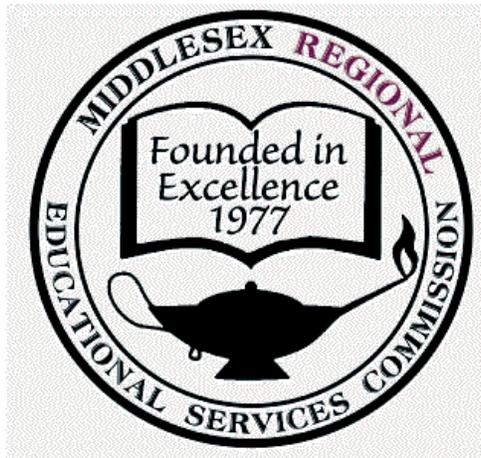


**M**IDDLESEX **R**EGIONAL  
**E**ducational **S**ervices **C**ommission



**BOARD OF DIRECTORS**  
**PISCATAWAY, NJ 08854**

**Comprehensive Annual Financial Report**  
for the Fiscal Year ended June 30, 2015



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

Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2015

Prepared by

Middlesex Regional Educational Services Commission  
Business Office



# Table of Contents

	<u>Page</u>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal	1
Organizational Chart	16
Roster of Officials	17
Consultants, Independent Auditors and Advisors	18
<b>FINANCIAL SECTION</b>	
Report of Independent Auditors	19
<b>Required Supplementary Information – Part I</b>	
Management’s Discussion and Analysis	22
<b>Basic Financial Statements</b>	
District-wide Financial Statements:	
A-1 Statement of Net Position	35
A-2 Statement of Activities	36
Fund Financial Statements	
Governmental Funds:	
B-1 Balance Sheet	37
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balance	38
B-3 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	39
Proprietary Funds:	
B-4 Statement of Net Position	40
B-5 Statement of Revenues, Expenses and Changes in Fund Net Position	41
B-6 Statement of Cash Flows	42
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Position	43
B-8 Statement of Changes in Fiduciary Net Position	44
Notes to Financial Statements	45

## Table of Contents (continued)

	<u>Page</u>	
<b>FINANCIAL SECTION (continued)</b>		
<b>Required Supplementary Information – Part II</b>		
Budgetary Comparison Schedules:		
C-1	Budgetary Comparison Schedule – General Fund	75
C-2	Budgetary Comparison Schedule – Special Revenue Fund	80
C-3	Note to Required Supplementary Information – Budget to GAAP Reconciliation	81
Schedules Related to Accounting and Reporting for Pensions (GASB 68):		
C-4	Schedule of the Commission’s Proportionate Share of the Net Pension Liability	82
C-5	Schedule of the Commission’s Contributions– PERS	83
C-6	Schedule of the Commission’s Contributions – TPAF	85
<b>Other Supplementary Information</b>		
D	School Level Schedules – Not Applicable	
Special Revenue Fund:		
E-1	Combining Schedule of Revenues and Expenditures – Budgetary Basis	87
E-2	Schedule of Demonstrably Effective Program Aid Expenditures – Budgetary Basis – Not Applicable	89
E-3	Schedule of Early Childhood Program Aid Expenditures – Budgetary Basis – Not Applicable	90
E-4	Schedule of Distance Learning Network Aid Expenditures – Budgetary Basis – Not Applicable	91
E-5	Schedule of Instructional Supplement Aid Expenditures – Budgetary Basis – Not Applicable	92
Capital Projects Fund:		
F-1	Summary Schedule of Revenues, Expenditures and Changes in Fund Balance – Budgetary Basis	93
F-2	Summary Schedule of Project Expenditures	94
Enterprise Funds:		
G-1	Combining Statement of Net Position	95
G-2	Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	96
G-3	Combining Statement of Cash Flows	97

## Table of Contents (continued)

	<u>Page</u>
<b>FINANCIAL SECTION (continued)</b>	
Fiduciary Funds:	
H-1 Combining Statement of Fiduciary Net Position	98
H-2 Combining Statement of Changes in Fiduciary Net Position	99
H-3 Schedule of Cash Receipts and Disbursements – Student Activity Agency Fund	100
H-4 Schedule of Cash Receipts and Disbursements – Payroll Agency Fund	101
Long-Term Debt:	
I-1 Schedule of Bonds/Loans Payable	102
I-2 Schedule of Obligations Under Capital Leases – Not Applicable	103
I-3 Budgetary Comparison Schedule – Debt Service Fund	104
<b>STATISTICAL SECTION (Unaudited)</b>	
Financial Trends:	
J-1 Net Position by Component	105
J-2 Changes in Net Position	106
J-3 Fund Balances – Government Funds	107
J-4 Changes in Fund Balances – Governmental Funds	109
J-5 General Fund Other Local Revenue by Source	110
Revenue Capacity:	
J-6 Assessed Value and Estimated Actual Value of Taxable Property	111
J-7 Direct and Overlapping Property Tax Rates	112
J-8 Principal Property Taxpayers	113
J-9 Property Tax levies and Collections	114
Debt Capacity:	
J-10 Ratios of Outstanding Debt by Type	115
J-11 Ratios of General Bonded Debt Outstanding	116
J-12 Ratios of Overlapping Governmental Activities Debt	117
J-13 Legal Debt Margin Information	118
Demographic and Economic Information:	
J-14 Demographic and Economic Statistics	119
J-15 Principal Employers	120
Operating Information:	
J-16 Full-time Equivalent District Employees by Function/Program	121
J-17 Operating Statistics	122
J-18 School Building Information	123
J-19 Schedule of Required Maintenance for School Facilities	124
J-20 Insurance Schedule	125

## Table of Contents (continued)

	<u>Page</u>
<b>SINGLE AUDIT SECTION</b>	
K-1 Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	126
K-2 Report of Independent Auditors on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and New Jersey OMB's Circular 15-08	128
K-3 Schedule A – Schedule of Expenditures of Federal Awards	131
K-4 Schedule B – Schedule of Expenditures of State Awards	132
K-5 Notes to Schedules of Expenditures of Federal and State Awards	133
K-6 Schedule of Findings and Questioned Costs	135
K-7 Summary Schedule of Prior Year Findings	139

# Introductory Section



# MIDDLESEX REGIONAL EDUCATIONAL SERVICES COMMISSION

1660 Stelton Road  
Piscataway, New Jersey 08854  
Telephone: (732) 777-9848 Fax: (732) 777-9855  
<http://www.mresc.k12.nj.us>

Mark J. Finkelstein  
*Superintendent*

Gary E. Molenaar  
*Assistant Superintendent for  
Learning/Educational Services*

Patrick M. Moran  
*Business Administrator/  
Board Secretary*

December 3, 2015

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

Dear Board Members:

The Comprehensive Annual Financial Report of the Middlesex Regional Educational Services Commission (the “Commission”) for the fiscal year ended June 30, 2015, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Directors. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Commission. All disclosures necessary to enable the reader to gain an understanding of the Commission’s financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: Introductory, Financial, Statistical and Single Audit. The introductory section includes this transmittal letter, the Commission’s organizational chart and a list of principal officials. The financial section includes the management’s discussion on analysis, basic financial statements required supplementary information and other supplementary information, as well as the auditor’s report. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The Commission is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, “Audits of State, Local Governments and Non-Profit Organizations,” and the State Treasury Circular Letter 15-08-OMB, “Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments.” Information related to this single audit, including the auditors’ report on internal control and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

## **1. Reporting Entity and its Services**

The Commission was created in 1977 pursuant to NJASA 18A:6-51 through 70, by the twenty-four (24) boards of education in Middlesex County (member districts), to respond to increasing federal and state mandates by developing needed educational programs and services that were best provided cooperatively by a single coordinating agency in an efficient and economic manner. On June 1, 2006,

the State Board of Education officially approved a name change for the Middlesex County Educational Services Commission to the Middlesex Regional Educational Services Commission to more accurately reflect its scope of services. The Commission is a public education agency reporting within the criteria adopted by the Governmental Accounting Standards Board (GASB). All funds and account groups of the Commission are included in this report for Fiscal Year 2015 (FY2015). The Commission and all of its educational programs constitute the Commission’s reporting entity.

The Commission provided educational services and programs to the following member districts, through multi-year contracts during FY2015:

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

In addition, approximately one hundred seventy (170) non-member districts contracted with the Commission for educational services and programs during the FY2015 school year.

The following educational services and programs were provided during the FY2015 school year:

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

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

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

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

As of June 30, 2015 the following services were provided:

Compensatory Education	1,769 services
English as a Second Language	189 services
Home Instruction	1,662 hours
Examination/Classification	1,196 services
Supplemental Instruction	778 services
Speech Correction	688 services
Speech Evaluations	43 services

## **RARITAN VALLEY ACADEMY (RVA)**

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

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

RVA's "school-within-a-school" design accommodates students in three "communities" - Junior, Middle, and Upper. The INNOVATIONS Program, at Raritan Valley Academy, has been designed to serve students with mild to moderate levels of cognitive impairment who also present emotional and/or behavioral disabilities.

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

Forty-two (42) disabled students received educational services at the RVA during the FY2015 school year.

## **RVA EXTENDED SCHOOL YEAR PROGRAM**

During the summer of 2015 five (5) students participated in the extended school year program.

## **NuVIEW ACADEMY**

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

NuView Academy operates on a twelve (12) month basis. In FY2015, NuView Academy served ninety-one (91) students from thirty-two (32) sending districts within eleven (11) counties.

## **PISCATAWAY REGIONAL DAY SCHOOL (PRDS)**

The PRDS was opened in September 1982 by the State Board of Education, pursuant to approval of the Facilities for the Handicapped Bond Issue in 1973. In September 1984, the Board of Directors of the Commission, at the request of the State, entered into a management lease for the PRDS. Responsibilities of the Commission include employment of staff and program delivery. The PRDS offers specialized programs to students with severe multiple disabilities from forty (40) sending

districts representing eight (8) counties in New Jersey. These services are provided through multi-year contracts with districts.

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

One hundred nineteen (119) disabled students received educational services at the PRDS during the FY2015 school year.

### **PRDS EXTENDED SCHOOL YEAR PROGRAM**

During the summer of 2015, ninety-four (94) students participated in the Extended School Year program.

### **ACADEMY LEARNING CENTER (ALC)**

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

The school program is located in a modern facility, located in Monroe Township, New Jersey, especially designed and built for the needs of students with moderate to severe disabilities. In addition to the instructional areas, each classroom has an observation room, a storage room and a bathroom. The school serves approximately one hundred forty-four (144) students from 3-21 years of age in eighteen (18) classrooms. The building contains eight (8) speech and language therapy rooms, administrative offices, a large occupational and physical therapy room, a spacious multipurpose room, and a health office. Three age appropriate playgrounds are on the ten (10) acre site.

The educational and behavioral program in the autism classes utilizes individualized assessment with the VB-MAPP and an ALC Functional Skills Assessment. Instruction includes intensive teaching, verbal behavior, integrated related services, and incidental learning techniques to order to maximize each student's potential. Staff members foster an active collaboration with parents/guardians in the educational process through the use of daily communication journals, parent training, classroom observation, evening meetings and home visits. An evening Sibling Group also has taken place on alternate years to help address the needs of family members and involve them in the instructional process. A 2:1 student to staff ratio is employed. Speech, occupational and physical therapists work closely with classroom staff to integrate instruction. A vocational program combined with paid school jobs, job sampling in the community, and a paid student internship may be available for students as appropriate. Special subject classes include Adaptive Physical Education, Art, and Music. Community programming includes the use of the Aquatic Center at the Center for Lifelong Learning to enable students to receive a four session series of swim classes. A six week Extended School Year program is

offered. Comprehensive inclusion support is also provided when students return to their home district on a part-time or full-time basis.

The program for students with multiple disabilities focuses on the development of independent functional skills in language, academic, social and vocational areas. Staff utilize the VB-MAPP and an ALC Functional Skills Assessment to drive instructional planning. Teachers utilize individual and small group instruction to develop functional skills in a student-centered environment. Speech, occupational and physical therapists work closely with classroom staff to integrate instruction. A vocational program combined with paid school jobs, job sampling in the community and a paid student internship may be available for students as appropriate. Special subject classes include Adaptive Physical Education, Art and Music. Community-based instruction is provided as well as a six (6) week Extended School Year Program. As in the autism program, an extensive series of field trips develop community integration training including swimming, consumer shopping, recreation, etc. Comprehensive inclusion support is provided to all ALC students if they return to their home district on a part-time or full-time basis.

### ALC EXTENDED SCHOOL YEAR PROGRAM (ALC ESY)

The ALC ESY program is a continuation of the ten month program and provides a six week program from the last week in June through the first week in August. A high percentage of ten month employees also work in the ESY program. One hundred thirty-three (133) students participated in the 2015 ESY program.

### TITLE I PROGRAM

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

During FY2015, eighty-eight (88) services were provided to sixty-one (61) students from eight (8) nonpublic schools.

### COOPERATIVE TRANSPORTATION PROGRAM

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

One thousand twenty-six (1,026) cooperative special and regular education routes, public school routes, vo-tech and nonpublic school routes, transported more than twelve thousand three hundred (12,300) students to and from over two hundred eighty-one (281) destinations each day from sixty-two (62) districts before-and-after-care transportation and work-study program transportation and mid-day shuttles between schools. Additionally, approximately one thousand (1,000) students are transported daily on athletic/late routes.

## **NONPUBLIC TEXTBOOK LOAN PROGRAM**

The Nonpublic Textbook Loan Program is operated in accordance with the New Jersey Nonpublic Textbook Law, Chapter 121, L. 1984. This law requires Boards of Education to purchase and loan textbooks to all full-time students in grades kindergarten through twelve attending nonpublic schools within the district. Funding is contingent on the nonpublic school's compliance with compulsory school attendance requirements and with the requirements of Title VI of the Civil Rights Act of 1964. The Commission contracts with districts to provide these services and is responsible for the administration of the program, purchasing, oversight and payment of such textbooks.

For the FY2015 school year, ninety-four (94) nonpublic schools, located within twenty-three (23) districts in Middlesex, Mercer, Somerset, Ocean and Monmouth Counties, have benefited from this service.

## **NONPUBLIC NURSING SERVICES**

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

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

For the FY2015 school year, one hundred twenty-seven (127) nonpublic schools located within thirty-three (33) districts have benefited from this service.

## **NONPUBLIC TECHNOLOGY**

The Nonpublic School Technology Initiative Program is an entitlement program which funds technology needs for nonpublic schools in Middlesex, Somerset, Mercer, Ocean, and Monmouth Counties. The Commission collates, prepares/issues purchase orders, processes payments for all completed orders, and arranges for delivery of orders for nonpublic school technology needs. These needs may include equipment, software, professional development for staff members, and maintenance agreements for new or existing equipment in the school. The equipment is purchased with State aid and is the property of the public school district through which the entitlement flows. All equipment is tagged with the name of the public school district, who supplies the funding for the equipment. Eligibility for this entitlement program is determined annually by the State of New Jersey.

For the FY2015 school year, one hundred seven (107) nonpublic schools located in twenty-eight (28) districts have benefited from this service.

## **E.S.C. GENERAL PROGRAM**

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

### **HOME INSTRUCTION TO PUBLIC STUDENTS**

The Commission has provided home instruction services to three hundred seven-five (375) public school students from twenty-five (25) school districts in and out of Middlesex County during the FY2015 school year.

### **CHARTER SCHOOL SERVICES**

The Commission provided an array of services to nineteen (19) charter schools in Middlesex, Mercer, Passaic and Union Counties.

### **COUNTY DIAGNOSTIC SERVICES**

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

### **OCCUPATIONAL AND PHYSICAL THERAPY**

Occupational therapy and physical therapy were provided to five (5) public school districts during the FY2015 school year. The Commission provided sixty-one (61) OT/PT evaluations for six (6) districts during the FY2015 school year.

### **MIDDLESEX COUNTY ACADEMY (MCA)**

The MCA is a countywide alternative education program designed to provide at-risk students and classified students, the opportunity to complete their middle school and high school requirements in a non-traditional, supportive, individualized learning environment.

During the FY2015 school year, the MCA accepted both classified and non-classified students, serving approximately thirty-two (32) alternative students from public school districts and implemented an Alternative High School Assessment Program to improve student performance on standardized testing.

### **INTERIM ALTERNATIVE EDUCATIONAL PROGRAM (IAEP)**

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

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

During FY2015, a total of eight (8) students from six (6) school districts participated in the program.

### **PROFESSIONAL DEVELOPMENT ACADEMY (PDA)**

The PDA completed its eleventh full year of operation in June 2015. The PDA offered fourteen (14) workshops at our facility and thirty-four (34) on-site at area schools. The PDA provided learning opportunities to approximately nine hundred seventy-five (975) educators.

During the FY2015 school year, one hundred twenty-eight (128) Commission staff participated in professional development opportunities offered through the PDA, which was designed to be engaging, informative and encourage reflective practice. In addition to regular programs and services, the PDA developed comprehensive on-site professional development programs for fifteen (15) nonpublic schools receiving IDEA-B funding. In addition, online courses were created to support DOE initiatives in technology.

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

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

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

### **BRIGHT BEGINNINGS LEARNING CENTER (BBLC)**

BBLC provides a comprehensive educational program for students with autism or severe multiple disabilities based on the principles of Applied Behavior Analysis (ABA). Trained and experienced staff provides individualized and targeted instruction to students in the areas of communication, academics, social skills, activities of daily living, and motor skills.

Located on the MRESC Piscataway Campus, the modern facility includes twenty-one (21) classrooms with adjoining observation rooms, occupational, physical, and speech therapy rooms, activities-of-daily-living room, sensory room, health office, multipurpose room, and media center/library. Each classroom is equipped with a restroom.

In 2013, BBLC expanded to include secondary classes for students with autism, ages 13 to 21. Community-based education and a career exploration program, including job sampling at community worksites, provide students with opportunities for vocational practice in preparation for post-graduation employment.

It remains a school of choice for twenty-eight (28) districts in four (4) counties seeking placement for students with preschool disabilities, multiple disabilities, and/or autism who require a highly specialized educational program. One hundred sixty (160) students, ages 3 to 21 years, were enrolled at BBLC during the FY2015 school year.

The twelve (12) autism classes utilize principles of applied behavior analysis, including individualized intensive teaching, natural environment training, social skills, and integrated related services to address and develop student skills. Special subject classes include Adaptive Physical Education, Art and Music. Classes are designed for a 2:1 student to staff ratio. Transition support is provided for students returning to their home district classes.

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

### **BBLC EXTENDED SCHOOL YEAR PROGRAM**

The BBLC Extended School Year (ESY) was a six week program providing a continuation of services from the last week in June through the first week in August. One hundred forty-three (143) students participated in 2015.

### **CENTER FOR LIFELONG LEARNING (CLL)**

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

The Center for Lifelong Learning has developed into a program of choice for forty-two (42) districts in four (4) counties seeking placement for students classified preschool disabled, multiply disabled and autistic. Two hundred nine (209) students, ages 3 to 21 years, were enrolled at CLL during the FY2015 school year.

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

## CLL EXTENDED SCHOOL YEAR PROGRAM

The CLL Extended School Year (ESY) is a six week program providing a continuation of services from the last week in June through the first week in August. During the summer of FY2015, one hundred seventy-two (172) students participated in the Extended School Year.

## IDEIA-B

IDEIA-B provides additional educational services to classified students attending private schools. These services provide speech therapy, occupational therapy and physical therapy, supplemental instruction, counseling, instructional aides, nursing and supplies. This program is funded through the federal government IDEA-B grant programs for FY2014. The Commission provides services to thirty-three (33) districts and forty-seven (47) nonpublic schools.

## **THE MRESC COOPERATIVE PRICING SYSTEM**

The Commission has operated a State approved Cooperative Pricing System since 1996. During FY2015, the Commission expanded this program to include the following bids and expanded its membership to include over nine hundred (900) public agencies, which includes public school districts, municipalities, county governments, county and state colleges.

ACT Data/Broadband/Hosted Services	Fire Alarm Systems	Non-Certified Staffing Services
ACT Telecommunications	Fire Extinguisher Inspection & Related Svcs. (Annual)	Nursing Services
ACT Wide Area Network Services	Flexible Spending Acct. Mgmt.	Occupational & Physical Therapy
Asset Id. Svcs./Mktng/Advertising	Flooring	Painting Services
Athletic Equip. Recond. & Repair	Gaggle Software Service	Playground Equipment
Athletic Equip. & Supplies	General Office Supplies	Playground Surfacing
Automotive Fluids and Lubricants	Glass & Glazer Services – T&M	Pool Supplies
Bleacher (Int/Ext) Syst. Purch. & Instal.	Grounds Equipment	Printing Services
Boiler, Maintenance & Repair	Gym Floors-Repair/Refinishing/T&M	Radios
Building Access & Security Systems	Hybrid Phone Systems	Raised Access Flooring
Carpet	HVAC	Recycling Containers
Classroom Supplies	Industrial Arts, Career & Tech. Supplies	Roofing/Bldg. Envelope R&M
Classroom Supplies – Cosmetology	Integrated Cloud Based Bldg. Access	Safety and Security Window Film
Copy Machines	Interactive Classroom/Meeting Room Presentation Technology	School and Office Furniture
Copy Paper (white/color)	Job Order Contracting: Repair/Maint. Electric; General; HVAC; Plumbing	School Buses
Custodial Supplies	Job Order Contracting: T&M Electrician; Plumbing	School Bus Surveillance Cameras
Demand Response	Lawn Care Products and Services	Shredding & Disposal of Records
Diesel/Gasoline	LED/Other Lighting Supplies & Equip.	Small Ticket Tax-Exempt Lease Purchase Program
Digital Readiness for Learning & Assmt Broadband Component, Wide Area Network & Internet Coop Purchasing Initiative (DRLAP)	Lockers-Purchase/Refurbishment	SMART Board Technology
Disaster Recovery	Lonseal Flooring & Related Services	Speech Services
Document Management	Maintenance Equipment	Student SAAS Learning Data Analysis
Education Development Software	Maintenance, Repair & Operation	Technology Supplies & Services
Electrician-Time & Material	Medicaid Billing Services	Toner Supplies
Electricity-Supply of	Medical Supplies	Trip Hazard Removal Services
Elevator Repair & Maintenance –T&M	Musical Instruments	Utility Bill Audit/Cost Recovery
Environmental/Mold Insurance	Natural Gas-Supply of	Walkthrough Metal Detectors

## **2. Economic Condition and Outlook**

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

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

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

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

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

Examples of consolidated services include:

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

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

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

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

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

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

### **3. Internal Control**

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

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

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

#### **4. Budgetary Controls**

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balances in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance on June 30, 2015.

