

**Comprehensive Annual
Financial Report**

of the

Hunterdon County Educational Services Commission

County of Hunterdon

Lebanon, New Jersey

For the Fiscal Year Ended June 30, 2010

Prepared by

**Hunterdon County Educational Services Commission
Business Office**

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INTRODUCTORY SECTION



Hunterdon County Educational Services Commission
Academy at Tewksbury
51 Sawmill Road
Lebanon, NJ 08833
Phone: 908-806-2729 Fax: 908-439-2270

October 15, 2010

Honorable President and
Members of the Representative Assembly/Board of Directors
Hunterdon County Educational Services Commission
51 Sawmill Road
Lebanon, NJ 08833

Dear Board Members:

The comprehensive annual financial report of the Hunterdon County Educational Services Commission for the fiscal year ended June 30, 2010 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Representative Assembly/Board of Directors. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the Commission. All disclosures necessary to enable the reader to gain an understanding of the Commission's financial activities have been included.

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

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

The Commission was established on July 1, 1980 to provide governance for the countywide Hunterdon County Adult Education Program. Prior to 1980, the Adult Education Program was governed by a five member Advisory Committee appointed by the three high school districts, and the County Superintendent of Schools. The Local Educational Agency responsible for the Hunterdon County Adult Education Program from its inception in 1969 and prior to the establishment of the ESC had been the North Hunterdon Regional High School District.

The Commission's membership grew from a five-member organization during 1988 to 34 members in 2003. Expansion in membership brought increased expectations for services. To meet the demand, the Commission applied to the State Board of Education for an expansion of its charter to provide services beyond Adult Education. The State Board granted that permission at its meeting on December 6, 1989. Subsequently, cooperative purchasing and cooperative transportation, special education services, staff development, grant writing, computer services, Teen Arts, alternative education, school district management, nonpublic instructional and nursing services and technology services have been added as programs provided to schools, agencies and municipalities.

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

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

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

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

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

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

6) FINANCIAL INFORMATION AT FISCAL YEAR-END: As demonstrated by the various statements and schedules included in the financial section of this report, the Commission continues meeting its responsibility for sound financial management. You should review in detail the management's discussion and analysis for the fiscal year ended June 30, 2009, for Financial Summaries.

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

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

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

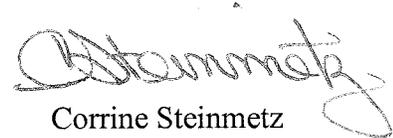
10) ACKNOWLEDGMENT: Suplee, Clooney & Company is acknowledged for its review of the Business Office operations and for financial advisory services.

Appreciation is expressed to the members of the Commission’s Board of Directors for their concern for providing fiscal accountability to the districts that use the Commission’s services and thereby contributing their support to the development and maintenance of our financial operation. Special appreciation is expressed to the members of the Representative Assembly/Board of Directors and Commission staff for their dedication, time, and expertise in making 2009–2010 a rewarding year.

Respectfully submitted,



Dennis Cox
Superintendent



Corrine Steinmetz
School Business Administrator/
Board Secretary

**HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
LEBANON, NEW JERSEY**

**ROSTER OF OFFICIALS
June 30, 2010**

<u>Members of the Commission</u>	<u>Term Expires</u>
Charles Miller, President – East Amwell Township	6/30/2010
William Moebus, Vice President - Holland Township	6/30/2010
Dr. Frank Guenther, Alexandria Township	6/30/2010
Dr. Andrew Rinko, Bedminster	6/30/2010
Dr. Nancy Lubarsky, Bethlehem	6/30/2010
Michael Galuppo, Bloomsbury	6/30/2010
Lavinia Trimmer, Califon	6/30/2010
John Alfieri, Clinton Borough	6/30/2010
Debbie Weiss, Clinton Township	6/30/2010
Tom Bruhl, Delaware Township	6/30/2010
Dr. Sandra Howell, Delaware Valley Regional High School	6/30/2010
Greg Nolan, Flemington / Raritan	6/30/2010
Eva M. Nagy, Franklin Township Somerset Cty.	6/30/2010
Rick Falkenstein, Frenchtown	6/30/2010
Deborah Broslawski, Glen Gardner	6/30/2010
No Representative, Hamilton Township	6/30/2010
Kimberly Donnenberg, Hampton	6/30/2010
Larissa Critelli, High Bridge	6/30/2010

**HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
LEBANON, NEW JERSEY**

**ROSTER OF OFFICIALS (CONTINUED)
June 30, 2010**

<u>Members of the Commission</u>	<u>Term Expires</u>
John Papazian, Hunterdon Central Regional High School	6/30/2010
Dr. Kim Metz, Hunterdon County Polytech	6/30/2010
David Oertle, Kingwood	6/30/2010
Dr. Todd Fay, Lambertville	6/30/2010
Mary Ann Durange, Lebanon Borough	6/30/2010
Judy Burd, Lebanon Township	6/30/2010
Teresa Kane, Milford	6/30/2010
Garry Peabody, North Hunterdon / Voorhees Regional	6/30/2010
David Livingston, Readington Township	6/30/2010
Nancy Gartenberg, South Hunterdon Regional High School	6/30/2010
Suzanne Ivans, Stockton	6/30/2010
Kelly Brakewood, Tewksbury	6/30/2010
Donald Shelton, Trenton	6/30/2010
Jeff Bender, Union Township	6/30/2010
Peter Merluzzi, Warren Hills Regional	6/30/2010
John Dupuis, West Amwell Township	6/30/2010
<u>Other Officials</u>	
Dennis J. Cox, Superintendent	
Corinne Steinmetz, Board Secretary/Business Administrator	

**HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
LEBANON, NEW JERSEY**

CONSULTANTS AND ADVISORS

Audit Firm

Suplee, Clooney & Co., CPA's
308 East Broad Street
Westfield, New Jersey 07090

Attorney

Comegno Law Group
521 Pleasant Valley Avenue
Moorestown, NJ 08057

Official Depository

TD Bank
87 Beaver Avenue
Clinton, NJ 08809

FINANCIAL SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Directors
Hunterdon County Educational Services Commission
County of Hunterdon
Lebanon, New Jersey 08833

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 Hunterdon County Educational Services Commission, County of Hunterdon, New Jersey as of and for the year ended June 30, 2010, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey and the provisions of U. S. Office of Management and Budget (OMB) Circular A-133 "Audits of State, Local Governments and Non-Profit Organizations" and State of New Jersey OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hunterdon County Educational Services Commission, County of Hunterdon, New Jersey as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

SUPLEE, CLOONEY & COMPANY

In accordance with Government Auditing Standards, we have also issued our report dated October 15, 2010 on our consideration of the Hunterdon County Educational Services Commission internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hunterdon County Educational Services Commission's basic financial statements. The introductory section, combining and individual fund schedules and statements, other schedules, statistical tables and the schedules of expenditures of federal awards and state financial assistance as listed in the table of contents are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations"; New Jersey OMB's Circular 04-04 "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid" and State of New Jersey, Department of Education, Division of Finance and are not a required part of the basic financial statements of the Hunterdon County Educational Services Commission, County of Hunterdon, New Jersey. Such information, except for the introductory section and that portion marked unaudited on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


CERTIFIED PUBLIC ACCOUNTANTS


PUBLIC SCHOOL ACCOUNTANT NO. 93

October 15, 2010

REQUIRED SUPPLEMENTARY INFORMATION – PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
LEBANON, NEW JERSEY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

The discussion and analysis of Hunterdon County Educational Services Commission's (HCESC) financial performance provides an overall review of the Commission's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the Commission's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Commission's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis of State and Local Governments* issued in June 1999. Certain comparative information between the current year (2009-2010) and the prior year (2008-2009) is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2010 are as follows:

- In total, net assets increased \$816,162 which represents a 16 percent increase from 2009.
- General revenues accounted for \$50,405 in revenue or 1 percent of all revenues. Program specific revenues in the form of charges for service and operating grants and contributions accounted for \$19,559,036 or 99 percent of total revenues of \$19,609,441.
- The Commission had \$18,793,279 in operating expenses.
- Among governmental funds, the General Fund had \$4,569,538 in revenues, \$4,110,064 in expenditures and other financing uses of \$11,557. The General Fund's fund balance increased by \$447,915 from 2009.
- Among proprietary funds, the Enterprise Fund had \$13,546,297 in revenues, \$12,811,856 in expenditures and other financing uses of \$581,014. The Enterprise Fund's fund balance increased by \$153,427 from 2009.

Using this Comprehensive Annual Financial Report (CAFR)

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

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

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
LEBANON, NEW JERSEY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

Reporting the Commission as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the Commission to provide programs and activities, the view of the Commission as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the Commission's Most Significant Funds

Fund Financial Statements

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

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
LEBANON, NEW JERSEY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

Governmental Funds

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

Enterprise Fund

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

The Commission as a Whole

Recall that the Statement of Net Assets provides the perspective of the Commission as a whole. Table 1 provides a summary of the School District's net assets for 2010 with a comparison of net assets with the school year ending 2009.

Table 1
Net Assets

Assets	<u>2010</u>	<u>2009</u>
Current and Other Assets	\$ 4,379,522	\$ 4,031,080
Capital Assets	<u>8,488,743</u>	<u>9,436,868</u>
Total Assets	<u>\$ 12,868,265</u>	<u>\$ 13,467,948</u>
Liabilities		
Long-Term Liabilities	\$ 6,861,656	\$ 8,255,214
Other Liabilities	<u>158,520</u>	<u>180,807</u>
Total Liabilities	<u>\$ 7,020,176</u>	<u>\$ 8,436,021</u>
Net Assets		
Invested in Capital Assets, Net of Debt	\$ 3,029,366	\$ 2,821,636
Unrestricted	<u>2,818,723</u>	<u>2,210,290</u>
Total Net Assets	<u>\$ 5,848,089</u>	<u>\$ 5,031,927</u>

The Commission's combined net assets were \$5,848,089 on June 30, 2010. This was an increase of 16 percent from the prior year.

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
LEBANON, NEW JERSEY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

Table 2 shows changes in net assets for fiscal year 2010 with comparable data for the fiscal year 2009.

Table 2
Changes in Net Assets

Revenues	2010	2009
Program Revenues:		
Charges for Services	\$ 17,706,058	\$ 18,972,947
Operating Grants and Contributions	1,852,978	1,958,883
General Revenues:		
Other	<u>50,405</u>	<u>77,721</u>
Total Revenues	19,609,441	21,009,550
Program Expenses		
Instruction	2,190,251	3,321,194
Support Services:		
Pupils and Instructional Staff	1,639,850	1,692,104
General and School Administration	785,694	1,197,763
Plant Operations and Maintenance	500,797	648,157
Pupil Transportation	621,833	709,605
Interest on Long-term Debt	173,702	
Special Schools	69,295	83,277
Business Type Activities	<u>12,811,856</u>	<u>13,655,381</u>
Total Expenses	18,793,279	21,307,481
Increase/(Decrease) in Net Assets	<u>\$ 816,162</u>	<u>\$ (297,930)</u>

Government Activities

The Commission's total revenues were \$19,609,441 for the year ended June 30, 2010. General revenues totaled \$50,405 or less than 1 percent of total revenues. Operating grants and contributions accounted for 9 percent of revenue. Program specific revenues in the form of charges for service accounted for 90 percent of total revenue.

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
LEBANON, NEW JERSEY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

Business-Type Activities

Revenues for the Commission's business-type activities were comprised of charges for services. These services include but are not limited to transportation, extraordinary services, adult education, computer services, and cooperative purchasing. Following are some of our major business-type activity results.

Overall business-type revenues exceeded expenditures by \$153,427.

- Charges for services represent \$13,546,297 of revenue. This represents amounts paid by individuals for various program services.

Governmental Activities

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

Table 3

	<u>Total Cost of Services 2010</u>	<u>Total Cost of Services 2009</u>	<u>Net Cost of Services 2010</u>	<u>Net Cost of Services 2009</u>
Instruction	\$ 2,190,251	\$ 3,321,194	\$ (2,703,933)	\$ (1,043,697)
Support Services:				
Pupils and Instructional Staff	1,639,850	1,692,104	635,464	803,624
General and School Administration	785,694	1,197,763	713,639	1,125,753
Plant Operation and Maintenance	500,797	648,157	470,496	604,151
Pupil Transportation	621,833	709,605	610,021	(39,235)
Debt Service	173,702		173,702	
Special Schools	69,295	83,277	69,295	83,277
Business Type Activities	<u>12,811,856</u>	<u>13,655,381</u>	<u>(734,441)</u>	<u>(1,158,222)</u>
Total Expenses	<u>\$ 18,793,279</u>	<u>\$ 21,307,481</u>	<u>\$ (765,757)</u>	<u>\$ 375,651</u>

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

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

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

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

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

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
LEBANON, NEW JERSEY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

The Commission's Funds

All governmental funds (i.e., general fund, special revenue fund and debt service fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$6,063,144 and expenditures were \$6,196,242.

