

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



BOARD OF DIRECTORS
PISCATAWAY, NJ 08854

Comprehensive Annual Financial Report
for the Fiscal Year ended June 30, 2010

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

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2010

Prepared by

Middlesex Regional Educational Services Commission
Business Office

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Introductory Section

MIDDLESEX REGIONAL EDUCATIONAL SERVICES COMMISSION

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Mark J. Finkelstein
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*Business Administrator/
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November 3, 2010

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

Dear Board Members:

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

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

1. Reporting Entity and its Services

The Commission was created in 1977 pursuant to NJASA 18A:6-51 through 70, by the twenty-four (24) boards of education in Middlesex County (member districts), to respond to increasing federal and state mandates by developing needed educational programs and services that were best provided cooperatively by a single coordinating agency in an efficient and economic manner. On June 1, 2006, the State Board of Education officially approved a name change for the Middlesex County Educational Services Commission to the Middlesex Regional Educational Services Commission to more accurately reflect its scope of services. The Commission is a public education agency reporting within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by GASB Statement No. 14. All funds and account groups of the Commission are included in this report for Fiscal Year 2010 (FY2010). The Commission and all of its educational programs constitute the Commission's reporting entity.

The Commission provided educational services and programs to the following member districts, through multi-year contracts during FY2010:

| | | |
|----------------|--------------------------|------------------|
| Carteret | Middlesex | Piscataway |
| Cranbury | Middlesex Cnty. Vo-Tech. | Sayreville |
| Dunellen | Milltown | South Amboy |
| East Brunswick | Monroe | South Brunswick |
| Edison | New Brunswick | South Plainfield |
| Highland Park | North Brunswick | South River |
| Jamesburg | Old Bridge | Spotswood |
| Metuchen | Perth Amboy | Woodbridge |

In addition, the following non-member districts contracted with the Commission for educational services and programs during the FY2010 school year:

| | | | | |
|---------------------|--------------------|------------------|-------------------------|-------------------|
| Babylon | Elizabeth | Keansburg | New York, NY | Scotch Plains |
| Belleville | Essex Vocational | Kenilworth | Newark | Secaucus |
| Belvidere | Ewing | Keyport | North Arlington | Shamong |
| Bloomfield | Fair Lawn | Lawrence Twp. | North Plainfield | Somerset Hills |
| Bound Brook | Flemington/Raritan | Lebanon | Northern Highland Reg'l | Somerville |
| Branchburg | Florence | Linden | Ocean | South Bound Brook |
| Bricktown | Franklin | Long Hill Twp. | Parsippany | South Orange |
| Bridgewater/Raritan | Freehold | Madison | Pascack Valley | Southampton |
| Central Regional | Green Brook | Manalapan | Passaic County ESC | Springfield |
| Chatham | Hackettstown | Manville | Paterson | Tenaflly |
| Chesterfield | Hamilton Twp. | Maplewood | Plainfield | Toms River |
| Clark | Harrison | Marlboro | Point Pleasant | Trenton |
| Colts Neck | Hazlet | Matawan/Aberdeen | Princeton | Union City |
| Cranford | Henry Hudson | Middletown | Rahway | Union County ESC |
| Delaware | Hillsborough | Millstone Twp. | Readington | Union Twp. |
| Demarest | Hopewell Valley | Montgomery | Ringwood | Washington |
| DHS (Avenel) | Howell | Moorestown | River Edge | Watchung |
| DHS (Morristown) | Hunterdon | Mountainside | Robbinsville | West Orange |
| DHS (Trenton) | Irvington | Mt. Holly | Roosevelt Borough | West Windsor |
| East Orange | Jackson | Mt. Olive | Roselle | Westfield |
| East Windsor | Jersey City | New Providence | Roselle Park | |

The following educational services and programs were provided during the FY2010 school year:

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

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

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

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

As of June 30, 2010 the following services were provided:

| | | |
|------------------------------|-------|----------|
| Compensatory Education | 1,849 | services |
| English as a Second Language | 271 | services |
| Home Instruction | 922 | hours |
| Examination/Classification | 885 | services |
| Supplemental Instruction | 540 | services |
| Speech Correction | 726 | services |
| Speech Evaluations | 18 | services |

RARITAN VALLEY ACADEMY (RVA)

RVA provides an educational delivery system for students who are eligible for special education and related services. Many of these students have been identified by their sending district as having emotional and behavioral disabilities that substantially inhibit appropriate academic and social performance and development.

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

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

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

One hundred five (105) disabled students received educational services at the RVA during the FY2010 school year.

RVA EXTENDED SCHOOL YEAR PROGRAM

During the summer of 2010, fifteen (15) students participated in the extended school year program.

NuVIEW ACADEMY

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

NuView Academy operates on a twelve (12) month basis. In September 2008, NuView Academy moved into its new 22,000 square foot facility in Piscataway. It has a current capacity of seventy-two (72) students between the ages of 5-18 years of age. In FY2010, NuView Academy served ninety-seven (97) students from thirty-two (32) sending districts within eight (8) counties.

PISCATAWAY REGIONAL DAY SCHOOL (PRDS)

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

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

One hundred thirty-eight (138) disabled students received educational services at the PRDS during the FY2010 school year. Augmentative Communication Evaluation Services are also offered.

PRDS EXTENDED SCHOOL YEAR PROGRAM

During the summer of 2010, one hundred twenty-two (122) students participated in the Extended School Year program.

ACADEMY LEARNING CENTER (ALC)

The ALC provides a comprehensive day school program for students with autism or multiple disabilities based on the principles of Applied Behavior Analysis. The staff of approximately ninety-five (95) teachers, instructional aides and therapists, are skilled in the methods and techniques of Applied Behavior Analysis and provide targeted instruction to students based upon the goals and objectives of their individualized educational program. Students develop skills in the areas of language and communication, social, academic, activities of daily living, vocational, fine motor and gross motor skills.

The school program is located in a modern facility, located in Monroe Township, New Jersey, especially designed for the needs of students with moderate to severe disabilities. In addition to the instructional areas, every classroom has an observation room, a storage room and a bathroom. The school serves approximately one hundred thirty-nine (139) students from 3-21 years of age in eighteen (18) classrooms. The building contains eight (8) speech and language therapy rooms, administrative offices, a large occupational and physical therapy room, a spacious multipurpose room, and a health office. Three age appropriate playgrounds are on the ten acre site.

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

The program for students with multiple disabilities focuses on the development of independent functional skills in language, academic, social and vocational areas. Teachers utilize individual and small group instruction to develop functional skills in a student-centered environment. Speech, occupational and physical therapists work closely with classroom staff to integrate instruction. A vocational program combined with paid school jobs and job sampling in the community is offered. Special subject classes include Adaptive Physical Education, Art and Music. Community based instruction is provided as well as a six (6) week extended school year program. As in the autism program, an extensive series of field trips develop community

integration training including swimming, consumer shopping, recreation, etc. Comprehensive inclusion support is provided to all ALC students if they return to their home district on a part-time or full-time basis.

ALC EXTENDED SCHOOL YEAR PROGRAM (ALC ESY)

The ALC ESY program is a continuation of the ten month program and provides a six week program from the last week in June through the first week in August. A high percentage of ten month employees also work in the ESY program. One hundred thirty-one (131) students participated in the 2010 ESY program.

TITLE I PROGRAM

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

Computer Assisted Instruction (CAI) was initiated in 1994 as a pilot program and made available to eligible Title I pupils. During FY2010, seventy-eight (78) students receiving one hundred six (106) services and attending eight (8) nonpublic schools, participated in computer assisted instruction programs.

Eight (8) students received Title I educational services during the FY2010 school year (Non-CAI instruction). Eight (8) services were provided at three (3) nonpublic schools.

COOPERATIVE TRANSPORTATION PROGRAM

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

Five hundred ninety-three (593) cooperative special and regular education routes, public school routes, vo-tech and nonpublic school routes, transported more than seven thousand six hundred thirty-nine (7,639) students to and from over two hundred forty-three (243) destinations each day from thirty-one (31) districts before-and-after-care transportation and work-study program transportation and mid-day shuttles between schools. Additionally, approximately three hundred fifty (350) students are transported daily on athletic/late routes.

NONPUBLIC TEXTBOOK LOAN PROGRAM

The Nonpublic Textbook Loan Program is operated in accordance with the New Jersey Nonpublic Textbook Law, Chapter 121, L. 1984. This law requires Boards of Education to

purchase and loan textbooks to all full-time students in grades kindergarten through twelve attending nonpublic schools within the district. Funding is contingent on the nonpublic school's compliance with compulsory school attendance requirements and with the requirements of Title VI of the Civil Rights Act of 1964. The Commission contracts with districts to provide these services and is responsible for the administration of the program, purchasing, oversight and payment of such textbooks.

During FY2010, these services are being provided to seventy-six (76) private schools located within eighteen (18) districts in Middlesex County.

NONPUBLIC NURSING SERVICES

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

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

During FY2010, these services were provided to seventy-five (75) nonpublic schools located within twenty-three (23) school districts.

E.S.C. GENERAL PROGRAM

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

HOME INSTRUCTION TO PUBLIC STUDENTS

The Commission has provided home instruction services to three hundred eighty-eight (388) public school students from eighteen (18) school districts in and out of Middlesex County during the FY2010 school year.

CHARTER SCHOOL SERVICES

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

COUNTY DIAGNOSTIC SERVICES

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

OCCUPATIONAL AND PHYSICAL THERAPY

Occupational therapy and physical therapy were provided to one (1) public school district during the FY2010 school year. We provided twelve (12) OT/PT evaluations for four (4) districts during the FY2010 school year.

MIDDLESEX COUNTY ACADEMY (MCA)

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

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

During the FY2010 school year, the MCA accepted both classified and non-classified students, serving approximately one hundred and five (105) alternative students from public school districts and implemented an Alternative High School Assessment program to improve student performance on standardized testing.

INTERIM ALTERNATIVE EDUCATIONAL PROGRAM (IAEP)

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

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

During FY2010, a total of ninety-eight (98) students from nineteen (19) school districts participated in the program.

PROFESSIONAL DEVELOPMENT ACADEMY (PDA)

The PDA completed its seventh full year of operation in June 2010. During the year, thirteen (13) public school districts and two (2) nonpublic schools, one through IDEA-B (Individuals with Disabilities Education Act – B Initiative), purchased subscriptions to the PDA. The PDA offered twenty-nine (29) workshops at our facility and forty (40) on-site at area schools. The PDA provided learning opportunities to a total of one thousand two hundred (1,200) educators.

During the FY2010 school year, seventy-nine (79) Commission staff participated in professional development opportunities offered through the PDA, which was designed to be engaging, informative and encourage reflective practice. In addition to regular programs and services the PDA developed comprehensive on site professional development programs for twenty-five (25) nonpublic schools receiving IDEA-B time limited ARRA (American Recovery & Reinvestment Act) professional development funding.

Presenters were expected to provide participants with theory based practical classroom strategies as well as suggestions on how to turnkey at least one important idea back at school. Resources for further learning are provided such as readings, study group ideas and other resources for application in the classroom.

In addition, workshops were aligned to the Eight Key Elements of High Quality Professional Development for teachers, the Elementary and Secondary Education Act (No Child Left Behind), and the NJ Department of Education's initiative to strengthen Collaborative Professional Learning Communities.

Evaluations and questionnaires were disseminated to participants and administrators to ensure that the MRESC Local Professional Development Plan reflected the New Jersey Professional Standards for Teachers. Data from the questionnaires was used to design the professional development offerings.

BRIGHT BEGINNINGS LEARNING CENTER (BBLC)

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

respectively. Effective September 2009, all BBLC classes were housed at the 1660 Stelton Road location.

Bright Beginning Learning Center has developed into a program of choice for thirty (31) districts in three (3) counties seeking placement for students classified as preschool disabled, multiply disabled, and autistic. One hundred twenty-eight (128) students, ages 3 to 13 years, were enrolled at BBLC during the FY2010 school year.

The educational and behavioral program in the eight (8) autism classes utilizes principles of applied behavior analysis, including discrete trial teaching, natural environment training, incidental teaching techniques, and integrated related services to address and develop individual skills. Special subject classes include Adaptive Physical Education, Art, and Music. Classes are designed for a 2:1 student to staff ratio. Transition support is provided for students returning to their home district classes.

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

BBLC EXTENDED SCHOOL YEAR PROGRAM

During the summer of 2010, one hundred twenty (120) students participated in the BBLC Extended School Year.

CENTER FOR LIFELONG LEARNING (CLL)

The Center for Lifelong Learning opened in September 2009 to provide an educational program for students with autism and/or severe multiple disabilities based on the principles of Applied Behavior Analysis (ABA). The school contains twenty-four (24) classrooms, a media center, physical and occupational therapy rooms, specialized classrooms, a gym, an integral garden, and a community center. The community center, which is available for the community during non-school hours, contains a competition pool, a children's zero-entry pool with a lazy river and water features, locker rooms, including one for families, a community room, and a fitness center. The school is designed to optimize energy performance, use only renewable resources, reduce water and energy consumption, and make use of natural resources to achieve greater energy efficiency.

The Center for Lifelong Learning has developed into a program of choice for thirty-five (35) districts in six (6) counties seeking placement for students classified preschool disabled, multiply disabled, and autistic. One hundred-sixty (160) students, ages 3 – 21, were enrolled at CLL during the FY2010 school year.

The educational and behavioral programs at CLL utilize principles of applied behavior analysis, direct instruction, errorless learning, natural environment training, incidental teaching techniques, and integrated related services to address and develop individual skills. Programs address the development of academic, physical, cognitive, communicative, vocational, and social skills through individual and small group instruction. Vocational skills are enhanced through job sampling in the community and the school. Community based educational experiences further enhance each student's ability to interact within typical community environments. Speech, occupational, and physical therapists work closely with classroom staff to integrate instruction. Special subject classes include Adaptive Physical Education, Art, and Music. Classes for students with autism are designed for a 2:1 student to staff ratio. Classes for students with multiple disabilities are designed for a 3:1 student to staff ratio. Transition support is provided for students returning to their home district classes.

CLL EXTENDED SCHOOLYEAR PROGRAM

During the summer of 2010, one hundred fifty-seven (157) students participated in the CLL Extended School Year.

IDEIA-B

IDEIA-B provides additional educational services to classified students attending private schools. These services provide speech therapy, occupational therapy and physical therapy, supplemental instruction, counseling, instructional aides, nursing and supplies. This program is funded through the federal government IDEA-B grant programs for FY2010. The Commission provides services to twenty-five (25) districts and fifty-eight (58) private schools.

COLLABORATIVE SERVICES

SAYREVILLE COLLABORATIVE

This unique program option for students with autism and multiple disabilities and the Sayreville Public Schools began with the start of the FY2005 school year.

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

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

For the past five years, the Sayreville Collaborative has provided programs and services for students with Autism. Due to an increase in demand for preschool services and a decrease in placements of primary age students, the Sayreville Collaborative eliminated one primary classroom for FY2010 by sending the students to the Center for Lifelong Learning. The remaining two preschool classrooms remain located at the Jesse Selover School in Sayreville. The Sayreville Collaborative currently serves thirteen (13) students diagnosed along the autism spectrum.

These students are educated in the following manner:

- 2 Preschool Classes for students ages 3 – 5 (8 students per class)
- Staffing Ratio for students with autism 2:1

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

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

EARLY CHILDHOOD CENTERS (ECCs)

After a review of the Early Child Center Programs and the potential or elimination of State funding, a decision was made to terminate these programs. In coordination with the New Brunswick Board of Education, the operation and licensing of these centers was transferred to the Puerto Rican Action Board.

THE MRESC COOPERATIVE PRICING SYSTEM

The Commission has operated a State approved Cooperative Pricing System since 1996. During FY2010, the Commission expanded this program to include bids for technology, classroom supplies, general office supplies, school buses, office furniture, and expanded its membership to include almost three hundred (300) public agencies, which includes public school districts, municipalities, county governments, county and state colleges.

2. Economic Condition and Outlook

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

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

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

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

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

Examples of consolidated services include:

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

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

Middlesex County, located in Central New Jersey, has a strong, diverse economic base, represents a diversity of religions and cultures, and is located near the New Jersey Turnpike and the Garden State Parkway. The twenty-three (23) school districts represent both urban and suburban districts in the county.

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

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

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

3. Internal Control

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

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

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

4. Budgetary Controls

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balances in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance on June 30, 2010.

5. Accounting Systems and Reports

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

6. Cash Management

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

7. Risk Management

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

8. Service Efforts and Accomplishments

The Commission continued to develop new programs and services for its member districts during the FY2010 school year. These efforts were highlighted by the expansion of the Cooperative Pricing Program providing additional bids in the areas of buildings and grounds equipment; carpeting, copy paper, school buses, Demand Response, Schools for Energy Efficiency, general office supplies and classroom supplies to over two hundred eighty-five (285) members in twenty-one (21) counties. The Commission also opened the Center for Lifelong Learning and the David B. Crabiell Aquatics & Fitness Center. The Commission also continued its efforts in the area of technology, initiating major initiatives at the Raritan Valley Academy, Piscataway Regional Day School, and the Academy Learning Center. These efforts include the implementation of hardware and software necessary to develop a computer assisted instructional program and to allow student media access for purposes of research as well as internet resources.

9. Major Operational or Fiscal Concerns

The operational and financial concerns of the Commission are focused on two areas, the first being the State of New Jersey, Department of Education's comprehensive school plan and the subsequent impact on Special Education and Nonpublic Funding. The second concern is based

on the Commission's growth over the last several years and the reliance on member/non-member districts for cash flow. The Commission continues to monitor these areas very carefully to ensure that funds are available to provide students and member districts with programs and services as well as maintain a strong financial position to ensure payment of all obligations to vendors and employees.

10. Other Information

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

B. Grant Awards and Other Significant Acknowledgments: Through competitive RFP's the Commission was allotted the following grants for the FY2010 school year:

Health Community

| | |
|----------------------------------|---------|
| Award Received: | \$2,000 |
| Total Expenditures: | \$1,848 |
| Funds Carried Over as of 6/30/10 | \$152 |

J&J Nursing

| | |
|----------------------------------|---------|
| Award Received: | \$1,500 |
| Total Expenditures: | \$1,300 |
| Funds Carried Over as of 6/30/10 | \$200 |

Safety Grant

| | |
|---------------------|----------|
| Award Received: | \$14,571 |
| Total Expenditures: | \$14,571 |

Self-Recognition - The following Commission Staff were recognized for Governor's Teacher Recognition Program for the FY2010 school year:

| | |
|-----------------|-----------------------------------|
| Ronnie Dolinsky | Academy Learning Center |
| Tiffany Gallo | Piscataway Regional Day School |
| Christine Saba | Raritan Valley Academy |
| Jodi Williams | Bright Beginnings Learning Center |
| Kerry Walsh | Nonpublic Department |

Student Recognition Program – Eight (8) students from the Commission were honored in February 2010 at the annual Middlesex County School Boards Association Student Recognition Dinner. The students were as follows:

| | |
|------------------|--------------------------------|
| Peterson Oziegbe | Raritan Valley Academy |
| Alexandria Cotto | Raritan Valley Academy |
| Nsikan Effiong | Piscataway Regional Day School |
| Ae'very Brown | Piscataway Regional Day School |
| Mark Liu | Academy Learning Center |
| Kevin Osei | Academy Learning Center |
| Daniel Vega | Center for Lifelong Learning |
| Daniel Exantus | Middlesex County Academy |

Services – Other significant developments and acknowledgments during the FY2010 school year:

- Approval of curriculum as follows – September, 2010
 - Raritan Valley Academy and NuView Academy successfully implemented a new reading program utilizing Direct Instruction.
 - Raritan Valley Academy
 - Mathematics
 - Spanish
 - Physical Education Adventure
 - Middlesex County Academy
 - Mathematics
 - Physical Education Adventure
 - Spanish
 - NuView Academy
 - Mathematics
 - Physical Education Adventure
 - Academy Learning Center, Bright Beginnings Learning Center, Center for Lifelong Learning, Piscataway Regional Day School
 - Language Arts Literacy
 - Career Education
 - Alternate Proficiency Assessment Reference Guide
- Expansion of School to Career Program and development of *Career Education Committee* - September, 2010

11. For the Future

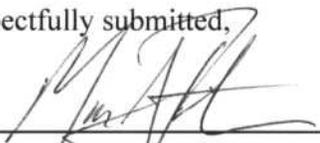
The Commission is presently in very good financial condition and continues to expand service offerings to its participating districts.

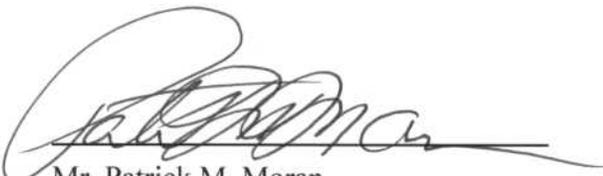
In conclusion, the Commission has committed itself to financial excellence for many years. In addition, the Commission's system for financial planning, budgeting, and internal financial controls are well regarded. The Commission plans to continue its sound fiscal management to meet the challenges of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

12. Acknowledgments

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

Respectfully submitted,

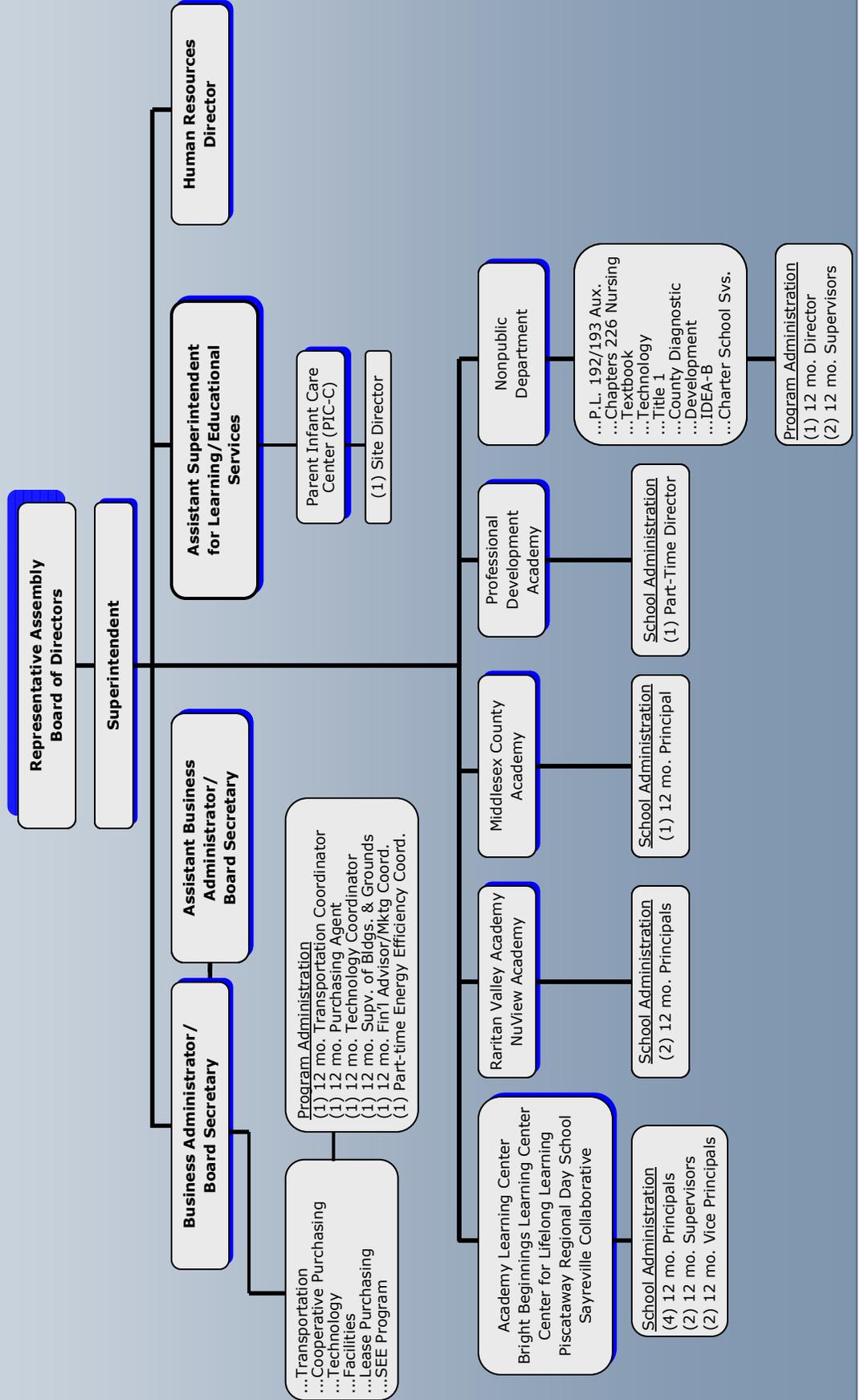


Mr. Mark J. Finkelstein
Superintendent

Mr. Patrick M. Moran
Business Administrator/Board Secretary

Middlesex Regional Educational Services Commission
Piscataway, New Jersey

Organizational Chart
June 30, 2010



Middlesex Regional Educational Services Commission
Piscataway, New Jersey

Roster of Officials

June 30, 2010

| <u>Members of the Board of Directors</u> | <u>Term Expires</u> |
|---|----------------------------|
| Mr. Kevin Ahearn – Carteret | 5/31/11 |
| Mr. John Haney – Cranbury | 5/31/11 |
| Mr. Pio Pennisi – Dunellen | 5/31/11 |
| Ms. Holly Howard - East Brunswick | 5/31/11 |
| Mr. John DiMuzio – Edison | 5/31/11 |
| Dr. Frances Wood - Highland Park | 5/31/11 |
| Dr. Gail Verona – Jamesburg | 5/31/11 |
| Ms. Rose deVries – Metuchen | 5/31/11 |
| Mrs. Rosemary Walsh – Middlesex | 5/31/11 |
| Mr. Bill Petscavage – Milltown | 5/31/11 |
| Mr. John Leary – Monroe | 5/31/11 |
| Mr. Dale Caldwell – New Brunswick | 5/31/11 |
| Dr. Brian Zychowski - North Brunswick | 5/31/11 |
| Ms. Ellen McDermott – Old Bridge | 5/31/11 |
| Mr. John Rodecker – Perth Amboy | 5/31/11 |
| Dr. Paula A.Y. Maas – Piscataway | 5/31/11 |
| Dr. Frank Alfano – Sayreville | 5/31/11 |
| Mr. Robert Sheedy - South Amboy | 5/31/11 |
| Dr. Gary McCartney - South Brunswick | 5/31/11 |
| Mr. Jose Negron - South Plainfield | 5/31/11 |
| Mr. Ronald Grygo - South River | 5/31/11 |
| Dr. Walter Uszenski – Spotswood | 5/31/11 |
| Dr. John Crowe – Woodbridge | 5/31/11 |
| Mr. Brian Loughlin - Middlesex County Vo Tech | 5/31/11 |
| <u>Other Officials</u> | |
| Mr. Mark J. Finkelstein, Superintendent | N/A |
| Mr. Simon Hersh, Assistant Superintendent for Learning/Educational Services | N/A |
| Mr. Patrick M. Moran, Business Administrator/Board Secretary | N/A |
| Ms. Kai-Li Pao, Assistant Business Administrator/Board Secretary | N/A |
| Ms. Lorraine Small, Director of Human Resources | N/A |

Attorney

Anthony B. Vignuolo, Esquire
Borrus, Goldin, Foley, Vignuolo,
Hyman & Stahl
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North Brunswick, New Jersey 08902

Audit Firm

Ernst & Young LLP
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P.O. Box 751
Iselin, New Jersey 08830-0471

Labor Consultants

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

Official Depository

TD Bank
1906 Lincoln Highway
Edison, New Jersey 08817

Architects

USA Architects
20 North Doughty Avenue
Somerville, New Jersey 08876

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Financial Section

Report of Independent Auditors

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Middlesex Regional Educational Services Commission (the “Commission”) as of and for the year ended June 30, 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 an opinion on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2010, on our consideration of the Commission’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the

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

Management's discussion and analysis and budgetary comparison schedules on pages 23 through 35 and 69 through 75 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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



David J. Milkosky
Licensed Public School Accountant
No. 883

November 10, 2010

Required Supplementary Information
Part I

Management's Discussion and Analysis

Middlesex Regional Educational Services Commission
Piscataway, New Jersey

Management's Discussion and Analysis

As management of the Middlesex Regional Educational Services Commission (the "Commission"), we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 through 18 of this report.