#### **5. Accounting Systems and Reports**

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

#### **6. Cash Management**

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

#### **7. Risk Management**

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

## **8. Service Efforts and Accomplishments**

The Commission continued to develop new programs and services for its member districts during the FY2015 school year. These efforts were highlighted by the expansion of the Cooperative Pricing Program. Management has continued to expand the Cooperative Pricing System membership to include over nine hundred (900) public agencies serving all twenty-one (21) counties in New Jersey. The Commission also continued its efforts in the area of technology, initiating major initiatives at the Raritan Valley Academy, Piscataway Regional Day School, Bright Beginnings Learning Center and the Academy Learning Center. These efforts include the updating of hardware and software necessary to develop a computer assisted instructional program and to allow student media access for purposes of research as well as internet resources.

The Commission also served as lead agency for the statewide Digital Readiness Learning Assessment Program in cooperation with the New Jersey Department of Education. This program dramatically affected the economics of acquiring broadband and internet services by using cooperative purchasing to drive down the cost.

## **9. Major Operational or Fiscal Concerns**

The operational and financial concerns of the Commission are focused on two areas, the first being the State of New Jersey, Department of Education's comprehensive school plan and the subsequent impact on Special Education and Nonpublic Funding. The second concern is based on the Commission's growth over the last several years and the reliance on member/non-member districts for cash flow. The Commission continues to monitor these areas very carefully to ensure that funds are available to provide students and member districts with programs and services as well as maintain a strong financial position to ensure payment of all obligations to vendors and employees.

## **10. Other Information**

*Independent Audit:* State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The Commission's audit committee selected the accounting firm of Ernst & Young, LLP. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related OMB Circular A-133 and State Treasury Circular Letter 15-08-OMB. The auditors' report on the basic financial statements, required supplementary information and other supplementary information are included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

Self-Recognition - The following Commission Staff were recognized for Governor's Teacher Recognition Program for the FY2015 school year:

Janice Lee	Academy Learning Center
Danette Tardiff	Academy Learning Center
Dahlia Burrell-Thompson	Bright Beginnings Learning Center
Christie Fermiga	Bright Beginnings Learning Center
Courtney Dworkin	Center for Lifelong Learning
Marisa Silvestri	Center for Lifelong Learning
Donna Zehnbauer	Nonpublic Department
Brenda Berrios	Piscataway Regional Day School
Deborah Bussiere	Piscataway Regional Day School

Student Recognition Program – Eight (8) students from the Commission were honored in February 2015 at the annual Middlesex County School Boards Association Student Recognition Dinner. The students were as follows:

Genare Valiant	Academy Learning Center
John Ziola, III	Academy Learning Center
Gerald Reid	Bright Beginnings Learning Center
Ashley Boyd	Center for Lifelong Learning
Robert Henrion	Center for Lifelong Learning
Christian Gran	Middlesex County Academy
Mateo Perilla	Piscataway Regional Day School
Anthony Suriel	Piscataway Regional Day School

Services – Other significant developments and acknowledgments during the FY2015 school year:

- Approval of curricula as follows – September 2014
  - Academy Learning Center, Bright Beginnings Learning Center, Center for Lifelong Learning, Piscataway Regional Day School
    - Social Studies
    - VB-MAPP
    - Functional Skills

## 11. For the Future

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

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

## 12. Acknowledgments

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

Respectfully submitted,



---

Mr. Mark J. Finkelstein  
Superintendent

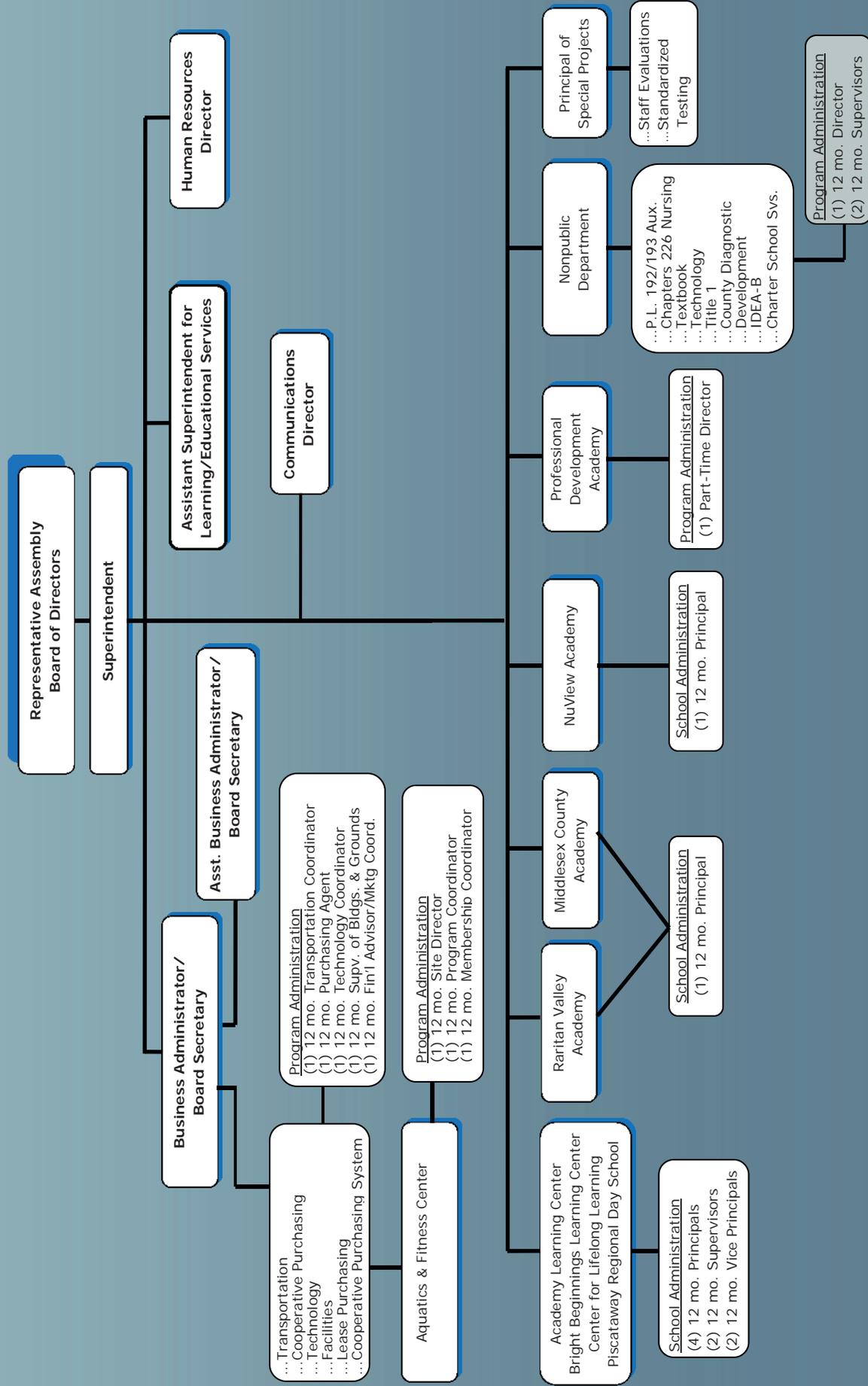


---

Mr. Patrick M. Moran  
Business Administrator/Board Secretary

Middlesex Regional Educational Services Commission  
Piscataway, New Jersey

Organizational Chart  
June 30, 2015



Middlesex Regional Educational Services Commission  
Piscataway, New Jersey

Roster of Officials

June 30, 2015

**Members of the Board of Directors**

	<b><u>Term</u></b>
Mr. Kevin Ahearn – Carteret	6/1/14 – 5/31/15
Dr. Susan Genco – Cranbury	1/2/15 – 12/31/15
Mr. Phillip Heiney – Dunellen	6/1/14 – 5/31/15
Dr. Victor Valeski – East Brunswick	6/1/14 – 5/31/15
Dr. Richard O’Malley – Edison	6/1/14 – 5/31/15
Mr. Israel Soto – Highland Park	6/1/14 – 5/31/15
Mr. Brian Betze – Jamesburg	1/2/15 – 12/31/15
Mrs. Rose deVries – Metuchen	6/1/14 – 5/31/15
Dr. Linda Madison – Middlesex	1/2/15 – 12/31/15
Mr. Bill Petscavage – Milltown	1/2/15 – 12/31/15
Mr. Doug Poye – Monroe	1/2/15 – 12/31/15
Mr. Dale Caldwell – New Brunswick	6/1/14 – 5/31/15
Dr. Brian Zychowski – North Brunswick	1/2/15 – 12/31/15
Mr. Matthew Sulikowski – Old Bridge	1/2/15 – 12/31/15
Dr. Vivian Rodriguez – Perth Amboy	6/1/14 – 5/31/15
Mr. Ralph Johnson – Piscataway	1/2/15 – 12/31/15
Mr. John Walsh – Sayreville	6/1/14 – 5/31/15
Mr. Robert Sheedy – South Amboy	1/2/15 – 12/31/15
Dr. Gerard Jellig - South Brunswick	1/2/15 – 12/31/15
Mr. Thomas Gialanella - South Plainfield	1/2/15 – 12/31/15
Mr. Michael Pfister – South River	1/2/15 – 12/31/15
Dr. Scott Rocco – Spotswood	1/2/15 – 12/31/15
Dr. Robert Zega – Woodbridge	1/2/15 – 12/31/15
Mr. Brian Loughlin – Middlesex County Vo Tech	6/1/14 – 5/31/15

**Other Officials**

Mr. Mark J. Finkelstein, Superintendent	N/A
Mr. Gary Molenaar, Assistant Superintendent for Learning/Educational Services	N/A
Mr. Patrick M. Moran, Business Administrator/Board Secretary	N/A
Mrs. Kai-Li Pao, Assistant Business Administrator/Board Secretary	N/A
Mrs. Lorraine Small, Director of Human Resources	N/A

## **Attorneys**

Anthony B. Vignuolo, Esq.  
Borrus, Goldin, Foley, Vignuolo, Hyman & Stahl, P.C.  
2875 US Highway 1  
Route 1 & Finnegans Lane  
North Brunswick, New Jersey 08902

Ronald L. Ianoale, Esq.  
McManimon, Scotland & Baumann, L.L.C.  
75 Livingston Avenue  
Roseland, NJ 07068

## **Audit Firm**

Ernst & Young LLP  
Metropark  
99 Wood Avenue South  
P.O. Box 751  
Iselin, New Jersey 08830-0471

## **Labor Consultant**

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

## **Official Depository**

TD Bank  
1906 Lincoln Highway  
Edison, New Jersey 08817

## **Architects**

USA Architects  
20 North Doughty Avenue  
Somerville, New Jersey 08876

## Financial Section





Ernst & Young LLP  
99 Wood Avenue South  
Metropark  
P.O. Box 751  
Iselin, NJ 08830-0471

Tel: +1 732 516 4200  
Fax: +1 732 516 4429  
ey.com

## Report of Independent Auditors

Honorable President and Members of the Board of Directors  
Middlesex Regional Educational Services Commission  
County of Middlesex, 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 Middlesex Regional Educational Services Commission (the “Commission”), as of and for the year ended June 30, 2015, 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 conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the 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 above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Commission as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

### ***Change in Method of Accounting for Pensions***

As discussed in Note 1 to the financial statements, the Commission changed its method for accounting and financial reporting of pensions as a result of the adoption of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent To the Measurement Date – an Amendment of GASB Statement No. 68*, both effective July 1, 2014. Our opinion is not modified with respect to this matter.

### ***Required Supplementary Information***

U.S. generally accepted accounting principles require that management’s discussion and analysis, budgetary comparison information, the schedule of the Commission’s proportionate share of the net pension liability and the schedule of the Commission’s contributions to the Public Employees’ Retirement System (PERS) as identified in the table of contents 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 which 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, 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.

### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission’s basic financial statements. The accompanying supplementary information, which consists of the combining and individual fund financial statements, long-term debt schedules and schedules of expenditures of federal and state awards, as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit*

*Organizations Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, long-term debt schedules and schedules of expenditures of federal and state awards 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. In our opinion, the combining and individual fund financial statements, long-term debt schedules, and schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section are presented for purposes of additional analysis and 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 it.

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

In accordance with *Government Auditing Standards*, we also have issued our report dated December 11, 2015 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Commission's internal control over financial reporting and compliance.



Louis Roberts  
Licensed Public School Accountant  
No. 224900



December 11, 2015

*This page left blank intentionally.*

Required Supplementary Information  
Part I

Management's Discussion and Analysis



Middlesex Regional Educational Services Commission  
Piscataway, New Jersey

Management's Discussion and Analysis

As management of the Middlesex Regional Educational Services Commission (the "Commission"), we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages as listed on the table of contents.

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

**Financial Highlights**

Key financial highlights for 2015 are as follows:

- General revenues accounted for \$18,446,791 or 18.47 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$81,401,773 or 81.53 percent of total revenues of \$99,848,564.
- The Commission had \$93,398,824 in expenses (governmental and business-type activities); \$81,401,773 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily fees for tuition and services provided to other districts) of \$18,446,791 were adequate to provide for these programs.
- Among major funds, the General Fund had \$84,583,365 in revenues and transfers in and \$80,685,540 in expenditures and transfers out. The General Fund's fund balance increased \$3,897,825 over 2014. This increase was the result of increases in services.
- In total, net position increased \$6,449,740 or 43.98 percent.
- During fiscal year 2015, the Commission implemented Governmental Accounting Standards Board (GASB) Statements' No. 68; *Accounting and Financial Reporting for Pensions* and Statement No. 71; *Pension Transition for Contributions made Subsequent to the Measurement Date*. Both of these statements have had a significant impact on the recording and presentation of the Commission's net pension liability and pension contributions made during the year.

- Due to the implementation of these two standards, the Commission has reported a net pension liability on its statement of net position in the amount of \$19,606,549 and pension contributions of \$865,787 have been reported as a deferred outflow of resources on the statement of net position.

## **Overview of the Financial Statements**

This discussion and analysis of the Commission's financial performance provides an overall review of the Commission's financial activities for the fiscal year ended June 30, 2015 with certain comparisons to the year ended June 30, 2014. The intent of this discussion and analysis is to look at the Commission's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Commission's financial performance. The Commission's basic financial statements comprise of three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This document also contains required and other supplementary information in addition to the basic financial statements themselves.

## **Commission-wide Financial Statements**

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

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

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

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

accountable. Financial information for this business-type activity is reported separately from the financial information presented for the primary district itself.

The Commission uses enterprise funds to account for its operation of the Piscataway Regional Day School, the district-wide Food, Bus Service Program and the Aquatic Program.

## **Reporting the Commission's Most Significant Funds**

### **Fund Financial Statements**

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

### **Governmental Funds**

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

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

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

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

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

Enterprise funds provide the same type of information as the district-wide financial statements, only in more detail. The enterprise fund financial statements provide separate information for the Piscataway Regional Day School, Bus Service Program, Pool Service Fund, and the Food Service Program, all of which are considered to be major enterprise funds of the Commission. The Commission closed out the Early Childhood Program fund in 2012 and closed out the Bus Service fund in 2013. A Pool Service Fund was created in fiscal year 2010 to separate the operation of the pool complex from the Center for Lifelong Learning budget. The Commission has contracted with the YMCA of Perth Amboy for management services of the pool complex and the contract ended on August 31, 2012. This fund tracks the revenues generated by YMCA memberships, classes and other services rendered to the public. As the YMCA was reimbursed for operational expenses, this fund also tracks all reimbursements to the YMCA for salaries, equipment and management fees. Effective September 1, 2012 the Commission took over the operation of Aquatic and Fitness Service for Pool Service Fund. The Commission tracks the fund revenues similar to the YMCA's and tracks the fund expenditure similar to other funds operated by the Commission. The enterprise fund financial statements can be found on pages 40 through 42 of this report.

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Commission.

Combining and individual fund statements and schedules can be found on pages as listed on the table of contents.

### **Government-Wide (Governmental Activities) Financial Analysis**

As noted earlier, 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 \$20,993,533 at the close of the most recent fiscal year.

The largest portion of the Commission's net position reflects unrestricted net position. The Commission has restricted net position for debt service and capital projects. The restricted net position for debt service will be used for debt service bond principal and interest obligations.

Table 1 shows the comparison of the Commission’s Government-Wide net position from fiscal year 2014 to 2015.

	Governmental		Table 1 – Net Position Business-Type		Total	
	2015	2014	2015	2014	2015	2014
<b>Assets</b>						
Current and other assets	\$ 25,475,326	\$ 19,855,111	\$ 1,717,928	\$ 1,090,109	\$ 27,193,254	\$ 20,945,220
Capital assets, net of depreciation	62,018,815	63,029,707	941,075	878,927	62,959,890	63,908,634
Total assets	87,494,141	82,884,818	2,659,003	1,969,036	90,153,144	84,853,854
<b>Deferred outflow of resources</b>	<b>6,247,182</b>	893,551	<b>190,672</b>	–	<b>6,437,854</b>	893,551
<b>Liabilities</b>						
Other liabilities	1,765,554	1,506,906	235,153	91,440	2,000,707	1,598,346
Long-term liabilities	69,954,005	49,595,780	2,352,786	–	72,306,791	49,595,780
Total liabilities	71,719,559	51,102,686	2,587,939	91,440	74,307,498	51,194,126
<b>Deferred inflow of resources</b>	<b>1,028,231</b>	–	<b>140,213</b>	–	<b>1,168,444</b>	–
<b>Net position</b>						
Net investment in capital assets	14,336,092	14,499,327	941,075	878,927	15,277,167	15,378,254
Restricted	5,154,366	2,931,798	–	–	5,154,366	2,931,798
Unrestricted	1,503,075	15,244,558	(819,552)	998,669	683,523	16,243,227
Total net position	\$ 20,993,533	\$ 32,675,683	\$ 121,523	\$ 1,877,596	\$ 21,115,056	\$ 34,553,279

Restricted net position represents resources that are subject to external restrictions on how they may be used. The remaining balance consists of unrestricted net position \$683,523 and may be used to meet the government’s ongoing obligations to member districts.

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

Total current and other assets increased mainly due to increases in cash equivalents, cash held by fiscal agent and net receivables. The capital assets, net of depreciation, decreased mainly due to increases in capital assets depreciation was greater than new capital assets acquisitions.

Total other liabilities decreased mainly due to decreases in accounts payable related to year end invoices carried over.

Total Long-term liabilities increased mainly due to the issuance of the 2014A Refunding Bonds to refund a portion of the 2008 Bonds and the recording of the net pension liability in accordance with the implementation of GASB 68. The 2014A Refunding Bonds were issued with a premium, thereby increasing the total amounts of bonds outstanding as of June 30, 2015.

Restricted Net Position increased mainly due to increase in both committed encumbrances and unassigned Fund balance for General Fund.

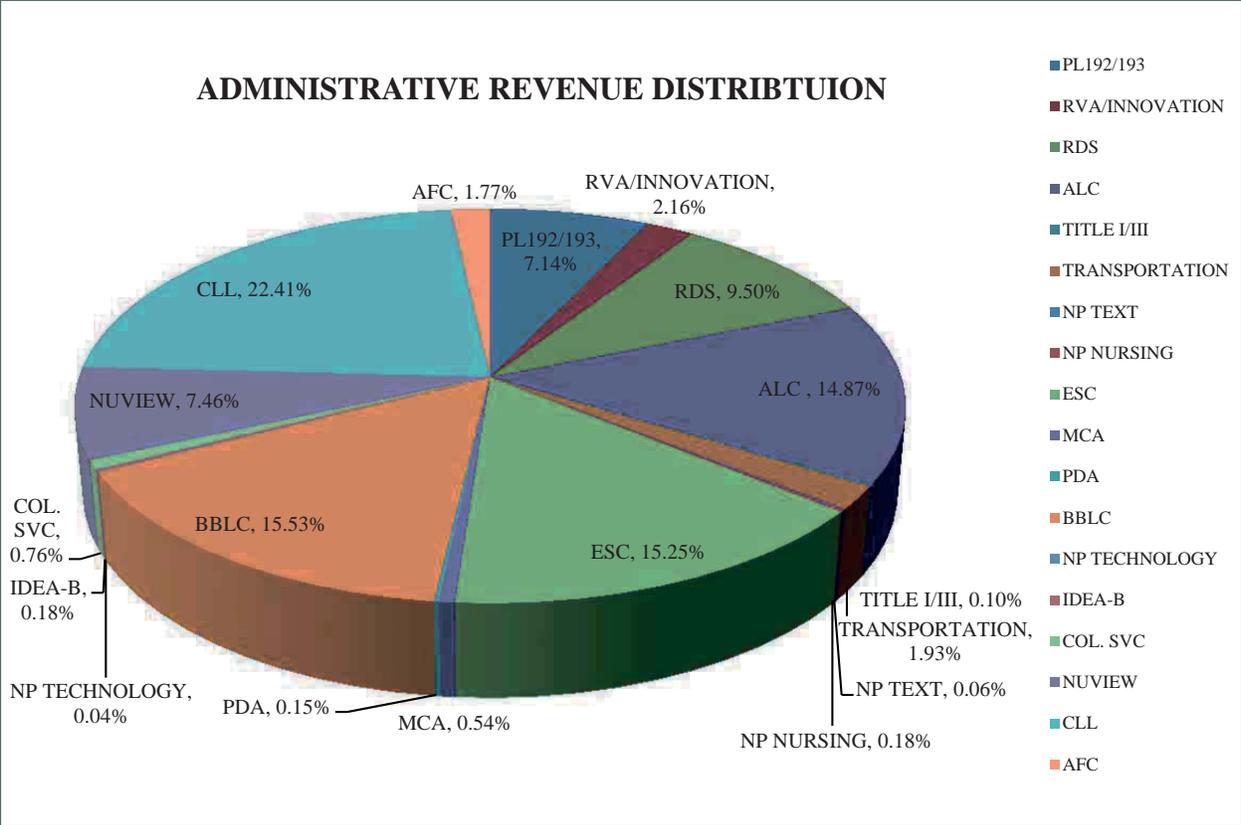
Unrestricted Net Position increased mainly due to an excess of revenues over expenditures and other financing sources of Governmental funds.