As demonstrated by the various statements and schedules included in the financial section of this report, the Commission continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2010.

**TABLE 4
REVENUES OF THE GOVERNMENTAL FUNDS**

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Inc/(Dec) FY 2009</u>	<u>Percent Inc/(Dec)</u>
Local Sources	\$ 5,283,608	87.14%	\$ (42,105)	-0.79%
State Sources	361,414	5.96%	(40,828)	-10.15%
Federal Sources	<u>418,122</u>	<u>6.90%</u>	<u>(49,869)</u>	<u>-10.66%</u>
Total	\$ <u>6,063,144</u>	<u>100.00%</u>	\$ <u>(132,802)</u>	<u>-2.14%</u>

The following schedule represents a summary of general fund, and special revenue fund expenditures for the fiscal year ended June 30, 2010.

**TABLE 5
EXPENDITURES OF THE GOVERNMENTAL FUNDS**

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Inc/(Dec) FY 2009</u>	<u>Percent Inc/(Dec)</u>
Current:				
Instruction	\$ 1,584,959	25.58%	\$ (803,196)	-33.63%
Undistributed	3,949,417	63.74%	(1,035,781)	-20.78%
Debt Service	592,572	9.56%	198,441	50.35%
Special Schools	<u>69,295</u>	<u>1.12%</u>	<u>(13,983)</u>	<u>-16.79%</u>
Total	\$ <u>6,196,242</u>	<u>100.00%</u>	\$ <u>(1,654,518)</u>	<u>-21.07%</u>

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
LEBANON, NEW JERSEY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

Capital Assets

At the end of the fiscal year 2010, the Commission had \$8,488,743 invested in land, building, machinery and equipment. Table 6 shows fiscal year 2010 balances compared to 2009.

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

	June 30 <u>2010</u>	June 30 <u>2009</u>
Capital Assets (Net of Depreciation)		
Sites	\$ 647,800	\$ 647,800
Site Improvements	921,165	984,693
Building and Building Improvements	4,759,385	4,877,457
Machinery and Equipment	<u>2,160,393</u>	<u>2,926,918</u>
Total	<u>\$ 8,488,743</u>	<u>\$ 9,436,868</u>

Overall capital assets decreased \$948,125 from fiscal year 2009 to fiscal year 2010. This was mainly due to annual depreciation.

Debt Administration

At the end of the fiscal year 2010, the Commission had \$6,861,656 of outstanding long-term debt. Table 7 shows fiscal year 2010 balances compared to 2009.

**TABLE 7
OUTSTANDING DEBT**

	June 30 <u>2010</u>	June 30 <u>2009</u>
Governmental Funds		
Capital Leases	\$ 3,388,183	\$ 3,801,984
Compensated Absences	37,712	39,734
Business Type Funds		
Capital Leases	<u>3,435,761</u>	<u>4,413,496</u>
Total	<u>\$ 6,861,656</u>	<u>\$ 8,255,214</u>

Contacting the Commission's Financial Management Office

This financial report is designed to provide our citizens, 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 Mr. Dennis Cox, Superintendent, Hunterdon County Educational Services Commission, 51 Sawmill Road, Lebanon, NJ 08833.

BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the Commission's operations. These financial statements present the financial position and operating results of all funds as of June 30, 2010.

DISTRICT-WIDE FINANCIAL STATEMENTS

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

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
STATEMENT OF NET ASSETS
JUNE 30, 2010

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
ASSETS			
Cash and cash equivalents	\$759,159.43	\$2,254,157.58	\$3,013,317.01
Receivables, net	266,723.88	1,099,480.86	1,366,204.74
Capital assets:			
Land and Construction in Progress	647,800.00		647,800.00
Other capital assets, net of depreciation	5,769,748.53	2,071,194.61	7,840,943.14
Total Assets	<u>7,443,431.84</u>	<u>5,424,833.05</u>	<u>12,868,264.89</u>
LIABILITIES			
Accounts payable	6,413.01	36,370.07	42,783.08
Interfund payables	884.29		884.29
Payable to state government	49,529.00		49,529.00
Deferred revenue	640.50	23,178.07	23,818.57
Accrued interest on bonds	41,505.24		41,505.24
Noncurrent liabilities:			
Due within one year:			
Capital leases payable	434,452.84	1,412,759.54	1,847,212.38
Due beyond one year:			
Compensated absences payable	37,712.08		37,712.08
Capital leases payable	2,953,730.04	2,023,001.32	4,976,731.36
Total liabilities	<u>3,524,867.00</u>	<u>3,495,309.00</u>	<u>7,020,176.00</u>
NET ASSETS			
Invested in capital assets, net of related debt	3,029,365.65		3,029,365.65
Unrestricted	<u>889,199.19</u>	<u>1,929,524.05</u>	<u>2,818,723.24</u>
Total net assets	<u><u>\$3,918,564.84</u></u>	<u><u>\$1,929,524.05</u></u>	<u><u>\$5,848,088.89</u></u>

See accompanying notes to financial statements.

MAJOR FUND FINANCIAL STATEMENTS

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

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	<u>GENERAL</u> <u>FUND</u>	<u>SPECIAL</u> <u>REVENUE</u> <u>FUND</u>	<u>TOTAL</u> <u>GOVERNMENTAL</u> <u>FUNDS</u>
ASSETS			
Cash and cash equivalents	\$ 759,159.43	\$	\$ 759,159.43
Due from other funds	132,902.16		132,902.16
Receivables from other governments	<u>80,020.47</u>	<u>186,703.41</u>	<u>266,723.88</u>
Total assets	\$ <u>972,082.06</u>	\$ <u>186,703.41</u>	\$ <u>1,158,785.47</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 2,781.26	\$ 3,631.75	\$ 6,413.01
Interfund payables	884.29	132,902.16	133,786.45
Payable to state government		49,529.00	49,529.00
Deferred revenue		<u>640.50</u>	<u>640.50</u>
Total liabilities	<u>3,665.55</u>	<u>186,703.41</u>	<u>190,368.96</u>
Fund balances:			
Unreserved, reported in:			
General fund:			
Undesignated	<u>968,416.51</u>		<u>968,416.51</u>
Total fund balances	<u>968,416.51</u>		<u>968,416.51</u>
Total liabilities and fund balances	\$ <u>972,082.06</u>	\$ <u>186,703.41</u>	

See accompanying notes to financial statements.

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

Total Fund Balances (Brought Forward)		\$968,416.51
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.		
Cost of Assets	\$8,468,501.50	
Accumulated Depreciation	<u>(2,050,952.97)</u>	6,417,548.53
Long term liabilities, including bonds payable, and other related amounts that are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Compensated Absences	(37,712.08)	
Capital Leases	<u>(3,388,182.88)</u>	(3,425,894.96)
Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.		
Accrued Interest Payable	<u>(41,505.24)</u>	<u>(41,505.24)</u>
Net Assets of Governmental Activities		<u><u>\$3,918,564.84</u></u>

See accompanying notes to financial statements.

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Local sources:				
Tuition	\$4,159,560.35			\$4,159,560.35
Transportation	200.00			\$200.00
Miscellaneous	50,405.14	\$1,073,442.15		1,123,847.29
Total revenues - local sources	4,210,165.49	1,073,442.15		5,283,607.64
State sources	359,372.34	2,041.50		361,413.84
Federal sources		418,122.30		418,122.30
Total revenues	4,569,537.83	1,493,605.95		6,063,143.78
EXPENDITURES:				
Current expense:				
Special instruction	1,003,131.79	565,308.79		1,568,440.58
Other Instruction	16,518.45			16,518.45
Support services:				
Student & instruction related services	462,325.39	928,297.16		1,390,622.55
General administrative services	48,271.71			48,271.71
School administrative services	349,882.42			349,882.42
Central services	87,518.84			87,518.84
Administration information technology	14,144.00			14,144.00
Plant operations and maintenance	415,316.39			415,316.39
Pupil transportation	589,963.09			589,963.09
Allocated benefits	67,358.90			67,358.90
Unallocated benefits	986,339.28			986,339.28
Debt Service:				
Principal			\$413,800.96	413,800.96
Interest			178,770.76	178,770.76
Special schools	69,294.50			69,294.50
Total expenditures	4,110,064.76	1,493,605.95	592,571.72	6,196,242.43
Excess (deficiency) of revenues over (under) expenditures	459,473.07		(592,571.72)	(133,098.65)
Other financing sources (uses):				
Transfers in/(out)	(11,557.61)		592,571.72	581,014.11
Total other financing sources (uses)	(11,557.61)		592,571.72	581,014.11
Net change in fund balances	447,915.46			447,915.46
Fund balances, July 1, 2009	520,501.05	-0-		520,501.05
Fund balances, June 30, 2010	\$968,416.51	\$-0-	\$-0-	\$968,416.51

See accompanying notes to financial statements.

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Total net change in fund balances - governmental funds (from B-2)	\$447,915.46
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p>	
<p>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</p>	
Depreciation expense	(206,071.80)
<p>Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.</p>	
Payment of capital lease payable	413,800.96
<p>In the statement of activities, interest on long-term debt is accrued, regardless of when due. In governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation.</p>	
	5,069.06
<p>In the statement of activities, certain expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).</p>	
Increase in Compensated Absences	<u>2,021.83</u>
Change in net assets of governmental activities	<u><u>\$662,735.51</u></u>

See accompanying notes to financial statements.

OTHER FUNDS

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	<u>ENTERPRISE FUND</u>	<u>TOTAL ENTERPRISE</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$2,254,157.58	\$2,254,157.58
Accounts receivable - other	1,099,480.86	1,099,480.86
	<u>3,353,638.44</u>	<u>3,353,638.44</u>
Total current assets		
Noncurrent assets:		
Furniture, machinery & equipment	11,795,726.32	11,795,726.32
Less accumulated depreciation	(9,724,531.71)	(9,724,531.71)
	<u>2,071,194.61</u>	<u>2,071,194.61</u>
Total noncurrent assets		
	<u>5,424,833.05</u>	<u>5,424,833.05</u>
Total assets		
LIABILITIES		
Current liabilities:		
Accounts payable	36,370.07	36,370.07
Deferred revenue	23,178.07	23,178.07
Capital leases payable	3,435,760.86	3,435,760.86
	<u>3,495,309.00</u>	<u>3,495,309.00</u>
Total current liabilities		
	<u>3,495,309.00</u>	<u>3,495,309.00</u>
Total liabilities		
NET ASSETS		
Unrestricted	1,929,524.05	1,929,524.05
	<u>\$1,929,524.05</u>	<u>\$1,929,524.05</u>
Total net assets		

See accompanying notes to financial statements.

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>ENTERPRISE FUND</u>	<u>TOTAL ENTERPRISE</u>
OPERATING REVENUES:		
Charges for services:		
Transportation	\$12,035,153.96	\$12,035,153.96
Extraordinary services	721,060.94	721,060.94
Technology services	617,786.09	617,786.09
Purchasing	155,521.13	155,521.13
Miscellaneous	16,775.05	16,775.05
Total operating revenues	<u>13,546,297.17</u>	<u>13,546,297.17</u>
OPERATING EXPENSES:		
Transportation	10,123,407.36	10,123,407.36
Extraordinary services	519,944.03	519,944.03
Technology services	932,493.93	932,493.93
Purchasing	144,197.64	144,197.64
Miscellaneous	25,146.13	25,146.13
Depreciation	1,055,109.55	1,055,109.55
Cost of sales	11,557.61	11,557.61
Total operating expenses	<u>12,811,856.25</u>	<u>12,811,856.25</u>
Operating income	<u>734,440.92</u>	<u>734,440.92</u>
NONOPERATING REVENUES: (EXPENSES)		
Transfer out - debt service	(592,571.72)	(592,571.72)
Board contribution	11,557.61	11,557.61
Total nonoperating revenues	<u>(581,014.11)</u>	<u>(581,014.11)</u>
Change in net assets	<u>153,426.81</u>	<u>153,426.81</u>
Total net assets - beginning	<u>1,776,097.24</u>	<u>1,776,097.24</u>
Total net assets - ending	<u>\$1,929,524.05</u>	<u>\$1,929,524.05</u>

See accompanying notes to financial statements.

