express an opinion on the Commission’s compliance based on our audit.

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

In our opinion, the Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended June 30, 2008.

Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal and state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

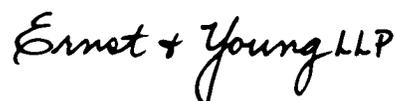
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal and state program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the Commission's management and Board, the State of New Jersey Department of Education, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



David J. Milkosky
Licensed Public School Accountant
No. 883



November 3, 2008

Middlesex Regional Educational Services Commission

Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2007				Cash Received	Budgetary Expenditures	Cancellations/Adjustments	Repayment of Prior Years' Balances	Balance at June 30, 2008			
					Deferred Revenue	(Accounts Receivable)	Due to Districts	Due to Grantor					Deferred Revenue	(Accounts Receivable)	Due to Districts	Due to Grantor
U.S. Department of Agriculture—Passed-Through State Department of Education																
Enterprise Fund:																
National School Lunch Program	10.555	5120-201-372573-63	7/1/06-06/30/07	\$ 231,521	\$ (20,429)			\$ 20,429								
National School Breakfast Program	10.553	5120-201-372573-63	7/1/06-06/30/07	105,618	(9,348)			9,348								
National School After School Snack Program	10.000		7/1/06-06/30/07	36,843	(3,457)			3,457								
National School Lunch Program	10.555	5120-201-372573-63	7/1/07-06/30/08	266,904				243,192	\$ (266,904)			\$ (23,712)				
National School Breakfast Program	10.553	5120-201-372573-63	7/1/07-06/30/08	136,627				124,310	(136,627)			(12,317)				
National School After School Snack Program	10.000		7/1/07-06/30/08	52,734				47,863	(52,734)			(4,871)				
Total U.S. Department of Agriculture and Enterprise Fund					(33,234)			448,599	(456,265)			(40,900)				
Special Revenue Fund:																
U.S. Department of Education—Passed-Through State Department of Education																
Teacher Quality Enhancement Grant (TQE)	84.336		07/01/07-09/30/08	2,728				2,728	(2,728)							
21st Century Community Learning Centers Program	84.287C	4000356	07/01/06-06/30/07	535,000	(8,263)			41,492		\$ (41)	\$ (33,229)			\$ 41		
21st Century Community Learning Centers Program	84.287C	4000356	07/01/07-06/30/08	535,000				467,462	(506,066)			(38,604)				
Total U.S. Department of Education—passed-through Middlesex County School Districts					(8,263)			511,682	(508,794)			(33,229)		(38,604)		
U.S. Department of Education—Passed-Through Middlesex County School Districts																
I.D.E.A. Part B, Regular	84.027A		9/1/04-08/31/05	1,597,947			\$ 20,354					(20,354)				
I.D.E.A. Part B, Preschool	84.173		9/1/04-08/31/05	149,023			26,628					(26,628)				
I.D.E.A. Part B, Regular	84.027A		9/1/05-08/31/06	1,637,217	\$ 22,967		3,627		-			(3,627)		22,967		
I.D.E.A. Part B, Preschool	84.173		9/1/05-08/31/06	107,171	6,284		917		-			(917)		6,284		
I.D.E.A. Part B, Regular	84.027A		9/1/06-08/31/07	1,806,483	287,899	(17,152)		17,152	(281,856)	4,215	(3,926)	\$ 6,043	(3,926)	4,215		
I.D.E.A. Part B, Preschool	84.173		9/1/06-08/31/07	86,695	55,818				(50,466)	1,351		5,352		1,351		
I.D.E.A. Part B, Regular	84.027A		9/1/07-08/31/08	2,275,449				2,159,588	(1,853,816)			421,633	(115,861)			
I.D.E.A. Part B, Preschool	84.173		9/1/07-08/31/08	78,466				78,466	(23,624)			54,842				
Title I	84.010A		09/01/06-08/31/07	97,364		(61,902)		61,902								
Title I	84.010A		09/01/07-08/31/08	55,834				43,224	(55,834)				(14,410)	\$ 1,800		
Total U.S. Department of Education—passed-through Middlesex County School Districts					\$ 372,968	\$ (79,054)	\$ -	\$ 51,526	\$ 2,360,332	\$ (2,265,596)	\$ 5,566	\$ (55,452)	\$ 487,870	\$ (134,197)	\$ 1,800	\$ 34,858
Total Special Revenue Fund					\$ 372,968	\$ (87,317)	\$ -	\$ 51,526	\$ 2,872,014	\$ (2,774,390)	\$ 5,566	\$ (88,681)	\$ 487,870	\$ (172,801)	\$ 1,800	\$ 34,858
Total Federal Awards					\$ 372,968	\$ (120,551)	\$ -	\$ 51,526	\$ 3,320,613	\$ (3,230,655)	\$ 5,566	\$ (88,681)	\$ 487,870	\$ (213,701)	\$ 1,800	\$ 34,858