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

Financial Highlights

Key financial highlights for 2010 are as follows:

- General revenues accounted for \$35,865,638 or 48.72 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$37,746,052 or 51.28 percent of total revenues of \$73,611,690.
- The Commission had \$73,448,584 in expenses (governmental and business-type activities); \$37,746,052 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily fees for tuition and services provided to other districts) of \$35,865,638 were adequate to provide for these programs.
- Among major funds, the General Fund had \$57,879,711 in revenues and \$61,704,219 in expenditures and transfers out. The General Fund's fund balance decreased (\$3,824,508) over 2009. This increase was the result of increases in costs of services, which was expected by the Commission.
- In total, net assets increased \$163,106 or 0.76% percent.

Overview of the Financial Statements

This discussion and analysis of the Commission's financial performance provides an overall review of the Commission's financial activities for the fiscal year ended June 30, 2010 with certain comparisons to the year ended June 30, 2009. The intent of this discussion and analysis is to look at the Commission's financial performance as a whole; readers should also review the

basic financial statements and the notes to the basic financial statements to enhance their understanding of the Commission's financial performance. The Commission's basic financial statements comprise of three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This document also contains required and other supplementary information in addition to the basic financial statements themselves.

Commission-wide Financial Statements

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

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

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

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

The government-wide financial statements can be found on pages 55 and 56 of this report. The Commission uses enterprise funds to account for its operation of the Piscataway Regional Day School, Early Childhood program, and the district-wide Food and Bus Service Program.

Reporting the Commission's Most Significant Funds

Fund Financial Statements

The analysis of the Commission's major funds begins on page 57. Fund financial reports provide detailed information about the Commission's major funds. The Commission uses a number of funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Commission's most significant funds. The Commission's major governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund.

Governmental Funds

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

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

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

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

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

Enterprise funds provide the same type of information as the district-wide financial statements, only in more detail. The enterprise fund financial statements provide separate information for the Piscataway Regional Day School, the Early Childhood Program, Bus Service Program, Pool Service Fund, and the Food Service Program, all of which are considered to be major enterprise funds of the Commission. A Pool Service Fund was created in fiscal year 2010 to separate the operation of the pool complex from the Center for Lifelong Learning budget. The Commission has contracted with the YMCA of Perth Amboy for management services of the pool complex. This fund tracks the revenues generated by YMCA memberships, classes and other services rendered to the public. As the YMCA is reimbursed for operational expenses, this fund also tracks all reimbursements to the YMCA for salaries, equipment and management fees.

The enterprise fund financial statements can be found on pages 60 through 61 of this report.

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

The fiduciary fund financial statements can be found on pages 63 through 64 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 65 through 86 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Commission. Required supplementary information can be found on pages 87 through 93 of this report.

Combining and individual fund statements and schedules can be found on pages 94 through 106 of this report.

Government-Wide (Governmental Activities) Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Commission, assets exceeded liabilities by \$19,849,067 at the close of the most recent fiscal year.

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

Table 1 shows the comparison of the Commission's Government-Wide net assets from fiscal year 2009 to 2010.

Table 1 – Net Assets

| | Governmental | | Business-Type | | Total | |
|--|---------------|---------------|---------------|--------------|---------------|---------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Assets | | | | | | |
| Current and other assets | \$ 12,092,755 | \$ 19,960,121 | \$ 796,045 | \$ 1,678,198 | \$ 12,888,800 | \$ 21,638,319 |
| Capital assets, net of depreciation | 68,295,274 | 61,771,580 | 1,083,451 | 1,119,901 | 69,378,725 | 62,891,481 |
| Total assets | 80,388,029 | 81,731,701 | 1,879,496 | 2,798,099 | 82,267,525 | 84,529,800 |
| Liabilities | | | | | | |
| Other liabilities | 3,086,955 | 3,723,116 | 190,801 | 147,523 | 3,277,756 | 3,870,639 |
| Long-term liabilities | 57,452,007 | 59,284,505 | | | 57,452,007 | 59,284,505 |
| Total liabilities | 60,538,962 | 63,007,621 | 190,801 | 147,523 | 60,729,763 | 63,154,144 |
| Net assets | | | | | | |
| Invested in capital assets, net of debt | 11,861,037 | 3,533,402 | 1,083,451 | 1,119,901 | 12,944,488 | 4,653,303 |
| Restricted | 3,029,699 | 7,030,185 | | | 3,029,699 | 7,030,185 |
| Unrestricted | 4,958,331 | 8,160,493 | 605,244 | 1,530,675 | 5,563,575 | 9,691,168 |
| Total net assets | \$ 19,849,067 | \$ 18,724,080 | \$ 1,688,695 | \$ 2,650,576 | \$ 21,537,762 | \$ 21,374,656 |

Restricted net assets represent resources that are subject to external restrictions on how they may be used. The remaining balance consists of unrestricted net assets \$5,563,575 and may be used to meet the government's ongoing obligations to member districts.

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

Total current and other assets decreased mainly due to decreases in cash and cash held by fiscal agent and capital assets increased mainly due to increases in capital assets related to completion of the construction for Center of Lifelong Learning.

Total liabilities decreased mainly due to decreases in accrued interest payable related to Bond Series 2008 and accounts payable related to districts decreased in overpayment during fiscal year 2010.

Total net assets increased mainly due to increases in invested in capital assets related to completion of construction service for the Center of Lifelong Learning.

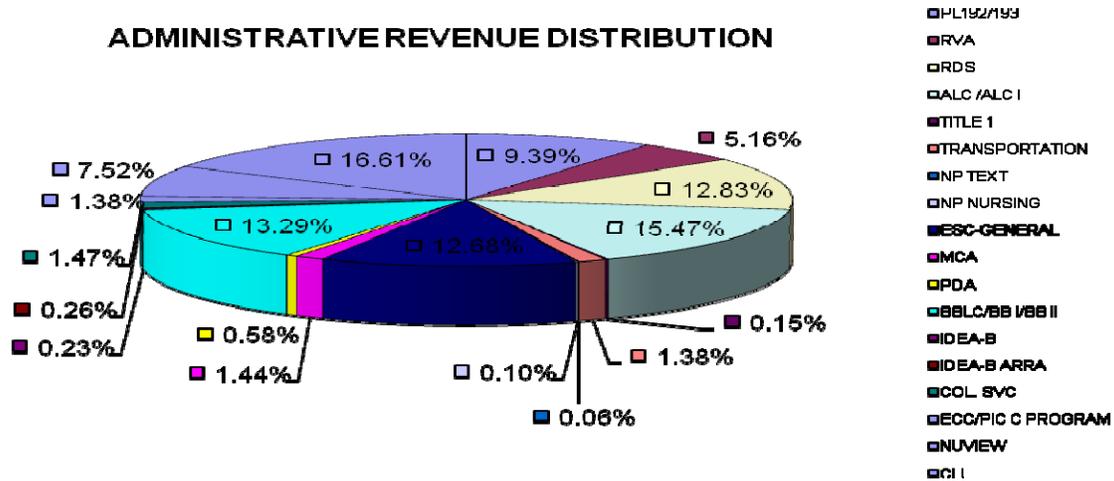
Table 2 shows the changes in net assets from fiscal year 2009 to 2010.

Government-Wide Activities

Table 2 – Changes in Net Assets

| | Governmental | | Business-Type | | Total | |
|---|----------------------|---------------|---------------------|---------------|----------------------|---------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 22,014,291 | \$ 21,849,114 | \$ 6,443,288 | \$ 11,549,093 | \$ 28,457,579 | \$ 33,398,207 |
| Operating grants and contributions | 9,033,229 | 9,050,390 | 255,244 | 477,438 | 9,288,473 | 9,527,828 |
| General revenues: | | | | | | |
| Tuition | 26,186,392 | 23,150,645 | | | 26,186,392 | 23,150,645 |
| Services provided to other districts | 7,620,980 | 5,672,096 | | | 7,620,980 | 5,672,096 |
| Grants and entitlements | 1,835,723 | 1,826,690 | | | 1,835,723 | 1,826,690 |
| Other | 222,543 | 223,963 | | | 222,543 | 223,963 |
| Total revenues | 66,913,158 | 61,772,898 | 6,698,532 | 12,026,531 | 73,611,690 | 73,799,429 |
| Program expenses | | | | | | |
| Instruction | 17,929,049 | 18,158,241 | | | 17,929,049 | 18,158,241 |
| Support services: | | | | | | |
| Pupils and instructional staff | 11,241,052 | 7,418,683 | | | 11,241,052 | 7,418,683 |
| General administration, school administration | 2,350,848 | 2,231,843 | | | 2,350,848 | 2,231,843 |
| Central services | 992,939 | 1,001,380 | | | 992,939 | 1,001,380 |
| Admin. Infor. Technology | 296,674 | 98,180 | | | 296,674 | 98,180 |
| Operations and maintenance of facilities | 2,288,865 | 1,765,062 | | | 2,288,865 | 1,765,062 |
| Pupil transportation | 25,611,438 | 24,909,636 | | | 25,611,438 | 24,909,636 |
| Business and other support svcs | 1,421,272 | 1,268,528 | | | 1,421,272 | 1,268,528 |
| Special schools | 2,328,006 | 1,843,787 | | | 2,328,006 | 1,843,787 |
| Interest on debt | 2,253,304 | 2,743,549 | | | 2,253,304 | 2,743,549 |
| Regional Day School | | | 5,596,920 | 5,516,538 | 5,596,920 | 5,516,538 |
| Bus Services | | | 29,598 | 190,437 | 29,598 | 190,437 |
| Early Childhood Program | | | 521,189 | 5,382,667 | 521,189 | 5,382,667 |
| Pool Service | | | 276,201 | | 276,201 | |
| Food Service | | | 311,229 | 298,567 | 311,229 | 298,567 |
| Total program expenses | 66,713,447 | 61,438,891 | 6,735,137 | 11,388,209 | 73,448,584 | 72,827,100 |
| Excess before transfers | 199,711 | 334,007 | (36,605) | 638,322 | 163,106 | 927,329 |
| Transfers | 925,276 | 123,525 | (925,276) | (123,525) | | |
| Change in net assets | 1,124,987 | 457,532 | (961,881) | 514,797 | 163,106 | 927,639 |
| Beginning net assets | 18,724,080 | 18,266,548 | 2,650,576 | 2,135,779 | 21,374,656 | 20,402,327 |
| Ending net assets | \$ 19,849,067 | \$ 18,724,080 | \$ 1,688,695 | \$ 2,650,576 | \$ 21,537,762 | \$ 21,374,656 |

Revenues increased primarily due to the increases in transportation services provided to other districts and increased revenue related to the opening of the Center for Lifelong Learning in fiscal year 2010. Expenses increased primarily due to increased instructional staffs for the Center for Lifelong Learning.



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

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

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

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

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

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

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

Financial Analysis of the Commission's Funds

Financial Information at Fiscal Year-End

As demonstrated by the various statements and schedules included in the financial section of this report, the Commission continues to meet its responsibility for sound financial management. The following schedule presents a summary of the general fund, special revenue fund and debt service fund revenues for the fiscal year ended June 30, 2010 and the amount and percentages of increases in relation to the prior year's revenues. The capital projects fund has been excluded as amounts vary substantially from year to year.

| <u>Revenues</u> | <u>Amount</u> | <u>Percentage of Total</u> | <u>Increase (Decrease) from 2009</u> | <u>Percentage of Increase</u> |
|-----------------|----------------------|----------------------------|--------------------------------------|-------------------------------|
| Local sources | \$ 56,313,451 | 84.16% | \$ 5,450,591 | 10.72% |
| State sources | 7,428,130 | 11.10 | (738,185) | (9.04) |
| Federal sources | 3,171,419 | 4.74 | 465,654 | 17.21 |
| Total | <u>\$ 66,913,000</u> | <u>100.00%</u> | <u>\$ 5,178,060</u> | <u>8.39%</u> |

The increase in local sources is attributable to increases in the services provided to districts. The decrease in State revenue sources is mainly attributable to the Technology Initiative State Aid Grant ended June 30, 2009. The increase in Federal sources is mainly attributable to increases in Federal Aid for the ARRA IDEA Part B program.

The following schedule presents a summary of general fund, special revenue fund and debt service fund expenditures for the fiscal year ended June 30, 2010 and the amount and percentages of increases (decreases) in relation to the prior year's expenditures.

| <u>Expenditures</u> | <u>Amount</u> | <u>Percentage of Total</u> | <u>Increase (Decrease) from 2009</u> | <u>Percentage of Increase (Decrease)</u> |
|----------------------------|----------------------|----------------------------|--------------------------------------|--|
| Current: | | | | |
| Instruction | \$ 15,350,072 | 22.66% | \$ (690,740) | (4.31%) |
| Undistributed expenditures | 47,783,639 | 70.55 | 5,640,341 | 13.38 |
| Capital outlay | 352,336 | 0.52 | (614,630) | (63.56) |
| Special schools | 2,328,007 | 3.44 | 484,220 | 26.26 |
| Debt service: | | | | |
| Principal | 1,920,883 | 2.84 | (19,152,704) | (90.88) |
| Interest | 2,763,869 | 4.08 | (49,677) | (1.77) |
| Total | <u>\$ 67,734,937</u> | <u>100.00%</u> | <u>\$ (14,383,190)</u> | <u>(16.94%)</u> |

The decrease in instruction is due to decreases in the contractual teachers' salaries and decreases in the Technology Grant for instruction related expenditures and reclassification of salary accounts. The increase in undistributed expenditures is mainly due to reclassification of speech teachers and 1:1 aide salary from instruction to undistributed other support for special education based on a new chart of accounts effective July 1, 2009. The decrease in capital outlay is due to major capital asset events during fiscal year 2009, including the construction in process of the NuView Academy and the Center of Lifelong Learning, exterior facade, canopy, gym and occupational therapy/physical therapy room floor upgrade at the Piscataway Regional Day School, playground upgrades at various programs, telephone and networking upgrades, building access and security upgrades which were completed in fiscal year 2009. The increase in special schools is mainly attributable to the expansion of Commission services provided.

The decrease in principal and interest on debt are due to the debt service payments made during fiscal year 2010. During fiscal year 2009, short-term notes in the amount of \$20,970,000, were paid off with the proceeds from the issuance of new bonds to finance the construction projects for the View and the Center for Lifelong Learning.

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

As of the end of the current fiscal year, the Commission's governmental funds reported combined ending fund balances of \$8,650,334 a decrease of (\$7,824,994) in comparison with the prior year. Approximately \$4,535,312 of this total amount constitutes *unreserved fund balance*, which is available for spending at the Commission's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period, 2) to pay debt service \$2,278,154, or 3) support program budgets.

The general fund is the chief operating fund of the Commission. At the end of the current fiscal year, unreserved fund balance of the general fund was \$4,535,312 while total fund balance reached \$5,837,027. As a measure of the general fund's viability, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 7.35 percent of total general fund expenditures, while total fund balances represents 9.46 percent of that same amount.

The total fund balance of the Commission's general fund decreased by (\$3,824,508) during the current fiscal year and the undesignated fund balance decreased by (\$3,387,060) during the current fiscal year.

The debt service fund has a total fund balance of \$2,278,154, all of which is reserved for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was (\$715,774).

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

General Fund Budgeting Highlights

Significant Budget Variances or Budget Modifications

During the 2010 school year, the Commission experienced several significant budget variances and modifications. These variances and modifications were directly related to originally budgeted Collaborative Services for Old Bridge and New Brunswick which were cancelled due to the lack of enrollment and result of expansion in the areas of Itinerant Instruction Services provided for children with hearing loss.

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

During the course of the 2010 fiscal year, the Commission amended its General Fund budgets as needed. The Commission uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

For the General Fund, budget-basis revenue and other financing sources was \$56,043,988, \$818,489 over original budgeted estimates of \$55,225,499. This difference was due primarily to conservative revenue estimates for 1:1 aides, additional services provided to districts and the addition of the Center for Lifelong Learning in fiscal year 2010.

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

1. Salaries for teachers in the For Keeps Children's Program decreased by (\$59,626). This decrease is directly related to the provision of services.
2. Salaries for Instruction for Multiple Disabled Students were increased by \$126,604. These increases are directly related to the actual salary paid as compared to original budget estimates and the opening of the Center for Lifelong Learning.
3. Other Salaries for Instruction for Multiple Disabled Students were decreased by (\$99,829). These decreases are directly related to reduction of IDEA-B aides for Nonpublic Schools.
4. Salaries for Instruction of Autistic Students were increased by \$270,389 and Other Salaries for Instruction for Autistic Students were increased by \$92,615. These increases are related to the actual salary as compared to original salary estimates. This increase is directly due to the reorganization of classes at the Bright Beginning Learning Center and an increased enrollment of Autistic students at the Center for Lifelong Learning.

5. Salaries for Instruction for Preschool Disabled Students were decreased by (\$222,469) and other Salaries for Instruction for Preschool Disabled Students were decreased by (\$242,176). These decreases are directly related to the reorganization of classes at the Bright Beginnings Learning Center and the actual enrollment for Preschool Disabled Students at the Center for Lifelong Learning.
6. Other Support Services for Students line for Salaries of instruction for speech service increased \$83,266. This increase is related to increase of speech services due to the actual enrollment at the Center for Lifelong Learning.
7. Other Support Services for Students salary line for instructional 1.1 aides increased \$749,841. This increase was primarily related to conservative revenue estimates for additional 1.1 aide service to districts.
8. Other Support Services for Students salary line for other professional staff was decreased by (\$123,138). This decrease is related to the elimination of one case manager and one counselor positions due to low enrollment at the Raritan Valley academy.
9. Other Support Services for Students line for Other Purchased Professional and Technical services was increased by \$266,993. This increase was primarily related to expansion of occupational and physical therapeutic service for ARRA IDEA-B for Nonpublic Schools.
10. Other Support Services for Students line for Purchased Professional Educational services was increased by \$117,202. This increase was primarily related to increased child study team services to charter schools and additional professional development services funded by ARRA IDEA-B for all Nonpublic Schools.
11. General Administration line for salary was increased by \$64,890. This increase is directly related to the reallocation of general administration salary from the Enterprise fund to the General fund with the elimination of the Early Childhood Programs.
12. Other Purchased Professional Services for School Administration decreased (\$75,990). This decrease is directly related to the elimination of the transition services program to public school districts and actual consultant services being less than originally budgeted.
13. Central Services line for salary was increased by \$166,182. This increase is directly related to the reallocation of Central service salary percentage from the Enterprise fund to the General fund with the elimination of the Early Childhood Programs.
14. Required maintenance of school facilities line for salary was increased by \$178,139. This increase is directly related to actual salaries as compared to budget estimates for the Center for Lifelong Learning and Aquatic Center.

15. The cleaning, repair, maintenance line was decreased by (\$60,702). This decrease is mainly due to reduced expenses at the NuView Academy and Center for Lifelong Learning.
16. Other Operation and Maintenance for plant line for Rent increased by \$358,733. This net increase is directly related to the level of funds transferred to the Commission's debt service account for payment of current and future obligations.
17. Operation and Maintenance for plant line for Energy increased by \$102,114. This increase is directly related to actual electricity usage as compared to budget estimates.
18. Student Transportation Contracted Services between Home and School line decreased (\$2,242,295) and Aid-in-Lieu of decreased (\$63,846). These decreases are directly related to the level of service provided to participating districts as compared to budget estimates. Contracted Services for New Brunswick field trips was increased by \$79,212 due to additional field trips.
19. Employee Benefits for Social Security line increased \$125,430. This increase is directly related to the actual social security tax paid as compared to budget estimates for the opening of the Center for Lifelong Learning.
20. Employee benefits for other retirement contributions line increased \$80,258. This increase is directly related to retirement contributions reallocation from enterprise fund to general fund due to elimination of the Early Childhood Programs and retirement contributions for Center for Lifelong Learning exceeding original budget estimates.
21. Health Benefits increased \$890,905. This represents the distribution of additional revenue for increases in services and tuition and actual health benefits cost exceeding original budget estimates
22. Other Employee benefits increased \$117,657. This increase is related to the unplanned and unbudgeted retirement of the Assistant Superintendent.
23. Non-Instructional Equipment for Multiple Disabilities increased \$51,515 and Autism increased \$51,515. These increases are directly related to the acquisition of appliance and fitness equipment for the Center for Lifelong Learning. Non-Instructional Equipment for others increased \$60,778. This increase is mainly related to acquisition of a new Commission vehicle for the Building and Grounds Department and the replacement of network servers damaged by a leaking condensate line.
24. Facilities Acquisition and Construction Services line for Construction Services increased \$102,639. This increase is directly related to upgrade security systems carried over from fiscal year 2009 and engineering service for boiler project and lighting upgrade for the Raritan Valley Academy

25. Summer School instruction line for Salaries of teachers decreased (\$74,725). This decrease is mainly related to actual teacher salaries for Old Bridge and Sayreville Summer School Programs being less than originally budgeted.
26. Summer School instruction line for Other Salaries of instruction increased \$82,715. This increase is mainly related to additional 1.1 aides employed on behalf of Districts.
27. Summer School instruction line for General supplies increased \$152,406. This increase is directly related to the distribution of additional revenue for increases in services and tuition.
28. Summer School instruction line for Personal Services – Employee Benefits increased \$280,543. This increase is directly related to the level of funds transferred to the Commission’s health benefit account to cover actual health benefit cost.
29. Summer School instruction line for Purch Pro & Tech Services decreased (\$52,714). This decrease is mainly related to actual speech services being less than originally budgeted.

The General Fund expenditures exceeded revenues and other financing sources (uses) of the Commission by approximately (\$3,824,508) due to fund transfer from General Fund to Capital Project Fund to complete the Center for Lifelong Learning construction services projects in FY2010.

Capital Assets – Governmental Activities

At the end of the fiscal year 2010, the Commission had \$68,295,274 (net) investment in land, buildings, furniture and equipment, and vehicles. Table 3 shows a comparison of capital assets (net of depreciation) from fiscal year 2009 to 2010.