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	ENTERPRISE FUND	TOTAL ENTERPRISE
Cash flows from operating activities:		
Receipts from customers	\$13,169,892.35	\$13,169,892.35
Payments to suppliers	(11,715,808.52)	(11,715,808.52)
Net cash provided by (used for) operating activities)	1,454,083.83	1,454,083.83
Cash flows from noncapital financing activities:		
Operating subsidies and transfers to other funds	(581,014.11)	(581,014.11)
Net cash provided by noncapital financing activities	(581,014.11)	(581,014.11)
Cash flows from investing activities:		
Purchases of capital assets	(313,056.00)	(313,056.00)
Net cash provided by (used for) investing activities	(313,056.00)	(313,056.00)
Cash flows from financing activities:		
Proceeds from the issuance of capital leases	314,000.00	314,000.00
Repayment of capital lease principal	(1,291,735.50)	(1,291,735.50)
Net cash provided by (used for) financing activities	(977,735.50)	(977,735.50)
Net increase in cash and cash equivalents	(417,721.78)	(417,721.78)
Cash and cash equivalents, July 1, 2009	2,671,879.36	2,671,879.36
Cash and cash equivalents, June 30, 2010	\$2,254,157.58	\$2,254,157.58
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	\$734,440.92	\$734,440.92
Adjustments to reconciling operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	1,055,109.55	1,055,109.55
Change in assets and liabilities:		
(Increase)/Decrease in Accounts Receivable - Other	(393,673.31)	(393,673.31)
(Increase) decrease in prepaid expenses	4,568.11	\$4,568.11
Increase (Decrease) in accounts payable	36,370.07	\$36,370.07
Increase (Decrease) in deferred revenue	17,268.49	\$17,268.49
	719,642.91	719,642.91
Net cash provided by (used for) operating activities	\$1,454,083.83	\$1,454,083.83

See accompanying notes to financial statements.

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Agency Funds
ASSETS	
Cash and cash equivalents	\$331,587.91
Interfunds receivable	884.29
	332,472.20
Total Assets	332,472.20
 LIABILITIES	
Net payroll/summer pay	\$232,671.81
Payroll deductions and withholdings	99,800.39
	332,472.20
Total Liabilities	332,472.20

See accompanying notes to financial statements.

Hunterdon County Education Services Commission
Notes to the Financial Statements
June 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The Hunterdon County Educational Services Commission is an independent public body organized under the Education Laws of the State of New Jersey. Each member Commission annually elects a representative to sit on the Commissions Representative Assembly. Annually, the Representative Assembly elects not fewer than 15 of its members to sit on the Commission's Board of Directors. The Commission's Board of Directors is responsible for the fiscal control of the Commission. A Superintendent is appointed by the Commission and is responsible for the administrative control of the Commission.

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

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

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

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

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Basis of Accounting

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

Basis of Presentation

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

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

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

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Types

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

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

Special Revenue Fund - The Commission accounts for the proceeds of specific revenue sources from County, State and Federal Governments (other than major capital projects or the enterprise funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Capital Projects Fund - The capital projects fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the members of the Commission.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of principal and interest on bonds issued to finance major property acquisition, construction and improvement programs.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Fund

Enterprise Fund - The enterprise fund accounts for all revenues and expenses pertaining to the Commission's program operations for transportation, extraordinary services, adult education, computer services and cooperative purchasing. These funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Fiduciary Fund Types

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

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

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting – Measurement Focus

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

District-wide, Proprietary, and Fiduciary Fund Financial Statements: The Districtwide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. “Measurable” means the amount of the transactions can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control

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

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

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

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

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

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrance Accounting

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

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

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

Interfunds

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

Inventories and Prepaid Expenses

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

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

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

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

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

Compensated Absences

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

Commission employees are granted varying amounts of vacation and sick leave in accordance with the Commission's personnel policy. The Commission's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement all accrued time lapses unless otherwise specified in accordance with the Commission's agreements with the various employee unions.

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

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Salaries and Wages

Certain Commission employees, who provide service to the Commission over the ten month academic year, have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but not distributed amounts be retained in a separate bank account. As of June 30, 2010, the amount earned by these employees but not yet distributed was \$232,671.81.

Deferred Revenue

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

Accrued Liabilities and Long-Term Obligations

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

Net Assets

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

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Reserves

The Commission reserves those portions of fund balance which are legally segregated for a specific future use of which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances.

Revenues – Exchange and Nonexchange Transactions

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

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

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

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues and Expenses

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

Allocation of Indirect Expenses

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

Extraordinary and Special Items

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

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2010

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

Deposits

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

The Hunterdon County Educational Services Commission had the following cash and cash equivalents at June 30, 2010.

Fund Type:	<u>Cash in Bank</u>	<u>Petty Cash</u>	<u>Total</u>
Governmental	\$758,759.43	\$400.00	\$759,159.43
Proprietary	2,254,157.58		2,254,157.58
Fiduciary	331,587.91		331,587.91
	<u>\$3,344,504.92</u>	<u>\$400.00</u>	<u>\$3,344,904.92</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Commission does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of June 30, 2010, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash on balance in the bank, \$470,251.31 was covered by Federal Depository Insurance and \$2,874,253.61 was covered by NJGUDPA.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2010

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

Investments

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

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
2. Government money market mutual funds which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a-1 et seq., and operated in accordance with 17 C.F.R. § 270.2a-7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 18A:20-37. These funds are also required to be rated by a nationally recognized statistical rating organization.
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor.
4. Bonds or other obligations of the Local Unit or bonds or other obligations of Commissions of which the Local Unit is a part or within which the Commission is located.
5. Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Investment of the Department of Treasury for investment by Commissions.
6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 18A:20-37. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2010

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

Investments (Continued)

7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C. 52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is not more than 30 days;
 - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C. 17:19-41); and;
 - e. a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2010, the Commission had no investments. Based upon the limitations set forth by New Jersey Statutes 40A:5-15.1 and existing investment practices, the Commission is generally not exposed to credit risks and interest rate risks for its investments, nor is it exposed to foreign currency risk for its deposits and investments.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2010

NOTE 3: CHANGE IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 647,800.00	\$ _____	\$ _____	\$ 647,800.00
Total Capital assets not being depreciated	<u>647,800.00</u>	<u>_____</u>	<u>_____</u>	<u>647,800.00</u>
Land Improvements	1,270,572.00			1,270,572.00
Building and Building Improvements	6,214,314.00			6,214,314.00
Machinery and Equipment	335,815.50			335,815.50
Totals as historical cost	<u>7,820,701.50</u>	<u>_____</u>	<u>_____</u>	<u>7,820,701.50</u>
Total Gross assets (Memo only)	<u>\$ 8,468,501.50</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 8,468,501.50</u>
Less: Accumulated Depreciation for:				
Land Improvements	\$ (285,878.71)	\$ (63,528.60)	\$ _____	\$ (349,407.31)
Building and Building Improvements	(1,336,856.87)	(118,071.97)		(1,454,928.84)
Furniture and Equipment	(222,145.59)	(24,471.23)		(246,616.82)
Total depreciation	<u>(1,844,881.17)</u>	<u>(206,071.80)</u>	<u>_____</u>	<u>(2,050,952.97)</u>
Total Capital assets being depreciated net of accumulated depreciation	<u>5,975,820.33</u>	<u>(206,071.80)</u>	<u>_____</u>	<u>5,769,748.53</u>
Governmental activities capital assets, net	<u>\$ 6,623,620.33</u>	<u>\$ (206,071.80)</u>	<u>\$ _____</u>	<u>\$ 6,417,548.53</u>
Business-type activities:				
Equipment	\$ 11,532,438.45	\$ 313,056.00	\$ 49,768.13	\$ 11,795,226.32
Less: Accumulated Depreciation	<u>(8,719,190.29)</u>	<u>(1,055,109.55)</u>	<u>(49,768.13)</u>	<u>(9,724,531.71)</u>
Proprietary fund capital assets, net	<u>\$ 2,813,248.16</u>	<u>\$ (742,053.55)</u>	<u>\$ _____</u>	<u>\$ 2,071,194.61</u>

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2010

NOTE 3: CHANGE IN CAPITAL ASSETS

Depreciation Expense was charged to governmental expenses as follows:

Instruction:		
Special	\$	117,460.93
Support Services:		
Student & Instruction Related Services		28,850.05
General Administrative Services		18,546.46
School Administrative Services		18,546.46
Plant Operations & Maintenance		<u>22,667.90</u>
	\$	<u><u>206,071.80</u></u>

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2010

NOTE 4: LONG-TERM DEBT

On December 28, 2006, the Commission closed a refinancing with the single-investor Lessor Commerce Commercial Leasing in the amount of \$15,496,000.00 representing the refinancing of the 1994 Certificates of Participation Lease ("COPS"), the 2000 COPS, the 2001 COPS and Tewksbury Mortgage as well as all of the single-investor school bus lease purchases with Blue Bird that were held by the LaSalle National Bank and Ford Motor Credit.

The following is a summary of changes in liabilities that effect other long-term obligations for the year ended June 30, 2010.

Governmental Fund:

	<u>Capital Leases</u>	<u>Compensated Absences Payable</u>	<u>Sub-Total</u>
Balance June 30, 2009 - restated	\$ 3,801,983.84	\$ 39,733.91	\$ 3,841,717.75
Additions	<u>3,801,983.84</u>	<u>39,733.91</u>	<u>3,841,717.75</u>
Deletions	<u>413,800.96</u>	<u>2,021.83</u>	<u>415,822.79</u>
Balance June 30, 2010	<u>\$ 3,388,182.88</u>	<u>\$ 37,712.08</u>	<u>\$ 3,425,894.96</u>
Amounts due within one year	<u>\$ 434,452.84</u>		

Proprietary Fund:

	<u>Capital Leases</u>	<u>Sub-Total</u>
Balance June 30, 2009	\$ 4,413,496.36	\$ 4,413,496.36
Additions	<u>314,000.00</u>	<u>314,000.00</u>
	<u>4,727,496.36</u>	<u>4,727,496.36</u>
Deletions	<u>1,291,735.50</u>	<u>1,291,735.50</u>
Balance June 30, 2010	<u>\$ 3,435,760.86</u>	<u>\$ 3,435,760.86</u>
Amounts due within one year	<u>\$ 1,412,759.54</u>	

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2010

NOTE 4: LONG-TERM DEBT (CONTINUED)

Capital Leases

The annual requirements to amortize all debt outstanding as of June 30, 2010, with interest payments on issued debt, are as follows:

Fiscal Year Ended <u>June 30,</u>	<u>Governmental Fund</u>		<u>Proprietary Fund</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2011	\$ 434,452.84	\$ 158,118.88	\$ 1,412,759.54	\$ 132,082.41	\$ 2,137,413.67
2012	456,135.40	136,436.32	1,480,420.82	64,421.13	2,137,413.67
2013	478,900.10	113,671.62	186,487.37	18,303.42	797,362.51
2014	502,800.91	89,770.81	192,754.43	12,036.36	797,362.51
2015	527,894.58	64,677.14	163,338.70	5,558.31	761,468.73
2016	554,240.60	38,331.12			592,571.72
2017	433,758.45	10,670.34			444,428.79
	<u>\$ 3,388,182.88</u>	<u>\$ 611,676.23</u>	<u>\$ 3,435,760.86</u>	<u>\$ 232,401.63</u>	<u>\$ 7,668,021.60</u>

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2010

NOTE 5: PENSION PLANS

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

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

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

Vesting and Benefit Provisions - The vesting and benefit provisions of PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years).

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2010

NOTE 5: PENSION PLANS (CONTINUED)

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

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

Significant Legislation – Chapter 103, P.L. 2007 changed the contribution rate of the TPAF and PERS to 5.5% of annual compensation; imposed an annual maximum contribution base for members hired on or after July 1, 2007; and amended the early retirement reduction formula for new members. Any members of the system enrolled on or after July 1, 2007 must be at least 60 years of age in order to retire without a reduction in their retirement allowance. In addition, the funding of the post-retirement medical benefits through the TPAF was eliminated. Chapter 92, P.L. 2007 changed the pension loan interest rate to 4.69% per annum. The legislation also removed language from the existing law that permitted the State Treasurer to reduce employer pension contributions needed to fund the system when excess assets are available.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2010

NOTE 5: PENSION PLANS (CONTINUED)

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

<u>Three-Year Trend Information for PERS</u>			
<u>Year</u> <u>June 30,</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2010	\$576,986.00	100.00%	\$576,986.00
2009	\$495,699.00	100.00%	\$495,699.00
2008	\$418,808.00	100.00%	\$418,808.00

<u>Three-Year Trend Information for TPAF (Paid on-behalf of the District)</u>			
<u>Year</u> <u>June 30,</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2010	\$189,457.00	100.00%	\$189,457.00
2009	\$189,346.00	100.00%	\$189,346.00
2008	\$305,139.00	100.00%	\$305,139.00

During the fiscal year ended June 30, 2010, the State of New Jersey contributed \$179,879.00 to the TPAF for post-retirement medical benefits and \$9,578.00 for the non-contributory insurance premiums on behalf of the Commission. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Commission \$169,915.34 during the year ended June 30, 2010 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the basic financial statements, and the combining and individual fund and account group statements and schedules as a revenue and expenditure in accordance with GASB 27.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2010

NOTE 6: OTHER POST-RETIREMENT BENEFITS

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

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

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on state disability retirement. P.L. 2007, Chapter 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2009, there were 84,590 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State made post-retirement (PRM) contributions of \$1.38 billion for fiscal year 2009 and \$3.22 million for fiscal year 2008.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$116.9 million toward Chapter 126 benefits for 13,320 eligible retired members in Fiscal Year 2009.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2010

NOTE 6: OTHER POST-RETIREMENT BENEFITS (CONTINUED)

The State will set the contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the Commission for the years ended June 30, 2010, 2009 and 2008 were \$179,879, \$179,915 and \$74,277, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the Commission was not determined or made available by the State of New Jersey.

