

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Fairfield, New Jersey**

**COMPREHENSIVE ANNUAL**

**FINANCIAL REPORT**

**of the**

**Essex Regional Educational Services Commission**

**Fairfield, New Jersey**

**For The Fiscal Year Ended June 30, 2013**

**Prepared by**

**Business Office**

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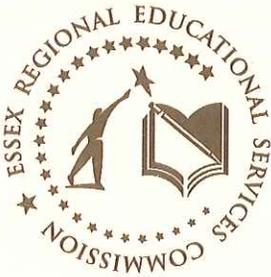
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## **INTRODUCTORY SECTION**



**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION**

369 Passaic Avenue

Fairfield New Jersey 07004

Tel: (973) 405-6262, x244 / Fax: (973) 405-6555

*JACQUELINE A. YOUNG, Ed.D.*

Superintendent

[www.ecesc.com](http://www.ecesc.com)

**November 27, 2013**

**Honorable President and  
Members of the Board of Directors  
Essex Regional Educational Services Commission  
Fairfield, New Jersey**

The comprehensive annual financial report (CAFR) of the Essex Regional Educational Services Commission for the fiscal year ended June 30, 2013, is hereby submitted. This CAFR includes the Commission's Basic Financial Statements prepared in accordance with Governmental Accounting Standards Board Statement 34. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Directors. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Commission. All disclosures necessary to enable the reader to gain an understanding of the Commission's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the Commission's organizational chart and a list of principal officials. The financial section begins with the Independent Auditor's Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the detailed budgetary information. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The Commission is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act, the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and the state Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." Information related to this single audit, including the independent auditor's report on the internal control structure and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs is included in the single audit section of this report.

**1) REPORTING ENTITY AND ITS SERVICES:** The Essex Regional Educational Services Commission is a public educational entity deriving its authority from New Jersey Public Law 18A:6-51 et.seq. All funds of the Essex Regional Educational Services Commission Board of Directors, Essex Junior Academy and all program areas constitute the Commission's reporting entity.

The Commission provides a broad range of quality educational and administrative services in a cost effective manner. These services include coordinated transportation, special education for learning disabled students, nonpublic 192/193, nonpublic nursing, Nonpublic No Child Left Behind (Title I), English as a second language, public school home instruction, public school child study evaluations, educational programs for drug rehabilitation centers and juvenile detention centers, cooperative purchasing, paraprofessional, migrant education, homeless education, alternative education, physical and occupational therapy, and extended school day/year.

<b>FISCAL YEAR</b>	<b>Average Daily Enrollment (Essex Junior Academy)</b>	
	<b>STUDENT ENROLLMENT</b>	<b>PERCENT CHANGE</b>
2012-13	44.2	-3%
2011-12	45.8	31%
2010-11	34.9	11%
2009-10	31.4	-1%
2008-09	31.8	-40%
2007-08	53.2	-10%
2006-07	58.9	-1%
2005-06	59.5	-14%
2004-05	68.9	-4%
2003-04	71.8	5%
2002-03	68.6	-4%
2001-02	71.7	10%

<b>FISCAL YEAR</b>	<b>Average Daily Enrollment (Essex High School)</b>	
	<b>STUDENT ENROLLMENT</b>	<b>PERCENT CHANGE</b>
2012-13	46.2	5%
2011-12	44	2%
2010-11	39.3	16%
2009-10	33.8	-20%
2008-09	42.5	6%
2007-08	40.1	-9%
2006-07	44	35%
2005-06	32.7	-7%
2004-05	35	48%
2003-04	23.7	-34%
2002-03	36.1	-2%
2001-02	36.8	-10%

<b>FISCAL YEAR</b>	<b><u>Average Daily Enrollment (Essex Campus Academy)</u></b>	
	<b><u>STUDENT ENROLLMENT</u></b>	<b><u>PERCENT CHANGE</u></b>
2012-13	36.4	-21%
2011-12	46.3	-14%
2010-11	53.8	-36%
2009-10	84.7	2%
2008-09	82.8	-25%
2007-08	109.8	207%
2006-07	53	21%
2005-06	44	52%

2) **ECONOMIC CONDITION AND OUTLOOK.** The Essex Regional Educational Services Commission is experiencing a period of development and expansion, which is expected to continue. The continued reduction of financial resources for local school districts will force them to maximize their assets while they cut costs by cooperatively financing educational expenses. Educational Services Commissions are an effective solution for the financial crisis facing local educators.

3) **MAJOR INITIATIVES:** In June 2013, Essex Campus Academy had eleven (11) students that successfully completed requirements for high school diplomas – three (3) from Elizabeth, one (1) from East Orange, three (3) from Newark, one (1) from Orange, two (2) from South Orange / Maplewood, and one (1) from Wallington.

Sojourn High School (alternative school for incarcerated youths) had five (5) students earned their high school diplomas (one (1) from East Orange, three (3) from Newark, and one (1) from Paterson). In addition, twelve (12) students earned the general education development diplomas.

Essex High School had twelve (12) students graduated -- one (1) from Bloomfield, two (2) from Irvington, five (5) from Newark, and four (4) from Passaic.

Essex Junior Academy had six (6) students graduated from Middle School -- one (1) from East Orange, two (2) from Irvington, and three (3) from Orange.

The Essex Regional Educational Services Commission expanded cooperative purchasing of art, paper, general, and athletic supplies. The overall savings realized by participating districts was a 57% discount from state contract prices.

4) **INTERNAL ACCOUNTING CONTROLS:** Management of the Commission is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Commission are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance

recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived: and (2) the valuation of costs and benefits require estimates and judgments by management.

As a recipient of federal 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 structure is also subject to periodic evaluation by the Commission management.

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

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 approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments of a line item basis. Open encumbrance at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2013.

6) **CASH MANAGEMENT**: The investment policy of the Commission is guided in large part by state statutes 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 Government Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

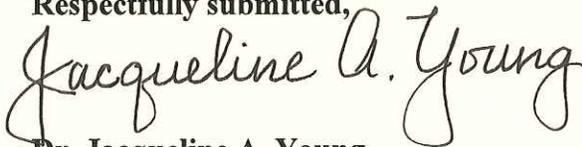
7) **RISK MANAGEMENT**: The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. A schedule of insurance coverage is found in J-20.

8) **OTHER INFORMATION**: Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Lerch, Vinci, & Higgins, LLP was appointed as auditor at the

reorganization meeting. 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 and the related OMB Circular A-133 and state Treasury Circular Letter 04-04 OMB. The auditor's report on the basic financial statements and specific required supplemental 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.

9) **ACKNOWLEDGMENTS:** We would like to express our appreciation to the members of the Board of Directors for their concern in providing fiscal accountability to the citizens and taxpayers of the State 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 service of the Business Office staff.

Respectfully submitted,

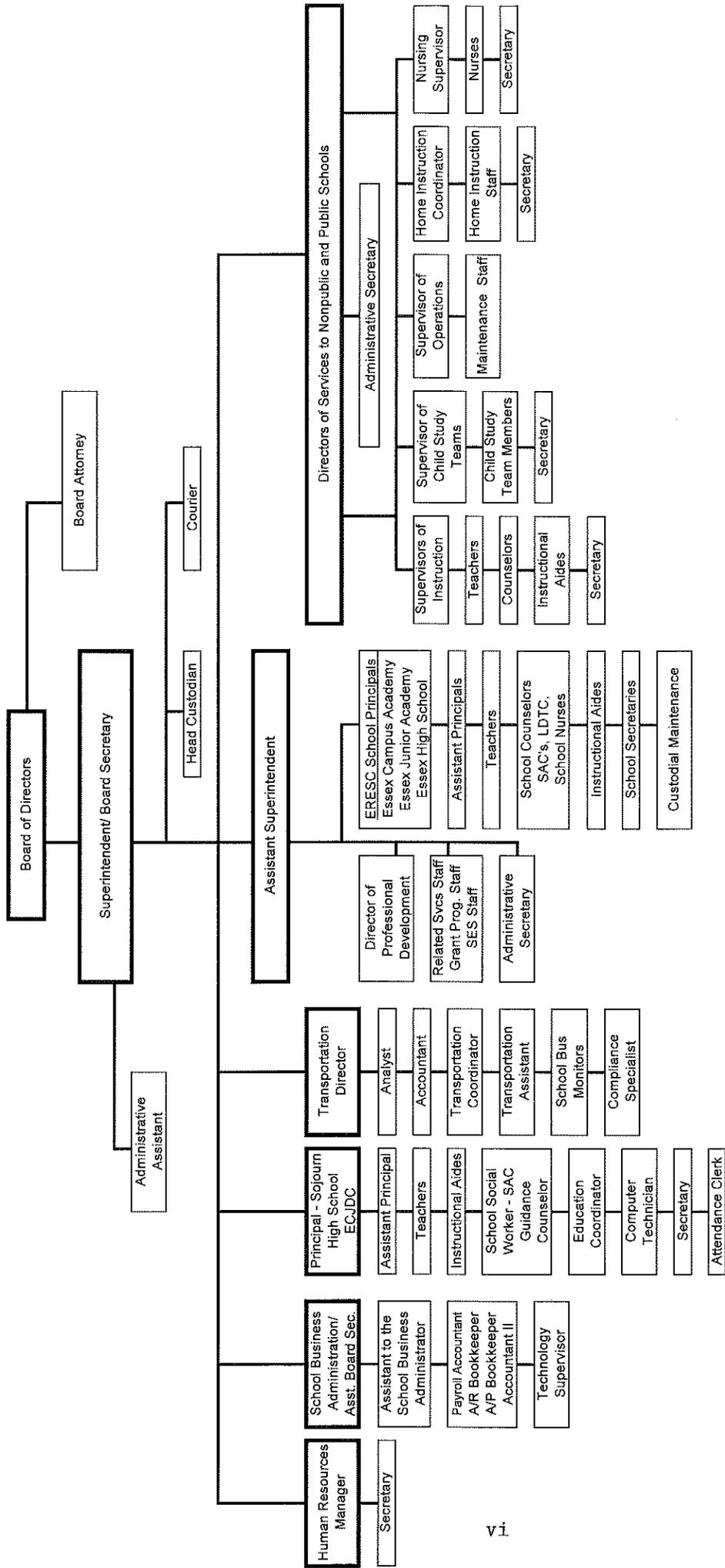
A handwritten signature in cursive script that reads "Jacqueline A. Young". The signature is written in black ink and is positioned below the typed name.

**Dr. Jacqueline A. Young**  
Superintendent/Board Secretary

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# ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION

## ORGANIZATIONAL CHART 2012 - 2013



**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION**  
**Roster of Officials**  
**July 1, 2012 – June 30, 2013**

**MEMBERS OF THE BOARD OF EDUCATION**

Mr. Salvatore Carnovale, President  
Ms. Lynne Crawford, Vice President  
Mr. John Rivera, Executive Committee Member  
Ms. Angelica Allen-McMillan  
Ms. Cami Anderson  
Ms. Patricia A. Arthur  
Mr. Sean Evans  
Mr. Barry Funt  
Mr. Kent Weisert  
Mr. Arthur Wright

**SCHOOL DISTRICT**

Essex County Vocational  
South Orange/Maplewood  
Belleville Board of Education  
Montclair Board of Education  
Newark Board of Education  
Orange Board of Education  
Irvington Board of Education  
Livingston Board of Education  
Bloomfield Board of Education  
East Orange Board of Education

**OTHER OFFICIALS**

Dr. Jacqueline A. Young, Superintendent/Board Secretary  
Wei-Jiun Kao, Interim School Business Administrator/Assistant Board Secretary  
John H. Watson, Esq., Board Attorney

**ESSEX REGIONAL EDUCATIONAL**

**SERVICES COMMISSION**

**Consultants and Advisors**

**AUDIT FIRM**

Lerch, Vinci & Higgins, LLP  
Certified Public Accountants  
17-17 Route 208 North  
Fair Lawn, New Jersey 07410

**ATTORNEY**

John Watson, Jr., Esq.  
63 Washington Street  
Suite 200  
East Orange, NJ 07017

**OFFICIAL DEPOSITORY**

PNC Bank  
One Garrett Mountain  
Woodland Park, NJ 07043

**BUSINESS OFFICE CONSULTANT**

Ernest J. Turner  
14 Main Street  
Suite 305  
Madison, NJ 07940

**FINANCIAL SECTION**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA  
GARY J. VINCI, CPA, RMA, PSA  
GARY W. HIGGINS, CPA, RMA, PSA  
JEFFREY C. BLISS, CPA, RMA, PSA  
PAUL J. LERCH, CPA, RMA, PSA  
DONNA L. JAPHET, CPA, PSA  
JULIUS B. CONSONI, CPA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA  
ANDREW PARENTE, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
DEBORAH K. LERCH, CPA, PSA  
RALPH M. PICONE, CPA, RMA, PSA  
DEBRA GOLLE, CPA  
CINDY JANACEK, CPA, RMA  
EDWARD N. KERE, CPA  
LORI T. MANUKIAN, CPA, PSA  
MARK SACO, CPA

## INDEPENDENT AUDITOR'S REPORT

Honorable President and Members  
of the Board of Directors  
Essex Regional Educational Services Commission  
Fairfield, New Jersey

### Report on the Financial Statements

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 Essex Regional Educational Services Commission, as of and for the fiscal year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## *Opinions*

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Essex Regional Educational Services Commission as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Essex Regional Educational Services Commission's basic financial statements. The introductory section, combining fund financial statements, financial schedules, statistical section, schedule of expenditures of federal awards as required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Essex Regional Educational Services Commission.

The combining fund financial statements, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements, schedules of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section, financial schedules and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated November 27, 2013 on our consideration of the Essex Regional 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Essex Regional Educational Services Commission's internal control over financial reporting and compliance.

  
LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Public School Accountants

  
Gary J. Vinci  
Public School Accountant  
PSA Number CS00829

Fair Lawn, New Jersey  
November 27, 2013

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
FAIRFIELD, NEW JERSEY**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013**

This section of the Essex Regional Educational Services Commission's annual financial report presents our discussion and analysis of the Commission's financial performance during the fiscal year that ended on June 30, 2013. Please read it in conjunction with the transmittal letter at the front of this report and the Commission's financial statements, which immediately follows this section.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Certain comparative information between the current year (2012-2013) and the prior year (2011-2012) is required to be presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2012-2013 fiscal year include the following:

- The assets of the Essex Regional Educational Services Commission exceeded its liabilities at the close of the fiscal year by \$31,092,029 (net position).
- The Commission's total net position decreased \$120,582.
- Overall Commission revenues were \$73,495,515. General revenues accounted for \$510,127 or less than 1% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$72,985,388 or virtually 100% of total revenues.
- The Commission had \$73,547,934 in expenses for governmental activities, most of these expenses were offset by program specific charges, grants or contributions. Program expenses for governmental activities exceeded program revenues by \$633,310.
- As of the close of the current fiscal year, the Commission's governmental funds reported a combined ending fund balance of \$25,466,648, a decrease of \$1,206,814 when compared to the previous year ending fund balance.
- The General Fund unassigned fund balance at June 30, 2013 was \$7,611,329 a decrease of \$12,832,006 when compared with the beginning balance at July 1, 2012 of \$20,443,335. The Commission designated an additional \$11,121,229 for the Fairfield Building lease in 2012/2013.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the Commission:

- The first two statements are commission 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 commission-wide statements.

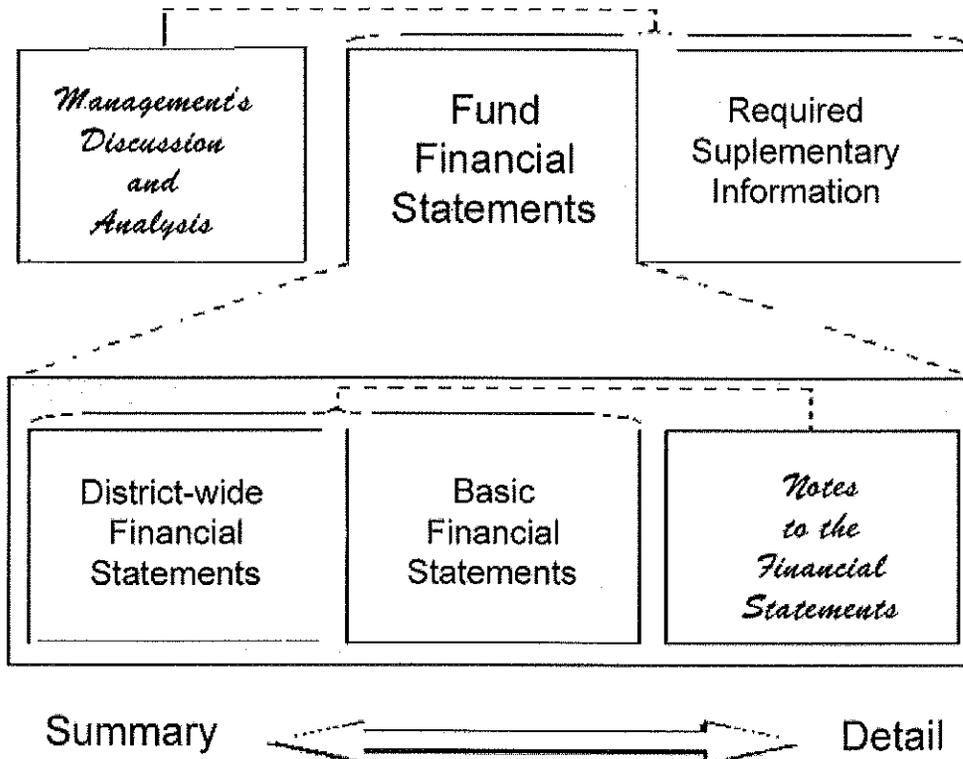
ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
FAIRFIELD, NEW JERSEY

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

- The governmental funds statements tell how basic services were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short-term and long-term financial information about the activities the Commission operated like businesses.
- Fiduciary funds statements provide information about the financial relationships in which the Commission acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include *notes* that explain the information in the statements and provide more detailed data. The following shows how the various parts of this annual report are arranged and related to one another.