Table 2 shows the changes in net position from fiscal year 2014 to 2015.

## Government-Wide Activities

	Table 2 – Changes in Net Position					
	Governmental		Business-Type		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 33,420,236	\$ 31,624,558	\$ 6,392,521	\$ 5,436,496	\$ 39,812,757	\$ 37,061,054
Operating grants and contributions	8,600,511	7,378,259	272,112	263,220	8,872,623	7,641,479
General revenues:						
Tuition	32,716,393	32,136,205	–	–	32,716,393	32,136,205
Services provided to other districts	13,160,428	12,268,807	–	–	13,160,428	12,268,807
Grants and entitlements	4,788,742	2,447,550	–	–	4,788,742	2,447,550
Other	497,621	143,619	–	–	497,621	143,619
Total revenues	93,183,931	85,998,998	6,664,633	5,699,716	99,848,564	91,698,714
<b>Program expenses</b>						
Instruction	19,035,846	17,965,699	–	–	19,035,846	17,965,699
Support services:						
Pupils and instructional staff	14,401,810	12,602,513	–	–	14,401,810	12,602,513
General administration, school administration	2,900,533	3,006,668	–	–	2,900,533	3,006,668
Central services	1,386,170	1,366,905	–	–	1,386,170	1,366,905
Admin. Infor. Technology	453,329	373,711	–	–	453,329	373,711
Operations and maintenance of facilities	1,985,498	1,967,843	–	–	1,985,498	1,967,843
Pupil transportation	39,881,596	37,069,323	–	–	39,881,596	37,069,323
Business and other support svcs	1,660,872	1,493,199	–	–	1,660,872	1,493,199
Special schools	2,917,352	2,678,384	–	–	2,917,352	2,678,384
Interest on debt	2,820,805	2,597,814	–	–	2,820,805	2,597,814
Regional Day School	–	–	4,815,142	4,429,114	4,815,142	4,429,114
Pool Service	–	–	816,349	738,063	816,349	738,063
Food Service	–	–	323,522	311,148	323,522	311,148
Total program expenses	87,443,811	81,122,059	5,955,013	5,478,325	93,398,824	86,600,384
Excess before transfers	5,740,120	4,876,939	709,620	221,391	6,449,740	5,098,330
Transfers	79,137	51,197	(79,137)	(51,197)	–	–
Change in net position	5,819,257	4,928,136	630,483	170,194	6,449,740	5,098,330
Beginning net position (*restated)	15,174,276*	27,747,547*	(508,960)*	1,707,402	14,665,316	29,454,949
Ending net position	\$ 20,993,533	\$ 32,675,683	\$ 121,523	\$ 1,877,596	\$ 21,115,056	\$ 34,553,279

Revenues and Expense increased primarily due to the increases in transportation, educational services provided to other districts and to the co-op purchasing and pricing programs.



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

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

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

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

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

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

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

## Financial Analysis of the Commission's Funds

### Financial Information at Fiscal Year-End

As demonstrated by the various statements and schedules included in the financial section of this report, the Commission continues to meet its responsibility for sound financial management. The following schedule presents a summary of the general fund, special revenue fund and debt service fund revenues for the fiscal year ended June 30, 2015 and the amount and percentages of increases in relation to the prior year's revenues. The capital projects fund has been excluded as amounts vary substantially from year to year.

<b>Revenues</b>	<b>Amount</b>	<b>Percentage of Total</b>	<b>Increase (Decrease) from 2014</b>	<b>Percentage of Increase</b>
Local sources	\$ 79,816,602	85.66%	\$ 3,643,413	4.78%
State sources	11,659,898	12.51	3,721,727	46.88
Federal sources	1,707,431	1.83	(180,207)	(9.55)
<b>Total</b>	<b>\$ 93,183,931</b>	<b>100.00%</b>	<b>\$ 7,184,933</b>	<b>8.35%</b>

The increase in local sources is attributable to increases in transportation, educational and co-op purchasing and pricing services provided to districts. The increase in State revenue sources is mainly attributable to the expansion of Non-public services provided to the districts outside Middlesex County. The decrease in Federal sources is mainly attributable to the reduction of IDEA Part B Grant.

The following schedule presents a summary of general fund, special revenue fund and debt service fund expenditures for the fiscal year ended June 30, 2015 and the amount and percentages of increases (decreases) in relation to the prior year's expenditures.

<b>Expenditures</b>	<b>Amount</b>	<b>Percentage of Total</b>	<b>Increase (Decrease) from 2014</b>	<b>Percentage of Increase (Decrease)</b>
Current:				
Instruction	\$ 15,785,822	18.11%	\$ 571,689	3.76%
Undistributed expenditures	63,908,959	73.32	5,112,141	8.69
Capital outlay	859,013	0.99	394,318	84.86
Special schools	2,917,352	3.35	238,968	8.92
Debt service:				
Principal	1,729,659	1.98	(603,507)	(25.87)
Interest	1,958,584	2.25	(436,855)	(18.24)
<b>Total</b>	<b>\$ 87,159,389</b>	<b>100.00%</b>	<b>\$ 5,276,754</b>	<b>6.44%</b>

The increase in instruction is due to increase educational services provided to districts. The increase in undistributed expenditures is mainly due to increase in transportation services provided to districts. The increase in major capital outlay is mainly related to the acquisition of

technology equipment, replacement of maintenance vehicles, flooring, and Pool repair. The increase in special schools is mainly attributable to the increase in 1:1 aide services provided to all districts.

The decrease in principal and decrease in interest on debt are mainly to the refunding bond for 2008 Bond during current fiscal year.

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

As of the end of the current fiscal year, the Commission's governmental funds reported combined ending fund balances of \$24,546,136, an increase of \$6,120,393 in comparison with the prior year. Approximately \$17,988,468 of this total amount constitutes of *unassigned fund balance*, which is available for spending at the Commission's discretion. The remainder of fund balance is committed, *restricted and assigned* to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period, 2) to pay debt service or 3) support program budgets, respectively.

The general fund is the operating fund of the Commission. At the end of the current fiscal year, unassigned fund balance of the general fund was \$17,988,468 while total fund balance reached \$19,608,162. As a measure of the general fund's viability, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 22.29 percent of total general fund expenditures, while total fund balances represent 24.30 percent of that same amount.

The total fund balance of the Commission's general fund increased by \$3,897,825 during the current fiscal year and the undesignated fund balance increased by \$3,053,281 during the current fiscal year.

The debt service fund has a total fund balance of \$4,937,974, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was \$2,222,568.

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

## **General Fund Budgeting Highlights**

### **Significant Budget Variances or Budget Modifications**

During the 2015 school year, the Commission experienced several significant budget variances and modifications as compared to original budget.

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

During the course of the 2015 fiscal year, the Commission amended its General Fund budget as needed. The Commission uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

For the General Fund, budget-basis revenue and other financing sources was \$79,794,623, \$8,500,341 over original budgeted estimates of \$71,294,282. This difference was due primarily to conservative revenue estimates for 1:1 aides, the growth of our cooperative pricing and purchasing services, additional transportation services and educational services provided to districts.

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

1. Salaries of teachers were decreased by (\$55,356). These decreases are directly related to the actual salary paid for the Interim Alternative Educational Program as compared to original budget estimates.
2. Salaries for home instruction were increased by \$289,031. These increases are directly related to the actual salary paid related to actual number of services requested by districts compared to original budget estimates.
3. Salaries of teachers were decreased by (\$86,374). These decreases are directly related to the actual salary paid for the Raritan Valley Academy as compared to original budget estimates due to enrollment.
4. Salaries of teachers for Multiple Disabled Students were increased by \$58,389. These increases are directly related to salary paid to teachers related to the expansion of Community Based instruction service provided to districts.
5. Other Salaries of instruction for Multiple Disabled Students were decreased by (\$55,244). These decreases are mainly directly related to reduction of paraprofessional services provided to the Carteret Collaborative Services as compared to original budget estimates.
6. General Supplies for Multiple Disabled Students were increased by \$61,786. These increases are directly related to acquisition of instructional supplies orders for all commission schools.
7. Other Salaries of instruction for Autistic Disabled Students were increased by \$121,380. These increases are directly related to the actual salary paid as compared to original budget estimates due to the expansion of classes at the Bright Beginning Learning Center and the Center for Lifelong Learning.

8. General Supplies for Autistic Disabled Students were increased by \$61,604. These increases are directly related to acquisition of instructional supplies orders for all commission schools.
9. Other Support Services for Students salary line for instruction decreased (\$155,927). This decrease is directly related to the actual salary paid as compared to original budget estimates for speech services and additional Occupational Therapy position hired at the Center for Lifelong Learning.
10. Other Support Services for Students salary line for instructional 1.1 aides increased \$1,030,496. This increase was primarily related to conservative revenue estimates for additional 1.1 aide service provided to all districts.
11. Other Support Services for Students line for Other Purchased Professional Educational Services was increased by \$328,344. This increase was directly related to the actual cost paid as compared to original budget estimates for Occupational and Physical Therapy Services.
12. Other Support Services for Students line for Other Purchased Professional and Technical Services was increased by \$195,337. This increase was primarily related to expansion of County Diagnostic services and Charter school services provided to districts.
13. Support Services for general administration line for Audit fees was increased by \$56,192. This increase was directly related to timing difference between funds encumbered and expenditure recognized.
14. Support Services for school administration line for Salaries of principals/asst. principals and secretarial assistants were decreased by (\$80,815) and (\$124,277) respectively. This decrease was directly related to salary reallocation for the Non-public Director, Supervisors and Secretaries due to the expansion of non-public schools services provided to districts outside Middlesex County.
15. Support Services for central services salary line was decreased by (\$74,615). This decrease was mainly directly related to the vacant position for the financial advisor and marking coordinator.
16. Required maintenance of school facilities for salary was increased by \$64,328. This increase is directly related to actual salary and overtime payment as compared to original budget estimates for Custodial staffs were increased.
17. The energy line was increased \$50,855. This increase is mainly due to actual electricity cost paid as compared to original budget estimates at the Center for Lifelong Learning.
18. Salaries of secretarial and clerical assistant line under Student Transportation services decreased (\$115,320). This decrease is directly related to actual salary and overtime paid as compared to original budget estimates for the transportation secretarial positions.

19. Student Transportation Contracted Services between Home and School line increased \$2,488,623. This increase is directly related to the level of service provided to participating districts as compared to budget estimates.
20. Student Transportation Contracted Services other than Home and School line decreased (\$51,752). This decrease is directly related to the level of service provided to New Brunswick for field trips as compared to budget estimates.
21. Employee Benefits for Social Security line increased \$170,978. This increase is directly related to the actual social security tax paid as compared to original budget estimates for all programs.
22. Employee Benefits for Unemployment compensation contributions decreased (\$78,871). This decrease is directly related to the actual cost paid as compared to original budget estimates.
23. Health Benefits increased \$2,353,809. This represents the distribution of additional revenue for increases in services and tuition and actual health benefits cost exceeding original budget estimates.
24. Employee Benefits for Tuition Reimbursement decreased (\$60,813). This decrease is directly related to the actual cost paid as compared to original budget estimates.
25. Capital outlay for total Equipment and construction services increased by \$1,186,132 and \$130,000 respectively. These increases are mainly related to the purpose of upgrading technology, replacement of Maintenance vehicles, flooring, the repair of concrete around the pool and the paving repair projects at Raritan Valley Academy in Piscataway Campus.
26. Summer School instruction line for Other Salaries of instruction increased \$132,478. This increase is mainly related to actual salary paid to instructional aides as compared to original budget, 1:1 Aides and occupational therapeutic services at Center for Lifelong Learning were provided by commission staffs.
27. Summer School support services line for salaries decreased (\$51,474). This decrease is mainly related to actual salary paid to support staffs as compared to original budget.
28. Summer School Support Services line for Personal Services – Employee Benefits increased \$461,689. This increase is directly related to the level of funds transferred to the Commission’s health benefit account to cover actual health benefit cost.
29. Summer School Support Services line for Purchased professional and Technical Services decreased (\$100,786). This decrease is directly related to actual cost paid to Agency for occupational and physical therapeutic services as compared to original budget estimates.

The General Fund revenues exceeded expenditures and other financing sources (uses) of the Commission by approximately \$3,897,825.

## Capital Assets – Governmental Activities

At the end of the fiscal year 2015, the Commission had \$62,018,815 (net) investment in land, buildings, furniture and equipment, and vehicles. Table 3 shows a comparison of capital assets (net of depreciation) from fiscal year 2014 to 2015.

**Table 3 – Capital Assets (Net of Depreciation)**

	<u>2015</u>	<u>2014</u>
Land and land improvements	\$ 5,630,918	\$ 5,690,561
Buildings and improvements	54,427,752	55,509,918
Machinery, equipment and vehicles	1,960,145	1,829,228
Totals	<u>\$ 62,018,815</u>	<u>\$ 63,029,707</u>

Additional information on the Commission’s capital assets can be found in Note 4 to the basic financial statements.

## Debt Administration

On June 30, 2015, the Commission had \$47,537,337 in outstanding loans payable for bonds/loans for school construction.

Additional information on the Commission’s long-term debt can be found in Note 5 to the basic financial statements.

## Contacting the Commission’s Financial Management

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

*This page left blank intentionally.*

# Basic Financial Statements



# District-wide Financial Statements

The district-wide financial statements provide a financial overview of the Commission's operations. These financial statements present the financial position and operating results of all governmental activities and business-type activities as of and for the year ended June 30, 2015.



## Middlesex Regional Educational Services Commission

## Statement of Net Position

June 30, 2015

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 9,158,009	\$ 1,104,138	\$ 10,262,147
Cash and cash equivalents-restricted	216,392	-	216,392
Cash held by fiscal agent	1,036,650	-	1,036,650
Receivables, net	15,130,122	547,943	15,678,065
Internal balances	(65,847)	65,847	-
Capital assets, nondepreciable	5,231,614	-	5,231,614
Capital assets, depreciable, net	56,787,201	941,075	57,728,276
Total assets	<u>87,494,141</u>	<u>2,659,003</u>	<u>90,153,144</u>
<b>Deferred outflows of resources</b>			
Deferred loss on refunding	4,848,918	-	4,848,918
Deferred outflows related to pension	1,398,264	190,672	1,588,936
Total deferred outflows of resources	<u>6,247,182</u>	<u>190,672</u>	<u>6,437,854</u>
<b>Liabilities</b>			
Accounts payable	365,971	84,740	450,711
Accrued interest payable	74,471	-	74,471
Intergovernmental accounts payable:			
State	761,893	103,894	865,787
Districts	270,369	-	270,369
Unearned revenue	292,850	46,519	339,369
Noncurrent liabilities:			
Due within one year	2,531,175	-	2,531,175
Due beyond one year	67,422,830	2,352,786	69,775,616
Total liabilities	<u>71,719,559</u>	<u>2,587,939</u>	<u>74,307,498</u>
<b>Deferred inflows of resources</b>			
Deferred inflows related to pension	<u>1,028,231</u>	<u>140,213</u>	<u>1,168,444</u>
<b>Net Position</b>			
Net investment in capital assets	14,336,092	941,075	15,277,167
Restricted for:			
Capital reserve	216,392	-	216,392
Debt service	4,937,974	-	4,937,974
Unrestricted	1,503,075	(819,552)	683,523
Total net position	<u>\$ 20,993,533</u>	<u>\$ 121,523</u>	<u>\$ 21,115,056</u>

Middlesex Regional Educational Services Commission

Statement of Activities

Year ended June 30, 2015

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities</b>						
Instruction	\$ 19,035,846	\$ 32,716,393	\$ 5,180,722	\$ 18,861,269	\$ -	\$ 18,861,269
Support services:						
Health services	717,186	-	-	(717,186)	-	(717,186)
Student and instruction related services	13,684,624	-	3,295,872	(10,388,752)	-	(10,388,752)
General and business administrative services	1,130,539	-	-	(1,130,539)	-	(1,130,539)
School administrative services	1,769,994	-	-	(1,769,994)	-	(1,769,994)
Central services	1,386,170	-	-	(1,386,170)	-	(1,386,170)
Admin. Infor. Technology	453,329	-	-	(453,329)	-	(453,329)
Plant operations and maintenance	1,985,498	-	-	(1,985,498)	-	(1,985,498)
Pupil transportation	39,881,596	33,420,236	-	(6,461,360)	-	(6,461,360)
Employee benefits	1,540,966	-	-	(1,540,966)	-	(1,540,966)
Capital outlay	119,906	-	123,917	4,011	-	4,011
Special schools	2,917,352	-	-	(2,917,352)	-	(2,917,352)
Interest on long-term debt	2,820,805	-	-	(2,820,805)	-	(2,820,805)
Total governmental activities	87,443,811	66,136,629	8,600,511	(12,706,671)	-	(12,706,671)
<b>Business-type activities</b>						
Regional Day School	4,815,142	5,428,678	-	-	613,536	613,536
Pool services	816,349	900,343	-	-	83,994	83,994
Food service	323,522	63,500	272,112	-	12,090	12,090
Total business-type activities	5,955,013	6,392,521	272,112	-	709,620	709,620
Total primary government	\$ 93,398,824	\$ 72,529,150	\$ 8,872,623	(12,706,671)	709,620	(11,997,051)
General revenues:						
Federal and state aid not restricted				4,788,742	-	4,788,742
Services provided to districts				13,160,428	-	13,160,428
Interest income				12,827	-	12,827
Miscellaneous income				484,794	-	484,794
Transfers				79,137	(79,137)	-
Total general revenues and transfers, net				18,525,928	(79,137)	18,446,791
Change in net position				5,819,257	630,483	6,449,740
Net position – beginning (*restated for GASB 68)				15,174,276	(508,960) *	14,665,316
Net position – ending				\$ 20,993,533	\$ 121,523	\$ 21,115,056

See accompanying notes.

# Fund Financial Statements



# Governmental Funds



Middlesex Regional Educational Services Commission  
Governmental Funds

Balance Sheet

June 30, 2015

	Major Funds			Total Governmental Funds
	General	Special Revenue	Debt Service	
<b>Assets</b>				
Cash and cash equivalents	\$ 5,420,885	\$ -	\$ 3,737,124	\$ 9,158,009
Cash and cash equivalents-restricted	216,392	-	-	216,392
Cash held by fiscal agent-restricted	29,200	-	1,007,450	1,036,650
Intergovernmental accounts receivable:				
State	47,892	-	-	47,892
Other districts	12,081,071	2,954,654	-	15,035,725
Other accounts receivable	32,707	-	-	32,707
Interfund receivable	2,512,482	-	193,400	2,705,882
Total assets	<u>\$ 20,340,629</u>	<u>\$ 2,954,654</u>	<u>\$ 4,937,974</u>	<u>\$ 28,233,257</u>
<b>Deferred outflows of resources</b>				
Deferred outflows related to pension	761,893	-	-	761,893
<b>Liabilities</b>				
Accounts payable	\$ 342,628	\$ 23,343	\$ -	\$ 365,971
Intergovernmental accounts payable:				
State	761,893	-	-	761,893
Other districts	84,198	186,171	-	270,369
Interfunds payable	283,203	2,474,728	-	2,757,931
Unearned revenue	22,438	270,412	-	292,850
Total liabilities	<u>1,494,360</u>	<u>2,954,654</u>	<u>-</u>	<u>4,449,014</u>
<b>Fund balances</b>				
Restricted for:				
Capital reserve	216,392	-	-	216,392
Debt service	-	-	4,937,974	4,937,974
Committed – Encumbrances	1,374,102	-	-	1,374,102
Assigned	29,200	-	-	29,200
Unassigned	17,988,468	-	-	17,988,468
Total fund balances	<u>19,608,162</u>	<u>-</u>	<u>4,937,974</u>	<u>24,546,136</u>
Total liabilities and fund balances	<u>\$ 21,102,522</u>	<u>\$ 2,954,654</u>	<u>\$ 4,937,974</u>	

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 \$79,452,927 and the accumulated depreciation is \$17,434,112.	62,018,815
Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.	(74,471)
Deferred outflows (88% of \$723,149) related to pension not reported in the funds.	636,371
Deferred inflows (88% of \$1,168,444) related to pension not reported in the funds.	(1,028,231)
Deferred Inflows of Resources not reported as an Assets in the funds.	4,848,918
Net Pension Liability (88% of \$19,606,549) which is due in the future period not reported in the funds.	(17,253,763)
Long-term liabilities, including bonds payable, capital leases and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(52,700,242)
Net position of governmental activities (A-1)	<u>\$ 20,993,533</u>

See accompanying notes.