NOTE 7: LITIGATION

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

NOTE 8: CONTINGENCIES

The Commission receives financial assistance from the State of New Jersey and the U.S. Government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. The State and Federal grants received and expended in the 2009-2010 fiscal year were subject to the U.S. OMB A-133 and New Jersey OMB Circular 04-04 which mandates that grant revenues and expenditures be audited in conjunction with the Commission's annual audit. Findings and questioned costs, if any, relative to federal and state financial assistance programs will be discussed in the Single Audit Section, Schedule of Findings and Questioned Costs. In addition, all grants and cost reimbursements are subject to financial and compliance audits by the grantors. Further, the School Child Nutrition Program is a recipient of federal reimbursements and is subject to certain related federal regulations. These federal reimbursements are subject to subsequent audit and interpretation by the New Jersey Department of Education. The Commission's management does not believe such an audit would result in material amounts of disallowed costs.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2010

NOTE 9: RISK MANAGEMENT

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

Property and Liability Insurance - The Commission maintains coverage through the New Jersey School Boards Association Insurance Group for property, liability, and student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

NOTE 10: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2010:

<u>FUND</u>	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
General Fund	\$ 132,902.16	\$ 884.29
Special Revenue Fund		132,902.16
Agency	<u>884.29</u>	<u> </u>
	<u>\$ 133,786.45</u>	<u>\$ 133,786.45</u>

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

NOTE 11: FUND BALANCE APPROPRIATED

General Fund – All of the \$968,416.51 in General Fund Balance at June 30, 2010 is unreserved and undesignated.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2010

NOTE 12: DEFERRED COMPENSATION

The Commission offers its employees a choice of the deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457. The plans permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death, or unforeseeable emergency. Since the Commission does not have any property or rights to the plan assets and no fiduciary relationship exists between the Commission and the deferred compensation plan, the plan assets are not included in the Commission's financial statements as of June 30, 2010.

NOTE 12: PRIOR PERIOD ADJUSTMENTS

The below adjustments were reflected against the beginning Net Assets balance on the Commission Wide Statements as follows:

	<u>Governmental Activities</u>
Beginning Net Assets 06/30/09	\$3,209,956.11
Adjustments:	
Compensated absences	63,321.52
Depreciation expense	<u>(17,448.30)</u>
Beginning Net Assets 06/30/09 (as restated)	<u><u>\$3,255,829.33</u></u>

During the Fiscal Year 2010 the Commission recalculated certain liabilities for compensated absences and depreciation that had been recorded in the prior year. In doing so, a decrease in the liability was recorded. As a result, the above adjustment was required of the beginning Net Assets balance in the Governmental-Type Funds as reflected above.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

BUDGETARY COMPARISON SCHEDULES

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2010

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
REVENUES					
Local sources					
Tuition	\$ 2,750,000.00		\$ 2,750,000.00	\$ 4,159,560.35	\$ 1,409,560.35
Transportation fees from other LEAs	550,000.00		550,000.00	200.00	(549,800.00)
Unrestricted miscellaneous revenues	46,500.00		46,500.00	50,405.14	3,905.14
Total revenues-local sources	3,346,500.00		3,346,500.00	4,210,165.49	863,665.49
State sources					
Reimbursed TPAF social security contributions (non-budgeted)				169,915.34	169,915.34
On-behalf TPAF post retirement medical (non-budgeted)				189,457.00	189,457.00
Total - state sources				359,372.34	359,372.34
Total revenues	3,346,500.00		3,346,500.00	4,569,537.83	1,223,037.83
EXPENDITURES					
CURRENT EXPENSE					
Special education - instruction					
Behavioral Disabilities:					
Salaries of Teachers	156,000.00	(41,007.72)	114,992.28	114,992.28	
Other Salaries for Instruction	92,000.00	(92,000.00)			
General Supplies	1,500.00	(300.00)	1,200.00	386.67	813.33
Total Behavioral Disabilities	249,500.00	(133,307.72)	116,192.28	115,378.95	813.33
Multiple Disabilities:					
Salaries of Teachers	758,000.00	(86,052.06)	671,947.94	671,947.94	
Other Salaries for Instruction	18,000.00	195,221.80	213,221.80	213,221.80	
General Supplies	7,500.00	(21.09)	7,478.91	2,583.10	4,895.81
Total Multiple Disabilities	783,500.00	109,148.65	892,648.65	887,752.84	4,895.81
Total Special Education - Instruction	1,033,000.00	(24,159.07)	1,008,840.93	1,003,131.79	5,709.14
Other Instructional Programs - Instruction:					
Salaries		16,920.00	16,920.00	16,450.00	470.00
Supplies and Materials		1,880.00	1,880.00	68.45	1,811.55
Total Other Instructional Programs - Instruction		18,800.00	18,800.00	16,518.45	2,281.55

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2010

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
Undistributed Expenditures - Health Services:					
Salaries	92,245.00		92,245.00	76,964.05	15,280.95
Total Undistributed Expenditures - Health Services	92,245.00		92,245.00	76,964.05	15,280.95
Undistributed Expend. - Speech, OT, PT & Related Services:					
Salaries	60,000.00	(365.65)	59,634.35	59,576.50	57.85
Total Undistributed Expend. - Speech, OT, PT & Related Services	60,000.00	(365.65)	59,634.35	59,576.50	57.85
Undistributed Expenditures - Guidance:					
Salaries of Other Professional Staff	117,000.00	(15,000.00)	102,000.00	52,632.00	49,368.00
Total Undistributed Expenditures - Guidance	117,000.00	(15,000.00)	102,000.00	52,632.00	49,368.00
Undistributed Expenditures - Child Study Teams:					
Salaries of Other Professional Staff	320,000.00	(35,600.00)	284,400.00	217,068.96	67,331.04
Total Undistributed Expenditures - Child Study Teams	320,000.00	(35,600.00)	284,400.00	217,068.96	67,331.04
Undistributed Expenditures - Improvement of Instr. Serv.:					
Salaries of Supervisors of Instruction	50,620.00		50,620.00	50,618.88	1.12
Total Undistributed Expenditures - Improvement of Instr. Serv.	50,620.00		50,620.00	50,618.88	1.12
Undistributed Expend. - Educational Media Serv./School Library:					
Purchased Professional and Technical Services	35,000.00		35,000.00	5,000.00	30,000.00
Total Undistributed Expend. - Educational Media Serv./School Library	35,000.00		35,000.00	5,000.00	30,000.00
Undistributed Expend. - Instructional Staff Training Services:					
Purchased Professional - Educational Services	2,500.00	(570.00)	1,930.00	465.00	1,465.00
Total Undistributed Expend. - Instructional Staff Training Services	2,500.00	(570.00)	1,930.00	465.00	1,465.00
Undistributed Expend.-Support Services-General Administration:					
Legal Services	23,000.00	(1,925.47)	21,074.53	8,537.35	12,537.18
Audit Fees	8,200.00	175.00	8,375.00	8,375.00	
Other Purchased Professional Services	34,800.00		34,800.00	3,168.06	31,631.94
Communications/Telephone	34,500.00	(11,978.67)	22,521.33	9,248.00	13,273.33
BOE Other Purch Serv	3,400.00		3,400.00	3,400.00	
Misc. Purchased Services (400-500 series; OIT 530 & 585)	12,500.00	(851.63)	11,648.37	4,421.71	7,226.66
BOE in-house Training/Meeting Supplies	10,000.00	(175.00)	9,825.00	785.99	9,039.01
Miscellaneous Expenditures	17,688.00	783.40	18,451.40	13,735.60	4,715.80
Total Undistributed Expend.-Support Services-General Administration	144,068.00	(13,972.37)	130,095.63	48,271.71	81,823.92

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2010

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
Undistributed Expend - Support Services- School Administration:					
Salaries of Principals/Assistant Principals	338,420.00	(7,470.35)	330,949.65	274,483.58	56,466.07
Salaries of Secretarial and Clerical Assistants	50,006.00	23,642.02	73,648.02	73,576.60	71.42
Supplies and Materials	3,500.00	2,306.09	5,806.09	1,822.24	3,983.85
Total Undistributed Expend -Support Services- School Administration	391,926.00	18,477.76	410,403.76	349,882.42	60,521.34
Undistributed Expend - Central Services					
Salaries	100,000.00	100.00	100,000.00	84,572.88	15,427.12
Purchased Professional Services	5,500.00	(1,960.00)	3,540.00	100.00	694.04
Supplies and Materials				2,845.96	
Total Undistributed Expend - Central Services	105,500.00	(1,860.00)	103,640.00	87,518.84	16,121.16
Undistributed Expend - Admin. Info. Technology:					
Other Purchased Services (400-500 series)	10,400.00	3,744.00	14,144.00	14,144.00	
Supplies and Materials	3,000.00	(3,000.00)			
Total Undistributed Expend - Admin. Info. Technology	13,400.00	744.00	14,144.00	14,144.00	
Undistributed Expend -Required Maintenance for School Facilities:					
Salaries	190,000.00	5,593.04	195,593.04	181,934.09	13,658.95
General Supplies	25,000.00	8,500.00	33,500.00	23,134.75	10,365.25
Total Undistributed Expend -Required Maintenance for School Facilities	215,000.00	14,093.04	229,093.04	205,068.84	24,024.20
Undistributed Expend -Custodial Services:					
Cleaning Repair and Maintenance Services	80,000.00	12,150.00	92,150.00	69,759.48	22,390.52
Rental of Land & Bldg. Other than Lease Purch. Agreement	12,000.00		12,000.00	12,000.00	
Insurance	13,000.00	295.62	13,295.62	12,103.69	1,191.93
Energy (Natural Gas)		16,000.00	16,000.00	5,913.24	10,086.76
Energy (Electricity)	142,500.00	10,000.00	152,500.00	122,471.14	30,028.86
Total Undistributed Expend -Custodial Services	247,500.00	38,445.62	285,945.62	210,247.55	75,698.07
Total Undistributed Expend - Oper & Maintenance of Plant Serv.	462,500.00	52,538.66	515,038.66	415,316.39	99,722.27
Undistributed Expend -Student Transportation Services:					
Salaries for Pupil Transportation (bet. home & school)-Special Ed	60,000.00	16,500.00	76,500.00	69,720.85	6,779.15
Other Purchased Professional and Technical Services	500.00	500.00	1,000.00	500.00	500.00
Cleaning, Repair and Maintenance Services	4,000.00	1,000.00	5,000.00	2,298.83	2,701.17
Lease Purchase Payments - School Buses	18,000.00		18,000.00	17,400.48	599.52
Contracted Services (other than between home and school) - Vendors	2,000.00		2,000.00	2,000.00	
Contracted Services - Special Ed. Students- Vendors	803,370.00	(6,000.00)	797,370.00	499,766.70	297,603.30
Contracted Services - Special Ed. Students - ESC & CTSA	3,000.00		3,000.00	3,000.00	
General Supplies	33,000.00	(27,000.00)	6,000.00	776.23	5,223.77
Total Undistributed Expend -Student Transportation Services	923,870.00	(15,500.00)	908,370.00	589,963.09	318,406.91