Table 3 – Capital Assets (Net of Depreciation)

| | 2010 | 2009 |
|-----------------------------------|----------------------|----------------------|
| Land and land improvements | \$ 5,929,131 | \$ 5,988,774 |
| Construction in progress | – | 25,278,048 |
| Buildings and improvements | 59,880,193 | 28,544,999 |
| Machinery, equipment and vehicles | 2,485,950 | 1,989,760 |
| Totals | \$ 68,295,274 | \$ 61,771,581 |

Major capital asset events during the current fiscal year included the construction of the Center of Lifelong Learning, new playgrounds at the Center for Lifelong Learning, telephone and networking upgrades and continued building access and security upgrades.

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

Debt Administration

On June 30, 2010, the Commission had \$58,793,907 in outstanding long-term liabilities. Of this amount, \$325,373 is for compensated absences, and the balance of \$58,468,534 for bonds/loans for school construction.

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

Contacting the Commission's Financial Management

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

Basic Financial Statements

District-wide Financial Statements

The district-wide financial statements provide a financial overview of the Commission's operations. These financial statements present the financial position and operating results of all governmental activities and business-type activities as of and for the year ended June 30, 2010.

Middlesex Regional Educational Services Commission

Statement of Net Assets

June 30, 2010

| | Governmental Activities | Business-type Activities | Total |
|---|------------------------------------|-------------------------------------|----------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 1,696,271 | \$ 294,326 | \$ 1,990,597 |
| Receivables, net | 7,676,864 | 516,185 | 8,193,049 |
| Deferred charges | 692,396 | | 692,396 |
| Internal Balances | 14,466 | (14,466) | - |
| Restricted assets: | | | |
| Cash and cash equivalents | 216,392 | | 216,392 |
| Cash held by fiscal agent | 1,796,366 | | 1,796,366 |
| Capital assets, nondepreciable | 5,231,614 | | 5,231,614 |
| Capital assets, depreciable, net | 63,063,660 | 1,083,451 | 64,147,111 |
| Total assets | <u>80,388,029</u> | <u>1,879,496</u> | <u>82,267,525</u> |
| Liabilities | | | |
| Accounts payable | 1,126,114 | 170,801 | 1,296,915 |
| Accrued interest payable | 336,931 | | 336,931 |
| Intergovernmental accounts payable: | | | |
| State and federal | 122,148 | | 122,148 |
| Districts | 232,224 | | 232,224 |
| Accrued liability for health benefits | 704,680 | | 704,680 |
| Deferred revenue | 564,858 | 20,000 | 584,858 |
| Noncurrent liabilities: | | | |
| Due within one year | 2,201,987 | | 2,201,987 |
| Due beyond one year | 55,250,020 | | 55,250,020 |
| Total liabilities | <u>60,538,962</u> | <u>190,801</u> | <u>60,729,763</u> |
| Net Assets | | | |
| Invested in capital assets, net of related debt | 11,861,037 | 1,083,451 | 12,944,488 |
| Restricted for: | | | |
| Debt service | 2,278,154 | | 2,278,154 |
| Capital projects | 535,153 | | 535,153 |
| Other purposes | 216,392 | | 216,392 |
| Unrestricted | 4,958,331 | 305,244 | 5,263,575 |
| Total net assets | <u>\$ 19,849,067</u> | <u>\$ 1,388,695</u> | <u>\$ 21,237,762</u> |

Middlesex Regional Educational Services Commission

Statement of Activities

Year ended June 30, 2010

| Functions/Programs | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | |
|--|------------------|----------------------|------------------------------------|---|--------------------------|---------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Governmental activities | | | | | | |
| Instruction | \$ 17,929,049 | \$ 26,186,392 | \$ 6,209,229 | \$ 14,466,572 | \$ | \$ 14,466,572 |
| Support services: | | | | | | |
| Health services | 744,761 | | | (744,761) | | (744,761) |
| Student and instruction related services | 10,496,291 | | 2,692,117 | (7,804,174) | | (7,804,174) |
| General and business administrative services | 772,495 | | | (772,495) | | (772,495) |
| School administrative services | 1,578,352 | | | (1,578,352) | | (1,578,352) |
| Central services | 992,939 | | | (992,939) | | (992,939) |
| Admin. Infor. Technology | 296,674 | | | (296,674) | | (296,674) |
| Plant operations and maintenance | 2,288,865 | | | (2,288,865) | | (2,288,865) |
| Pupil transportation | 25,611,438 | 22,014,291 | | (3,597,147) | | (3,597,147) |
| Employee benefits | 1,369,252 | | | (1,369,252) | | (1,369,252) |
| Capital outlay | 52,021 | | 131,883 | 79,862 | | 79,862 |
| Special schools | 2,328,007 | | | (2,328,007) | | (2,328,007) |
| Interest on long-term debt | 2,253,304 | | | (2,253,304) | | (2,253,304) |
| Total governmental activities | 66,713,448 | 48,200,683 | 9,033,229 | (9,479,536) | | (9,479,536) |
| Business-type activities | | | | | | |
| Regional Day School | 5,596,920 | 5,709,075 | | | \$ 112,155 | 112,155 |
| Bus Service | 29,598 | 11,154 | | | (18,444) | (18,444) |
| Early Childhood Program | 521,189 | 371,737 | 36,817 | | (112,635) | (112,635) |
| Pool Services | 276,201 | 276,333 | | | 132 | 132 |
| Food service | 311,229 | 74,989 | 218,427 | | (17,813) | (17,813) |
| Total business-type activities | 6,735,137 | 6,443,288 | 255,244 | | (36,605) | (36,605) |
| Total primary government | \$ 73,448,585 | \$ 54,643,971 | \$ 9,288,473 | (9,479,536) | (36,605) | (9,516,141) |
| General revenues: | | | | | | |
| Federal and state aid not restricted | | | | 1,835,723 | | 1,835,723 |
| Services provided to districts | | | | 7,620,980 | | 7,620,980 |
| Interest income | | | | 21,818 | | 21,818 |
| Miscellaneous income | | | | 200,726 | | 200,726 |
| Transfers | | | | 925,276 | (925,276) | - |
| Total general revenues and transfers, net | | | | 10,604,523 | (925,276) | 9,679,247 |
| Change in net assets | | | | 1,124,987 | (961,881) | 163,106 |
| Net assets—beginning | | | | 18,724,080 | 2,650,576 | 21,374,656 |
| Net assets—ending | | | | \$ 19,849,067 | \$ 1,688,695 | \$ 21,537,762 |

See accompanying notes.

Fund Financial Statements

Governmental Funds

Middlesex Regional Educational Services Commission
Governmental Funds

Balance Sheet

June 30, 2010

| | Major Funds | | | | Total Governmental Funds |
|--|---------------------|---------------------|---------------------|---------------------|--------------------------------|
| | General | Special Revenue | Capital Projects | Debt Service | |
| Assets | | | | | |
| Cash and cash equivalents | \$ 1,475,876 | | \$ 36,048 | \$ 1,139,162 | \$ 2,651,086 |
| Intergovernmental accounts receivable | | | | | |
| State | 49,036 | \$ 5,000 | | | 54,036 |
| Federal | 24,159 | | | | 24,159 |
| Other districts | 5,725,944 | 1,814,963 | 13,137 | | 7,554,044 |
| Interfund receivable | 84,312 | | | 35,995 | 120,307 |
| Cash and cash equivalents-restricted | 216,392 | | | | 216,392 |
| Cash held by fiscal agent-restricted | 203,036 | | 490,333 | 1,102,997 | 1,796,366 |
| Total assets | \$ 7,778,755 | \$ 1,819,963 | \$ 539,518 | \$ 2,278,154 | \$ 12,416,390 |
| Liabilities | | | | | |
| Cash overdraft | | 954,815 | | | 954,815 |
| Accounts payable | 1,101,197 | 20,552 | 4,365 | | 1,126,114 |
| Accrued liability for insurance claims | 704,680 | | | | 704,680 |
| Intergovernmental accounts payable | | | | | |
| State and federal | | 122,148 | | | 122,148 |
| Other districts | 62,039 | 170,185 | | | 232,224 |
| Interfunds payable | 61,216 | | | | 61,216 |
| Deferred revenue | 12,595 | 552,263 | | | 564,858 |
| Total liabilities | 1,941,727 | 1,819,963 | 4,365 | - | 3,766,055 |
| Fund balances | | | | | |
| Reserved for: | | | | | |
| Encumbrances | 930,684 | | | | 930,684 |
| Capital reserve | 216,392 | | | | 216,392 |
| Health benefits reserve | 154,639 | | | | 154,639 |
| Debt service | | | | 2,278,154 | 2,278,154 |
| Unreserved: | | | | | |
| Undesignated | 4,535,312 | | 535,153 | | 5,070,465 |
| Total fund balances | 5,837,027 | | 535,153 | 2,278,154 | 8,650,334 |
| Total liabilities and fund balances | \$ 7,778,754 | \$ - | \$ 539,518 | \$ 2,278,154 | |

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

| | |
|---|----------------------|
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$78,099,743 and the accumulated depreciation is \$9,804,128. | 68,295,274 |
| Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds. | (336,931) |
| Unamortized portion of debt issuance costs not reported as an asset in the funds | 692,397 |
| Long-term liabilities, including bonds payable, capital leases and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds. | (57,452,007) |
| Net assets of governmental activities (A-1) | \$ 19,849,067 |

See accompanying notes.

Middlesex Regional Educational Services Commission
Governmental Funds

Statements of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2010

| | Major Funds | | | | Total |
|--|---------------|----------------------|-----------------------|-------------------|---------------|
| | General Fund | Special Revenue Fund | Capital Projects Fund | Debt Service Fund | |
| Revenues: | | | | | |
| Local sources: | | | | | |
| Tuition from districts | \$ 26,186,392 | | | | \$ 26,186,392 |
| Transportation fees | 22,014,291 | | | | 22,014,291 |
| Services provided to districts | 7,620,980 | | | | 7,620,980 |
| Interest on investments | 21,600 | | \$ 158 | \$ 60 | 21,818 |
| Miscellaneous | 200,725 | | | | 200,725 |
| Total revenues—local sources | 56,043,988 | | 158 | 60 | 56,044,206 |
| Local sources | | \$ 269,403 | | | 269,403 |
| State sources | 1,835,723 | 5,592,407 | | | 7,428,130 |
| Federal sources | | 3,171,419 | | | 3,171,419 |
| Total revenues | 57,879,711 | 9,033,229 | 158 | 60 | 66,913,158 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction | 9,140,843 | 6,209,229 | | | 15,350,072 |
| Undistributed: | | | | | |
| Health services | 649,995 | | | | 649,995 |
| Other support: special | 6,614,327 | 2,546,384 | | | 9,160,711 |
| General administration | 674,201 | | | | 674,201 |
| School administration | 1,377,518 | | | | 1,377,518 |
| Central Services | 866,595 | | | | 866,595 |
| Admin. Info. Technology | 258,924 | | | | 258,924 |
| Required maintenance for school facilities | 862,916 | | | | 862,916 |
| Operation of plant | 1,134,707 | | | | 1,134,707 |
| Student transportation | 22,352,560 | | | | 22,352,560 |
| Employee benefits | 5,845,920 | | | | 5,845,920 |
| Reimbursement TPAF social security and pension (non-budgeted) | 1,835,723 | | | | 1,835,723 |
| Capital outlay | 220,453 | 131,883 | 7,928,491 | | 8,280,827 |
| Special schools | 2,328,007 | | | | 2,328,007 |
| Debt service: | | | | | |
| Principal | | | | 1,920,883 | 1,920,883 |
| Interest | | | | 2,763,869 | 2,763,869 |
| Total expenditures | 54,162,689 | 8,887,496 | 7,928,491 | 4,684,752 | 75,663,428 |
| Excess (deficiency) of revenues over (under) expenditures | 3,717,022 | 145,733 | (7,928,333) | (4,684,692) | (8,750,270) |
| Other financing sources (uses): | | | | | |
| Transfers in | 621,370 | | 4,643,621 | 4,468,918 | 9,733,909 |
| Transfers out | (8,162,900) | (145,733) | - | (500,000) | (8,808,633) |
| Total other financing (uses) sources | (7,541,530) | (145,733) | 4,643,621 | 3,968,918 | 925,276 |
| Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses) | (3,824,508) | | (3,284,712) | (715,774) | (7,824,994) |
| Fund balances, July 1 | 9,661,535 | | 3,819,865 | 2,993,928 | 16,475,328 |
| Fund balances, June 30 | \$ 5,837,027 | \$ - | \$ 535,153 | \$ 2,278,154 | \$ 8,650,334 |

See accompanying notes.

Middlesex Regional Educational Services Commission
 Governmental Funds

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

Year ended June 30, 2010

Total net change in fund balances - governmental funds (B-2) \$ (7,824,994)

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

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

| | | | | |
|--|----------------------|------------------|--|-----------|
| | Depreciation expense | \$ (1,705,114) | | |
| | Capital outlays | <u>8,228,807</u> | | 6,523,693 |

The issuance of long-term debt (e.g. bonds/loans, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 1,803,942

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. 627,506

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation; when the paid amount exceeds the earned amount the difference is an addition to the reconciliation. (5,160)

Change in net assets of governmental activities (A-2) \$ 1,124,987

See accompanying notes.

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Proprietary Funds

Middlesex Regional Educational Services Commission
 Proprietary Funds
 Statement of Net Assets
 June 30, 2010

| | Regional Day School Fund | Bus Services Fund | Early Childhood Program Fund | Pool Services Fund | Food Services Fund | Total |
|---|-----------------------------------|-------------------------|---------------------------------------|--------------------------|--------------------------|--------------|
| Assets | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ 213,262 | \$ - | \$ - | \$ 33,358 | \$ 47,706 | \$ 294,326 |
| Intergovernmental accounts receivable: | | | | | | |
| State | | | | | 945 | 945 |
| Federal | | | | | 18,584 | 18,584 |
| Other districts | 480,133 | | | 16,501 | 22 | 496,656 |
| Interfund receivable | | | | | 25,221 | 25,221 |
| Total current assets | 693,395 | - | - | 49,859 | 92,478 | 835,732 |
| Capital assets: | | | | | | |
| Site Improvement | 839,695 | | | | | 839,695 |
| Equipment | 506,118 | | 159,476 | | | 665,594 |
| Accumulated depreciation | (340,626) | | (81,212) | | | (421,838) |
| Total capital assets | 1,005,187 | - | 78,264 | | - | 1,083,451 |
| Total assets | 1,698,582 | - | 78,264 | 49,859 | 92,478 | 1,919,183 |
| Liabilities | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | 68,151 | | | 49,859 | 52,791 | 170,801 |
| Interfunds payable | | | | | 39,687 | 39,687 |
| Unearned Revenues | 20,000 | | | | | 20,000 |
| Total current liabilities | 88,151 | - | - | 49,859 | 92,478 | 230,488 |
| Net Assets | | | | | | |
| Invested in capital assets, net of related debt | 1,005,187 | | 78,264 | | | 1,083,451 |
| Unrestricted | 605,244 | | - | | | 605,244 |
| Total net assets | \$ 1,610,431 | \$ - | \$ 78,264 | \$ - | \$ - | \$ 1,688,695 |

See accompanying notes.

Middlesex Regional Educational Services Commission
 Proprietary Funds

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

Year ended June 30, 2010

| | Regional Day School Fund | Bus Services Fund | Early Childhood Program Fund | Pool Services Fund | Food Services Fund | Total |
|--------------------------------------|---|----------------------------------|---|-----------------------------------|-----------------------------------|--------------|
| Operating revenues: | | | | | | |
| Local sources: | | | | | | |
| School lunch program | | | | | \$ 74,989 | \$ 74,989 |
| Tuition | \$ 5,118,210 | | \$ 363,431 | | | 5,481,641 |
| Services | 590,766 | \$ 11,154 | 2,866 | \$ 268,607 | | 873,393 |
| Miscellaneous | 99 | | 5,440 | 7,726 | | 13,265 |
| Total operating revenues | 5,709,075 | 11,154 | 371,737 | 276,333 | 74,989 | 6,443,288 |
| Operating expenses: | | | | | | |
| Cost of food | | | 38,597 | | 290,993 | 329,590 |
| Salaries and wages | 3,276,245 | 15,098 | 373,864 | 1,012 | 20,236 | 3,686,455 |
| Employee benefits | 1,405,417 | 8,822 | 619 | 50 | | 1,414,908 |
| Materials and supplies | 62,514 | | 3,826 | 55,541 | | 121,881 |
| Textbooks | 1,312 | | | | | 1,312 |
| Maintenance and repairs | 42,391 | 5,678 | 2,820 | | | 50,889 |
| Travel | 878 | | 4,000 | | | 4,878 |
| Other professional services | 553,178 | | 12,385 | 216,676 | | 782,239 |
| Insurance | 13,134 | | | | | 13,134 |
| Telephone/Communications | 30,999 | | 1,048 | 107 | | 32,154 |
| Utilities | 94,900 | | 3,194 | | | 98,094 |
| Depreciation | 53,958 | | 21,407 | | | 75,365 |
| Miscellaneous | 61,994 | | 59,429 | 2,815 | | 124,238 |
| Total operating expenses | 5,596,920 | 29,598 | 521,189 | 276,201 | 311,229 | 6,735,137 |
| Operating income (loss) | 112,155 | (18,444) | (149,452) | 132 | (236,240) | (291,849) |
| Nonoperating revenues: | | | | | | |
| National breakfast program - state | | | 673 | | 4,881 | 5,554 |
| State school lunch program | | | 797 | | 5,714 | 6,511 |
| National breakfast program - federal | | | 10,189 | | 72,986 | 83,175 |
| Federal school lunch program | | | 20,028 | | 134,846 | 154,874 |
| After school snack program | | | 5,130 | | | 5,130 |
| Total nonoperating revenues | | | 36,817 | | 218,427 | 255,244 |
| Income before transfers | 112,155 | (18,444) | (112,635) | 132 | (17,813) | (36,605) |
| Transfers in | | 18,444 | | 219,423 | 17,813 | 255,680 |
| Transfers out | (102,164) | | (859,237) | (219,555) | | (1,180,956) |
| Total Transfer | (102,164) | 18,444 | (859,237) | (132) | 17,813 | (925,276) |
| Change in net assets | 9,991 | - | (971,872) | - | - | (961,881) |
| Net assets, beginning of year | 1,600,440 | | 1,050,136 | | | 2,650,576 |
| Net assets, end of year | \$ 1,610,431 | \$ - | \$ 78,264 | \$ - | \$ - | \$ 1,688,695 |

See accompanying notes.

Middlesex Regional Educational Services Commission
Proprietary Fund

Statement of Cash Flows

Year ended June 30, 2010

| | Regional Day School Fund | Bus Services Fund | Early Childhood Program Fund | Pool Services Fund | Food Services Fund | Total |
|---|-----------------------------------|-------------------------|---------------------------------------|--------------------------|--------------------------|--------------|
| Cash flows from operating activities | | | | | | |
| Receipts from customers | \$ 5,654,373 | \$ 12,557 | \$ 468,862 | \$ 259,832 | \$ 74,967 | \$ 6,470,591 |
| Payments to employees | (3,276,245) | (15,098) | (373,864) | (1,012) | (20,236) | (3,686,455) |
| Payments for employee benefits | (1,405,417) | (8,822) | (619) | (50) | | (1,414,908) |
| Payments to suppliers | (844,402) | (9,760) | (180,660) | (225,280) | (255,029) | (1,515,131) |
| Net cash provided by (used in) operating activities | 128,309 | (21,123) | (86,281) | 33,490 | (200,298) | (145,903) |
| Cash flows from noncapital financing activities | | | | | | |
| State sources | | | 2,531 | | 10,539 | 13,070 |
| Federal sources | | | 60,047 | | 206,437 | 266,484 |
| Operating subsidies and transfers to other funds | (102,164) | 18,444 | (859,237) | (132) | (4,941) | (948,030) |
| Net cash (used in) provided by noncapital financing activities | (102,164) | 18,444 | (796,659) | (132) | 212,035 | (668,476) |
| Cash flows from capital and related financing | | | | | | |
| Purchases of capital assets | (38,915) | | | | | (38,915) |
| Net cash used in capital and related financing activities | (38,915) | | | | | (38,915) |
| Net decrease in cash and cash equivalents | (12,770) | (2,679) | (882,940) | 33,358 | 11,737 | (853,294) |
| Balances—beginning of year | 226,032 | 2,679 | 882,940 | | 35,969 | 1,147,620 |
| Balances—end of year | \$ 213,262 | \$ - | \$ - | \$ 33,358 | \$ 47,706 | \$ 294,326 |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities | | | | | | |
| Operating income (loss) | \$ 112,155 | \$ (18,444) | \$ (149,452) | \$ 132 | \$ (236,240) | \$ (291,849) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities | | | | | | |
| Depreciation and net amortization | 53,958 | | 21,407 | | | 75,365 |
| Change in assets and liabilities: | | | | | | |
| (Increase) Decrease in accounts receivable, net | (54,702) | 1,403 | 97,125 | (16,501) | (22) | 27,303 |
| (Decrease) Increase in accounts payable, net | 16,898 | (4,082) | (55,361) | 49,859 | 35,964 | 43,278 |
| Net cash provided by (used in) operating activities | \$ 128,309 | \$ (21,123) | \$ (86,281) | \$ 33,490 | \$ (200,298) | \$ (145,903) |

See accompanying notes.

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Fiduciary Funds

Middlesex Regional Educational Services Commission
Fiduciary Funds

Statement of Fiduciary Net Assets

June 30, 2010

| | Unemployment Compensation Trust Fund | Agency Fund |
|---------------------------------------|---|------------------------|
| | <hr/> | <hr/> |
| Assets | | |
| Cash and cash equivalents | \$ 125,614 | \$ 221,238 |
| Interfund receivable | | 33,998 |
| Accounts receivable- other | | 1,239 |
| Total assets | <hr/> 125,614 <hr/> | <hr/> 256,475 <hr/> |
| Liabilities | | |
| Account payable | | 203,086 |
| Interfunds payable | 33,998 | 44,625 |
| Due to student groups | | 8,764 |
| Total liabilities | <hr/> 33,998 <hr/> | <hr/> 256,475 <hr/> |
| Net assets | | |
| Held in trust for unemployment claims | <hr/> \$ 91,616 <hr/> | |

See accompanying notes.

Middlesex Regional Educational Services Commission
Fiduciary Funds

Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2010

| | Unemployment Compensation Trust Fund |
|-------------------------|---|
| | <u> </u> |
| Additions | |
| Contributions | \$ 244,910 |
| Interest on investments | 674 |
| Total additions | <u>245,584</u> |
| Deductions | |
| Payment of claims | <u>513,884</u> |
| Total deductions | <u>513,884</u> |
| Change in net assets | (268,300) |
| Net assets - beginning | <u>359,916</u> |
| Net assets - ending | <u><u>\$ 91,616</u></u> |

See accompanying notes.

Middlesex Regional Educational Services Commission

Notes to Financial Statements

June 30, 2010

1. Summary of Significant Accounting Policies

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

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

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

A. Reporting Entity

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

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

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

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

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

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

B. District-Wide and Fund Financial Statements

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

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

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

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

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

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

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

The Commission has reported the following major governmental funds:

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

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

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

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

The Commission reports the following major proprietary funds:

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

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Additionally, the Commission reports the following fund types:

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

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

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

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

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

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

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

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

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

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

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

D. Budgets/Budgetary Control

Annual budgets are adopted each year for the general fund, special revenue fund and debt service fund. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23. All budget amendments must be approved by Commission resolution. Budget amendments during the year ended June 30, 2010 were properly approved by Commission resolution.

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

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

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

E. Interfund Receivables/Payables

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

F. Capital Assets

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

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

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

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

G. Compensated Absences

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

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

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

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

The liability for compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2010, no liability existed for compensated absences in the proprietary fund types.

H. Deferred Revenue

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

I. Long-Term Obligations

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

J. Fund Equity

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

K. Net Assets

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

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

L. On-Behalf Payments

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

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

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

N. New Accounting Pronouncements

In March 2009, the GASB issued Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. The Commission is in the process of evaluating the impact of this statement on the financial statements. The Commission is required to adopt GASB Statement No. 54 for its 2011 financial statements.

2. Reconciliation of District-Wide and Fund Financial Statements

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

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

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

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

including bonds and loans payable, are not due and payable in the current period and therefore are not reported in the funds. The details of the \$57,452,007 difference are as follows:

| | |
|--|-----------------------------|
| Bonds/loans payable | \$ 58,468,535 |
| Less: | |
| Deferred loss on refunding | (939,212) |
| Unamortized bond issuance discount | (402,689) |
| Compensated absences | <u>325,373</u> |
| Net adjustment to reduce fund balance-total governmental funds to arrive at net assets – governmental activities | <u><u>\$ 57,452,007</u></u> |

3. Deposits and Investments

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

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

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

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

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

3. Deposits and Investments (continued)

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

Deposits

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

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

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

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

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

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

3. Deposits and Investments (continued)

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

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

At June 30, 2010, the carrying amount of the Commission's deposits was \$2,553,840 and the bank balance was \$6,457,821. Of the bank balance, \$100,000 was covered by the Federal Depository Insurance and \$6,357,821 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Governmental Unit Deposit Protection Act (GUDPA).