Middlesex Regional Educational Services Commission  
Governmental Funds

Statements of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2015

	Major Funds			Total
	General Fund	Special Revenue Fund	Debt Service Fund	
Revenues:				
Local sources:				
Tuition from districts	\$ 32,716,393	\$ -	\$ -	\$ 32,716,393
Transportation fees	33,420,236	-	-	33,420,236
Services provided to districts	13,160,428	-	-	13,160,428
Interest on investments	12,772	-	55	12,827
Miscellaneous	484,794	-	-	484,794
Total revenues – local sources	79,794,623	-	55	79,794,678
Local sources	-	21,924	-	21,924
State sources	4,788,742	6,871,156	-	11,659,898
Federal sources	-	1,707,431	-	1,707,431
Total revenues	84,583,365	8,600,511	55	93,183,931
Expenditures:				
Current:				
Instruction	10,605,100	5,180,722	-	15,785,822
Undistributed:				
Health services	605,879	-	-	605,879
Other support: special	8,315,851	3,244,933	-	11,560,784
General administration	955,080	-	-	955,080
School administration	1,495,293	-	-	1,495,293
Central Services	1,171,038	-	-	1,171,038
Admin. Info. Technology	382,973	-	-	382,973
Required maintenance for school facilities	909,697	-	-	909,697
Operation of plant	767,654	-	-	767,654
Student transportation	33,692,013	-	-	33,692,013
Employee benefits	7,579,806	-	-	7,579,806
Reimbursement TPAF social security and pension (non-budgeted)	4,788,742	-	-	4,788,742
Capital outlay	735,096	123,917	-	859,013
Special schools	2,917,352	-	-	2,917,352
Debt service:				
Principal	-	-	1,729,659	1,729,659
Interest	-	-	1,958,584	1,958,584
Total expenditures	74,921,574	8,549,572	3,688,243	87,159,389
Excess (deficiency) of revenues over (under) expenditures	9,661,791	50,939	(3,688,188)	6,024,542
Other financing sources (uses):				
Transfers in	-	-	5,894,042	5,894,042
Transfers out	(5,763,966)	(50,939)	-	(5,814,905)
Proceeds from principal	-	-	30,170,000	30,170,000
Proceeds from premium	-	-	3,923,921	3,923,921
Cost of Insurance	-	-	(423,102)	(423,102)
Advanced Refunding Escrow	-	-	(4,429,105)	(4,429,105)
Payment to Debt Escrow	-	-	(29,225,000)	(29,225,000)
Total other financing (uses) sources	(5,763,966)	(50,939)	5,910,756	95,851
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	3,897,825	-	2,222,568	6,120,393
Fund balances, July 1	15,710,337	-	2,715,406	18,425,743
Fund balances, June 30	\$ 19,608,162	\$ -	\$ 4,937,974	\$ 24,546,136

See accompanying notes.

Middlesex Regional Educational Services Commission  
Governmental Funds

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

Year ended June 30, 2015

**Total net change in fund balances – governmental funds (B-2)** \$ 6,120,393

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

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

	Depreciation expense	(1,749,998)	
	Capital outlays	<u>739,107</u>	(1,010,891)

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

847,656

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

3,067

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

3,248

In the statement of activities, pension expense in the statement of activities is accrued, regardless of when due. In the governmental funds, pension expense is reported when due. This amount is the net effect of pension expense differences. (88% of \$163,881(=\$1,039,995-\$863,301-\$12,813))

(144,216)

**Change in net position of governmental activities (A-2)**

\$ 5,819,257

*See accompanying notes.*

*This page left blank intentionally.*

# Proprietary Funds



Middlesex Regional Educational Services Commission  
Proprietary Funds

Statement of Net Position

June 30, 2015

	<b>Regional Day School Fund</b>	<b>Pool Services Fund</b>	<b>Food Services Fund</b>	<b>Total</b>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 989,785	\$ 82,343	\$ 32,010	\$ 1,104,138
Intergovernmental accounts receivable:				
State	-	-	724	724
Federal	-	-	53,528	53,528
Other districts	486,324	7,367	-	493,691
Interfund receivable	-	112,254	-	112,254
Total current assets	<u>1,476,109</u>	<u>201,964</u>	<u>86,262</u>	<u>1,764,335</u>
Capital assets:				
Site Improvement	921,997	-	-	921,997
Equipment	640,205	-	-	640,205
Accumulated depreciation	(621,127)	-	-	(621,127)
Total capital assets	<u>941,075</u>	<u>-</u>	<u>-</u>	<u>941,075</u>
Total assets	<u>2,417,184</u>	<u>201,964</u>	<u>86,262</u>	<u>2,705,410</u>
<b>Deferred outflows of resources</b>				
Deferred outflows related to pension	<u>103,894</u>	<u>-</u>	<u>-</u>	<u>103,894</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	44,781	39,124	835	84,740
Intergovernmental accounts payable:				
State	103,894	-	-	103,894
Interfunds payable	22,451	23	23,933	46,407
Unearned revenues	100	46,419	-	46,519
Total current liabilities	<u>171,226</u>	<u>85,566</u>	<u>24,768</u>	<u>281,560</u>
<b>Net Position</b>				
Net Investment in capital assets	941,075	-	-	941,075
Unrestricted	1,408,777	116,398	61,494	1,586,669
Total net position	<u>\$ 2,349,852</u>	<u>\$ 116,398</u>	<u>\$ 61,494</u>	<u>\$ 2,527,744</u>

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

Deferred outflows (12% of \$723,149) related to pension not reported in the funds.	\$ 86,778
Deferred inflows (12% of \$1,168,444) related to pension not reported in the funds.	(140,213)
Net Pension Liability (12% of \$19,606,549) which is due in the future period not reported in the funds.	(2,352,786)
Net position of business-type activities (A-1)	<u>\$ 121,523</u>

See accompanying notes.

Middlesex Regional Educational Services Commission  
Proprietary Funds

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

Year ended June 30, 2015

	<b>Regional Day School Fund</b>	<b>Pool Services Fund</b>	<b>Food Services Fund</b>	<b>Total</b>
Operating revenues:				
Local sources:				
School lunch program	\$ -	\$ -	\$ 63,500	\$ 63,500
Tuition	4,717,772	-	-	4,717,772
Services	710,906	894,615	-	1,605,521
Miscellaneous	-	5,728	-	5,728
Total operating revenues	5,428,678	900,343	63,500	6,392,521
Operating expenses:				
Cost of food	-	1,263	297,897	299,160
Salaries and wages	2,654,819	473,154	25,625	3,153,598
Employee benefits	1,346,188	85,521	-	1,431,709
Materials and supplies	41,842	91,606	-	133,448
Textbooks	-	-	-	-
Maintenance and repairs	21,606	23,453	-	45,059
Other professional services	500,423	14,394	-	514,817
Insurance	11,238	-	-	11,238
Telephone/Communications	28,178	-	-	28,178
Utilities	99,517	73,310	-	172,827
Depreciation	60,770	-	-	60,770
Miscellaneous	30,896	53,648	-	84,544
Total operating expenses	4,795,477	816,349	323,522	5,935,348
Operating income (loss)	633,201	83,994	(260,022)	457,173
Nonoperating revenues:				
State school lunch program	-	-	3,637	3,637
National breakfast program – federal	-	-	95,580	95,580
Federal school lunch program	-	-	172,895	172,895
Total nonoperating revenues	-	-	272,112	272,112
Income before transfers	633,201	83,994	12,090	729,285
Transfers in	-	112,254	-	112,254
Transfers out	(111,391)	(80,000)	-	(191,391)
Total transfer	(111,391)	32,254	-	(79,137)
Change in net position	521,810	116,248	12,090	650,148
Net position, beginning (* restated for GASB 68)	1,828,042	150	49,404	1,877,596
Net position, ending	\$ 2,349,852	\$ 116,398	\$ 61,494	\$ 2,527,744

**Reconciliation of combining statement of revenue,  
expenses and changes in fund net position to the  
statement of activities**

**Total change in net position (B-5):** **\$ 650,148**

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

In the statement of activities, pension expense in the statement of activities is accrued, regardless of when due. In the governmental funds, pension expense is reported when due. This amount is the net effect of pension expense differences. (12% of \$163,881(=\$1,039,995-\$863,301-\$12,813))

(19,665)

**Change in net position of business-type activities (A-2)**

**\$ 630,483**

*See accompanying notes.*

Middlesex Regional Educational Services Commission  
Proprietary Fund

Statement of Cash Flows

Year ended June 30, 2015

	<b>Regional Day School Fund</b>	<b>Pool Services Fund</b>	<b>Food Services Fund</b>	<b>Total</b>
<b>Cash flows from operating activities</b>				
Receipts from customers	\$ 5,373,182	\$ 889,317	\$ 63,577	\$ <b>6,326,076</b>
Payments to employees	(2,654,819)	(473,154)	(25,625)	(3,153,598)
Payments for employee benefits	(1,346,188)	(85,521)	-	(1,431,709)
Payments to suppliers	(675,121)	(248,490)	(297,853)	(1,221,464)
Net cash provided by (used in) operating activities	<u>697,054</u>	<u>82,152</u>	<u>(259,901)</u>	<u><b>519,305</b></u>
<b>Cash flows from noncapital financing activities</b>				
State sources	-	-	3,921	<b>3,921</b>
Federal sources	-	-	273,626	<b>273,626</b>
Operating subsidies and transfers to other funds	(133,842)	32,233	(28,896)	(130,505)
Net cash (used in) provided by noncapital financing activities	<u>(133,842)</u>	<u>32,233</u>	<u>248,651</u>	<u><b>147,042</b></u>
<b>Cash flows from capital and related financing</b>				
Purchases of capital assets	(122,918)	-	-	(122,918)
Net cash used in capital and related financing activities	<u>(122,918)</u>	<u>-</u>	<u>-</u>	<u>(122,918)</u>
Net decrease in cash and cash equivalents	440,294	114,385	(11,250)	<b>543,429</b>
Balances – beginning of year	549,491	(32,042)	43,260	<b>560,709</b>
Balances – end of year	<u>\$ 989,785</u>	<u>\$ 82,343</u>	<u>\$ 32,010</u>	<u>\$ <b>1,104,138</b></u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>				
Operating income (loss)	\$ 633,201	\$ 83,994	\$ (260,022)	\$ <b>457,173</b>
Adjustments to reconcile operating income (loss) to net cash provided by (used in ) operating activities				
Depreciation and net amortization	60,770	-	-	<b>60,770</b>
Change in assets and liabilities:				
(Increase) Decrease in accounts receivable, net	(55,596)	(5,389)	77	(60,908)
(Decrease) Increase in accounts payable, net	58,579	9,184	44	<b>67,807</b>
(Decrease) Increase in deferred revenue, net	100	(5,637)	-	(5,537)
Net cash provided by (used in) operating activities	<u>\$ 697,054</u>	<u>\$ 82,152</u>	<u>\$ (259,901)</u>	<u>\$ <b>519,305</b></u>

See accompanying notes.

*This page left blank intentionally.*

# Fiduciary Funds



Middlesex Regional Educational Services Commission  
Fiduciary Funds

Statement of Fiduciary Net Position

June 30, 2015

	<b>Unemployment Compensation Trust Fund</b>	<b>Agency Fund</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 313,300	\$ 194,392
Interfund receivable	–	23
Accounts receivable – other	–	1,656
Total assets	\$ 313,300	\$ 196,071
<b>Liabilities</b>		
Account payable	\$ –	\$ 173,411
Interfunds payable	–	13,821
Due to student groups	–	8,839
Total liabilities	\$ –	\$ 196,071
<b>Net Position</b>		
Held in trust for unemployment claims	\$ 313,300	

*See accompanying notes.*

Middlesex Regional Educational Services Commission  
Fiduciary Funds

Statement of Changes in Fiduciary Net Position

Year ended June 30, 2015

	<u>Unemployment Compensation Trust Fund</u>
<b>Additions</b>	
Contributions	\$ 138,888
Interest on investments	270
Total additions	<u>139,158</u>
<b>Deductions</b>	
Payment of claims	<u>138,888</u>
Total deductions	<u>138,888</u>
Change in net position	270
Net position – beginning	<u>313,030</u>
Net position – ending	<u><u>\$ 313,300</u></u>

See accompanying notes.

# Middlesex Regional Educational Services Commission

## Notes to Financial Statements

June 30, 2015

### **1. Summary of Significant Accounting Policies**

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

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

#### **A. Reporting Entity**

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

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

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

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

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

# Middlesex Regional Educational Services Commission

## Notes to Financial Statements (continued)

### **1. Summary of Significant Accounting Policies (continued)**

#### **B. District-Wide and Fund Financial Statements**

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers all revenues to be available if they

# Middlesex Regional Educational Services Commission

## Notes to Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

are collected within six months of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to compensated absences and capital leases, are recorded only when payment is due.

The Commission has reported the following major governmental funds:

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

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

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

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

The Commission reports the following major proprietary funds:

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

# Middlesex Regional Educational Services Commission

## Notes to Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

Additionally, the Commission reports the following fund types:

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

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

*Trust Fund:* The unemployment compensation trust fund is used to account for employer's contribution, which is utilized to pay unemployment compensation insurance claims as they arise and quarterly unemployment tax liability.

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

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

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

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

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

# Middlesex Regional Educational Services Commission

## Notes to Financial Statements (continued)

### **1. Summary of Significant Accounting Policies (continued)**

tuition, and revenues and services provided for the Pool Fund. Operating expenses for enterprise funds include the cost of sales, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

### **D. Budgets/Budgetary Control**

Annual budgets are adopted each year for the general fund, special revenue fund and debt service fund. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23. All budget amendments must be approved by Commission resolution. Budget amendments during the year ended June 30, 2015 were properly approved by Commission resolution.

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

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

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

**1. Summary of Significant Accounting Policies (continued)**

**E. Inter-fund Receivables/Payables**

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

**F. Capital Assets**

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

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

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

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

**G. Compensated Absences**

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

# Middlesex Regional Educational Services Commission

## Notes to Financial Statements (continued)

### **1. Summary of Significant Accounting Policies (continued)**

Commission employees are granted vacation and sick leave in varying amounts under the Commission's personnel policies and according to the negotiated contracts. In the event of retirement, according to contract, an employee is reimbursed for accumulated vacation and sick leave. Non-affiliated employees who resign with more than ten years of service will be reimbursed for accumulated vacation leave pursuant to the Policy 4433.2 Accumulated Vacation Leave (Resignation) approved on October 15, 2010.

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

The liability for compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2015, no liability existed for compensated absences in the proprietary fund types.

### **H. Unearned Revenue**

Unearned revenue in the special revenue fund represents cash, which has been received but not yet earned.

### **I. Long-Term Obligations**

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

### **J. Pension**

The Commission's proportionate share of the net pension liability, deferred outflow of resources, deferred inflows of resources and expense associated with the Commission's requirement to contribute to the Public Employees' Retirement System (PERS) and the Teachers' Pension and Annuity Fund (TPAF) have been determined on the same basis as they are reported by PERS and TPAF, respectively. Contributions made to the plans after the measurement date and prior to the Commission's fiscal year end are reported as deferred outflows of resources.

# Middlesex Regional Educational Services Commission

## Notes to Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### K. Fund Balance

Fund balance classifications are based primarily on the extent to which the Commission is bound to honor constraints on the specific purposes for which the amounts in those funds can be spent. Fund balances are reported in the following categories:

- Restricted fund balances are restricted due to legal restriction from creditors, grantors, or laws and regulations of other governments.

Committed fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision making authority which for the Commission is the Board of Directors. Those committed amounts cannot be used for any other purpose unless the Commission removes or changes the specified use by taking the same type of action (for example, Board resolutions, it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

- Assigned fund balance are constrained by the Commission's intent to use such funds for specific purposes, but are neither restricted nor committed.
- Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Any negative fund balances are unassigned.

#### L. Net Position

The difference between fund assets and liabilities is "Net Position" on the government-wide, proprietary, and fiduciary fund statements, and "Fund Balance" on governmental fund statements. Net position is reported in three categories:

- Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets.

# Middlesex Regional Educational Services Commission

## Notes to Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

- Restricted net position is restricted due to legal restrictions from creditors, grantors, or laws and regulations of other governments.
- Unrestricted net position consists of net position which does not meet the definition of the two preceding categories.

### M. On-Behalf Payments

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

### N. Bond Discounts, Premiums and Other Bond Related Costs

Bond discounts and premiums are amortized over the life of the related bond issues using a method that approximates the effective interest method.

### O. New Accounting Standards Adopted

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). The primary 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. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. The implementation of this standard resulted in an adjustment to reduce the Commission's beginning net position by \$19,887,963 which was allocated \$17,501,407 to governmental activities and \$2,386,556 to business-type activities as of July 1, 2014.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB 68* (GASB 71). The objective of this Statement is to address an issue regarding application of the transition provisions of GASB No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement were effective for financial statements for periods beginning after June 15, 2014.

# Middlesex Regional Educational Services Commission

## Notes to Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### P. Accounting Standards Issued But Not Yet Adopted

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. The Commission is currently evaluating the impact this standard will have on its financial statements.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016. This Statement does not have an impact on the Commission.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The provisions of this statement are effective for fiscal years beginning after June 15, 2016. The Commission is currently evaluating the impact this standard will have on its financial statements.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The provisions of this statement are effective for fiscal years beginning after June 15, 2016. The Commission is currently evaluating the impact this standard will have on its financial statements.

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

**1. Summary of Significant Accounting Policies (continued)**

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. The provisions of this Statement are effective for fiscal years beginning after June 15, 2015. The Commission is currently evaluating the impact this standard will have on its financial statements.

**2. Reconciliation of District-Wide and Fund Financial Statements**

**Explanation of Certain Differences Between the Governmental and Proprietary Fund Balance Sheets and the District-Wide Statement of Net Position**

The governmental and proprietary fund balance sheets includes reconciliation between fund balance/net position – total governmental/proprietary funds and net position– governmental activities/business-type activities as reported in the district-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds and loans payable and the net pension liability, are not due and payable in the current period and therefore are not reported in the funds. The details of the \$72,306,791 difference are as follows:

Bonds/loans payable	\$ 47,537,337
Less:	
Unamortized bond issuance discount	4,994,304
Compensated absences	168,601
Net Pension Liability- governmental activities	17,253,763
Net adjustment to reduce fund balance-total governmental funds to arrive at net position – governmental activities	<u>\$ 69,954,005</u>
Net Pension Liability- business type activities	<u>\$ 2,352,786</u>
Net adjustment to reduce fund balance-total enterprise funds to arrive at net position – business type activities	<u>\$ 2,352,786</u>
Total net adjustment to arrive at net position	<u><u>\$ 72,306,791</u></u>

## Middlesex Regional Educational Services Commission

### Notes to Financial Statements (continued)

#### **3. Deposits**

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

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

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

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

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

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

## Middlesex Regional Educational Services Commission

### Notes to Financial Statements (continued)

#### **3. Deposits (continued)**

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

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

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

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

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

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

At June 30, 2015, the carrying amount of the Commission's deposits was \$10,986,231 and the bank balance was \$17,319,720. Of the bank balance, \$250,000 was covered by the Federal Depository Insurance and \$17,069,720 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Governmental Unit Deposit Protection Act (GUDPA).

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

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

**3. Deposits (continued)**

collateralized with securities held by the pledging financial institution’s trust department or agent but not in the name of the Commission.

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

**4. Capital Assets**

The following schedule is a summarization of the governmental activities changes in capital assets for the fiscal year ended June 30, 2015.

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,231,614	\$ –	\$ –	\$ 5,231,614
Total capital assets, not being depreciated	5,231,614	–	–	5,231,614
Capital assets, being depreciated:				
Buildings and building improvements	67,376,789	355,745	–	67,732,534
Land improvements	1,192,854	–	–	1,192,854
Vehicles	894,292	77,306	–	971,598
Machinery and equipment	4,018,271	306,056	–	4,324,327
Total capital assets, being depreciated	73,482,206	739,107	–	74,221,313
Less accumulated depreciation for:				
Buildings and building improvements	(11,866,871)	(1,437,911)	–	(13,304,782)
Land improvements	(733,907)	(59,643)	–	(793,550)
Vehicles	(696,463)	(38,175)	–	(734,638)
Machinery and equipment	(2,386,873)	(214,269)	–	(2,601,142)
Total accumulated depreciation	(15,684,114)	(1,749,998)	–	(17,434,112)
Total capital assets, being depreciated, net	57,798,092	(1,010,891)	–	56,787,201
Governmental activities capital assets, net	\$ 63,029,706	\$ (1,010,891)	\$ –	\$ 62,018,815

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

Instruction	\$ 349,999
Business and other support services	1,399,999
Total allocated depreciation	<u>\$ 1,749,998</u>

## Middlesex Regional Educational Services Commission

### Notes to Financial Statements (continued)

#### 4. Capital Assets (continued)

The following is a summary of business-type capital assets for the fiscal year ended June 30, 2015.

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, being depreciated:				
Building and building improvements	\$ 818,266	\$ 97,568	\$ –	\$ 915,834
Land improvements	6,163	–	–	6,163
Machinery and equipment	614,855	25,350	–	640,205
Total capital assets being depreciated	1,439,284	122,918	–	1,562,202
Less accumulated depreciation for:				
Land improvements	(156,576)	(36,766)	–	(193,342)
Building and building improvements	(3,171)	(309)	–	(3,480)
Machinery and equipment	(400,609)	(23,696)	–	(424,305)
Total accumulated depreciation	(560,356)	(60,771)	–	(621,127)
Total capital assets, being depreciated, net	878,928	62,147	–	941,075
Business-type activities capital assets, net	\$ 878,928	\$ 62,147	\$ –	\$ 941,075

#### 5. Long-Term Liabilities

##### Changes in Long-term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activity</b>					
Compensated absences payable	\$ 171,849	\$ –	\$ (3,248)	\$ 168,601	\$ –
MCIA loans payable	48,070,000	30,170,000	(30,855,000)	47,385,000	2,430,000
TD Equipment Loans payable	251,996	–	(99,659)	152,337	101,175
Less deferred amounts:					
Unamortized bonds premium	1,101,935	3,892,369	–	4,994,304	–
Net Pension Liability	–	17,253,763	–	17,253,763	–
	\$ 49,595,780	\$ 51,316,132	\$(30,957,907)	\$69,954,005	\$ 2,531,175
<b>Business-type Activity</b>					
Net Pension Liability	–	2,352,786	–	2,352,786	–
Total	\$ 49,595,780	\$ 53,668,918	\$(30,957,907)	\$72,306,791	\$ 2,531,175

## Middlesex Regional Educational Services Commission

### Notes to Financial Statements (continued)

#### **5. Long-Term Liabilities (continued)**

##### **Bonds/Loan Payable**

On June 24, 2010, the Middlesex County Improvement Authority issued County-Guaranteed Revenue Refunding Bonds, Series 2010 in the amount of \$5,300,000 of the 1999 County Guaranteed Revenue Bonds. The principal amount outstanding as of June 30, 2011 was \$5,185,000. Terms of the loan repayment call for semi-annual interest with rates that vary from 2.00% to 4.00% and annual principal repayments. The principal amount outstanding of the series 2010 as of June 30, 2015 is \$2,980,000.