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2010

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
Special Programs - Instruction:					
Tuition Reimbursement	2,500.00	2,984.00	5,484.00	4,259.00	1,225.00
Total Special Programs - Instruction	2,500.00	2,984.00	5,484.00	4,259.00	1,225.00
Support Services - Central Services:					
Social Security Contributions	10,374.00	101.05	10,475.05	10,395.20	79.85
Other Retirement Contributions - Regular	10,000.00	(1,966.31)	8,013.69	8,013.69	
Unemployment Compensation	1,850.00	(101.05)	1,748.95	217.77	1,531.18
Workmen's Compensation	3,500.00		3,500.00	2,952.92	547.08
Health Benefits	45,000.00		45,000.00	34,560.32	10,439.68
Tuition Reimbursement	5,000.00	1,960.00	6,960.00	6,960.00	
Total Support Services - Central Services	75,724.00	(26.31)	75,697.69	63,099.90	12,597.79
Total Allocated Benefits	78,224.00	2,957.69	81,181.69	67,358.90	13,822.79
Unallocated Benefits:					
Social Security Contributions - Other	49,500.00	15,586.23	65,086.23	65,086.23	
Other Retirement Contributions - Regular	36,850.00	36,924.89	73,774.89	73,774.89	
Unemployment Compensation	15,600.00	(586.23)	15,013.77	3,790.29	11,223.48
Workmen's Compensation	46,600.00		46,600.00	39,529.17	7,070.83
Health Benefits	568,000.00	(47,413.71)	520,586.29	444,786.36	75,799.93
Total Unallocated Benefits	716,550.00	4,511.18	721,061.18	626,966.94	94,094.24
Total Personal Services - Employee	794,774.00	7,468.87	802,242.87	694,325.84	107,917.03
Reimbursed TPAF social security contributions (non-budgeted)				169,915.34	(169,915.34)
On-behalf TPAF post retirement medical (non-budgeted)				189,457.00	(189,457.00)
TOTAL UNDISTRIBUTED EXPENDITURES	3,513,403.00	(3,638.73)	3,509,764.27	3,021,120.02	488,644.25
TOTAL GENERAL CURRENT EXPENSE	4,546,403.00	(8,997.80)	4,537,405.20	4,040,770.26	496,634.94

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2010

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
SPECIAL SCHOOLS:					
Summer School - Instruction	77,000.00	(2.20)	76,997.80	69,294.50	7,703.30
Salaries of Teachers	77,000.00	(2.20)	76,997.80	69,294.50	7,703.30
Total Summer School - Instruction	77,000.00	(2.20)	76,997.80	69,294.50	7,703.30
TOTAL SPECIAL SCHOOLS					
	4,623,403.00	(9,000.00)	4,614,403.00	4,110,064.76	504,338.24
TOTAL EXPENDITURES					
	(1,276,903.00)	9,000.00	(1,267,903.00)	459,473.07	1,727,376.07
Excess (Deficiency) of Revenues Over (Under) Expenditures					
Other financing sources (use)	(4,000.00)	(9,000.00)	(13,000.00)	(11,557.61)	(1,442.39)
Transfer of funds:	(4,000.00)	(9,000.00)	(13,000.00)	(11,557.61)	(1,442.39)
Total other financing sources					
Excess/Deficit of Revenues and other Financing Sources Over Expenditures and Other Expenditures and other Financing Sources	(1,280,903.00)		(1,280,903.00)	447,915.46	1,725,933.68
Fund Balances, July 1,	520,501.05		520,501.05	520,501.05	
Fund Balances, June 30,	(760,401.95)		(760,401.95)	968,416.51	1,725,933.68
	\$	\$	\$	\$	\$
Recapitulation:					
Unrestricted Fund Balance				968,416.51	
Fund Balance per Governmental Funds (GAAP)		\$	\$	968,416.51	

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION

BUDGETARY COMPARISON SCHEDULE

SPECIAL REVENUE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
REVENUES:					
State Aid	\$ 2,500.00	\$ 356.06	\$ 2,856.06	\$ 2,041.50	\$ 814.56
Federal Aid	429,826.00	13,227.31	443,053.31	418,122.30	24,931.01
Local Sources	1,118,019.36	(10,191.49)	1,107,827.87	1,073,442.15	34,385.72
Total Revenues	1,550,345.36	3,391.88	1,553,737.24	1,493,605.95	60,131.29
EXPENDITURES:					
Instruction:					
Salaries	706,492.00	(177,422.23)	529,069.77	511,068.64	18,001.13
Purchased Professional and Technical Services	32,870.00	4,907.00	37,777.00	36,278.50	1,498.50
General Supplies	47,924.00	(11,938.33)	35,985.67	17,961.65	18,024.02
Other Objects	1,250.00	(1,250.00)			
Total Instruction	788,536.00	(185,703.56)	602,832.44	565,308.79	37,523.65
Support Services:					
Personnel Services - Salaries	262,495.73	7,136.37	269,632.10	260,128.47	9,503.63
Personal Services - Employee Benefits	89,436.63	5,307.16	94,743.79	94,468.55	275.24
Purchased Professional and Technical Services	9,000.00	36,438.00	45,438.00	45,438.00	
Purchased Professional - Educational Services	162,428.00	122,509.68	284,937.68	284,937.68	
Purchased Property Services	97,958.00	13,848.38	111,806.38	108,271.38	3,535.00
Other Purchased Services (400-500 Series)	74,050.00	11,602.67	85,652.67	77,858.90	7,793.77
Supplies and Materials	48,676.00	(5,959.61)	42,716.39	42,216.39	500.00
Energy	17,765.00	(2,563.93)	15,201.07	14,201.07	1,000.00
Miscellaneous Expenditures		776.72	776.72		
Total Support Services	761,809.36	189,095.44	950,904.80	928,297.16	22,607.64
Total Expenditures	1,550,345.36	3,391.88	1,553,737.24	1,493,605.95	60,131.29
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	\$	\$	\$	\$	\$

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
BUDGET TO GAAP RECONCILIATION
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$4,569,537.83	\$1,493,605.95
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	N/A	N/A
The last State aid payment of the current year is recognized as revenue for budgetary purposes and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expense (GASB 33)	N/A	N/A
The last State aid payment of the prior year is recognized as revenue under GAAP when the State recognizes the related expense (GASB 33). (This revenue was recognized during the previous fiscal year for budgetary purposes.)	N/A	N/A
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$4,569,537.83</u>	<u>\$1,493,605.95</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule.	\$4,110,064.76	\$1,493,605.95
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	N/A	N/A
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$4,110,064.76</u>	<u>\$1,493,605.95</u>

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND DETAIL STATEMENTS

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	ADULT BASIC EDUCATION	FEDERAL NUTRITION PROGRAM		R.E.A.P. GRANT	STATE NUTRITION PROGRAM	
		LUNCH	BREAKFAST		LUNCH	BREAKFAST
Revenues:						
State Aid	\$355,377.90	\$26,163.05	\$16,574.00	\$20,007.35	\$1,026.00	\$1,015.50
Federal Aid						
Local Sources						
Total Revenues	355,377.90	26,163.05	16,574.00	20,007.35	1,026.00	1,015.50
Expenditures:						
Instruction:						
Salaries	155,154.00					
Purchased Professional and Technical Services	18,030.00					
General Supplies	7,044.00					
Total Instruction	180,228.00					
Support Services:						
Personnel Services - Salaries	16,432.00					
Personal Services - Employee Benefits	23,541.90					
Purchased Professional and Technical Services	111,428.00					
Purchased Property Services	10,398.00					
Other Purchased Services (400-500 Series)	5,150.00	26,163.05	16,574.00	20,007.35	1,026.00	1,015.50
Supplies and Materials						
Energy	8,200.00					
Miscellaneous Expenditures	175,149.90	26,163.05	16,574.00	20,007.35	1,026.00	1,015.50
Total Support Services	\$355,377.90	\$26,163.05	\$16,574.00	\$20,007.35	\$1,026.00	\$1,015.50
Total Expenditures						
Excess (Deficiency) of Revenues Over (Under)						
Expenditures and Other Financing Sources (Uses)						

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	ADULT BASIC EDUCATION	TEEN ARTS	LEARNING LINK	NONPUBLIC NURSING	NONPUBLIC CHAPTER 192	NONPUBLIC CHAPTER 193
Revenues:						
State Aid	\$21,390.36	\$34,561.28	\$172,439.00	\$159,264.00	\$126,424.23	\$299,857.28
Federal Aid						
Local Sources						
Total Revenues	<u>21,390.36</u>	<u>34,561.28</u>	<u>172,439.00</u>	<u>159,264.00</u>	<u>126,424.23</u>	<u>299,857.28</u>
Expenditures:						
Instruction:						
Salaries	17,712.79		120,916.22		85,223.76	25,503.00
Purchased Professional and Technical Services	210.00	8,501.50	4,217.00			
General Supplies	697.04	642.95	2,486.52			489.80
Total Instruction	<u>18,619.83</u>	<u>9,144.45</u>	<u>127,619.74</u>		<u>85,223.76</u>	<u>25,992.80</u>
Support Services:						
Personnel Services - Salaries	154.96	13,559.91	24,480.00	134,027.36	4,845.53	27,279.45
Personnel Services - Employee Benefits	2,339.94	1,343.69	15,407.02	9,402.46	11,200.47	26,961.87
Purchased Professional and Technical Services						10,000.00
Purchased Property Services		8,424.50	443.87	1,995.95		171,513.73
Other Purchased Services (400-500 Series)	275.63	1,192.59	2,000.00	2,581.30	12,576.94	30,215.76
Supplies and Materials		119.42	470.58	11,256.93	3,500.00	7,478.34
Energy			2,017.79		9,077.53	415.33
Miscellaneous Expenditures		776.72				
Total Support Services	<u>2,770.53</u>	<u>25,416.83</u>	<u>44,819.26</u>	<u>159,264.00</u>	<u>41,200.47</u>	<u>273,864.48</u>
Total Expenditures	<u>\$21,390.36</u>	<u>\$34,561.28</u>	<u>\$172,439.00</u>	<u>\$159,264.00</u>	<u>\$126,424.23</u>	<u>\$299,857.28</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)						

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	NONPUBLIC TRAILER	G.A.F.S.	T.A.N.F.	TOTAL
Revenues:				
State Aid	\$11,518.00	\$167,550.00	\$80,438.00	\$2,041.50
Federal Aid				418,122.30
Local Sources				1,073,442.15
Total Revenues	11,518.00	167,550.00	80,438.00	1,493,605.95
Expenditures:				
Instruction:				
Salaries		80,060.41	26,498.46	511,068.64
Purchased Professional and Technical Services		5,320.00		36,278.50
General Supplies		5,953.34	648.00	17,961.65
Total Instruction		91,333.75	27,146.46	565,308.79
Support Services:				
Personnel Services - Salaries		27,349.26	12,000.00	260,128.47
Personal Services - Employee Benefits		1,953.17	2,318.03	94,468.55
Purchased Professional and Technical Services			35,438.00	45,438.00
Purchased Professional - Educational Services	3,732.58	42,035.86	443.87	108,271.38
Purchased Property Services	7,785.42	2,542.70	850.00	77,858.90
Other Purchased Services (400-500 Series)		593.62		42,216.39
Supplies and Materials		1,741.64	2,241.64	14,201.07
Energy				776.72
Miscellaneous Expenditures	11,518.00	76,216.25	53,291.54	928,297.16
Total Support Services				
Total Expenditures	\$11,518.00	\$167,550.00	\$80,438.00	\$1,493,605.95
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)				

CAPITAL PROJECTS FUND DETAIL STATEMENTS

PROPRIETARY FUND DETAIL STATEMENTS

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

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
COMBINING STATEMENT OF NET ASSETS
PROPRIETARY FUNDS - ENTERPRISE FUNDS
JUNE 30, 2010

	ENTERPRISE FUND	TOTAL
ASSETS:		
Current assets:		
Cash and cash equivalents	\$2,254,157.58	\$2,254,157.58
Accounts receivable - other	1,099,480.86	1,099,480.86
	3,353,638.44	3,353,638.44
Total current assets		
Noncurrent assets:		
Furniture, machinery & equipment	11,795,726.32	11,795,726.32
Less accumulated depreciation	(9,724,531.71)	(9,724,531.71)
	2,071,194.61	2,071,194.61
Total noncurrent assets		
	5,424,833.05	5,424,833.05
Total assets		
LIABILITIES		
Current liabilities:		
Accounts payable	36,370.07	36,370.07
Deferred revenue	23,178.07	23,178.07
Capital leases payable	3,435,760.86	3,435,760.86
	3,495,309.00	3,495,309.00
Total current liabilities		
	3,495,309.00	3,495,309.00
Total liabilities		
NET ASSETS		
Unrestricted	1,929,524.05	1,929,524.05
	1,929,524.05	1,929,524.05
Total net assets		
	\$1,929,524.05	\$1,929,524.05