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

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

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

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

3. Deposits and Investments (continued)

Investments

As of June 30, 2010, the Commission had investments totaling \$12,485,896. The Commission's investments have maturities of three months or less and are considered cash and cash equivalents. These amounts are entirely invested in U.S. Treasuries and held by an agent in the Commission's name.

Concentration of Credit Risk

The Commission places no limit on the amount the Commission may invest in any one issuer. At June 30, 2010, all of the Commission's investments are invested in U.S. Treasuries.

Credit Risk

The Commission does not have an investment policy regarding the management of credit risk. GASB Statement No. 40 requires that the Commission disclose the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The Commission is exempt from this requirement because all of its investments at June 30, 2010 are invested in U.S. Treasuries.

Interest Rate Risk

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

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

4. Capital Assets

The following schedule is a summarization of the governmental activities changes in capital assets for the fiscal year ended June 30, 2010:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|------------------------------|----------------------|----------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 5,231,614 | \$ - | \$ - | \$ 5,231,614 |
| Construction in progress | 25,278,049 | - | 25,278,049 | - |
| Total capital assets, not being depreciated | 30,509,663 | - | 25,278,049 | 5,231,614 |
| Capital assets, being depreciated: | | | | |
| Buildings and building improvements | 34,196,837 | 32,708,227 | - | 66,905,064 |
| Land improvements | 1,192,854 | - | - | 1,192,854 |
| Vehicles | 954,093 | - | - | 954,093 |
| Machinery and equipment | 3,017,489 | 798,628 | - | 3,816,117 |
| Total capital assets, being depreciated | 39,361,273 | 33,506,855 | - | 72,868,128 |
| Less accumulated depreciation for: | | | | |
| Buildings and building improvements | (5,651,838) | (1,373,033) | - | (7,024,871) |
| Land improvements | (435,695) | (59,643) | - | (495,337) |
| Vehicles | (672,511) | - | - | (672,511) |
| Machinery and equipment | (1,339,311) | (272,438) | - | (1,611,748) |
| Total accumulated depreciation | (8,099,355) | (1,705,114) | - | (9,804,468) |
| Total capital assets, being depreciated, net | 31,261,918 | 31,801,741 | - | 63,063,660 |
| Governmental activities capital assets, net | <u>\$ 61,771,581</u> | <u>\$ 31,801,741</u> | <u>\$ 25,278,049</u> | <u>\$ 68,295,274</u> |

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

| | |
|-------------------------------------|-----------------------|
| Instruction | \$ (341,023) |
| Business and other support services | (1,364,091) |
| Total allocated depreciation | <u>\$ (1,705,114)</u> |

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

4. Capital Assets (continued)

The following is a summary of business-type capital assets for the fiscal year ended June 30, 2010.

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|------------------------------|------------------|------------------|---------------------------|
| Business-type activities: | | | | |
| Capital assets, being depreciated: | | | | |
| Building and building improvements | \$ 747,229 | \$ – | \$ – | \$ 747,229 |
| Land improvements | 6,163 | – | – | 6,163 |
| Machinery and equipment | 712,982 | 38,915 | – | 751,898 |
| Total capital assets being depreciated | 1,466,374 | 38,915 | – | 1,505,289 |
| Less accumulated depreciation for: | | | | |
| Land improvements | (36,881) | (20,869) | – | (57,751) |
| Building and building improvements | (1,631) | – | – | (1,631) |
| Machinery and equipment | (307,961) | (54,496) | – | (362,457) |
| Total accumulated depreciation | (346,473) | (75,365) | – | (421,839) |
| Total capital assets, being depreciated, net | 1,119,901 | (36,450) | – | 1,083,450 |
| Business-type activities capital assets, net | \$ 1,119,901 | \$ (36,450) | \$ – | \$ 1,083,450 |

5. Long-Term Liabilities

Changes in Long-term Liabilities

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|------------------------------|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| Compensated absences payable | \$ 320,213 | \$ 11,489 | \$ (6,329) | \$ 325,373 | \$ 23,453 |
| Loans payable | 229,417 | – | (110,883) | 118,534 | 118,534 |
| MCIA loans payable | 60,160,000 | – | (1,810,000) | 58,350,000 | 2,060,000 |
| Less deferred amounts: | | | | | |
| Loss on refunding | (1,006,298) | – | 67,086 | (939,212) | – |
| Issuance discount | (418,828) | – | 16,139 | (402,689) | – |
| | \$ 59,284,504 | \$ 11,489 | \$ (1,843,987) | \$ 57,452,007 | \$ 2,201,987 |

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

5. Long-Term Liabilities (continued)

Bonds/Loan Payable

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

In fiscal year 2000, the Middlesex County Improvement Authority issued a \$16,170,000 County-Guaranteed Lease Revenue Bonds (Middlesex Regional Educational Services Commission Project) Series 2000 to finance the costs of the acquisition of real property in Middlesex County and for constructing two special education school facilities (Academy Learning Center and Bright Beginnings Learning Center). Terms of the loan repayment call for semi-annual interest with rates that vary from 4.85% to 5.10% and annual principal repayments. In fiscal year 2005, the Commission advance refunded \$12,275,000 of the 2000 County Guaranteed Revenue Bonds. The principal amount outstanding as of June 30, 2010 is \$520,000.

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

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

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

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

5. Long-Term Liabilities (continued)

In fiscal year 2009, the Middlesex County Improvement Authority issued a \$40,000,000 County-Guaranteed Lease Revenue Project Notes (Middlesex Regional Educational Services Commission Project) Series 2008 to payoff Project Notes Series 2006 for semi-annual interest with a rate of 4.000% and principal due on December 31, 2008 and the remaining bond proceeds to finance the costs of the construction of the Center for Lifelong Learning in Sayreville. Terms of the loan repayment call for semi-annual interest with rates that vary from 3.00% to 5.25% and annual principal repayments.

As of June 30, 2010, \$17,365,000 of defeased bonds remains outstanding.

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

Future loan payments are as follows:

| Year ending June 30 | 1999 | | 2000 | | 2004 | | 2006 | | 2008 | | Total | | Total |
|------------------------|--------------|--------------|------------|-----------|---------------|--------------|------------|----------|---------------|---------------|---------------|---------------|---------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | |
| 2011 | \$ 420,000 | \$ 235,370 | \$ 520,000 | \$ 13,260 | \$ 125,000 | \$ 557,553 | \$ 118,534 | \$ 4,589 | \$ 960,000 | \$ 1,871,944 | \$ 2,143,534 | \$ 2,682,716 | \$ 4,826,250 |
| 2012 | 435,000 | 216,770 | | | 670,000 | 544,455 | | | 990,000 | 1,841,456 | 2,095,000 | 2,602,681 | 4,697,681 |
| 2013 | 455,000 | 196,963 | | | 695,000 | 518,464 | | | 1,025,000 | 1,807,431 | 2,175,000 | 2,522,858 | 4,697,858 |
| 2014 | 475,000 | 175,800 | | | 720,000 | 490,735 | | | 1,060,000 | 1,770,944 | 2,255,000 | 2,437,479 | 4,692,479 |
| 2015 | 500,000 | 153,125 | | | 750,000 | 463,900 | | | 1,095,000 | 1,731,864 | 2,345,000 | 2,348,889 | 4,693,889 |
| 2016 | 520,000 | 128,701 | | | 775,000 | 435,300 | | | 1,135,000 | 1,688,631 | 2,430,000 | 2,252,632 | 4,682,632 |
| 2017 | 555,000 | 102,497 | | | 805,000 | 404,878 | | | 1,185,000 | 1,636,306 | 2,545,000 | 2,143,681 | 4,688,681 |
| 2018 | 580,000 | 74,831 | | | 835,000 | 372,480 | | | 1,240,000 | 1,581,881 | 2,655,000 | 2,029,192 | 4,684,192 |
| 2019 | 610,000 | 45,825 | | | 870,000 | 337,836 | | | 1,290,000 | 1,524,831 | 2,770,000 | 1,908,492 | 4,678,492 |
| 2020 | 635,000 | 15,478 | | | 905,000 | 300,887 | | | 1,355,000 | 1,462,094 | 2,895,000 | 1,778,459 | 4,673,459 |
| 2021 | | | | | 945,000 | 261,801 | | | 1,415,000 | 1,396,231 | 2,360,000 | 1,658,032 | 4,018,032 |
| 2022 | | | | | 980,000 | 220,283 | | | 1,485,000 | 1,323,731 | 2,465,000 | 1,544,014 | 4,009,014 |
| 2023 | | | | | 1,020,000 | 176,405 | | | 1,560,000 | 1,247,606 | 2,580,000 | 1,424,011 | 4,004,011 |
| 2024 | | | | | 1,070,000 | 129,890 | | | 1,640,000 | 1,167,606 | 2,710,000 | 1,297,496 | 4,007,496 |
| 2025 | | | | | 1,110,000 | 80,285 | | | 1,720,000 | 1,083,606 | 2,830,000 | 1,163,891 | 3,993,891 |
| 2026 | | | | | 1,165,000 | 27,377 | | | 1,810,000 | 995,356 | 2,975,000 | 1,022,733 | 3,997,733 |
| 2027 | | | | | | | | | 1,900,000 | 904,419 | 1,900,000 | 904,419 | 2,801,419 |
| 2028 | | | | | | | | | 1,995,000 | 801,610 | 1,995,000 | 801,610 | 2,796,610 |
| 2029 | | | | | | | | | 2,100,000 | 696,675 | 2,100,000 | 696,675 | 2,796,675 |
| 2030 | | | | | | | | | 2,205,000 | 584,981 | 2,205,000 | 584,981 | 2,789,981 |
| 2031 | | | | | | | | | 2,320,000 | 466,200 | 2,320,000 | 466,200 | 2,786,200 |
| 2032 | | | | | | | | | 2,445,000 | 341,119 | 2,445,000 | 341,119 | 2,786,119 |
| 2033 | | | | | | | | | 2,570,000 | 209,475 | 2,570,000 | 209,475 | 2,779,475 |
| 2034 | | | | | | | | | 2,705,000 | 71,006 | 2,705,000 | 71,006 | 2,776,006 |
| Totals | \$ 5,185,000 | \$ 1,345,360 | \$ 520,000 | \$ 13,260 | \$ 13,440,000 | \$ 5,322,529 | \$ 118,534 | \$ 4,589 | \$ 39,205,000 | \$ 28,207,003 | \$ 58,468,534 | \$ 34,892,741 | \$ 93,361,275 |

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

6. Pension Plans

Description of Systems

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

Teachers' Pension and Annuity Fund: The Teachers' Pension and Annuity Fund was established in January 1955 under the provisions of N.J.S.A. 18A:66 to provide coverage, including post-retirement health care to substantially all full time public school teachers. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for health care coverage. The passage of Chapter 103, P.L. 2007, and Chapter 89, P.L. 2008, changed the enrollment and retirement criteria for TPAF members enrolled as of certain dates and membership Tiers are defined as Membership Tier 1 – Members who were enrolled prior to July 1, 2007, Membership Tier 2 – Member were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008, and Membership Tier 3 – Members eligible to enroll on or after November 2, 2008 and minimum annual salary required of \$7,700. For Membership Tier 4 – Members eligible to enroll after May 21, 2010 must work at least a minimum of 32 hours per week and an annual salary requirement of \$7,700 or more is required for enrollment. For Tier 1 members are eligible for retirement at age 55 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Early retirement is available to those under age 55 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55). For Tier 2 members who retire before age 60, retirement amount is reduced 1/12 of 1 percent (1 percent per year) for each month under age 60 though age 55 and 1/4 of 1 percent (3 percent per year) for each month under age 55. For Tier 3 and Tier 4 members who retire before age 62, retirement amount is reduced 1/12 of 1 percent (1 percent per year) for each month under age 62 though age 55 and 1/4 of 1 percent (3 percent per year) for each month under age 55.

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

6. Pension Plans (Continued)

Public Employees' Retirement System: The Public Employees' Retirement System was established in January 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service. The passage of Chapter 103, P.L. 2007, and Chapter 89, P.L. 2008, changed the enrollment and retirement criteria for TPAF members enrolled as of certain dates and membership Tiers are defined as Membership Tier 1 – Members who were enrolled prior to July 1, 2007, Membership Tier 2 – Member were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008, and Membership Tier 3 – Members eligible to enroll on or after November 2, 2008 and minimum annual salary required of \$7,700 for calendar year 2010. For Membership Tier 4 – Members eligible to enroll after May 21, 2010 must work at least a minimum of 32 hours per week and an annual salary requirement of \$7,700 or more is required for enrollment. For Tier 1 members are eligible for retirement at age 55 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 55 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55). For Tier 2 members who retire before age 60, retirement amount is reduced 1/12 of 1 percent (1 percent per year) for each month under age 60 though age 55 and 1/4 of 1 percent (3 percent per year) for each month under age 55. For Tier 3 and Tier 4 members who retire before age 62, retirement amount is reduced 1/12 of 1 percent (1 percent per year) for each month under age 62 though age 55 and 1/4 of 1 percent (3 percent per year) for each month under age 55.

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

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

6. Pension Plans (Continued)

Funding Policy

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

In accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Commission \$967,981 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 and \$867,742 for post-retirement medical benefits and normal pension costs.

The Commission's contributions to PERS for the years ended June 30, 2010, 2009, 2008 and 2007 were \$834,816, \$671,355, \$419,278 and \$183,395, respectively, for each of the four years, equal to the required contributions for each year and 2009 total contributions included additional Chapter 19, P.L. 2009 Deferral contributions in the amount of \$298,566.

Post-retirement Benefits

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

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

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

7. Contingent Liabilities

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

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

8. Risk Management

The Commission contracts with Horizon Blue Cross/Blue Shield to provide claims administration and payment services for health benefits. As of June 30, 2010, the Commission has recorded a liability for incurred claims, but not reported claims of approximately \$704,680.

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

| Fiscal Year | Beginning of Year Liability | Current Year Claims and Changes in Estimates | Claim Payments | Balance at End of Fiscal Year |
|--------------------|--|---|---------------------------|--|
| 2009-2010 | \$ 611,628 | \$ 4,832,034 | \$ 4,738,982 | \$ 704,680 |
| 2008-2009 | 529,520 | 4,017,511 | 3,935,403 | 611,628 |
| 2007-2008 | 452,089 | 3,943,559 | 3,866,128 | 529,520 |

The Commission has also set aside a health insurance reserve in the amount of \$178,966, which represents approximately 4% of claims.

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

8. Risk Management (continued)

Property and Liability Insurance

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

New Jersey Unemployment Compensation Insurance

Before 01/01/2010, the Commission had elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the Commission is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Commission was billed \$209,801 and \$231,470 respectively for the first and second quarter for total amount of \$441,271 paid to the State in the 2010 fiscal year. Effective 1/1/2010, the Commission has elected to switch from a Reimbursable Unemployment Account to a Contributory Unemployment Account. The Employer Unemployment Compensation Insurance Contribution rate is 0.60% from the period 1/1/2010 to 12/31/2010 and the rate will be changed to 0.70% from the period 1/1/2011 to 12/31/2011.

9. Capital Reserve Account – Restricted Assets

Capital reserve accounts may be established for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. A capital reserve account is maintained in the General Fund and its activity is included in the General Fund annual budget. Funds placed in the capital reserve account are restricted to capital outlay expenditures and transfers of such funds for other uses are prohibited pursuant to N.J.S.A. 18A:22-8.2. The amount included in the Commission's capital reserve account at June 30, 2010 is \$216,392.

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

10. Interfund Receivables and Payables

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

| Fund | Interfund Receivables | Interfund Payables |
|---------------------------------|----------------------------------|-------------------------------|
| General Fund | \$ 84,312 | \$ 61,216 |
| Debt Service Fund | 35,995 | – |
| Trust and Agency Fund – Payroll | – | 44,625 |
| Food Service Fund | 25,221 | 39,687 |
| | <u>\$ 145,528</u> | <u>\$ 145,528</u> |

The general fund receivable represents funds owed from the food service and agency payroll fund for overfunding. The general fund payable represents cash owed to the debt service for annual MCIA fee and trustee fee paid through debt service fund and food service fund for the nutrition program funding received in June.

The Commission expects to liquidate these Interfunds within one year.

11. Transfers – Reconciliation

| | Transfers In | Transfers Out |
|---|-------------------------|--------------------------|
| General Fund | \$ 621,370 | \$ 8,162,900 |
| Special Revenue Fund | – | 145,733 |
| Capital Projects Fund | 4,643,621 | – |
| Debt Service Fund | 4,468,918 | 500,000 |
| Enterprise Fund – RDS/Bus Services/ECC/Pool | 237,867 | 1,180,956 |
| Food Services Fund | 17,813 | – |
| | <u>\$ 9,989,589</u> | <u>\$ 9,989,589</u> |

The transfers represent an allocation to the various funds for debt service charges to pay for the Commission’s interest and principal on its outstanding debt. The transfer of fund surplus from the Enterprise fund was to cover transportation expenses, startup cost for the new pool complex and move the remaining fund balance from the Early Childhood Programs to the General Fund. The Commission does not have the ability to raise taxes and does not receive any debt service aid.

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

12. Fund Balance Components – General Fund

Of the \$5,837,027 of General Fund balance at June 30, 2010, \$930,684 is reserved for encumbrances; \$216,392 has been reserved in a Capital Reserve account, \$154,639 has been reserved for health benefits; and the remaining \$4,535,312 is undesignated.

13. Deferred Charges

The deferred charges related to debt issuance costs are recorded in the district-wide statement of net assets. These amounts are being amortized using a method that approximates the effective interest method over the life of the related bonds. The unamortized debt issue costs associated with the issues of the various bonds/loans amounted to \$692,396 at June 30, 2010. The amortization expense for the year ended June 30, 2010 amounted to \$425,240.

The noncurrent liabilities reflected in the district-wide statement of net assets are shown net of deferred charges for a deferred loss on a refunding and an original issue discount. The amounts are being amortized using a method that approximates the effective interest method over the life of the related bonds. The amortized cost associated with the Commission's deferred loss on a refunding and original issue discount amounted to \$402,517 and \$76,043, respectively.

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

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Required Supplementary Information
Part II

Budgetary Comparison Schedules

Middlesex Regional Educational Services Commission
General Fund

Budgetary Comparison Schedule

Year ended June 30, 2010

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|---|----------------------------|-----------------------------|-------------------------|---------------|---|
| Revenues | | | | | |
| Local sources: | | | | | |
| Tuition | \$ 25,555,501 | \$ 630,891 | \$ 26,186,392 | \$ 26,186,392 | \$ - |
| Transportation fees | 24,178,230 | (2,163,939) | 22,014,291 | 22,014,291 | - |
| Services provided to districts | 5,041,768 | 2,579,212 | 7,620,980 | 7,620,980 | - |
| Interest on investments | 120,000 | (98,400) | 21,600 | 21,600 | - |
| Miscellaneous | 330,000 | (129,275) | 200,725 | 200,725 | - |
| Total - local sources | 55,225,499 | 818,489 | 56,043,988 | 56,043,988 | - |
| State sources: | | | | | |
| Reimbursed TPAF social security and pension contributions (non-budgeted) | | | | 1,835,723 | 1,835,723 |
| Total - state sources | | | | 1,835,723 | 1,835,723 |
| Total revenues | 55,225,499 | 818,489 | 56,043,988 | 57,879,711 | 1,835,723 |
| Expenditures | | | | | |
| Current: | | | | | |
| Regular programs - Instruction | | | | | |
| Grades 9-12 | | | | | |
| Salaries of teachers | 375,000 | 786 | 375,786 | 375,786 | - |
| Total instruction - regular programs | 375,000 | 786 | 375,786 | 375,786 | - |
| Home instruction: | | | | | |
| Salaries of teachers | 382,500 | 47,361 | 429,861 | 427,518 | 2,343 |
| Total home instruction | 382,500 | 47,361 | 429,861 | 427,518 | 2,343 |
| Charter School: | | | | | |
| Salaries of teachers | 30,000 | (11,524) | 18,476 | 18,476 | - |
| Total Charter School | 30,000 | (11,524) | 18,476 | 18,476 | - |
| Regular programs - Undistributed Instruction | | | | | |
| Other salaries of instruction | 41,000 | (14,179) | 26,821 | 26,821 | - |
| General supplies | 16,700 | (8,759) | 7,941 | 5,336 | 2,605 |
| Textbooks | 3,700 | (3,269) | 431 | 431 | - |
| Other objects | 2,975 | (2,532) | 443 | 443 | - |
| Total interim alternative education program | 64,375 | (28,739) | 35,636 | 33,031 | 2,605 |
| Total instruction - regular programs | 851,875 | 7,884 | 859,759 | 854,811 | 4,948 |
| Special education: | | | | | |
| Auditory Impairments program: | | | | | |
| Salaries of teachers | 65,000 | 9,525 | 74,525 | 74,525 | - |
| Purchased Instructional services | - | 29,963 | 29,963 | 27,438 | 2,525 |
| General supplies | 5,800 | (5,800) | - | - | - |
| Other Objects | - | 1,909 | 1,909 | 1,909 | - |
| Total Auditory Impairments program | 70,800 | 35,597 | 106,397 | 103,872 | 2,525 |
| Learning and/or language disabilities: | | | | | |
| Salaries of teachers | 40,000 | (34,867) | 5,133 | 5,133 | - |
| Total learning and/or language disabilities | 40,000 | (34,867) | 5,133 | 5,133 | - |

Middlesex Regional Educational Services Commission
General Fund

Budgetary Comparison Schedule

Year ended June 30, 2010

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|--|--------------------|---------------------|-----------------|-----------|--------------------------------|
| Expenditures (continued) | | | | | |
| For Keeps Children's program: | | | | | |
| Salaries of teachers | \$ 140,000 | \$ (59,626) | \$ 80,374 | \$ 80,374 | \$ - |
| General supplies | 10,800 | (9,707) | 1,093 | 106 | 987 |
| Total For Keeps Children's program | 150,800 | (69,333) | 81,467 | 80,480 | 987 |
| Behavioral disabilities: | | | | | |
| Salaries of teachers | 796,000 | 30,688 | 826,688 | 826,688 | - |
| Other salaries of instruction | 244,829 | 16,172 | 261,001 | 261,001 | - |
| General supplies | 33,800 | (13,359) | 20,441 | 20,441 | - |
| Textbooks | 22,100 | (9,139) | 12,961 | 12,933 | 28 |
| Other objects | 13,650 | (607) | 13,043 | 11,730 | 1,313 |
| Total behavioral disabilities | 1,110,379 | 23,755 | 1,134,134 | 1,132,793 | 1,341 |
| Multiple disabilities: | | | | | |
| Salaries of teachers | 1,201,000 | 126,604 | 1,327,604 | 1,327,604 | - |
| Other salaries of instruction | 1,022,479 | (99,829) | 922,650 | 922,650 | - |
| General supplies | 61,110 | (18,820) | 42,291 | 42,291 | - |
| Textbooks | 1,287 | (1,287) | - | - | - |
| Other objects | 8,200 | (5,044) | 3,157 | 3,157 | - |
| Total multiple disabilities | 2,294,076 | 1,625 | 2,295,701 | 2,295,701 | - |
| Autism: | | | | | |
| Salaries of teachers | 1,990,960 | 270,389 | 2,261,349 | 2,261,349 | - |
| Other salaries of instruction | 1,593,690 | 92,615 | 1,686,305 | 1,686,305 | - |
| General supplies | 71,890 | (25,972) | 45,919 | 45,728 | 191 |
| Textbooks | 2,024 | (1,192) | 832 | 832 | - |
| Other objects | 10,290 | (8,616) | 1,675 | 1,675 | - |
| Total autism | 3,668,854 | 327,225 | 3,996,079 | 3,995,888 | 191 |
| Preschool: | | | | | |
| Salaries of teachers | 602,040 | (222,469) | 379,571 | 379,571 | - |
| Other salaries of instruction | 515,892 | (242,176) | 273,716 | 273,716 | - |
| General supplies | 24,940 | (7,628) | 17,312 | 17,312 | - |
| Textbooks | 1,591 | (1,591) | - | - | - |
| Other objects | 4,830 | (3,264) | 1,566 | 1,566 | - |
| Total preschool | 1,149,293 | (477,128) | 672,165 | 672,165 | - |
| Total special education | 8,484,202 | (193,126) | 8,291,076 | 8,286,032 | 5,044 |
| Total instruction | 9,336,077 | (185,242) | 9,150,835 | 9,140,843 | 9,992 |
| Undistributed expenditures: | | | | | |
| Health services: | | | | | |
| Salaries | 420,000 | (3,042) | 416,958 | 416,958 | - |
| Purchased professional and technical services | 237,080 | (17,932) | 219,148 | 218,748 | 400 |
| Supplies | 27,160 | (12,871) | 14,289 | 14,289 | - |
| Total health services | 684,240 | (33,845) | 650,395 | 649,995 | 400 |
| Other support services - students special services: | | | | | |
| Salaries of instruction (speech/opt) | 1,407,310 | 83,266 | 1,490,576 | 1,490,576 | - |
| Other salaries of instruction (1.1) | 396,238 | 749,841 | 1,146,079 | 1,146,079 | - |
| Salaries of other professional staff | 657,000 | (123,138) | 533,862 | 511,099 | 22,763 |
| Purchased Professional - Ed. Services | 1,599,800 | 266,993 | 1,866,793 | 1,863,949 | 2,844 |
| Other Purchased Prof. And Tech Services | 1,562,605 | 117,202 | 1,679,807 | 1,578,495 | 101,312 |
| Supplies and materials | 6,035 | (4,315) | 1,720 | 1,720 | - |
| Total other support services - students special services | 5,628,988 | 1,089,849 | 6,718,837 | 6,591,918 | 126,919 |
| Improvement of Instructional Services | | | | | |
| Other purchased services | 49,650 | (26,842) | 22,808 | 22,409 | 399 |
| Total Improvement of Instructional Services | 49,650 | (26,842) | 22,808 | 22,409 | 399 |

