SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
COUNTY OF SUSSEX, NEW JERSEY

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
June 30, 2010

COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
of the

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION

Sparta, New Jersey

For the Fiscal Year Ended June 30, 2010

Prepared by

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
Finance Office

INTRODUCTORY SECTION

Sussex County Educational Services Commission

10 Gail Court
Sparta, New Jersey 07871
Phone: 973-579-6980; Fax: 973-579-1086

Barbara B. Miller, Ed.D.
Interim Superintendent

John C. Pavlik, MAS
Business Administrator

Honorable President and
Members of the Board of Directors
Sussex County Educational Services Commission
Sparta, New Jersey

December 20, 2010

Dear Board Members:

The Comprehensive Annual Financial Report (CAFR) of the Sussex County 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 Commission. 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 basic financial statements and results of operations 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 Independent Auditor's Report, Management's Discussion and Analysis, the basic financial statements and notes providing an overview of the Commission's financial position and operating results, and supplementary schedules providing detailed budgetary information. The Statistical section includes selected economic and demographic information, financial trends and fiscal capacity of the Commission, generally presented on a multi-year basis. The Commission is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the New Jersey's OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid.* Information related to this Single Audit, including the auditor's report on the internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES:

The Sussex County Educational Services Commission is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board ("GASB") in codification section 2100. All funds of the Commission are included in this report. The Sussex County Educational Services Commission and its school, Northern Hills Academy, constitute the Commission's reporting entity.

The Commission provides a full range of educational services for public school districts in Sussex County. These include regular education, as well as special education. The Commission completed the 2009-2010 fiscal year having provided services to over 275 off site students and 21 students enrolled in the Special Children's School. Services were provided to eligible non-public students through Chapter 192/193 state funding. These included basic skills communication, computation, supplemental, speech therapy and CST evaluations. Through I.D.E.I.A. contracted services, over 90 additional speech and supplementary services were provided. Additionally, approximately 50 students were serviced through I.D.E.I.A. with an in-class supplementary model at 2 non-public schools. Lastly, nursing services for all New Jersey students attending 13 non-public schools were provided through Chapter 226. Various Itinerant Programs including physical education, speech and case management were provided to local Boards of Education.

2. ECONOMIC CONDITION AND OUTLOOK:

Changes to the administration occurred with the retiring of the Superintendent/Principal and the elimination of the Vice-Principal position on July 1, 2010 giving us an almost $200,000 savings over last year.

As noted last year, the level of services provided to non-public students decreased during the 2009-2010 fiscal year with the loss of the Sparta Non-Public Program and closure of Sacred Heart in Dover. This alone had an effect of over $550,000 on our revenue stream. A 3% reduction in non public state funding and a decrease in eligible student program enrollment further decreased our revenue. 2010-2011 brings an additional reduction of 13% in the 192/193 funding along with lower enrollments in the non-public schools. This will have a large impact on our operating budget and how we deliver non public services. We continue to strive for a healthy dialogue with the Diocese of Paterson in an effort to rebuild a better relationship in hopes of returning to the Sparta School District in the near future. Our Itinerant Program has been expanding and proves to be an effective cost cutting measure for local Boards of Education.

One of the most significant changes that occurred on July 1, 2010, was the renaming of our school from Special Children's School to Northern Hills Academy. Enrollment continues to grow and is currently at 24 students. We continue to implement new programs and upgrade technology resources. There is renewed energy directed towards assuring that public school districts view Sussex County Educational services commission and Northern Hills Academy as the leading educational facility for students with disabilities in Northwest New Jersey.

3. MAJOR INITIATIVES:

The major focus this year is to continue increasing the public's awareness of who we are and what we provide. Changing our school name to Northern Hills Academy has resulted in a very strong positive reaction from the educational community. We will continue to upgrade our website as a means of informing the area school districts of our programs, and will be producing a DVD that will be shared with Child Study teams and perspective parents. Smart boards along with a multitude of software enhancements have been added to each classroom. Professional development activities for staff members center on the use of the smart board technology and the ways in which it can enrich instruction in the classroom. The pre-school and behavior disabilities programs implemented last year have been very successful and expansion of enrollment will be a continued goal.

With major funding cuts of up to 16% in the non-public 192/193 programs, we will need to evaluate the effectiveness and efficiency of how we deliver our services. The cuts will have a major effect on the direct and indirect costs for the Commission's non public instruction likely resulting in drawing down of our surplus to make up the difference.

4. INTERNAL ACCOUNTING CONTROLS:

Management of the Commission is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the Commission are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The internal control system 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 derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal awards and state financial assistance, the Commission also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system will be evaluated on a periodic basis by the Commission's administration.

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

5. BUDGETARY CONTROLS:

In addition to internal accounting controls, the Commission maintains budgetary controls. The objective of 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 and special revenue 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 re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2010.

6. ACCOUNTING SYSTEM AND REPORTS:

The Commission's accounting records reflect Generally Accepted Accounting Principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the Commission is organized on the basis of governmental funds and business type activities fund. These funds are explained in "Notes to the Basic Financial Statements", Note 1.

7. DEBT ADMINISTRATION:

As of June 30, 2010, the Commission's outstanding debt included $1,466,893.40 in Obligations under Capital Leases.

8. CASH MANAGEMENT:

The investment policy of the Commission is guided in large part by state statute as detailed in 'Notes to the Basic Financial Statements', Note 3. The Commission has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

9. 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 provided by Selective Insurance Company. A schedule of insurance coverage is found on Exhibit J-20.

10. OTHER INFORMATION:

Independent Audit: State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Ferraioli, Wielkotz, Cerullo & Cuva, a professional association of Certified Public Accountants, was selected by the Commission. 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 1996 and the related Federal OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid.* The auditor's report on the basic financial statements and supplementary information is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

11. ACKNOWLEDGMENTS:

We would like to express our appreciation to the members of the Sussex County Educational Services Commission for their concern in providing fiscal accountability to the citizens and taxpayers of the member school districts 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.

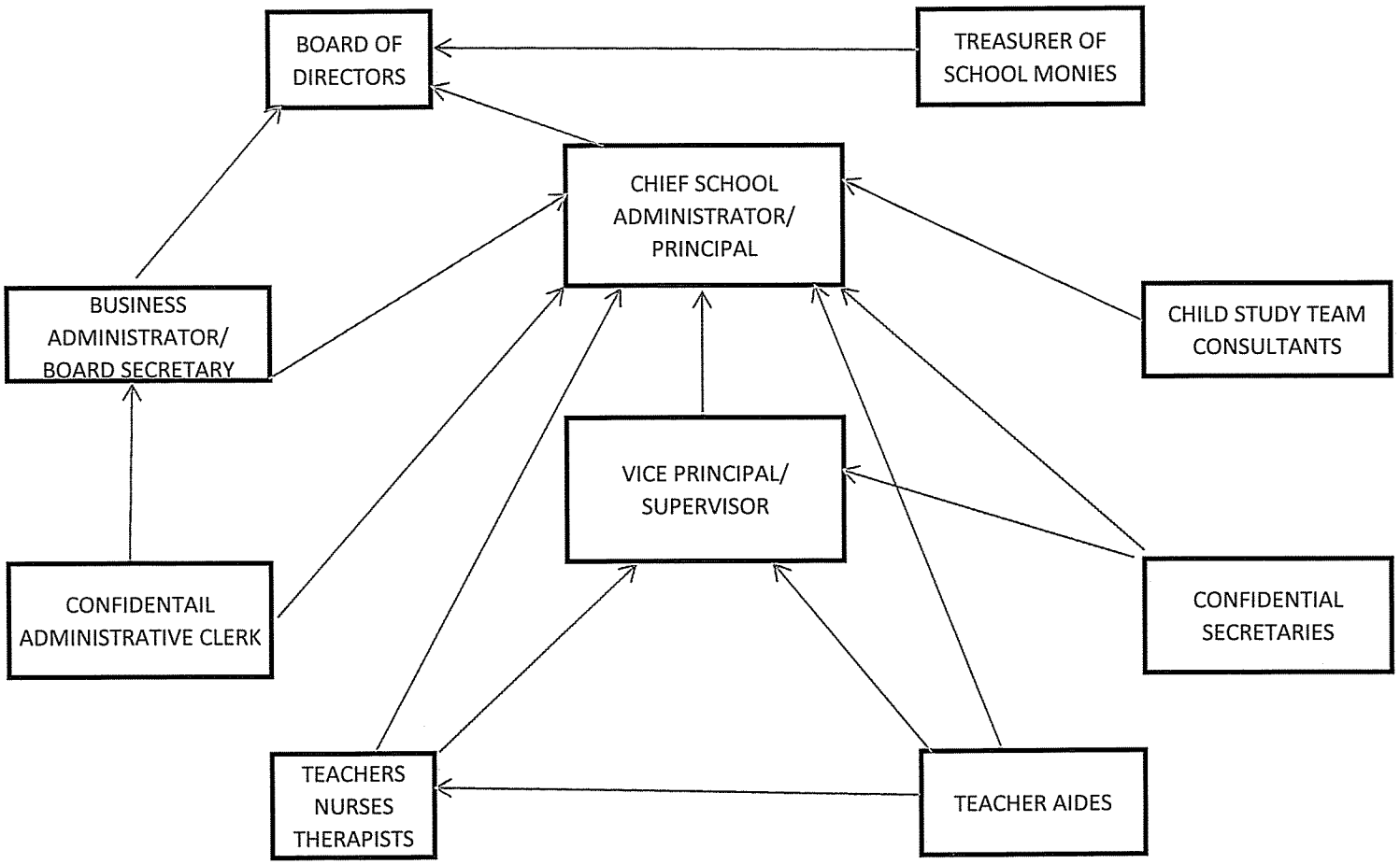
Respectfully submitted,

Barbara B Miller, Ed.D.