On June 28, 2012, the Executive Committee authorized the administration to bid and execute a Lease Purchase Finance Agreement in an amount not to exceed \$500,000 for the purpose of upgrading technology, replacement of maintenance vehicles, flooring and upgrades to the HVAC controls systems. The executed Lease Purchase Agreement was dated September 6, 2012 between TD equipment Finance, Inc. and the Commission in the amount of \$500,000. Terms of the rental payment call for semi-annual principal and interest with a rate of 1.515% for five years expiring on December 10, 2016. The principal amount outstanding as of June 30, 2015 is \$152,337.

On May 7, 2014, the Commission advance refunded \$9,385,000 of the 2004 County Guaranteed Revenue Bonds. The principal amount outstanding as of June 30, 2014 was \$11,230,000. Terms of the loan repayment call for semi-annual interest with rates that vary from 2.00% to 5.00% and annual principal repayments. The Commission completed the refunding to reduce total debt service payment by over 10%. The principal amount outstanding as of June 30, 2015 is \$9,385,000.

On December 16, 2014, the Middlesex County Improvement Authority issued the Middlesex County Guaranteed Lease Revenue Refunding Bonds (Middlesex Regional Educational Services Commission Projects), Series 2014A in the amount of \$30,170,000. These bonds were issued to refund \$29,225,000 of 2008 Bonds maturing December 15, 2019 to 2033. The par amount of the 2014 Refunding Bonds totals \$30,170,000 and debt service savings equate to \$2,159,982 or 7.391% of Refunded Bonds on a present value basis. The average interest rate of the Series 2014A is 3.15% compared with the average interest rate of the refunded bonds of 5.15%, with a final maturity date of December 15, 2033.

As of June 30, 2015, \$55,430,000 of defeased bonds remains outstanding.

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

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

**5. Long-Term Liabilities (continued)**

Future loan payments are as follows:

Year Ending June 30	2008		2010		2012	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 1,135,000	\$ 196,050	\$ 550,000	\$ 97,700	\$ 101,174	\$ 1,927
2017	1,185,000	143,725	575,000	77,950	51,163	388
2018	1,240,000	89,300	600,000	54,450	—	—
2019-2023	1,290,000	32,250	1,255,000	46,625	—	—
2024-2028	—	—	—	—	—	—
2029-2033	—	—	—	—	—	—
2034-2035	—	—	—	—	—	—
Totals	\$ 4,850,000	\$ 461,325	\$ 2,980,000	\$ 276,725	\$ 152,337	\$ 2,315

Year Ending June 30	2014		2014A		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2016	\$ 645,000	\$ 378,250	\$ 100,000	\$ 1,287,537	\$ 2,531,174	\$ 1,961,464	\$ 4,492,638
2017	735,000	360,775	100,000	1,285,038	2,646,163	1,867,876	4,514,039
2018	755,000	334,650	100,000	1,282,037	2,695,000	1,760,437	4,455,437
2019-2023	4,240,000	1,181,800	6,190,000	5,847,888	12,975,000	7,108,563	20,083,563
2024-2028	3,010,000	224,925	9,405,000	3,874,062	12,415,000	4,098,987	16,513,987
2029-2033	—	—	11,685,000	1,516,063	11,685,000	1,516,063	13,201,063
2034-2035	—	—	2,590,000	40,469	2,590,000	40,469	2,630,469
Totals	\$ 9,385,000	\$ 2,480,400	\$ 30,170,000	\$ 15,133,094	\$ 47,537,337	\$ 18,353,859	\$ 65,891,196

**6. Pension Plans**

Based on Membership Eligibility, substantially most of the Commission’s employees participate in either of following two contributory defined benefit public employee retirement systems that have been established by State statute: the Teachers’ Pension and Annuity Fund (TPAF), or the Public Employees’ Retirement System (PERS); or a Defined Contribution Retirement Program (DCRP). The TPAF and PERS are sponsored and administered by the New Jersey Division of Pensions and Benefits. Information on the total plan funding status and progress, contribution required and trend information can be found in the Comprehensive Annual Financial Report of the State of New Jersey, Division of Pensions and Benefits, available on the State’s website. Prudential Financial makes DCRP information, including information about distribution options, available on its New Jersey Defined Contribution Program Web site at [www.prudential.com/njdcrp](http://www.prudential.com/njdcrp).

## Middlesex Regional Educational Services Commission

### Notes to Financial Statements (continued)

#### 6. Pension Plans (continued)

##### Cost-Sharing Multiple-Employer Plans

###### *Plan Descriptions*

TPAF is a cost-sharing multiple-employer plan, with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Commission and the system's other related non-contributing employers. The PERS is a cost-sharing multiple-employer plan. Each plan provides retirement, disability and death benefits to plan members and beneficiaries. Benefit provisions are established and may be amended by the State Legislature.

###### *Benefits Provided*

*TPAF* – The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

The following represents the membership tiers for TPAF:

<b><u>Tier</u></b>	<b><u>Definition</u></b>
--------------------	--------------------------

- |   |  |
|---|--|
| 1 | Members who were enrolled prior to July 1, 2007  |
| 2 | Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008 |
| 3 | Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010 |
| 4 | Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011    |
| 5 | Members who were eligible to enroll on or after June 28, 2011                              |

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

**6. Pension Plans (continued)**

65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62, and tier 5 before age 65 with 30 or more years of service credit. Benefits age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

*PERS* – The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

**Tier**    **Definition**

- 1    Members who were enrolled prior to July 1, 2007
- 2    Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
- 3    Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
- 4    Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
- 5    Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age of his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

## Middlesex Regional Educational Services Commission

### Notes to Financial Statements (continued)

#### **6. Pension Plans (continued)**

##### *Contributions Made*

*PERS* – The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 6.78% in State fiscal year 2014. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) increased from 8.5% of base salary to 10%. Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The Commission's contractually required contribution rate for the year ended June 30, 2015, was 12.58% percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Commission were \$863,301 for the year ended June 30, 2015.

*TPAF* – The employer contributions for the Commission are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, the Commission (employer) is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the Commission (employer) does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the district. However, the State's portion of the net pension liability that was associated with the Commission was \$70,761,329 as measured on June 30, 2014 and \$62,701,861 as measured on June 30, 2013. The Commission's contractually required contribution rate for the year ended June 30, 2015, was 4.17% of the annual covered payroll of which 100% was required from the State.

## Middlesex Regional Educational Services Commission

### Notes to Financial Statements (continued)

#### **6. Pension Plans (continued)**

##### ***Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources***

The implementation of GASB 68 resulted in the Commission reporting a net pension liability for fiscal year 2015. The Statement required the Commission to recognize a net pension liability for the difference between the present value of the projected benefits for past service known as the Total Pension Liability (TPL) and the restricted resources held in trust for the payment of pension benefits, known as the Fiduciary Net Position (FNP). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of PERS and TPAF and additions to/deductions from PERS and TPAF fiduciary net position have been determined on the same basis as they are reported by PERS and TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit term. Investments are recorded at fair value.

At June 30, 2015, the Commission reported a liability of \$19.6 million for its proportionate share of the net pension liability for PERS. As TPAF is 100% funded by the State, the Commission's net pension liability for TPAF was zero. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013. The Commission's proportion of the net pension liability was based on a projection of the long-term share of contribution to the pension plans relative to the projected contributions of all participating State agencies, actuarially determined. At June 30, 2015, the Commission's proportion was .10472 percent for PERS. The change in proportion since the prior measurement date was \$106,614 for PERS.

For the year ended June 30, 2015, the Commission recognized pension expense of \$3,807,624 and revenue of \$3,807,624 for support provided by the State for TPAF. The Commission recognized pension expense of \$1,027,182 for PERS. Pension expense is reported in the Commission's financial statements as part of employee benefits expense.

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

**6. Pension Plans (continued)**

At June 30, 2015, the Commission reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on pension plan investments	\$ —	\$ 1,168,444
Changes of assumptions or other inputs	616,535	—
Changes in proportion	106,614	—
Contributions subsequent to the measurement date	865,787	—
	<u>\$ 1,588,936</u>	<u>\$ 1,168,444</u>

Deferred outflows of resources of \$865,787 resulted from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year 1 (2016)	\$ (159,179)
Year 2 (2017)	(159,179)
Year 3 (2018)	(159,179)
Year 4 (2019)	(159,179)
Year 5 (2020)	132,932
Year 6 (2021)	58,489
	<u>\$ (445,295)</u>

## Middlesex Regional Educational Services Commission

### Notes to Financial Statements (continued)

#### 6. Pension Plans (continued)

##### *Actuarial Methods and Assumptions*

*PERS*: The total pension liability in the June 30, 2014 actuarial valuation was determined based on the results of an actuarial experience study for the period July 1, 2008–June 30, 2011. The key actuarial assumptions are summarized below:

Inflation:	3.01%
Salary increase:	2.15%–5.40%
Investment rate of return:	7.90%
Cost of living adjustment	No cost of living adjustment is assumed

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

*TPAF*: The total pension liability in the June 30, 2014 actuarial valuation was determined based on the results of an actuarial experience study for the period July 1, 2009–July 1, 2012. The key actuarial assumptions are summarized below:

Inflation:	2.50%
Salary increase:	Varies by years of employment and valuation year
Investment rate of return:	7.90%
Cost of living adjustment	No cost of living adjustment is assumed

Mortality rates were based on the experience of TPAF members reflecting mortality improvement for 7 years for post-retirement and 15 years for pre-retirement from each projected valuation date.

##### *Discount Rate*

*PERS*: The discount rate used to measure the total pension liability at June 30, 2014, was based on the long term rate of return of 7.90% and the municipal bond rates of 4.29% and 4.63% as of June 30, 2014 and 2013 respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of

## Middlesex Regional Educational Services Commission

### Notes to Financial Statements (continued)

#### **6. Pension Plans (continued)**

AA/Aa or higher. The contribution percentage is the average percentage of the annual actual contribution paid over the annual actuarially determined contribution during the most recent five-year period. Based on those assumptions, the pension Plan's fiduciary net position was projected to be available to make projected future benefit payments of current Plan members until fiscal year 2033.

*TPAF:* TPAF: The discount rate used to measure the total pension liability was 4.68% and 4.95% as of June 30, 2014 and 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

#### ***Expected rate of return on investments***

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

**6. Pension Plans (continued)**

The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>PERS:</b>		
Cash	6.00%	0.80%
Core Bonds	1.00	2.49
Intermediate-Term Bonds	11.20	2.26
Mortgages	2.50	2.17
High Yield Bonds	5.50	4.82
Inflation-Indexed Bonds	2.50	3.51
Broad US Equities	25.90	8.22
Developed Foreign Equities	12.70	8.12
Emerging Market Equities	6.50	9.91
Private Equity	8.25	13.02
Hedge Funds/Absolute Return	12.25	4.92
Real Estate (Property)	3.20	5.80
Commodities	2.50	5.35
<b>TPAF:</b>		
Cash	6.00	0.50
Core Fixed Income	0.00	2.19
Core Bonds	1.00	1.38
Short-Term Bonds	0.00	1.00
Intermediate-Term Bonds	11.20	2.60
Long-Term Bonds	0.00	3.23
Mortgages	2.50	2.84
High Yield Bonds	5.50	4.15
Non-US Fixed Income	0.00	1.41
Inflation-Indexed Bonds	2.50	1.30
Broad US Equities	25.90	5.88
Large Cap US Equities	0.00	5.62
Mid Cap US Equities	0.00	6.39
Small Cap US Equities	0.00	7.39
Developed Foreign Equities	12.70	6.05
Emerging Market Equities	6.50	8.90
Private Equity	8.25	9.15
Hedge Funds/Absolute Return	12.25	3.85
Real Estate (Property)	3.20	4.43
Real Estate (REITS)	0.00	5.58
Commodities	2.50	3.60
Long Credit Bonds	0.00	3.74

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

**6. Pension Plans (continued)**

*Sensitivity of the Commission’s proportionate share of the net pension liability to changes in the discount rate*

The following presents the Commission’s proportionate share of the net pension liability calculated using the discount rate of 5.39% for PERS as well as the proportionate share of the net pension liability using a 1.00 percent increase or decrease from the current discount rate:

	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
PERS (4.39%, 5.39%, 6.39%)	\$ 24,665,706	\$ 19,606,549	\$ 15,358,144

*Pension plan fiduciary net position*

Detailed information about the pension plan’s fiduciary net position is available in the separately issued PERS and TPAF financial report.

**Defined Contribution Plan**

The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a) et seq., and is a “governmental plan” within the meaning of IRC 414(d). The Plan is presently administered for the Division of Pensions and Benefits by Prudential Financial and the plan administrator maintains the Retirement Plan as a plan that qualifies for favorable income tax treatment under IRC 401(a). Assets of the Trust with respect to the Retirement Plan are used solely for the purpose of providing benefits under the Retirement Plan and for paying the administrative expenses of the Retirement Plan.

The DCRP was established July 1, 2007. The passage of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.) set up DCRP membership criteria including employees enrolled in TPAF or PERS on or after July 1, 2007 who earn a salary in excess of established “Maximum Compensation” limits, employees otherwise eligible to enroll in the PERS or TPAF on or after November 2, 2008, who do not earn the minimum annually salary for PERS or TPAF Tier 2 enrollment (\$7,700) but who earn salary of at least \$5,000 annually, or employees otherwise eligible to enroll in the PERS or TPAF after May 21, 2010 who do not work the minimum number of hours per week required for PERS or TPAF Tier 4 enrollment (32 hours per week for local education employees). Membership is mandatory for eligible employees, but PERS and TPAF members enrolled on or after July 1, 2007 who are eligible for DCRP

## Middlesex Regional Educational Services Commission

### Notes to Financial Statements (continued)

#### **6. Pension Plans (continued)**

participation upon reaching the annual maximum wage contribution base for Social Security pursuant to the Federal Insurance Contributions Act (\$106,800 in 2010 and 2011), may elect to waive participation in the DCRP. PERS and TPAF members who participate in the DCRP are immediately vested in the DCRP with a right to a benefit at retirement based on both employee and employer contribution. There is no minimum retirement age under the DCRP. The member will automatically be considered retired, regardless of age, if there is any distribution of mandatory contributions. However, lump-sum cash distributions to members under the age of 55 are limited to the member's contributions and earnings. The remaining employer contributions and earnings are only available after age 55. A member may take a distribution at any time after termination of employment; however, if member returns to public employment in New Jersey, member cannot participate in any State-administered retirement systems. The Commission's expense for the DCRP was \$124,578 and \$102,474 for the fiscal years ended June 30, 2015 and 2014, respectively.

#### **7. Post-retirement Benefits**

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, C.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2011, there were 93,323 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a pro-funding basis to a pas-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 or county college with 25 years of service. The State paid \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in fiscal year 2011.

## Middlesex Regional Educational Services Commission

### Notes to Financial Statements (continued)

#### **8. Contingent Liabilities**

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

The Commission participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the Commission has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2015 may be impaired. In the opinion of the Commission, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying financial statements for such contingencies.

#### **9. Risk Management**

The Commission contracts with Horizon Blue Cross/Blue Shield, Benecard and Delta Dental to provide claims administration and payment services for health benefits. Effective July 1, 2011, the Commission switched contracts with Horizon Blue Cross/Blue Shield from minimum premium funding plan to prospective funding plan. Therefore, the Commission has no liability for any incurred but not reported claims as of June 30, 2012.

#### **Property and Liability Insurance**

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

#### **New Jersey Unemployment Compensation Insurance**

Prior to January 1, 2010, the Commission had elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the Commission is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Commission is billed quarterly for amounts due to the State. Effective January 1, 2010, the Commission elected to switch from a

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

**9. Risk Management (continued)**

Reimbursable Unemployment Account to a Contributory Unemployment Account. The Employer Unemployment Compensation Insurance Contribution rate is 0.60% for the period January 1, 2010 to December 31, 2010 and the rate will be changed to 0.70% from the period January 1, 2011 to June 30, 2015. Based on final unemployment experience rate, the Commission was allocated to the Unemployment and Workforce Funds in the total amount of \$138,888 for fiscal year 2015.

**10. Capital Reserve Account – Restricted Net position**

Capital reserve accounts may be established for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. A capital reserve account is maintained in the General Fund and its activity is included in the General Fund annual budget. Funds placed in the capital reserve account are restricted to capital outlay expenditures and transfers of such funds for other uses are prohibited pursuant to N.J.S.A. 18A:22-8.2. The amount included in the Commission’s capital reserve account at June 30, 2015 is \$216,392.

**11. Inter-fund Receivables and Payables**

The following inter-fund balances remained on the balance sheet at June 30, 2015:

<b>Fund</b>	<b>Inter-fund Receivables</b>	<b>Inter-fund Payables</b>
General Fund	\$ 2,512,482	\$ 283,203
Special Revenue Fund	–	2,474,728
Debt Service Fund	193,400	–
Proprietary Fund	112,254	46,407
Trust and Agency Fund – Payroll	23	13,821
	<u>\$ 2,818,159</u>	<u>\$ 2,818,159</u>

The general fund receivable represents funds owed from Special Revenue fund, Proprietary Fund and agency payroll fund. The general fund payable represents cash owed to the debt service for annual MCIA fee and trustee fee paid through debt service fund. The Commission expects to liquidate these Inter-funds within one year.

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

**12. Transfers – Reconciliation**

	<b>Transfers In</b>	<b>Transfers Out</b>
General Fund	\$ –	\$ 5,763,966
Special Revenue Fund	–	50,939
Capital Projects Fund	–	–
Debt Service Fund	5,894,042	–
Enterprise Fund – RDS/Bus Services/Pool	112,254	191,391
	<u>\$ 6,006,296</u>	<u>\$ 6,006,296</u>

The transfers represent an allocation to the various funds for debt service charges to pay for the Commission's interest and principal on its outstanding debt. The Commission does not have the ability to raise taxes and does not receive any debt service aid.

**13. Fund Balance Components – General Fund**

Of the \$19,608,162 of General Fund balance at June 30, 2015, \$216,392 has been classified as restricted for capital reserve; \$1,374,102 is classified as reserved for committed encumbrances; \$29,200 has been classified as assigned for general liability claims; and the remaining \$17,988,468 is unassigned.