Middlesex Regional Educational Services Commission
General Fund

Budgetary Comparison Schedule

Year ended June 30, 2010

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|---|--------------------|---------------------|-----------------|------------|--------------------------------|
| Expenditures (continued) | | | | | |
| Undistributed expenditures (continued): | | | | | |
| Support services - general administration: | | | | | |
| Salaries | \$ 303,800 | \$ 64,890 | \$ 368,690 | \$ 368,690 | \$ - |
| Legal services | 12,800 | 1,423 | 14,223 | 14,223 | - |
| Audit Fess | 38,600 | 40,103 | 78,703 | 35,400 | 43,303 |
| Other purchased professional Services | 9,800 | (7,560) | 2,240 | 2,240 | - |
| Telephone | 149,700 | 16,012 | 165,712 | 165,712 | - |
| Supplies and materials | 14,200 | (2,326) | 11,874 | 11,756 | 118 |
| Other objects | 58,375 | 17,805 | 76,180 | 76,180 | - |
| Total support services - general administration | 587,275 | 130,347 | 717,622 | 674,201 | 43,421 |
| Support services - school administration: | | | | | |
| Salaries of principals/asst. principals | 986,900 | (30,819) | 956,081 | 956,081 | - |
| Salaries of secretarial and clerical assistants | 401,000 | (28,244) | 372,756 | 372,756 | - |
| Other purchased professional services | 83,150 | (75,990) | 7,160 | 7,160 | - |
| Supplies and materials | 70,025 | (39,310) | 30,715 | 30,715 | - |
| Other objects | 23,480 | (12,674) | 10,806 | 10,806 | - |
| Total support services - school administration | 1,564,555 | (187,037) | 1,377,518 | 1,377,518 | - |
| Central services: | | | | | |
| Salaries | 553,815 | 166,182 | 719,997 | 719,997 | - |
| Purchased professional services | - | 5,270 | 5,270 | 5,270 | - |
| Misc. purchased services (400-500 series) | 53,600 | (3,656) | 49,944 | 49,944 | - |
| Supplies and materials | 34,300 | (17,473) | 16,827 | 16,308 | 519 |
| Miscellaneous expenditures | 122,675 | (46,054) | 76,621 | 75,076 | 1,545 |
| Total central services | 764,390 | 104,269 | 868,659 | 866,595 | 2,064 |
| Admin. Infor. Technology: | | | | | |
| Salaries | 141,885 | (22,461) | 119,424 | 119,198 | 226 |
| Misc. purchased services (400-500 series) | 160,400 | (34,226) | 126,174 | 119,153 | 7,021 |
| Supplies and materials | 4,400 | 16,173 | 20,573 | 20,573 | - |
| Total admin. Infor. Technology | 306,685 | (40,514) | 266,171 | 258,924 | 7,247 |
| Required maintenance of school facilities: | | | | | |
| Salaries | 404,000 | 178,139 | 582,139 | 582,139 | - |
| Cleaning, repair, maintenance | 257,150 | (60,702) | 196,448 | 194,494 | 1,954 |
| General supplies | 87,075 | 9,001 | 96,076 | 86,283 | 9,793 |
| Total required maintenance of school facilities | 748,225 | 126,438 | 874,663 | 862,916 | 11,747 |
| Other operation and maintenance for plant: | | | | | |
| Salaries | 60,872 | 4,823 | 65,695 | 65,695 | - |
| Rent | 310,890 | 358,733 | 669,623 | 248,675 | 420,948 |
| Other Purchased Property Services | 32,700 | 29,641 | 62,341 | 62,341 | - |
| Insurance | 79,000 | (13,104) | 65,896 | 65,896 | - |
| Energy (heat and electricity) | 587,850 | 102,114 | 689,964 | 689,964 | - |
| Other objects | 18,570 | (16,434) | 2,136 | 2,136 | - |
| Total other operation and maintenance or plant | 1,089,882 | 465,773 | 1,555,655 | 1,134,707 | 420,948 |

Middlesex Regional Educational Services Commission
General Fund

Budgetary Comparison Schedule

Year ended June 30, 2010

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|--|--------------------|---------------------|-----------------|------------|--------------------------------|
| Expenditures (continued) | | | | | |
| Undistributed expenditures (continued): | | | | | |
| Student transportation services: | | | | | |
| Salaries for pupil transportation (between home and school) - regular | \$ 96,000 | \$ 326 | \$ 96,326 | \$ 96,326 | \$ - |
| Salaries of secretarial and clerical assistants | 204,000 | 3,435 | 207,435 | 207,435 | - |
| Contracted svc (bet. Home and Sch) -Vend | 23,700,000 | (2,242,295) | 21,457,705 | 21,448,571 | 9,134 |
| Contracted svc (oth. Than bet. Home and Sch) | 395,110 | 79,212 | 474,322 | 474,322 | - |
| Contracted svc -Aide in Lieu Pymts -NP Sc | 178,230 | (63,846) | 114,384 | 114,384 | - |
| Supplies and materials& Misc | 12,750 | (1,228) | 11,522 | 11,522 | - |
| Total student transportation services | 24,586,090 | (2,224,396) | 22,361,694 | 22,352,560 | 9,134 |
| Employee benefits: | | | | | |
| Social security | 417,000 | 125,430 | 542,430 | 542,430 | - |
| Other retirement contributions - regular | 517,000 | 80,258 | 597,258 | 597,258 | - |
| Unemployment compensation | 157,200 | 40,663 | 197,863 | 162,383 | 35,480 |
| Workmen's compensation | 169,300 | 20,269 | 189,569 | 186,991 | 2,578 |
| Health benefits | 2,697,605 | 890,905 | 3,588,510 | 4,126,767 | (538,257) |
| Tuition reimbursement | 100,000 | 1,686 | 101,686 | 55,484 | 46,202 |
| Other employee benefits | 57,150 | 117,657 | 174,807 | 174,607 | 200 |
| Total employee benefits | 4,115,255 | 1,276,868 | 5,392,123 | 5,845,920 | (453,797) |
| Reimbursed social security and pension contributions (non-budgeted) | | | | 1,835,723 | (1,835,723) |
| Total | | | | 1,835,723 | (1,835,723) |
| Total undistributed expenditures | 40,125,235 | 680,910 | 40,806,145 | 42,473,386 | (1,667,241) |
| Total expenditures - current | 49,461,312 | 495,668 | 49,956,980 | 51,614,229 | (1,657,249) |
| Capital outlay | | | | | |
| Equipment: | | | | | |
| Regular programs - instruction: | | | | | |
| Special education - instruction: | | | | | |
| Multiple disabilities | 2,750 | (2,750) | - | - | - |
| Behavioral disabilities | 4,000 | - | 4,000 | - | 4,000 |
| Autism | 2,750 | (2,750) | - | - | - |
| Special education - non-instruction: | | | | | |
| Multiple disabilities | - | 51,515 | 51,515 | 43,943 | 7,572 |
| Behavioral disabilities | 6,000 | - | 6,000 | - | 6,000 |
| Autism | - | 51,515 | 51,515 | 43,943 | 7,572 |
| Others | - | 60,778 | 60,778 | 32,890 | 27,888 |
| Total equipment | 15,500 | 158,308 | 173,808 | 120,776 | 53,032 |
| Facilities acquisition and construction services: | | | | | |
| Construction services | 34,000 | 102,639 | 136,639 | 99,677 | 36,962 |
| Total facilities acquisition and construction services | 34,000 | 102,639 | 136,639 | 99,677 | 36,962 |
| Total capital outlay | 49,500 | 260,947 | 310,447 | 220,453 | 89,994 |

Middlesex Regional Educational Services Commission
General Fund

Budgetary Comparison Schedule

Year ended June 30, 2010

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|---|--------------------|---------------------|-----------------|----------------|--------------------------------|
| Expenditures (continued) | | | | | |
| Special schools: | | | | | |
| Summer School - Instruction | | | | | |
| Salaries of teachers | \$ 669,035 | \$ (74,725) | \$ 594,310 | \$ 594,310 | \$ - |
| Other salaries of instruction | 369,189 | 82,715 | 451,904 | 451,904 | - |
| General supplies | 31,115 | 152,406 | 183,521 | 153,926 | 29,595 |
| Total summer school year - Instruction | 1,069,339 | 160,396 | 1,229,735 | 1,200,140 | 29,595 |
| Summer School - Support Services | | | | | |
| Salaries | 438,848 | (41,179) | 397,669 | 397,669 | - |
| Personal Services - Employee Benefits | 150,189 | 280,543 | 430,732 | 430,608 | 124 |
| Purch Pro & Tech Services | 311,220 | (52,714) | 258,506 | 258,506 | - |
| Other Purchased Services | 23,625 | 17,459 | 41,084 | 41,084 | - |
| Total summer school year - Support Services | 923,882 | 204,109 | 1,127,991 | 1,127,867 | 124 |
| Total special schools | 1,993,221 | 364,505 | 2,357,726 | 2,328,007 | 29,719 |
| Total expenditures | 51,504,033 | 1,121,120 | 52,625,153 | 54,162,689 | (1,537,536) |
| (Deficiency) excess of revenues (under) over expenditures | 3,721,466 | (302,631) | 3,418,835 | 3,717,022 | 298,187 |
| Other financing sources (uses): | | | | | |
| Transfers in | - | - | - | 621,370 | (621,370) |
| Transfers out | (4,001,466) | - | (4,001,466) | (8,162,900) | 4,161,434 |
| Total other financing sources (uses) | (4,001,466) | - | (4,001,466) | (7,541,530) | 3,540,064 |
| (Deficiency) excess of revenues (under) over expenditures and other financing sources (uses) | (280,000) | (302,631) | (582,631) | (3,824,508) | (3,241,877) |
| Fund balances, July 1 | 9,661,535 | - | 9,661,535 | 9,661,535 | - |
| Fund balances, June 30 | \$ 9,381,535 | \$ (302,631) | \$ 9,078,904 | \$ 5,837,027 | \$ (3,241,877) |
| Recapitulation of (deficiency) excess of revenues (under) over expenditures and other financing sources (uses) | | | | | |
| Adjustment for prior year encumbrances | \$ - | \$ (302,631) | \$ (302,631) | \$ (302,631) | \$ - |
| Budgeted fund balance | (280,000) | - | (280,000) | (3,521,877) | (3,241,877) |
| Total | \$ (280,000) | \$ (302,631) | \$ (582,631) | \$ (3,824,508) | \$ (3,241,877) |

Middlesex Regional Educational Services Commission
Special Revenue Fund

Budgetary Comparison Schedule

(Budgetary Basis)

Year ended June 30, 2010

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|--|----------------------------|-----------------------------|-------------------------|------------------|---|
| Revenues | | | | | |
| Local sources | | \$ 275,372 | \$ 275,372 | \$ 272,090 | \$ (3,282) |
| State sources | \$ 10,465,775 | (4,762,761) | 5,703,014 | 5,628,431 | (74,583) |
| Federal sources | 2,123,128 | 2,075,032 | 4,198,160 | 3,194,865 | (1,003,295) |
| Total revenues | 12,588,903 | (2,412,357) | 10,176,546 | 9,095,386 | (1,081,160) |
| Expenditures | | | | | |
| Instruction: | | | | | |
| Salaries of teachers | 3,159,696 | (1,318,686) | 1,841,010 | 1,839,760 | 1,250 |
| Purchased professional and technical services | 2,253,746 | 1,290,062 | 3,543,808 | 2,754,186 | 789,622 |
| General supplies | 344,600 | 587,273 | 931,873 | 736,917 | 194,956 |
| Textbooks | 669,640 | 29,864 | 699,504 | 666,575 | 32,929 |
| Total instruction | 6,427,682 | 588,513 | 7,016,195 | 5,997,438 | 1,018,757 |
| Support services: | | | | | |
| Salaries of supervisors of instruction | 485,389 | (217,051) | 268,338 | 268,338 | - |
| Salaries of other professional staff | 1,857,735 | (918,561) | 939,174 | 911,846 | 27,328 |
| Salaries of secretarial and clerical employees | 296,688 | (100,176) | 196,512 | 180,512 | 16,000 |
| Personal services-employee benefits | 1,881,608 | (777,575) | 1,104,033 | 1,098,867 | 5,166 |
| Travel | 22,000 | 1,760 | 23,760 | 23,697 | 63 |
| Supplies and materials | 111,691 | 33,719 | 145,410 | 132,848 | 12,562 |
| Others | 679,225 | (407,236) | 271,989 | 270,705 | 1,284 |
| Total support services | 5,334,336 | (2,385,120) | 2,949,216 | 2,886,813 | 62,403 |
| Facilities acquisition and construction services: | | | | | |
| Construction services | | | | | |
| Instructional equipment-NP | | | | | |
| Noninstructional equipment | 388,646 | (365,804) | 22,842 | 22,842 | - |
| Total facilities acquisition and construction services | 388,646 | (365,804) | 22,842 | 22,842 | - |
| Total expenditures | 12,150,664 | (2,162,411) | 9,988,253 | 8,907,093 | 1,081,160 |
| Other financing uses: | | | | | |
| Transfers out | (438,239) | 249,946 | (188,293) | (188,293) | - |
| Total other financing uses | (438,239) | 249,946 | (188,293) | (188,293) | - |
| Excess (deficiency) of revenues over (under) expenditures and other financing (uses) | \$ - | \$ - | \$ - | \$ - | \$ - |

Middlesex Regional Educational Services Commission
Note to Required Supplementary Information

Budget to GAAP Reconciliation

Year ended June 30, 2010

| | | <u>Special Revenue Fund</u> |
|---|-------|-------------------------------------|
| Sources/inflows of resources | | |
| Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule | [C-2] | \$ 9,095,386 |
| Differences - budget to GAAP: | | |
| Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized | | <u>(62,157)</u> |
| Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds | [B-2] | <u>\$ 9,033,229</u> |
| Uses/outflows of resources | | |
| Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule | [C-2] | \$ 9,095,386 |
| Differences - budget to GAAP: | | |
| Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes | | (62,157) |
| Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes. | | (145,733) |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | [B-2] | <u>\$ 8,887,496</u> |

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Other Supplementary Information

School Level Schedules

Not applicable.

Special Revenue Fund Detail Statements

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

Middlesex Regional Educational Services Commission
Special Revenue Fund

Combining Schedule of Revenues and Expenditures –
Budgetary Basis

Year ended June 30, 2010

Nonpublic Aid

| | Compensatory Education | ESL | Home Instruction | Transportation | Supp. Instruct | Exam and Class | Speech Corr. | Text- Books | Nursing | Health Community |
|---|---------------------------|------------|---------------------|----------------|-------------------|-------------------|-----------------|----------------|------------|---------------------|
| Revenues: | | | | | | | | | | |
| Local sources | | | | | | | | | | |
| State sources | \$ 1,721,507 | \$ 255,135 | \$ 34,011 | \$ 387,068 | \$ 428,638 | \$ 740,263 | \$ 646,265 | \$ 666,575 | \$ 739,225 | \$ 9,744 |
| Federal sources | | | | | | | | | | |
| Total revenues | \$ 1,721,507 | \$ 255,135 | \$ 34,011 | \$ 387,068 | \$ 428,638 | \$ 740,263 | \$ 646,265 | \$ 666,575 | \$ 739,225 | \$ 9,744 |
| Expenditures: | | | | | | | | | | |
| Instruction: | | | | | | | | | | |
| Salaries of teachers | \$ 951,628 | \$ 115,349 | \$ 20,913 | | \$ 149,952 | | \$ 512,878 | | | |
| Purchased professional and technical services | | | 4,051 | | | \$ 413,121 | | | | |
| General supplies/Misc | 43,015 | 6,375 | 850 | | 10,710 | 67,894 | 16,498 | | | |
| Textbooks | | | | | | | | \$ 666,575 | | |
| Total instruction | 994,643 | 121,724 | 25,814 | | 160,662 | 481,015 | 529,376 | 666,575 | | |
| Support services: | | | | | | | | | | |
| Salaries of supervisors of instruction | 79,269 | 14,549 | | | 29,224 | 28,273 | 12,747 | | \$ 6,786 | |
| Salaries of other professional staff | 103,248 | 18,951 | | | 38,065 | 43,705 | 16,604 | | 556,777 | |
| Salaries of secretarial and clerical employees | 48,315 | 8,868 | 545 | \$ 25,728 | 17,812 | 17,232 | 7,770 | | 11,266 | |
| Personal services - employee benefits | 388,627 | 71,330 | 4,383 | | 143,276 | 138,610 | 62,496 | | 149,410 | |
| Travel | 9,067 | 1,664 | 102 | 4,828 | 3,343 | 3,234 | 1,458 | | | |
| Supplies and materials | 44,879 | 8,237 | 506 | 23,899 | 16,546 | 16,007 | 7,217 | | 11,002 | \$ 969 |
| Other | 50,295 | 9,231 | 2,626 | 330,927 | 18,542 | 11,059 | 8,088 | | 3,984 | 8,775 |
| Total support services | 723,700 | 132,830 | 8,161 | 385,383 | 266,809 | 258,120 | 116,380 | | 739,225 | 9,744 |
| Facilities acquisition and construction services: | | | | | | | | | | |
| Noninstructional equipment construction services | 3,165 | 581 | 36 | 1,685 | 1,167 | 1,129 | 509 | | | |
| Total facilities acquisition and construction services | 3,165 | 581 | 36 | 1,685 | 1,167 | 1,129 | 509 | | | |
| Total expenditures | \$ 1,721,507 | \$ 255,135 | \$ 34,011 | \$ 387,068 | \$ 428,638 | \$ 740,263 | \$ 646,265 | \$ 666,575 | \$ 739,225 | \$ 9,744 |

Middlesex Regional Educational Services Commission
Special Revenue Fund

Combining Schedule of Revenues and Expenditures –
Budgetary Basis

Year ended June 30, 2010

| | | Local Grants | | | | | | | | | | Total |
|--|---------------|--------------|-----------|---------------|----------------|------------------|---------------------|-----------------------|--------------|----------|--------------|-------|
| TD Foundation | J & J Nursing | Safety Grant | PIC-C | Title I Grant | IDEA-B Regular | IDEA-B Preschool | ARRA IDEA-B Regular | ARRA IDEA-B Preschool | 21ST Century | | | |
| Revenues: | | | | | | | | | | | | |
| Local sources | \$ 1,848 | \$ 1,300 | \$ 14,571 | \$ 254,371 | | | | | | \$ | \$ 272,090 | |
| State sources | | | | | \$ 67,787 | \$ 1,821,442 | \$ 46,134 | \$ 1,238,267 | \$ 12,883 | \$ 8,352 | \$ 5,628,431 | |
| Federal sources | \$ 1,848 | \$ 1,300 | \$ 14,571 | \$ 254,371 | \$ 67,787 | \$ 1,821,442 | \$ 46,134 | \$ 1,238,267 | \$ 12,883 | \$ 8,352 | \$ 3,194,865 | |
| Total revenues | | | | | | | | | | | \$ 9,095,386 | |
| Expenditures: | | | | | | | | | | | | |
| Instruction: | | | | | | | | | | | | |
| Salaries of teachers | | | \$ 48,765 | \$ 40,275 | | | | | | | \$ 1,839,760 | |
| Purchased professional and technical services | | | | | \$ 1,716,194 | \$ 11,218 | \$ 599,637 | \$ 1,715 | \$ 8,250 | | \$ 2,754,186 | |
| General supplies/Misc. | \$ 1,848 | | | 7,461 | 3,157 | 32,062 | 539,355 | 7,693 | | | \$ 736,917 | |
| Textbooks | | | | | | | | | | | \$ 666,575 | |
| Total instruction | 1,848 | - | - | 56,226 | 40,275 | 1,719,351 | 43,280 | 1,138,992 | 9,408 | 8,250 | \$ 5,997,438 | |
| Support services: | | | | | | | | | | | | |
| Salaries of supervisors of instruction | | | | | 6,758 | 48,059 | 1,344 | 39,930 | 1,398 | | \$ 268,338 | |
| Salaries of other professional staff | | | | 123,070 | 2,386 | 4,491 | 126 | 4,183 | 146 | 94 | \$ 911,846 | |
| Salaries of secretarial and clerical employees | | | | | 2,096 | 19,170 | 536 | 20,458 | 716 | | \$ 180,512 | |
| Personal services - employee benefits | | | | | | 25,318 | 708 | 30,404 | 1,064 | 8 | \$ 1,098,867 | |
| Travel | | | | | | | | | | | \$ 23,697 | |
| Supplies and materials | \$ 941 | | | 2,596 | 50 | | | | | | \$ 132,848 | |
| Other | 359 | | | 1,359 | 4,109 | 5,052 | 141 | 4,300 | 151 | | \$ 458,998 | |
| Total support services | - | 1,300 | - | 198,145 | 27,512 | 102,091 | 2,854 | 99,275 | 3,475 | 102 | \$ 3,075,106 | |
| Facilities acquisition and construction services: | | | | | | | | | | | | |
| Noninstructional equipment | | | | | | | | | | | \$ 22,842 | |
| Total facilities acquisition and construction services | | | | | | | | | | | \$ 22,842 | |
| Total expenditures | \$ 1,848 | \$ 1,300 | \$ 14,571 | \$ 254,371 | \$ 67,787 | \$ 1,821,442 | \$ 46,134 | \$ 1,238,267 | \$ 12,883 | \$ 8,352 | \$ 9,095,386 | |

Middlesex Regional Educational Services Commission

Schedule of Demonstrably Effective Program Aid Expenditures – Budgetary Basis

Year Ended June 30, 2010

Not Applicable

Middlesex Regional Educational Services Commission

Schedule of Early Childhood Program Aid Expenditures – Budgetary Basis

Year Ended June 30, 2010

Not Applicable

Middlesex Regional Educational Services Commission

Schedule of Distance Learning Network Aid Expenditures – Budgetary Basis

Year Ended June 30, 2010

Not Applicable

Middlesex Regional Educational Services Commission
Schedule of Instructional Supplement Aid Expenditures – Budgetary Basis
Year Ended June 30, 2010

Not Applicable

Capital Projects Fund Detail Statements

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

Middlesex Regional Educational Services Commission
Capital Projects Fund

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

Year ended June 30, 2010

Revenues and Other Financing Sources

| | |
|-------------------------|-----------|
| Interest on investments | \$ 158 |
| Transfers In | 4,643,621 |
| Total revenues | 4,643,779 |

Expenditures and Other Financing Uses

| | |
|-----------------------|-----------|
| Construction services | 7,928,491 |
| Total expenditures | 7,928,491 |

| | |
|--------------------------------------|-------------|
| Excess of revenues over expenditures | (3,284,712) |
|--------------------------------------|-------------|

| | |
|-----------------------|------------|
| Fund balance, July 1 | 3,819,865 |
| Fund balance, June 30 | \$ 535,153 |

Middlesex Regional Educational Services Commission
Capital Projects Fund

Summary Schedule of Project Expenditures

Year ended June 30, 2010

| Project Title | Appropriations | Prior Years | | Current Year Expenditures | Unexpended Balance |
|-------------------------|----------------|----------------------|---------------|---------------------------------|-----------------------|
| | | Expenditures | Cancellation | | |
| Construction-new school | \$ 9,855,536 | \$ 9,855,412 | \$ 124 | | \$ - |
| New buildings | 487,265 | 460,804 | | | 26,461 |
| School projects | 1,999,386 | 1,999,386 | | | - |
| Sayreville Projects | 36,867,749 | 28,515,156 | | \$ 7,859,541 | 493,052 |
| NuView Projects | 7,308,520 | 7,223,930 | | 68,950 | 15,640 |
| | | <u>\$ 48,054,688</u> | <u>\$ 124</u> | <u>\$ 7,928,491</u> | <u>\$ 535,153</u> |