Barbara B Miller
Interim Superintendent

John C. Pavlik
Business Administrator/Board Secretary

SUSSEX COUNTY
EDUCATIONAL SERVICES COMMISSION
ORGAINIZATION CHART



SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
SPARTA, NEW JERSEY

ROSTER OF OFFICIALS
June 30, 2010

Members of the Board of Education	District
Edward Conrads	Andover
Walter Stanek	Byram
Ethel Alexander	Franklin
Martin Olivo	Fredon
Allen Rude	Hamburg
Joyce Anderson	Hampton
Dorothy Beltramine	Hardyston
Pat LoBue	Hopatcong
Bob Green	Kittatinny
Attila Ozbek	Lafayette
John Jackson - 7/1/09 to 6/1/10	Newton
Peter Egan	Ogdensburg
Pamela Wisse	Sussex-Wantage
Vacant	Sussex Tech.
William Castiglione	Wallkill Valley

Other Officials

Barbara B. Miller, Ed.D.	Interim Superintendent/Principal
John Pavlik	Business Administrator/Board Secretary
Eileen Kithcart	Treasurer

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
Consultants and Advisors
June 30, 2010

Audit Firm

Ferraioli, Wielkotz, Cerullo & Cuva, P.A.
100B Main Street
Newton, NJ 07860

Attorney

Alan Dzwilewski
Schwartz, Simon, Edelstein, Celso & Kessler
44 Whippany Road
Morristown, NJ 07962

Official Depositories

Lakeland Bank
37 Route 15
Lafayette, NJ 07848

- - - - - -

Sussex Bank
33 Main Street
Sparta, NJ 07871

FINANCIAL SECTION

Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA
Steven D. Wielkotz, CPA, RMA
James J. Cerullo, CPA, RMA
Paul J. Cuva, CPA, RMA
Thomas M. Ferry, CPA, RMA

Certified Public Accountants
401 Wanaque Avenue
Pompton Lakes, New Jersey 07442
973-835-7900
Fax 973-835-6631

Newton Office
100B Main Street
Newton, N.J. 07860
973-579-3212
Fax 973-579-7128

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Directors
Sussex County Educational Services Commission
County of Sussex
Sparta, 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 Sussex County Educational Services Commission, in the County of Sussex, State of New Jersey, as of and for the year ended June 30, 2010, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Sussex County Educational Services Commission management. Our responsibility is to express opinions on these financial statements based on our audit. The financial statements of Sussex County Educational Services Commission as of December 31, 2008 were audited by another auditor. The auditors expressed an unqualified opinion on those financial statements in their report dated October 31, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 Sussex County Educational Services Commission 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, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2010 on our consideration of the Sussex County Educational Services 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.

The Management Discussion and Analysis and Budgetary Comparison Information on pages 10 through 18 and 43 through 47are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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 Sussex County Educational Services Commission's basic financial statements. The accompanying introductory section, and other supplementary information, such as, the 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 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 tables 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 awards and state financial assistance 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's Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid respectively, 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, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Erin L. Dunstan
Licensed Public School Accountant
No. 20CS00249600

Ferraioli, Wielkotz, Cerullo, + Cuva, P.A.

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants

December 20, 2010

FWCC

REQUIRED SUPPLEMENTARY INFORMATION - PART I

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION

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

This section of the Sussex County Educational Services Commission's annual financial report presents its discussion and analysis of the Commission's financial performance during the fiscal year ended June 30, 2010. Please read it in conjunction with the transmittal letter at the front of this report and the Commission's financial statements, which immediately follow this section.

Financial Highlights

- The Commission's financial status decreased by $127,584 from the prior year.
- Overall revenue was $2,427,813 while overall costs were $2,551,125 million.

Overview of the Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Commission:

- The first two statements are *district-wide* financial statements that provide both short-term and long-term information about the Commission's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Commission, reporting the Commission's operations in more detail than the district-wide statements.
- The *governmental fund* statements tell how basic services, such as regular and special education, were financed in the short-term as well as what remains for future spending.
- *Proprietary fund* statements offer short and long-term financial information about the activities the Commission operates like a business, such as food services.
- *Fiduciary fund* statements provide information about the financial relationships in which the Commission acts solely as a trustee or agent for the benefit of others.
- *Notes to Financial Statements* provide additional information essential to full understanding of district-wide and fund financial statements.

The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Commission's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1
Organization of Sussex County Educational Services Commission's Financial Report

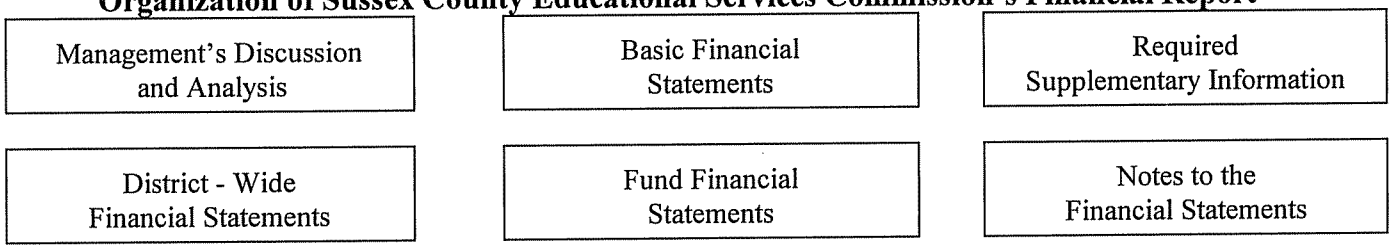

Figure A-2 summarizes the major features of the Commission's financial statements, including the portion of the Commission's activities they cover and the types of information they contain. The remainder of this overview section of the Management's Discussion and Analysis highlights the structure and contents of each of the statements.

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds - N/A	Fiduciary Funds
Scope	Entire Commission (except fiduciary funds)	The activities of the Commission that are not proprietary or fiduciary, such as special education and building maintenance	Activities the Commission operates similar to private businesses: Not applicable	Instances in which the Commission administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required Financial Statements	• Statement of net assets • Statement of activities	• Balance sheet • Statement of revenue, expenditures and changes in fund balances	• Statement of net assets • Statement of revenue, expenses changes in net assets • Statement of cash flows	• Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

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

The two district-wide statements report the Commission's net assets and how they have changed. Net assets - the difference between the Commission's assets and liabilities - is one way to measure the Commission's financial health or position.

- Over time, increases and decreases in the Commission's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Commission's overall health, you need to consider additional nonfinancial factors such as changes in the Commission's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the Commission's activities are divided into two categories:

Government Activities: Most of the Commission's basic services are included here, such as regular and special education and administration. Tuition and revenue from other local governmental units finance most of these activities.

Business-type Activities: The Commission has no business-type activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Commission's funds, focusing on its most significant or 'major' funds - not the Commission as a whole. Funds are accounting devices the Commission uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The Commission establishes other funds to control and manage money for particular purposes (such as federal repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants)

The Commission has three kinds of funds:

Governmental Funds: Most of the Commission's basic services are included in governmental funds, which generally focus on 1) how cash and other financial assets that can readily be converted to cash flow in and out; and 2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Commission's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship (or difference) between them.

Proprietary Funds: Services for which the Commission charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. The Commission's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The internal service funds (the other kind of proprietary fund) report activities that provide supplies and services for its other programs and activities. The Commission currently does not maintain any enterprise funds or internal service funds.

Fiduciary Funds: The Commission is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds and the student activities funds. The Commission is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The Commission excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Notes to Financial Statements

The notes to the financial statements 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 basic financial statements can be found immediately following the fund financial statements.

Financial Analysis of the Commission as a Whole

Net Assets. The Commission's net assets decreased $127,584. Net assets, invested in capital assets increased $8,150; restricted net assets decreased $1,503 due entirely to the decrease in the reserve for encumbrances; and unrestricted net assets increased $134,231 through normal operations.

Figure A-3

Condensed Statement of Net Assets

	Governmental Activities	
	2010	2009
Current and Other Assets	$1,733,681	$1,865,744
Capital Assets, Net	2,393,002	2,422,338
Total Assets	4,126,683	4,288,082
Long-term Liabilities	1,455,317	1,565,788
Other Liabilities	101,546	24,890
Total Liabilities	1,556,863	1,590,678
Net Assets:		
Invested in Capital Assets, Net of Related Debt	926,109	917,959
Restricted	1,021	2,524
Unrestricted	1,642,690	1,776,921
Total Net Assets	$2,569,820	$2,697,404

Changes in Net Assets. The Commission's combined net assets were $2,569,820 on June 30, 2010, $127,584 or 4.73 % less than they were the year before. (See figure A-3). Some of the factors that contributed to this loss are as follows:

- Retirement payout of former superintendent
- 3% reduction in nonpublic 192/193 program funding
- Reduced eligibility enrollment of nonpublic students
- Changes in Children's School enrollment
- Loss of Sparta nonpublic school instruction revenue
- Health Insurance premium increase

Figure A-4

Changes in Net Assets from Operating Results

	Governmental Activities	
Revenue:	2009/2010	2008/2009
Program Revenue:		
Charges for Services	1,594,038	$2,652,895
Operating Grants and Contributions	156,007	172,649
General Revenue:		
Other	677,768	94,261
Total Revenue	2,427,813	2,919,805
Expenses:		
Instruction	1,391,246	1,842,617
Pupil and Instruction Services	327,238	327,554
Administrative and Business	596,535	523,953
Maintenance and Operations	119,397	108,957
Other	116,709	91,047
Total Expenses	2,551,124	2,894,128
Increase/(Decrease) in Net Assets	$ (123,312)	$ 25,677

Revenue Sources. The Commission's total revenue for the 2009/2010 school year was $2,427,813. (See Figure A-5). Charges for services, which consists of tuition and charges for other special services provided to other local governmental units accounted for most of the Commission's revenue (65.65 %). Another 27.9% came from State and Federal aid for specific programs and the remainder from miscellaneous sources. The Sussex County Education Services Commission basically conducts its operations from the revenues it receives from its tuition and charges for services from other local governmental units.

Figure A-5

Sources of Revenue for Fiscal Year

	2010		2009	
	Amount	Percentage	Amount	Percentage
Sources of Income:				
Charges for Services	$1,594,038	65.65%	$2,652,895	90.86 %
Grants and Contributions	156,007	6.43%	172,649	5.91%
Other	677,768	27.92%	94,261	3.23%
	$2,427,813	100.00%	$2,919,805	100.00%

The total cost of all programs and services was $ 2,551,125. The Commission's expenses are predominately related to instruction and pupil services (67.37%). (See Figure A-6). The Commission's administrative and business activities accounted for 23.38% of total costs.

A-6

Expenses for Fiscal Year

	2010		2009	
	Amount	Percentage	Amount	Percentage
Expense Category:				
Instruction	$1,391,246	54.54%	$1,842,617	63.67%
Pupil and Instruction Services	327,238	12.83%	327,554	11.32%
Administrative and Business	596,535	23.38%	523,953	18.10%
Maintenance and Operations	119,397	4.68%	108,957	3.76%
Other	116,709	4.57%	91,047	3.15%
	$2,551,125	100.00%	$2,894,128	100.00%

Governmental Activities

The financial position of the Commission remains comparatively stable. Maintaining existing programs and the provision of programs and services for students with special needs places great demands on the Commission's resources. The rising costs associated with special education requirements and site operations also place demands on the resources.

Careful management of expenses remains a priority for the Commission to maintain its financial health. State funding levels and eligible student enrollment in non-public schools is decreasing due to the poor economic climate.

Figure A-7 presents the cost of five major Commission activities: instruction, pupil and instructional services, administration and business, maintenance and operations, and other miscellaneous expenses. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net earnings/(costs) shows the financial resources provided by/(used for) the Commission's functions.

