

*Report of Audit*  
*on the*  
*Financial Statements*  
*of the*  
**SURROGATE'S OFFICE**  
*in the*  
*County of Somerset*  
*New Jersey*  
*for the*  
*Years Ended*  
*December 31, 2005 and 2004*



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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SURROGATE'S OFFICE  
COUNTY OF SOMERSET, NEW JERSEY

I N D E X

	<u>PAGE NUMBER</u>
Independent Auditor's Report	2-3
Independent Auditor's 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	4-5
 <u>EXHIBIT</u>	
"S" Balance Sheets - Statutory Basis	6
Notes to Financial Statements	7
 <u>SCHEDULES</u>	
"S-1" Surrogate Account - Schedule of Cash and Reconciliation	8
"S-2" Surrogate Account - Schedule of Cash and Reconciliation Per N.J.S.40A:5-5	9
"S-3" Guardianship Trust Account - Schedule of Cash and Reconciliation	10
"S-4" Guardianship Trust Account - Schedule of Cash and Reconciliation Per N.J.S.40A:5-5	11
"S-5" Guardianship Trust Account - Schedule of Fees Due to County Treasurer	12
"S-6" Guardianship Trust Account - Schedule of Dedicated Funds Due to County Treasurer	12



# SUPLEE, CLOONEY & COMPANY

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## INDEPENDENT AUDITOR'S REPORT

Honorable Director and Members  
of the Board of Chosen Freeholders  
Administration Building  
County of Somerset  
Somerville, New Jersey 08876

We have audited the accompanying balance sheets-statutory basis of the County Surrogate of the County of Somerset as of December 31, 2005 and 2004. These financial statements are the responsibility of the management of the County Surrogate of the County of Somerset. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the County Surrogate of the County of Somerset prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with the cash basis and laws of the State of New Jersey, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, because the County Surrogate of the County of Somerset prepares its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with U.S. generally accepted accounting principles, the financial position of the County Surrogate of the County of Somerset as of December 31, 2005 and 2004.

SUPLEE, CLOONEY & COMPANY

However, In our opinion, the financial statements-statutory basis referred to present fairly, in all material respects, the financial position-statutory basis of the County Surrogate of the County of Somerset as of December 31, 2005 and 2004 on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated May 26, 2006 on our consideration of the County Surrogate of the County of Somerset's internal control over financial reporting and 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.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information included in the supplementary schedules listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements mentioned above and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

This report is intended for the information of the Surrogate of the County of Somerset, the Division of Local Government Services and federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

May 26, 2006

  
CERTIFIED PUBLIC ACCOUNTANTS

  
REGISTERED MUNICIPAL ACCOUNTANT NO. 50



# SUPLEE, CLOONEY & COMPANY

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INDEPENDENT AUDITOR'S 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 Director and Members  
of the Board of Chosen Freeholders  
Administration Building  
County of Somerset  
Somerville, New Jersey 08876

We have audited the accompanying balance sheets of the County Surrogate of the County of Somerset, New Jersey as of and for the year ended December 31, 2005, and have issued our report thereon dated May 26, 2006. Our report disclosed that, as described in Note 1 to the financial statements, the County Surrogate prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with a modified accrual basis and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. We conducted our audit in accordance with U.S. generally accepted auditing standards, audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County Surrogate of the County of Somerset's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, caused by error or fraud, in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

# SUPLEE, CLOONEY & COMPANY

## Compliance and Other Matters

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

This report is intended for the information of the Surrogate of the County of Somerset, the Division of Local Government Services and federal and state audit agencies and is not intended to be and should not be used by anyone other than these specified parties.

May 26, 2006

  
CERTIFIED PUBLIC ACCOUNTANTS

  
REGISTERED MUNICIPAL ACCOUNTANT NO. 50

COUNTY OF SOMERSET  
OFFICE OF THE SURROGATE  
BALANCE SHEETS-STATUTORY BASIS

	<u>REF.</u>	<u>BALANCE DECEMBER 31, 2005</u>	<u>BALANCE DECEMBER 31, 2004</u>
<u>ASSETS</u>			
Cash:			
Surrogate Account	S-1	\$ 10,996.79	\$ 26,707.92
Guardianship Trust Account	S-3	14,308,810.60	13,780,234.23
Change Fund	Contra	<u>150.00</u>	<u>150.00</u>
		<u>\$ 14,319,957.39</u>	<u>\$ 13,807,092.15</u>
<u>LIABILITIES AND RESERVES</u>			
Due to County Treasurer:			
Fees	S-5	\$ 10,598.79	\$ 26,236.20
Dedicated Funds	S-6	398.00	471.72
Guardianship Trust Accounts	S-3	14,308,810.60	13,780,234.23
Change Fund	Contra	<u>150.00</u>	<u>150.00</u>
		<u>\$ 14,319,957.39</u>	<u>\$ 13,807,092.15</u>

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

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Surrogate's Office of the County of Somerset conform to the accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds.

The Surrogate's office operates independently of the County Treasurer and collects fee income which is remitted periodically to the County Treasurer, who credits the receipts to the revenue anticipated in the general budget.

The Surrogate's office also receives deposits and other funds in trust, which are administered in accordance with the purpose for which such funds are received.

Records with respect to the receipt and disbursement of the funds are maintained by the Surrogate's Office.

In addition to individual bank accounts, a separate account has been established by the Surrogate's Office to consolidate guardianship trust assets as determined by court order. These assets are held jointly by the Surrogate and the minor's guardian. Interest earned on the balances on deposit is credited monthly to each individual minor's account. Deposits into and withdrawals from the fund can only be accomplished by court order.