Enterprise Funds Detail Statements

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

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

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

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

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

Middlesex Regional Educational Services Commission
Enterprise Funds

Combining Statement of Net Assets

June 30, 2010

| | Regional Day School Fund | Bus Services Fund | Early Childhood Program Fund | Pool Services Fund | Food Services Fund | Total |
|---|---|----------------------------------|---|-----------------------------------|-----------------------------------|---------------------|
| Assets | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ 213,262 | \$ - | | \$ 33,358 | \$ 47,706 | \$ 294,326 |
| Intergovernmental accounts receivable: | | | | | | |
| State | | | | | 945 | 945 |
| Federal | | | | | 18,584 | 18,584 |
| Other | 480,133 | | | 16,501 | 22 | 496,656 |
| Interfund receivable | | | | | 25,221 | 25,221 |
| Total current assets | <u>693,395</u> | <u>-</u> | <u>-</u> | <u>49,859</u> | <u>92,478</u> | <u>835,732</u> |
| Capital assets: | | | | | | |
| Site Improvement | 839,695 | | | | | 839,695 |
| Equipment | 506,118 | | \$ 159,476 | | | 665,594 |
| Accumulated depreciation | (340,626) | | (81,212) | | | (421,838) |
| Total capital assets | <u>1,005,187</u> | <u>-</u> | <u>78,264</u> | <u>-</u> | <u>-</u> | <u>1,083,451</u> |
| Total assets | <u>1,698,582</u> | <u>-</u> | <u>78,264</u> | <u>49,859</u> | <u>92,478</u> | <u>1,919,183</u> |
| Liabilities | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | 68,151 | | | 49,859 | 52,791 | 170,801 |
| Interfunds payable | | | | | 39,687 | 39,687 |
| Unearned Revenue | 20,000 | | | | | 20,000 |
| Total current liabilities | <u>88,151</u> | <u>-</u> | <u>-</u> | <u>49,859</u> | <u>92,478</u> | <u>230,488</u> |
| Net Assets | | | | | | |
| Invested in capital assets, net of related debt | 1,005,187 | | 78,264 | | | 1,083,451 |
| Unrestricted | 605,244 | | | | | 605,244 |
| Total net assets | <u>\$ 1,610,431</u> | <u>\$ -</u> | <u>\$ 78,264</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,688,695</u> |

Middlesex Regional Educational Services Commission
Enterprise Funds

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

Year ended June 30, 2010

| | Regional Day School Fund | Bus Services Fund | Early Childhood Program Fund | Pool Services Fund | Food Services Fund | Total |
|--|-----------------------------------|-------------------------|---------------------------------------|--------------------------|--------------------------|--------------|
| Operating revenues: | | | | | | |
| Local sources: | | | | | | |
| School lunch program | | | | | \$ 74,989 | \$ 74,989 |
| Tuition | \$ 5,118,210 | | \$ 363,431 | | | 5,481,641 |
| Services | 590,766 | \$ 11,154 | 2,866 | \$ 268,607 | | 873,393 |
| Miscellaneous | 99 | | 5,440 | 7,726 | | 13,265 |
| Total operating revenues | 5,709,075 | 11,154 | 371,737 | 276,333 | 74,989 | 6,443,288 |
| Operating expenses: | | | | | | |
| Cost of food | | | 38,597 | | 290,993 | 329,590 |
| Salaries and wages | 3,276,245 | 15,098 | 373,864 | 1,012 | 20,236 | 3,686,455 |
| Employee benefits | 1,405,417 | 8,822 | 619 | 50 | | 1,414,908 |
| Materials and supplies | 62,514 | | 3,826 | 55,541 | | 121,881 |
| Textbooks | 1,312 | | | | | 1,312 |
| Maintenance and repairs | 42,391 | 5,678 | 2,820 | | | 50,889 |
| Travel | 878 | | 4,000 | | | 4,878 |
| Other professional services | 553,178 | | 12,385 | 216,676 | | 782,239 |
| Insurance | 13,134 | | | | | 13,134 |
| Telephone/Communications | 30,999 | | 1,048 | 107 | | 32,154 |
| Utilities | 94,900 | | 3,194 | | | 98,094 |
| Depreciation | 53,958 | | 21,407 | | | 75,365 |
| Miscellaneous | 61,994 | | 59,429 | 2,815 | | 124,238 |
| Total operating expenses | 5,596,920 | 29,598 | 521,189 | 276,201 | 311,229 | 6,735,137 |
| Operating income (loss) | 112,155 | (18,444) | (149,452) | 132 | (236,240) | (291,849) |
| Nonoperating revenues: | | | | | | |
| National breakfast program - state | | | 673 | | 4,881 | 5,554 |
| State school lunch program | | | 797 | | 5,714 | 6,511 |
| National breakfast program - federal | | | 10,189 | | 72,986 | 83,175 |
| Federal school lunch program | | | 20,028 | | 134,846 | 154,874 |
| After school snack program | | | 5,130 | | - | 5,130 |
| Total nonoperating revenues | | | 36,817 | | 218,427 | 255,244 |
| Income before transfers | 112,155 | (18,444) | (112,635) | 132 | (17,813) | (36,605) |
| Transfers in | | 18,444 | | 219,423 | 17,813 | 255,680 |
| Transfers out | (102,164) | | (859,237) | (219,555) | | (1,180,956) |
| Total Transfer | (102,164) | 18,444 | (859,237) | (132) | 17,813 | (925,276) |
| Change in net assets | 9,991 | - | (971,872) | - | - | (961,881) |
| Net assets, beginning of year, as restated | 1,600,440 | | 1,050,136 | | | 2,650,576 |
| Net assets, end of year | \$ 1,610,431 | \$ - | \$ 78,264 | \$ - | \$ - | \$ 1,688,695 |

Middlesex Regional Educational Services Commission
Proprietary Fund - Enterprise Funds

Combining Statement of Cash Flows

Year ended June 30, 2010

| | Regional Day School Fund | Bus Services Fund | Early Childhood Program Fund | Pool Services Fund | Food Services Fund | Total |
|---|---|----------------------------------|---|-----------------------------------|-----------------------------------|--------------|
| Cash flows from operating activities | | | | | | |
| Receipts from customers | \$ 5,654,373 | \$ 12,557 | \$ 468,862 | \$ 259,832 | \$ 74,967 | \$ 6,470,591 |
| Payments to employees | (3,276,245) | (15,098) | (373,864) | (1,012) | (20,236) | (3,686,455) |
| Payments for employee benefits | (1,405,417) | (8,822) | (619) | (50) | | (1,414,908) |
| Payments to suppliers | (844,402) | (9,760) | (180,660) | (225,280) | (255,029) | (1,515,131) |
| Net cash provided by (used in) operating activities | 128,309 | (21,123) | (86,281) | 33,490 | (200,298) | (145,903) |
| Cash flows from noncapital financing activities | | | | | | |
| State sources | | | 2,531 | | 10,539 | 13,070 |
| Federal sources | | | 60,047 | | 206,437 | 266,484 |
| Operating subsidies and transfers to/from other funds | (102,164) | 18,444 | (859,237) | (132) | (4,941) | (948,030) |
| Net cash (used in) provided by noncapital financing activities | (102,164) | 18,444 | (796,659) | (132) | 212,035 | (668,476) |
| Cash flows from capital and related financing | | | | | | |
| Purchases of capital assets | (38,915) | | | | | (38,915) |
| Net cash used in capital and related financing activities | (38,915) | - | - | - | - | (38,915) |
| Net decrease in cash and cash equivalents | (12,770) | (2,679) | (882,940) | 33,358 | 11,737 | (853,294) |
| Balances—beginning of year | 226,032 | 2,679 | 882,940 | | 35,969 | 1,147,620 |
| Balances—end of year | \$ 213,262 | \$ - | \$ - | \$ 33,358 | \$ 47,706 | \$ 294,326 |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities | | | | | | |
| Operating income (loss) | \$ 112,155 | \$ (18,444) | \$ (149,452) | \$ 132 | \$ (236,240) | \$ (291,849) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities | | | | | | |
| Depreciation and net amortization | 53,958 | | 21,407 | | | 75,365 |
| Change in assets and liabilities: | | | | | | |
| (Increase) Decrease in accounts receivable, net | (54,702) | 1,403 | 97,125 | (16,501) | (22) | 27,303 |
| (Decrease) Increase in accounts payable, net | 16,898 | (4,082) | (55,361) | 49,859 | 35,964 | 43,278 |
| Net cash provided by (used in) operating activities | \$ 128,309 | \$ (21,123) | \$ (86,281) | \$ 33,490 | \$ (200,298) | \$ (145,903) |

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Fiduciary Funds Detail Statements

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

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

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

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

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

Middlesex Regional Educational Services Commission
Trust and Agency Funds

Combining Statement of Fiduciary Net Assets

June 30, 2010

| | Trust | Agency | | Total Agency |
|---|--------------------------------------|-----------------------------|-------------------|-------------------------|
| | Unemployment Compensation | Student Activity | Payroll | |
| Assets | | | | |
| Cash and cash equivalents | \$ 125,614 | \$ 8,764 | \$ 212,474 | \$ 221,238 |
| Interfund receivable | | | 33,998 | 33,998 |
| Accounts receivable - other | | | 1,239 | 1,239 |
| Total assets | <u>125,614</u> | <u>\$ 8,764</u> | <u>\$ 247,711</u> | <u>\$ 256,475</u> |
| Liabilities | | | | |
| Accounts payable | | | \$ 203,086 | \$ 203,086 |
| Interfund payable | 33,998 | | 44,625 | 44,625 |
| Due to student groups | | \$ 8,764 | | 8,764 |
| Total liabilities | <u>33,998</u> | <u>\$ 8,764</u> | <u>\$ 247,711</u> | <u>\$ 256,475</u> |
| Net assets held in trust for unemployment claims | <u>\$ 91,616</u> | | | |

Middlesex Regional Educational Services Commission
Trust Funds

Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2010

| | Unemployment Compensation Trust Fund |
|-------------------------|---|
| | <hr/> |
| Additions: | |
| Contributions | \$ 244,910 |
| Interest on investments | 674 |
| Total additions | <hr/> 245,584 |
| Deductions: | |
| Payment of claims | <hr/> 513,884 |
| Total deductions | <hr/> 513,884 |
| Change in net assets | (268,300) |
| Net assets - beginning | <hr/> 359,916 |
| Net assets - ending | <hr/> <hr/> \$ 91,616 |

Middlesex Regional Educational Services Commission
Student Activity Agency Fund

Schedule of Receipts and Disbursements

Year ended June 30, 2010

| | Balance | | | Balance |
|---|-------------------------|-------------------------|-------------------------|------------------------|
| | July | Cash | Cash | June |
| | 1, 2009 | Receipts | Disbursements | 30, 2010 |
| Raritan Valley Academy | | | | |
| Student activity | \$ 1,337 | \$ 755 | \$ 1,484 | \$ 608 |
| Year book | 561 | 221 | 376 | 406 |
| Total | <u>1,898</u> | <u>976</u> | <u>1,860</u> | <u>1,014</u> |
| Piscataway Regional Day School | | | | |
| Student activity | 2,259 | 7,788 | 8,872 | 1,175 |
| Total | <u>2,259</u> | <u>7,788</u> | <u>8,872</u> | <u>1,175</u> |
| Academy Learning Center | | | | |
| Student activity | 3,796 | 107 | 2,973 | 930 |
| Total | <u>3,796</u> | <u>107</u> | <u>2,973</u> | <u>930</u> |
| Bright Beginning Learning Center | | | | |
| Student activity | 4,817 | 3,096 | 3,453 | 4,460 |
| Total | <u>4,817</u> | <u>3,096</u> | <u>3,453</u> | <u>4,460</u> |
| Center for Lifelong Learning | | | | |
| Student activity | - | 2,394 | 1,209 | 1,185 |
| Total | <u>-</u> | <u>2,394</u> | <u>1,209</u> | <u>1,185</u> |
| Total of all schools | <u>\$ 12,770</u> | <u>\$ 14,361</u> | <u>\$ 18,367</u> | <u>\$ 8,764</u> |

Middlesex Regional Educational Services Commission
Payroll Agency Fund

Schedule of Cash Receipts and Disbursements

Year ended June 30, 2010

| | Balance July 1, 2009 | Additions | Deletions | Balance June 30, 2010 |
|---|-------------------------------------|----------------------|----------------------|--------------------------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 177,678 | \$ 26,626,874 | \$ 26,592,078 | \$ 212,474 |
| Interfund receivable | | 33,998 | | 33,998 |
| Accounts receivable - other | 1,080 | 1,239 | 1,080 | 1,239 |
| Total assets | <u>\$ 178,758</u> | <u>\$ 26,662,111</u> | <u>\$ 26,593,158</u> | <u>\$ 247,711</u> |
| Liabilities | | | | |
| Accounts payable | \$ 143,342 | \$ 203,086 | \$ 143,342 | \$ 203,086 |
| Interfund payable | 35,416 | 11,979 | 2,770 | 44,625 |
| Payroll, payroll deductions and withholdings payable | | 26,447,046 | 26,447,046 | - |
| Total liabilities | <u>\$ 178,758</u> | <u>\$ 26,662,111</u> | <u>\$ 26,593,158</u> | <u>\$ 247,711</u> |

Long-Term Debt

Middlesex Regional Educational Services Commission
Long-Term Debt

Schedule of Bonds/Loans Payable

June 30, 2010

| Description | Interest Rate Payable | Amount of Issue | Balance July 1, 2009 | Issued | Retired | Balance June 30, 2010 |
|---|-----------------------------|-----------------------|----------------------------|-------------|---------------------|-----------------------------|
| Bonds/loan payable - Middlesex County Improvement Authority - 1999 (refunding issue) | Various | \$ 7,455,000 | \$ 5,585,000 | | \$ 400,000 | \$ 5,185,000 |
| Bonds/loan payable – Middlesex County Improvement Authority - 2000 | Various | 16,170,000 | 1,015,000 | | 495,000 | 520,000 |
| Bonds/loan payable - Middlesex County Improvement Authority - 2004 (refunding issue) | Various | 14,010,000 | 13,560,000 | | 120,000 | 13,440,000 |
| Bonds/loan payable – Middlesex County Improvement Authority - 2008 | Various | 40,000,000 | 40,000,000 | | 795,000 | 39,205,000 |
| Loans payable - Commerce Bank -06/08/2006 | 6.74% | 520,000 | 229,417 | | 110,883 | 118,534 |
| | | | <u>\$ 60,389,417</u> | <u>\$ -</u> | <u>\$ 1,920,883</u> | <u>\$ 58,468,534</u> |

Middlesex Regional Educational Services Commission
Long-Term Debt

Schedule of Obligations Under Capital Leases

June 30, 2010

Not Applicable

Middlesex Regional Educational Services Commission
Debt Service Fund

Budgetary Comparison Schedule

Year ended June 30, 2010

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Actual to Final |
|---|----------------------------|-----------------------------|-------------------------|---------------------|---|
| Revenues: | | | | | |
| Interest earned | | | | \$ 60 | \$ 60 |
| Total revenues | | | | 60 | 60 |
| Expenditures: | | | | | |
| Regular debt service: | | | | | |
| Interest | \$ 2,763,870 | | \$ 2,763,869 | 2,763,869 | - |
| Principal | 1,920,882 | | 1,920,883 | 1,920,883 | - |
| Total expenditures | 4,684,752 | - | 4,684,752 | 4,684,752 | - |
| (Deficiency) excess of revenues (under) over expenditures | (4,684,752) | - | (4,684,752) | (4,684,692) | 60 |
| Other financing sources: | | | | | |
| Transfers in | 3,968,978 | | 3,968,978 | 4,468,918 | 499,940 |
| Transfers out | | | | (500,000) | (500,000) |
| Total other financing sources (uses) | 3,968,978 | - | 3,968,978 | 3,968,918 | (60) |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures | (715,774) | - | (715,774) | (715,774) | - |
| Fund balance, July 1 | 2,993,928 | | 2,993,928 | 2,993,928 | - |
| Fund balance, June 30 | <u>\$ 2,278,154</u> | <u>\$ -</u> | <u>\$ 2,278,154</u> | <u>\$ 2,278,154</u> | <u>\$ -</u> |

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Statistical Section
(Unaudited)

Financial Trends

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

| | Fiscal Year Ending June 30, | | | |
|--|-----------------------------|----------------------|----------------------|----------------------|
| | 2007 | 2008 | 2009 | 2010 |
| Governmental activities | | | | |
| Invested in capital assets, net of related debt | \$ 74,310 | \$ (907,884) | \$ 3,533,402 | \$ 11,861,037 |
| Restricted for: | | | | |
| Debt service | 2,129,842 | 2,619,217 | 2,993,928 | 2,278,154 |
| Capital projects | 6,445,100 | 8,096,243 | 3,819,865 | 535,153 |
| Other purposes | 216,392 | 216,392 | 216,392 | 216,392 |
| Unrestricted | 7,448,297 | 8,242,580 | 8,160,493 | 4,958,331 |
| Total governmental activities net assets | \$ 16,313,941 | \$ 18,266,548 | \$ 18,724,080 | \$ 19,849,067 |
| Business-type activities | | | | |
| Invested in capital assets, net of related debt | \$ 658,070 | \$ 806,809 | \$ 1,119,901 | \$ 1,083,451 |
| Restricted | | | | |
| Unrestricted | 1,025,166 | 1,328,970 | 1,530,675 | 605,244 |
| Total business-type activities net assets | \$ 1,683,236 | \$ 2,135,779 | \$ 2,650,576 | \$ 1,688,695 |
| District-wide | | | | |
| Invested in capital assets, net of related debt | \$ 732,380 | \$ (101,075) | \$ 4,653,303 | \$ 12,944,488 |
| Restricted for: | | | | |
| Debt service | 2,129,842 | 2,619,217 | 2,993,928 | 2,278,154 |
| Capital projects | 6,445,100 | 8,096,243 | 3,819,865 | 535,153 |
| Other purposes | 216,392 | 216,392 | 216,392 | 216,392 |
| Unrestricted | 8,473,463 | 9,571,550 | 9,691,168 | 5,563,575 |
| Total district net assets | \$ 17,997,177 | \$ 20,402,327 | \$ 21,374,656 | \$ 21,537,762 |

Source: CAFR Schedule A-1

Exhibit J-2
(continued)

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

| | Fiscal Year Ending June 30, | | | |
|---|-----------------------------|------------------------|------------------------|------------------------|
| | 2007 | 2008 | 2009 | 2010 |
| Expenses | | | | |
| Governmental activities | | | | |
| Instruction | \$ 15,427,298 | \$ 17,820,197 | \$ 18,158,241 | \$ 17,929,049 |
| Support Services: | | | | |
| Health services | 590,115 | 681,759 | 650,633 | 744,761 |
| Student & instruction related services | 8,280,536 | 6,725,338 | 6,768,050 | 10,496,291 |
| General administrative services | 658,020 | 654,386 | 712,561 | 772,495 |
| School administrative services | 1,308,333 | 1,443,203 | 1,519,283 | 1,578,352 |
| Central Services | 1,051,071 | 949,542 | 1,001,380 | 992,939 |
| Admin. Infor. Technology | 113,310 | 196,642 | 98,180 | 296,674 |
| Plant operations and maintenance | 1,648,485 | 1,708,220 | 1,765,062 | 2,288,865 |
| Pupil transportation | 23,906,263 | 25,427,834 | 24,909,636 | 25,611,438 |
| Employee benefits | 707,911 | 776,720 | 940,187 | 1,369,252 |
| Capital outlay | 958,624 | 501,852 | 328,342 | 52,021 |
| Special Schools | 1,702,299 | 1,827,514 | 1,843,787 | 2,328,007 |
| Interest on long-term debt | 1,271,981 | 1,726,318 | 2,743,549 | 2,253,304 |
| Unallocated depreciation | | | | |
| Total governmental activities expenses | \$ 57,624,245 | \$ 60,439,524 | \$ 61,438,891 | \$ 66,713,447 |
| Business-type activities: | | | | |
| Regional Day School | \$ 4,929,321 | \$ 5,264,305 | \$ 5,516,538 | \$ 5,596,920 |
| Bus Service | | 163,003 | 190,437 | 29,598 |
| Early Childhood Program | 4,966,436 | 5,577,675 | 5,382,667 | 521,189 |
| Pool service | | | | 276,201 |
| Food service | 231,250 | 274,427 | 298,567 | 311,229 |
| Total business-type activities expense | 10,127,007 | 11,279,410 | 11,388,209 | 6,735,137 |
| Total district expenses | \$ 67,751,252 | \$ 71,718,934 | \$ 72,827,100 | \$ 73,448,584 |
| Program Revenues | | | | |
| Governmental activities: | | | | |
| Charges for services: | | | | |
| Pupil transportation | \$ 21,521,584 | \$ 22,552,408 | \$ 21,849,114 | \$ 22,014,291 |
| Operating grants and contributions | 9,518,615 | 9,322,936 | 9,050,390 | 9,033,229 |
| Total governmental activities program revenues | 31,040,199 | 31,875,344 | 30,899,504 | 31,047,520 |
| Business-type activities: | | | | |
| Charges for services | | | | |
| Regional Day School | \$ 5,343,578 | \$ 5,662,998 | \$ 5,898,870 | \$ 5,709,075 |
| Bus service | | 156,198 | 118,042 | 11,154 |
| Early Childhood Program | 4,949,768 | 5,505,367 | 5,459,793 | 371,737 |
| Pool service | | | | 276,333 |
| Food service | 67,827 | 72,933 | 72,388 | 74,989 |
| Operating grants and contributions | 393,316 | 478,357 | 477,438 | 255,244 |
| Total business type activities program revenues | 10,754,489 | 11,875,853 | 12,026,531 | 6,698,532 |
| Total district program revenues | \$ 41,794,688 | \$ 43,751,197 | \$ 42,926,035 | \$ 37,746,052 |
| Net (Expense)/Revenue | | | | |
| Governmental activities | \$ (26,584,046) | \$ (28,564,180) | \$ (30,539,387) | \$ (35,665,927) |
| Business-type activities | 627,482 | 596,443 | 638,322 | (36,605) |
| Total district-wide net expense | \$ (25,956,564) | \$ (27,967,737) | \$ (29,901,065) | \$ (35,702,532) |
| General Revenues and Other Changes in Net Assets | | | | |
| Governmental activities: | | | | |
| Federal and state aid not restricted | \$ 1,638,362 | \$ 1,837,857 | \$ 1,826,690 | \$ 1,835,723 |

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

| | Fiscal Year Ending June 30, | | | |
|---------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 2007 | 2008 | 2009 | 2010 |
| Tuition received | 20,478,439 | 22,527,836 | 23,150,645 | 26,186,392 |
| Services provided to districts | 5,164,915 | 5,282,055 | 5,672,096 | 7,620,980 |
| Interest income | 654,726 | 561,994 | 120,398 | 21,818 |
| Miscellaneous income | 200,335 | 163,145 | 103,565 | 200,725 |
| Transfers | 150,000 | 143,900 | 123,525 | 925,276 |
| Total governmental activities | <u>28,286,777</u> | <u>30,516,787</u> | <u>30,996,919</u> | <u>36,790,914</u> |
| Business-type activities: | | | | |
| Services provided to districts | 86,061 | - | - | - |
| Miscellaneous income | 3,228 | - | - | - |
| Transfers | (150,000) | (143,900) | (123,525) | (925,276) |
| Total business-type activities | <u>(60,711)</u> | <u>(143,900)</u> | <u>(123,525)</u> | <u>(925,276)</u> |
| Total district-wide | <u>\$ 28,226,066</u> | <u>\$ 30,372,887</u> | <u>\$ 30,873,394</u> | <u>\$ 35,865,638</u> |
| Change in Net Assets | | | | |
| Governmental activities | \$ 1,702,731 | \$ 1,952,607 | \$ 457,532 | \$ 1,124,987 |
| Business-type activities | <u>566,771</u> | <u>452,543</u> | <u>514,797</u> | <u>(961,881)</u> |
| Total district | <u>\$ 2,269,502</u> | <u>\$ 2,405,150</u> | <u>\$ 972,329</u> | <u>\$ 163,106</u> |

Source: CAFR Schedule A-2

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

| | Fiscal Year Ending June 30, | | | |
|--|-----------------------------|----------------------|----------------------|---------------------|
| | 2007 | 2008 | 2009 | 2010 |
| General Fund | | | | |
| Reserved for: | | | | |
| Encumbrances | \$ 959,782 | \$ 941,351 | \$ 302,631 | \$ 930,684 |
| Capital reserve | 216,392 | 216,392 | 216,392 | 216,392 |
| Health benefits reserve | 737,766 | 1,091,094 | 1,220,140 | 154,639 |
| Debt service | | | | |
| Unreserved : | | | | |
| Designated for subsequent year's expenditures | 1,000,000 | - | - | - |
| Undesignated | 5,437,915 | 7,104,967 | 7,922,372 | 4,535,312 |
| Total general fund | \$ 8,351,855 | \$ 9,353,804 | \$ 9,661,535 | \$ 5,837,027 |
| All Other Governmental Funds | | | | |
| Reserved for: | | | | |
| Debt service fund | \$ 2,129,842 | \$ 2,619,217 | \$ 2,993,928 | \$ 2,278,154 |
| Unreserved, reported in: | | | | |
| Capital projects fund | 6,445,100 | 8,096,243 | 3,819,865 | 535,153 |
| Total all other governmental funds | \$ 8,574,942 | \$ 10,715,460 | \$ 6,813,793 | \$ 2,813,307 |
| Total Governmental Funds | \$ 16,926,797 | \$ 20,069,264 | \$ 16,475,328 | \$ 8,650,334 |