Figure A-7

Net Costs/(Earnings) of Governmental Activities

	Total Cost of Services		Net (Cost)/ Earnings of Services	
	2009/2010	2008/2009	2009/2010	2008/2009
Instruction	$1,391,246	$1,842,617	$ 358,799	$ 4,214
Pupil and Instruction Services	327,238	327,554	(327,238)	(16,153)
Administrative and Business	596,535	523,953	(596,535)	(39,974)
Maintenance and Operations	119,397	108,957	(119,397)	(9,082)
Other	116,709	91,047	(116,709)	(7,589)
	$2,551,125	$2,894,128	$(801,080)	($68,584)

- Total costs from all governmental activities this year was $2,551,125.
- The net costs from all governmental activities this year was $ 801,080.
- The state and federal governments subsidized certain programs with grants and contributions ($156,007).
- Most of the Commission's costs, however, were financed by charges for services from other local governmental units ($1,594,038).
- The remainder of the funding came from miscellaneous revenue and investment earnings.

Financial Analysis of the Commission's Funds

The Commission's financial position remains relatively strong despite increased costs of fixed obligations, personnel changes and decreases in revenue. Expenditures during the recent year rose as a result of staffing requirements and building/site maintenance and utilities. Health benefit costs for all staff have increased in the past several years.

To maintain a stable financial position, the Commission must continue its practice of sound fiscal management and the pursuit of new and profitable sources of revenue.

General Fund Budgetary Highlights

The Commission does not receive State Aid or Property Tax Levy funding. Its primary source of revenue is the tuition paid by a student's home Board of Education and nonpublic school subsidies for special programs from the State passed through the nonpublic school home district as tuition.

During the course of the year, the Commission revises the annual operating budget several times. These budget amendments are made up of changes within budgetary line items for changes in the revenue stream affected by enrollment, types of services provided, state mandates, and level of funding.

Capital Asset and Debt Administration

Figure A-8

Capital Assets (Net of Depreciation)

	Governmental Activities	
	2009/2010	2008/2009
Sites	$ 230,000	$230,000
Construction in Progress	463,200	463,200
Site Improvements	88,991	96,045
Building and Building Improvements	1,528,723	1,565,903
Machinery and Equipment	82,088	67,190
Total Capital Assets,	2,392,002	$2,422,338

The $29,336 decrease in capital assets is due to current year $52,849 of depreciation and additions of $23,513 during the fiscal year.

Long Term Debt

At year-end, the Commission had $1,447,595 remaining in a Capital Lease purchase agreement - a decrease of $56,784 from last year. In addition, there was $22,586 for a copier lease which was reduced during the year to $19,298. A decrease of $9,784 in unprecedented absences payable reduce that "other long-term" debt to $51,625 - as shown in Figure A-9.

Figure A-9

Outstanding Long-term Debt

	Total School District	
	2009/2010	2008/2009
Capital Leases	$1,466,893	$1,504,379
Other Long-term	51,625	61,409
	$1,518,518	$1,565,788

Factors Bearing on the Commission's Future Revenue/Expense Changes

The Commission is facing a period of uncertainty during the country's economic downturn as its constituent school districts are experiencing economic difficulties which could reduce their utilization of Commission services.

Contacting the Commission's Financial Management

This financial report is designed to provide the Commission's citizens, taxpayers, customers, investors and creditors with a general overview of the Commission's finances and to demonstrate the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Commission, 10 Gail Court, Sparta, New Jersey 07871.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

Exhibit A-1

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

	Governmental Activities	Total
ASSETS		
Cash and cash equivalents	1,595,723.87	1,595,723.87
Receivables, net	137,956.68	137,956.68
Capital Assets:		
Construction in Progress	463,200.00	463,200.00
Land	230,000.00	230,000.00
Other Capital assets, net	1,699,802.07	1,699,802.07
Total Assets	4,126,682.62	4,126,682.62
LIABILITIES		
Accounts payable		-
Contracts payable - retainage		-
Accrued interest	23,366.58	23,366.58
Other liabilities	7,152.00	7,152.00
Interfund payable	2,092.50	2,092.50
Deferred revenue	5,733.00	5,733.00
Noncurrent liabilities:		
Due within one year	63,201.91	63,201.91
Due beyond one year	1,455,316.49	1,455,316.49
Total liabilities	1,556,862.48	1,556,862.48
NET ASSETS		
Invested in capital assets, net of related debt	926,108.67	926,108.67
Restricted for:		
Other purposes	1,021.13	1,021.13
Unrestricted	1,642,690.34	1,642,690.34
Total net assets	2,569,820.14	2,569,820.14

The accompanying Notes to Financial Statements are an integral part of this statement.

Exhibit A-2

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Total
Governmental activities:							
Instruction:							
Regular	43,613.08	6,593.93				(50,207.01)	(50,207.01)
Special education	526,192.92	145,312.01	1,594,038.03	156,007.35		1,078,540.45	1,078,540.45
Other instruction	525,242.32	144,292.23				(669,534.55)	(669,534.55)
Support services:							
Student & instruction related services	256,525.26	70,712.33				(327,237.59)	(327,237.59)
General administrative services	217,092.53	64,040.32				(281,132.85)	(281,132.85)
School administrative service	127,688.61	48,574.30				(176,262.91)	(176,262.91)
Central Services and Admin. Info. Tech.	118,639.53	20,499.30				(139,138.83)	(139,138.83)
Plant operations and maintenance	109,030.27	10,366.45				(119,396.72)	(119,396.72)
Special Schools	116,709.01	-				(116,709.01)	(116,709.01)
Total governmental activities	2,040,733.53	510,390.87	1,594,038.03	156,007.35	-	(801,079.02)	(801,079.02)
Total primary government	2,040,733.53		1,594,038.03	156,007.35	-	(801,079.02)	(801,079.02)
General revenues:							
Interest Earned						19,198.71	19,198.71
Miscellaneous Income						658,568.88	658,568.88
Total general revenues, special items, extraordinary items and transfers						677,767.59	677,767.59
Change in Net Assets						(123,311.43)	(123,311.43)
Net Assets—beginning						2,697,404.00	2,697,404.00
Prior Period adjustment - adjustment fica receivable						(4,272.43)	
Net Assets - beginning as restated						2,693,131.57	2,697,404.00
Net Assets—ending						2,569,820.14	2,574,092.57

The accompanying Notes to Financial Statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

Exhibit B-1

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

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	1,591,956.87	3,767.00	1,595,723.87
Receivables from Federal government		466.00	466.00
Receivables from State government	5,418.60	1,500.00	6,918.60
Receivables from Local Government	130,572.08		130,572.08
Total assets	1,727,947.55	5,733.00	1,733,680.55
LIABILITIES AND FUND BALANCES			
Liabilities:			
Interfund payable	2,092.50		2,092.50
Other Liability	7,152.00		7,152.00
Deferred revenue		5,733.00	5,733.00
Total liabilities	9,244.50	5,733.00	14,977.50
Fund Balances:			
Reserved for:			
Encumbrances	1,021.13		1,021.13
Unreserved, reported in:			
General fund	1,717,681.92		1,717,681.92
Total fund balances	1,718,703.05	-	1,718,703.05
Total liabilities and fund balances	1,727,947.55	5,733.00	

Amounts reported for *governmental activities* in the statement of net assets (A-1) are different because:	
Accrued liability for interest on long-term debt is not due and payable in the current period and is not reported as a liability in the funds.	(23,366.58)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is $2,816,889.33 and the accumulated depreciation is $423,887.26.	2,393,002.07
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(1,518,518.40)
Net assets of governmental activities	$ 2,569,820.14

The accompanying Notes to Financial Statements are an integral part of this statement.

Exhibit B-2

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

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Local sources:			
Other Local Government Units - Unrestricted	397,780.15		397,780.15
Tuition Charges	1,196,257.88		1,196,257.88
Other Restricted Miscellaneous Revenue	639,718.70		639,718.70
Unrestricted Miscellaneous Revenues	38,048.89		38,048.89
Total - Local Sources	2,271,805.62	-	2,271,805.62
State sources	133,226.92		133,226.92
Federal sources		22,780.43	22,780.43
Total revenues	2,405,032.54	22,780.43	2,427,812.97
EXPENDITURES			
Current:			
Regular instruction	43,613.08		43,613.08
Special education instruction	524,063.62	2,129.30	526,192.92
Other instruction	525,242.32		525,242.32
Support services and undistributed costs:			
Student & instruction related services	235,874.13	20,651.13	256,525.26
General administrative services	217,092.53		217,092.53
School administrative services	127,688.61		127,688.61
Central Services and Admin. Info. Tech.	118,639.53		118,639.53
Plant operations and maintenance	109,030.27		109,030.27
Unallocated employee benefits	466,803.72		466,803.72
Capital outlay	80,297.05	-	80,297.05
Special Schools	116,709.01		116,709.01
Total expenditures	2,565,053.87	22,780.43	2,587,834.30
Excess (Deficiency) of revenues over expenditures	(160,021.33)	-	(160,021.33)
OTHER FINANCING SOURCES (USES)			
Capital leases (non-budgeted)	22,586.11		22,586.11
Total other financing sources and uses	22,586.11	-	22,586.11
Net change in fund balances	(137,435.22)	-	(137,435.22)
Fund balance—July 1, as previously reported	1,860,410.70		1,860,410.70
Prior - Period adjustment - adjustment fica receviable	(4,272.43)		(4,272.43)
Fund balance—July 1, as restated	1,856,138.27		1,856,138.27
Fund balance—June 30	1,718,703.05	-	1,718,703.05

The accompanying Notes to Financial Statements are an integral part of this statement.

Exhibit B-3

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

Total net change in fund balances - governmental funds (from B-2)		(137,435.22)
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, on 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 current fiscal year.		
Depreciation expense	$ (52,849.26)	
Capital outlay	80,297.05	
		27,447.79
In the statement of activities, certain operating expenses, e.g., compensated absences 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 paid amount exceeds the earned amount the the difference is an addition to the reconciliation (+).		
(Increase) Decrease in compensated absences payable		9,784.00
Repayment of long-term debt is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.		
In the current year, these amounts consist of:		
Principal Payments on Capital Leases		3,287.99
Proceeds from debt issues are a financing source in the government funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the statement of net assets.		
Capital Lease Proceeds		(22,586.11)
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. The change in accrued interest is a increase in the reconciliation.		(3,809.88)
Change in net assets of governmental activities		(123,311.43)

The accompanying Notes to Financial Statements are an integral part of this statement.