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

Middlesex Regional Educational Services Commission
Schedule of Expenditures of State Awards
Year ended June 30, 2008

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2007			Cash Received	Budgetary Expenditures	Cancellations/ Adjustments	Repayment of Prior Years' Balances	Balance at June 30, 2008			
				Due to Grantor	Due to Districts	(Accounts Receivable)					Deferred Revenue	(Accounts Receivable)	Due to Districts	Due to Grantor
State Department of Education														
General Fund:														
TPAF - Social Security	495-034-5095-050	7/1/06-6/30/07	\$ 892,882			\$ (44,059)	\$ 44,059							
TPAF - Social Security	495-034-5095-050	7/1/07-6/30/08	923,795				831,332	\$ (923,795)				\$ (92,463)		
TPAF-Pension	595-034-5095-051	7/1/07-6/30/08	914,062				914,062	(914,062)						
Total State Department of Education and General Fund						(44,059)	1,789,453	(1,837,857)				(92,463)		
State Department of Agriculture														
Enterprise Fund:														
National School Lunch Program (State share)	100-010-3360-067	7/1/06-6/30/07	10,695			(940)	940							
National School Breakfast Program (State share)	100-010-3360-096	7/1/06-6/30/07	8,639			(759)	759							
National School Lunch Program (State share)	100-010-3360-067	7/1/07-6/30/08	11,972				10,909	(11,972)				(1,063)		
National School Breakfast Program (State share)	100-010-3360-096	7/1/07-6/30/08	10,120				9,233	(10,120)				(887)		
Total State Department of Agriculture and Enterprise Fund						(1,699)	21,841	(22,092)				(1,950)		
Special Revenue Fund:														
Through State Department of Education														
The Governor's Initiative on Autism	100-034-5065-090	04/01/07-06/30/08	356,697	\$ 89,303			232,694	(341,282)				(19,285)		
State Department of Education-Passed-Through Middlesex County School Districts														
Special Revenue Fund:														
Nonpublic Textbooks	100-034-5120-064	7/1/05-6/30/06	761,612	7,880						\$ (7,880)				
Nonpublic Textbooks	100-034-5120-064	7/1/06-6/30/07	672,344	30,733	(29,188)		26,837		\$ (2,364)	(30,733)		(2,351)	\$ 2,364	
Nonpublic Textbooks	100-034-5120-064	7/1/07-6/30/08	647,706				647,706	(630,665)					17,041	
Nonpublic Technology Initiative	100-034-5120-373	7/1/05-6/30/06	15,996	1,583						(1,583)				
Nonpublic Technology Initiative	100-034-5120-373	7/1/06-6/30/07	532,120	\$ 24,154	(25,544)		25,544		(1,320)	(22,834)			1,098	
Nonpublic Technology Initiative	100-034-5120-373	7/1/07-6/30/08	512,440				512,440	(499,056)					13,384	
Nonpublic auxiliary services (Chapter 192):	100-034-5120-067													
Compensatory Education		7/1/05-6/30/06	1,729,625	1,333						(1,333)				
Compensatory Education		7/1/06-6/30/07	1,712,370	30,650	191,397	(169,833)	160,830		(78,404)	(146,331)			11,691	
Compensatory Education		7/1/07-6/30/08	1,605,068				1,644,321	(1,604,842)				(177,833)	\$ 217,086	
English as a Second Language		7/1/06-6/30/07	167,172		45,690	(19,390)	3,360		10,056	(39,716)				
English as a Second Language		7/1/07-6/30/08	195,592				159,958	(195,592)				(49,045)	13,411	
Transportation		7/1/06-6/30/07	512,499		837	(153,304)	104,548		47,919			(145,874)		
Transportation		7/1/07-6/30/08	422,500				276,626	(422,500)						
Nonpublic Home Instruction		7/1/04-6/30/05	33,394			(2,227)	2,227							
Nonpublic Home Instruction		7/1/05-6/30/06	37,325			(4,204)	3,341					(863)		
Nonpublic Home Instruction		7/1/06-6/30/07	33,342			(33,342)	14,056					(19,286)		
Nonpublic Home Instruction		7/1/07-6/30/08	40,492				-	(40,492)				(40,492)		
Non-public handicapped services (Chapter 193):	100-034-5120-066													
Supplemental Instruction		7/1/06-6/30/07	570,596		7,436	(131,765)	119,779		4,550					
Supplemental Instruction		7/1/07-6/30/08	500,308				461,173	(500,308)				(60,030)	20,895	
Examination and Classification		7/1/05-6/30/06	882,915	6,183						(6,183)				
Examination and Classification		7/1/06-6/30/07	843,050			(318,700)	319,800		(7,765)			(391,979)	1,326	
Examination and Classification		7/1/07-6/30/08	835,791				445,138	(835,791)					6,665	
Corrective Speech		7/1/06-6/30/07	693,780		147,459	(33,147)	(47,922)		57,009	(9,130)		(158,048)	15,447	
Corrective Speech		7/1/07-6/30/08	674,244				531,643	(674,244)					251	
Nonpublic Nursing	100-034-5120-070	7/1/05-6/30/06	824,629	10						(10)				
Nonpublic Nursing	100-034-5120-070	7/1/06-6/30/07	818,169	16,883	2	(26,263)	26,259		2	(16,883)				
Nonpublic Nursing	100-034-5120-070	7/1/07-6/30/08	826,891				800,952	(791,297)				(25,939)	35,594	
Total State Department of Education-passed-through districts and Special Revenue Fund				\$ 95,255	\$ 416,975	\$ (946,907)	\$ 6,238,616	\$ (6,194,787)	\$ 29,683	\$ (282,616)	\$ -	\$ (1,071,740)	\$ 268,165	\$ 88,314
Total State Awards				\$ 184,558	\$ 416,975	\$ (992,665)	\$ 8,282,604	\$ (8,396,018)	\$ 29,683	\$ (282,616)	\$ -	\$ (1,185,438)	\$ 268,165	\$ 88,314