**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
FAIRFIELD, NEW JERSEY**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013**

The following 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 management's discussion and analysis highlights the structure and contents of each of the statements.

**Major Features of the Commission-wide and Fund Financial Statements**

	Commission-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Commission (except fiduciary funds)	The activities of the Commission that are not proprietary or fiduciary, such as Regular and Special Education Instruction and Building maintenance	Activities the Commission operates similar to private businesses: Enterprise Fund	Instances in which the Commission administers resources held in trust, such as Payroll Agency and Student Activities
Required financial statements	Statements of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Net Position Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows	Statements of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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 there after; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term funds do not currently contain capital assets.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues 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 revenues and expenses during the year, regardless of when cash is received or paid.	All additions and dedications during the year, regardless of when cash is received or paid.

**Commission-Wide Financial Statements**

The Commission-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 position includes all of the Commission's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
FAIRFIELD, NEW JERSEY**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013**

**Commission-Wide Financial Statements (Continued)**

In the Commission-wide financial statements the Commission's activities are shown in two categories:

- *Governmental activities* – Most of the Commission's basic services are included here, such as regular and special education, transportation, administration and plant operations and maintenance. Tuition charges and service fee revenues finance all of these activities.
- *Business type activities* – These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The Commission's Food Service operations are included under this category.

**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 bond covenants.
- The Commission establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues (federal and state grants and restricted contributions and service fees).

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 funds statements provide a detailed short-term view that helps to 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 Commission-wide statements, we provide additional information at the bottom of the governmental funds statements that explains the relationship (or differences) 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 commission-wide statements.

*Enterprise Funds* – This fund is established to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that costs of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges. The Commission currently has one enterprise fund, the Food Service Enterprise Fund.

- *Fiduciary funds* – The Commission is the trustee, or fiduciary, for assets that belong to others. 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. All of the Commission's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the Commission-wide financial statements because the Commission cannot use these assets to finance its operations.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the Commission-wide and fund financial statements. The notes to the financial statements can be found following the basic financial statements.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
FAIRFIELD, NEW JERSEY**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013**

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Commission's budget process. The Commission adopts an annual expenditure budget for the general and special revenue funds. A budgetary comparison statement has been provided for these funds as required supplementary information. The required supplementary information can be found following the notes to the financial statements.

Combining statements and schedules are presented immediately following the major budgetary comparisons.

**COMMISSION-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Commission, assets exceeded liabilities by \$31,092,029 and \$31,212,611 as of June 30, 2013 and 2012.

By far the largest portion of the Commission's net position is unrestricted and available to finance future expenses and capital acquisitions of the Commission. The other portion of net position reflects the Commission's investment in capital assets. The Commission uses these assets to provide services to its students and other local education agencies utilizing the Commission's services.

**Net Position  
As of June 30, 2013 and 2012**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current Assets	\$ 29,588,972	\$ 29,626,458	\$ 18,842	\$ 14,807	\$ 29,607,814	\$ 29,641,265
Capital Assets	12,589,318	12,990,917	2,868	4,302	12,592,186	12,995,219
<b>Total Assets</b>	<u>42,178,290</u>	<u>42,617,375</u>	<u>21,710</u>	<u>19,109</u>	<u>42,200,000</u>	<u>42,636,484</u>
Long-Term Liabilities	9,931,615	10,206,844			9,931,615	10,206,844
Other Liabilities	1,176,356	1,217,029	-	-	1,176,356	1,217,029
<b>Total Liabilities</b>	<u>11,107,971</u>	<u>11,423,873</u>	<u>-</u>	<u>-</u>	<u>11,107,971</u>	<u>11,423,873</u>
<b>Net Position</b>						
Investment in Capital Assets,						
Net of Related Debt	2,976,864	3,123,390	2,868	4,302	2,979,732	3,127,692
Restricted	1,414,198	1,697,005			1,414,198	1,697,005
Unrestricted	26,679,257	26,373,107	18,842	14,807	26,698,099	26,387,914
<b>Total Net Position</b>	<u>\$ 31,070,319</u>	<u>\$ 31,193,502</u>	<u>\$ 21,710</u>	<u>\$ 19,109</u>	<u>\$ 31,092,029</u>	<u>\$ 31,212,611</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
FAIRFIELD, NEW JERSEY**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013**

**Change in Net Position  
For The Fiscal Years Ended June 30, 2013 and 2012**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 70,255,235	\$ 71,559,160			\$ 70,255,235	\$ 71,559,160
Operating Grants and Contributions	2,659,389	2,210,734	\$ 70,764	\$ 82,873	2,730,153	2,293,607
General Revenues						
Other	510,127	117,164	-	-	510,127	117,164
<b>Total Revenues</b>	<u>73,424,751</u>	<u>73,887,058</u>	<u>70,764</u>	<u>82,873</u>	<u>73,495,515</u>	<u>73,969,931</u>
<b>Expenses</b>						
Instruction						
Regular	4,122,477	3,631,613			4,122,477	3,631,613
Special Education	9,136,576	8,530,077			9,136,576	8,530,077
Other Instruction	4,875,645	6,321,903			4,875,645	6,321,903
Support Services						
Student and Instruction Related Services	6,420,782	7,860,385			6,420,782	7,860,385
General Administrative Services	934,794	683,125			934,794	683,125
School Administrative Services	1,255,294	1,136,124			1,255,294	1,136,124
Central Services	782,318	770,527			782,318	770,527
Administrative Info. Technology	194,258	234,833			194,258	234,833
Plant Operations and Maintenance	1,690,455	1,642,414			1,690,455	1,642,414
Pupil Transportation	43,751,326	42,106,886			43,751,326	42,106,886
Interest on Long Term Debt	384,009	461,169			384,009	461,169
Food Services	-	-	68,163	78,552	68,163	78,552
<b>Total Expenses</b>	<u>73,547,934</u>	<u>73,379,056</u>	<u>68,163</u>	<u>78,552</u>	<u>73,616,097</u>	<u>73,457,608</u>
Increase in Net Position Before						
Special Items and Transfers	(123,183)	508,002	2,601	4,321	(120,582)	512,323
Transfers	-	(1,681)	-	1,681	-	-
<b>Change in Net Position</b>	(123,183)	506,321	2,601	6,002	(120,582)	512,323
<b>Net Position, Beginning of Year</b>	31,193,502	30,950,775	19,109	13,107	31,212,611	30,963,882
<b>Prior Period Adjustment - Capital Assets</b>	-	(263,594)	-	-	-	(263,594)
<b>Net Position, End of Year</b>	<u>\$ 31,070,319</u>	<u>\$ 31,193,502</u>	<u>\$ 21,710</u>	<u>\$ 19,109</u>	<u>\$ 31,092,029</u>	<u>\$ 31,212,611</u>

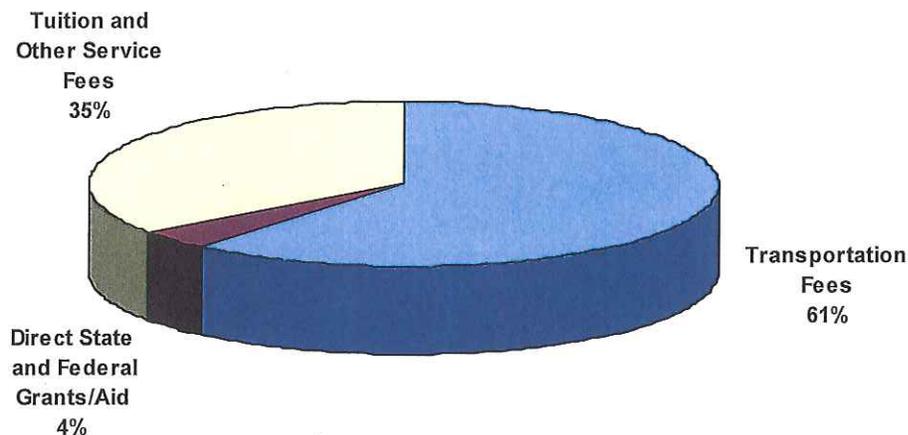
**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
FAIRFIELD, NEW JERSEY**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013**

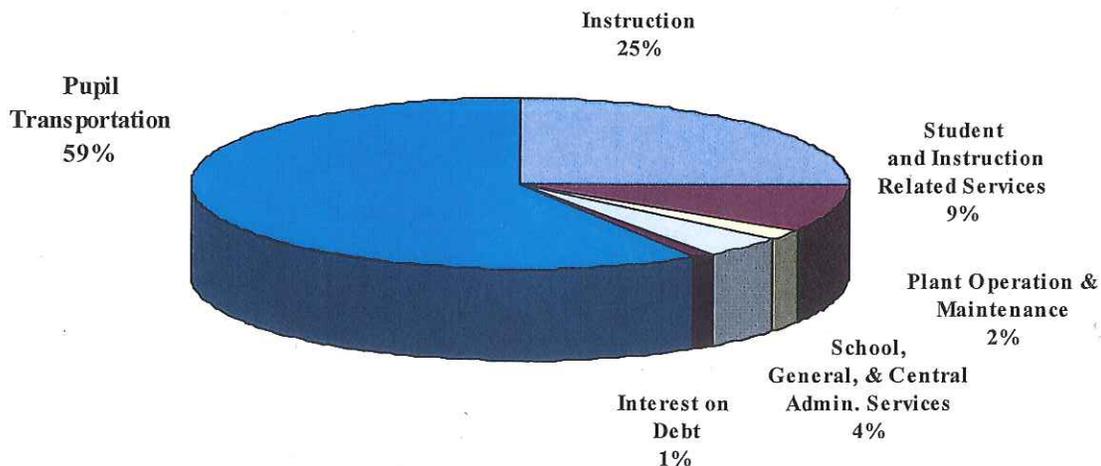
**Governmental Activities.** The Commission's total governmental activities' revenues, which includes State and Federal grants, were \$73,424,751 and \$73,887,058 for the fiscal years ended June 30, 2013 and 2012, respectively. Tuition charges and local education fees of \$70,255,235 and \$71,559,160 represented 96% and 97% of the revenues for the respective years. Grants and contributions of \$2,659,389 and \$2,210,734 were realized for the fiscal years ended June 30, 2013 and 2012. In addition, miscellaneous income is earned which includes items such as interest, prior year refunds and other miscellaneous items.

The total cost of all governmental activities programs and services were \$73,547,934 and \$73,379,056 for the fiscal years ended June 30, 2013 and 2012, respectively. The Commission's expenses are related to educating and caring for students and providing transportation and other related services to local education agencies. Instruction totaled \$18,134,698 and \$18,483,593 (25% for each year) of total expenses for the fiscal years ended June 30, 2013 and 2012, respectively. Support services (including pupil transportation), totaled \$55,029,227 and \$54,434,294 (74% and 80%) of total expenditures.

**Revenues by Source – Governmental Activities  
For Fiscal Year 2012/13**



**Expenditures by Type- Governmental Activities  
For Fiscal Year 2012/13**



**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
FAIRFIELD, NEW JERSEY**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013**

**Net Cost of Governmental Activities.** The Commission's total cost of services was \$73,547,934 and \$73,379,056 for the fiscal years ended June 30, 2013 and 2012. After applying program revenues, derived from charges for services and grants and contributions of \$72,914,624 and \$73,769,894, the net expenditure for fiscal year ended June 30, 2013 was \$633,310 and the net revenue for services of the Commission was \$390,838 for the fiscal year ended June 30, 2012.

**Total and Net (Expense) Revenue from Governmental Activities  
For the Fiscal Years Ended June 30, 2013 and 2012**

	<u>Total Cost of Services</u>		<u>Net (Cost) Income of Services</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Instruction				
Regular	\$ 4,122,477	\$ 3,631,613	\$ (870,503)	\$ (307,288)
Special Education	9,136,576	8,530,077	(3,464,065)	(2,503,113)
Other Instruction	4,875,645	6,321,903	580,925	511,428
Support Services				
Student and Instruction Related Services	6,420,782	7,860,385	6,148,137	5,290,623
General Administrative Services	934,794	683,125	(593,076)	(217,790)
School Administrative Services	1,255,294	1,136,124	(1,142,338)	(1,087,156)
Central Services	782,318	770,527	(675,476)	(472,072)
Administrative Info. Technology	194,258	234,833	(167,649)	(143,873)
Plant Operations and Maintenance	1,690,455	1,642,414	(1,690,455)	(1,642,414)
Pupil Transportation	43,751,326	42,106,886	1,625,199	1,423,662
Interest on Long Term Debt	384,009	461,169	(384,009)	(461,169)
	<u>\$ 73,547,934</u>	<u>\$ 73,379,056</u>	<u>\$ (633,310)</u>	<u>\$ 390,838</u>

**Business-Type Activities** – The Commission's total business-type activities revenues were \$70,764 and \$82,873 for the fiscal years ended June 30, 2013 and June 30, 2012. Grants and contributions accounted for 100% of total revenue for the fiscal years ended June 30, 2013 and 2012.

The total cost of all business-type activities programs and services were \$68,163 and \$78,552 for the fiscal years ended June 30, 2013 and 2012. The Commission's expenses are related to Food Service programs provided to all students, teachers and administrators within the Commission.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
FAIRFIELD, NEW JERSEY**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013**

**FINANCIAL ANALYSIS OF THE COMMISSION'S FUNDS**

As noted earlier, the Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

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

The financial performance of the Commission as a whole is reflected in its governmental funds as well. As the Commission completed the school year, its governmental funds reported a combined fund balance of \$25,466,648 for the fiscal year ended June 30, 2013 compared to \$26,673,462 for the year ended June 30, 2012.

Revenues for the Commission's governmental funds were \$72,220,668 and \$73,986,896, while total expenses were \$73,427,482 and \$74,057,903 for the fiscal years ended June 30, 2013 and 2012, respectively.

**General Fund** - The General Fund is the chief operating fund of the Commission and includes the primary operations in providing educational services to regular students, to special needs students, as well as, basic skills, home instruction and other support services to various local education agencies. In addition, the Commission provides contracted services for pupil transportation to local education agencies.

The following schedule presents a summary of General Fund Revenues.

	June 30,		Amount of Increase (Decrease)	Percent Change
	2013	2012		
Local Sources				
Tuition Charges	\$ 4,733,809	\$ 4,767,441	\$ (33,632)	-1%
Transportation Fees	44,296,463	42,790,390	1,506,073	4%
Miscellaneous	9,696,666	11,202,458	(1,505,792)	-13%
State Sources	1,790,435	1,495,820	294,615	20%
<b>Total General Fund Revenues</b>	<b>\$ 60,517,373</b>	<b>\$ 60,256,109</b>	<b>\$ 261,264</b>	<b>0%</b>

Transportation fees increased \$1,506,073 or 4% from the previous year. Miscellaneous revenue decreased \$1,505,792 or 13% mainly attributed to a decrease in fees from related services provided to other local education agencies. State aid revenues increased \$294,615.

The following schedule presents a summary of General Fund Expenditures.

	June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2013	2012		
Instruction	\$ 11,123,093	\$ 10,208,690	\$ 914,403	9%
Support Services	49,700,920	49,237,708	463,212	1%
Capital Outlay	-	176,869	(176,869)	-100%
Debt Service	617,367	639,000	(21,633)	-3%
<b>Total Expenditures</b>	<b>\$ 61,441,380</b>	<b>\$ 60,262,267</b>	<b>\$ 1,179,113</b>	<b>2%</b>

Total General Fund expenditures increased \$1,179,113 or 2% from the previous year. The majority of this increase is attributable to the increase in instruction expenditures for paraprofessional services provided to other local education agencies.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
FAIRFIELD, NEW JERSEY**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013**

**Special Revenue Fund** - The Special Revenue Fund includes all restricted Federal, State and Local sources utilized in the operations of the Commission in providing educational services to students with special needs.

Revenues of the Special Revenue Fund were \$11,703,295 and \$13,730,787 for the years ended June 30, 2013 and 2012. Local sources accounted for the majority of Special Revenue Fund's revenue which represented 93% and 95% of the total revenues for fiscal years June 30, 2013 and June 30, 2012.

Total Special Revenue Fund revenues decreased \$1,997,559 or 15% from the previous year, all attributable to a decline in fees earned from local sources for non-public school and Title I services.

Expenditures of the Special Revenue Fund were \$11,703,295 and \$13,730,787 for the fiscal years ended June 30, 2013 and 2012. Instructional expenditures were \$6,984,462 and \$8,234,826 or 60% and 60% and expenditures for the support services were \$4,670,750 and \$5,415,114 or 39% and 39% of total expended for the fiscal years ended June 30, 2013 and 2012.

**Capital Projects Fund** - The Capital Projects Fund's expenditures exceeded revenues by \$282,807 resulting in a fund balance of \$1,414,198 at June 30, 2013. Total expenditures were \$282,807 for the current year and were for various improvements to Commission school facilities.

**Enterprise Fund** - The Commission uses an Enterprise Fund to report activities related to the Food Services program. The Commission's Enterprise Fund provides the same type of information found in the Commission-wide financial statements, business-type activities, but in more detail. Factors concerning the finances of this Fund have already been addressed in the discussion of the Commission's business-type activities.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Commission's budget is prepared according to New Jersey Department of Education guidelines, and is based on accounting for certain transactions on the budgetary basis of accounting for revenues, expenditures and encumbrances. The most significant budgetary fund is the General Fund.

Over the course of the year, the Commission revised the annual operating budget several times. These budget amendments were due to adjusted budgets for specially funded projects, which include additional service fee revenue and both federal and state grant awards.

**CAPITAL ASSETS**

The Commission's investment in capital assets for its governmental activities as of June 30, 2013 and 2012 amounted to \$12,589,318 and \$12,990,917 and its business-type activities of \$2,868 and \$4,302, respectively (net of accumulated depreciation). The capital assets consist of land, site and leasehold improvements, building and building improvements, computers, specialized machinery and various other types of equipment. Depreciation charges for fiscal years 2012-2013 and 2011-2012 amounted to \$502,183 and \$518,981 for governmental activities and \$1,434 and \$1,434 for business-type activities, respectively.