Exhibit B-7

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

	Agency Funds
ASSETS	
Cash and cash equivalents	2,459.54
Interfund Receivable	2,092.50
Total assets	4,552.04
LIABILITIES	
Payable to student groups	4,275.31
Payroll deductions and withholdings	276.73
Total liabilities	4,552.04

The accompanying Notes to Financial Statements are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF THE SCHOOL COMMISSION AND REPORTING ENTITY

The Sussex County Educational Services Commission ("Commission") is an instrumentality of the State of New Jersey, established to function as an educational institution. The Commission consists of officials appointed to the Commission's Board of Directors as representatives from member school districts and is responsible for the fiscal control of the Commission. A superintendent is appointed by the Board and is responsible for the administrative control of the Commission. Under existing statutes, the Board's duties and powers include, but are not limited to, the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

The Board also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The primary criterion for including activities within the Commission's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is whether:

- the organization is legally separate (can sue or be sued in their own name)
- the Board holds the corporate powers of the organization
- the Board appoints a voting majority of the organization's board
- the Board is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Board
- there is a fiscal dependency by the organization on the Board

Based on the aforementioned criteria, the Board has no component units. Furthermore, the Board is not includable in any other reporting entity on the basis of such criteria.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education of the Sussex County Educational Services Commission have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Board also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities provided they do not conflict with or contradict GASB pronouncements.

A. Basis of Presentation

The Commission's basic financial statements consist of District-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation (continued)

District-wide Financial Statements

The statement of net assets and the statement of activities display information about the Commission as a whole. These statements include the financial activities of the overall Commission, except for the fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the Board at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the governmental activities of the Board. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Board, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Board.

Fund Financial Statements

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

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the Board are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Board's governmental funds:

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation (continued)

GOVERNMENTAL FUNDS (continued)

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

As required by the New Jersey State Department of Education, the Commission includes budgeted Capital Outlay in this fund. Accounting principles generally accepted in the United States of America, as they pertain to governmental entities, state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenue. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, tuition, charges to other local government units and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by Board resolution.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Government (other than major capital projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

FIDUCIARY FUNDS

Fiduciary Fund - Fiduciary Fund reporting focuses on net assets and changes in net assets. The Fiduciary Funds are used to account for assets held by the Commission on behalf of individuals, private organizations, other governments and/or other funds. Fiduciary Funds include the Student Activities Fund and the Payroll Agency Fund.

B. Measurement Focus

District-wide Financial Statements

The District-wide statements (i.e., the statement of net assets and the statement of activities) are prepared using the economic resources measurements focus and the accrual basis of accounting. All assets and liabilities associated with the operation of the Commission are included on the statement of net assets, except for fiduciary funds

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus (continued)

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the District-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The District-wide financial statements and the financial statements of the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

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

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

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting (continued)

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement of focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

D. Budgets/Budgetary Control

Annual appropriated budgets are adopted in the spring of the preceding year for the general, and special revenue funds. The budgets are submitted to the county superintendents office for approval. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue fund as described later. 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:23A-16.2(f). All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

E. Encumbrances

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Encumbrances(continued)

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

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

F. Cash, Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

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 Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

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.

G. Tuition Revenues/Receivable

Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs have been determined.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Inventories

On District-wide financial statements, inventories are presented at cost, which approximates market on a first-in, first-out basis and are expensed when used.

On fund financial statements inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. Inventories of proprietary funds consist of food and goods held for resale, as well as supplies, and are expensed when used.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

J. Short-Term Interfund Receivables/Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net assets, except for the net residual amounts due between governmental and fiduciary funds, which are presented as internal balances.

K. Capital Assets

All capital assets acquired or constructed during the year are recorded at actual cost. Donated fixed assets are valued at their estimated fair market value on the date received. The capital assets acquired or constructed prior to June 30, 1993 are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Donated capital assets are valued at their estimated fair market value on the date received. The Commission maintains a capitalization threshold of $2,000.00. The Commission does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Capital Assets (continued)

Description	Governmental Activities Estimated Lives
Sites and Improvements	20 years
Building and Improvements	7-50 years
Furniture, Equipment and Vehicles	5-20 years

L. Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. 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 Commission and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Commission and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

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

M. Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Deferred revenue in the special revenue fund represents cash that has been received but not yet earned. See Note 2(E) regarding the special revenue fund.

N. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the District-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgements, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds, long-term obligations, and capital leases that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Fund Balance Reserves

The Commission reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances and a reserve for lease purchase agreement as prescribed by contracts and agreements. It is the Commission's policy to first apply restricted resources when an expense is incurred for purposes of which both restricted and unrestricted net assets are available.

P. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Commission or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Commission applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year.

R. Allocation of Indirect Expenses

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

S. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reports, amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Commissions policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 18A:20-37 that are treated as cash equivalents. As of June 30, 2010, $-0- of the Commission's bank balance of $1,596,477.46 was exposed to custodial credit risk.

Investments

Investment Rate Risk

The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 18A:20-37 limits the length of time for most investments to 397 days.

Credit Risk

New Jersey Statutes 18A:20-37 limit school district investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America; bonds or other obligations of the school districts or bonds or other obligations of the local unit or units within which the school district is located; obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk

The Commission places no limit on the amount the Commission may invest in any one issuer.

NOTE 4. RECEIVABLES

Receivables at June 30, 2010 consisted of accounts and intergovernmental. All receivables are considered collectible in full. A summary of the principal items of receivables follows:

	Governmental Fund	District Wide Financial Statements
State Aid	$ 6,918.60	$ 6,918.60
Federal Aid	466.00	466.00
Other	130,572.08	130,572.08
Gross Receivables	137,956.68	137,956.68
Less: Allowances for Uncollectables	-	-
Total Receivables Net	$137,956.68	$137,956.68

NOTE 5. INTERFUND BALANCES AND ACTIVITY

Balance due to/from other funds at June 30, 2010 consists of the following:

Due to Payroll Fund from the General Fund for cash receipts and disbursements in the General Fund.	$2,092.50

It is anticipated that all interfunds will be liquidated during the year.

NOTE 6. CAPITAL ASSETS

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

	Balance 06/30/09	Additions	Deduction	Adjustments	Balance 06/30/10
Governmental Activities:					
Capital Assets,					
Not being depreciated:					
Sites (Land)	230,000.00	0.00	0.00	0.00	230,000.00
Construction in Progress	463,200.00	0.00	0.00	0.00	463,200.00
Total Capital Assets,					
Not Being Depreciated:	693,200.00	0.00	0.00	0.00	693,200.00
Capital Assets, being depreciated:					
Site Improvements	143,749.00	0.00	0.00	0.00	143,749.00
Building Improvements	1,859,001.00	0.00	0.00	0.00	1,859,001.00
Furniture, Equipment					0.00
And Vehicles	97,426.00	23,513.33	0.00	0.00	120,939.33
Total Capital Assets					
Being Depreciated	2,100,176.00	23,513.33	0.00	0.00	2,123,689.33
Less: Accumulated Depreciation:					
Site Improvements	(47,704.00)	(7,054.00)	0.00	0.00	(54,758.00)
Building Improvements	(293,098.00)	(37,180.00)	0.00	0.00	(330,278.00)
Furniture, Equipment					0.00
and Vehicles	(30,236.00)	(8,615.26)	0.00	0.00	(38,851.26)
Total Accumulated Depreciation	(371,038.00)	(52,849.26)	0.00	0.00	(423,887.26)
Total Capital Assets					
Being Depreciated, Net	1,729,138.00	(29,335.93)	0.00	0.00	1,699,802.07
Governmental Activities					
Capital Assets, Net	2,422,338.00	(29,335.93)	0.00	0.00	2,393,002.07

Depreciation expense was charged to functions as follows:

Instruction:	
Special Education Instruction	$26,445.00
Student and Instruction Related Services	10,315.00
School Administrative Services	10,418.26
General Administrative Services	3,227.00
Plant Operations and Maintenance	391.00
Central Services & Admin. Info. Tech	2,053.00
Total Depreciation Expense	$52,849.26

NOTE 7. LONG-TERM OBLIGATION ACTIVITY

Changes in long-term obligations for the fiscal year ended June 30, 2010 were as follows:

	Balance June 30, 2009	Issued	Retired	Balance June 30, 2010	DueWithin One Year
Compensated Absences Payable	61,409.00	-	9,784.00	51,625.00	-
Capital Leases	1,504,379.00	22,586.11	60,071.71	1,466,893.40	63,201.91
	1,565,788.00	22,586.11	69,855.71	1,518,518.40	63,201.91

A. Bonds Authorized but not Issued

As of June 30, 2010, the Commission had no debt authorized but not issued.

B. Capital Leases Payable

On October 26, 2007, pursuant to N.J.S.A. 18A:20-4.2(f), the Sussex County Educational Services Commission (the "Lessee") entered into a school building lease purchase agreement with Commerce Commercial Leasing, LLC (the "Lessor") to finance the expansion of the Special Children's School, including the acquisition of furnishings and equipment. The building is located on land owned by the Commission that has been leased to Commerce Commercial Leasing, LLC pursuant to a ground lease agreement dated October 26, 2007.

Under the lease, the Board is required to pay Basic Rent due on each March 15 and September 15, commencing February 1, 2008. Basic rent is composed of an interest component and a principal component. The Certificates carry an interest rate of 3.9% and the Certificates mature on February 1, 2018. Payment of principal of and interest on the Certificates is not insured. Commerce Bank, National Association has been appointed to serve as Trustee in the agreement.

The Commission is also leasing a copier under a capital lease. The term of the lease is for 5 years. The following is a schedule of the future minimum lease payments and the present value of the net minimum lease payments at June 30, 2010.

Year	Amount
2011	$ 120,187.73
2012	120,187.72
2013	120,187.73
2014	120,187.72
2015	120,187.72
2016-2018	1,249,680.72
Total minimum lease payments	1,846,219.34
Less: Amount representing interest	(379,325.94)
Present value of net minimum lease payments	$ 1,466,893.40

NOTE 7. LONG-TERM OBLIGATION ACTIVITY (continued)

B. Capital Leases Payable (continued)

Maturities of capital leases payable are as follows:

Year	Amount
2011	$ 63,201.91
2012	65,798.09
2013	68,503.48
2014	71,322.83
2015	69,755.43
2016-2018	1,128,311.66
Total minimum lease payments	$1,466,893.40

C. Compensated Absences Payable:

The liability for compensated absences of the governmental fund types is recorded as a long-term liability. There is no current portion of the compensated absences balance of the governmental funds in the current year. The long-term portion of compensated absences is $51,625.00 for Governmental Activities.

Compensated absences payable will be liquidated by the General Fund.

NOTE 8. PENSION PLANS

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

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

NOTE 8. PENSION PLANS (continued)

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

Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

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

Significant Legislation - Chapter 108, P.L. 2003, effective July 1, 2003 provided that the State Treasurer shall reduce the normal and accrued liability contributions payable by employers other that the State, excluding the contribution payable from the benefit enhancement fund, to a percentage of the amount certified annually by the retirement system, which for PERS will be as follows: for payments due in the State fiscal year ending June 30, 2006, 20 percent; for payments due in the State fiscal year ending June 30, 2007, not more that 40 percent; for payments due in the State fiscal year ending June 30, 2007, not more that 60 percent; and for payments due in the State fiscal year ending June 30, 2008, not more than 80 percent.