*This page left blank intentionally.*



Required Supplementary Information  
Part II

Budgetary Comparison Schedules



Middlesex Regional Educational Services Commission  
General Fund

Budgetary Comparison Schedule

Year ended June 30, 2015

	<b>Original Budget</b>	<b>Budget Transfers</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Final to Actual</b>
<b>Revenues</b>					
Local sources:					
Tuition	\$ 31,346,404	\$ 1,369,989	\$ 32,716,393	\$ 32,716,393	\$ -
Transportation fees	30,970,720	2,449,516	33,420,236	33,420,236	-
Services provided to districts	8,769,158	4,391,270	13,160,428	13,160,428	-
Interest on investments	8,000	4,772	12,772	12,772	-
Miscellaneous	200,000	284,794	484,794	484,794	-
Total – local sources	71,294,282	8,500,341	79,794,623	79,794,623	-
State sources:					
Reimbursed TPAF social security and pension contributions (non-budgeted)				4,788,742	4,788,742
Total – state sources				4,788,742	4,788,742
Total revenues	71,294,282	8,500,341	79,794,623	84,583,365	4,788,742
<b>Expenditures</b>					
Current:					
Regular programs – Instruction					
Grades 9-12					
Salaries of teachers	220,755	(55,356)	165,399	165,399	-
Total instruction – regular programs	220,755	(55,356)	165,399	165,399	-
Home instruction:					
Salaries of teachers	318,600	289,031	607,631	607,631	-
Other objects	21,400	(16,175)	5,225	5,225	-
Total home instruction	340,000	272,856	612,856	612,856	-
Regular programs – Undistributed Instruction					
Other salaries of instruction	5,000	(5,000)	-	-	-
General supplies	9,480	(9,260)	220	220	-
Textbooks	266	(266)	-	-	-
Other objects	1,672	(1,672)	-	-	-
Total interim alternative education program	16,418	(16,198)	220	220	-
Total instruction – regular programs	577,173	201,302	778,475	778,475	-
Special education:					
Auditory Impairments program:					
Salaries of teachers	105,000	6,068	111,068	111,068	-
Purchased Instructional services	32,590	(12,750)	19,840	19,840	-
General supplies	1,910	(1,234)	676	676	-
Other Objects	7,500	(5,946)	1,554	1,554	-
Total Auditory Impairments program	147,000	(13,862)	133,138	133,138	-
Learning and/or language disabilities:					
Salaries of teachers	28,800	(21,519)	7,281	7,281	-
Total learning and/or language disabilities	28,800	(21,519)	7,281	7,281	-

Middlesex Regional Educational Services Commission  
General Fund

Budgetary Comparison Schedule

Year ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures (continued)</b>					
For Keeps Children's program:					
Salaries of teachers	\$ 59,000	\$ 23,762	\$ 82,762	\$ 82,762	\$ -
General supplies	1,350	(1,279)	71	71	-
Total For Keeps Children's program	60,350	22,483	82,833	82,833	-
Behavioral disabilities:					
Salaries of teachers	701,000	(86,374)	614,626	614,626	-
Other salaries of instruction	202,000	4,569	206,569	206,569	-
General supplies	22,260	(7,039)	15,221	11,319	3,902
Textbooks	22,790	(22,790)	-	-	-
Other objects	11,433	(4,786)	6,647	6,647	-
Total behavioral disabilities	959,483	(116,420)	843,063	839,161	3,902
Multiple disabilities:					
Salaries of teachers	1,777,500	58,389	1,835,889	1,835,889	-
Other salaries of instruction	1,065,000	(55,244)	1,009,756	1,009,756	-
General supplies	52,410	61,786	114,196	112,310	1,886
Textbooks	490	(490)	-	-	-
Other objects	42,492	(3,340)	39,152	39,152	-
Total multiple disabilities	2,937,892	61,101	2,998,993	2,997,107	1,886
Autism:					
Salaries of teachers	2,765,500	16,675	2,782,175	2,782,175	-
Other salaries of instruction	2,045,000	121,380	2,166,380	2,166,380	-
General supplies	71,940	61,604	133,544	130,901	2,643
Textbooks	840	(840)	-	-	-
Other objects	46,305	(5,944)	40,361	40,361	-
Total autism	4,929,585	192,875	5,122,460	5,119,817	2,643
Preschool:					
Salaries of teachers	335,000	13,870	348,870	348,870	-
Other salaries of instruction	306,000	(14,603)	291,397	291,397	-
General supplies	9,030	(519)	8,511	6,300	2,211
Textbooks	84	(84)	-	-	-
Other objects	1,763	(982)	781	721	60
Total preschool	651,877	(2,318)	649,559	647,288	2,271
Total special education	9,714,987	122,340	9,837,327	9,826,625	10,702
Total instruction	10,292,160	323,642	10,615,802	10,605,100	10,702
Undistributed expenditures:					
Health services:					
Salaries	413,000	(29,813)	383,187	383,187	-
Purchased professional and technical services	210,050	11,352	221,402	202,637	18,765
Supplies	20,700	(645)	20,055	20,055	-
Total health services	643,750	(19,106)	624,644	605,879	18,765
Other support services - students special services:					
Salaries of instruction (speech/otpt)	2,283,000	(155,927)	2,127,073	2,127,073	-
Other salaries of instruction (1.1)	874,000	1,030,496	1,904,496	1,904,496	-
Other Purchased Prof. And Guidance Service	371,000	(38,111)	332,889	301,172	31,717
Other Purchased Prof. And Tech Services	627,500	(37,861)	589,639	589,639	-
Purchased Professional - Ed. Services	1,850,919	328,344	2,179,263	2,179,263	-
Other Purchased Prof. And Tech Services	1,033,807	195,337	1,229,144	1,171,111	58,033
Supplies and materials	4,230	(2,260)	1,970	1,970	-
Total other support services - students special services	7,044,456	1,320,018	8,364,474	8,274,724	89,750
Improvement of Instructional Services					
Other purchased services	85,500	(44,373)	41,127	41,127	-
Total Improvement of Instructional Services	85,500	(44,373)	41,127	41,127	-

Middlesex Regional Educational Services Commission  
General Fund

Budgetary Comparison Schedule

Year ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures (continued)</b>					
Undistributed expenditures (continued):					
Support services - general administration:					
Salaries	\$ 469,300	\$ 24,124	\$ 493,424	\$ 493,424	\$ -
Legal services	41,700	26,514	68,214	50,417	17,797
Audit fees	58,850	56,192	115,042	56,192	58,850
Other purchased professional Services	41,000	3,625	44,625	44,625	-
Telephone	248,850	(9,773)	239,077	239,077	-
Supplies and materials	11,400	764	12,164	11,902	262
Other objects	66,887	(7,444)	59,443	59,443	-
Total support services - general administration	937,987	94,002	1,031,989	955,080	76,909
Support services - school administration:					
Salaries of principals/asst. principals	1,094,250	(80,815)	1,013,435	1,013,435	-
Salaries of secretarial and clerical assistants	488,000	(124,277)	363,723	363,723	-
Other purchased professional services	102,520	(27,823)	74,697	74,697	-
Supplies and materials	43,080	(11,009)	32,071	31,308	763
Other objects	19,737	(7,607)	12,130	12,130	-
Total support services - school administration	1,747,587	(251,531)	1,496,056	1,495,293	763
Central services:					
Salaries	1,094,600	(74,615)	1,019,985	1,019,985	-
Purchased professional services	45,700	(10,352)	35,348	34,548	800
Misc. purchased services (400-500 series)	65,187	(241)	64,946	63,637	1,309
Supplies and materials	17,700	14,142	31,842	26,281	5,561
Miscellaneous expenditures	18,200	8,387	26,587	26,587	-
Total central services	1,241,387	(62,679)	1,178,708	1,171,038	7,670
Admin. Infor. Technology:					
Salaries	260,300	(7,844)	252,456	252,456	-
Misc. purchased services (400-500 series)	168,200	11,459	179,659	104,465	75,194
Supplies and materials	38,000	8,795	46,795	26,052	20,743
Total admin. Infor. Technology	466,500	12,410	478,910	382,973	95,937
Required maintenance of school facilities:					
Salaries	494,000	64,328	558,328	558,328	-
Cleaning, repair, maintenance	205,500	47,543	253,043	232,379	20,664
General supplies	148,150	(9,315)	138,835	118,990	19,845
Total required maintenance of school facilities	847,650	102,556	950,206	909,697	40,509
Other operation and maintenance for plant:					
Salaries	89,000	(28,610)	60,390	60,390	-
Other Purchased Property Services	39,200	1,417	40,617	40,617	-
Insurance	92,100	2,198	94,298	94,298	-
Energy (heat and electricity)	515,600	50,855	566,455	566,455	-
Other objects	16,940	(11,046)	5,894	5,894	-
Total other operation and maintenance or plant	752,840	14,814	767,654	767,654	-

Middlesex Regional Educational Services Commission  
General Fund

Budgetary Comparison Schedule

Year ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures (continued)</b>					
Undistributed expenditures (continued):					
Student transportation services:					
Salaries for pupil transportation (between home and school) - regular	\$ 89,000	\$ (3,304)	\$ 85,696	\$ 85,696	\$ -
Salaries of secretarial and clerical assistants	314,000	(115,320)	198,680	198,680	-
Contracted svc (bet. Home and Sch) -Vendors	30,500,000	2,488,623	32,988,623	32,852,027	136,596
Contracted svc (oth. Than bet. Home and Sch)	526,174	(51,752)	474,422	474,422	-
Contracted svc -Aide in Lieu Pymts -NP Sch	70,720	(732)	69,988	69,988	-
Supplies and materials& Misc	18,750	(7,550)	11,200	11,200	-
Total student transportation services	31,518,644	2,309,965	33,828,609	33,692,013	136,596
Employee benefits:					
Social security	551,900	170,978	722,878	722,878	-
Other retirement contributions - regular	644,600	27,777	672,377	672,377	-
Unemployment compensation	182,150	(78,871)	103,279	103,279	-
Workmen's compensation	197,150	20,631	217,781	217,781	-
Health benefits	6,230,138	2,353,809	8,583,947	5,732,322	2,851,625
Tuition reimbursement	100,000	(60,813)	39,187	39,187	-
Other employee benefits	87,200	4,782	91,982	91,982	-
Total employee benefits	7,993,138	2,438,293	10,431,431	7,579,806	2,851,625
Reimbursed social security and pension contributions (non-budgeted)				4,788,742	(4,788,742)
Total				4,788,742	(4,788,742)
Total undistributed expenditures	53,279,439	5,914,369	59,193,808	60,664,026	(1,470,218)
Total expenditures - current	63,571,599	6,238,011	69,809,610	71,269,126	(1,459,516)
<b>Capital outlay</b>					
Equipment:					
Regular programs - instruction:					
Special education - instruction:					
Multiple disabilities	-	176,016	176,016	89,463	86,553
Behavioral disabilities	2,000	12,858	14,858	14,858	-
Autism	-	176,015	176,015	89,462	86,553
Special education - non-instruction:					
Multiple disabilities	-	255,131	255,131	164,778	90,353
Behavioral disabilities	-	22,999	22,999	22,999	-
Autism	-	255,130	255,130	164,778	90,352
Others	-	287,983	287,983	102,836	185,147
Total equipment	2,000	1,186,132	1,188,132	649,174	538,958
Facilities acquisition and construction services:					
Construction services	510,000	130,000	640,000	85,922	554,078
Total facilities acquisition and construction services	510,000	130,000	640,000	85,922	554,078
Total capital outlay	512,000	1,316,132	1,828,132	735,096	1,093,036

Middlesex Regional Educational Services Commission  
General Fund

Budgetary Comparison Schedule

Year ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures (continued)</b>					
Special schools:					
Summer School - Instruction					
Salaries of teachers	\$ 682,689	\$ (27,826)	\$ 654,863	\$ 654,863	\$ -
Other salaries of instruction	425,282	132,478	557,760	557,760	-
General supplies	34,660	(12,401)	22,259	22,259	-
Total summer school year - Instruction	1,142,631	92,251	1,234,882	1,234,882	-
Summer School - Support Services					
Salaries	716,128	(51,474)	664,654	664,654	-
Personal Services - Employee Benefits	246,382	461,689	708,071	702,950	5,121
Purch Pro & Tech Services	398,882	(100,786)	298,096	298,096	-
Other Purchased Services	33,660	(16,890)	16,770	16,770	-
Total summer school year - Support Services	1,395,052	292,539	1,687,591	1,682,470	5,121
Total special schools	2,537,683	384,790	2,922,473	2,917,352	5,121
Total expenditures	66,621,282	7,938,933	74,560,215	74,921,574	(361,359)
(Deficiency) excess of revenues (under) over expenditures	4,673,000	561,408	5,234,408	9,661,791	4,427,383
Other financing sources (uses):					
Transfers out	(4,673,000)	(1,090,966)	(5,763,966)	(5,763,966)	-
Total other financing sources (uses)	(4,673,000)	(1,090,966)	(5,763,966)	(5,763,966)	-
(Deficiency) excess of revenues (under) over expenditures and other financing sources (uses)	-	(529,558)	(529,558)	3,897,825	4,427,383
Fund balances, July 1	5,587,027	(5,874,266)	(287,239)	15,710,337	
Fund balances, June 30	\$ 5,587,027	\$ (6,403,824)	\$ (816,797)	\$ 19,608,162	\$ 4,427,383
<b>Recapitulation of (deficiency) excess of revenues (under) over expenditures and other financing sources (uses)</b>					
Adjustment for prior year encumbrances	\$ -	\$ (529,558)	\$ (529,558)	\$ (529,558)	\$ -
Budgeted fund balance	-	-	-	4,427,383	4,427,383
Total	\$ -	\$ (529,558)	\$ (529,558)	\$ 3,897,825	\$ 4,427,383

Middlesex Regional Educational Services Commission  
Special Revenue Fund

Budgetary Comparison Schedule  
(Budgetary Basis)

Year ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Revenues</b>					
Local sources	\$ -	\$ 21,924	\$ 21,924	\$ 21,924	\$ -
State sources	5,532,650	1,773,183	7,305,833	6,997,182	(308,651)
Federal sources	1,917,586	952,721	2,870,307	1,726,514	(1,143,793)
<b>Total revenues</b>	<b>7,450,236</b>	<b>2,747,828</b>	<b>10,198,064</b>	<b>8,745,620</b>	<b>(1,452,444)</b>
<b>Expenditures</b>					
Instruction:					
Salaries of teachers	1,703,000	192,084	1,895,084	1,895,084	-
Purchased professional and technical services	2,179,626	1,079,062	3,258,688	2,114,895	1,143,793
General supplies	325,610	161,064	486,674	452,057	34,617
Textbooks	618,870	174,502	793,372	742,126	51,246
Total instruction	4,827,106	1,606,712	6,433,818	5,204,162	1,229,656
Support services:					
Salaries of supervisors of instruction	210,900	73,995	284,895	284,895	-
Salaries of other professional staff	1,169,800	326,347	1,496,147	1,410,863	85,284
Salaries of secretarial and clerical employees	97,050	85,365	182,415	182,415	-
Personal services-employee benefits	514,231	557,425	1,071,656	943,276	128,380
Travel	15,000	(2,853)	12,147	12,147	-
Supplies and materials	87,140	34,833	121,973	112,849	9,124
Others	344,330	20,106	364,436	364,436	-
Total support services	2,438,451	1,095,218	3,533,669	3,310,881	222,788
Facilities acquisition and construction services:					
Construction services	-	19,736	19,736	19,736	-
Instructional equipment	64,632	39,877	104,509	104,509	-
Noninstructional equipment	67,447	(12,054)	55,393	55,393	-
Total facilities acquisition and construction services	132,079	47,559	179,638	179,638	-
Total expenditures	7,397,636	2,749,489	10,147,125	8,694,681	1,452,444
Other financing uses:					
Transfers out	(52,600)	1,661	(50,939)	(50,939)	-
Total other financing uses	(52,600)	1,661	(50,939)	(50,939)	-
Excess (deficiency) of revenues over (under) expenditures and other financing (uses)	\$ -	\$ -	\$ -	\$ -	\$ -

Middlesex Regional Educational Services Commission  
Note to Required Supplementary Information

Budget to GAAP Reconciliation

Year ended June 30, 2015

		<b>Special Revenue Fund</b>
<b>Sources/inflows of resources</b>		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-2]	\$ 8,745,620
Differences – budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized		(145,109)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances – governmental funds	[B-2]	\$ 8,600,511
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-2]	\$ 8,745,620
Differences – budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes		(145,109)
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.		(50,939)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2]	\$ 8,549,572

*This page left blank intentionally.*

Schedules Related to Accounting and  
Reporting for Pensions (GASB 68)



Schedule of the Commission's Proportionate Share of the  
Net Pension Liability

	<b>2015 PERS</b>
	<hr/>
Commission's portion of the net pension liability	.10472%
Commission's proportionate share of the net pension liability	19,606,549
Commission's covered-employee payroll	\$ 6,756,533
Commission's proportionate share of the net pension liability as a percentage as a percentage of its covered-employee payroll	290.19%
Plan fiduciary net position as a percentage of the total pension liability	42.74%
	 <b>TPAF</b> <hr/>
Commission's Proportion of the net pension liability	0%
Commission's proportionate share of the net pension liability	-
The State's proportionate share of the net pension liability associated with the Commission	70,761,329
Commission's covered-employee payroll	\$ 13,014,283
Commission's proportionate share of the net pension liability as a percentage as a percentage of its covered-employee payroll	0%
Plan fiduciary net position as a percentage of the total pension liability	33.64%

Schedule of the Commission's Contributions to the Public Employees' Retirement System (PERS)

	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 863,301	\$ 784,072	\$ 870,819	\$ 972,356	\$ 1,024,842	\$ 834,816	\$ 671,355
Contributions in relation to the contractually required contribution	863,301	784,072	870,819	972,356	1,024,842	834,816	671,355
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commission's covered employee payroll	\$ 6,859,933	\$ 6,756,533	\$ 6,996,216	\$ 7,003,742	\$ 7,852,556	\$ 8,408,353	\$ 8,646,377
Contributions as a percentage of covered employee payroll	12.58%	11.60%	12.45%	13.88%	13.05%	9.93%	7.76%

### *Notes to Schedule*

#### Valuation Date:

Actuarially determined contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which the contributions are reported

Methods and assumptions used to determine the actuarially determined employer contributions are as follows:

Actuarial Cost Method	Projected Unit Credit Method
Amortization Method	Level Dollar Amortization
Remaining Amortization Period	30 years
Asset Valuation Method	A five year average of market value
Investment Rate of Return	7.9% for 2015, 2014 and 2013, 7.95% for 2012, 8.25% for 2011, 2010 and 2009
Inflation	3.01%
Salary Increases	2.15%–5.40% for 2015 through 2013, 4.52% for 2012, 5.45% for 2011, 2010 and 2009
Mortality	RP-2000 Employee Preretirement Mortality Table for male and female active participants. Mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2012 using a generational approach based on Projection Scale AA. Prior to 2012, the RP-2000 Employee Preretirement Mortality table was used and was set back 4 years for females.

Schedule of the Commission's Contributions to the Teachers' Pension and Annuity Fund (TPAF)

	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commission's covered employee payroll	\$ 13,485,746	\$ 13,014,283	\$ 12,645,247	\$ 12,077,716	\$ 12,230,295	\$ 12,591,251	\$ 12,766,664
Contributions as a percentage of covered employee payroll	0%	0%	0%	0%	0%	0%	0%

*Notes to Schedule*

Valuation Date:

Actuarially determined contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which the contributions are reported

Methods and assumptions used to determine the actuarially determined employer contributions are as follows:

Actuarial Cost Method	Projected Unit Credit Method
Amortization Method	Level Dollar Amortization
Remaining Amortization Period	30 years until the June 30, 2019 valuation at which time the period declines by 1 each year until 20 years.
Asset Valuation Method	A five year average of market value
Investment Rate of Return	7.9% for 2015, 2014 and 2013, 7.95% for 2012, 8.25% for 2011, 2010 and 2009
Inflation	2.50%
Salary Increases	Varies by years of employment and valuation year.
Mortality	Based on experience of TPAF members reflecting mortality improvement for 7 years for post-retirement and 15 years for pre-retirement from each projected valuation date. Mortality improvements are projected using Scale AA from the base year 2000 until the valuation date plus 15 years to account for future mortality improvement.

*This page left blank intentionally.*

## Other Supplementary Information



## School Level Schedules

Not Applicable.



# Special Revenue Fund Detail Statements

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



Middlesex Regional Educational Services Commission  
Special Revenue Fund

Combining Schedule of Revenues and Expenditures –  
Budgetary Basis

Year ended June 30, 2015

		State Grants									
		ESL	Home Instruction	Transportation	Supp. Instruct	Exam and Class	Speech Corr.	Text- Books	Nursing		
<b>Revenues:</b>											
Local sources	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	1,431,885	165,166	60,938	282,644	593,074	915,281	631,357	742,126	1,698,577		
Federal sources	-	-	-	-	-	-	-	-	-	-	-
Total revenues	\$	1,431,885	\$ 165,166	\$ 282,644	\$ 593,074	\$ 915,281	\$ 631,357	\$ 742,126	\$ 1,698,577		
<b>Expenditures:</b>											
<b>Instruction:</b>											
Salaries of teachers	\$	1,033,531	\$ 134,132	\$ 35,693	\$ -	\$ 89,757	\$ 26,241	\$ 558,275	\$ -	\$ -	\$ -
Purchased professional and technical services	-	-	8,743	-	-	568,893	-	-	-	-	-
General supplies/misc	5,947	-	-	-	1,624	3,750	-	-	-	-	-
Textbooks	-	-	-	-	-	-	-	742,126	-	-	-
Total instruction	1,039,478	134,132	44,436	-	91,381	598,884	558,275	742,126	-	-	-
<b>Support services:</b>											
Salaries of supervisors of instruction	80,625	1,384	-	-	115,106	72,592	4,149	-	5,866	-	-
Salaries of other professional staff	41,363	710	-	39,776	59,053	37,242	2,128	-	1,228,820	-	-
Salaries of secretarial and clerical employees	38,177	656	1,793	29,403	54,503	34,374	1,964	-	13,300	-	-
Personal services – employee benefits	137,921	22,552	10,464	44,440	180,831	98,206	43,670	-	359,552	-	-
Travel	2,883	49	135	2,220	4,116	2,595	148	-	-	-	-
Supplies and materials	3,899	67	183	15,606	5,568	3,511	201	-	83,814	-	-
Other	45,644	784	2,144	151,199	65,164	41,097	2,349	-	7,225	-	-
Total support services	350,512	26,202	14,719	282,644	484,341	289,617	54,609	-	1,698,577	-	-
<b>Facilities acquisition and construction services:</b>											
Construction services	7,441	858	317	-	3,082	4,757	3,281	-	-	-	-
Instructional equipment	13,568	1,565	577	-	5,620	8,673	5,983	-	-	-	-
Noninstructional equipment	20,886	2,409	889	-	8,650	13,350	9,209	-	-	-	-
Total facilities acquisition and construction services	41,895	4,832	1,783	-	17,352	26,780	18,473	-	-	-	-
Total expenditures	\$	1,431,885	\$ 165,166	\$ 282,644	\$ 593,074	\$ 915,281	\$ 631,357	\$ 742,126	\$ 1,698,577		

Middlesex Regional Educational Services Commission  
Special Revenue Fund

Combining Schedule of Revenues and Expenditures –  
Budgetary Basis

Year ended June 30, 2015

	State Grants		Local		Federal Grants					Total
	Technology	Safety Grant	Title I Grant	Title III Grant	IDEA-B Regular	IDEA-B Preschool				
Revenues:										
Local sources	\$ -	\$ 21,924	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,924
State sources	476,134	-	-	-	-	-	-	-	-	6,997,182
Federal sources	-	-	52,736	1,758	1,671,480	540	-	-	-	1,726,514
Total revenues	\$ 476,134	\$ 21,924	\$ 52,736	\$ 1,758	\$ 1,671,480	\$ 540	\$ -	\$ -	\$ -	\$ 8,745,620
Expenditures:										
Instruction:										
Salaries of teachers	\$ -	\$ -	\$ 16,208	\$ 1,247	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,895,084
Purchased professional and technical services	-	-	-	-	1,536,719	540	-	-	-	2,114,895
General supplies/Misc.	382,074	-	-	-	58,662	-	-	-	-	452,057
Textbooks	-	-	-	-	-	-	-	-	-	742,126
Total instruction	382,074	-	16,208	1,247	1,595,381	540	-	-	-	5,204,162
Support services:										
Salaries of supervisors of instruction	-	-	5,102	71	-	-	-	-	-	284,895
Salaries of other professional staff	516	-	1,238	17	-	-	-	-	-	1,410,863
Salaries of secretarial and clerical employees	5,890	-	2,323	32	-	-	-	-	-	182,415
Personal services - employee benefits	18,441	-	26,825	375	-	-	-	-	-	943,277
Travel	-	-	-	-	-	-	-	-	-	12,146
Supplies and materials	-	-	-	-	-	-	-	-	-	112,849
Other	690	21,924	1,040	16	76,099	-	-	-	-	415,375
Total support services	25,537	21,924	36,528	511	76,099	-	-	-	-	3,361,820
Facilities acquisition and construction services:										
Construction services	-	-	-	-	-	-	-	-	-	19,736
Instructional equipment	68,523	-	-	-	-	-	-	-	-	104,509
Noninstructional equipment	-	-	-	-	-	-	-	-	-	55,393
Total facilities acquisition and construction services	68,523	-	-	-	-	-	-	-	-	179,638
Total expenditures	\$ 476,134	\$ 21,924	\$ 52,736	\$ 1,758	\$ 1,671,480	\$ 540	\$ -	\$ -	\$ -	\$ 8,745,620