Capital Assets at June 30, 2013 and 2012  
(Net of Accumulated Depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 2,100,000	\$ 2,100,000		
Site Improvements	3,013	3,195		
Building and Building Improvements	9,665,235	9,905,131		
Leasehold Improvements	136,665	136,665		
Machinery and Equipment	<u>684,405</u>	<u>845,926</u>	\$ 2,868	\$ 4,302
<b>Total Capital Assets</b>	<u>\$ 12,589,318</u>	<u>\$ 12,990,917</u>	<u>\$ 2,868</u>	<u>\$ 4,302</u>

Additional information on the Commission's capital assets is presented in Note 3 of this report.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
FAIRFIELD, NEW JERSEY**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013**

**LONG TERM LIABILITIES**

At year end, the Commission's long-term liabilities consisted of compensated absences payable of \$319,161 and \$339,317 for the fiscal years ended June 30, 2013 and 2012. In addition capital leases payable in the amount of \$9,612,454 and \$9,867,527 were reported as a long-term liability for the years ended June 30, 2013.

Additional information of the Commission's long-term liabilities is presented in Note 3 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

Many factors were considered by the Commission's administration during the process of developing the fiscal year 2012-2013 budget. The primary factors were the Commission's projected student population and services required to be provided to local education agencies as well as increasing transportation, salary and related benefit costs.

**CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our member school districts, customers, and 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 information contact the School Business Administrator, Essex Regional Educational Services Commission, 369 Passaic Avenue, Fairfield, NJ 07052.

**BASIC FINANCIAL STATEMENTS**

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION**  
**STATEMENT OF NET POSITION**  
**AS OF JUNE 30, 2013**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 10,527,856	\$ 24,544	\$ 10,552,400
Receivables, Net	18,987,783	4,298	18,992,081
Internal Balances	10,000	(10,000)	
Other Current Assets	63,333		63,333
Capital Assets			
Capital Assets Not Being Depreciated	2,100,000		2,100,000
Capital Assets Being Depreciated (Net)	<u>10,489,318</u>	<u>2,868</u>	<u>10,492,186</u>
Total Assets	<u>42,178,290</u>	<u>21,710</u>	<u>42,200,000</u>
<b>LIABILITIES</b>			
Accounts Payable and Other Current Liabilities	881,095		881,095
Accrued Interest Payable	223,009		223,009
Unearned Revenue	72,252		72,252
Noncurrent Liabilities			
Due Within One Year	277,160		277,160
Due Beyond One Year	<u>9,654,455</u>	<u>-</u>	<u>9,654,455</u>
Total Liabilities	<u>11,107,971</u>	<u>-</u>	<u>11,107,971</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	2,976,864	2,868	2,979,732
Restricted For:			
Capital Projects	1,414,198		1,414,198
Unrestricted	<u>26,679,257</u>	<u>18,842</u>	<u>26,698,099</u>
Total Net Position	<u>\$ 31,070,319</u>	<u>\$ 21,710</u>	<u>\$ 31,092,029</u>

The accompanying Notes to the Financial Statements are an Integral Part of this Statement.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities</b>							
Instruction							
Regular	\$ 4,122,477	\$ 2,783,443	\$ 468,531		\$ (870,503)		\$ (870,503)
Special Education	9,136,576	5,530,256	142,255		(3,464,065)		(3,464,065)
Other Instruction	4,875,645	4,630,818	825,752		580,925		580,925
Support Services							
Student and Instruction Related Services	6,420,782	11,611,081	957,838		6,148,137		6,148,137
General Administrative Services	934,794	262,489	79,229		(593,076)		(593,076)
School Administrative Services	1,255,294		112,956		(1,142,338)		(1,142,338)
Central Services	782,318	106,842			(675,476)		(675,476)
Administrative Info. Technology	194,258	26,609			(167,649)		(167,649)
Plant Operations and Maintenance	1,690,455				(1,690,455)		(1,690,455)
Pupil Transportation	43,751,326	45,303,697	72,828		1,625,199		1,625,199
Interest on Long Term Debt	384,009	-	-		(384,009)		(384,009)
Total Governmental Activities	<u>73,547,934</u>	<u>70,255,235</u>	<u>2,659,389</u>	<u>-</u>	<u>(633,310)</u>	<u>-</u>	<u>(633,310)</u>
<b>Business-Type Activities</b>							
Food Service	68,163	-	70,764	\$ -	-	\$ 2,601	2,601
Total Business-Type Activities	<u>68,163</u>	<u>-</u>	<u>70,764</u>	<u>-</u>	<u>-</u>	<u>2,601</u>	<u>2,601</u>
Total Primary Government	<u>\$ 73,616,097</u>	<u>\$ 70,255,235</u>	<u>\$ 2,730,153</u>	<u>\$ -</u>	<u>(633,310)</u>	<u>2,601</u>	<u>(630,709)</u>
<b>General Revenues and Transfers</b>							
Miscellaneous Fees and Income					510,127	-	510,127
Total General Revenues and Transfers					<u>510,127</u>	<u>-</u>	<u>510,127</u>
Change in Net Position					(123,183)	2,601	(120,582)
Net Position, Beginning of Year					31,193,502	19,109	31,212,611
Net Position, End of Year					<u>\$ 31,070,319</u>	<u>\$ 21,710</u>	<u>\$ 31,092,029</u>

**FUND FINANCIAL STATEMENTS**

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**AS OF JUNE 30, 2013**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 9,113,658		\$ 1,414,198	\$ 10,527,856
Receivables, Net				
Accounts	163,652	\$ 71,116		234,768
Receivables from Other Governments	15,444,267	3,303,748		18,748,015
Due from Other Funds	2,978,768			2,978,768
Security Deposits	63,333	-	-	63,333
	<u>27,763,678</u>	<u>3,374,864</u>	<u>1,414,198</u>	<u>32,552,740</u>
Total Assets	\$ 27,763,678	\$ 3,374,864	\$ 1,414,198	\$ 32,552,740
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 134,664	\$ 351,527		\$ 486,191
Accrued Salaries and Wages	335,335	59,569		394,904
Due to Other Funds		2,963,768		2,963,768
Unearned Revenue	3,241,229	-	-	3,241,229
	<u>3,711,228</u>	<u>3,374,864</u>	<u>-</u>	<u>7,086,092</u>
Total Liabilities	3,711,228	3,374,864	-	7,086,092
<b>Fund Balances</b>				
<b>Restricted</b>				
Capital Projects			\$ 1,414,198	1,414,198
<b>Assigned:</b>				
Designated for Capital Projects	1,500,000			1,500,000
Designated for Repairs and Replacements	533,476			533,476
Designated for Fairfield Building Lease	14,407,645			14,407,645
Unassigned	7,611,329	-	-	7,611,329
	<u>24,052,450</u>	<u>-</u>	<u>1,414,198</u>	<u>25,466,648</u>
Total Fund Balances	24,052,450	-	1,414,198	25,466,648
Total Liabilities and Fund Balances	\$ 27,763,678	\$ 3,374,864	\$ 1,414,198	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$16,904,762 and the accumulated depreciation is \$4,315,444.	12,589,318
Unearned revenues in the funds that do not provide current financial resources are realized as revenues in the statement of activities	3,168,977
The District has financed capital assets through the issuance of long-term debt. The interest accrued at year end is:	(223,009)
Long term liabilities, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Capital Leases Payable	\$ (9,612,454)
Compensated Absences	(319,161)
	<u>(9,931,615)</u>
Net Position of Governmental Activities	<u>\$ 31,070,319</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Local Sources				
Tuition Charges	\$ 4,733,809			\$ 4,733,809
Transportation Fees	44,296,463			44,296,463
Miscellaneous	9,696,666	\$ 10,834,341	-	20,531,007
Total - Local Sources	58,726,938	10,834,341		69,561,279
State Sources	1,790,435	124,997		1,915,432
Federal Sources	-	743,957	-	743,957
Total Revenues	60,517,373	11,703,295	-	72,220,668
<b>EXPENDITURES</b>				
Current				
Instruction				
Regular Instruction	3,167,130	957,289		4,124,419
Special Education Instruction	7,955,963	1,151,528		9,107,491
Other Special Instruction		4,875,645		4,875,645
Support Services				
Student and Instruction Related Services	2,061,706	4,362,202		6,423,908
General Administrative Services	692,448	235,720		928,168
School Administrative Services	1,240,552			1,240,552
Central Services	780,663			780,663
Administrative Info. Technology	194,422			194,422
Plant Operations and Maintenance	1,051,781		\$ 150,000	1,201,781
Pupil Transportation	43,679,348	72,828		43,752,176
Debt Service				
Principal	255,073			255,073
Interest and Other Charges	362,294	27,633		389,927
Capital Outlay	-	20,450	132,807	153,257
Total Expenditures	61,441,380	11,703,295	282,807	73,427,482
Excess (Deficiency) of Revenues Over (Under) Expenditures	(924,007)	-	(282,807)	(1,206,814)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer Out	-	-	-	-
Net Change in Fund Balances	(924,007)	-	(282,807)	(1,206,814)
Fund Balance, Beginning of Year	24,976,457	-	1,697,005	26,673,462
Fund Balance, End of Year	\$ 24,052,450	\$ -	\$ 1,414,198	\$ 25,466,648

The accompanying Notes to the Financial Statements are an Integral Part of this Statement.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
WITH THE COMMISSION-WIDE STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Net change in fund balances - governmental funds (Exhibit B-2)** **\$ (1,206,814)**

Amounts reported for governmental activities in the statement of activities are different because:

In the statement of activities revenues that do not provide current financial resources are not reported as revenue but are deferred in the funds.

Unearned Revenue - June 30, 2012	\$ (1,964,894)	
Unearned Revenue - June 30, 2013	<u>3,168,977</u>	1,204,083

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement and allocated over their estimated useful lives as annual depreciation expense. This is the amount by which depreciation exceeds capital outlay in the current period.

Capital Outlay	153,257	
Depreciation Expense	<u>(502,183)</u>	(348,926)

The net effect of various miscellaneous transactions involving capital assets (i.e. disposal, sale) is to decrease net position

Loss in Disposal of Capital Assets		(52,673)
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Repayment of debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities. Forgiveness of debt is a revenue in the statement of activities and reduces long-term debt in the statement of net position but does not affect the governmental funds.

Capital Leases Principal Paid		255,073
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In the statement of activities, certain operating expenses - compensated absences and claims and judgements - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (paid):

Decrease in Compensated Absences		20,156
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Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

Decrease in Accrued Interest		<u>5,918</u>
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**Change in net position of governmental activities (Exhibit A-2)** **\$ (123,183)**

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 PROPRIETARY FUNDS  
 FOOD SERVICE ENTERPRISE FUND  
 STATEMENT OF NET POSITION  
 AS OF JUNE 30, 2013**

**ASSETS**

## Current Assets

Cash and Cash Equivalents	\$ 24,544
Intergovernmental Accounts Receivable	
Federal	4,203
State	<u>95</u>
 Total Current Assets	 <u>28,842</u>

## Non-Current Assets

Capital Assets	7,170
Accumulated Depreciation	<u>(4,302)</u>
 Total Capital Assets, Net	 <u>2,868</u>
 Total Assets	 <u>31,710</u>

**LIABILITIES**

## Current Liabilities

Due to Other Funds	<u>10,000</u>
 Total Current Liabilities	 <u>10,000</u>
 Total Liabilities	 <u>10,000</u>

**NET POSITION**

Investment in Capital Assets	2,868
Unrestricted	<u>18,842</u>
 Total Net Position	 <u>\$ 21,710</u>

The accompanying Notes to the Financial Statements are an Integral Part of this Statement.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 PROPRIETARY FUND  
 FOOD SERVICE ENTERPRISE FUND  
 STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN NET POSITION  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**OPERATING REVENUES**

Charges for Services

Daily Sales

-

Total Operating Revenues

-**OPERATING EXPENSES**

Cost of Sales

\$ 66,729

Depreciation

1,434

Total Operating Expenses

68,163

Operating (Loss)

(68,163)**NONOPERATING REVENUES**

State Sources

State School Lunch Program

852

Federal Sources

School Breakfast Program

27,775

National School Lunch Program

42,137

Total Nonoperating Revenues

70,764

Change in Net Position

2,601

Net Position, Beginning of Year

19,109

Net Position, End of Year

\$ 21,710

The accompanying Notes to the Financial Statements are an Integral Part of this Statement.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 PROPRIETARY FUNDS  
 FOOD SERVICE ENTERPRISE FUND  
 STATEMENT OF CASH FLOWS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Payments for Goods and Services	\$ <u>(66,729)</u>
Net Cash (Used) by Operating Activities	<u>(66,729)</u>

**CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES**

Cash Received from Subsidy Reimbursements	<u>71,001</u>
Net Cash Provided By Non-Capital Financing Activities	<u>71,001</u>

Net Increase in Cash and Cash Equivalents	4,272
Cash and Cash Equivalents, Beginning of Year	<u>20,272</u>
Cash and Cash Equivalents, End of Year	<u>\$ 24,544</u>

**Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:**

Operating (Loss)	\$ <u>(68,163)</u>
Adjustments to Reconcile Operating (Loss) to Net Cash (Used) by Operating Activities	
Depreciation Expense	<u>1,434</u>
Total Adjustments	<u>1,434</u>

Net Cash (Used) by Operating Activities	\$ <u>(66,729)</u>
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The accompanying Notes to the Financial Statements are an Integral Part of this Statement.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
AS OF JUNE 30, 2013**

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 228,650
Total Assets	<u>\$ 228,650</u>
<b>LIABILITIES</b>	
Due to Student Groups	\$ 2,062
Payroll Deductions and Withholdings	220,925
Accrued Salaries and Wages	663
Due to Other Funds	<u>5,000</u>
Total Liabilities	<u>\$ 228,650</u>

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOT APPLICABLE**

**NOTES TO THE FINANCIAL STATEMENTS**

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Essex Regional Educational Services Commission (the "Commission") is an instrumentality of the State of New Jersey, established to function as an education institution. The Commission consists of ten member school districts who assign an individual to serve on the Commission's Board of Directors. The Commission is located in the County of Essex and the Board of Directors are responsible for the fiscal control of the Commission. A superintendent is appointed by the Commission and is responsible for the administrative control of the District. Under existing statutes, the Commission'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 Commission also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the Commission are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Commission. For the Essex Regional Educational Services Commission this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the Commission is financially accountable. The Commission is financially accountable for an organization if the Commission appoints a voting majority of the organization's governing board and (1) the Commission is able to significantly influence the programs or services performed or provided by the organization; or (2) the Commission is legally entitled to or can otherwise access the organization's resources; the Commission is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Commission is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Commission in that the Commission approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the Commission has no component units. Furthermore, the Commission is not includable in any other reporting entity as a component unit.

**B. New Accounting Standards**

During the 2012/13 fiscal year, the Commission adopted the following GASB statements:

- GASB 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.
- GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this Statement is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effect on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. New Accounting Standards (Continued)**

- GASB 65, *Items Previously Reported as Assets and Liabilities*, although not required to be implemented until next year, the Commission elected to apply the statement to the current year financial statements. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Other accounting standards that the Commission is currently reviewing for applicability and potential impact on the financial statements include:

- GASB 66, *Technical Corrections – 2012, an Amendment of GASB Statements 10 and 62*, will be effective beginning with the fiscal year ending June 30, 2014. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
- GASB 67, *Financial Reporting for Pension Plans, an Amendment of GASB 25*, will be effective beginning with the fiscal year ending June 30, 2014. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The Commission does not expect this Statement to impact its financial statements.
- GASB 68, *Accounting and Financial Reporting for Pensions*, will be effective beginning with the fiscal year ending June 30, 2015. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The Commission does not expect this Statement to impact its financial statements.

**C. Basis of Presentation - Financial Statements**

The basic financial statements include both Commission-wide financial statements (based on the Commission as a whole) and fund financial statements (based on specific Commission activities or objectives). Both the Commission-wide and fund financial statements categorize activities as either governmental activities or business-type activities. While separate Commission-wide and fund financial statements are presented, they are interrelated. In the Commission-wide financial statements, the governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the Commission's enterprise funds.

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Commission-Wide Financial Statements

The commission-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Commission. All fiduciary activities are reported only in the fund financial statements. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In the statement of net position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) reflect on a full accrual economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

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

As a general rule the effect of interfund activity has been eliminated from the district-wide financial statements. Exceptions to this general rule are charges between the Commission's proprietary and fiduciary funds since elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

Separate fund financial statements are provided for governmental, proprietary, and fiduciary activities, even though the latter are excluded from the commission-wide financial statements. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each reported as separate columns in the fund financial statements. The Commission considers all of its governmental funds to be major funds.

The Commission reports the following major governmental funds:

The *general fund* is the Commission's primary operating fund. It accounts for all financial resources of the Commission, except those to be accounted for in another fund.

The *special revenue fund* accounts for the proceeds of specific revenue sources legally restricted to expenditures for specified purposes. This fund accounts for federal, state and local financial programs, with the exception of grants for major capital projects and the child nutrition programs. This fund also accounts for fees earned by the Commission from local education agencies restricted for specific programs and services performed by the Commission.

The *capital projects fund* accounts for the proceeds from the sale of bonds, lease purchases and other revenues used for the acquisition or construction of capital facilities and other capital assets, other than those financed by the proprietary funds.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Presentation - Financial Statements (Continued)**

**Fund Financial Statements (continued)**

The Commission reports the following non-major proprietary fund which is organized to be self-supporting through user charges:

The *food service fund* accounts for the activities of the school cafeteria, which provides food service to students.

Additionally, the government reports the following fund type:

The *fiduciary trust fund* is used to account for resources legally held in trust for the payroll related activities and student related activities which are supported and controlled by student organizations and clubs. All resources of the fund, including any earnings on invested resources, may be used to support the intended purpose. There is no requirement that any portion of these resources be preserved as capital.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the Commission-wide financial statements as "internal balances".