Chapter 42, P.L. 2002 permitted local government units to issue refunding bonds to retire unfunded accrued liability resulting from early retirement benefits under PERS and TPAF, effective July 12, 2002.

Contribution Requirements - The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by the State of New Jersey legislation. The pension funds provide for employee contributions based on 5.0% of PERS and 5.0% for TPAF of the employee's annual compensation, as defined through June 30, 2007. Under Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, the PERS and employee contribution rate will increase to 5.5 percent effective July 1, 2007. Employers are required to contribute at an actuarially determined rate in all Funds except SACT. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS and TPAF. In the PERS and TPAF, the employer contribution includes funding for post-retirement medical premiums.

NOTE 8. PENSION PLANS (continued)

During the year ended June 30, 2010 for TPAF, which is a cost sharing plan with special funding situations, annual pension cost equals annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost differs from the annual required contribution due to the enactment of Chapter 114, P.L. 1997. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997.

The Board's contribution to PERS, equal to the required contributions for each year, were as follows:

Year Ending	
6/30/10	37,985.29
6/30/09	33,881.00
6/30/08	24,793.00

The State of New Jersey contribution to TPAF (paid on-behalf of the Commission) for normal and post retirement benefits were as follows:

Year Ending	Pension Contributions	Post-Retirement Medical Contributions	NCGI Premium
6/30/10	$ -	$67,203.00	$3,578.00
6/30/09	-	58,621.00	3,073.00
6/30/08	60,129.00	8,269.00	2,795.00

During the year ended June 30, 2010, the State of New Jersey contributed $70,781.00 to the TPAF for normal pension contributions and post-retirement medical benefits on behalf of the Committee, $3.578.00 was for non-contributory Group Life Insurance Premiums and $67,203.00 was for post-retirement medical benefits. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board $ 62,445.92 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. These amounts have been included in the district-wide financial statements, and the fund-based statements as revenues and expenditures in accordance with GASB 24.

NOTE 9. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Teachers' Pension and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the fundingand payment of post-retirement medical benefits for retired State employees and retired educational employees.

NOTE 9. POST-RETIREMENT BENEFITS

As of June 30, 2009, there were 84,590 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994 Chapter 62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 Chapter 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. In fiscal year 2009, the State paid $116.9 million toward Chapter 126 benefits for 13,320 eligible retired members.

NOTE 10. DEFERRED COMPENSATION

The Commission offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b). The plan, which is administered by Equitable, permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency.

NOTE 11. RISK MANAGEMENT

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

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

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage.

The Commission has elected to fund its New Jersey Unemployment Compensation Insurance by becoming experience rated in which the Commission pays State unemployment taxes according to the same method the State uses for other employers.

NOTE 12. FUND BALANCE APPROPRIATED

General Fund [Exhibit B-1] - Of the $1,718,703.05 General Fund fund balance at June 30, 2010, $1,021.13 is reserved for encumbrances and $1,717,681.92 is unreserved and undesignated.

NOTE 13. ECONOMIC DEPENDENCY

The Commission receives a substantial amount of its support from tuition and fees from other local governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Commission's services and activities.

NOTE 14. CONTINGENT LIABILITIES

Counsel has advised us that they are unaware of any material pending or threatened litigation, claims or assessments.

REQUIRED SUPPLEMENTARY STATEMENTS
PART II

BUDGETARY COMPARISON SCHEDULE

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:			-		
Other Local Government Units - Unrestricted	195,500.00	231,010.00	426,510.00	397,780.15	(28,729.85)
Tuition	1,447,996.00	(286,288.00)	1,161,708.00	1,196,257.88	34,549.88
Other Restricted Miscellaneous Revenue		840,548.00	840,548.00	639,718.70	(200,829.30)
Unrestricted Miscellaneous Revenues	6,000.00	16,728.00	22,728.00	38,048.89	15,320.89
Total - Local Sources	1,649,496.00	801,998.00	2,451,494.00	2,271,805.62	(179,688.38)
State Sources:					
On-behalf TPAF NCGI Premium (non-budgeted)				3,578.00	3,578.00
On-behalf TPAF Post Retirement (non-budgeted)			-	67,203.00	67,203.00
TPAF Social Security (Reimbursed - Non-Budgeted)			-	62,445.92	62,445.92
Total State Sources	-	-	-	133,226.92	133,226.92
Total Revenues	1,649,496.00	801,998.00	2,451,494.00	2,405,032.54	(46,461.46)
EXPENDITURES:					
Current Expense:					
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	19,500.00	(1,000.00)	18,500.00	17,410.58	1,089.42
Purchased Professional-Educational Services	-	26,202.50	26,202.50	26,202.50	-
TOTAL REGULAR PROGRAMS - INSTRUCTION	19,500.00	25,202.50	44,702.50	43,613.08	1,089.42
SPECIAL EDUCATION - INSTRUCTION					
Multiple Disabilities:					
Salaries of Teachers	315,458.00	(1,601.99)	313,856.01	313,856.01	-
Other Salaries for Instruction	249,386.00	(17,201.51)	232,184.49	196,889.29	35,295.20
Other Purchased Services	20,400.00	-	20,400.00	12,618.32	7,781.68
General Supplies	25,000.00	(2,500.00)	22,500.00	700.00	21,800.00
Total Multiple Disabilities	610,244.00	(21,303.50)	588,940.50	524,063.62	64,876.88
TOTAL SPECIAL EDUCATION - INSTRUCTION	610,244.00	(21,303.50)	588,940.50	524,063.62	64,876.88
Other Instructional Programs - Instruction					
Salaries	-	574,059.96	574,059.96	380,988.63	193,071.33
Purchased Services (300-500 Series)	-	179,378.00	179,378.00	133,465.29	45,912.71
Supplies and Materials	2,523.87	21,674.46	24,198.33	9,965.20	14,233.13
Other Objects	-	1,702.00	1,702.00	823.20	878.80
Total Other Instructional Programs - Instruction	2,523.87	776,814.42	779,338.29	525,242.32	254,095.97
	-				
Total Instruction	632,267.87	780,713.42	1,412,981.29	1,092,919.02	320,062.27
Undistributed Expenditures - Health Services					
Salaries	57,412.00	0.87	57,412.87	57,412.87	-
Purchased Professional and Technical Services	300.00	(0.87)	299.13	167.20	131.93
Supplies and Materials	5,500.00	-	5,500.00		5,500.00
Total Undistributed Expenditures - Health Services	63,212.00	0.00	63,212.00	57,580.07	5,631.93
Undist. Expend.-Speech,OT,PT,& Related Services					
Salaries	106,142.00	-	106,142.00	102,060.00	4,082.00
Supplies and Materials	1,000.00	-	1,000.00	615.02	384.98
Total Undist. Expend.-Speech,OT,PT,& Related Services	107,142.00	-	107,142.00	102,675.02	4,466.98
Undist. Expend.- Other Supp. Serv. Students - Extra. Serv.					-
Purchased Professional- Educational Services	55,000.00	16,725.00	71,725.00	71,725.00	-
Supplies and Materials	1,400.00	(25.00)	1,375.00	-	1,375.00
Total Undist. Expend.- Other Supp. Serv. Students - Extra Serv.	56,400.00	16,700.00	73,100.00	71,725.00	-
Undist. Expend.-Child Study Team					
Purchased Professional - Educational Services	50,000.00	(16,700.00)	33,300.00	2,862.04	30,437.96
Supplies and Materials	500.00	500.00	1,000.00	-	1,000.00
Total Undist. Expend.-Child Study Team	50,500.00	(16,200.00)	34,300.00	2,862.04	31,437.96
Undist. Expend. - Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	-	0.65	0.65	-	0.65
Total Undist. Expend. - Improvement of Instructional Services:	-	0.65	0.65	-	0.65
Undist. Expend. - Instructional Staff Training Serv.					
Other Purchased Services (400-500 series)	5,000.00	-	5,000.00	1,032.00	3,968.00
Total Undist. Expend. - Instructional Staff Training Serv.	5,000.00	-	5,000.00	1,032.00	3,968.00