Source: CAFR Schedule B-1

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

| | 2007 | 2008 | 2009 | 2010 |
|--|---------------------|---------------------|-------------------|-----------------------|
| General Fund | | | | |
| Revenues | | | | |
| Local sources: | | | | |
| Tuition | \$ 20,478,439 | \$ 22,527,836 | \$ 23,150,645 | \$ 26,186,392 |
| Transportation fees | 21,521,584 | 22,552,408 | 21,849,114 | 22,014,291 |
| Services provided to districts | 5,164,915 | 5,282,055 | 5,672,096 | 7,620,980 |
| Interest on investments | 488,423 | 301,628 | 79,931 | 21,600 |
| Miscellaneous | 200,335 | 163,145 | 103,565 | 200,725 |
| Total - Local sources | 47,853,696 | 50,827,072 | 50,855,351 | 56,043,988 |
| State sources | | | | |
| Reimbursed TPAF S.S. Contributions | 892,882 | 923,795 | 966,784 | 967,981 |
| On-behalf TPAF pension Contributions | 745,480 | 914,062 | 859,906 | 867,742 |
| Total - State sources | 1,638,362 | 1,837,857 | 1,826,690 | 1,835,723 |
| Total revenue | 49,492,058 | 52,664,929 | 52,682,041 | 57,879,711 |
| Expenditures | | | | |
| Instruction | 9,522,342 | 10,275,667 | 10,434,360 | 9,140,843 |
| Support Services: | | | | |
| Health services | 539,185 | 614,484 | 581,568 | 649,995 |
| Student & instruction related services | 3,026,688 | 2,889,039 | 3,152,844 | 6,614,327 |
| General administrative services | 601,229 | 589,813 | 636,922 | 674,201 |
| School Administrative services | 1,195,417 | 1,300,790 | 1,358,009 | 1,377,518 |
| Central Services | 960,358 | 855,843 | 895,083 | 866,595 |
| Admin. Infor. Technology | 103,531 | 177,237 | 87,758 | 258,924 |
| Required maint for school facilities | 665,132 | 646,093 | 662,166 | 862,916 |
| Operation of plant | 841,080 | 893,563 | 915,533 | 1,134,707 |
| Pupil transportation | 21,843,023 | 22,918,661 | 22,265,448 | 22,352,560 |
| Business and other support services | | | | |
| Unallocated employee benefits | 2,920,262 | 3,630,383 | 4,050,962 | 5,845,920 |
| Reimbursed S.S. contributions | 892,882 | 923,795 | 966,784 | 967,981 |
| On-behalf TPAF pension contributions | 745,480 | 914,062 | 859,906 | 867,742 |
| Capital outlay | 990,311 | 883,017 | 601,797 | 220,453 |
| Special Schools | 1,702,299 | 1,827,514 | 1,843,787 | 2,328,007 |
| Total expenditures | 46,549,219 | 49,339,961 | 49,312,927 | 54,162,689 |
| Excess (Deficiency) of revenues over (under) expenditures | 2,942,839 | 3,324,968 | 3,369,114 | 3,717,022 |
| Other Financing sources (uses) | | | | |
| Transfers in | 152,590 | 221,510 | 37,958 | 621,370 |
| Payment of claims | - | - | - | - |
| Total other financing sources (uses) | (1,544,515) | (2,323,019) | (3,061,383) | (7,541,530) |
| Net change in fund balances, General Fund | \$ 1,398,324 | \$ 1,001,949 | \$ 307,731 | \$ (3,824,508) |
| Special Revenue Fund | | | | |
| Revenues | | | | |
| Local sources | | \$ 3,000 | \$ 5,000 | \$ 269,403 |
| State sources | \$ 6,466,443 | 6,610,896 | 6,339,625 | 5,592,407 |
| Federal sources | 3,052,172 | 2,709,040 | 2,705,765 | 3,171,419 |
| Total revenue | 9,518,615 | 9,322,936 | 9,050,390 | 9,033,229 |
| Expenditures | | | | |
| Instruction | 4,423,864 | 5,612,782 | 5,606,452 | 6,209,229 |
| Other support : special | 4,539,193 | 3,172,655 | 2,896,769 | 2,546,384 |
| Capital outlay | 381,133 | 377,642 | 365,169 | 131,883 |
| Total expenditures | 9,344,190 | 9,163,079 | 8,868,390 | 8,887,496 |
| Excess (Deficiency) of revenues over (under) expenditures | 174,425 | 159,857 | 182,000 | 145,733 |
| Other Financing sources (uses) | | | | |
| Transfers in | | | | |
| Transfers out | (174,425) | (159,857) | (182,000) | (145,733) |
| Total other financing sources (uses) | (174,425) | (159,857) | (182,000) | (145,733) |
| Net change in fund balances, Special Revenue fund | \$ - | \$ - | \$ - | \$ - |

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

| | 2007 | 2008 | 2009 | 2010 |
|--|---------------------|---------------------|-----------------------|-----------------------|
| Capital Projects Fund | | | | |
| Revenues | | | | |
| Interest Earned | \$ 152,590 | \$ 221,510 | \$ 37,958 | \$ 158 |
| Total revenue | <u>152,590</u> | <u>221,510</u> | <u>37,958</u> | <u>158</u> |
| Expenditures | | | | |
| Capital outlay | 4,098,243 | 8,348,857 | 23,291,986 | 7,928,491 |
| Total expenditures | <u>4,098,243</u> | <u>8,348,857</u> | <u>23,291,986</u> | <u>7,928,491</u> |
| Excess (Deficiency) of revenues over (under) expenditures | (3,945,653) | (8,127,347) | (23,254,028) | (7,928,333) |
| Other Financing sources (uses) | | | | |
| Transfers in | 500,000 | | 333,254 | 4,643,621 |
| Transfers out | (152,590) | (221,510) | (37,958) | - |
| Proceeds - Bonds | 10,000,000 | 10,000,000 | 18,682,354 | - |
| Total other financing sources (uses) | <u>10,347,410</u> | <u>9,778,490</u> | <u>18,977,650</u> | <u>4,643,621</u> |
| Net change in fund balances, Capital projects fund | \$ 6,401,757 | \$ 1,651,143 | \$ (4,276,378) | \$ (3,284,712) |
| Debt service Fund | | | | |
| Revenues | | | | |
| Interest Earned | \$ 13,713 | \$ 38,856 | \$ 2,509 | \$ 60 |
| Total revenue | <u>13,713</u> | <u>38,856</u> | <u>2,509</u> | <u>60</u> |
| Expenditures | | | | |
| Principal | 985,200 | 11,031,699 | 21,073,587 | 1,920,883 |
| Interest | 1,011,840 | 1,366,068 | 2,813,546 | 2,763,869 |
| Total expenditures | <u>1,997,040</u> | <u>12,397,767</u> | <u>23,887,133</u> | <u>4,684,752</u> |
| Excess (Deficiency) of revenues over (under) expenditures | (1,983,327) | (12,358,911) | (23,884,624) | (4,684,692) |
| Other Financing sources (uses) | | | | |
| Transfers in | 2,021,530 | 2,848,286 | 3,404,866 | 4,468,918 |
| Transfers out | (500,000) | | (333,254) | (500,000) |
| Proceeds - Loans | | | | |
| Proceeds - bonds | | 10,000,000 | 21,187,723 | - |
| Payment to refunded bond escrow agent | | | | |
| Total other financing sources (uses) | <u>1,521,530</u> | <u>12,848,286</u> | <u>24,259,335</u> | <u>3,968,918</u> |
| Net change in fund balances, Debt Svc Fund | \$ (461,797) | \$ 489,375 | \$ 374,711 | \$ (715,774) |
| Net change in fund balances, Governmental Fund | \$ 7,338,284 | \$ 3,142,467 | \$ (3,593,936) | \$ (7,824,994) |

Source: CAFR Schedule B-2

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

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|-----------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| General Fund | | | | | | | | | | |
| Miscellaneous Revenue | | | | | | | | | | |
| Proceeds from lease purchase | | | | | | | | | | |
| Sale of property | \$ 18,219 | \$ 31,435 | \$ 35,244 | | | | | \$ 21,131 | \$ 34,490 | \$ 5,965 |
| Insurance proceeds | 37,879 | 54,981 | 4,749 | 21,573 | 53,156 | 10,621 | 93,349 | 5,173 | 11,672 | 12,842 |
| Refunds | | | | 150,401 | 4,013 | 10,075 | 728 | 16,776 | 10,448 | 17,839 |
| Cancellation of aging liabilities | | 27,971 | 74,401 | 44,665 | 37,485 | 40,774 | 52,214 | 86,935 | 45,102 | 84,560 |
| E-rate reimbursement | 47,784 | 176,181 | 39,622 | 60,483 | 61,265 | 170,268 | 54,044 | 33,130 | 1,853 | 79,520 |
| Other | | | | | | | | | | |
| Total Other Local Revenue | \$ 103,882 | \$ 259,133 | \$ 150,207 | \$ 312,366 | \$ 155,919 | \$ 231,738 | \$ 200,335 | \$ 163,145 | \$ 103,565 | \$ 200,725 |

Source: Commission records

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Revenue Capacity

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

Not Applicable

Middlesex Regional Educational Services Commission
Direct and Overlapping Property Tax Rates

Not Applicable

Middlesex Regional Educational Services Commission
Principal Property Tax Payers

Not Applicable

Middlesex Regional Educational Services Commission
Property Tax Levies and Collections

Not Applicable

Debt Capacity

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

| Fiscal Year Ended June 30, | Governmental Activities | | | Business-Type Activities | | Percentage of Personal Income ^a | Per Capita ^a |
|-------------------------------------|-----------------------------|-------------------|---------------------|-----------------------------|----------------|--|-------------------------|
| | General Obligation Bonds | Capital Leases | Promissory Notes | Capital Leases | Total District | | |
| 2001 | \$ 24,445,000 | \$ 318,501 | | | \$ 24,763,501 | 0.15% | \$ 37,819 |
| 2002 | 24,160,000 | 195,800 | | | 24,355,800 | 0.16% | 38,035 |
| 2003 | 23,510,000 | 66,885 | | | 23,576,885 | 0.16% | 38,441 |
| 2004 | 22,815,000 | | | | 22,815,000 | 0.18% | 40,036 |
| 2005 | 23,825,000 | | | | 23,825,000 | 0.17% | 41,050 |
| 2006 | 22,960,000 | | \$ 520,000 | | 23,480,000 | 0.19% | 44,022 |
| 2007 | 32,065,000 | | 429,703 | | 32,494,703 | 0.14% | 46,674 |
| 2008 | 41,130,000 | | 333,004 | | 41,463,004 | 0.12% | 48,854 |
| 2009 | 60,160,000 | | 229,417 | | 60,389,417 | N/A | N/A |
| 2010 | 58,350,000 | | 118,534 | | 58,468,534 | N/A | N/A |

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

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

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

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

Not Applicable

Middlesex Regional Educational Services Commission
Ratios of Overlapping Governmental Activities Debt
As of June 30, 2010

Not Applicable

Middlesex Regional Educational Services Commission
Legal Debt Margin Information

Not Applicable

Demographic and Economic Statistics

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

| Year | Population ^a | Personal Income (thousands of dollars) ^b | Per Capita Personal Income ^c | Unemployment Rate ^d |
|------|-------------------------|---|---|-----------------------------------|
| 1999 | 742,213 | \$ 25,159,409 | \$ 33,898 | 3.7% |
| 2000 | 753,076 | 27,476,727 | 36,486 | 3.3% |
| 2001 | 761,957 | 28,816,391 | 37,819 | 4.0% |
| 2002 | 770,042 | 29,288,510 | 38,035 | 5.6% |
| 2003 | 777,646 | 29,893,592 | 38,441 | 5.5% |
| 2004 | 783,665 | 31,374,912 | 40,036 | 4.5% |
| 2005 | 789,283 | 32,400,068 | 41,050 | 4.2% |
| 2006 | 783,371 | 34,485,431 | 44,022 | 4.3% |
| 2007 | 783,029 | 36,546,831 | 46,674 | 3.9% |
| 2008 | 785,324 | 38,052,466 | 48,454 | 5.0% |
| 2009 | N/A | N/A | N/A | 8.7% |

Source:

^a Population based on the Bureau of Economic Analysis Table CA04, April 2010

^b Personal income based on the Bureau of Economic Analysis Table CA04, April 2010

^c Per Capita based on the Bureau of Economic Analysis Table CA04, April 2010

^d Unemployment data based on the NJ Dept of Labor and Workforce Development, April 23, 2009

Middlesex Regional Educational Services Commission
Principal Employers

Not Applicable

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

| <u>Function/Program</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| Instruction | | | | | | |
| PL192/193 | 35.90 | 36.50 | 37.30 | 36.20 | 29.20 | 29.10 |
| RVA | 28.60 | 18.95 | 19.47 | 16.50 | 16.40 | 17.50 |
| NuView | 4.20 | 5.10 | 7.00 | 7.30 | 12.70 | 14.00 |
| Piscataway Regional Day School | 70.33 | 68.88 | 77.43 | 79.70 | 80.54 | 77.54 |
| Academy Learning Center | 91.34 | 84.14 | 86.24 | 86.08 | 87.11 | 86.11 |
| Academy Learning Center Annex I | | | | 2.00 | 6.25 | - |
| Title I | 1.00 | 1.00 | 1.00 | 1.00 | 0.40 | 0.40 |
| Middlesex County Academy High School | 3.90 | 4.00 | 4.70 | 4.90 | 4.90 | 5.00 |
| Bright Beginnings Learning Center | 64.03 | 66.18 | 67.03 | 65.60 | 68.18 | 68.88 |
| Bright Beginnings Learning Center Annex II | | | 14.00 | 24.55 | 25.55 | - |
| Bright Beginnings Learning Center Annex | | 21.35 | 25.63 | 24.60 | 22.35 | - |
| IDEA B | 25.00 | 35.60 | 65.90 | 65.90 | 65.27 | 45.13 |
| Edison Collaborative Services | 10.00 | 10.75 | 17.50 | 18.15 | - | - |
| Sayville Collaborative Services | | 14.50 | 14.40 | 16.40 | 13.05 | 9.00 |
| PIC-C | | | | 1.00 | 1.00 | 1.00 |
| Early Childhood Program | | 26.00 | 54.00 | 56.33 | 53.00 | 52.00 |
| Center for Lifelong Learning | | | | | | 72.68 |
| Health Services: | | | | | | |
| RVA | 1.00 | 0.95 | 0.67 | 0.95 | 0.95 | 0.95 |
| Piscataway Regional Day School | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 |
| Academy Learning Center | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 |
| Academy Learning Center Annex I | | | | - | 0.20 | - |
| Non-Public Nursing | 28.00 | 35.00 | 43.00 | 38.87 | 40.60 | 40.60 |
| Bright Beginnings Learning Center | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 |
| Bright Beginnings Learning Center Annex II | | | 1.00 | 1.00 | 1.00 | - |
| Bright Beginnings Learning Center Annex | | 0.05 | 0.33 | 0.05 | 0.05 | - |
| Edison Collaborative Services | 0.17 | | 1.00 | 1.00 | - | - |
| Sayville Collaborative Services | 0.17 | | 0.25 | 0.25 | 0.20 | 0.40 |
| Center for Lifelong Learning | | | | | | 1.60 |
| Support Services: | | | | | | |
| RVA | 5.00 | 4.00 | 5.00 | 4.00 | 4.00 | 4.00 |
| Piscataway Regional Day School | 1.50 | 1.50 | 2.00 | 2.00 | 2.00 | 2.00 |
| Academy Learning Center | 1.50 | 1.50 | 2.00 | 2.00 | 2.00 | 2.00 |
| Academy Learning Center Annex I | | | | - | 0.20 | - |
| Middlesex County Academy High School | 0.50 | 0.50 | 0.50 | 0.44 | 0.44 | 0.45 |
| Bright Beginnings Learning Center | 1.50 | 1.45 | 2.00 | 2.00 | 2.00 | 2.00 |
| Bright Beginnings Learning Center Annex II | | | 0.50 | 0.50 | 0.50 | - |
| Bright Beginnings Learning Center Annex | | 0.55 | 0.55 | 0.50 | 0.50 | - |
| IDEA B | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | - |
| Sayville Collaborative Services | | | | | 0.60 | 0.60 |
| PIC-C | | | | 3.31 | 3.31 | 3.50 |
| Early Childhood Program | | 6.00 | 13.22 | 9.00 | 8.00 | 8.00 |
| Center for Lifelong Learning | | | | | | 2.40 |
| General Administration | | | | | | |
| | 3.00 | 3.00 | 5.00 | 5.00 | 5.00 | 5.00 |
| School Administration | | | | | | |
| PL192/193 | 5.50 | 3.82 | 6.07 | 4.53 | 4.87 | 5.15 |
| RVA | 4.00 | 3.16 | 3.03 | 2.13 | 2.13 | 2.12 |
| NuView | 2.00 | 2.07 | 2.00 | 2.00 | 2.00 | 2.17 |
| Piscataway Regional Day School | 3.75 | 3.93 | 3.92 | 3.78 | 3.90 | 3.94 |
| Academy Learning Center | 3.75 | 4.01 | 4.03 | 3.48 | 3.93 | 3.97 |
| Academy Learning Center Annex I | | | | - | 0.37 | - |
| Title I | 0.05 | 0.15 | 0.20 | 0.10 | 0.12 | 0.12 |
| Non-Public Textbook | 0.40 | 0.39 | 0.45 | 0.42 | 0.23 | 0.23 |
| Non-Public Nursing | 0.25 | 0.60 | 0.35 | 0.55 | 0.40 | 0.35 |
| Professional Development Program | 1.00 | 1.60 | 1.00 | 1.60 | 1.40 | 1.00 |
| Middlesex County Academy High School | 1.10 | 1.77 | 2.00 | 2.00 | 2.00 | 2.00 |
| Bright Beginnings Learning Center | 3.90 | 3.59 | 3.79 | 3.73 | 3.91 | 3.95 |
| Bright Beginnings Learning Center Annex II | | | 2.15 | 1.65 | 1.34 | - |
| Bright Beginnings Learning Center Annex | | 1.34 | 1.33 | 1.15 | 0.84 | - |
| Non-Public Technology | 0.35 | 0.27 | 0.31 | 0.27 | 0.28 | - |
| IDEA B | 0.20 | 1.40 | 1.50 | 1.45 | 1.67 | 1.47 |
| Edison Collaborative Services | 0.05 | 0.10 | 0.15 | 0.15 | - | - |
| Sayville Collaborative Services | | 1.13 | 1.00 | 0.50 | 0.54 | 0.30 |
| Early Childhood Program | | 4.00 | 7.50 | 7.00 | 6.00 | 6.00 |
| Center for Lifelong Learning | | | | | | 3.87 |
| Central Services | | | | | | |
| | 13.50 | 14.50 | 16.66 | 17.50 | 19.50 | 19.50 |
| Operations & Maintenance | | | | | | |
| PL192/193 | 2.20 | 2.20 | 2.20 | 3.30 | 2.20 | 2.20 |
| RVA | 3.70 | 3.20 | 3.20 | 2.75 | 2.20 | 2.20 |
| NuView | 0.75 | 0.60 | 0.50 | 0.60 | 1.00 | 1.00 |
| Piscataway Regional Day School | 2.20 | 2.20 | 2.70 | 2.70 | 2.70 | 2.20 |
| Academy Learning Center | 2.20 | 2.20 | 2.20 | 2.30 | 2.20 | 2.20 |
| Middlesex County Academy High School | 0.25 | 0.20 | 0.50 | 0.60 | 0.40 | 0.25 |
| Bright Beginnings Learning Center | 2.20 | 2.20 | 2.20 | 2.25 | 2.20 | 2.20 |
| Bright Beginnings Learning Center Annex II | | | 0.20 | 0.20 | - | - |
| Bright Beginnings Learning Center Annex | | 1.00 | 0.50 | 0.50 | 1.00 | - |
| Sayville Collaborative Services | | | | | | 0.25 |
| Early Childhood Program | | 2.00 | 1.65 | 3.33 | 3.00 | 4.00 |
| Center for Lifelong Learning | | | | | | 3.00 |
| Student Transportation | | | | | | |
| | 6.50 | 5.50 | 5.50 | 5.50 | 5.50 | 5.50 |
| Student Transportation - Bus driver | | 2.00 | 5.00 | 2.00 | 4.80 | 4.80 |
| Total | 443.44 | 525.58 | 659.41 | 664.10 | 647.08 | 643.78 |

Source: Based on Commission budget record.

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

Exhibit J-17

| Fiscal Year | Enrollment | Operating Expenditures ^a | Cost Per Pupil | Percentage Change | Teaching Staff ^b | Other Staff ^c | Average Daily Enrollment (ADE) ^d | Average Daily Attendance (ADA) ^d | % Change in Average Daily Enrollment | Student Attendance Percentage |
|-------------|------------|-------------------------------------|----------------|-------------------|-----------------------------|--------------------------|---|---|--------------------------------------|-------------------------------|
| 2001 | 437 | \$ 30,448,046 | \$ 69,675 | 7.27% | 207 | 153 | 477.80 | 408.70 | 1.38% | 85.54% |
| 2002 | 501 | 33,227,972 | 66,323 | -4.81% | 147 | 193 | 500.90 | 432.90 | 4.83% | 86.42% |
| 2003 | 547 | 36,931,897 | 67,517 | 1.80% | 168 | 231 | 544.30 | 468.90 | 8.66% | 86.15% |
| 2004 | 568 | 41,425,291 | 72,932 | 8.02% | 176 | 246 | 521.00 | 444.00 | -4.28% | 85.22% |
| 2005 | 601 | 42,862,766 | 71,319 | -2.21% | 182 | 272 | 566.40 | 489.30 | 8.71% | 86.39% |
| 2006 | 784 | 50,102,656 | 63,906 | -10.39% | 200 | 307 | 768.10 | 673.20 | 35.61% | 87.64% |
| 2007 | 1,041 | 54,521,965 | 52,375 | -18.04% | 240 | 345 | 1,037.00 | 905.70 | 35.01% | 87.34% |
| 2008 | 1,055 | 57,242,381 | 54,258 | 3.60% | 211 | 429 | 1,110.80 | 963.60 | 7.12% | 86.75% |
| 2009 | 1,008 | 57,214,351 | 56,760 | 4.61% | 196 | 441 | 1,076.80 | 941.00 | -3.06% | 87.39% |
| 2010 | 731 | 62,697,849 | 85,770 | 51.11% | 186 | 406 | 648.20 | 563.20 | -39.80% | 86.89% |

Sources: Commission records.

Note: Revised enrollment for 2009-2010 was based on actual enrollment as of June.