**D. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Commission-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements with the exception of the agency fund which does not have a measurement focus. All assets and all liabilities and associated with these operations (with the exception of the fiduciary funds) are included on the Statement of Net Position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e. when they are both measurable and available). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within 90 days after year-end. Expenditures are recorded when a liability is incurred, as under accrual basis of accounting with the exception of expenditures related to compensated absences and claims and judgments which are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting**

Tuition, transportation fees, located education service fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements (formula-type grants and aid) are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source. Expenditure-driven grants and similar awards (reimbursement-type grants and awards) are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements imposed by the grantor or provider have been met, and the amount is received during the period or within the availability period for this revenue source. All other revenue items are considered to be measurable and available only when cash is received by the Commission.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the commission-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Commission has elected not to follow private-sector guidance issued subsequent to December 1, 1989.

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

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

***1. Cash, Cash Equivalents and Investments***

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value and are limited by N.J.S.A. 18A:20-37.

***2. Receivables***

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

***3. Inventories***

The cost of inventories of the governmental fund types are recorded as expenditures at the time individual inventory items are purchased.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)**

**4. Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the Commission-wide financial statements. Capital assets are defined by the Commission as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years. The Commission was able to estimate the historical cost for the initial reporting of these capital assets through back trending. As the Commission constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Land and construction in progress are not depreciated. The other property, plant, and equipment of the District, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	20
Buildings and Building Improvements	20-40
Leasehold Improvements	20
Office Equipment and Furniture	5-8
Computer Equipment	5

**5. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has no items that qualify for reporting in this category.

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)**

***6. Compensated Absences***

It is the Commission's policy to permit employees to accumulate (with certain restrictions) earned but unused vacation and sick leave benefits. A long-term liability of accumulated vacation and sick leave and salary related payments has been recorded in the governmental activities in the Commission-wide financial statements, representing the Commission's commitment to fund such costs from future operations. Proprietary Funds do not permit the accrual of vacation and sick leave. A liability is reported in the governmental funds only to the amount actually due at year end as a result of employee resignations and retirements.

***7. Long-Term Obligations***

In the Commission-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

***8. Net Position/Fund Balance***

**Commission-Wide Statements**

In the Commission-wide statements, there are three classes of net position:

- **Net Investment in Capital Assets** – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or related debt also should be included.
- **Restricted Net Position** – reports net position when constraints placed on the residual amount of noncapital assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – any portion of net position not already classified as either net investment in capital assets or net position – restricted is classified as net position – unrestricted.

**Governmental Fund Statements**

Fund balance categories are designed to make the nature and extent of the constraints placed on the Commission's fund balance more transparent. These categories are comprised of a hierarchy based primarily on the extent to which the Commission is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

Governmental Fund Statements (Continued)

8. *Net Position/Fund Balance (Continued)*

**Restricted Fund Balance** – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

*Capital Projects* – Represents fund balance restricted specifically for capital acquisitions and improvements in the Capital Projects Fund.

**Assigned Fund Balance** – Amounts a government intends to use for a specific purpose; intent can be expressed by the Board or by an official or body to which the Board delegates the authority.

*Designated of Capital Projects* – This designation was created to dedicate a portion of fund balance for capital improvements.

*Designated for Repairs and Replacements* – This designation was created to dedicate a portion of fund balance for facility required maintenance repairs and replacement costs.

*Designated for Fairfield Building Lease* – This designation was created to dedicate a portion of fund balance for the repayment of principal and interest on the Fairfield building lease-purchase agreement.

**Unassigned Fund Balance** – Represents fund balance that has not been restricted, committed or assigned to specific purposes within the governmental funds.

9. *Reclassifications*

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

F. Revenues and Expenditures/Expenses

1. *Program Revenues*

Amounts reported as program revenues in the Commission-wide statement of activities include 1) charges to customers or applicants for goods or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all tuition, transportation fees, located education service fees, investment earnings and miscellaneous revenues.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***F. Revenues and Expenditures/Expenses (Continued)***

***2. Tuition Revenues and Expenditures***

*Tuition Revenues* - Tuition charges were established by the Commission based on estimated costs. The charges are subject to adjustment when the final costs are determined and certified by the State Department of Education.

*Tuition Expenditures* - Tuition charges for the fiscal years 2011-2012 and 2012-2013 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

***3. Proprietary Funds, Operating and Non-Operating Revenues and Expenses***

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the food service enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Federal and State subsidies for the food service operation are considered nonoperating revenues.

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

In accordance with the requirements of the New Jersey Department of Education ("the Department"), the Commission annually prepares its operating budget for the forthcoming year. The budget, except for the general fund and special revenue fund, which is more fully explained below and in the notes to the required supplementary information, is prepared in accordance with accounting principles generally accepted in the United States of America and serves as a formal plan for expenditures and the proposed means for financing them. Capital lease transactions are accounted for on the GAAP basis.

The annual budget is adopted in the spring of the preceding year for the general, and special revenue funds. The Commission is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent for review and approval prior to adoption and is approved by the Board of Directors on or before March 8 of the preceding year. Prior to the adoption of the budget the Commission must notify each member district of the fees to be charged for each service and program fee for the ensuing school year and the method by which the Commission expenses shall be funded. Budget adoptions and amendments are recorded in the Commission's board minutes. The budget is amended by the Board of Directors as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Commission approved several budget transfers during 2012/2013. During 2012/2013 the Commission increased the original budget by \$15,724,426. The increase was funded by additional surplus appropriated, grant awards and additional program fees.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**A. Budgetary Information (Continued)**

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of certain state aid payments for budgetary purposes only and the treatment of encumbrances in the special revenue fund as described in the Notes to Required Supplementary Information (RSI). Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

Encumbrance accounting is employed in the governmental funds. 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 committed and/or assigned 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 which are reappropriated and honored during the subsequent fiscal year.

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

**A. Cash Deposits and Investments**

**Cash Deposits**

The Commission's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Commission is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

Bank balances for interest bearing accounts are insured up to \$250,000 in the aggregate by the FDIC for each bank. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, temporary unlimited deposit insurance coverage was provided for non-interest bearing accounts from December 31, 2010 through December 31, 2012. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2013, the book value of the Commission's deposits were \$10,781,050 and bank and brokerage firm balances of the Commission's deposits amounted to \$16,301,983. The Commission's deposits which are displayed on the various fund balance sheets as "cash and cash equivalents" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ <u>16,301,983</u>

**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 Commission does not have a policy for custodial credit risk. As of June 30, 2013, the Commission had no balances exposed to custodial credit risk.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**A. Cash Deposits and Investments (Continued)**

**Investments**

The Commission is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located, Local Government investment pools, and agreements or the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

As of June 30, 2013, the Commission had no outstanding investments.

**B. Receivables**

Receivables as of June 30, 2013 for the Commission's individual major funds, in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Food Service</u>	<u>Total</u>
Receivables:				
Accounts	\$ 163,652	\$ 71,116		\$ 234,768
Intergovernmental	<u>15,444,267</u>	<u>3,303,748</u>	\$ 4,298	<u>18,752,313</u>
Gross Receivables	15,607,919	3,374,864	4,298	18,987,081
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 15,607,919</u>	<u>\$ 3,374,864</u>	<u>\$ 4,298</u>	<u>\$ 18,987,081</u>

**C. Unearned Revenue**

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund			
Intergovernmental Receivables:			
Tuition	\$ 2,024,978		\$ 2,024,978
Transportation Fees	246,618		246,618
Miscellaneous Service Fees	897,381		897,381
Prepaid Summer School Tuition	<u>-</u>	\$ 72,252	<u>72,252</u>
Total Unearned Revenue	<u>\$ 3,168,977</u>	<u>\$ 72,252</u>	<u>\$ 3,241,229</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**D. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

	<u>Balance, July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2013</u>
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,100,000	-	-	\$ 2,100,000
Capital Assets, Being Depreciated:				
Site Improvements	3,652			3,652
Building and Building Improvements	11,826,365	\$ 132,807	\$ (58,749)	11,900,423
Leasehold Improvements	154,389			154,389
Machinery and Equipment	2,759,546	20,450	(33,698)	2,746,298
Total Capital Assets Being Depreciated	<u>14,743,952</u>	<u>153,257</u>	<u>(92,447)</u>	<u>14,804,762</u>
Less Accumulated Depreciation For:				
Site Improvements	(457)	(182)		(639)
Building and Building Improvements	(1,921,234)	(321,186)	7,232	(2,235,188)
Leasehold Improvements	(17,724)			(17,724)
Machinery and Equipment	(1,913,620)	(180,815)	32,542	(2,061,893)
Total Accumulated Depreciation	<u>(3,853,035)</u>	<u>(502,183)</u>	<u>39,774</u>	<u>(4,315,444)</u>
Total Capital Assets, Being Depreciated, Net	<u>10,890,917</u>	<u>(348,926)</u>	<u>(52,673)</u>	<u>10,489,318</u>
Governmental Activities Capital Assets, net	<u>\$ 12,990,917</u>	<u>\$ (348,926)</u>	<u>\$ (52,673)</u>	<u>\$ 12,589,318</u>
<b>Business-Type Activities:</b>				
Capital Assets, Not Being Depreciated:				
Machinery and Equipment	\$ 7,170	-	-	\$ 7,170
Total Capital Assets Being Depreciated	<u>7,170</u>	<u>-</u>	<u>-</u>	<u>7,170</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	(2,868)	\$ (1,434)	-	(4,302)
Total Accumulated Depreciation	<u>(2,868)</u>	<u>(1,434)</u>	<u>-</u>	<u>(4,302)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 4,302</u>	<u>\$ (1,434)</u>	<u>\$ -</u>	<u>\$ 2,868</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**D. Capital Assets (Continued)**

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

**Governmental Activities:**

Instruction		
Regular	\$	4,816
Special		<u>36,350</u>
Total Instruction		<u>41,166</u>
Support Services		
General Administration		6,984
School Administration		15,729
Operations and Maintenance of Plant		912
Business and Other Support Services		<u>437,392</u>
Total Support Services		<u>461,017</u>
Total Depreciation Expense - Governmental Activities	\$	<u>502,183</u>
<b>Business-Type Activities:</b>		
Food Service Fund	\$	<u>1,434</u>
Total Depreciation Expense - Business-Type Activities	\$	<u>1,434</u>

**E. Interfund Receivables and Payables**

The composition of interfund balances as of June 30, 2013, is as follows:

**Due To/From Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 2,963,768
General Fund	Food Service Enterprise Fund	10,000
General Fund	Payroll Agency Fund	<u>5,000</u>
Total		<u>\$ 2,978,768</u>

The above balances are the result of expenditures paid by one fund on behalf of another fund and/or to cover cash balances which were in an overdraft position.

The District expects all interfund balances to be liquidated within one year.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**F. Leases**

**Operating Leases**

The Commission leases buildings and office equipment under noncancelable operating leases. Lease payments for the fiscal year ended June 30, 2013 were \$580,729. The future minimum lease payments for these operating leases are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2014	\$ 588,283
2015	597,395
2016	605,618
2017	616,829
2018	440,520
2019-2022	<u>1,763,808</u>
Total	<u>\$ 4,612,453</u>

**Capital Leases**

The Commission is leasing a building acquisition for a term of 25 years. The Commission will own the building upon payment of the final lease installment in fiscal year 2032.

The capital assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Land	\$ 2,100,000
Building and Building Improvements	<u>10,400,000</u>
Total	<u>\$ 12,500,000</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**F. Leases**

**Capital Leases (Continued)**

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013 were as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2014	\$ 720,000
2015	730,000
2016	750,000
2017	770,000
2018	790,000
2019-2023	4,074,812
2024-2028	4,108,020
2029-2032	<u>2,464,813</u>
 Total Minimum Lease Payments	 14,407,645
 Less: Amount Representing Interest	 <u>(4,795,191)</u>
 Present Value of Minimum Lease Payments	 <u>\$ 9,612,454</u>

**G. Long-Term Debt**

**Changes in Long-Term Liabilities**

Long-term liability activity for the fiscal year ended June 30, 2013, was as follows:

	<u>Balance, July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, June 30, 2013</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Capital Leases	\$ 9,867,527		\$ 255,073	\$ 9,612,454	\$ 277,160
Compensated Absences	<u>339,317</u>	<u>-</u>	<u>20,156</u>	<u>319,161</u>	<u>-</u>
Governmental Activity Long-Term Liabilities	<u>\$ 10,206,844</u>	<u>\$ -</u>	<u>\$ 275,229</u>	<u>\$ 9,931,615</u>	<u>\$ 277,160</u>

For the governmental activities, the liabilities for compensated absences are generally liquidated by the general fund.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 4 OTHER INFORMATION**

**A. Risk Management**

The Commission is exposed to various risks of loss related to property, general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; student accident; termination of employees and natural disasters. The Commission has obtained commercial insurance coverage to guard against these events to minimize the exposure to the Commission should they occur. 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's in any of the prior three years.

**B. Contingent Liabilities**

The Commission is a party defendant in some lawsuits, none of a kind unusual for a school district of its size and scope of operation. In the opinion of the Commission's Attorney the potential claims against the Commission not covered by insurance policies would not materially affect the financial condition of the Commission.

**Federal and State Awards** – The Commission participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Commission may be required to reimburse the grantor government. As of June 30, 2013, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Commission believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Commission.

**C. Federal Arbitrage Regulations**

The Commission is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At June 30, 2013, the Commission had no estimated arbitrage earnings due to the IRS.

**D. Employee Retirement Systems and Pension Plans**

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all eligible Commission employees:

**Public Employees' Retirement System (PERS)** – Established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

**Teachers' Pension and Annuity Fund (TPAF)** – Established in January 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time certified teachers or professional staff of the public school systems in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Commission employees who are eligible for pension coverage.

**Defined Contribution Retirement Program (DCRP)** – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership.

**Other Pension Funds**

The State established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local government employers do not appropriate funds to SACT.

The cost of living increase for PERS and TPAF, are funded directly by each of the respective systems and are considered in the annual actuarial calculation of the required State contribution for the system.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**Basis of Accounting**

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits or refunds are recognized when due and payable in accordance with the terms of the retirement systems.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

**Significant Legislation**

P.L. 2011, c.78, effective June 28, 2011, made various changes to the manner in which TPAF and PERS operate and to the benefit provisions of those systems.

The legislation's provisions impacting employee pension and health benefits include:

- For new members of TPAF and PERS hired on or after June 28, 2011 (Tier 5 members), the years of creditable service needed for early retirement benefits increased from 25 to 30 years and the early retirement age increased from 55 to 65.
- The eligibility age to qualify for a service retirement in the TPAF and PERS increased from age 62 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PERS members enrolled after June 28, 2011 (Tier 3 members) decreased from 65 percent of final compensation to 60 percent of final compensation after 25 years of service and from 70 percent of final compensation to 65 percent of final compensation after 30 or more years of service.
- It increased the TPAF and PERS active member rates from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years for members hired or reappointed on or after June 28, 2011. For Fiscal Year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contributions for TPAF and PERS members takes place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries was suspended. COLA increases may be reactivated at a future date as permitted by this law.
- It changed the method for amortizing the pension system's unfunded accrued liability (from a level percent of pay method to a level dollar of pay method).

**Investment Valuation**

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund, Common Pension Fund A, Common Pension Fund B, Common Pension Fund D and Common Pension Fund E. The financial reports may be obtained in writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

**Significant Legislation (Continued)**

**Funding Status and Funding Progress**

As of July 1, 2011, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems including TPAF and PERS, is 67.5 percent with an unfunded actuarial accrued liability of \$41.7 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 60.8 percent and \$30.1 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and Police and Firemen's Retirement System ("PFRS") is 77.5 percent and \$11.6 billion.

The funded status and funding progress of the retirement systems is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financing reporting purposes does not explicitly incorporate the potential effects of legal or contractual limitations on the pattern of cost sharing between the employer and members in the future.

**Actuarial Methods and Assumptions**

In the July 1, 2011 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (a) a revised investment rate of return for all retirement systems from 8.25 percent to 7.95 percent and (b) revised projected salary increases of 4.52 percent for the PERS and 3.90 percent for TPAF.

**Employer and Employee Pension Contributions**

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 6.5% for PERS, 6.5% for TPAF and 5.50% for DCRP of the employee's annual compensation.

**Annual Pension Costs (APC)**

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2013 for TPAF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Commission. PERS employer contributions are made annually by the Commission to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

**Annual Pension Costs (APC) (Continued)**

During the fiscal years ended June 30, 2013, 2012 and 2011 the Commission was required to contribute for PERS and DCRP and the State of New Jersey was required to contribute for TPAF for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Year Ended <u>June 30,</u>	<u>PERS</u>	On-behalf <u>TPAF</u>	<u>DCRP</u>
2013	\$ 528,730	\$ 540,679	\$ 146,219
2012	556,834	290,308	138,394
2011	542,832	28,244	None

The State contributed \$540,679 and \$290,308 during 2012/2013 and 2011/2012, respectively for normal cost pension, accrued liability and the NCGI premium. For fiscal year 2010/2011, the State did not contribute to the TPAF for normal cost and accrued liability; however, the State contributed \$28,244 for the NCGI premium only.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Commission \$638,384 during the fiscal year ended June 30, 2013 for the employer’s share of social security contributions for TPAF members as calculated on their base salaries. This amount, along with the on-behalf TPAF pension contribution, has been included in the Commission-wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

**E. Post-Retirement Medical Benefits**

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for school districts. The Plans are cost sharing multiple employer defined benefit plans.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other employee Benefit Trust Funds in the State’s Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, PDP-State, and the PRM of the PERS are combined and reported as a Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF are combined and reported as Health Benefits Program Fund –Local Government classified as a cost-sharing multiple-employer plan in the State’s CAFR. The post-retirement benefit programs had a total of 566 state and local participating employers and contributing entities for Fiscal Year 2012.