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Supp. Serv. - General Admin.					
Salaries	98,888.00	67,500.00	166,388.00	160,571.25	5,816.75
Legal Services	17,500.00	1,129.20	18,629.20	18,629.20	-
Audit Fees	19,500.00	(1,129.20)	18,370.80	11,500.00	6,870.80
Other Purchased Professional Services	2,500.00	5,500.00	8,000.00	5,210.00	2,790.00
Communications/Telephone	24,620.00	-	24,620.00	11,420.19	13,199.81
BOE Other Purchased Services	750.00	-	750.00	-	750.00
Other Purchased Services (400-500 series)	12,000.00	(8,500.00)	3,500.00	149.23	3,350.77
General Supplies	5,500.00	(2,585.00)	2,915.00	754.18	2,160.82
BOE In-House Training/Meeting Supplies	750.00	-	750.00	462.12	287.88
Miscellaneous Expenditures	5,000.00	8,500.00	13,500.00	8,396.36	5,103.64
Total Undist. Expend. - Supp. Serv. - General Admin.	187,008.00	70,415.00	257,423.00	217,092.53	40,330.47
Undist. Expend. - Support Serv. - School Admin.					
Salaries of Principals/Assistant Principals	35,220.00	21,091.35	56,311.35	56,311.35	-
Salaries of Secretarial and Clerical Assistants	55,245.00	-	55,245.00	53,117.28	2,127.72
Other Purchased Services (400-500 series)	2,000.00	15,128.00	17,128.00	15,180.90	1,947.10
Supplies and Materials	4,500.00	-	4,500.00	2,304.08	2,195.92
Other Objects	950.00	-	950.00	775.00	175.00
Total Undist. Expend. - Support Serv. - School Admin.	97,915.00	36,219.35	134,134.35	127,688.61	6,445.74
Undist. Expend. - Central Services					
Salaries	31,317.00	35,420.57	66,737.57	48,705.52	18,032.05
Misc. Purchased Services (400-500 Series)	1,500.00	-	1,500.00	418.87	1,081.13
Supplies and Materials	5,150.00	(1,530.00)	3,620.00	1,776.71	1,843.29
Interest on Lease Purchase Agreements	58,124.00	-	58,124.00	58,124.00	-
Miscellaeous Expenditures		750.00	750.00	750.00	-
Total Undist. Expend. - Central Services	96,091.00	34,640.57	130,731.57	109,775.10	20,956.47
Undist. Expend. - Admin. Info. Tech.					
Purchased Technical Services	19,400.00	(1,594.00)	17,806.00	8,864.43	8,941.57
Total Undist. Expend. - Admin. Info. Tech.	19,400.00	(1,594.00)	17,806.00	8,864.43	8,941.57
Undist. Expend. - Required Maint. School Facilities					
Cleaning, Repair, and Maintenance Services	6,000.00	(2,296.05)	3,703.95	3,703.95	-
Total Undist. Expend. - Required Maint. School Facilities	6,000.00	(2,296.05)	3,703.95	3,703.95	-
Undist. Expend. - Custodial Services					
Salaries	17,000.00	-	17,000.00	16,279.56	720.44
Purchased Professional and Technical Services	-	20,279.05	20,279.05	17,126.82	3,152.23
Cleaning, Repair, and Maintenance Services	19,625.00	(11,864.67)	7,760.33	7,760.33	-
Other Purchased Property Services	2,200.00	1,947.99	4,147.99	4,147.99	-
Insurance	28,500.00	427.64	28,927.64	28,807.00	120.64
General Supplies	5,000.00	-	5,000.00	3,218.90	1,781.10
Energy (Heat and Electricity)	34,500.00	(1,919.96)	32,580.04	27,819.72	4,760.32
Other Objects	200.00	-	200.00	166.00	34.00
Total Undist. Expend. - Custodial Services	107,025.00	8,870.05	115,895.05	105,326.32	10,568.73
	-				
Undist. Expend. - Care & Upkeep of Grounds					
Cleaning, Repair, and Maintenance Services	6,100.00	(6,100.00)	-	-	
Total Undist. Expend. - Care & Upkeep of Grounds	6,100.00	(6,100.00)	-	-	-
Total Undist. Expend. - Oper. & Maint. Plant Services	119,125.00	474.00	119,599.00	109,030.27	10,568.73
ALLOCATED BENEFITS:					
Regular Programs - Instruction - Employee Benefits:					
Health Benefits	-	5,000.00	5,000.00	5,000.00	-
Total Regular Programs - Instruction	-	5,000.00	5,000.00	5,000.00	-
Other Instructional Programs - Instruction - Employee Benefits					
Health Benefits	-	38,240.00	38,240.00	38,240.00	-
Total Other Instructional Programs - Instruction	-	38,240.00	38,240.00	38,240.00	-
TOTAL ALLOCATED BENEFITS	-	43,240.00	43,240.00	43,240.00	-
UNALLOCATED BENEFITS					
Social Security Contributions	39,523.00	7,825.90	47,348.90	47,348.90	-
Other Retirement Contributions - Regular	46,736.00	(8,700.00)	38,036.00	37,985.29	50.71
Unemployment Compensation	8,498.00	(444.68)	8,053.32	5,623.83	2,429.49
Health Benefits	170,965.00	24,113.78	195,078.78	195,078.78	-
Tuition Reimbursement	10,000.00	(5,700.00)	4,300.00	4,300.00	-
TOTAL UNALLOCATED BENEFITS	275,722.00	17,095.00	292,817.00	290,336.80	2,480.20
On-behalf TPAF NCGI Premium (non-budgeted)				3,578.00	(3,578.00)
On-behalf TPAF Post Retirement (non-budgeted)	-		-	67,203.00	(67,203.00)
Reimbursed TPAF Social Security Contributions (non-budgeted)	-		-	62,445.92	(62,445.92)
TOTAL ON-BEHALF CONTRIBUTIONS	-	-	-	133,226.92	(133,226.92)
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS	275,722.00	60,335.00	336,057.00	466,803.72	(130,746.72)

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
TOTAL UNDISTRIBUTED EXPENDITURES	1,077,515.00	200,990.57	1,278,505.57	1,275,128.79	2,001.78
TOTAL GENERAL CURRENT EXPENSE	1,709,782.87	981,703.99	2,691,486.86	2,368,047.81	323,439.05
CAPITAL OUTLAY					
Equipment					
Undistributed Expend. - General Administration	10,000.00	-	10,000.00	927.22	9,072.78
Total Equipment	10,000.00	-	10,000.00	927.22	9,072.78
Facilities Acquisition and Construction Services					
Construction Services	10,000.00	-	10,000.00		10,000.00
Lease Purchase Agreements - Principal	56,786.00	-	56,786.00	56,783.72	2.28
Total Facilities Acquisition and Construction Services	66,786.00	-	66,786.00	56,783.72	10,002.28
Assets Acquired Under Capital Leases (non-budgeted)					
School Administration Services				22,586.11	(22,586.11)
TOTAL CAPITAL OUTLAY	76,786.00	-	76,786.00	80,297.05	(3,511.05)
SPECIAL SCHOOLS:					
Summer School - Instruction:					
Salaries of Teachers	34,665.00	13,255.00	47,920.00	47,919.59	0.41
Other Salaries for Instruction	39,554.00	(4,513.00)	35,041.00	35,040.13	0.87
Purchased Professional and Technical Services	15,000.00	(8,676.00)	6,324.00	6,324.00	-
Other Purchased Services	3,450.00	-	3,450.00	3,289.35	160.65
Total Summer School Instruction	92,669.00	66.00	92,735.00	92,573.07	161.93
Summer School - Support Services					
Salaries	25,079.00	(16,263.00)	8,816.00	8,251.94	564.06
Purchased Professional and Technical Services		16,263.00	16,263.00	15,884.00	379.00
Total Summer School - Support Services	25,079.00	-	25,079.00	24,135.94	943.06
TOTAL SUMMER SCHOOL	117,748.00	66.00	117,814.00	116,709.01	1,104.99
TOTAL EXPENDITURES	1,904,316.87	981,769.99	2,886,086.86	2,565,053.87	321,032.99
Excess (Deficiency) of Revenues Over (Under) Expenditures	(254,820.87)	(179,771.99)	(434,592.86)	(160,021.33)	274,571.53
Other Financing Sources (uses):					
Capital Leases (non-budgeted)				22,586.11	(22,586.11)
Total Other Financing Sources:	-	-	-	22,586.11	(22,586.11)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(254,820.87)	(179,771.99)	(434,592.86)	(137,435.22)	297,157.64
Fund Balance, July 1, as previously reported	1,860,410.70		1,860,410.70	1,860,410.70	
Prior - Period Adjustment - Adjustment to FICA Receivable				4,272.43	
Fund Balance, July 1, as restated				1,856,138.27	
Fund Balance, June 30	1,605,589.83	(179,771.99)	1,425,817.84	1,718,703.05	297,157.64
Recapitulation of excess (deficiency) of revenues under expenditures:					
Adjustment for Prior Year Encumbrances	(2,523.87)		(2,523.87)	(2,523.87)	
Budgeted Fund Balance	(252,297.00)	(179,771.99)	(432,068.99)	(134,911.35)	297,157.64
	(254,820.87)	(179,771.99)	(434,592.86)	(137,435.22)	297,157.64
Recapitulation:					
Reserve for Encumbrances				1,021.13	
Unreserved Fund Balance				1,717,681.92	
				1,718,703.05	
Fund Balance per Governmental Funds (GAAP)				1,718,703.05	

Exhibit C-2

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Budget Transfers/ Adjustments	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Federal Sources	20,000.00	2,780.43	22,780.43	22,780.43	
Total Revenues	20,000.00	2,780.43	22,780.43	22,780.43	-
EXPENDITURES:					
Instruction					
General Supplies		2,129.30	2,129.30	2,129.30	-
Total Instruction	-	2,129.30	2,129.30	2,129.30	-
Support Services					
Other purchased Services	20,000.00	(4,358.91)	15,641.09	15,641.09	-
Supplies & Materials		5,010.04	5,010.04	5,010.04	-
Total Support Services	20,000.00	651.13	20,651.13	20,651.13	-
Total Expenditures	20,000.00	2,780.43	22,780.43	22,780.43	-
Total Outflows	20,000.00	2,780.43	22,780.43	22,780.43	-
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	-	-	-	-	-

Exhibit C-3

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
BUDGET - TO - GAAP RECONCILIATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Note A - Explanation of difference between budgetary inflows and outflows and GAAP revenues and expenditures.

		General Fund	Special Revenue Fund
Sources/inflows of resources			
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1]&[C-2]	2,405,032.54	22,780.43
Difference - budget to GAAP:			
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.			
Add: Prior Year Encumbrances			
Less: Current Year Encumbrances			
The last State Aid payment is recognized as revenue for budgetary purposes, in the General Fund and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expense (GASB 33).			
State Aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.		-	
State Aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.			
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - government funds.	[B-2]	2,405,032.54	22,780.43
Uses/outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1]&[C-2]	2,565,053.87	22,780.43
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.			
Add: Prior Year Encumbrances			-
Less: Current Year Encumbrances			-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - government funds.	[B-2]	2,565,053.87	22,780.43

OTHER SUPPLEMENTARY INFORMATION

Exhibit E-1

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

	Rural Education Achievement Program	Rural Education Achievement Program Carryover	Total
REVENUES:			
Federal sources	20,000.00	2,780.43	22,780.43
Total Revenues	20,000.00	2,780.43	22,780.43
EXPENDITURES:			
Instruction:			
General Supplies		2,129.30	2,129.30
Total instruction	-	2,129.30	2,129.30
Support Services:			
Other Purchased Services (400-500) Series	15,641.09		15,641.09
Supplies and Materials	4,358.91	651.13	5,010.04
Total support services	20,000.00	651.13	20,651.13
Total Expenditures	20,000.00	2,780.43	22,780.43
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	-	-	-

Exhibit H-1

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

ASSETS

	Agency Funds		
	Student Activity	Payroll	Totals
ASSETS:			
Cash and cash equivalents	4,275.31	(1,815.77)	2,459.54
Interfund Receivable		2,092.50	2,092.50
Total Assets	4,275.31	276.73	4,552.04

LIABILITIES AND NET ASSETS

LIABILITIES:			
Payroll Deductions		276.73	276.73
Due to student groups	4,275.31		4,275.31
Total liabilities	4,275.31	276.73	4,552.04

Exhibit H-3

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Balance July 1, 2009	Cash Receipts	Cash Disbursements	Balance June 30, 2010
Student Fundraiser Account	527.88	5,718.47	3,882.44	2,363.91
Student Activity Account	1,024.27	1,654.82	937.61	1,741.48
Toybrary Account	168.73	1.19		169.92
Total all schools	1,720.88	7,374.48	4,820.05	4,275.31

Exhibit H-4

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

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
ASSETS:				
Cash	17,857.50	2,753,296.26	2,772,969.53	(1,815.77)
Interfund Receivable		2,457.76	365.26	2,092.50
TOTAL ASSETS	17,857.50	2,755,754.02	2,773,334.79	276.73
LIABILITIES:				
Payroll deductions and withholdings	17,857.50	2,755,754.02	2,773,334.79	276.73
TOTAL LIABILITIES	17,857.50	2,755,754.02	2,773,334.79	276.73

Exhibit I-2

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
GENERAL LONG TERM DEBT ACCOUNT GROUP
STATEMENT OF OBLIGATIONS UNDER CAPITAL LEASES
AS OF JUNE 30, 2010