Middlesex Regional Educational Services Commission

Notes to Schedules of Expenditures of Federal and State Awards

June 30, 2008

1. General

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

2. Basis of Accounting

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

3. Relationship to Basic Financial Statements

Amounts reported in the accompanying schedules agree with amounts reported in the Commission's basic financial statements. The basic financial statements present the special revenue fund on both a GAAP basis and a budgetary basis. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$9,477. A budgetary comparison schedule (RSI) at C-3 is presented for the special revenue fund to demonstrate. Federal and state award revenues are reported in the Commission's basic financial statements on a GAAP basis as follows:

	Federal	State	Total
General Fund		\$ 1,837,857	\$ 1,837,857
Special Revenue Fund	\$ 2,709,040	6,610,896	9,319,936
Enterprise Fund	456,265	22,092	478,357
Total financial award expenditures	\$ 3,165,305	\$ 8,470,845	\$ 11,636,150

Middlesex Regional Educational Services Commission

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

June 30, 2008

4. Relationship to Federal and State Financial Reports

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

5. Cancellations and Adjustments

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

6. Other

TPAF Social Security and pension contributions represent the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2008.

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

Middlesex Regional Educational Services Commission

Schedule of Findings and Questioned Costs

Year Ended June 30, 2008

Part I - Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes ✓ No

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

Noncompliance material to financial statements noted? Yes ✓ No

Federal Awards Section

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

Auditee qualified as low-risk auditee? ✓ Yes No

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

Internal control over compliance:

Material weakness(es) identified? Yes ✓ No

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

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

Middlesex Regional Educational Services Commission

Schedule of Findings and Questioned Costs

Year Ended June 30, 2008

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

State Awards Section

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

Auditee qualified as low-risk auditee? ✓ Yes No

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

Internal control over compliance:

Material weakness(es) identified? Yes ✓ No

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

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

Identification of major programs:

Federal Awards

CFDA Number	Name of Federal Program or Cluster
84.287C	21 st Century Community Learning Centers Program
10.555, 10.553, 10.000	National School Lunch, Breakfast and After School Snack Program Cluster

State Awards

GMIS Number State Grant Number	Name of State Program or Cluster
100-034-5120-064	N.J. Nonpublic Textbooks
100-034-5120-373	N.J. Nonpublic Technology Initiative
100-034-5120-070	N.J. Nonpublic Nursing
7000240	The Governor's Initiative on Autism

Middlesex Regional Educational Services Commission

Schedule of Findings and Questioned Costs

Year Ended June 30, 2008

Part II - Schedule of Financial Statement Findings

None reported.

Middlesex Regional Educational Services Commission

Schedule of Findings and Questioned Costs

Year Ended June 30, 2008

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

None reported.

Middlesex Regional Educational Services Commission

Summary Schedule of Prior Year Findings

Year Ended June 30, 2008

Not applicable.