The State of New Jersey sponsors and administers the following health benefit programs covering certain state and local government employees, including those Board employees and retirees eligible for coverage.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 4 OTHER INFORMATION (Continued)**

**E. Post-Retirement Medical Benefits (Continued)**

**Health Benefits Program Fund (HBPF) – Local Education** (including Prescription Drug Program Fund) – The State of New Jersey provides free coverage to members of the Teachers' Pension and Annuity Fund who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of P.L. 1992, c.126, the State also provides free coverage to members of the Public Employees' Retirement System and Alternate Benefits Program who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare parts A and B by paying the cost of the insurance for themselves and their covered dependents. Also, education employees are eligible for the PDP coverage after 60 days of employment.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above Fund. The financial reports may be accessed via the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**Basis of Accounting**

The financial statements of the health benefit programs are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the health benefit programs. Benefits or refunds are recognized when due and payable in accordance with the terms of the health benefit programs.

**Significant Legislation**

P.L. 2011, c.78, effective October 2011, sets new employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to this new legislation's effective date with a minimum contribution required to be at least 1.5% of salary.

**Investment Valuation**

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

**Funded Status and Funding Progress**

As of July 1, 2011, the most recent actuarial valuation date, the State had a \$48.9 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$18.0 billion for state active and retired members and \$30.9 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 4 OTHER INFORMATION (Continued)**

**E. Post-Retirement Medical Benefits**

The funded status and funding progress of the OPEB is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events in the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

**Actuarial Methods and Assumptions**

In the July 1, 2011, actuarial valuation, the projected unit credit was used as the actuarial cost method. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

**Post-Retirement Medical Benefits Contributions**

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2012, there were 97,661, retirees receiving post-retirement medical benefits and the State contributed \$958.9 million on their behalf. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits 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, c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education with 25 years of service. The State paid \$146.6 million toward Chapter 126 benefits for 16,618 eligible retired members in Fiscal Year 2012.

The State sets the contribution rate based on a pay as you go basis and not on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the Commission for the years ended June 30, 2013, 2012 and 2011 were \$611,372, \$583,593 and \$599,893, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the Commission was not determined or made available by the State of New Jersey.

**BUDGETARY COMPARISON SCHEDULES**

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
<b>REVENUES</b>					
Local Sources					
Tuition	\$ 5,318,109	\$ 36,710	\$ 5,354,819	\$ 4,733,809	\$ (621,010)
Transportation Fees	33,304,036	13,069,652	46,373,688	44,296,463	(2,077,225)
Miscellaneous	10,636,247	425,952	11,062,199	9,696,666	(1,365,533)
Total Local Sources	<u>49,258,392</u>	<u>13,532,314</u>	<u>62,790,706</u>	<u>58,726,938</u>	<u>(4,063,768)</u>
State Sources					
On-Behalf TPAF Pension Payments (Non-Budget)					
Pension Contribution				513,654	513,654
NCGI Premium				27,025	27,025
Post Retirement Medical Benefits				611,372	611,372
Reimbursed Social Security Contributions (Non-Budget)	-	-	-	638,384	638,384
Total State Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,790,435</u>	<u>1,790,435</u>
Total Revenues	<u>49,258,392</u>	<u>13,532,314</u>	<u>62,790,706</u>	<u>60,517,373</u>	<u>(2,273,333)</u>
<b>CURRENT EXPENDITURES</b>					
Instruction - Regular Programs					
Salaries of Teachers:					
Grades 9 - 12	588,029	69,461	657,490	635,209	22,281
Home Instruction:					
Salaries of Teachers	1,045,525	160,816	1,206,341	1,206,341	
Purchased Professional - Educational Services	5,000	(5,000)			
Other Purchased Services	5,000	(4,522)	478	478	
Regular Programs - Undistributed Instruction:					
General Supplies	-	3,079	3,079	3,079	-
Total Instruction Regular Programs	<u>1,643,554</u>	<u>223,834</u>	<u>1,867,388</u>	<u>1,845,107</u>	<u>22,281</u>
Special Education					
Learning/Language Disabilities					
Salaries of Teachers	341,518	152,375	493,893	475,620	18,273
Other Salaries for Instruction	137,098	72,629	209,727	208,500	1,227
General Supplies	7,500	3,100	10,600	3,587	7,013
Other Objects	1,000	1,286	2,286	2,286	-
Total Learning/Language Disabilities	<u>487,116</u>	<u>229,390</u>	<u>716,506</u>	<u>689,993</u>	<u>26,513</u>
Behavioral Disabilities					
Salaries of Teachers	392,379	50,169	442,548	348,009	94,539
Other Salaries for Instruction	5,244,750	176,760	5,421,510	5,377,868	43,642
Purchased Professional-Educational Services		4,500	4,500	1,598	2,902
General Supplies	15,000	(7,935)	7,065	2,688	4,377
Textbooks	719	-	719	150	569
Other Objects	14,000	559	14,559	12,496	2,063
Total Behavioral Disabilities	<u>5,666,848</u>	<u>224,053</u>	<u>5,890,901</u>	<u>5,742,809</u>	<u>148,092</u>
Total Special Education	<u>6,153,964</u>	<u>453,443</u>	<u>6,607,407</u>	<u>6,432,802</u>	<u>174,605</u>
Total Instruction	<u>7,797,518</u>	<u>677,277</u>	<u>8,474,795</u>	<u>8,277,909</u>	<u>196,886</u>

(Continued)

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
<b>CURRENT EXPENDITURES (Continued)</b>					
Undistributed Expenditures					
Instruction					
Tuition to County Voc. School District-Special	\$ 40,000	\$ (20,099)	\$ 19,901	\$ 19,250	\$ 651
Total Undistributed Expenditures - Instruction	40,000	(20,099)	19,901	19,250	651
Health Services					
Salaries of Teachers	116,937	(10,336)	106,601	95,405	11,196
General Supplies	5,500	(4,500)	1,000	-	1,000
Total Health Services	122,437	(14,836)	107,601	95,405	12,196
Other Supp. Serv. - Speech, OT, PT & Related Services					
Salaries	606,636	7,714	614,350	586,487	27,863
Purchased Professional-Educational Services	77,000	147,872	224,872	224,705	167
Supplies and Materials	6,000	(4,643)	1,357	-	1,357
Total Other Supp. Serv. - Speech, OT, PT & Related Serv.	689,636	150,943	840,579	811,192	29,387
Child Study Teams					
Salaries of Other Professional Staff	396,244	16,372	412,616	400,816	11,800
Purchased Professional-Educational Services	105,000	28,956	133,956	133,956	-
Total Child Study Teams	501,244	45,328	546,572	534,772	11,800
Improvement of Inst. Serv.					
Purchased Professional-Educational Services	12,000	(620)	11,380	11,380	-
Total Improvement of Inst. Serv.	12,000	(620)	11,380	11,380	-
Instructional Staff Training Services					
Purchased Professional - Educational Services	9,624	3,837	13,461	7,516	5,945
Total Instructional Staff Training Services	9,624	3,837	13,461	7,516	5,945
Support Services General Administration					
Salaries	393,356	(25,386)	367,970	348,026	19,944
Legal Services	45,000	(4,000)	41,000	34,064	6,936
Audit Fees	30,750	650	31,400	31,400	-
Other Purchased Professional Services	42,000	49,270	91,270	74,118	17,152
Communications/Telephone	30,549	526	31,075	28,384	2,691
BOE Other Purchased Services	500	(500)	-	-	-
Misc. Purchased Services	10,300	(4,356)	5,944	3,925	2,019
General Supplies	2,000	3,438	5,438	4,835	603
BOE In-House Training/Meeting Supplies	3,000	-	3,000	2,467	533
Miscellaneous Expenditures	935,160	1,207,289	2,142,449	71,042	2,071,407
BOE Membership Dues and Fees	11,000	-	11,000	9,340	1,660
Total Support Services General Administration	1,503,615	1,226,931	2,730,546	607,601	2,122,945
Support Services School Administration					
Salaries of Principals and Assistant Principals	499,249	55,486	554,735	552,001	2,734
Salaries of Other Professional Staff	136,881	(887)	135,994	135,994	-
Salaries of Secretarial and Clerical Assistants	273,409	10,422	283,831	273,158	10,673
Purchased Prof. and Tech. Services	8,000	(558)	7,442	7,441	1
Other Purchased Services	16,100	1,436	17,536	15,689	1,847
Supplies and Materials	8,272	1,122	9,394	7,015	2,379
Other Objects	14,500	9,061	23,561	22,718	843
Total Support Services School Administration	956,411	76,082	1,032,493	1,014,016	18,477

(Continued)

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
<b>CURRENT EXPENDITURES (Continued)</b>					
Central Services					
Salaries	\$ 440,916	\$ 14,599	\$ 455,515	\$ 401,771	\$ 53,744
Purchased Professional Services	146,486	20	146,506	146,506	-
Purchased Technical Services	120,000	(53,714)	66,286	40,752	25,534
Miscellaneous Purchased Services	29,000	(607)	28,393	20,410	7,983
Supplies and Materials	5,000	(1,684)	3,316	3,315	1
Interest on Lease Purchase Agreements	235,000	150,474	385,474	385,474	-
Other Objects	8,000	9,525	17,525	16,414	1,111
<b>Total Central Services</b>	<b>984,402</b>	<b>118,613</b>	<b>1,103,015</b>	<b>1,014,642</b>	<b>88,373</b>
Admin. Info. Tech.					
Salaries	106,212	57,269	163,481	159,981	3,500
Supplies and Materials	500	(500)	-	-	-
<b>Total Undistributed Expenditures-Admin. Info. Technology</b>	<b>106,712</b>	<b>56,769</b>	<b>163,481</b>	<b>159,981</b>	<b>3,500</b>
Required Maintenance for School Facilities					
Cleaning, Repair and Maintenance Services	11,000	17,070	28,070	24,781	3,289
General Supplies	5,500	1,907	7,407	5,611	1,796
Other Objects	11,500	3,626	15,126	14,238	888
<b>Total Required Maintenance for School Facilities</b>	<b>28,000</b>	<b>22,603</b>	<b>50,603</b>	<b>44,630</b>	<b>5,973</b>
Custodial Services					
Salaries	146,118	82,732	228,850	228,694	156
Cleaning, Repair and Maintenance Services	3,000	4,205	7,205	6,640	565
Rental of Land & Bldg. Oth. Than Lease Pur Agreement	401,000	82,269	483,269	483,269	-
Insurance	37,007	15,936	52,943	52,941	2
Miscellaneous Purchased Services	3,500	498	3,998	3,998	-
General Supplies	16,014	2,394	18,408	16,423	1,985
Energy (Heat and Electricity)	189,858	(19,668)	170,190	156,619	13,571
Other Objects	9,000	569	9,569	9,333	236
<b>Total Custodial Services</b>	<b>805,497</b>	<b>168,935</b>	<b>974,432</b>	<b>957,917</b>	<b>16,515</b>
Student Transportation Services					
Salaries for Pupil Trans (Bet Home & Sch)-Sp Ed.	748,057	79,138	827,195	827,195	-
Contr Serv(Special Education)-Vendors	31,962,000	11,610,598	43,572,598	42,674,073	898,525
<b>Total Student Transportation Services</b>	<b>32,710,057</b>	<b>11,689,736</b>	<b>44,399,793</b>	<b>43,501,268</b>	<b>898,525</b>
Unallocated Benefits					
Unallocated Employee Benefits					
Social Security Contributions	628,199	61,337	689,536	689,536	-
Other Retirement Contributions - PERS	398,889	93,943	492,832	492,832	-
Unemployment Compensation	75,625	5,238	80,863	78,076	2,787
Workers Compensation	297,955	(103,842)	194,113	192,691	1,422
Health Benefits	1,462,071	(595,020)	867,051	798,525	68,526
Tuition Reimbursements	8,500	1,387	9,887	9,142	745
<b>Total Unallocated Employee Benefits</b>	<b>2,871,239</b>	<b>(536,957)</b>	<b>2,334,282</b>	<b>2,260,802</b>	<b>73,480</b>
On-Behalf TPAF Pension Payments (Non-Budget)					
Pension Contribution	-	-	-	513,654	(513,654)
NCGI Premium	-	-	-	27,025	(27,025)
Post Retirement Medical Benefits	-	-	-	611,372	(611,372)
Reimbursed Social Security Contributions (Non-Budget)	-	-	-	638,384	(638,384)
<b>Total TPAF Pension and Social Security Contributions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,790,435</b>	<b>(1,790,435)</b>
<b>Total Undistributed Expenditures</b>	<b>41,340,874</b>	<b>12,987,265</b>	<b>54,328,139</b>	<b>52,830,807</b>	<b>1,497,332</b>
<b>Total Current Expenditures</b>	<b>49,138,392</b>	<b>13,664,542</b>	<b>62,802,934</b>	<b>61,108,716</b>	<b>1,694,218</b>

(Continued)

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
<b>CAPITAL OUTLAY</b>					
Facilities Acquisition and Constr. Services					
Construction Services		\$ 160	\$ 160		\$ 160
Lease Purchase Agreements - Principal	\$ 120,000	176,894	296,894	\$ 296,894	-
Total Facilities Acquisition and Constr. Services	120,000	177,054	297,054	296,894	160
Total Expenditures - Capital Outlay	120,000	177,054	297,054	296,894	160
<b>SPECIAL SCHOOLS</b>					
Summer School- Instruction					
Salaries of Teachers	-	18,028	18,028	18,028	-
Total Summer School- Instruction	-	18,028	18,028	18,028	-
Summer School- Support Services					
Salaries		7,400	7,400	7,400	-
Purchase Professional and Technical Services		2,340	2,340	2,340	-
Personal Services - Employee Benefits		2,750	2,750	2,750	-
Miscellaneous Expenditures	-	6,192	6,192	5,252	940
Total Summer School- Support Services	-	18,682	18,682	17,742	940
Total Expenditures - Special Schools	-	36,710	36,710	35,770	940
Total Expenditures - General Fund	49,258,392	13,878,306	63,136,698	61,441,380	1,695,318
Excess (Deficiency) of Revenues Over/(Under) Expenditures	-	(345,992)	(345,992)	(924,007)	(578,015)
Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	-	(345,992)	(345,992)	(924,007)	(578,015)
Fund Balance, Beginning of Year	24,976,457	-	24,976,457	24,976,457	-
Fund Balance, End of Year	<u>\$ 24,976,457</u>	<u>\$ (345,992)</u>	<u>\$ 24,630,465</u>	<u>\$ 24,052,450</u>	<u>\$ (578,015)</u>
<b>Recapitulation of Fund Balance</b>					
Assigned Fund Balance					
Designated for Capital Projects				\$ 1,500,000	
Designated for Repairs and Replacements				533,476	
Designated for Fairfield Building Lease				14,407,645	
Unassigned Fund Balance				<u>7,611,329</u>	
Fund Balance (Budgetary Basis/GAAP Basis)				<u>\$ 24,052,450</u>	

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION**  
**SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET (NON-GAAP) AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES</b>					
Local Sources	\$ 10,328,919	\$ 535,355	\$ 10,864,274	\$ 10,834,341	\$ (29,933)
State	-	124,997	124,997	124,997	-
Federal	-	1,185,768	1,185,768	743,957	(441,811)
<b>Total Revenues</b>	<u>10,328,919</u>	<u>1,846,120</u>	<u>12,175,039</u>	<u>11,703,295</u>	<u>(471,744)</u>
<b>EXPENDITURES</b>					
<b>Instruction</b>					
Salaries of Teachers	4,353,675	283,853	4,637,528	4,496,456	141,072
Other Salaries for Instruction	344,728	604,347	949,075	902,919	46,156
Purchased Professional and Technical Services	26,000	14,441	40,441	40,440	1
General Supplies	27,000	572,046	599,046	576,574	22,472
Travel	5,000	16,309	21,309	1,808	19,501
Other Objects	-	11,465	11,465	5,590	5,875
<b>Total Instruction</b>	<u>4,756,403</u>	<u>1,502,461</u>	<u>6,258,864</u>	<u>6,023,787</u>	<u>235,077</u>
<b>Support Services</b>					
Salaries of Supervisors of Instruction	523,924	(55,478)	468,446	468,446	-
Salaries of Program Directors	356,133	39,797	395,930	393,273	2,657
Salaries of Other Professional Staff	745,875	93,470	839,345	810,631	28,714
Salaries of Secretaries and Clerical Assistants	123,020	33,499	156,519	154,680	1,839
Other Salaries	70,659	126,212	196,871	174,040	22,831
Purchased Professional-Educational Services	1,114,224	307,172	1,421,396	1,391,463	29,933
Other Purchased Professional Services	65,905	47,273	113,178	93,178	20,000
Purchased Technical Services	13,000	2,742	15,742	15,742	-
Rentals	-	83,574	83,574	76,000	7,574
Indirect Costs	494,099	(258,379)	235,720	235,720	-
Travel	22,250	3,658	25,908	19,767	6,141
Other Purchased Services	31,000	40,017	71,017	64,825	6,192
Supplies and Materials	18,261	239,049	257,310	224,581	32,729
Telephone	5,000	(5,000)	-	-	-
Energy	51,000	(7,893)	43,107	43,107	-
Other Objects	155,800	(46,736)	109,064	104,065	4,999
<b>Total Support Services</b>	<u>3,790,150</u>	<u>642,977</u>	<u>4,433,127</u>	<u>4,269,518</u>	<u>163,609</u>
Contracted Services - Transportation	-	108,580	108,580	72,828	35,752
Personal Services - Employee Benefits	1,752,366	(398,348)	1,354,018	1,316,712	37,306
<b>Facilities Acquisition and Construction Services</b>					
Instructional Equipment	25,000	(25,000)	-	-	-
Non-Instructional Equipment	-	14,590	14,590	14,590	-
Construction Services	5,000	860	5,860	5,860	-
<b>Total Facilities Acq. &amp; Construction</b>	<u>30,000</u>	<u>(9,550)</u>	<u>20,450</u>	<u>20,450</u>	<u>-</u>
<b>Total Expenditures</b>	<u>10,328,919</u>	<u>1,846,120</u>	<u>12,175,039</u>	<u>11,703,295</u>	<u>471,744</u>
Excess of Revenue over Expenditures	-	-	-	-	-
Fund Balances, Beginning of Year	-	-	-	-	-
Fund Balances, End of Year	\$ -	\$ -	\$ -	\$ -	\$ -

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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

The following presents a reconciliation of the General and Special Revenue Funds from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - General Fund and Special Revenue Fund to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.