	Interest Rate Payables	Amount of Original Issue	Balance July 1, 2009	Additions Current Year	Retired Current Year	Balance June 30, 2010
2007 Building Improvement & Addition	3.90%	1,600,000.00	1,504,379.00		56,783.72	1,447,595.28
Savin Copier 9050SP w/ Assessories	N/A	22,586.11		22,586.11	3,287.99	19,298.12
			1,504,379.00	22,586.11	60,071.71	1,466,893.40

STATISTICAL SECTION

OUTLINE OF NJ DOE STATISTICAL TABLES SECTION (GASB 44)

Exhibit #

Financial Trends Information/Schedules

J-1 Net Assets by Component
J-2 Changes in Net Assets
J-3 Fund Balances-Governmental Funds
J-4 Changes in Fund Balances. Governmental Funds
J-5 General Fund Other Local Revenue by Source

Revenue Capacity Information

J-6 Assessed Value and Estimated Actual Value of Taxable Property
J-7 Direct and Overlapping Property Tax Rates
J-8 Principal Property Taxpayers (Current year and nine years ago)
J-9 Property Tax Levies and Collections

Debt Capacity Information

J-10 Ratios or Outstanding Debt by Type
J-11 Ratios of General Bonded Debt Outstanding
J-12 Direct and Overlapping Governmental Activities Debt
J-13 Legal Debt Margin Information

Demographic and Economic Information

J-14 Demographic and Economic Statistics
J-15 Principal Employers, Current and Nine Years Ago

Operating Information

J-16 Full-time Equivalent District Employees by Function/Program
J-17 Operating Statistics
J-18 School Building Information
J-19 Schedule of Allowable Maintenance Expenditures by School
J-20 Insurance Schedule

Exhibit J-1

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION

Net Assets by Component,
Last Ten Fiscal Years (*)
(accrual basis of accounting)

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
Governmental activities						
Invested in capital assets, net of related debt	590,203	638,806	689,135	927,035	917,959	926,109
Restricted	125,010	105,855	101,585	31,804	2,524	1,021
Unrestricted	1,122,298	1,302,150	1,618,074	1,712,888	1,776,921	1,642,690
Total governmental activities net assets	1,837,511	2,046,811	2,408,794	2,671,727	2,697,404	2,569,820
District-wide						
Invested in capital assets, net of related debt	590,203	638,806	689,135	927,035	917,959	926,109
Restricted	125,010	105,855	101,585	31,804	2,524	1,021
Unrestricted	1,122,298	1,302,150	1,618,074	1,712,888	1,776,921	1,642,690
Total district net assets	1,837,511	2,046,811	2,408,794	2,671,727	2,697,404	2,569,820

Source: CAFR Schedule A-1

(*) GASB requires that ten years of statistical data be presented. However, since fiscal year 2005 was the first year of GASB 34 implementation ten years is not presented. Each year, thereafter, an additional year's data will be included until ten years of data is presented

Exhibit J-2

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION

Changes In Net Assets, Last Ten Fiscal Years (*)
(accrual basis of accounting)

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
Expenses						
Governmental activities						
Instruction						
Regular		46,491	13,762	81,649	40,500	50,207
Special education	721,029	737,163	605,302	664,721	728,881	671,505
Other special instruction	817,782	787,316	859,427	1,028,212	1,073,236	669,535
Other instruction						
Support Services:						
Student & instruction related services	232,168	315,645	452,270	349,637	327,554	327,238
General administrative services	168,744	166,949	200,590	123,476	114,200	281,133
School administrative services	147,947	163,175	173,800	197,460	279,774	176,263
Central Services				120,673	119,124	139,139
Administrative information technology	78,917	90,690	105,138	17,045	10,855	-
Plant operations and maintenance	73,248	81,533	79,950	89,759	108,957	119,397
Capital outlay	12,669	17,016	9,453	13,458		
Special schools	85,627	94,519	96,574	104,338	91,047	116,709
Total governmental activities expenses	2,338,131	2,500,497	2,596,266	2,790,428	2,894,128	2,551,124
Program Revenues						
Governmental activities:						
Charges for services:						
Instruction	1,540,150	1,582,056	1,584,681	1,807,457	1,689,030	1,750,045
Student & instruction related services	232,370	317,872	484,754	356,114	300,252	
School administrative services	148,076	164,326	186,283	125,763	256,454	
General administrative services	168,891	168,127	236,434	201,118	104,681	
Central services				122,908	109,195	
Administrative information technology	78,986	91,330	112,689	17,361	9,950	
Plant operations and maintenance	73,312	82,108	85,692	91,422	99,875	
Capital outlay	12,680	17,136	10,132	13,707		
Special schools	85,701	95,186	103,510	106,271	83,458	
Operating grants and contributions	82,674	97,088	147,251	171,950	172,649	
Total governmental activities program revenues	2,422,840	2,615,229	2,951,426	3,014,071	2,825,544	1,750,045
Net (Expense)/Revenue						
Governmental activities	84,709	114,732	355,160	223,643	(68,584)	(801,079)
Total district-wide net expense	84,709	114,732	355,160	223,643	(68,584)	(801,079)
General Revenues and Other Changes In Net Assets						
Governmental activities:						
Property taxes levied for general purposes, net						
Unrestricted grants and contributions						
Investment earnings	16,643	27,092	24,597	26,788	23,589	19,199
Miscellaneous income	4,700	67,476	2,226	12,502	70,672	658,569
Total governmental activities	21,343	94,568	26,823	39,290	94,261	677,768
Change In Net Assets						
Governmental activities	106,052	209,300	381,983	262,933	25,677	(123,311)

Source: CAR Schedule A-2

(*) GASB requires that ten years of statistical data be presented. However, since fiscal year 2005 was the first year of GASB 34 implementation ten years is not presented. Each year, thereafter, an additional year's data will be included until ten years of data is presented

Exhibit J-3

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION

Fund Balances, Governmental Funds,
Last Ten Fiscal Years (*)
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
General Fund						
Reserved	125,010	105,855	101,585	31,804	2,524	1,021
Unreserved	1,168,511	1,348,961	1,665,786	1,797,638	1,857,887	1,717,682
Total general fund	1,293,521	1,454,816	1,767,371	1,829,442	1,860,411	1,718,703

Source: CAFR Schedule B-1

(*) GASB requires that ten years of statistical data be presented. However, since fiscal year 2005 was the first year of GASB 34 implementation ten years is not presented. Each year, thereafter, an additional year's data will be included until ten years of data is presented

Exhibit J-4

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION

Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
Revenues						
Tuition charges	$ 893,293	$ 944,483	$ 976,325	$ 1,264,720	$ 1,184,153	$ 1,196,258
Other local government units	1,446,873	1,573,659	1,827,850	1,577,401	1,468,742	397,780
Miscellaneous	21,343	94,568	26,823	39,290	94,261	677,768
State sources	72,409	90,943	141,837	152,684	138,536	133,227
Federal sources	10,265	6,144	5,414	19,266	34,113	22,780
Total revenue	2,444,183	2,709,797	2,978,249	3,053,361	2,919,805	2,427,813
Expenditures						
Instruction						
Regular instruction		46,491	13,762	63,534	27,589	43,613
Special education instruction	511,100	513,789	501,819	503,253	564,686	526,193
Other special instruction	817,782	787,316	859,427	828,801	850,631	525,242
Support Services:						
Student & instruction related services	170,077	232,133	261,554	270,291	276,078	256,525
General administrative services	144,112	141,131	164,280	164,090	250,486	217,093
School Administrative services	100,502	110,948	107,779	98,599	88,612	127,689
Central Services	99,690	103,913	85,766	91,966	110,261	118,640
Admin. Information Technology				17,045	10,855	
Business administrative services						
Plant operations and maintenance	70,245	78,368	75,690	87,083	106,026	109,030
Pupil transportation						
Allocated and unallocated benefits	299,861	347,878	412,569	472,845	455,280	466,804
Special schools	85,627	92,016	86,474	104,338	91,047	116,709
Capital outlay	85,812	94,519	96,574	289,445	57,285	80,297
Total expenditures	2,384,808	2,548,502	2,665,694	2,991,290	2,888,836	2,587,834
Excess (Deficiency) of revenues over (under) expenditures	59,375	161,295	312,555	62,071	30,969	(160,021)
Other Financing sources (uses)						
Capital leases (non-budgeted)						22586
Transfers in						
Transfers out						
Total other financing sources (uses)	-	-	-	-	-	22,586
Net change in fund balances	$ 59,375	$ 161,295	$ 312,555	$ 62,071	$ 30,969	$ (137,435)
Debt service as a percentage of noncapital expenditures	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%

Source: District Records

Note: Noncapital expenditures are total expenditures less capital outlay.
Central Services and Administrative information Technology account classifications were added beginning with year end June 30, 2005.
Prior to June 30, 2005, Central Services and Administrative Information Technology were combined in Other Support Services as Business and Other Sup

Exhibit J-5

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION

General Fund - Other Local Revenue by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year Ended June 30,	Interest on Investments	Other Local Government Units	Tuition	Misc.	Total
2000	3,816	1,190,447	791,436	3,562	1,989,261
2001	15,359	1,248,811	762,160	16,708	2,043,038
2002	21,632	1,190,340	881,529	2,364	2,095,865
2003	20,580	1,134,588	878,525	4,464	2,038,157
2004	12,613	1,353,061	867,723	15,759	2,249,156
2005	16,643	1,446,873	893,293	4,700	2,361,509
2006	27,092	1,573,659	944,483	67,476	2,612,710
2007	24,597	1,827,850	976,325	2,226	2,830,998
2008	26,788	1,854,389	998,781	1,453	2,881,411
2009	23,589	1,468,742	1,184,153	70,672	2,747,156
2010	19,199	397,780	1,196,258	658,569	2,271,805

Source: District Records

Exhibit J-16

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION

Full-time Equivalent District Employees by Function/Program,

Last Ten Fiscal Years

Function/Program	2005	2006	2007	2008	2009	2010
Instruction						
Special education	5.5	5.5	5.5	5.5	5.5	5.5
Other special education	22.0	22.0	22.0	22.0	22.0	22.0
Support Services:						
Tuition						
Student & instruction related services	7.5	7.5	7.5	7.5	7.5	7.5
School administrative services	4.5	4.5	4.5	4.5	4.5	4.5
Business and other support services	1.0	1.0	1.0	1.0	1.0	1.0
Plant operations and maintenance	0.5	0.5	0.5	0.5	0.5	0.5
Total	41.0	41.0	41.0	41.0	41.0	41.0

(*) GASB requires that ten years of statistical data be presented. However, since fiscal year 2005 was the first year of GASB 34 implementation ten years is not presented. Each year, thereafter, an additional year's data will be included until ten years of data is presented