- a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule B-2
- b Teaching staff includes only full-time equivalents of certificated staff; prior GASB44 J-15
- c Other staff includes only full-time equivalents of other staffs- all 12 month; prior GASB 44 J-15 (All 12 mo. Staffs - Administrator, Custodians, family workers, food workers, secretary, 10 mo.- chapter 226 nurse, aides)
- d Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS); prior GASB 44 J-13

Operating Information

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

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| District Building | | | | | | | | | | |
| <u>Raritan Valley Academy, 1690 Stelton Rd, Piscataway</u> | | | | | | | | | | |
| (September 1997) | | | | | | | | | | |
| RVA | 48,000 | 48,000 | 42,755 | 42,755 | 42,755 | 42,755 | 42,755 | 42,755 | 42,755 | 48,525 |
| Square Feet | 198 | 198 | 132 | 132 | 132 | 132 | 132 | 132 | 132 | 174 |
| Capacity (students) | 142 | 138 | 123 | 89 | 71 | 70 | 70 | 70 | 66 | 66 |
| Enrollment | | | | | | | | | | |
| BB Annex I | | | | | 5,245 | 5,770 | 5,770 | 5,770 | 5,770 | |
| Square Feet | | | | | 42 | 42 | 42 | 42 | 42 | |
| Capacity (students) | | | | | 27 | 40 | 40 | 40 | 37 | |
| Enrollment | | | | | | | | | | |
| Nonpublic | 2,360 | 2,360 | 2,360 | 2,360 | 2,360 | 2,360 | 2,360 | 2,360 | 2,360 | 2,360 |
| Square Feet | | | | | | | | | | |
| <u>Nuview Academy, Park Ave, Piscataway</u> | | | | | | | | | | |
| (September 2001, September 2008) | | | | | | | | | | |
| NV | 3,500 | 8,050 | 8,050 | 8,050 | 8,050 | 6,000 | 6,000 | 22,500 | 22,500 | 22,500 |
| Square Feet | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 72 | 72 | 72 |
| Capacity (students) | 12 | 12 | 27 | 30 | 32 | 34 | 34 | 45 | 60 | 60 |
| Enrollment | | | | | | | | | | |
| <u>Academy Learning Center, 145 Persola Ave, Monroe</u> | | | | | | | | | | |
| (September 2000) | | | | | | | | | | |
| ALC | 42,516 | 42,516 | 42,516 | 42,516 | 42,516 | 42,516 | 42,516 | 42,516 | 42,516 | 42,516 |
| Square Feet | 110 | 148 | 148 | 148 | 148 | 148 | 148 | 148 | 148 | 148 |
| Capacity (students) | 96 | 133 | 139 | 142 | 140 | 138 | 138 | 138 | 143 | 143 |
| Enrollment | | | | | | | | | | |
| <u>Bright Beginnings Learning Center, 1660 Stelton Rd, Piscataway</u> | | | | | | | | | | |
| (September 1998, September 2002) | | | | | | | | | | |
| BBLC | 8,050 | 36,422 | 36,422 | 36,422 | 36,422 | 36,422 | 36,422 | 36,422 | 36,422 | 36,422 |
| Square Feet | 48 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 |
| Capacity (students) | 40 | 40 | 123 | 129 | 127 | 127 | 127 | 127 | 126 | 126 |
| Enrollment | | | | | | | | | | |
| Central Office | | 7,583 | 7,583 | 7,583 | 7,583 | 7,583 | 7,583 | 7,583 | 7,583 | 7,583 |
| Square Feet | | 920 | 920 | 920 | 920 | 920 | 920 | 920 | 920 | 920 |
| Transportation | | | | | | | | | | |
| Square Feet | | | | | | | | | | |
| <u>Center for Lifelong Learning, 333 Cheese Quake Rd, Parlin</u> | | | | | | | | | | |
| (September 2009) | | | | | | | | | | |
| CLL | | | | | | 88,000 | 88,000 | 88,000 | 88,000 | 88,000 |
| Square Feet | | | | | | 288 | 288 | 288 | 288 | 288 |
| Capacity (students) | | | | | | - | - | - | - | - |
| Enrollment | | | | | | | | | | |

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

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

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

| School Facilities | Project # (s) | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|--------------------------------|---------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| RVA | N/A | \$ 143,235 | \$ 145,937 | \$ 149,482 | \$ 180,604 | \$ 157,056 | \$ 147,118 |
| ALC | N/A | 137,771 | 168,826 | 181,094 | 180,619 | 185,851 | 188,796 |
| ALC Annex I | N/A | | | | 554 | 1,097 | |
| Transportation | N/A | 4,096 | 3,072 | 537 | 5,959 | 2,663 | 2,678 |
| ESC - General | N/A | 24,934 | 42,861 | 8,152 | 9,820 | 14,098 | 62,815 |
| ESC - MCA | N/A | 9,581 | 25,290 | 33,884 | 27,785 | 17,090 | 12,947 |
| BBLC | N/A | 141,254 | 125,118 | 146,414 | 160,791 | 146,614 | 144,413 |
| BBLC Annex II | N/A | | | 9,259 | 7,835 | 23,034 | |
| BBLC Annex I | N/A | 24,302 | 25,927 | 38,237 | 28,429 | 42,512 | |
| Edison Collaborative | N/A | 2,820 | 1,962 | 5,693 | 7,350 | 307 | |
| Sayreville Collaborative | N/A | 662 | 3,727 | 8,117 | 7,123 | 10,107 | 11,256 |
| Nuview | N/A | 44,216 | 40,546 | 82,263 | 29,224 | 61,737 | 72,324 |
| Center for Lifelong Learning | N/A | | | | | | 220,569 |
| Total School Facilities | | \$ 532,871 | \$ 583,266 | \$ 663,132 | \$ 646,093 | \$ 662,166 | \$ 862,916 |

* Commission records

Middlesex Regional Educational Services Commission
Insurance Schedule
For the Fiscal Year Ended June 30, 2010
Unaudited

| Company | Type of Coverage | Coverage | Deductible |
|---------------|--|-----------------------|------------|
| NJSBAIG | MULTI PERIL PACKAGE POLICY | | |
| | Property: | | |
| | Blanket building and contents | \$ 86,282,771 | \$ 5,000 |
| | Extra Expense | 1,000,000 | |
| | Musical Instruments | Incl in prop limit | |
| | Misc Equipment | Incl in prop limit | |
| | Computer equipment | 250,000 | |
| | Flood | Various limits | 25,000 |
| | Demolition/incr. Cost of construction | 5,000,000 | |
| | Energy Systems: | 100,000,000 | |
| | Spoilage | 500,000 | |
| | Commercial Liability: | | |
| | Per occurrence | 11,000,000 | |
| | Sexual molestation | 11,000,000/17,000,000 | |
| | Fire damage | 11,000,000 | |
| | Medical expense (excludes students) | 10,000 | |
| | Employee benefits programs | 11,000,000 | |
| | Crime: | | |
| | Money & Securities | 50,000 | |
| | Employee Dishonesty | 1,000,000 | |
| | Forgery | 1,000,000 | |
| | Automobile: | | |
| | Bodily injury/property damage | 11,000,000 | |
| | Personal injury protection | Statutory | |
| | Underinsured/uninsured | 1,000,000 | |
| | Private passenger | 10,000 | |
| | Comprehensive deductible | | 1,000 |
| | Collision deductible | | 1,000 |
| NJSBAIG | SCHOOL BOARD LEGAL | 11,000,000 | 5,000 |
| Firemans Fund | CAP | | |
| | Limit of liability | 50,000,000 | |
| NJSBAIG | WORKERS COMPENSATION | | |
| | Section B limits | 2,000,000 | |
| NJSBAIG | SUPPLEMENTARY WORKERS COMP | | |
| | Weekly maximum | 1,750 | |
| Chubb | ENVIRONMENTAL IMPAIRMENT | 1,000,000/3,000,000 | |
| Selective | BONDS | | |
| | Business Administrator - Patrick Moran | 250,000 | |
| NJSBAIG | STUDENT ACCIDENT | | |
| | Medical Benefit | 5,000,000 | |
| Selective | BUILDERS RISK | | |
| | Cheesequake Rd. | 28,500,000 | |

Source: Commission Records

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Single Audit Section

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

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

We have audited the financial statements of Middlesex Regional Educational Services Commission (the “Commission”) as of and for the year ended June 30, 2010, and have issued our report thereon dated November 10, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal control over financial reporting

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

A *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 reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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, as defined above.

Compliance and other matters

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

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



David J. Milkosky
Licensed Public School Accountant
No. 883

November 10, 2010

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

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

Compliance

We have audited the compliance of Middlesex Regional Educational Services Commission (the “Commission”) with the types of compliance requirements described in the US Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement and the New Jersey State Grant Compliance Supplement* that are applicable to each of its major federal and state programs for the year ended June 30, 2010. The Commission’s major federal and state programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commission’s management. Our responsibility is to express an opinion on the Commission’s compliance based on our audit.

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

In our opinion, the Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal or state programs for the year ended June 30, 2010.

Internal control over compliance

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Commission's internal control over compliance with the requirements that could have a direct and material effect on a major federal and state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

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

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

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



David J. Milkosky
Licensed Public School Accountant
No. 883

November 10, 2010

Middlesex Regional Educational Services Commission
 Schedule of Expenditures of Federal Awards
 For the Fiscal Year ended June 30, 2010

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Grant or State Project Number | Program or Award Amount | Grant Period From To | Deferred Revenue | Balance at June 30, 2009 | | Due to Districts | Due to Grantor | Cash Received | Budgetary Expenditures | Adjustments | Repayment of Prior Years' Balances | Deferred Revenue | Balance at June 30, 2010 | |
|--|---------------------|-------------------------------|-------------------------|----------------------|------------------|--------------------------|-----------------------|------------------|----------------|---------------|------------------------|-------------|------------------------------------|------------------|--------------------------|-----------------------|
| | | | | | | (Accounts Receivable) | (Accounts Receivable) | | | | | | | | (Accounts Receivable) | (Accounts Receivable) |
| U.S. Department of Education - Passed-Through State Department of Education | | | | | | | | | | | | | | | | |
| Special Revenue Fund: | | | | | | | | | | | | | | | | |
| 21st Century Community Learning Centers Program | | | | | | | | | | | | | | | | |
| Total U.S. Department of Education-passed-through State Department of Education | 84.287C | 4000356 | \$ 494,590 | 7/1/2008 | 9/30/2009 | \$ 12,807 | \$ (62,568) | - | - | \$ 58,112 | \$ (8,352) | - | - | - | - | - |
| U.S. Department of Education - Passed-Through Middlesex County School Districts | | | | | | | | | | | | | | | | |
| Special Education Cluster: | | | | | | | | | | | | | | | | |
| ID.E.A. Part B, Regular | 84.027A | N/A | 1,806,483 | 7/1/2006 | 8/31/2007 | - | - | 6,043 | \$ (6,043) | - | - | - | - | - | - | - |
| ID.E.A. Part B, Preschool | 84.173 | N/A | 86,695 | 7/1/2006 | 8/31/2007 | - | - | 5,352 | (5,352) | - | - | - | - | - | - | - |
| ID.E.A. Part B, Regular | 84.027A | N/A | 2,275,449 | 7/1/2007 | 8/31/2008 | 18,242 | (6,122) | 1,119 | 1,247 | 2,445 | \$ (3,677) | 1,247 | (1,119) | \$ (17,240) | \$ 32,314 | 15,812 |
| ID.E.A. Part B, Preschool | 84.173 | N/A | 78,466 | 7/1/2007 | 8/31/2008 | 16,864 | - | 104 | (3,677) | 169,643 | (294,319) | (3,677) | (1,119) | (408,256) | 354,330 | 13,187 |
| ID.E.A. Part B, Regular | 84.027A | N/A | 1,993,396 | 7/1/2008 | 8/31/2009 | 66,482 | (142,937) | 282,687 | - | 1,152,317 | (1,527,123) | - | - | (186,798) | 2,771 | - |
| ID.E.A. Part B, Preschool | 84.173 | N/A | 66,482 | 7/1/2008 | 8/31/2009 | - | - | - | - | 6,637 | (6,637) | - | - | - | - | - |
| ID.E.A. Part B, Regular | 84.027A | N/A | 1,701,529 | 7/1/2009 | 8/31/2010 | - | - | - | - | 1,070,240 | (1,238,267) | - | - | (12,883) | 2,771 | - |
| ID.E.A. Part B, Preschool | 84.173 | N/A | 47,557 | 7/1/2009 | 8/31/2010 | - | - | - | - | 12,883 | (12,883) | - | - | - | - | - |
| ARRA ID.E.A. Part B, Regular | 84.391 | N/A | 1,921,253 | 7/1/2009 | 8/31/2010 | - | - | - | - | 2,453,661 | (3,187,225) | (2,430) | (12,618) | (612,274) | 68,515 | 28,999 |
| ARRA ID.E.A. Part B, Preschool | 84.392 | N/A | 579,220 | 7/1/2009 | 8/31/2010 | - | - | - | - | 11 | (67,788) | - | (11) | (17,424) | - | - |
| Total Special Education Cluster | 84.000A | NCLB_08 | 55,834 | 7/1/2007 | 8/31/2008 | 35,106 | (449,059) | 282,687 | 12,618 | 2,453,661 | (3,187,225) | (2,430) | (12,618) | (612,274) | 68,515 | 28,999 |
| Title I | 84.000A | NCLB_09 | 65,906 | 7/1/2008 | 8/31/2009 | - | (9,328) | - | 11 | 9,328 | - | - | (11) | - | - | - |
| Total U.S. Department of Education-passed-through Middlesex County School Districts | 84.000A | NCLB_09 | 65,906 | 7/1/2009 | 8/31/2010 | 35,106 | (158,387) | 282,687 | 12,629 | 2,513,353 | (3,186,513) | (2,430) | (12,629) | (629,698) | 68,515 | 28,999 |
| Total Special Revenue Fund | | | 47,913 | | | 47,913 | (220,985) | 282,687 | 12,629 | 2,571,465 | (3,194,865) | (2,430) | (12,629) | (629,698) | 68,515 | 28,999 |
| U.S. Department of Agriculture - Passed-Through State Department of Education | | | | | | | | | | | | | | | | |
| Child Nutrition Cluster: | | | | | | | | | | | | | | | | |
| National School Breakfast Program | 10.553 | 5120-201-372573-63 | 142,770 | 7/1/2008 | 6/30/2009 | - | (13,255) | - | - | 13,255 | - | - | - | - | - | - |
| National School Lunch Program | 10.555 | 5120-201-372573-63 | 269,651 | 7/1/2008 | 6/30/2009 | - | (34,797) | - | - | 24,797 | - | - | - | - | - | - |
| National School After-School Snack Program | 10.000 | N/A | 43,832 | 7/1/2008 | 6/30/2009 | - | (3,837) | - | - | 3,837 | - | - | - | - | - | - |
| National School Breakfast Program | 10.553 | 5120-201-372573-63 | 83,175 | 7/1/2009 | 6/30/2010 | - | - | - | - | 76,435 | (83,175) | - | - | (6,740) | - | - |
| National School Lunch Program | 10.555 | 5120-201-372573-63 | 154,874 | 7/1/2009 | 6/30/2010 | - | - | - | - | 143,020 | (154,874) | - | - | (11,844) | - | - |
| National School After-School Snack Program | 10.000 | N/A | 5,130 | 7/1/2009 | 6/30/2010 | - | - | - | - | 5,130 | (5,130) | - | - | - | - | - |
| Total Child Nutrition Cluster | | | 513,052 | | | 47,913 | (41,889) | - | - | 266,484 | (243,179) | - | - | (18,584) | - | - |
| Total Federal Financial Awards | | | 47,913 | | | 47,913 | (262,844) | 282,687 | 12,629 | 2,837,949 | (3,438,044) | (2,430) | (12,629) | (648,282) | 68,515 | 28,999 |

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

Middlesex Regional Educational Services Commission
Schedule of Expenditures of State Financial Assistance
For The Fiscal Year ended June 30, 2010

| State Grantor/Program Title | Grant or State Project Number | Program or Award Amount | Grant Period From | Grant Period To | Deferred Revenue | Balance at June 30, 2009 | | Budgetary Expenditures | Adjustments | Repayment Year Balances | Deferred Revenue | Balance at June 30, 2010 | | MEMO | |
|---|-------------------------------|-------------------------|-------------------|-----------------|------------------|--------------------------|------------------|------------------------|-------------|-------------------------|------------------|--------------------------|------------------|--------------|-------------|
| | | | | | | (Account Receivable) | Due to Districts | | | | | (Account Receivable) | Due to Districts | | |
| State Department of Education | | | | | | | | | | | | | | | |
| General Fund: | | | | | | | | | | | | | | | |
| Reimbursed TPAF Social Security Contributions | 495-034-5095-05 | 966,784 | 7/1/2008 | 6/30/2009 | \$ | (48,478) | \$ | 48,478 | | | | | | | |
| Reimbursed TPAF Social Security Contributions | 495-034-5095-05 | 967,981 | 7/1/2009 | 6/30/2010 | | | 918,945 | \$ | (967,981) | | | \$ | (49,036) | \$ (967,981) | |
| On Behalf TPAF Pension Contribution | 595-034-5095-05 | 867,742 | 7/1/2009 | 6/30/2010 | | | 867,742 | | (867,742) | | | | (49,036) | \$ (867,742) | |
| Total General Fund | | | | | | (48,478) | 1,835,165 | | (1,835,723) | | | | (49,036) | (1,835,723) | |
| State Department of Education | | | | | | | | | | | | | | | |
| Special Revenue Fund: | | | | | | | | | | | | | | | |
| Healthy Community Development Grant | | 10,000 | 5/15/2010 | 9/30/2010 | | | 5,000 | | (9,744) | | \$ | 256 | (4,744) | | |
| Total The Governor's Initiative on Autism | | | | | | | 5,000 | | (9,744) | | 256 | | (4,744) | | |
| The Governor's Initiative on Autism | | | | | | | | | | | | | | | |
| Total The Governor's Initiative on Autism | | | | | | | | | | | | | | | |
| | 7000240 | 356,697 | 4/1/2007 | 6/30/2008 | | | | | | | \$ | (21,150) | | | |
| | | | | | | | | | | | | \$ | (2,150) | | |
| State Department of Education - Passed-Through | | | | | | | | | | | | | | | |
| Middlesex County School Districts | | | | | | | | | | | | | | | |
| Special Revenue Fund: | | | | | | | | | | | | | | | |
| N.J. Nonpublic Aid: | | | | | | | | | | | | | | | |
| Textbooks Aid | 100-034-5120-06 | 647,706 | 7/1/2007 | 6/30/2008 | | | 1,240 | | | (1,240) | | | | | |
| Textbooks Aid | 100-034-5120-06 | 669,640 | 7/1/2008 | 6/30/2009 | | | 28,020 | | | (28,020) | | | | | |
| Textbooks Aid | 100-034-5120-06 | 699,504 | 7/1/2009 | 6/30/2010 | | | | 671,511 | | | | \$ | 32,929 | (666,575) | |
| Nursing Services Aid | 100-034-5120-07 | 826,891 | 7/1/2007 | 6/30/2008 | | | 283 | | | (283) | | | | | |
| Nursing Services Aid | 100-034-5120-07 | 861,167 | 7/1/2008 | 6/30/2009 | | (20,312) | 20,312 | | | | | | | | |
| Nursing Services Aid | 100-034-5120-07 | 776,015 | 7/1/2009 | 6/30/2010 | | | 763,740 | | | | | | (12,275) | (739,225) | |
| Technology Initiative | 100-034-5120-37 | 512,440 | 7/1/2007 | 6/30/2008 | | | 1,996 | | | (1,996) | | | | | |
| Technology Initiative | 100-034-5120-37 | 518,320 | 7/1/2008 | 6/30/2009 | | (16,780) | 16,780 | | | (20,396) | | | | | |
| Auxiliary services (Chapter 192): | | | | | | | | | | | | | | | |
| Compensatory Education | 100-034-5120-067 | 1,605,068 | 7/1/2007 | 6/30/2008 | | | 8,077 | | | (8,077) | | | | | |
| Compensatory Education | 100-034-5120-067 | 1,631,548 | 7/1/2008 | 6/30/2009 | | (113,181) | 99,336 | | (18,819) | (364,221) | | \$ | 53,643 | 18,818 | |
| Compensatory Education | 100-034-5120-067 | 1,726,119 | 7/1/2009 | 6/30/2010 | | | 1,384,648 | | | | | | | 4,612 | |
| English as a Second Language | 100-034-5120-068 | 195,592 | 7/1/2007 | 6/30/2008 | | | \$ | | | (5) | | | | | |
| English as a Second Language | 100-034-5120-068 | 246,646 | 7/1/2008 | 6/30/2009 | | (39,706) | 15,118 | | | 11,898 | | | | | |
| English as a Second Language | 100-034-5120-068 | 255,135 | 7/1/2009 | 6/30/2010 | | | 12,690 | | | | | | | | |
| Transportation | 100-034-5120-069 | 440,495 | 7/1/2008 | 6/30/2009 | | (64,742) | 45,320 | | | 18,969 | | | | | |
| Transportation | 100-034-5120-069 | 387,068 | 7/1/2009 | 6/30/2010 | | | 279,977 | | | | | | | | |
| Transportation | 100-034-5120-069 | 33,342 | 7/1/2006 | 6/30/2007 | | | | | | | | | | | |
| Nonpublic Home Instruction | 100-034-5120-069 | 40,492 | 7/1/2007 | 6/30/2008 | | | 2,839 | | | | | | | | |
| Nonpublic Home Instruction | 100-034-5120-069 | 50,864 | 7/1/2008 | 6/30/2009 | | (50,864) | 40,904 | | | | | | | | |
| Nonpublic Home Instruction | 100-034-5120-069 | 34,011 | 7/1/2009 | 6/30/2010 | | | | | | | | | | | |
| Handicapped services (Chapter 193): | | | | | | | | | | | | | | | |
| Supplemental Instruction | 100-034-5120-066 | 507,824 | 7/1/2008 | 6/30/2009 | | (26,519) | 99,296 | | (1) | (87,914) | | | | | |
| Supplemental Instruction | 100-034-5120-066 | 428,638 | 7/1/2009 | 6/30/2010 | | | 362,515 | | | | | 17,302 | | (83,425) | |
| Examination and Classification | 100-034-5120-066 | 835,791 | 7/1/2007 | 6/30/2008 | | | 313 | | | (313) | | | | | |
| Examination and Classification | 100-034-5120-066 | 851,721 | 7/1/2008 | 6/30/2009 | | (127,781) | 1,522 | | 1 | 15,915 | | | | | |
| Examination and Classification | 100-034-5120-066 | 740,263 | 7/1/2009 | 6/30/2010 | | | 586,086 | | | | | | | | |
| Corrective Speech | 100-034-5120-066 | 664,659 | 7/1/2008 | 6/30/2009 | | (83,671) | 55,245 | | (1) | (28,565) | | | | | |
| Corrective Speech | 100-034-5120-066 | 646,265 | 7/1/2009 | 6/30/2010 | | | 532,960 | | | | | | | | |
| Total State Department of Education - passed-through | | | | | | | | | | | | | | | |
| Middlesex County School Districts | | | | | | | | | | | | | | | |
| | | | | | | (557,596) | 540,853 | 5,192,667 | (18,820) | (539,782) | 256 | (1,043,836) | 101,670 | 93,149 | (5,618,687) |
| | | | | | | (557,596) | 540,853 | 5,197,667 | (5,628,431) | (18,820) | 256 | (1,048,580) | 101,670 | 93,149 | (5,618,687) |
| State Department of Agriculture | | | | | | | | | | | | | | | |
| Enterprise Fund: | | | | | | | | | | | | | | | |
| National School Lunch Program (State share) | 100-010-3360-06 | 11,517 | 7/1/2008 | 6/30/2009 | | (1,059) | 1,059 | | | | | | | | |
| National School Breakfast Program (State share) | 100-010-3360-09 | 9,668 | 7/1/2008 | 6/30/2009 | | (891) | 891 | | | | | | | | |
| National School Lunch Program (State share) | 100-010-3360-06 | 5,554 | 7/1/2009 | 6/30/2010 | | | 5,108 | | | | | | (446) | (5,554) | |
| National School Breakfast Program (State share) | 100-010-3360-09 | 6,511 | 7/1/2009 | 6/30/2010 | | | 6,013 | | | | | | (498) | (6,511) | |
| Total Enterprise Fund | | | | | | (1,950) | 13,071 | | | | | | (944) | | |
| Total State Financial Assistance | | | | | | (608,024) | 7,045,903 | 7,045,903 | (7,476,219) | (18,820) | 256 | (1,098,560) | 101,670 | 93,149 | (7,466,475) |

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

Middlesex Regional Educational Services Commission

Notes to Schedules of Expenditures of Federal
and State Awards

June 30, 2010

1. General

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

2. Basis of Accounting

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

3. Relationship to Basic Financial Statements

Amounts reported in the accompanying schedules agree with amounts reported in the Commission's basic financial statements. The basic financial statements present the special revenue fund on both a GAAP basis and a budgetary basis. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$207,490. A budgetary comparison schedule (RSI) at C-3 is presented for the special revenue fund to demonstrate. Federal and state award revenues are reported in the Commission's basic financial statements on a GAAP basis as follows:

| | Federal | State | Total |
|------------------------------------|----------------|--------------|---------------|
| General Fund | \$ - | \$ 1,835,723 | \$ 1,835,723 |
| Special Revenue Fund | 3,171,419 | 5,592,407 | 8,763,826 |
| Enterprise Fund | 207,832 | 10,595 | 218,427 |
| Total financial award expenditures | \$ 3,379,251 | \$ 7,438,725 | \$ 10,817,976 |

Middlesex Regional Educational Services Commission

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

June 30, 2010

4. Relationship to Federal and State Financial Reports

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

5. Cancellations and Adjustments

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

6. Other

TPAF Social Security and pension contributions represent the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2010.

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

Middlesex Regional Educational Services Commission

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

Part I - Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes ✓ No

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

Noncompliance material to financial statements noted? Yes ✓ No

Federal Awards Section

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

Auditee qualified as low-risk auditee? ✓ Yes No

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

Internal control over compliance:

Material weakness(es) identified? Yes ✓ No

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

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

Middlesex Regional Educational Services Commission

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

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

State Awards Section

| | | | |
|--|--------------------|-----|------------------------|
| Dollar threshold used to determine Type A program: | <u>\$300,000</u> | | |
| Auditee qualified as low-risk auditee? | <u>✓</u> | Yes | <u> </u> No |
| Type of auditor's report on compliance for major programs: | <u>Unqualified</u> | | |
| Internal control over compliance: | | | |
| Material weakness(es) identified? | <u> </u> | Yes | <u>✓</u> No |
| Were significant deficiency(ies) identified not considered to be material weakness(es)? | <u> </u> | Yes | <u>✓</u> None Reported |
| Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular 04-04? | <u> </u> | Yes | <u>✓</u> No |

Identification of major programs:

Federal Awards

| CFDA Number | Name of Federal Program or Cluster |
|-------------|--|
| 84.027 | Special Education Cluster (IDEA): Special Education—Grants to States (IDEA, Part B) |
| 84.173 | Special Education—Preschool Grants (IDEA Preschool) |
| 84.391 | Special Education Grants to States (IDEA Preschool), Recovery Act |
| 84.392 | Special Education Grants to States (IDEA Preschool), Recovery Act |

State Awards

| GMIS Number State Grant Number | Name of State Program or Cluster |
|-----------------------------------|---|
| 100-034-5120-066 | N.J. Nonpublic Handicapped Services Aid (Chapter 192) |
| 495-034-5095-050 | Reimbursed TPAF Social Security Contributions |

Middlesex Regional Educational Services Commission

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

Part II - Schedule of Financial Statement Findings

None reported.

Middlesex Regional Educational Services Commission

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

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

None reported.

Middlesex Regional Educational Services Commission

Summary Schedule of Prior Year Findings

Year Ended June 30, 2010

Not applicable.