	<b><u>General Fund</u></b>	<b><u>Special Revenue Fund</u></b>
<b>Sources/inflows of resources</b>		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedules	\$ 60,517,373	\$ 11,703,295
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 60,517,373</u>	<u>\$ 11,703,295</u>
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 61,441,380	\$ 11,703,295
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 61,441,380</u>	<u>\$ 11,703,295</u>

**SCHOOL LEVEL SCHEDULES**

**(General Fund)**

**NOT APPLICABLE**

**SPECIAL REVENUE FUND**

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Essex Detention Center Title I Services	Migrant Education Current	Migrant Education Prior	Homeless Education Current	Homeless Education Prior	Migrant Education Summer	Total Brought Forward (Ex. E-1a)	Totals
<b>REVENUES</b>	\$ 462,997	\$ 111,213	\$ 422,031	\$ 83,357	\$ 101,213	\$ 26,143	\$ 10,371,344	\$ 10,834,341
Local Sources	-	-	-	-	-	-	124,997	124,997
State Sources	-	-	-	-	-	-	-	743,957
Federal Sources	-	-	-	-	-	-	-	-
Total Revenues	\$ 462,997	\$ 111,213	\$ 422,031	\$ 83,357	\$ 101,213	\$ 26,143	\$ 10,496,341	\$ 11,703,295
<b>EXPENDITURES</b>								
Instruction:								
Salaries of Teachers	\$ 323,650	\$ 1,553	\$ 71,610	\$ 39,906	\$ 25,502		\$ 4,034,235	\$ 4,496,456
Other Salaries for Instruction	34,651		14,189	1,470	9,415		843,194	902,919
Purchased Prof. and Technical Services					1,000		39,440	40,440
General Supplies		103	67,753		7,217		501,501	576,574
Travel							1,808	1,808
Other Objects		75	1,784	50	3,200		481	5,590
Total Instruction	358,301	1,731	155,336	41,426	46,334		5,420,659	6,023,787
Support Services								
Salaries of Supervisors of Instruction		12,644	17,086	5,735	5,695		462,751	468,446
Salaries of Program Directors		6,257	6,414	12,606			357,808	393,273
Salaries of Other Professional Staff		20,424	14,714	5,499			785,354	810,631
Salaries of Secretaries and Clerical Assistants		44,061	42,410	508	11,751		114,043	154,680
Other Salaries		20,055	38,963	15,066	7,014		75,310	174,040
Personal Services - Employee Benefits	104,696						1,130,918	1,316,712
Purchased Professional-Educational Services					2,300		1,389,163	1,391,463
Other Purchased Professional Services			34,000				59,178	93,178
Purchased Technical Services							15,742	15,742
Rentals			7,000				69,000	76,000
Contracted Services - Transportation			23,020	825	3,147		45,836	72,828
Indirect Costs							235,720	235,720
Travel		4,505	4,784		182		10,296	19,767
Other Purchased Services		338	1,142		959	\$ 26,143	36,243	64,825
Supplies and Materials		1,198	54,570	1,692	14,892		152,229	224,581
Energy							43,107	43,107
Other Objects					8,939		87,124	104,065
Total Support Services	104,696	109,482	252,105	41,931	54,879	26,143	5,069,822	5,659,058
Facilities Acquisition and Construction								
Non-Instructional Equipment			14,590					14,590
Construction Services							5,860	5,860
Total Facilities Acquisition			14,590				5,860	20,450
Total Expenditures	\$ 462,997	\$ 111,213	\$ 422,031	\$ 83,357	\$ 101,213	\$ 26,143	\$ 10,496,341	\$ 11,703,295

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 SPECIAL REVENUE FUND  
 COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Extended Day Program	Essex Detention Center	Non Public Technology Services	Chapter 192/193 Services	Title I Services	Non Public Nursing Services	IDEA - B Services	Total Carried Forward
<b>REVENUES</b>								
Local Sources	\$ 124,997							\$ 124,997
State Sources								
Federal Sources								
<b>Total Revenues</b>	<b>\$ 124,997</b>	<b>\$ 1,730,275</b>	<b>\$ 85,363</b>	<b>\$ 5,409,375</b>	<b>\$ 691,803</b>	<b>\$ 975,124</b>	<b>\$ 1,479,404</b>	<b>\$ 10,371,344</b>
								<b>124,997</b>
								<b>\$ 10,496,341</b>
<b>EXPENDITURES</b>								
Instruction:								
Salaries of Teachers		\$ 591,675		\$ 3,129,169	\$ 270,570		\$ 42,821	\$ 4,034,235
Other Salaries for Instruction	\$ 15,422	204,619		3,120	915		619,118	843,194
Purchased Prof. and Technical Services			\$ 300	10,550	28,590			39,440
General Supplies		669			129,018		371,814	501,501
Travel					1,808			1,808
Other Objects	481							481
<b>Total Instruction</b>	<b>15,903</b>	<b>796,963</b>	<b>300</b>	<b>3,142,839</b>	<b>430,901</b>		<b>1,033,753</b>	<b>5,420,659</b>
<b>Support Services</b>								
Salaries of Supervisors of Instruction		322,116		245,382	123,540	\$ 93,829		462,751
Salaries of Program Directors	11,390	124		24,302				357,808
Salaries of Other Professional Staff	7,266	20,795		85,793	189	544,248	6,264	783,354
Salaries of Secretaries and Clerical Assistants	11,984			63,326				114,043
Other Salaries	5,794	217,718		532,398	100,197	151,010	123,801	75,310
Personal Services - Employee Benefits		4,868		1,087,394	4,000	20,199	296,901	1,130,918
Purchased Professional-Educational Services		8,768		26,211	3,300	2,160		1,389,163
Other Purchased Professional Services				33,333	16,667			59,178
Purchased Technical Services	19,000							15,742
Rentals	45,836							69,000
Contracted Services - Transportation	7,500	97,940	4,070		12,585	94,940	18,685	45,836
Indirect Costs						1,030		235,720
Travel				9,266				10,296
Other Purchased Services	153	4,169		31,921				36,243
Supplies and Materials	47	1,985	80,964	1,650		67,583		152,229
Energy				43,107				43,107
Other Objects		20,235	29	66,311	424	125		87,124
<b>Total Support Services</b>	<b>109,094</b>	<b>933,312</b>	<b>85,063</b>	<b>2,260,676</b>	<b>260,902</b>	<b>975,124</b>	<b>445,651</b>	<b>5,069,822</b>
<b>Facilities Acquisition and Construction</b>								
Non-Instructional Equipment				5,860				5,860
Construction Services								
<b>Total Facilities Acquisition</b>				<b>5,860</b>				<b>5,860</b>
<b>Total Expenditures</b>	<b>\$ 124,997</b>	<b>\$ 1,730,275</b>	<b>\$ 85,363</b>	<b>\$ 5,409,375</b>	<b>\$ 691,803</b>	<b>\$ 975,124</b>	<b>\$ 1,479,404</b>	<b>\$ 10,496,341</b>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
SPECIAL REVENUE FUND  
SCHEDULE OF PRESCHOOL EDUCATION AID EXPENDITURES  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOT APPLICABLE

**CAPITAL PROJECTS FUND**

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 CAPITAL PROJECTS FUND  
 SUMMARY SCHEDULE OF PROJECT EXPENDITURES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<u>Issue/Project Title</u>	<u>Appropriation</u>	<u>Transfers</u>	<u>Expenditures to Date</u>		<u>Project Balance June 30, 2013</u>
			<u>Prior Years</u>	<u>Current Year</u>	
Various Improvements to School Facilities - 2009/2010	\$ 2,027,036	\$ (109,916)	\$ 370,115	\$ 132,807	\$ 1,414,198
Various Improvements to School Facilities - 2010/2011	72,636	(40,084)	32,552	-	-
Clean and Disinfect Fairfield Building - 2012/2013	-	150,000	-	150,000	-
	<u>\$ 2,099,672</u>	<u>\$ -</u>	<u>\$ 402,667</u>	<u>\$ 282,807</u>	<u>\$ 1,414,198</u>
<b><u>Reconciliation to GAAP Basis</u></b>					
					<u>\$ 1,414,198</u>
Project Balances, June 30, 2013					<u>\$ 1,414,198</u>
Fund Balance, June 30, 2013 - GAAP Basis					<u>\$ 1,414,198</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Revenues and Other Financing Sources**

Other Financing Sources	
Transfer from General Fund - Capital Reserve	-
	<hr/>
Total Revenues and Other Financing Sources	-
	<hr/>

**Expenditures and Other Financing Uses**

Expenditures:	
Capital Outlay	
Purchased Professional and Technical Services	\$ 3,110
Facilities Acquisition and Construction	
Construction Services	129,697
Miscellaneous	150,000
	<hr/>
Total Expenditures	282,807
	<hr/>

Excess (Deficiency) of Revenues and Other Financing Sources	
Over (Under) Expenditures and Other Financing Uses	(282,807)

Fund Balance, Beginning of Year	<hr/> 1,697,005
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Fund Balance, End of Year	\$ <hr/> 1,414,198
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**Reconciliation to GAAP**

Fund Balance, June 30, 2013 (Budgetary Basis)	\$ <hr/> 1,414,198
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Fund Balance, June 30, 2013 (GAAP Basis)	\$ <hr/> 1,414,198
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**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS  
VARIOUS IMPROVEMENTS TO SCHOOL FACILITIES - 2009/2010  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
Local Sources - Transfer from Capital Reserve	\$ 2,000,000		\$ 2,000,000	\$ 2,000,000
Transfer (to) from Other Capital Projects	27,036	(109,916)	(82,880)	(82,880)
	<u>2,027,036</u>	<u>(109,916)</u>	<u>1,917,120</u>	<u>1,917,120</u>
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services	55,040	\$ 3,110	58,150	288,704
Construction Services	249,567	129,697	379,264	1,527,908
Equipment	64,435		64,435	99,435
Supplies and Materials	1,073		1,073	
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,073</u>
Total Expenditures and Other Financing Uses	<u>370,115</u>	<u>132,807</u>	<u>502,922</u>	<u>1,917,120</u>
Excess (Deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ 1,656,921</u>	<u>\$ (242,723)</u>	<u>\$ 1,414,198</u>	<u>\$ -</u>
<b>Additional project information:</b>				
Project Number		N/A		
Grant Date		N/A		
Bond Authorization Date		N/A		
Bonds Authorized		N/A		
Bonds Issued		N/A		
Original Authorized Cost	\$ 2,000,000			
Additional Authorized Cost	\$ (82,880)			
Revised Authorized Cost	\$ 1,917,120			
Percentage Decrease Over Original				
Authorized Cost		4%		
Percentage Completion		15%		
Original Target Completion Date		December 31, 2012		
Revised Target Completion Date		December 31, 2012		

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 CAPITAL PROJECTS FUND  
 SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS  
 VARIOUS IMPROVEMENTS TO SCHOOL FACILITIES - 2010/2011  
 FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
Transfer from Other Capital Projects	\$ 72,636	\$ (40,084)	\$ 32,552	\$ 32,552
 Total Revenues and Other Financing Sources	 <u>72,636</u>	 <u>(40,084)</u>	 <u>32,552</u>	 <u>32,552</u>
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services				
Construction Services	30,214		30,214	30,214
Equipment	<u>2,338</u>	<u>-</u>	<u>2,338</u>	<u>2,338</u>
 Total Expenditures and Other Financing Uses	 <u>32,552</u>	 <u>-</u>	 <u>32,552</u>	 <u>32,552</u>
 Excess (Deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	 <u>\$ 40,084</u>	 <u>\$ (40,084)</u>	 <u>\$ -</u>	 <u>\$ -</u>

**Additional project information:**

Project Number	N/A
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 72,636
Adjustment to Authorized Cost	(40,084)
Revised Authorized Cost	\$ 32,552
Percentage Decrease Over Original Authorized Cost	55%
Percentage Completion	100%
Original Target Completion Date	June 30, 2011
Revised Target Completion Date	June 30, 2011

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 CAPITAL PROJECTS FUND  
 SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS  
 CLEAN AND DISINFECT FAIRFIELD BUILDING - STORM RELATED EXPENSES  
 FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
Transfer (to) from Other Capital Projects	-	\$ 150,000	\$ 150,000	\$ 150,000
Total Revenues and Other Financing Sources	-	150,000	150,000	150,000
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services	-	150,000	150,000	150,000
Total Expenditures and Other Financing Uses	-	150,000	150,000	150,000
Excess (Deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ -	\$ -	\$ -	\$ -

**Additional project information:**

Project Number	N/A
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 150,000
Additional Authorized Cost	\$ -
Revised Authorized Cost	\$ 150,000

## Percentage Increase Over Original

Authorized Cost	0.00%
Percentage Completion	100.00%
Original Target Completion Date	June 30, 2013
Revised Target Completion Date	June 30, 2013

**PROPRIETARY FUND**

**EXHIBIT G-1**

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
FOOD SERVICE ENTERPRISE FUND  
COMBINING STATEMENT OF NET POSITION  
AS OF JUNE 30, 2013**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

**EXHIBIT G-2**

**COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

**EXHIBIT G-3**

**COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

**FIDUCIARY FUNDS**

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF NET POSITION  
AS OF JUNE 30, 2013**

	<u>Student Activity</u>	<u>Payroll Agency Funds</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,062	\$ 226,588	\$ 228,650
Total Assets	<u>\$ 2,062</u>	<u>\$ 226,588</u>	<u>\$ 228,650</u>
<b>LIABILITIES</b>			
Due to Student Groups	\$ 2,062		\$ 2,062
Payroll Deductions and Withholdings		\$ 220,925	220,925
Accrued Salaries and Wages		663	663
Due to Other Funds	<u>-</u>	<u>5,000</u>	<u>5,000</u>
Total Liabilities	<u>\$ 2,062</u>	<u>\$ 226,588</u>	<u>\$ 228,650</u>

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 FIDUCIARY FUNDS  
 COMBINING STATEMENT OF CHANGES IN NET POSITION  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOT APPLICABLE

STUDENT ACTIVITY AGENCY FUND  
 SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disburse-</u> <u>ments</u>	<u>Balance</u> <u>June 30, 2013</u>
Essex Junior Academy	\$ 2,701	\$ 857	\$ 2,329	\$ 1,229
Essex High School	229			229
Essex Campus Academy	<u>992</u>	<u>3,505</u>	<u>3,893</u>	<u>604</u>
	<u>\$ 3,922</u>	<u>\$ 4,362</u>	<u>\$ 6,222</u>	<u>\$ 2,062</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<b>Balance, July 1, <u>2012</u></b>	<b>Cash <u>Receipts</u></b>	<b>Cash <u>Disbursements</u></b>	<b>Balance, June 30, <u>2013</u></b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 465,978	\$ 35,409,173	\$ 35,648,563	\$ 226,588
 Total Assets	 <u>\$ 465,978</u>	 <u>\$ 35,409,173</u>	 <u>\$ 35,648,563</u>	 <u>\$ 226,588</u>
<b>LIABILITIES</b>				
Payroll Deductions and Withholdings	\$ 455,832	\$ 21,902,815	\$ 137,722	\$ 220,925
Accrued Salaries and Wages	5,146	13,506,129	13,510,612	663
Due to Other Funds	<u>5,000</u>	<u>229</u>	<u>229</u>	<u>5,000</u>
 Total Liabilities	 <u>\$ 465,978</u>	 <u>\$ 35,409,173</u>	 <u>\$ 13,648,563</u>	 <u>\$ 226,588</u>

**LONG-TERM DEBT**

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 LONG-TERM DEBT  
 SCHEDULE OF SERIAL BONDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOT APPLICABLE

SCHEDULE OF CAPITAL LEASES PAYABLE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<u>Issue</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Balance, July 1, 2012</u>	<u>Paid</u>	<u>Balance, June 30, 2013</u>
Fairfield Bldg	4.64%	\$ 12,500,000	\$ 9,867,527	\$ 255,073	\$ 9,612,454
			\$ 9,867,527	\$ 255,073	\$ 9,612,454

DEBT SERVICE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOT APPLICABLE

## STATISTICAL SECTION

This part of the Essex Regional Educational Services Commission's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Commission's overall financial health.