Source: District Personnel Records

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION

Operating Statistics

Last Ten Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures [a]	Cost Per Pupil	Percentage Change	Pupil/Teacher Ratio: Teaching Staff [b]	Pupil/Teacher Ratio: Special School	Average Daily Enrollment (ADE) [c]	Average Daily Attendance (ADA) [c]	% Change in Average Daily Enrollment	Student Attendance Percentage
2005	23	2,298,996	99,956	14.05%	8.5	23:5	22.6	19.7	0.88%	85.65%
2006	22	2,453,983	111,545	11.59%	8.5	22:5	21.6	18.8	-4.42%	85.45%
2007	21	2,569,120	122,339	9.68%	8.5	21:5	21.6	18.8	0.00%	89.52%
2008	22	2,701,845	122,811	0.39%	8.5	22:5	21.6	18.7	0.00%	85.00%
2009	21	2,831,551	134,836	9.79%	8.5	21:5	20.5	18.0	-5.09%	85.71%
2010	23	2,507,537	109,023	-19.14%	8.5	23:6	21.0	18.3	0.02%	87.32%

(*) GASB requires that ten years of statistical data be presented. However, since fiscal year 2006 was the first year of GASB 34 implementation ten years is not presented. Each year, thereafter, an additional year's data will be included until ten years of data is presented

Sources: District records

Note: Enrollment based on annual October district count.

a Operating expenditures equal total expenditures less debt service and capital outlay
b Teaching staff includes only full-time equivalents of certificated staff.
c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

Exhibit J-18

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION

School Building Information

Last Ten Fiscal Years

District Building	2005	2006	2007	2008	2009	2010
Northern Hills Academy (1994)						
Square Feet	7,100	7,100	7,100	7,100	11,091	11,091
Capacity (students)	32	32	32	32	72	60
Enrollment	23	22	21	22	21	23

Number of Schools at June 30, 2010
Other = 1

(*) GASB requires that ten years of statistical data be presented. However, since fiscal year 2006 was the first year of GASB 34 implementation ten years is not presented. Each year, thereafter, an additional year's data will be included until ten years of data is presented

Source: District records.

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

Exhibit J-19

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION

GENERAL FUND
SCHEDULE OF ALLOWABLE MAINTENANCE EXPENDITURES BY SCHOOL FACILITY
LAST EIGHT FISCAL YEARS
UNAUDITED

UNDISTRIBUTED EXPENDITURES - REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
11-000-261-XXX

School Facilities*	2010	2009	2008	2007	2006	2005	2004	2003	2002
Northern Hills Academy	3,704	4,458	1,768	1,169	2,928	1,723	18,618	25,158	25,809

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

(*) GASB requires that ten years of statistical data be presented. However, since fiscal year 2006 was the first year of GASB 34 implementation ten years is not presented. Each year, thereafter, an additional year's data will be included until ten years of data is presented

Source: District Records

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION

INSURANCE SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

	Coverage	Deductible
Commerical Package Policy Building & Contents	$ 2,560,000	$ 1,000
New Jersey School Boards Association Insurance Group (NJSBAIG)		
Casualty Coverage General Liability and Auto Liability (NJSBAIG)	16,000,000	
School Board Legal Liability: Coverage A (NJSBAIG)	6,000,000	5,000
School Board Legal Liability: Coverage B (NJSBAIG)	100,000 / 300,000	
Public Offical's Bond - Selective Insurance Company		
Treasurer of School Monies	128,000	
School Business Administrator / Commission Secretary	128,000	
Workers' Compensation (NJSBAIG):	As per State Statue	

SINGLE AUDIT SECTION

Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA
Steven D. Wielkotz, CPA, RMA
James J. Cerullo, CPA, RMA
Paul J. Cuva, CPA, RMA
Thomas M. Ferry, CPA, RMA

Certified Public Accountants
401 Wanaque Avenue
Pompton Lakes, New Jersey 07442
973-835-7900
Fax 973-835-6631

Newton Office
100B Main Street
Newton, N.J. 07860
973-579-3212
Fax 973-579-7128

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

Honorable President and
Members of the Board of Directors
Sussex County Educational Services Commission
County of Sussex
Sparta, New Jersey

We have audited the financial statements of the governmental activities and each major fund of the Sussex County Educational Services Commission in the County of Sussex, State of New Jersey as of and for the fiscal year ended June 30, 2010, which collectively comprise the basic financial statements of the Sussex County Educational Services Commission and have issued our report thereon dated December 20 , 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Sussex County Educational Services 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 Sussex County Educational Services Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sussex County Educational Services Commission's internal control over financial reporting.

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

FWCC

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 over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sussex County Educational Services 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* and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

We noted certain matters that we reported to the Board of Education of the Sussex County Educational Services Commission in a separate report entitled, *Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance* dated December 20, 2010.

This report is intended solely for the information and use of the audit committee, management, the Sussex County Educational Services Commission, the New Jersey State Department of Education, and other 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.

Erin L Dunstan

Erin L. Dunstan
Licensed Public School Accountant
No. 20CS00249600

Ferraioli, Wielkotz, Cerullo, + Cuva, P.A.

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants

December 20, 2010

FWCC

Sussex County Educational Services Commission
Schedule of Expenditures of Federal Awards
for the Fiscal Year Ending 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	June 30,2009 (Accounts Receivable)	June 30,2009 Deferred Revenue
U.S. Department of Education						
Passed - through State Department of Education:						
Special Revenue Fund:						
Rural Education Achievement Program	84.358A	S358A046039	20,000.00	7/1/08 - 6/30/09		
Rural Education Achievement Program	84.358A	S358A046039	20,000.00	7/1/09 - 6/30/10		
USDA WHIP Grant		N/A	1,600.00	7/1/07 - 6/30/08	(466.00)	
Total Special Revenue Fund					(466.00)	
Total Federal Financial Awards					(466.00)	-

See accompanying notes to Schedules of Expenditures of Federal awards and State Financial Assistance.

Sussex County Educational Services Commission
Schedule of Expenditures of Federal Awards
for the Fiscal Year Ending June 30, 2010

Federal Grantor/Pass- Through Grantor/ Program Title	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	June 30, 2010 (Accounts Receivable)	June 30, 2010 Deferred Revenue	Due to Grantor at June 30, 2010
U.S. Department of Education								
Passed - through State Department of Education:								
Special Revenue Fund:								
Rural Education Achievement Program		2,780.43	(2,780.43)					
Rural Education Achievement Program		20,000.00	(20,000.00)					
USDA WHIP Grant						(466.00)		
Total Special Revenue Fund		22,780.43	(22,780.43)			(466.00)		
Total Federal Financial Awards	-	22,780.43	(22,780.43)	-	-	(466.00)	-	-

See accompanying notes to Schedules of Expenditures of Federal awards and State Financial Assistance.

Sussex County Educational Services Commission
Schedule of Expenditures of State Financial Assistance
for the Fiscal Year Ending June 30, 2010

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From / To	Balance at June 30, 2009 Deferred Revenue (Accts Receivable)	Balance at June 30, 2009 Due to Grantor	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures
State Department of Education:								
General Fund:								
T.P.A.F. - Social Security Contribution	09-495-034-5095-002	76,767.00	7/1/08 - 6/30/09	(7,677.63)			3,405.20	
T.P.A.F. - Social Security Contribution	10-495-034-5095-002	62,445.92	7/1/09 - 6/30/10				57,027.32	(62,445.92)
On-behalf T.P.A.F. Pension Contribution	10-495-034-5095-006	70,781.00	7/1/09 - 6/30/10				70,781.00	(70,781.00)
Total General Fund				(7,677.63)			131,213.52	(133,226.92)
Special Revenue Fund:								
New Jersey SSI Grant	N/A	5,000.00	7/1/07 - 6/30/08	(1,500.00)				
Total Special Revenue Fund				(1,500.00)				
Total State Financial Assistance				(9,177.63)			131,213.52	(133,226.92)

See accompanying notes to Schedule of Expenditures of Federal awards and State Financial Assistance.

Sussex County Educational Services Commission
Schedule of Expenditures of State Financial Assistance
for the Fiscal Year Ending June 30, 2010

State Grantor/Program Title	Adjustments/ Repayment of Prior Years' Balances	Balance at June 30, 2010 (Accounts Receivable)	Deferred Revenue/ Interfund Payable	Due to Grantor	MEMO Budgetary Receivable	MEMO Cumulative Total Expenditures
State Department of Education:						
General Fund:						
T.P.A.F. - Social Security Contribution	4,272.43					76,767.00
T.P.A.F. - Social Security Contribution		(5,418.60)				62,445.92
On-behalf T.P.A.F. Pension Contribution						70,781.00
Total General Fund	4,272.43	(5,418.60)				209,993.92
Special Revenue Fund:						
New Jersey SSI Grant		(1,500.00)				5,000.00
Total Special Revenue Fund		(1,500.00)				5,000.00
Total State Financial Assistance	4,272.43	(6,918.60)				214,993.92

See accompanying notes to Schedule of Expenditures of Federal awards and State Financial Assistance.

NOTE 1. GENERAL

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance include Federal and State Award activity of the Sussex County Educational Services Commission. The Commission is defined in Note 1 to the Commission's financial statements. All Federal and State Awards received directly from federal and state agencies, as well as Federal Awards and State Financial Assistance passed through other government agencies is included on the Schedule of Expenditures of Federal Awards and State Financial Assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying Schedules of Expenditures of Awards and Financial Assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. This basis of accounting is described in Notes 1 to the Commission's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments and Non-Profit Organizations*, therefor, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is $-0- for the general fund and $-0- for the special revenue fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's financial statements on a GAAP basis as follows:

NOTE 3. RELATIONSHIP TO FINANCIAL STATEMENTS (continued)

	Federal	State	Total
General Fund	$ -	$133,226.92	$133,226.92
Special Revenue Fund			
Food Service Fund	22,780.43	-	22,780.43
Total Financial Awards	$22,780.43	$133,226.92	$156,007.35

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amounts reported as TPAF Pension Contributions represents the amount paid by the State on behalf of the Commission for the year ended June 30, 2010. TPAF Social Security Contributions represents 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.

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED June 30, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

1) Material weakness(es) identified? ____ yes __X__ no
2) Significant deficiencies identified that are not considered to be material weaknesses? ____ yes __X__ none reported

Noncompliance material to basic financial statements noted? ____ yes __X__ no

State Awards Section

Dollar threshold used to distinguish between type A and type B programs: $300,000

Auditee qualified as low-risk auditee? __X__ yes ____ no

Internal Control over major programs:

1) Material weakness(es) identified? ____ yes __X__ no
2) Significant deficiencies identified that are not considered to be material weaknesses? ____ yes __X__ none reported

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

Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular Letter 04-04? ____ yes __X__ no

Identification of major programs:

GMIS Number(s)	Name of State Program
	N/A

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED June 30, 2010
(continued)

Section II - Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards*.

N/A

Section III - Federal Awards and State Financial Assistance Findings and Questioned Costs

This section identifies the audit findings required to be reported by section .510(a) of Circular A-133 and NJOMB Circular Letter 04-04.

N/A

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED June 30, 2010

Status of Prior Year Findings

N/A