Expenditures to maintain and operate the Surrogate's Office are controlled by the Board of Chosen Freeholders and are charged to respective budget appropriations.

The Surrogate's Office prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of the State of New Jersey. The practices differ from generally accepted accounting principles. Accordingly, the accompanying financial statements are not intended to present financial position in conformity with generally accepted accounting principles.

COUNTY OF SOMERSET

SURROGATE ACCOUNT

SCHEDULE OF CASH AND RECONCILIATION

	<u>REF.</u>		
Balance, December 31, 2004	S		\$ 26,707.92
Increased by:			
Fees Due County	S-5	\$ 328,695.67	
Dedicated Funds	S-6	<u>5,572.00</u>	
			\$ <u>334,267.67</u>
			<u>\$ 360,975.59</u>
Decreased by:			
Fees Due County	S-5	\$ 344,333.08	
Dedicated Funds	S-6	<u>5,645.72</u>	
			<u>349,978.80</u>
Balance, December 31, 2005	S		<u>\$ 10,996.79</u>

RECONCILIATION - DECEMBER 31, 2005

Balance Per Statement: Bank of America, Somerville, New Jersey: Account #0000 3621 0451			\$ 3,855.58
Add: Deposit in Transit		\$ 7,140.46	
Due from Bank		<u>0.75</u>	
			<u>7,141.21</u>
<u>BOOK BALANCE</u>			<u>\$ 10,996.79</u>

COUNTY OF SOMERSET

SURROGATE ACCOUNT

SCHEDULE OF CASH AND RECONCILIATION PER N.J.S.40A:5-5

	<u>REF.</u>		
Balance, December 31, 2005	S-1	\$	10,996.79
Increased by:			
Receipts Due County		\$	105,268.03
Dedicated Funds			<u>2,024.00</u>
			107,292.03
		\$	<u>118,288.82</u>
Decreased by:			
Fees Due County		\$	103,638.74
Dedicated Funds			<u>1,980.75</u>
			105,619.49
Balance, April 30, 2006		\$	<u><u>12,669.33</u></u>

RECONCILIATION - APRIL 30, 2006

Balance Per Statement:			
Bank of America,			
Somerville, New Jersey:			
Account #0000 3621 0451		\$	8,862.64
Add: Deposit in Transit		\$	3,538.50
Due from Bank			<u>268.19</u>
			3,806.69
<u>BOOK BALANCE</u>		\$	<u><u>12,669.33</u></u>

GUARDIANSHIP TRUST ACCOUNT  
SCHEDULE OF CASH AND RECONCILIATION

	<u>REF.</u>	
Balance, December 31, 2004	S	\$ 13,780,234.23
Increased by:		
By Virtue of Order by the County Court, Probate Division, Funds Deposited in Various Banks as Per Court Orders		\$ 2,336,763.74
Interest on Deposits		<u>418,470.92</u>
		2,755,234.66
		<u>\$ 16,535,468.89</u>
Decreased by:		
Payments Made Pursuant to Order by the County Court, Probate Division		<u>2,226,658.29</u>
Balance, December 31, 2005	S	<u>\$ 14,308,810.60</u>

RECONCILIATION - DECEMBER 31, 2005

Balance Per Statement:		
Various Banks:		
Certificates of Deposit and Savings Passbooks (Per List on File)		<u>\$ 14,308,810.60</u>
Balance, December 31, 2005		<u>\$ 14,308,810.60</u>

COUNTY OF SOMERSET

GUARDIANSHIP TRUST ACCOUNT

SCHEDULE OF CASH AND RECONCILIATION PER N.J.S.40A:5-5

	<u>REF.</u>	
Balance, December 31, 2005	S-3	\$ 14,308,810.60
Increased by:		
By Virtue of Order by the County Court, Probate Division, Funds Deposited in Various Banks as Per Court Orders		\$ 832,538.19
Interest on Deposits		<u>154,692.52</u>
		987,230.71
		\$ <u>15,296,041.31</u>
Decreased by:		
Payments Made Pursuant to Order by the County Court, Probate Division		<u>1,474,085.01</u>
Balance, April 30, 2006		\$ <u><u>13,821,956.30</u></u>

RECONCILIATION - APRIL 30, 2006

Balance Per Statement:		
Various Banks:		
Certificates of Deposit and Savings Passbooks (Per List on File)		\$ 13,898,700.70
Add: Deposit in Transit		<u>58,464.00</u>
		\$ 13,957,164.70
Less: Outstanding Checks (Per List on File)		<u>135,208.40</u>
Balance, April 30, 2006		\$ <u><u>13,821,956.30</u></u>

COUNTY OF SOMERSET  
GUARDIANSHIP TRUST ACCOUNT  
SCHEDULE OF FEES DUE TO COUNTY TREASURER

	<u>REF.</u>	
Balance, December 31, 2004	S	\$ 26,236.20
Increased by:		
Receipts	S-1	328,695.67
		\$ <u>354,931.87</u>
Decreased by:		
Disbursements	S-1	<u>344,333.08</u>
Balance, December 31, 2005	S	\$ <u><u>10,598.79</u></u>

SCHEDULE OF DEDICATED FUNDS DUE TO COUNTY TREASURER

Balance, December 31, 2004	S	\$ 471.72
Increased by:		
Receipts	S-1	5,572.00
		\$ <u>6,043.72</u>
Decreased by:		
Disbursements	S-1	<u>5,645.72</u>
Balance, December 31, 2005	S	\$ <u><u>398.00</u></u>