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS - ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>ENTERPRISE FUND</u>	<u>TOTAL</u>
OPERATING REVENUES:		
Charges for services:		
Transportation	\$12,035,153.96	\$12,035,153.96
Extraordinary services	721,060.94	721,060.94
Technology services	617,786.09	617,786.09
Purchasing	155,521.13	155,521.13
Miscellaneous	16,775.05	16,775.05
Total operating revenues	<u>13,546,297.17</u>	<u>13,546,297.17</u>
OPERATING EXPENSES:		
Transportation	10,123,407.36	10,123,407.36
Extraordinary services	519,944.03	519,944.03
Technology services	932,493.93	932,493.93
Purchasing	144,197.64	144,197.64
Miscellaneous	25,146.13	25,146.13
Depreciation	1,055,109.55	1,055,109.55
Cost of sales	11,557.61	11,557.61
Total operating expenses	<u>12,811,856.25</u>	<u>12,811,856.25</u>
Operating income	<u>734,440.92</u>	<u>734,440.92</u>
NONOPERATING REVENUES: (EXPENSES)		
Transfer out - debt service	(592,571.72)	(592,571.72)
Board contribution	11,557.61	11,557.61
Total nonoperating revenues	<u>(581,014.11)</u>	<u>(581,014.11)</u>
Change in net assets	153,426.81	153,426.81
Total net assets - July 1, 2009	<u>1,776,097.24</u>	<u>1,776,097.24</u>
Total net assets - June 30, 2010	<u>\$1,929,524.05</u>	<u>\$1,929,524.05</u>

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	ENTERPRISE FUND	TOTAL
Cash flows from operating activities:		
Receipts from customers	\$13,169,892.35	\$13,169,892.35
Payments to suppliers	(11,715,808.52)	(11,715,808.52)
Net cash provided by (used for) operating activities)	<u>1,454,083.83</u>	<u>1,454,083.83</u>
Cash flows from noncapital financing activities:		
Operating subsidies and transfers to other funds	(581,014.11)	(581,014.11)
Net cash provided by noncapital financing activities:	<u>(581,014.11)</u>	<u>(581,014.11)</u>
Cash flows from investing activities:		
Purchases of capital assets	(313,056.00)	(313,056.00)
Net cash provided by (used for) investing activities	<u>(313,056.00)</u>	<u>(313,056.00)</u>
Cash flows from financing activities:		
Proceeds from the issuance of capital leases	314,000.00	314,000.00
Repayment of capital lease principal	(1,291,735.50)	(1,291,735.50)
Net cash provided by (used for) financing activities	<u>(977,735.50)</u>	<u>(977,735.50)</u>
Net increase in cash and cash equivalents	(417,721.78)	(417,721.78)
Cash and cash equivalents, July 1, 2009	<u>2,671,879.36</u>	<u>2,671,879.36</u>
Cash and cash equivalents, June 30, 2010	<u><u>\$2,254,157.58</u></u>	<u><u>\$2,254,157.58</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	\$734,440.92	\$734,440.92
Adjustments to reconciling operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	1,055,109.55	1,055,109.55
Change in assets and liabilities:		
(Increase)/Decrease in Accounts Receivable - Other	(393,673.31)	(393,673.31)
(Increase) decrease in prepaid expenses	4,568.11	4,568.11
Increase (Decrease) in accounts payable	36,370.07	36,370.07
Increase (Decrease) in deferred revenue	17,268.49	17,268.49
	<u>719,642.91</u>	<u>719,642.91</u>
Net cash provided by (used for) operating activities	<u><u>\$1,454,083.83</u></u>	<u><u>\$1,454,083.83</u></u>

FIDUCIARY FUND DETAIL STATEMENTS

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

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

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

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
TRUST AND AGENCY FUNDS
JUNE 30, 2010

	<u>PAYROLL AGENCY</u>	<u>TOTALS</u>
ASSETS		
Cash and cash equivalents	\$331,587.91	\$331,587.91
Interfund receivable	884.29	884.29
Total assets	<u>\$332,472.20</u>	<u>\$332,472.20</u>
LIABILITIES		
Net payroll/summer pay	\$232,671.81	\$232,671.81
Payroll deductions and withholdings	99,800.39	99,800.39
Total liabilities	<u>\$332,472.20</u>	<u>\$332,472.20</u>

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
PAYROLL AGENCY FUNDS
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>BALANCE</u> <u>JULY 1, 2009</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2010</u>
ASSETS:				
Cash and cash equivalents	\$326,122.28	\$10,310,997.60	\$10,305,531.97	\$331,587.91
Interfund receivable		884.29		884.29
Total assets	<u>\$326,122.28</u>	<u>\$10,311,881.89</u>	<u>\$10,305,531.97</u>	<u>\$332,472.20</u>
LIABILITIES:				
Payroll deductions and withholdings	\$94,231.91	\$3,644,543.94	\$3,638,975.46	\$99,800.39
Net payroll/summer pay	207,418.01	6,667,336.18	6,642,082.38	232,671.81
Interfunds payable	24,472.36	1.77	24,474.13	
Total liabilities	<u>\$326,122.28</u>	<u>\$10,311,881.89</u>	<u>\$10,305,531.97</u>	<u>\$332,472.20</u>

LONG-TERM DEBT SCHEDULES

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

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
AS OF JUNE 30, 2010

<u>SERIES</u>	<u>DATE OF LEASE</u>	<u>TERM OF LEASE</u>	<u>AMOUNT OF ORIGINAL LEASE</u>		<u>INTEREST RATE PAYABLE</u>	<u>AMOUNT OUTSTANDING JUNE 30, 2009</u>	<u>DECREASE</u>	<u>AMOUNT OUTSTANDING JUNE 30, 2010</u>
			<u>PRINCIPAL</u>	<u>INTEREST</u>				
Ground lease secured by West Amwell/Tewksbury Properties	12/28/06	11 Years	\$4,660,000.00	\$1,265,717.20	4.900%	\$3,801,983.84	\$413,800.96	\$3,388,182.88
						<u>\$3,801,983.84</u>	<u>\$413,800.96</u>	<u>\$3,388,182.88</u>

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
 BUDGETARY COMPARISON SCHEDULE
 DEBT SERVICE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	2010				VARIANCE
	ORIGINAL BUDGET	BUDGET TRANSFER	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
EXPENDITURES:					
Regular debt service:					
Interest for Comm. Approved- lease purch.	\$178,750.00	\$20.76	\$178,770.76	\$178,770.76	
Principal -Comm. Approved- lease purch.	413,750.00	50.96	413,800.96	413,800.96	
Total regular debt service-expenditures	592,500.00	71.72	592,571.72	592,571.72	
Excess (deficiency) of revenues over (under) expenditures	(592,500.00)	(71.72)	(592,571.72)	(592,571.72)	
Other financing sources:					
Transfers in/(out)	\$592,500.00	\$71.72	\$592,571.72	\$592,571.72	
Fund balance, July 1					
Fund balance, June 30					

STATISTICAL SECTION (UNAUDITED)

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HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
STATISTICAL SECTION

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

Sources

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

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
 NET ASSETS BY COMPONENT
 UNAUDITED

	2010	2009	2008	2007	2006	2005	2004
Governmental activities							
Invested in capital assets, net of related debt	\$3,029,365.65	\$2,839,084.79	\$2,652,426.35	\$1,782,331.64	\$770,591.18	\$2,731,086.23	\$616,997.72
Restricted	889,199.19	370,871.32	1,434,529.13	203,388.45	1,774,216.09	611,785.00	716,369.92
Unrestricted	\$3,918,564.84	\$3,209,956.11	\$4,086,955.48	\$3,032,392.77	\$3,289,714.37	\$3,808,948.50	\$2,217,014.90
Total governmental activities net assets							
Business-type activities							
Invested in capital assets, net of related debt	1,929,524.05	1,776,097.24	1,197,028.10	668,471.46	\$190,977.11	(116,056.57)	\$16,411.00
Unrestricted	\$1,929,524.05	\$1,776,097.24	\$1,197,028.10	\$668,471.46	\$334,740.43	(\$116,056.57)	(\$176,866.77)
Total business-type activities net assets							
District-wide							
Invested in capital assets, net of related debt	\$3,029,365.65	\$2,839,084.79	\$2,652,426.35	\$1,782,331.64	\$961,568.29	\$2,731,086.23	\$633,408.72
Restricted	2,818,723.24	2,146,968.56	2,631,557.23	203,388.45	1,774,216.09	611,785.00	716,369.92
Unrestricted	\$5,848,088.89	\$4,986,053.35	\$5,283,983.58	\$3,700,864.23	\$3,624,454.80	\$3,692,891.93	\$2,040,148.13
Total district net assets							

Source: CAFR Schedule A-1

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION

CHANGES IN NET ASSETS

UNAUDITED

	2010	2009	2008	2007	2006	2005	2004
EXPENSES							
Governmental activities							
Instruction							
Regular	\$101,080.86				\$786,189.82	\$835,115.64	\$894,827.30
Special education	2,061,300.28	\$3,321,194.07	\$3,654,742.02	\$3,826,819.37	3,347,915.84	4,725,438.85	5,308,524.63
Other instruction	27,870.16				212,996.03	204,751.91	239,375.71
Support Services:							
Health services					248,620.23	155,156.62	160,633.72
Student & instruction related services	1,639,850.34	1,692,103.65	1,557,342.89	1,514,338.75	1,622,657.81	948,586.39	869,994.86
General administrative services	70,316.66	364,500.88	519,000.29	632,646.65	731,917.99	386,548.57	261,904.14
School administrative services	511,955.14	594,872.17	594,716.86	556,846.30	507,225.80	621,307.14	684,098.00
Central services	189,278.06	203,475.42	264,032.01	164,377.81	409,983.22	775,802.01	
Administration information technology	14,144.00	34,914.36	35,571.35	63,481.00	64,851.33	81,910.74	850,425.80
Plant operations and maintenance	500,797.31	648,156.96	813,890.61	910,773.37	857,481.99	597,947.23	571,478.83
Food services						56,000.36	50,154.92
Student transportation services	621,833.36	709,604.69	719,744.73	5,675.32	9,689.07	3,163.71	1,111.27
Interest on long-term debt	173,701.70			589,125.72	385,106.02	85,783.81	77,699.08
Unallocated depreciation						263,728.13	246,896.92
Special schools	69,294.50	83,277.17	71,796.30	88,422.56	69,045.76	104,448.13	82,314.12
Total governmental activities expenses	5,981,422.38	7,652,099.37	8,230,837.06	8,352,506.85	9,253,680.91	9,845,689.24	10,299,439.30
Business-type activities:							
Trips							2,043,115.99
Transportation	11,178,516.91	11,560,623.22	12,321,882.44	12,613,759.38	11,537,551.00	10,505,600.31	9,420,813.52
Extraordinary services	519,944.03	340,624.50	640,967.12	344,367.40	460,475.25	454,535.93	277,149.46
Adult education	-	116,921.96	159,688.77	176,097.49	162,744.88	326,146.33	504,932.58
Computer services	932,493.93	1,294,178.51	985,373.33	1,472,246.05	1,153,353.39	1,298,413.31	1,299,628.51
Golden Talents						28,327.29	45,610.63
Food Service	11,557.61	12,585.46	24,051.46	27,935.58	43,961.22		
Miscellaneous	25,146.13	184,415.00	45,000.00	34,667.00	1,201.42	21,927.78	133,181.39
Purchasing	144,197.64	146,032.68	155,685.04	151,430.33	145,787.96	147,941.55	
Total business-type activities expense	12,811,856.25	13,655,381.33	14,332,648.16	14,820,503.23	13,505,075.12	12,782,892.50	13,724,432.08
Total district expenses	18,793,278.63	21,307,480.70	22,563,485.22	23,173,010.08	22,758,756.03	22,628,581.74	24,023,871.38
PROGRAM REVENUES							
Governmental activities:							
Charges for services	4,159,760.35	4,159,343.37	4,534,919.12	5,018,754.38	6,531,327.55	7,784,097.10	8,571,638.76
Operating grants and contributions	1,852,978.29	1,958,882.72	1,943,268.64	1,762,746.98	1,698,922.82	1,437,052.79	1,364,185.26
Total governmental activities program revenues	6,012,738.64	6,118,226.09	6,478,187.76	6,781,501.36	8,230,250.37	9,221,149.89	9,935,824.02

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
CHANGES IN NET ASSETS
UNAUDITED