### Contents

### Exhibits

#### **Financial Trends**

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

J-1 to J-5

#### **Revenue Capacity**

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

J-6 to J-9

#### **Debt Capacity**

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

J-10 to J-13

#### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

J-14 and J-15

#### **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

J-16 to J-20

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

#### Note:

GASB requires that ten years of statistical data be presented. However, since the Commission implemented GASB No. 34 in fiscal year 2005 only nine years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 NET POSITION BY COMPONENT  
 LAST NINE FISCAL YEARS  
 (Unaudited)  
 (accrual basis of accounting)

	Fiscal Year Ended June 30,								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities									
Invested in Capital Assets, Net of Related Debt	\$ 996,487	\$ 3,234,522	\$ 2,829,300	\$ 2,697,515	\$ 2,805,918	\$ 3,392,027	\$ 3,411,282	\$ 3,123,390	\$ 2,976,864
Restricted				230,000	2,119,098	1,815,535	1,761,854	1,697,005	1,414,198
Unrestricted	21,751,046	22,706,440	24,675,177	25,751,791	24,254,803	25,031,661	25,777,639	26,373,107	26,679,257
Total Governmental Activities Net Position	\$ 22,747,533	\$ 25,940,962	\$ 27,504,477	\$ 28,679,306	\$ 29,179,819	\$ 30,239,223	\$ 30,950,775	\$ 31,193,502	\$ 31,070,319
Business-Type Activities									
Investment in Capital Assets	\$ 1,621	\$ 6,844	\$ 7,940	\$ 6,026	\$ 6,026	\$ 6,026	\$ 5,736	\$ 4,302	\$ 2,868
Unrestricted							7,371	14,807	18,842
Total Business-Type Activities Net Position	\$ 1,621	\$ 6,844	\$ 7,940	\$ 6,026	\$ 6,026	\$ 6,026	\$ 13,107	\$ 19,109	\$ 21,710
Commission-Wide									
Invested in Capital Assets, Net of Related Debt	\$ 996,487	\$ 3,234,522	\$ 2,829,300	\$ 2,697,515	\$ 2,805,918	\$ 3,392,027	\$ 3,417,018	\$ 3,127,692	\$ 2,979,732
Restricted				230,000	2,119,098	1,815,535	1,761,854	1,697,005	1,414,198
Unrestricted	21,752,667	22,713,284	24,683,117	25,757,817	24,260,829	25,037,687	25,785,010	26,387,914	26,698,099
Total Commission Net Position	\$ 22,749,154	\$ 25,947,806	\$ 27,512,417	\$ 28,685,332	\$ 29,185,845	\$ 30,245,249	\$ 30,963,882	\$ 31,212,611	\$ 31,092,029

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION**  
**CHANGES IN NET POSITION**  
**LAST NINE FISCAL YEARS**  
(Unaudited)  
*(accrual basis of accounting)*

	Fiscal Year Ended June 30,								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Expenses</b>									
Governmental Activities									
Instruction									
Regular	\$ 4,569,083	\$ 3,077,673	\$ 3,524,336	\$ 3,738,088	\$ 3,882,148	\$ 4,088,268	\$ 4,098,815	\$ 3,631,613	\$ 4,122,477
Special Education	2,802,646	3,375,388	3,794,669	4,200,043	3,545,921	3,835,227	2,910,254	8,530,077	9,136,576
Other Instruction	6,621,841	6,079,154	6,300,982	7,027,823	6,796,615	7,436,822	6,760,567	6,321,903	4,875,645
Support Services:									
Student & Instruction Related Services	8,153,530	7,861,125	7,709,704	7,346,768	7,583,760	7,884,319	12,979,070	7,860,385	6,420,782
General Administrative Services	768,842	623,511	672,801	830,519	835,610	718,073	774,117	683,125	934,794
School Administrative Services	760,654	1,077,885	1,128,423	1,017,907	1,013,099	1,068,755	1,054,926	1,136,124	1,255,294
Central Services	761,219	879,321	1,005,528	802,040	644,228	798,615	900,040	770,527	782,318
Administrative Info. Technology		55,746	45,170	120,382	129,664	133,380	159,899	234,833	194,258
Plant Operations And Maintenance	1,303,452	1,804,082	2,006,369	1,541,027	1,497,997	1,491,935	1,595,476	1,642,414	1,690,455
Pupil Transportation	40,798,238	45,865,443	51,517,118	41,421,483	40,495,522	39,939,543	38,457,959	42,106,886	43,751,326
Interest On Long-Term Debt	-	247,493	495,274	492,546	489,389	479,404	472,165	461,169	384,009
<b>Total Governmental Activities Expenses</b>	<b>66,539,505</b>	<b>70,946,821</b>	<b>78,200,374</b>	<b>68,538,626</b>	<b>66,913,953</b>	<b>67,874,341</b>	<b>70,163,288</b>	<b>73,379,056</b>	<b>73,547,934</b>
Business-Type Activities									
Food Service	75,321	67,004	88,000	70,588	64,551	62,433	71,978	78,552	68,163
<b>Total Business-Type Activities Expense</b>	<b>75,321</b>	<b>67,004</b>	<b>88,000</b>	<b>70,588</b>	<b>64,551</b>	<b>62,433</b>	<b>71,978</b>	<b>78,552</b>	<b>68,163</b>
<b>Total District Expenses</b>	<b>\$ 66,614,826</b>	<b>\$ 71,013,825</b>	<b>\$ 78,288,374</b>	<b>\$ 68,609,214</b>	<b>\$ 66,978,504</b>	<b>\$ 67,936,774</b>	<b>\$ 70,235,266</b>	<b>\$ 73,457,608</b>	<b>\$ 73,616,097</b>
<b>Program Revenues</b>									
Governmental Activities:									
Charges For Services:									
Instruction (Regular)	\$ 4,187,031	\$ 3,378,896	\$ 3,544,679	\$ 3,647,413	\$ 3,847,060	\$ 4,519,577	\$ 3,472,176	\$ 3,053,560	\$ 2,783,443
Special Education	5,697,178	5,884,458	7,671,748	7,514,537	6,155,795	6,323,649	6,021,136	5,972,108	5,530,256
Other Instruction	4,824,184	5,431,775	5,238,430	5,362,818	5,377,201	6,922,642	5,948,585	5,612,115	4,630,818
Student and Instruction Related Services	8,012,844	7,378,278	7,543,475	7,803,937	8,028,872	7,637,326	12,763,421	12,621,977	11,611,081
General Administrative Services	126,240	153,599	153,760	154,183	149,460	169,870	577,577	434,196	262,489
Central Services							475,278	298,455	106,842
Administration Info. Technology							84,437	90,960	26,609
Pupil Transportation	41,602,235	47,234,980	52,658,003	42,277,892	41,396,747	41,189,384	39,447,997	43,475,789	45,303,697
Interest on Long-Term Debt						54,000			
Operating Grants And Contributions	3,537,307	1,870,731	2,585,753	2,651,295	2,211,435	2,005,024	2,034,702	2,210,734	2,659,389
Capital Grants And Contributions	34,650	-	-	-	-	-	-	-	-
<b>Total Governmental Activities Program Revenues</b>	<b>68,021,669</b>	<b>71,332,717</b>	<b>79,395,848</b>	<b>69,412,075</b>	<b>67,166,570</b>	<b>68,821,472</b>	<b>70,823,309</b>	<b>73,769,894</b>	<b>72,914,624</b>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION**  
**CHANGES IN NET POSITION**  
**LAST NINE FISCAL YEARS**  
*(Unaudited)*  
*(accrual basis of accounting)*

	Fiscal Year Ended June 30,								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Business-Type Activities:</b>									
Charges For Services	\$ 1,275	\$ 9,648	\$ 10,962	\$ 3,377	\$ 1,600	\$ 351	\$ 322	\$ 82,873	\$ 70,764
Food Service	67,343	62,579	78,134	65,297	55,864	55,410	67,036		
Operating Grants And Contributions	-	-	-	-	-	-	7,170	-	-
Capital Grants and Contributions	-	-	-	-	-	-	-	-	-
<b>Total Business-Type Activities Program Revenues</b>	<u>68,618</u>	<u>72,227</u>	<u>89,096</u>	<u>68,674</u>	<u>57,464</u>	<u>55,761</u>	<u>74,528</u>	<u>82,873</u>	<u>70,764</u>
<b>Total District Program Revenues</b>	<u>\$ 68,090,287</u>	<u>\$ 71,404,944</u>	<u>\$ 79,484,944</u>	<u>\$ 69,480,749</u>	<u>\$ 67,224,034</u>	<u>\$ 68,877,233</u>	<u>\$ 70,899,837</u>	<u>\$ 73,852,767</u>	<u>\$ 72,985,388</u>
<b>Net (Expense)/Revenue</b>									
Governmental Activities	\$ 1,482,164	\$ 385,896	\$ 1,195,474	\$ 873,449	\$ 252,617	\$ 947,131	\$ 662,021	\$ 390,838	\$ (633,310)
Business-Type Activities	(6,703)	5,223	1,096	(1,914)	(7,087)	(6,672)	2,550	4,321	2,601
<b>Total District-Wide Net Expense</b>	<u>\$ 1,475,461</u>	<u>\$ 391,119</u>	<u>\$ 1,196,570</u>	<u>\$ 871,535</u>	<u>\$ 245,530</u>	<u>\$ 940,459</u>	<u>\$ 664,571</u>	<u>\$ 395,159</u>	<u>\$ (630,709)</u>
<b>General Revenues and Other Changes in Net Position</b>									
Governmental Activities:									
Miscellaneous Income	1,105,162	2,807,533	400,249	421,588	291,900	169,372	54,062	117,164	510,127
Loss on Disposal of Capital Assets	-	-	(32,208)	(120,208)	(36,917)	(50,427)	(4,531)	(1,681)	-
Transfers	-	-	-	-	(7,087)	(6,672)	(4,531)	-	-
<b>Total Governmental Activities</b>	<u>1,105,162</u>	<u>2,807,533</u>	<u>368,041</u>	<u>301,380</u>	<u>247,896</u>	<u>112,273</u>	<u>49,531</u>	<u>115,483</u>	<u>510,127</u>
<b>Business-Type Activities:</b>									
Transfers	-	-	-	-	7,087	6,672	4,531	1,681	-
<b>Total Business-Type Activities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,087</u>	<u>6,672</u>	<u>4,531</u>	<u>1,681</u>	<u>-</u>
<b>Total Commission-Wide</b>	<u>\$ 1,105,162</u>	<u>\$ 2,807,533</u>	<u>\$ 368,041</u>	<u>\$ 301,380</u>	<u>\$ 254,983</u>	<u>\$ 118,945</u>	<u>\$ 54,062</u>	<u>\$ 117,164</u>	<u>\$ 510,127</u>
<b>Change in Net Position</b>									
Governmental Activities	\$ 2,587,326	\$ 3,193,429	\$ 1,563,515	\$ 1,174,829	\$ 500,513	\$ 1,059,404	\$ 711,552	\$ 506,321	\$ (123,183)
Business-Type Activities	(6,703)	5,223	1,096	(1,914)	-	-	7,081	6,002	2,601
<b>Total Commission</b>	<u>\$ 2,580,623</u>	<u>\$ 3,198,652</u>	<u>\$ 1,564,611</u>	<u>\$ 1,172,915</u>	<u>\$ 500,513</u>	<u>\$ 1,059,404</u>	<u>\$ 718,633</u>	<u>\$ 512,323</u>	<u>\$ (120,582)</u>

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 FUND BALANCES - GOVERNMENTAL FUNDS  
 LAST NINE FISCAL YEARS  
 (Unaudited)  
 (modified accrual basis of accounting)

	Fiscal Year Ended June 30,								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund									
Reserved				\$ 230,000	\$ 2,000,000				
Unreserved	\$ 22,124,812	\$ 19,119,045	\$ 23,177,835	\$ 26,207,140	23,992,189	\$ 25,032,511	\$ 5,012,173	\$ 4,533,122	\$ 16,441,121
Assigned							19,972,123	20,443,335	7,611,329
Unassigned	-	-	-	-	-	-			
Total General Fund	\$ 22,124,812	\$ 19,119,045	\$ 23,177,835	\$ 26,437,140	\$ 25,992,189	\$ 25,032,511	\$ 24,984,296	\$ 24,976,457	\$ 24,052,450
All Other Governmental Funds									
Unreserved					\$ 119,098	\$ 1,815,535	\$ 1,761,854	\$ 1,697,005	\$ 1,414,198
Restricted									
Total All Other Governmental Funds	\$ -	\$ -	\$ -	\$ -	\$ 119,098	\$ 1,815,535	\$ 1,761,854	\$ 1,697,005	\$ 1,414,198

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**LAST NINE FISCAL YEARS**  
**(Unaudited)**  
*(modified accrual basis of accounting)*

	Fiscal Year Ended June 30,								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Revenues</b>									
Tuition Charges	\$ 5,112,090	\$ 5,100,389	\$ 5,728,041	\$ 5,578,707	\$ 4,119,640	\$ 4,689,320	\$ 4,505,166	\$ 4,767,441	\$ 4,733,809
Transportation Fees	41,602,235	43,290,690	54,756,134	44,022,551	41,206,038	41,143,289	39,522,391	42,790,390	44,296,463
Miscellaneous	9,422,400	20,441,677	19,556,726	20,357,069	20,413,386	22,489,071	25,043,753	24,218,331	20,531,007
State Sources	11,614,922	1,190,972	1,834,276	1,853,167	1,426,093	1,426,946	1,400,857	1,620,817	1,915,432
Federal Sources	2,199,870	686,706	751,477	798,128	785,342	570,036	633,845	589,917	743,957
<b>Total Revenue</b>	<b>69,951,517</b>	<b>70,710,434</b>	<b>82,626,654</b>	<b>72,609,622</b>	<b>67,950,499</b>	<b>70,318,662</b>	<b>71,106,012</b>	<b>73,986,896</b>	<b>72,220,668</b>
<b>Expenditures</b>									
<b>Instruction</b>									
Regular Instruction	4,575,542	3,071,899	3,501,064	3,745,121	3,881,257	4,086,428	4,101,707	3,633,314	4,124,419
Special Education Instruction	2,777,821	3,343,187	3,757,139	4,182,027	3,504,060	3,782,426	2,866,453	8,479,605	9,107,491
Other Instruction	6,630,391	6,070,613	6,266,731	7,045,758	6,801,189	7,440,226	6,760,567	6,330,597	4,875,645
<b>Support Services</b>									
Student and Inst. Related Services	8,160,139	7,856,216	7,683,233	7,359,159	7,585,888	7,886,846	12,997,008	7,878,960	6,423,908
General Administration	1,488,749	1,350,504	1,464,784	1,794,103	1,786,575	1,761,518	1,730,966	1,328,410	928,168
School Administrative Services	768,930	1,046,290	1,087,329	985,591	979,828	1,044,182	1,034,202	1,121,016	1,240,552
Central Services	761,939	878,617	1,001,404	803,585	644,573	798,926	901,066	770,824	780,663
Admin. Information Technology		55,680	44,919	120,726	129,744	133,450	160,140	235,181	194,422
Plant Operations And Maintenance	1,111,956	1,473,939	1,584,543	1,179,055	1,146,913	1,094,485	1,165,627	1,209,822	1,201,781
Pupil Transportation	40,799,330	45,864,269	51,511,655	41,424,404	40,496,196	39,940,116	38,459,828	42,108,609	43,752,176
Capital Outlay	59,944	13,397,000	238,542	304,541	446,795	970,380	355,966	241,718	153,257
<b>Debt Service</b>									
Principal		1,883,200	20,971	141,695	145,332	152,016	193,345	252,965	255,073
Interest and other Charges	-	-	495,430	494,552	490,915	484,232	476,502	466,882	389,927
<b>Total Expenditures</b>	<b>67,134,741</b>	<b>86,291,414</b>	<b>78,657,744</b>	<b>69,580,317</b>	<b>68,039,265</b>	<b>69,575,231</b>	<b>71,203,377</b>	<b>74,057,903</b>	<b>73,427,482</b>
<b>Excess (Deficiency) of Revenues</b>									
Over (Under) Expenditures	2,816,776	(15,580,980)	3,968,910	3,029,305	(88,766)	743,431	(97,365)	(71,007)	(1,206,814)
<b>Other Financing Sources (Uses)</b>									
Capital Leases (Non-Budgeted)		12,575,213	89,880						
Transfers In		1,213,231			230,000	2,000,000			
Transfers Out	-	(1,213,231)	-	-	(237,087)	(2,006,672)	(4,531)	(1,681)	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>12,575,213</b>	<b>89,880</b>	<b>-</b>	<b>(7,087)</b>	<b>(6,672)</b>	<b>(4,531)</b>	<b>(1,681)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>\$ 2,816,776</b>	<b>\$ (3,005,767)</b>	<b>\$ 4,058,790</b>	<b>\$ 3,029,305</b>	<b>\$ (95,853)</b>	<b>\$ 736,759</b>	<b>\$ (101,896)</b>	<b>\$ (72,688)</b>	<b>\$ (1,206,814)</b>
<b>Debt Service as a Percentage of</b>									
Noncapital Expenditures	0.00%	2.58%	0.66%	0.92%	0.94%	0.93%	0.95%	0.98%	0.88%

\* Noncapital expenditures are total expenditures less capital outlay.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
GENERAL FUND OTHER LOCAL REVENUES BY SOURCE  
LAST NINE FISCAL YEARS  
(Unaudited)**

<b>Fiscal Year Ended June 30</b>	<b>Local Education Agency Fees</b>	<b>Indirect Cost Fees</b>	<b>Interest</b>	<b>Miscellaneous</b>	<b>Total</b>
2005	\$ 6,236,291	\$ 824,686	\$ 241,966	\$ 38,510	\$ 7,341,453
2006	4,172,162	803,250	498,257	292,795	5,766,464
2007	4,156,615	857,079	380,884	19,365	5,413,943
2008	3,813,695	991,991	376,654	44,934	5,227,274
2009	3,969,280	965,132	163,678	28,222	5,126,312
2010	4,244,377	1,055,997	132,867	8,725	5,441,966
2011	9,471,705	968,497	22,608	31,454	10,494,264
2012	10,414,271	654,016	17,007	117,164	11,202,458
2013	8,958,318	228,221	26,577	483,550	9,696,666

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY  
LAST TEN YEARS  
(Unaudited)**

**NOT APPLICABLE**

**DRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST TEN YEARS  
(Unaudited)**

**NOT APPLICABLE**

**PRINCIPAL PROPERTY TAXPAYERS  
CURRENT YEAR AND NINE YEARS AGO  
(Unaudited)**

**NOT APPLICABLE**

**PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN YEARS  
(Unaudited)**

**NOT APPLICABLE**

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 RATIOS OF OUTSTANDING DEBT BY TYPE  
 LAST NINE FISCAL YEARS  
 (Unaudited)

Fiscal Year Ended June 30,	Governmental Activities					County Population	Per Capita
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Total Commission		
2005						778,819	\$ -
2006			\$ 10,692,013		\$ 10,692,013	772,090	\$ 14
2007			10,760,922		10,760,922	769,139	\$ 14
2008			10,619,227		10,619,227	767,075	\$ 14
2009			10,473,895		10,473,895	769,644	\$ 14
2010			10,313,837		10,313,837	784,099	\$ 13
2011			10,120,492		10,120,492	785,137	\$ 13
2012			9,867,527		9,867,527	787,744	\$ 13
2013			9,612,454		9,612,454	787,744 (E)	\$ 12

Source: Commission records

(E) - Estimate

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS  
(Unaudited)**

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		

NOT APPLICABLE

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES BONDED DEBT  
LAST TEN FISCAL YEARS  
(Unaudited)**

NOT APPLICABLE

**LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS  
(Unaudited)**

NOT APPLICABLE

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
DEMOGRAPHIC STATISTICS - COUNTY OF ESSEX  
LAST TEN YEARS  
(Unaudited)**