Middlesex Regional Educational Services Commission

Schedule of Demonstrably Effective Program Aid Expenditures – Budgetary Basis

Year Ended June 30, 2015

Not Applicable

Middlesex Regional Educational Services Commission

Schedule of Early Childhood Program Aid Expenditures – Budgetary Basis

Year Ended June 30, 2015

Not Applicable

Middlesex Regional Educational Services Commission

Schedule of Distance Learning Network Aid Expenditures – Budgetary Basis

Year Ended June 30, 2015

Not Applicable

Middlesex Regional Educational Services Commission  
Schedule of Instructional Supplement Aid Expenditures – Budgetary Basis  
Year Ended June 30, 2015

Not Applicable

# Capital Projects Fund Detail Statements

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



Middlesex Regional Educational Services Commission  
Capital Projects Fund

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

Year ended June 30, 2015

Not Applicable

Middlesex Regional Educational Services Commission  
Capital Projects Fund

Summary Schedule of Project Expenditures

Year ended June 30, 2015

Not Applicable

# Enterprise Funds Detail Statements

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

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

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

**Pool Services Fund** – This fund provides for the operation of the Aquatic and Fitness Programs within the Commission.



Middlesex Regional Educational Services Commission  
Enterprise Funds

Combining Statement of Net Position

June 30, 2015

	<b>Regional Day School Fund</b>	<b>Pool Services Fund</b>	<b>Food Services Fund</b>	<b>Total</b>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 989,785	\$ 82,343	\$ 32,010	\$ 1,104,138
Intergovernmental accounts receivable:				
State	-	-	724	724
Federal	-	-	53,528	53,528
Other	486,324	7,367	-	493,691
Interfunds receivable	-	112,254	-	112,254
Total current assets	<u>1,476,109</u>	<u>201,964</u>	<u>86,262</u>	<u>1,764,335</u>
Capital assets:				
Site Improvement	921,997	-	-	921,997
Equipment	640,205	-	-	640,205
Accumulated depreciation	(621,127)	-	-	(621,127)
Total capital assets	<u>941,075</u>	<u>-</u>	<u>-</u>	<u>941,075</u>
Total assets	<u>2,417,184</u>	<u>201,964</u>	<u>86,262</u>	<u>2,705,410</u>
<b>Deferred outflows of resources</b>				
Deferred outflows related to pension	<u>103,894</u>	<u>-</u>	<u>-</u>	<u>103,894</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	44,781	39,124	835	84,740
Intergovernmental accounts payable:				
State	103,894	-	-	103,894
Interfunds payable	22,451	23	23,933	46,407
Unearned revenues	100	46,419	-	46,519
Total current liabilities	<u>171,226</u>	<u>85,566</u>	<u>24,768</u>	<u>281,560</u>
<b>Net Position</b>				
Net Investment in capital assets	941,075	-	-	941,075
Unrestricted	1,408,777	116,398	61,494	1,586,669
Total net position	<u>\$ 2,349,852</u>	<u>\$ 116,398</u>	<u>\$ 61,494</u>	<u>\$ 2,527,744</u>

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

Deferred outflows (12% of \$723,149) related to pension not reported in the funds.	\$ 86,778
Deferred inflows (12% of \$1,168,444) related to pension not reported in the funds.	(140,213)
Net Pension Liability (12% of \$19,606,549) which is due in the future period not reported in the funds.	(2,352,786)
Net position of business-type activities (A-1)	<u>\$ 121,523</u>

See accompanying notes.

Middlesex Regional Educational Services Commission  
Enterprise Funds

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

Year ended June 30, 2015

	Regional Day School Fund	Pool Services Fund	Food Services Fund	Total
Operating revenues:				
Local sources:				
School lunch program	\$ -	\$ -	\$ 63,500	\$ 63,500
Tuition	4,717,772	-	-	4,717,772
Services	710,906	894,615	-	1,605,521
Miscellaneous	-	5,728	-	5,728
Total operating revenues	5,428,678	900,343	63,500	6,392,521
Operating expenses:				
Cost of food	-	1,263	297,897	299,160
Salaries and wages	2,654,819	473,154	25,625	3,153,598
Employee benefits	1,346,188	85,521	-	1,431,709
Materials and supplies	41,842	91,606	-	133,448
Textbooks	-	-	-	-
Maintenance and repairs	21,606	23,453	-	45,059
Other professional services	500,423	14,394	-	514,817
Insurance	11,238	-	-	11,238
Telephone/Communications	28,178	-	-	28,178
Utilities	99,517	73,310	-	172,827
Depreciation	60,770	-	-	60,770
Miscellaneous	30,896	53,648	-	84,544
Total operating expenses	4,795,477	816,349	323,522	5,935,348
Operating income (loss)	633,201	83,994	(260,022)	457,173
Nonoperating revenues:				
State school lunch program	-	-	3,637	3,637
National breakfast program - federal	-	-	95,580	95,580
Federal school lunch program	-	-	172,895	172,895
Total nonoperating revenues	-	-	272,112	272,112
Income before transfers	633,201	83,994	12,090	729,285
Transfers in				
Transfers out	-	112,254	-	112,254
Total Transfer	(111,391)	(80,000)	-	(191,391)
Change in net position	521,810	116,248	12,090	650,148
Net position, beginning	1,828,042	150	49,404	1,877,596
Net position, ending	\$ 2,349,852	\$ 116,398	\$ 61,494	\$ 2,527,744

**Reconciliation of combining statement of revenue,  
expenses and changes in fund net position to the  
statement of activities**

**Total change in net position (G-2):** **\$ 650,148**

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

In the statement of activities, pension expense in the statement of activities is accrued, regardless of when due. In the governmental funds, pension expense is reported when due. This amount is the net effect of pension expense differences. (12% of \$163,881(=\$1,039,995-\$863,301-\$12,813))

**Change in net position of business-type activities (A-2)**

(19,665)  
**\$ 630,483**

*See accompanying notes.*

Middlesex Regional Educational Services Commission  
Proprietary Fund - Enterprise Funds

Combining Statement of Cash Flows

Year ended June 30, 2015

	<b>Regional Day School Fund</b>	<b>Pool Services Fund</b>	<b>Food Services Fund</b>	<b>Total</b>
<b>Cash flows from operating activities</b>				
Receipts from customers	\$ 5,373,182	\$ 889,317	\$ 63,577	\$ <b>6,326,076</b>
Payments to employees	(2,654,819)	(473,154)	(25,625)	(3,153,598)
Payments for employee benefits	(1,346,188)	(85,521)	-	(1,431,709)
Payments to suppliers	(675,121)	(248,490)	(297,853)	(1,221,464)
Net cash provided by (used in) operating activities	697,054	82,152	(259,901)	<b>519,305</b>
<b>Cash flows from noncapital financing activities</b>				
State sources	-	-	3,921	<b>3,921</b>
Federal sources	-	-	273,626	<b>273,626</b>
Operating subsidies and transfers to/from other funds	(133,842)	32,233	(28,896)	(130,505)
Net cash (used in) provided by noncapital financing activities	(133,842)	32,233	248,651	<b>147,042</b>
<b>Cash flows from capital and related financing</b>				
Purchases of capital assets	(122,918)	-	-	(122,918)
Net cash used in capital and related financing activities	(122,918)	-	-	(122,918)
Net decrease in cash and cash equivalents	440,294	114,385	(11,250)	<b>543,429</b>
Balances – beginning of year	549,491	(32,042)	43,260	<b>560,709</b>
Balances – end of year	\$ 989,785	\$ 82,343	\$ 32,010	\$ <b>1,104,138</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>				
Operating income (loss)	\$ 633,201	\$ 83,994	\$ (260,022)	\$ <b>457,173</b>
Adjustments to reconcile operating income (loss) to net cash provided by (used in ) operating activities				
Depreciation and net amortization	60,770	-	-	<b>60,770</b>
Change in assets and liabilities:				
(Increase) Decrease in accounts receivable, net	(55,596)	(5,389)	77	(60,908)
(Decrease) Increase in accounts payable, net	58,579	9,184	44	<b>67,807</b>
(Decrease) Increase in deferred revenue, net	100	(5,637)	-	(5,537)
Net cash provided by (used in) operating activities	\$ 697,054	\$ 82,152	\$ (259,901)	\$ <b>519,305</b>

*This page left blank intentionally.*

# Fiduciary Funds Detail Statements

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

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

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

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

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



Middlesex Regional Educational Services Commission  
Trust and Agency Funds

Combining Statement of Fiduciary Net Position

June 30, 2015

	<u>Trust</u>	<u>Agency</u>		<u>Total Agency</u>
	<u>Unemployment Compensation</u>	<u>Student Activity</u>	<u>Payroll</u>	
<b>Assets</b>				
Cash and cash equivalents	\$ 313,300	\$ 8,839	\$ 185,553	\$ 194,392
Interfund receivable	-	-	23	23
Accounts receivable – other	-	-	1,656	1,656
Total assets	<u>\$ 313,300</u>	<u>\$ 8,839</u>	<u>\$ 187,232</u>	<u>\$ 196,071</u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ 173,411	\$ 173,411
Interfund payable	-	-	13,821	13,821
Due to student groups	-	8,839	-	8,839
Total liabilities	<u>-</u>	<u>\$ 8,839</u>	<u>\$ 187,232</u>	<u>\$ 196,071</u>
Net position held in trust for unemployment claims	<u>\$ 313,300</u>			

Middlesex Regional Educational Services Commission  
Trust Funds

Statement of Changes in Fiduciary Net Position

Year ended June 30, 2015

	<b>Unemployment Compensation Trust Fund</b>
<b>Additions:</b>	
Contributions	\$ 138,888
Interest on investments	270
Total additions	139,158
<b>Deductions:</b>	
Payment of claims	138,888
Total deductions	138,888
Change in net position	270
Net position – beginning	313,030
Net position – ending	\$ 313,300

Middlesex Regional Educational Services Commission  
Student Activity Agency Fund

Schedule of Receipts and Disbursements

Year ended June 30, 2015

	<b>Balance July 1, 2014</b>	<b>Cash Receipts</b>	<b>Cash Disbursements</b>	<b>Balance June 30, 2015</b>
<b>Raritan Valley Academy</b>				
Student activity	\$ 324	\$ -	\$ -	\$ 324
Year book	158	-	-	158
<b>Total</b>	<b>482</b>	<b>-</b>	<b>-</b>	<b>482</b>
<b>Piscataway Regional Day School</b>				
Student activity	1,067	5,094	4,330	1,831
<b>Total</b>	<b>1,067</b>	<b>5,094</b>	<b>4,330</b>	<b>1,831</b>
<b>Academy Learning Center</b>				
Student activity	2,401	2,567	1,499	3,469
<b>Total</b>	<b>2,401</b>	<b>2,567</b>	<b>1,499</b>	<b>3,469</b>
<b>Bright Beginning Learning Center</b>				
Student activity	86	4,888	3,750	1,224
<b>Total</b>	<b>86</b>	<b>4,888</b>	<b>3,750</b>	<b>1,224</b>
<b>Center for Lifelong Learning</b>				
Student activity	3,301	537	2,050	1,788
Year book	45	-	-	45
<b>Total</b>	<b>3,346</b>	<b>537</b>	<b>2,050</b>	<b>1,833</b>
<b>Total of all schools</b>	<b>\$ 7,382</b>	<b>\$ 13,086</b>	<b>\$ 11,629</b>	<b>\$ 8,839</b>

Middlesex Regional Educational Services Commission  
Payroll Agency Fund

Schedule of Cash Receipts and Disbursements

Year ended June 30, 2015

	<b>Balance July 1, 2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2015</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 712,267	\$ 31,552,908	\$ 32,079,622	\$ 185,553
Interfund receivable	44	23	44	23
Accounts receivable – other	1,083	1,656	1,083	1,656
Total assets	<u>\$ 713,394</u>	<u>\$ 31,554,587</u>	<u>\$ 32,080,749</u>	<u>\$ 187,232</u>
<b>Liabilities</b>				
Accounts payable	\$ 156,890	\$ 173,411	\$ 156,890	\$ 173,411
Interfund payable	556,504	13,821	556,504	13,821
Payroll, payroll deductions and withholdings payable	–	31,367,355	31,367,355	–
Total liabilities	<u>\$ 713,394</u>	<u>\$ 31,554,587</u>	<u>\$ 32,080,749</u>	<u>\$ 187,232</u>

# Long-Term Debt



Middlesex Regional Educational Services Commission  
Long-Term Debt

Schedule of Bonds/Loans Payable

June 30, 2015

Description	Interest Rate Payable	Amount of Issue	Balance July 1, 2014	Issued	Retired	Balance June 30, 2015
Bonds/loan payable –						
Middlesex County Improvement Authority – 2008	Various	\$ 40,000,000	\$ 35,170,000	\$ –	\$ 30,320,000	\$ 4,850,000
Middlesex County Improvement Authority – 2010	Various	5,300,000	3,515,000	–	535,000	2,980,000
Middlesex County Improvement Authority – 2014	Various	9,385,000	9,385,000	–	–	9,385,000
Middlesex County Improvement Authority – 2014A	Various	30,170,000	–	30,170,000	–	30,170,000
Loans payable –						
TD Equipment Finance Inc. -2012	1.52%	500,000	251,996		99,659	152,337
			<u>\$ 48,321,996</u>	<u>\$ 30,170,000</u>	<u>\$ 30,954,659</u>	<u>\$ 47,537,337</u>

Middlesex Regional Educational Services Commission  
Long-Term Debt

Schedule of Obligations Under Capital Leases

June 30, 2015

Not Applicable

Middlesex Regional Educational Services Commission  
Debt Service Fund

Budgetary Comparison Schedule

Year ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Actual to Final
Revenues:					
Interest earned	\$ -	\$ 55	\$ 55	\$ 55	\$ -
Total revenues	-	55	55	55	-
Expenditures:					
Regular debt service:					
Interest	2,313,180	1,867,972	4,181,152	1,958,584	2,222,568
Principal	2,479,659	(750,000)	1,729,659	1,729,659	-
Total expenditures	4,792,839	1,117,972	5,910,811	3,688,243	2,222,568
(Deficiency) excess of revenues (under) over expenditures	(4,792,839)	(1,117,917)	(5,910,756)	(3,688,188)	2,222,568
Other financing sources:					
Transfers in	4,792,839	1,101,203	5,894,042	5,894,042	-
Proceeds from principal	-	30,170,000	30,170,000	30,170,000	-
Proceeds from premium	-	3,923,921	3,923,921	3,923,921	-
Cost of Issuance	-	(423,102)	(423,102)	(423,102)	-
Advance Refunding Escrow	-	(4,429,105)	(4,429,105)	(4,429,105)	-
Payment to Debt Escrow	-	(29,225,000)	(29,225,000)	(29,225,000)	-
Total other financing sources (uses)	4,792,839	1,117,917	5,910,756	5,910,756	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	-	-	-	2,222,568	2,222,568
Fund balance, July 1	2,715,406	-	2,715,406	2,715,406	-
Fund balance, June 30	\$ 2,715,406	\$ -	\$ 2,715,406	\$ 4,937,974	\$ 2,222,568

*This page left blank intentionally.*

Statistical Section  
(Unaudited)



# Financial Trends



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

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Governmental activities</b>										
Net investment in capital assets	\$ 5,456,599	\$ 74,310	\$ (907,884)	\$ 3,533,402	\$ 11,861,037	\$ 13,000,522	\$ 13,575,508	\$ 13,740,089	\$ 14,499,327	\$ 14,336,092
Restricted for:										
Capital projects and reserve	2,808,031	2,346,234	8,312,635	4,036,257	751,545	231,255	236,824	236,825	216,392	216,392
Debt service	43,343	6,445,100	2,619,217	2,993,928	2,278,154	2,650,293	2,705,422	2,874,638	2,715,406	4,937,974
Committed - Encumbrances	1,282,784	959,782	1,091,094	1,220,140	930,684	1,267,891	999,035	2,035,178	529,558	1,374,102
Assigned	—	1,000,000	—	—	—	—	173,633	—	—	—
Unassigned	5,020,454	5,488,515	7,151,486	6,940,353	4,027,647	4,771,597	6,757,405	9,637,427	14,715,000	128,973
<b>Total governmental activities net position</b>	<b>\$ 14,611,211</b>	<b>\$ 16,313,941</b>	<b>\$ 18,266,548</b>	<b>\$ 18,724,080</b>	<b>\$ 19,849,067</b>	<b>\$ 21,921,558</b>	<b>\$ 24,447,827</b>	<b>\$ 28,524,157</b>	<b>\$ 32,675,683</b>	<b>\$ 20,993,533</b>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 242,976	\$ 658,070	\$ 806,809	\$ 1,119,901	\$ 1,083,451	\$ 955,897	\$ 924,861	\$ 922,350	\$ 878,927	\$ 941,075
Unrestricted	873,489	1,025,166	1,328,970	1,530,675	605,244	640,588	813,654	785,052	998,669	(819,552)
<b>Total business-type activities net position</b>	<b>\$ 1,116,465</b>	<b>\$ 1,683,236</b>	<b>\$ 2,135,779</b>	<b>\$ 2,650,576</b>	<b>\$ 1,688,695</b>	<b>\$ 1,596,485</b>	<b>\$ 1,738,515</b>	<b>\$ 1,707,402</b>	<b>\$ 1,877,596</b>	<b>\$ 121,523</b>
<b>District-wide</b>										
Net investment in capital assets	\$ 5,699,575	\$ 732,380	\$ (101,075)	\$ 4,653,303	\$ 12,944,488	\$ 13,956,419	\$ 14,500,369	\$ 14,662,439	\$ 15,378,254	\$ 15,277,167
Restricted for:										
Capital projects and reserve	2,808,031	2,346,234	8,312,635	4,036,257	751,545	14,863	236,824	236,825	216,392	216,392
Debt service	43,343	6,445,100	2,619,217	2,993,928	2,278,154	2,650,293	2,705,422	2,874,638	2,715,406	4,937,974
Unrestricted	7,176,727	8,473,463	9,571,550	9,691,168	5,563,575	6,896,468	8,743,727	12,457,657	16,243,227	683,523
<b>Total district net position</b>	<b>\$ 15,727,676</b>	<b>\$ 17,997,177</b>	<b>\$ 20,402,327</b>	<b>\$ 21,374,056</b>	<b>\$ 21,537,762</b>	<b>\$ 23,518,043</b>	<b>\$ 26,186,342</b>	<b>\$ 30,231,559</b>	<b>\$ 34,553,279</b>	<b>\$ 21,115,056</b>