	2010	2009	2008	2007	2006	2005	2004
Charges for services							
Trips	12,035,153.96	12,563,720.66	12,448,814.80	12,666,197.04	12,023,129.47	10,670,447.60	2,208,197.38
Transportation	721,060.94	551,970.78	795,494.38	372,082.15	795,124.09	523,930.54	9,575,634.90
Extraordinary services	-	84,311.04	130,742.40	177,606.80	161,621.08	259,439.12	411,804.30
Adult education	617,786.09	1,315,146.87	1,211,928.25	1,663,310.04	706,606.79	869,292.39	408,505.36
Computer services						23,522.17	740,151.64
Golden Talents							40,448.34
Miscellaneous	16,775.05	145,940.04	105,357.74	110,471.52	79,543.97	167,316.87	148,555.40
Purchasing	13,546,297.17	14,813,603.81	14,849,933.26	15,173,328.82	13,911,910.90	12,513,948.69	13,533,297.32
Total business type activities program revenues	19,559,035.81	20,931,829.90	21,328,121.02	21,954,830.18	22,142,161.27	21,736,098.58	23,469,121.34
Total district program revenues							
NET (EXPENSE)/REVENUE							
Governmental activities	31,316.26	(1,533,873.28)	(1,752,649.30)	(1,571,005.49)	(1,023,430.54)	(624,539.35)	(363,615.28)
Business-type activities	734,440.92	1,158,222.48	517,285.10	352,825.59	406,835.78	(268,943.81)	(191,134.76)
Total district-wide net expense	765,757.18	(375,650.80)	(1,235,364.20)	(1,218,179.90)	(616,594.76)	(893,483.16)	(554,750.04)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS							
Governmental activities:							
Disposal of capital assets w/ costs	581,014.11	579,153.34	(4,290,167.30)	(331,612.50)	(43,961.22)		
Transfer in (out)	50,405.14	77,720.57	7,121,430.77	1,372,451.97	539,894.29	1,051,679.87	427,139.04
Miscellaneous income	631,419.25	656,873.91	2,807,212.01	1,313,683.89	495,933.07	1,051,679.87	427,139.04
Total governmental activities	(581,014.11)	(579,153.34)	24,051.46	(239,838.42)	43,961.22		13,819.54
Business-type activities:							
Transfers in (out)				325,444.14			
Miscellaneous income			(12,779.92)	(104,700.28)			
Disposal of capital assets	(581,014.11)	(579,153.34)	11,271.54	(19,094.56)	43,961.22	(26,802.00)	13,819.54
Total business-type activities	50,405.14	77,720.57	2,818,483.55	1,294,589.33	539,894.29	1,024,877.87	440,968.58
Total district-wide							
CHANGE IN NET ASSETS							
Governmental activities	662,735.51	(876,999.37)	1,054,562.71	(257,321.60)	(527,497.47)	427,140.52	63,523.76
Business-type activities	153,426.81	579,069.14	528,556.64	333,731.03	450,797.00	(295,745.81)	(177,315.22)
Total district	\$816,162.32	(\$297,930.23)	\$1,583,119.35	\$76,409.43	(\$76,700.47)	\$131,394.71	(\$113,791.46)

Source: CAFR Schedule A-2

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
 FUND BALANCES - GOVERNMENTAL FUNDS
 UNAUDITED

	2010	2009	2008	2007	2006	2005	2004
General Fund							
Reserved	\$968,416.51	\$520,501.05	\$1,596,161.58	\$1,278,718.56	\$1,169,273.99	\$611,785.00	\$611,785.00
Unreserved	968,416.51	520,501.05	1,596,161.58	1,278,718.56	1,169,273.99	1,099,891.66	1,307,378.27
Total general fund	<u>968,416.51</u>	<u>520,501.05</u>	<u>1,596,161.58</u>	<u>1,278,718.56</u>	<u>1,169,273.99</u>	<u>1,711,676.66</u>	<u>1,919,163.27</u>
All Other Governmental Funds							
Reserved				203,388.45	1,774,216.09	2,545,194.70	2,276,984.10
Unreserved, reported in:							
Capital projects fund							
Total all other governmental funds				<u>\$203,388.45</u>	<u>\$1,774,216.09</u>	<u>\$2,545,194.70</u>	<u>\$2,276,984.10</u>

Source: CAFR Schedule B-1

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

	2010	2009	2008	2007	2006	2005	2004
Revenues							
Tuition charges	\$4,159,560.35	\$3,410,503.37	\$4,534,919.12	\$5,018,754.38	\$6,531,327.56	\$7,784,097.10	\$8,571,638.80
Transportation fees from other LEA's	200.00	748,840.00					
Miscellaneous	1,123,847.29	1,166,370.07	2,083,962.11	547,954.83	728,014.97	1,191,338.52	683,794.94
State sources	361,413.84	402,242.32	521,434.23	1,136,947.55	1,089,627.11	1,027,711.58	976,328.92
Federal sources	418,122.30	467,990.90	459,303.07	450,296.57	421,175.03	206,746.13	236,439.52
Total revenue	6,063,143.78	6,195,946.66	7,599,618.53	7,153,953.33	8,770,144.67	10,209,893.33	10,488,202.18
Expenditures							
Instruction							
Regular instruction					693,673.62	793,810.18	849,746.31
Special education instruction	1,568,440.58	2,388,154.82	2,629,367.09	2,673,063.51	2,404,008.03	3,084,484.07	3,519,039.55
Other instruction	16,518.45				155,205.76	172,906.90	204,648.26
Support Services:							
Health Services					171,566.53	155,156.62	160,633.72
Student & instruction related services	1,390,622.55	1,472,552.04	1,294,235.61	1,230,827.29	1,427,350.10	946,458.05	885,535.35
General administrative services	48,271.71	231,633.24	301,263.87	446,434.83	558,547.17	386,548.57	289,707.21
School Administrative services	349,882.42	445,742.17	430,371.45	376,326.35	341,259.84	467,501.55	495,775.20
Central services	87,518.84	198,808.01	344,230.99	169,178.67	394,573.41	779,480.66	
Administration Information Technology	14,144.00	21,573.36	35,571.35	63,481.00	61,925.62	83,036.31	
Plant operations and maintenance	415,316.39	477,791.22	615,352.78	687,712.23	643,652.62	597,933.48	570,262.55
Business and other support services			53,099.71				874,743.93
Student transportation services	589,963.09	713,603.10	721,726.75	1,745,836.33	1,649,825.71	1,873,236.05	1,202.50
Employee benefits	1,053,698.18	1,423,494.61	1,536,860.99	29,880.50	27,953.10	895,503.92	215,209.00
Capital outlay				88,422.57	69,045.76	104,448.13	82,314.12
Special Schools	68,294.50	83,277.17	71,796.30				
Debt service:							
Principal	413,800.96	394,130.79	566,244.03	393,435.79	824,999.96	751,666.64	685,000.00
Interest and other charges	178,770.76		348,145.00		409,418.52	77,435.88	77,689.08
Total expenditures	6,196,242.43	7,850,760.53	8,600,120.92	8,252,744.07	9,833,005.75	11,169,607.01	10,934,307.97
Excess (Deficiency) of revenues over (under) expenditures	(133,098.65)	(1,654,813.87)	(1,000,502.39)	(1,098,790.74)	(1,062,861.08)	(959,713.68)	(466,105.79)
Other Financing sources (uses)							
Increase in market value of securities						62,936.43	(105,239.12)
Bond proceeds						1,000,000.00	(50,154.92)
Transfers in (out)	581,014.11	579,153.34	(24,051.46)	272,844.42	(43,961.22)	(56,000.36)	
Proceeds from sale of property - net			1,138,608.42	1,000,000.00			
Proceeds from refinancing - net				(1,635,436.65)			
Total other financing sources (uses)	581,014.11	579,153.34	1,114,556.96	(362,592.23)	(43,961.22)	1,006,936.07	(155,394.04)
Net change in fund balances	\$447,915.46	(\$1,075,660.53)	\$114,054.57	(\$1,461,382.97)	(\$1,106,822.30)	\$47,222.39	(\$621,499.83)
Debt service as a percentage of noncapital expenditures	9.56%	5.02%	6.58%	9.02%	12.59%	8.07%	7.12%

Source: CAFR Schedule B-2

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

<u>Fiscal Year</u> <u>Ended June 30.</u>	<u>Rental</u>	<u>Contributions</u>	<u>Community Services- Teen Art</u>	<u>Interest On Investments</u>	<u>Miscellaneous</u>	<u>Total</u>
2010	\$42,792.70			\$6,054.42	\$1,558.02	\$50,405.14
2009				16,422.91	61,297.66	77,720.57
2008	42,422.04			18,477.52	131,149.16	192,048.72
2007	77,567.63			35,201.43	131,472.75	244,241.81
2006	76,580.23	\$27,719.30		30,102.87	302,564.78	436,967.18
2005	290,353.14	53,089.43		15,488.37	547,111.01	906,041.95
2004	72,855.47	47,638.88	\$77,108.75	4,814.35	259,865.05	462,282.50

Source: District Records

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

Function/Program	2010	2009	2008	2007	2006	2005	2004
Instruction:							
Regular	3	8	10	7	8	10	12
Special education	22	38	36	70	76	97	113
Other special education	5	7	7	6	6	8	9
Support Services:							
Health Services	2	3	5	4	5	6	7
Student & instruction related services	2	2	7	23	25	32	37
General administrative services	4	4	6	9	9	12	14
School administrative services	6	7	9	9	9	12	14
Plant operations and maintenance	5	8	10	16	17	22	25
Total	48	77	90	144	155	199	231

Source: District Personnel Records

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
OPERATING STATISTICS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures (a)	Cost Per Pupil	% Change	Teaching Staff (b)	Pupil/Teacher Ratio	Average Daily Enrollment (c)	Average Daily Attendance (c)	% Change in Average Daily Enrollment	Student Attendance Percentage
2010	109	\$5,603,670.71	51,409.82	-26.23%	18	6.06	103	93	14.44%	90.29%
2009	107	7,456,629.74	69,688.13	-12.39%	22	4.86	90	85	-16.67%	94.44%
2008	101	8,033,876.89	79,543.34	18.35%	23	4.39	108	100	-1.82%	92.59%
2007	110	7,392,860.21	67,207.82	-5.90%	27	4.07	110	101	-8.33%	91.82%
2006	120	8,570,634.17	71,421.95	57.86%	24	5.00	120	107	-42.86%	89.17%
2005	210	9,501,000.93	45,242.86	0.37%	33	6.36	210	190	-5.41%	90.48%
2004	222	10,006,554.81	45,074.57	23.92%	38	5.84	222	183	-12.60%	82.43%
2003	254	9,238,645.42	36,372.62	-	37	6.86	254	208	16.51%	81.89%

Sources: District records

Note: Enrollment based on annual October district count.

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

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

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

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
 SCHOOL BUILDING INFORMATION
 UNAUDITED

District Building	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
JFS CAMPUS (1994) - Sandhill School												
Square Feet - Sandhill School	46,220	46,220	46,220	46,220	46,220	46,220	46,220	46,220	46,220	46,220	46,220	46,220
Capacity (Students)	130	130	130	130	130	130	130	130	130	130	130	130
Square Feet - Tin Building	83	94	94	94	124	124	122	122	130	82	83	84
Capacity (Students)	20	48	48	48	200	200	200	200	200	200	200	200
Enrollment	20	48	48	48	200	200	200	200	200	200	200	200
SOLD JFS CAMPUS DECEMBER 2007												
West Amwell (1995)												
Square Feet*	28166	28166	28166	28166	28166	28166	28166	28166	28166	28166	28166	28166
Capacity (Students)	200	200	200	200	200	200	200	200	200	200	200	200
Enrollment	20	48	48	48	200	200	200	200	200	200	200	200
Tewksbury (2004)												
Square Feet	28166	28166	28166	28166	28166	28166	28166	28166	28166	28166	28166	28166
Capacity (Students)	200	200	200	200	200	200	200	200	200	200	200	200
Enrollment	20	48	48	48	200	200	200	200	200	200	200	200
Kingston Campus (Rental)												
Square Feet	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
Capacity (Students)	50	50	50	50	50	50	50	50	50	50	50	50
Enrollment	14	14	14	14	14	14	16	15	3	13	32	32

Number of Schools at June 30, 2010

- Elementary = 1
- Middle School = 0
- Intermediate = 0

Source: District records

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

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF REQUIRED MAINTENANCE
UNAUDITED

Undistributed expenditures - Required maintenance for school facilities - 11-000-261-XXX						
School Facilities * Project #(s)	<u>Total</u>	<u>Other</u>	<u>JFS Campus</u>	<u>West Amwell Campus</u>	<u>Tewksbury Campus</u>	<u>Kingston Campus</u>
2010	\$284,897.34			\$212,965.00	\$71,932.34	
2009	351,750.00			240,750.00	111,000.00	
2008	411,714.00		\$14,614.00	238,320.00	158,780.00	
2007	462,302.39	\$2,500.00	28,319.59	225,939.30	205,543.50	
2006	491,957.99	5,186.34	196,684.15	197,640.82	92,446.68	
2005	387,335.97	34,509.62	149,930.10	165,487.52		\$37,408.73
2004	391,286.42	26,858.61	183,065.09	143,416.14		37,946.58
2003	410,470.90	24,034.37	189,610.91	154,703.86		42,121.76
Total School Facilities	\$3,191,715.01	\$93,088.94	\$762,223.84	\$1,579,222.64	\$639,702.52	\$117,477.07

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

Source: District records

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
INSURANCE SCHEDULE
JUNE 30, 2010
UNAUDITED