<u>Year Ended December 31,</u>	<u>Unemployment Rate</u>	<u>Per Capita Income</u>	<u>County Population</u>
2003	7.3%	38,746	790,601
2004	5.9%	41,417	785,389
2005	5.6%	43,231	778,819
2006	5.8%	47,290	772,090
2007	5.3%	49,850	769,139
2008	6.0%	51,665	767,075
2009	10.5%	48,901	769,644
2010	11.0%	50,791	784,099
2011	10.8%	52,956	785,137
2012	10.8%	52,956	787,744
2013	10.8%	52,956 (E)	787,744 (E)

Note: Information represents County of Essex demographics

Source: New Jersey Department of Work Force Development

E = Estimate

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
PRINCIPAL EMPLOYERS,  
CURRENT YEAR AND NINE YEARS AGO  
(Unaudited)**

**NOT APPLICABLE**

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM  
 LAST NINE FISCAL YEARS  
 (Unaudited)

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Instruction	183	176	176	160	160	150	150	140	140
Support Services:									
Student and Instruction Related Services	95	91	80	69	106	106	324	280	290
General Administration	11	12	4	6	5	5	5	5	5
School Administrative Services	4	5	26	14	11	10	10	10	10
Central and Other Support Services	8	10	9	20	18	17	17	16	17
Plant Operations And Maintenance	7	10	8	8	7	7	6	6	6
Pupil Transportation	14	14	13	16	17	17	13	15	15
Total	<u>322</u>	<u>318</u>	<u>316</u>	<u>293</u>	<u>324</u>	<u>312</u>	<u>525</u>	<u>472</u>	<u>483</u>

Source: District Personnel Records

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 OPERATING STATISTICS  
 LAST TEN FISCAL YEARS  
 (Unaudited)

Fiscal Year Ended June 30,	Enrollment	Operating Expenditures	Teaching Staff	Pupil/Teacher Ratio			Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in	
				Elementary/ Middle School	High School	Average Daily Enrollment			Average Daily Enrollment	Student Attendance Percentage
2004	129.6	\$ 61,029,162	N/A	1:5.3	1:5.6	43.2	34.4	-8.67%	91%	
2005	162.5	67,134,741	N/A	1:5.5	1:5.5	40.6	30.3	6.08%	90%	
2006	188.3	71,011,214	35	1:2.6	1:5.5	47.1	32.4	16.01%	69%	
2007	186.6	77,902,801	28	1:5.1	1:8.9	66.9	43.9	42.04%	66%	
2008	203.1	68,639,529	24	1:6.6	1:6.9	67.7	41.8	1.20%	62%	
2009	157.1	66,956,223	24	5:2.1	6:0.1	52.4	34.6	-22.60%	66%	
2010	122.0	67,968,603	17	8:7.1	6:3.1	50.0	29.8	-4.58%	60%	
2011	128.0	70,177,564	19	7:0.1	6:6.1	43.0	30.0	-14.00%	70%	
2012	135.0	73,096,338	17	11:0.1	7:1.1	45.4	34.7	5.58%	76%	
2013	126.8	72,629,225	20	7:5.1	6:2.1	42.3	32.3	-6.83%	76%	

Sources: District records

N/A - Not Available

Note - Commission's operating expenditures represent cost for services rendered to other local education agencies as well as Commission students. The cost per pupil is not representative of cost associated with students included in the Commission's enrollment. Therefore, cost per pupil has not been calculated

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
SCHOOL BUILDING INFORMATION  
LAST EIGHT FISCAL YEARS  
(Unaudited)**

	2006	2007	2008	2009	2010	2011	2012	2013
<b><u>District Building</u></b>								
<u>Dr. Jacqueline A. Young Education Center</u>								
Square Feet	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000
Capacity (students)								
Enrollment								
<u>Essex Campus Academy</u>								
Square Feet	30,000	30,000	30,000	30,000	30,000	30,000	30,000	3,000
Capacity (students)	125	125	125	125	125	125	125	125
Enrollment	44	91	110	83	52	52	46	36
<u>Essex Junior Academy</u>								
Square Feet	33,276	33,276	33,276	32,276	33,276	33,276	33,276	38,000
Capacity (students)	192	192	192	192	192	192	192	220
Enrollment	60	59	53	32	35	35	46	44
<u>Essex High School</u>								
Square Feet	6,260	6,260	6,260	6,260	7,580	7,580	7,580	7,580
Capacity (students)	48	48	48	36	48	48	48	48
Enrollment	34	84	40	42	35	35	44	46
Number of Schools at June 30, 2013								
Elementary/Middle School	1	1	1	1	1	1	1	1
Senior High School =	3	3	2	2	2	2	2	2

Source: District Records

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
GENERAL FUND  
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES  
(Unaudited)

NOT APPLICABLE

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION**  
**SCHEDULE OF INSURANCE**  
**JUNE 30, 2013**  
**(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
School Alliance Insurance Fund		
General Liability		
Per Occurrence, Bodily Injury, Property Damages & Personal Injury		
Combined Single Limit	\$ 5,000,000	\$1,000 per claim
Per Occurrence/Annual Aggregate	31,000,000	
Premises Medical Expense Per Person	5,000	\$1,000 per claim
Professional Liability		
Each Claim, Each Insured	5,000,000	
Aggregate, Each Insured	5,000,000	
Each Claim, All Insured	10,000,000	
Workers Compensation Policy		
Bodily Injury by Accident (Each Accident)	2,000,000	
Bodily Injury by Disease (Policy Limit)	2,000,000	
Bodily Injury by Disease (Each Employee)	2,000,000	
Payrolls: Estimated Prof. & Clerical	13,800,000	
Estimated Non-Prof. Drivers	308,000	
Excess Liability		
New Jersey CAP Program		
Claims Made, Each Occurrence	50,000,000	
Aggregate	50,000,000	
Student Accident Policy		
Maximum Benefit, Each Medical Incident	1,000,000	
Crime & Fidelity		
Blanket Dishonesty Bond Including Faithful Performance Per Person	50,000	\$500 per loss
Theft Disappearance & Destruction		
Inside Premises Per Loss	50,000	\$1,000 per loss
Outside Premises Per Loss	50,000	\$1,000 per loss
Computer Fraud	50,000	\$1,000 per loss
Forgery & Alteration	50,000	\$1,000 per loss

Source: School District's records

**SINGLE AUDIT SECTION**



# LERCH, VINCI & HIGGINS, LLP

EXHIBIT K-1

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA  
GARY J. VINCI, CPA, RMA, PSA  
GARY W. HIGGINS, CPA, RMA, PSA  
JEFFREY C. BLISS, CPA, RMA, PSA  
PAUL J. LERCH, CPA, RMA, PSA  
DONNA L. JAPHET, CPA, PSA  
JULIUS B. CONSONI, CPA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA  
ANDREW PARENTE, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
DEBORAH K. LERCH, CPA, PSA  
RALPH M. PICONE, CPA, RMA, PSA  
DEBRA GOLLE, CPA  
CINDY JANACEK, CPA, RMA  
EDWARD N. KERE, CPA  
LORI T. MANUKIAN, CPA, PSA  
MARK SACO, CPA

## 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

### INDEPENDENT AUDITOR'S REPORT

Honorable President and Members  
of the Board of Directors  
Essex Regional Educational Services Commission  
Fairfield, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Essex Regional Educational Services Commission as of and for the fiscal year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the Essex Regional Educational Services Commission's basic financial statements and have issued our report thereon dated November 27, 2013.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Essex Regional Educational Services Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Essex Regional Educational Services Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Essex Regional Educational Services Commission's internal control.

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 a 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

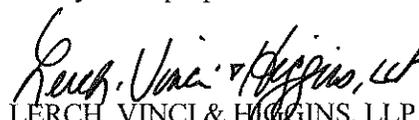
### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Essex Regional Educational Services Commission's financial statements are free from 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 Office of School Finance, Department of Education, State of New Jersey.

We noted certain matters that we reported to management of the Essex Regional Educational Services Commission in a separate report entitled, "Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance" dated November 27, 2013.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Essex Regional Educational Services Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Essex Regional Educational Services Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Public School Accountants

  
Gary J. Vinci  
Public School Accountant  
PSA Number CS00829

Fair Lawn, New Jersey  
November 27, 2013



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-2

DIETER P. LERCH, CPA, RMA, PSA  
GARY J. VINCI, CPA, RMA, PSA  
GARY W. HIGGINS, CPA, RMA, PSA  
JEFFREY C. BLISS, CPA, RMA, PSA  
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MARK SACO, CPA

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT  
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY  
U.S. OMB CIRCULAR A-133 AND SCHEDULE OF EXPENDITURES OF STATE FINANCIAL  
ASSISTANCE AS REQUIRED BY NEW JERSEY OMB CIRCULAR 04-04**

**INDEPENDENT AUDITOR’S REPORT**

Honorable President and Members  
of the Board of Director  
Essex Regional Educational Services Commission  
Fairfield, New Jersey

**Report on Compliance for Each Major Federal and State Program**

We have audited the Essex Regional Educational Services Commission’s compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the New Jersey OMB Circular 04-04 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the Essex Regional Educational Services Commission’s major federal and state programs for the fiscal year ended June 30, 2013. The Essex Regional Educational Services Commission’s major federal and state programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

**Management’s Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on compliance for each of the Essex Regional Educational Services Commission’s major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; U.S. OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards and Circulars require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Essex Regional Educational Services Commission’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the Essex Regional Educational Services Commission's compliance.

### ***Opinion on Each Major Federal and State Program***

In our opinion, the Essex Regional Educational Services Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2013.

### **Report on Internal Control Over Compliance**

Management of the Essex Regional Educational Services Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Essex Regional Educational Services Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with U.S. OMB Circular A-133 and New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Essex Regional Educational Services Commission's internal control over compliance.

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

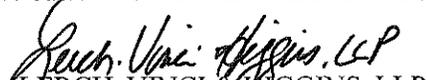
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of U.S. OMB Circular A-133 and New Jersey OMB Circular 04-04. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by U.S. OMB Circular A-133 and Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 04-04**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Essex Regional Educational Services Commission, as of and for the fiscal year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the Commission's financial statements. We issued our report thereon dated November 27, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards as required by U.S. OMB Circular A-133 and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 04-04 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived

from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

  
LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Public School Accountants

  
Gary J. Vinci  
Public School Accountant  
PSA Number CS00829

Fair Lawn, New Jersey  
November 27, 2013

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Grant Period	Award Amount	Balance July 1, 2012		Carryover Amount	Cash Received	Budgetary Expenditures	Balance June 30, 2013		Memo GAAP Receivable
				(Accounts Receivable)	Unearned Revenue				(Accounts Receivable)	Unearned Revenue	
<b>U.S. Department of Education</b>											
<b>Passed Through State Department of Education</b>											
<i>Special Revenue Fund:</i>											
Migrant Education	84.011A	1/13-12/31/13	\$ 505,827	\$ (510,187)	\$ 422,031	-	\$ 510,187	\$ 111,213	\$ (505,827)	\$ 394,614	\$ (111,213)
Migrant Education	84.011A	1/12-12/31/12	510,187				26,143	422,031			
Migrant Education -Summer	84.011A	9/1/12-8/31/13	26,143				26,143				
Homeless Children and Youth Ed.	84.196	9/1/12-8/31/13	162,685				35,448	83,357	(127,237)	79,328	(47,909)
Homeless Children and Youth Ed.	84.196	9/1/11-8/31/12	168,630	(136,605)	101,213		136,605	101,213			
Homeless Children and Youth Ed.	84.196	9/1/10-8/31/11	313,750	(28,752)	28,752		-	-			
<b>Total Special Revenue Fund</b>				<b>(675,544)</b>	<b>551,996</b>	<b>-</b>	<b>708,383</b>	<b>743,957</b>	<b>(633,064)</b>	<b>473,942</b>	<b>(159,122)</b>
<b>U.S. Department of Education</b>											
<b>Passed Through State Department of Education</b>											
<i>Enterprise Fund:</i>											
National School Lunch Program	10.555	7/1/11-6/30/12	49,360	(2,684)			2,684				(2,521)
National School Lunch Program	10.555	7/1/12-6/30/13	42,137				39,616	42,137	(2,521)		
National School Breakfast Program	10.553	7/1/11-6/30/12	32,539	(1,798)			1,798				(1,682)
National School Breakfast Program	10.553	7/1/12-6/30/13	27,775				26,093	27,775	(1,682)		
<b>Total Enterprise Fund</b>				<b>(4,482)</b>	<b>-</b>	<b>-</b>	<b>70,191</b>	<b>69,912</b>	<b>(4,203)</b>	<b>-</b>	<b>(4,203)</b>
<b>Total Federal Financial Awards</b>				<b>\$ (680,026)</b>	<b>\$ 551,996</b>	<b>\$ -</b>	<b>\$ 778,574</b>	<b>\$ 813,869</b>	<b>\$ (637,267)</b>	<b>\$ 473,942</b>	<b>\$ (163,325)</b>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

State Department of Education	Grant or State Project Number	Grant Period	Award Amount	Balance July 1, 2013	Carryover Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Year Balances	Balance June 30, 2013		MEMO
									(Accts. Receivable)	Due to LEA	
<b>General Fund:</b>											
TPAF Pension Contributions	13-495-034-5095-006	7/1/12-6/30/13	\$ 513,654			\$ 513,654	\$ 513,654				\$ 513,654
TPAF Pension - NCGI Premium	13-495-034-5095-007	7/1/12-6/30/13	27,025			27,025	27,025				27,025
TPAF Pension-Post Retirement Medical	13-495-034-5095-001	7/1/12-6/30/13	611,372			611,372	611,372				611,372
Reimbursed TPAF Social Security Contr.	12-495-034-5095-002	7/1/11-6/30/12	621,919	\$ (372,835)		372,835					
Reimbursed TPAF Social Security Contr.	13-495-034-5095-002	7/1/12-6/30/13	638,384			577,150	638,384		\$ (61,234)		638,384
<b>Total General Fund</b>				(372,835)		2,102,036	1,790,435		(61,234)		1,790,435
<b>Special Revenue Fund:</b>											
State Division of Youth and Family Serv.	12AJQM	7/1/12-6/30/13	124,997			124,997	124,997				124,997
Extended Day Care											
<b>Total Special Revenue Fund</b>						124,997	124,997				124,997
<b>Enterprise Fund:</b>											
State School Lunch Program	12-100-034-5120-122	7/1/11-6/30/12	974	(53)		53					
State Share	13-100-034-5120-122	7/1/12-6/30/13	852			757	852		(95)		852
<b>Total Enterprise Fund</b>				(53)		810	852		(95)		852
<b>Total State Financial Assistance</b>				(372,888)		2,227,843	1,916,284		(61,329)		1,916,284
<b>State Financial Assistance Not Subject to Single Audit Determination</b>											
<b>General Fund</b>											
TPAF Pension Contributions	13-495-034-5095-006	7/1/12-6/30/13	513,654			(513,654)	(513,654)				(513,654)
TPAF Pension - NCGI Premium	13-495-034-5095-007	7/1/12-6/30/13	27,025			(27,025)	(27,025)				(27,025)
TPAF Pension-Post Retirement Medical	13-495-034-5095-001	7/1/12-6/30/13	611,372			(611,372)	(611,372)				(611,372)
<b>Total State Assistance Subject to Single Audit Determination</b>				(372,888)		1,075,792	764,233		(61,329)		764,233

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE SCHEDULES OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 1 GENERAL**

The accompanying schedules present the activity of all federal and state financial assistance programs of the Essex Regional Educational Services Commission. The Commission is defined in Note 1(A) to the Commission's basic financial statements. All federal financial assistance received directly from federal 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 are prepared and presented using 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. These bases of accounting are described in Notes 1(C) to the Commission's basic financial statements. The information in these schedules is presented in accordance with requirements of U.S. OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations" and New Jersey OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Therefore, some amounts presented in these schedules may differ from the 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 a modified accrual basis, the same basis as GAAP. 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.

There was no required adjustment to reconcile from the budgetary basis to the GAAP basis for the General and Special Revenue Funds. 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 Commission's basic financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 1,790,435	\$ 1,790,435
Special Revenue Fund	\$ 743,957	124,997	868,954
Food Service Fund	<u>69,912</u>	<u>852</u>	<u>70,764</u>
Total Financial Assistance	<u>\$ 813,869</u>	<u>\$ 1,916,284</u>	<u>\$ 2,730,153</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE SCHEDULES OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the Commission's fiscal year and grant program years.

**NOTE 5 OTHER INFORMATION**

TPAF Social Security contributions in the amount of \$638,384 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2013. The amount reported as TPAF Pension System Contributions in the amount of \$540,679 and TPAF Post-Retirement Medical Benefits Contributions in the amount of \$611,372 represents the amount paid by the State on behalf of the Commission for the fiscal year ended June 30, 2013.

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

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

*Part I – Summary of Auditor’s Results*

**Financial Statement Section**

Type of auditors' report issued on financial statements Unmodified

Internal control over financial reporting:

1) Material weakness(es) identified: \_\_\_\_\_ yes  X  no

2) Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes  X  none reported

Noncompliance material to the basic financial statements noted? \_\_\_\_\_ yes  X  no

**Federal Awards Section**

Internal Control over major programs:

1) Material weakness(es) identified: \_\_\_\_\_ yes  X  no

2) Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes  X  none reported

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of Circular A-133? \_\_\_\_\_ yes  X  no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.011A</u>	<u>Migrant Education</u>
_____	_____
_____	_____
_____	_____

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

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes  X  no



**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

*Part 2 – Schedule of Financial Statement Findings*

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements in accordance with Government Auditing Standards.

THERE ARE NONE.

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

*Part 3 – Schedule of Federal and State Award Findings and Questioned Costs*

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04.

**CURRENT YEAR FEDERAL AWARDS**

THERE ARE NONE.

**CURRENT YEAR STATE AWARDS**

THERE ARE NONE.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. OMB Circular A-133 (Section .315(a)(b)) and New Jersey OMB's Circular 04-04.

**STATUS OF PRIOR YEAR FINDINGS**

THERE WERE NONE.