COVERAGE

Article I - Property

Blanket Real and Personal Property		\$300,000,000 per occurrence
Blanket Extra Expense		\$50,000,000
Blanket Valuable Papers and Records		\$10,000,000
Demolition and Increased Cost of Construction		\$10,000,000 per occurrence
Loss of Rents		
Loss of Business Income/Tuition		
Builders' Risk		
Fire Department Service Charge		\$10,000
Arson Reward		\$10,000
Pollutant Cleanup and Removal		\$250,000
Fine Arts		
Sublimits:		
	Flood Zones Prefix A & V	\$10,000,000 per location
		\$10,000,000 NJSBAIG annual aggregate
	Flood Zone B	per occurrence/NJSBAIG
		annual aggregate
	All Other Flood Zones	\$50,000,000 per occurrence
		NJSBAIG annual aggregate
	Earthquake	\$50,000,000 per occurrence
		\$50,000,000 NJSBAIG annual aggregate
	Terrorism	\$1,000,000 per occurrence
		\$1,000,000 NJSBAIG annual aggregate
Deductibles:	Real & Personal	\$5,000 per occurrence
	Extra Expense	\$5,000 per occurrence
	Valuable Papers	\$5,000 per occurrence
	Zones Prefix A & V	\$500,000 per building
Flood Deductions:		\$500,000 per building contents
	All Other Flood Zones	\$10,000 per member/per occurrence
		subject to a maximum retained
		deductible of \$1,000,000 to NJSBAIG

Article II - Electronic Data Processing

Blanket Hardware/Software		\$400,000 per occurrence
Blanket Extra Expense		Included
Coverage Extensions Transit		\$25,000
	Loss of Income	\$10,000
	Terrorism	Included in Property
Deductibles		\$1,000 per occurrence
Flood		\$1,000,000 per occurrence
Flood Deductibles	Zones A & V	\$500,000 per building contents
	All Other Flood Zones	\$10,000 per member/per occurrence
		subject to a maximum retained
		deductible of \$1,000,000 to NJSBAIG

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
INSURANCE SCHEDULE
JUNE 30, 2010
UNAUDITED

COVERAGE

Article III - Boiler & Machinery

Combined Single Limit per Accident for Property Damage and Business Income	\$100,000,000
Sublimits:	
Property Damage	Included
Off Premises Property Damage	\$100,000
Business Income	Included
Extra Expense	\$10,000,000
Service Interruption	\$10,000,000
Perishable Goods	\$500,000
Data Restoration	\$100,000
Contingent Business Income	\$100,000
Demolition	\$1,000,000
Ordinance or Law	\$1,000,000
Expediting Expenses	\$500,000
Hazardous Substances	\$500,000
Newly Acquired Locations (60 days notice)	\$250,000
Terrorism	Included in Property
Deductibles:	
	\$5,000 per Accident for Property Damage
	12 Hours per Accident for Business Interruption/Extra Expense
	Interruption of Service Waiting Period 24 hours

Article IV - Crime

Insuring Agreements		Deductibles per Occurrence
Insuring Agreement 1 - Public Employee Dishonesty with Faithful Performance	\$1,000,000	\$1,000
Insuring Agreement 2 - Theft, Disappearance and Destruction - Loss of Money & Securities On or Off Premises	\$50,000	\$500
Insuring Agreement 3 - Theft, Disappearance and Destruction - Money Orders & Counterfeit Paper Currency	\$50,000	\$500
Insuring Agreement 4 - Forgery or Alteration	\$1,000,000	\$1,000
Insuring Agreement 5 - Computer Fraud	\$1,000,000	\$1,000
Public Officials Bond: Board Secretary/Business Administrator	\$100,000	\$1,000
Board Treasurer	\$100,000	\$500

Article V - Comprehensive General Liability

Bodily Injury and Property Damage	\$16,000,000	Combined Single Limit for Bodily Injury & Property Damage
Bodily Injury from Products and Completed Operations	\$16,000,000	annual aggregate
Sexual Abuse	\$16,000,000	per occurrence
	\$17,000,000	annual aggregate per district
Personal Injury and Advertising Injury	\$16,000,000	per occurrence/
	\$16,000,000	annual aggregate
Employee Benefits Liability	\$16,000,000	per claim/annual aggregate
Employee Benefits Liability Deductible	\$1,000	each claim
Premises Medical Payments	\$10,000	each accident
	\$5,000	any one accident
Terrorism	\$1,000,000	per occurrence/ annual NJSBAIG aggregate

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
INSURANCE SCHEDULE
JUNE 30, 2010
UNAUDITED

COVERAGE

Article VI - Automobile

Liability		
Symbol 1 Any Auto		
Combined Single Limit for Bodily Injury and Property Damage		\$16,000,000 per accident
Symbol 6 Uninsured/Underinsured Motorists - Private Passenger Auto		\$1,000,000 Combined Single Limit
Symbol 6 Uninsured/Underinsured Motorists - All Other Vehicles		\$15,000 Bodily Injury Per Person
		\$30,000 Bodily Injury Per Accident
		\$5,000 Property Damage Per Accident
Symbol 5 Personal Injury Protection (including pedestrians)		\$250,000
Medical Payments		\$10,000 Private passenger vehicles
		\$5,000 all other vehicles
Terrorism		\$1,000,000 per occurrence/ NJSBAIG annual aggregate
Physical Damage (Scheduled vehicles only)		
Symbol 7 Comprehensive		\$1,000 deductible
		\$1,000 deductible
		\$1,000 deductible
Garage Keepers		Included

SINGLE AUDIT SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

EXHIBIT "K-1"

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

Telephone 908-789-9300

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E-mail info@scnco.com

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

Honorable President and Members
of the Board of Directors
Hunterdon County Educational Services Commission
County of Hunterdon
Lebanon, New Jersey 08833

We have audited the basic financial statements of the Hunterdon County Educational Services Commission, County of Hunterdon, New Jersey as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated October 15, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

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

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

SUPLEE, CLOONEY & COMPANY

Our consideration of the internal control over financial reporting was limited for the purposes described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However we noted immaterial matters involving the internal control over financial reporting that we have reported to the management of the Hunterdon County Educational Services Commission in a separate Auditor's Management Report on Administrative Findings – Financial and Compliance dated October 15, 2010.

Compliance and Other Matters

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

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


CERTIFIED PUBLIC ACCOUNTANTS


PUBLIC SCHOOL ACCOUNTANT NO. 93

October 15, 2010

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

FEDERAL CFDA NUMBER	GRANT OR STATE PROJECT NUMBER	AWARD AMOUNT	GRANT PERIOD		BALANCE AT JUNE 30, 2009	CASH RECEIVED	BUDGETARY EXPENDITURES	JUNE 30, 2010	
			FROM	TO				(ACCOUNTS RECEIVABLE)	DEFERRED REVENUE
Special Revenue Funds									
U.S. Department of Education									
Passed-through State Department of Education:									
84.358	S358A076166	\$ 24,735.00	07/01/08	06/30/09	\$ (5,437.37)	\$ 7,605.04	\$ (2,167.67)	\$	\$
84.358	S358A086166	24,448.00	07/01/08	06/30/10		14,446.46	(17,839.68)	(3,393.22)	
84.002	09-100-034-5062-028-H040	386,770.00	07/01/08	06/30/09	(35,134.00)	35,134.00			
84.002	10-100-034-5062-028-H040	355,378.00	07/01/09	06/30/10		323,789.00	(355,377.90)	(25,578.90)	
Total U.S. Department of Education					\$ (40,571.37)	\$ 386,984.50	\$ (375,385.25)	\$ (28,972.12)	\$
U.S. Department of Agriculture									
Passed-through State Department of Education:									
10.553	N/A	16,957.57	07/01/08	06/30/09	\$ (1,274.28)	\$ 1,274.28	\$	\$	\$
10.553	N/A	16,574.00	07/01/09	06/30/10		15,205.96	(16,574.00)	(1,368.04)	
10.555	N/A	27,205.60	07/01/08	06/30/09	(1,772.47)	1,772.47			
10.555	N/A	26,163.05	07/01/08	06/30/10		23,946.25	(26,163.05)	(2,216.80)	
Total U.S. Department of Agriculture					\$ (3,046.75)	\$ 42,198.96	\$ (42,737.05)	\$ (3,584.84)	\$
Total Federal Financial Assistance					\$ (43,618.12)	\$ 429,183.46	\$ (418,122.30)	\$ (32,556.96)	\$

See accompanying notes to schedules of financial assistance.

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

STATE GRANT/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	PROGRAM OR AWARD AMOUNT	GRANT PERIOD FROM TO	BALANCE AT JUNE 30, 2009		CASH RECEIVED	BUDGETARY EXPENDITURES	ADJUSTMENTS/ REVERSALS FOR YEAR BALANCES	(ACCOUNTS RECEIVABLE)	BALANCE AT JUNE 30, 2010 DEFERRED REVENUE	DUE TO GRANTOR	CUMULATIVE TOTAL EXPENDITURES
				DEF. REVENUE/ (ACCOUNTS RECEIVABLE)	DUE TO GRANTOR							
State Department of Education General Fund Reimbursed TPAF Social Security Contributions	10-495-034-5095-002	\$ 169,915.34	07/01/09	06/30/10	\$	\$ 169,915.34	\$ (169,915.34)	\$	\$	\$	\$	\$ (169,915.34)
Special Revenue Fund Character Education NJ Youth Corps - Hunterdon County State School Lunch Program State School Lunch Program State School Breakfast Program State School Breakfast Program State School Breakfast Program	06-100-034-5120-418 AEKY9NVO 10-100-010-3350-023 09-100-010-3350-023 09-100-010-3350-021 09-100-010-3350-021	4,000.00 48,529.00 1,110.52 1,077.50	07/01/05 07/01/07 07/01/08 07/01/08 07/01/08	06/30/06 06/30/06 06/30/10 06/30/10 06/30/09	640.50 (71.54) 179.60 489.36	939.70 833.90 79.80 2,024.74	(1,026.00) (1,015.50) (2,041.50)	(66.30) (81.60) (167.90)	640.50 640.50 640.50	48,529.00	48,529.00	(1,026.00) (1,015.50) (2,041.50) (171,956.84)
Total State Financial Assistance Subject to Single Audit					489.36	171,940.08	(171,956.84)	(167.90)	640.50	48,529.00	48,529.00	(171,956.84)
General Fund On-Behalf TPAF Non-Contributory Insurance On-Behalf TPAF Post-Retirement Medical Benefits	10-495-034-5095-007 10-495-034-5095-001	9,578.00 179,879.00	07/01/09 07/01/09	06/30/10 06/30/10		9,578.00 179,879.00	(9,578.00) (179,879.00)					(9,578.00) (179,879.00)
Total State Financial Assistance					489.36	361,397.08	(361,413.84)	(167.90)	640.50	48,529.00	48,529.00	(361,413.84)

See accompanying notes to schedules of financial assistance.

Hunterdon County Educational Services Commission
Notes to the Schedules of Expenditures of Federal Awards
and State Financial Assistance
Year Ended June 30, 2010

NOTE 1: GENERAL

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

NOTE 2: BASIS OF ACCOUNTING

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

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The General fund is presented in the accompanying schedules on the modified accrual basis. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas GAAP basis does not.

Hunterdon County Educational Services Commission
Notes to the Schedules of Expenditures of Federal Awards
and State Financial Assistance
Year Ended June 30, 2010

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is - \$-0- for the general fund and \$-0- for the special revenue fund. See the notes to the required supplementary information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Federal awards and state financial assistance revenues are reported in the Commission's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$359,372.34	\$359,372.34
Special Revenue Fund	<u>\$418,122.30</u>	<u>2,041.50</u>	<u>420,163.80</u>
Total Awards & Financial Assistance	<u><u>\$418,122.30</u></u>	<u><u>\$361,413.84</u></u>	<u><u>\$779,536.14</u></u>

NOTE 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5: OTHER

The amount reported as TPAF pension contributions represents the amount paid by the state on behalf of the commission for the year ended June 30, 2010. TPAF Social Security contributions represent the amount reimbursed by the state for the employer's share of Social Security contributions for TPAF members for the year ended June 30, 2010.

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

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

Hunterdon County Educational Services Commission
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2010

Section I – Summary of Auditor’s Results

Financial Statements

- | | | |
|-----|--|-------------|
| (1) | Type of Auditor’s Report Issued: | Unqualified |
| (2) | Internal Control Over Financial Reporting: | |
| | (a) Material weakness identified? | No |
| | (b) Significant deficiencies identified that are not considered to be material weaknesses? | None |
| (3) | Noncompliance material to basic financial statements noted? | No |

Federal Program(s) – Not Applicable

State Program(s) – Not Applicable

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

Internal Control Findings

None Reported

Compliance Findings

None Reported

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

Federal Programs – None Reported

State Programs – None Reported

Hunterdon County Educational Services Commission

Schedule of Prior Year Audit Findings

Not Applicable