Source: CAFR Schedule A-1

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

	Fiscal Year Ending June 30									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Expenses</b>										
<b>Governmental activities</b>										
Instruction	\$ 13,567,181	\$ 15,427,298	\$ 17,820,197	\$ 18,158,241	\$ 17,929,049	\$ 17,099,823	\$ 16,024,030	\$ 17,164,004	\$ 17,965,699	\$ 19,035,846
Support Services:										
Health services	526,476	590,115	681,759	650,633	744,761	739,248	697,076	681,030	707,233	717,186
Student & instruction related services	7,215,021	8,280,556	6,725,338	6,768,050	10,496,291	10,172,638	10,081,083	10,818,703	11,895,280	13,684,624
General administrative services	498,747	658,020	654,386	712,561	772,495	748,892	933,886	897,651	1,095,306	1,130,539
Central administrative services	1,409,497	1,308,333	1,443,203	1,519,283	1,758,468	1,730,098	1,730,098	1,909,456	1,911,362	1,769,994
Central Services	1,334,618	1,051,071	949,542	1,001,380	992,939	1,018,260	1,037,913	1,180,180	1,366,905	1,386,170
Admin. Infor. Technology	1,145,514	1,113,310	1,196,674	98,180	296,674	331,041	302,361	278,071	373,711	453,329
Plant operations and maintenance	1,240,844	1,648,485	1,708,220	1,765,062	2,288,865	1,895,022	1,768,873	1,905,235	1,967,843	1,985,498
Pupil transportation	22,713,537	23,906,263	25,427,834	24,909,636	25,611,438	26,235,308	30,174,878	34,105,560	37,069,323	39,881,596
Employee benefits	768,269	707,911	776,720	940,187	1,369,251	580,225	1,379,746	1,216,465	1,134,441	1,199,906
Capital outlay	421,292	958,624	328,342	501,852	52,021	928,362	39,757	646,338	118,441	119,906
Special Schools	1,461,003	1,702,299	1,847,787	1,843,787	2,328,007	2,522,036	2,628,384	2,715,991	2,678,384	2,917,352
Interest on long-term debt	1,123,139	1,271,981	1,726,317	2,743,549	2,253,304	2,509,131	2,671,147	2,602,541	2,597,814	2,820,805
<b>Total governmental activities expenses</b>	<b>\$ 52,394,138</b>	<b>\$ 57,624,246</b>	<b>\$ 60,439,524</b>	<b>\$ 61,438,891</b>	<b>\$ 66,713,448</b>	<b>\$ 66,539,055</b>	<b>\$ 69,458,280</b>	<b>\$ 76,121,225</b>	<b>\$ 81,122,059</b>	<b>\$ 87,443,811</b>
<b>Business-type activities:</b>										
Regional Day School	\$ 4,670,095	\$ 4,929,321	\$ 5,264,305	\$ 5,516,538	\$ 5,896,920	\$ 5,536,555	\$ 5,384,440	\$ 4,666,512	\$ 4,429,114	\$ 4,815,142
Bus Service	1,965,308	4,966,436	163,003	190,437	29,598	2,162	5,351	-	-	-
Early Childhood Program			5,577,675	5,382,667	521,189	78,264	740,070	654,430	738,063	816,349
Pool service	210,539	231,250	274,427	298,567	276,201	278,413	292,893	312,229	311,148	323,522
<b>Total business-type activities expense</b>	<b>\$ 6,845,942</b>	<b>\$ 10,127,007</b>	<b>\$ 11,279,410</b>	<b>\$ 11,388,209</b>	<b>\$ 6,735,137</b>	<b>\$ 6,681,448</b>	<b>\$ 6,422,754</b>	<b>\$ 5,633,171</b>	<b>\$ 5,478,325</b>	<b>\$ 5,955,013</b>
<b>Total district expenses</b>	<b>\$ 59,240,080</b>	<b>\$ 67,751,253</b>	<b>\$ 71,718,934</b>	<b>\$ 72,827,100</b>	<b>\$ 73,448,585</b>	<b>\$ 73,220,503</b>	<b>\$ 75,881,034</b>	<b>\$ 81,754,396</b>	<b>\$ 86,600,384</b>	<b>\$ 93,398,824</b>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
Pupil transportation	\$ 20,706,149	\$ 21,521,584	\$ 22,552,408	\$ 21,849,114	\$ 22,014,291	\$ 22,506,936	\$ 25,935,911	\$ 29,200,853	\$ 31,624,558	\$ 33,420,236
Operating grants and contributions	9,462,226	9,518,615	9,322,956	9,050,390	9,033,259	8,465,057	6,567,329	6,951,101	7,578,259	8,600,511
<b>Total governmental activities program revenues</b>	<b>\$ 30,168,375</b>	<b>\$ 31,040,199</b>	<b>\$ 31,875,344</b>	<b>\$ 30,899,504</b>	<b>\$ 31,047,520</b>	<b>\$ 30,971,993</b>	<b>\$ 32,503,240</b>	<b>\$ 36,151,954</b>	<b>\$ 39,002,817</b>	<b>\$ 42,020,747</b>
<b>Business-type activities:</b>										
Charges for services:										
Regional Day School	\$ 4,910,145	\$ 5,343,578	\$ 5,662,998	\$ 5,898,870	\$ 5,709,075	\$ 5,634,451	\$ 5,599,225	\$ 4,660,530	\$ 4,740,445	\$ 5,428,678
Bus Service	2,079,420	4,949,768	5,505,367	5,459,793	5,11,154	755	6,390	-	-	-
Newsletter Services program										
Pool service	70,345	67,827	72,933	72,388	74,989	575,609	656,938	554,933	633,974	900,343
Food service	231,447	393,316	478,357	477,438	276,333	82,739	73,992	68,837	62,077	63,500
Operating grants and contributions	7,291,357	10,754,489	11,875,853	12,024,531	6,698,532	6,515,757	6,546,577	5,526,018	5,690,716	6,664,633
<b>Total business-type activities program revenues</b>	<b>\$ 37,459,732</b>	<b>\$ 41,794,688</b>	<b>\$ 43,751,197</b>	<b>\$ 42,926,635</b>	<b>\$ 37,446,652</b>	<b>\$ 37,487,750</b>	<b>\$ 39,068,817</b>	<b>\$ 41,657,972</b>	<b>\$ 44,702,533</b>	<b>\$ 48,685,380</b>
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (22,225,763)	\$ (26,584,047)	\$ (28,564,180)	\$ (30,539,387)	\$ (35,665,927)	\$ (35,567,062)	\$ (36,955,040)	\$ (39,989,270)	\$ (42,119,242)	\$ (45,423,064)
Business-type activities	445,415	627,482	596,443	638,322	(36,605)	(165,691)	142,823	(107,153)	221,391	709,620
<b>Total district-wide net expense</b>	<b>\$ (21,780,348)</b>	<b>\$ (25,956,565)</b>	<b>\$ (27,967,737)</b>	<b>\$ (29,901,065)</b>	<b>\$ (35,702,532)</b>	<b>\$ (35,732,753)</b>	<b>\$ (36,812,217)</b>	<b>\$ (40,096,423)</b>	<b>\$ (41,897,851)</b>	<b>\$ (44,713,444)</b>
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental activities:										
Federal and state aid not restricted	\$ 922,184	\$ 1,638,362	\$ 1,837,857	\$ 1,826,690	\$ 1,835,723	\$ 1,827,530	\$ 2,189,991	\$ 2,655,091	\$ 2,447,550	\$ 4,788,742
Tuition received	18,411,306	20,478,439	22,527,836	23,150,645	26,186,392	27,207,213	27,809,066	30,247,995	32,136,205	32,716,393
Services provided to districts	3,911,988	5,164,915	5,282,055	5,074,996	7,620,980	8,433,509	9,249,984	10,783,815	12,268,807	13,160,428
Interest income	391,878	654,726	561,994	120,398	121,176	9,326	8,909	9,783	9,783	12,827
Special items	601,25	-	-	-	-	-	-	-	-	-
Miscellaneous income	231,738	200,335	163,145	103,565	200,725	232,606	222,586	443,414	133,836	484,794
Transfers	128,000	150,000	143,900	123,525	(73,481)	(73,481)	793	(76,040)	51,197	79,137
<b>Total governmental activities</b>	<b>\$ 24,057,219</b>	<b>\$ 28,286,777</b>	<b>\$ 30,516,787</b>	<b>\$ 30,996,919</b>	<b>\$ 36,790,914</b>	<b>\$ 37,639,553</b>	<b>\$ 39,481,309</b>	<b>\$ 44,065,601</b>	<b>\$ 47,047,378</b>	<b>\$ 51,242,321</b>
<b>Business-type activities:</b>										
Services provided to districts	33,928	86,061								
Miscellaneous income	1,709	3,228								
Transfers	(128,000)	(150,000)	(143,900)	(123,525)	(73,481)	(73,481)	(793)	76,040	(51,197)	(79,137)
<b>Total business-type activities</b>	<b>\$ (92,363)</b>	<b>\$ (60,711)</b>	<b>\$ (143,900)</b>	<b>\$ (123,525)</b>	<b>\$ (92,576)</b>	<b>\$ (73,481)</b>	<b>\$ (793)</b>	<b>\$ 76,040</b>	<b>\$ (51,197)</b>	<b>\$ (79,137)</b>
<b>Total district-wide</b>	<b>\$ 23,964,856</b>	<b>\$ 28,226,066</b>	<b>\$ 30,372,887</b>	<b>\$ 30,873,394</b>	<b>\$ 35,698,338</b>	<b>\$ 37,133,034</b>	<b>\$ 39,480,516</b>	<b>\$ 44,141,641</b>	<b>\$ 46,996,181</b>	<b>\$ 51,163,184</b>
<b>Change in Net Position</b>										
Governmental activities	\$ 1,831,456	\$ 1,702,730	\$ 1,952,607	\$ 487,532	\$ 2,072,491	\$ 2,526,269	\$ 2,526,269	\$ 4,076,331	\$ 4,928,136	\$ 5,819,257
Business-type activities	353,052	566,771	452,543	514,797	(92,210)	(210,114)	142,030	(31,113)	170,194	630,483
<b>Total district</b>	<b>\$ 2,184,508</b>	<b>\$ 2,269,501</b>	<b>\$ 2,405,150</b>	<b>\$ 997,329</b>	<b>\$ 1,980,281</b>	<b>\$ 2,668,299</b>	<b>\$ 2,668,299</b>	<b>\$ 4,045,218</b>	<b>\$ 5,098,330</b>	<b>\$ 6,449,740</b>

Source: CAFR Schedule A-2

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

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>General Fund</b>										
Nonspendable: Invested in CA										
Restricted for:										
Other Purposes	\$ 915,620	\$ 954,158	\$ 1,307,486	\$ 1,436,532	\$ 371,031	\$ 216,392	\$ 216,392	\$ 216,392	\$ 216,392	\$ 216,392
Committed: Encumbrance	1,282,784	959,782	941,351	302,631	930,684	1,267,891	999,035	2,035,178	529,558	1,374,102
Assigned	-	1,000,000	-	-	-	163,501	173,633	149,373	29,200	29,200
Unassigned	4,755,127	5,437,915	7,104,967	7,922,372	4,535,312	5,036,204	7,184,958	9,919,008	14,935,187	17,988,468
<b>Total general fund</b>	<b>\$ 6,953,531</b>	<b>\$ 8,351,855</b>	<b>\$ 9,353,804</b>	<b>\$ 9,661,535</b>	<b>\$ 5,837,027</b>	<b>\$ 6,683,988</b>	<b>\$ 8,574,018</b>	<b>\$ 12,319,951</b>	<b>\$ 15,710,337</b>	<b>\$ 19,608,162</b>
<b>All Other Governmental Funds</b>										
Restricted for:										
Debt service fund	\$ 2,591,639	\$ 2,129,842	\$ 2,619,217	\$ 2,993,928	\$ 2,278,154	\$ 2,650,293	\$ 2,705,422	\$ 2,874,638	\$ 2,715,406	\$ 4,937,974
Capital projects fund	43,343	6,445,100	8,096,243	3,819,865	535,153	14,863	20,432	20,433	-	-
<b>Total all other governmental funds</b>	<b>\$ 2,634,982</b>	<b>\$ 8,574,942</b>	<b>\$ 10,715,460</b>	<b>\$ 6,813,793</b>	<b>\$ 2,813,307</b>	<b>\$ 2,665,156</b>	<b>\$ 2,725,854</b>	<b>\$ 2,895,071</b>	<b>\$ 2,715,406</b>	<b>\$ 4,937,974</b>
<b>Total Governmental Funds</b>	<b>\$ 9,588,513</b>	<b>\$ 16,926,797</b>	<b>\$ 20,069,264</b>	<b>\$ 16,475,328</b>	<b>\$ 8,650,334</b>	<b>\$ 9,349,144</b>	<b>\$ 11,299,872</b>	<b>\$ 15,215,022</b>	<b>\$ 18,425,743</b>	<b>\$ 24,546,136</b>

Source: CAFR Schedule B-1

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

Unaudited

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>General Fund</b>										
Revenues										
Local sources:										
Tuition	18,411,306	20,478,439	22,527,836	23,150,645	26,186,392	27,207,213	27,809,066	30,247,995	32,136,205	32,716,393
Transportation fees	20,706,149	21,521,584	22,552,408	21,849,114	22,014,291	22,506,936	25,915,911	29,200,853	31,624,558	33,420,236
Services provided to districts	3,911,988	5,164,915	5,282,055	5,672,096	7,630,980	8,433,509	9,249,964	10,785,815	12,268,807	13,140,428
Interest on investments	384,001	488,423	301,628	79,931	21,600	12,077	8,871	9,287	9,738	12,772
Special items	60,125	—	—	—	—	—	—	—	—	—
Miscellaneous	231,738	200,335	163,145	103,565	200,725	232,606	222,586	443,414	133,836	484,794
Total - Local sources	43,705,307	47,853,696	30,827,072	30,853,351	56,043,988	58,392,341	63,226,398	70,687,361	76,173,144	79,794,623
State sources										
Reimbursed TPAF S.S. Contributions	847,238	892,882	923,795	966,784	967,981	910,176	983,223	946,962	969,128	981,118
On-behalf TPAF pension Contributions	74,946	745,480	1,014,062	859,906	867,742	917,354	1,236,768	1,708,129	1,478,422	3,807,624
Total - State sources	922,184	1,638,362	1,837,857	1,826,690	1,835,723	1,827,530	2,189,991	2,655,091	2,447,550	4,788,742
Total revenue	44,627,491	49,492,058	32,664,929	32,680,041	57,879,711	60,219,871	65,416,389	73,342,455	78,620,694	84,583,365
Expenditures										
Instruction	7,841,582	9,522,342	10,275,342	10,434,360	9,140,843	9,236,148	9,259,286	10,135,939	10,495,818	10,605,100
Support Services:										
Health services	485,621	539,185	614,484	581,568	649,995	643,950	607,982	589,017	610,528	605,879
Student & instruction related services	2,601,331	3,026,688	2,889,039	3,152,844	6,614,327	6,111,787	6,755,318	7,067,113	7,706,612	8,315,851
General administrative services	460,044	601,229	589,813	656,922	674,201	652,351	814,525	776,371	945,537	955,080
School Administrative services	1,300,120	1,195,417	1,300,790	1,358,009	1,377,518	1,531,779	1,508,972	1,651,473	1,650,008	1,495,293
Central Services	1,231,051	960,358	855,843	895,883	866,595	886,994	905,256	1,020,728	1,179,998	1,171,038
Admin. Infor. Technology	105,628	103,531	177,237	87,758	288,924	288,365	263,715	240,501	322,611	382,973
Required maint for school facilities	583,268	665,132	646,093	662,166	862,916	707,884	765,797	925,595	913,923	909,697
Operation of plant	561,288	841,080	893,563	915,533	1,134,707	942,846	776,994	722,227	784,842	767,654
Plant transportation	20,950,963	21,843,023	22,918,661	22,265,448	22,352,560	22,853,243	26,318,186	29,497,624	32,000,567	33,692,013
Business and other support services	3,003,979	2,920,262	3,630,383	4,050,962	5,845,920	5,881,886	5,786,788	6,618,812	7,672,501	7,579,806
Unallocated employee benefits	847,238	892,882	923,795	966,784	967,981	910,176	983,223	946,962	969,128	981,118
Reimbursed S.S. contributions	74,946	745,480	1,014,062	859,906	867,742	917,354	1,236,768	1,708,129	1,478,422	3,807,624
On-behalf TPAF pension contributions	835,350	990,311	883,017	601,797	220,453	207,423	103,616	515,286	433,476	735,096
Capital outlay	1,461,003	1,702,299	1,827,514	1,843,787	2,528,007	2,522,036	2,623,452	2,715,991	2,678,384	2,917,352
Special Schools	42,343,410	46,549,219	49,339,961	49,312,927	54,162,689	54,294,222	58,679,858	65,131,768	69,842,355	74,921,574
Total expenditures	2,284,081	2,942,839	3,324,968	3,369,114	3,717,022	5,925,649	6,736,531	8,210,687	8,778,339	9,661,791
Excess (Deficiency) of revenues over (under) expenditures	521,086	152,590	221,510	37,958	621,370	46,179	—	20,433	—	—
Other Financing sources (uses)	(1,922,140)	(1,697,105)	(2,544,529)	(3,099,341)	(8,162,900)	(5,124,867)	(4,846,501)	(4,964,754)	(5,408,386)	(5,763,966)
Transfers in	(1,401,054)	(1,544,515)	(2,323,019)	(3,061,383)	(7,541,530)	(5,078,688)	(4,846,501)	(4,464,754)	(5,387,953)	(5,763,966)
Transfers out	—	—	—	—	—	—	—	—	—	—
Proceeds from Loan	—	—	—	—	—	—	—	—	—	—
Total other financing sources (uses)	—	—	—	—	—	—	—	—	—	—
Net change in fund balances, General Fund	883,027	1,399,324	1,001,949	307,731	(3,924,508)	846,961	1,890,030	3,745,933	3,390,386	3,897,825
<b>Special Revenue Fund</b>										
Revenues										
Local sources	—	—	—	5,000	269,403	291,470	20,874	19,763	—	21,924
State sources	6,792,742	6,466,443	6,610,896	6,339,625	5,592,407	5,141,173	4,350,609	4,905,494	5,490,621	6,871,156
Federal sources	2,669,484	3,052,172	2,709,040	2,705,765	3,171,419	3,032,414	2,195,846	2,005,844	1,887,638	1,707,431
Total revenue	9,462,226	9,518,615	9,322,936	9,050,390	9,033,229	8,465,057	6,867,329	6,931,101	7,378,259	8,600,511
Expenditures										
Instruction	4,540,793	4,423,864	5,612,782	5,606,452	6,209,229	5,489,149	4,420,463	4,450,245	4,718,315	5,180,722
Other support - special	4,053,803	4,539,193	3,172,655	2,896,769	2,546,584	2,749,469	2,037,288	2,289,896	2,562,141	3,244,953
Capital outlay	698,880	381,133	377,642	365,169	131,883	43,179	20,418	122,624	31,219	123,917
Total expenditures	9,293,476	9,344,190	9,163,079	8,868,390	8,887,496	8,281,797	6,478,169	6,862,765	7,311,675	8,549,572
Excess (Deficiency) of revenues over (under) expenditures	168,750	174,425	159,857	182,000	145,733	183,260	89,160	68,336	66,584	50,939
Other Financing sources (uses)										
Transfers in	(168,750)	(174,425)	(159,857)	(182,000)	(145,733)	(183,260)	(89,160)	(68,336)	(66,584)	(50,939)
Transfers out	(168,750)	(174,425)	(159,857)	(182,000)	(145,733)	(183,260)	(89,160)	(68,336)	(66,584)	(50,939)
Total other financing sources (uses)	—	—	—	—	—	—	—	—	—	—
Net change in fund balances, Special Revenue fund	—	—	—	—	—	—	—	—	—	—

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Capital Projects Fund</b>										
Revenues										
Interest Earned	1,086	152,590	221,510	37,958	158	55	2	1		
Total revenue	1,086	152,590	221,510	37,958	158	55	2	1		
Expenditures										
Capital outlay	30,216	4,098,243	8,348,857	23,291,986	7,928,491	620,902	244,433			
Total expenditures	30,216	4,098,243	8,348,857	23,291,986	7,928,491	620,902	244,433			
Excess (Deficiency) of revenues over (under) expenditures	(29,130)	(3,945,653)	(8,127,347)	(23,254,028)	(7,928,333)	(620,847)	(244,431)	1		
Other Financing sources (uses)										
Transfers in	-	500,000	-	333,254	4,643,621	127,018	250,000			
Transfers out	(1,086)	(152,590)	(221,510)	(37,958)	-	(26,461)	-		(20,433)	
Proceeds - Bonds	-	10,000,000	10,000,000	18,682,354	-	-	-			
Total other financing sources (uses)	(1,086)	10,347,410	9,778,490	18,977,650	4,643,621	100,557	250,000		(20,433)	
<b>Net change in fund balances, Capital projects fund</b>	<b>\$(30,216)</b>	<b>\$6,401,757</b>	<b>\$1,651,143</b>	<b>\$(4,276,378)</b>	<b>\$(3,284,712)</b>	<b>\$(520,290)</b>	<b>\$5,569</b>	<b>\$1</b>	<b>\$(20,433)</b>	<b>\$-</b>
<b>Debt service Fund</b>										
Revenues										
Interest Earned	6,791	13,713	38,856	2,509	60	44	36	38	45	55
Total revenue	6,791	13,713	38,856	2,509	60	44	36	38	45	55
Expenditures										
Principal	865,000	985,200	11,031,699	21,073,587	1,920,883	2,178,534	2,090,000	2,314,838	2,333,166	1,729,659
Interest	1,015,957	1,011,840	1,366,068	2,813,546	2,763,869	2,559,972	2,541,361	2,473,034	2,395,439	1,958,584
Total expenditures	1,880,957	1,997,040	12,397,767	23,887,133	4,684,752	4,738,506	4,631,361	4,787,872	4,728,605	3,688,243
Excess (Deficiency) of revenues over (under) expenditures	(1,874,166)	(1,983,327)	(12,358,911)	(23,884,624)	(4,684,692)	(4,738,462)	(4,631,325)	(4,787,834)	(4,728,560)	(3,688,188)
Other Financing sources (uses)										
Transfers in	2,218,890	2,021,530	2,848,286	3,404,866	4,468,918	5,207,629	4,936,454	4,957,050	5,526,167	5,894,042
Transfers out	(520,000)	(500,000)	-	(333,254)	(500,000)	(119,719)	(250,000)			
Proceeds - Loans	520,000	-	-	-	-	-	-	-	-	-
Proceeds from principal	-	-	-	-	-	22,691	-	-	10,511,398	30,170,000
Proceeds from premium	-	-	10,000,000	21,187,723	-	-	-	-	-	3,923,921
Cost of Insurance	-	-	-	-	-	-	-	-	-	(423,102)
Advanced Refunding Escrow	-	-	-	-	-	-	-	-	(1,011,254)	(4,429,105)
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	(10,456,983)	(29,225,000)
Total other financing sources (uses)	2,218,890	1,521,530	12,848,286	24,259,335	3,968,918	5,110,601	4,686,454	4,957,050	4,569,328	5,910,756
<b>Net change in fund balances, Debt Svc Fund</b>	<b>\$(344,724)</b>	<b>\$(461,797)</b>	<b>\$489,375</b>	<b>\$(374,711)</b>	<b>\$(715,774)</b>	<b>\$(372,139)</b>	<b>\$(55,129)</b>	<b>\$169,216</b>	<b>\$(159,232)</b>	<b>\$2,222,568</b>
<b>Net change in fund balances, Governmental Fund</b>	<b>\$1,197,535</b>	<b>\$7,338,284</b>	<b>\$3,142,467</b>	<b>\$(3,593,936)</b>	<b>\$(7,824,994)</b>	<b>\$(698,810)</b>	<b>\$1,950,728</b>	<b>\$3,915,150</b>	<b>\$3,210,721</b>	<b>\$6,120,393</b>

Source: CAFR Schedule B-2

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

Exhibit J-5

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>General Fund</b>										
Miscellaneous Revenue										
Sale of property	\$ -	\$ -	\$ 21,131	\$ 34,490	\$ 5,965	\$ 28,800	\$ -	\$ 104,300	\$ -	\$ 9,279
Insurance proceeds	-	-	5,173	11,672	12,842	1,590	-	102,261	27,284	27,019
Refunds	10,621	93,349	16,776	10,448	17,839	5,841	22,033	5,656	2,215	4,136
Cancellation of aging liabilities	10,075	728	86,935	45,102	84,560	130,655	54,633	38,744	(93,095)	117,609
E-rate reimbursement	40,774	52,214	33,130	1,853	79,520	65,720	68,689	88,702	104,688	227,969
Other	170,268	54,044	163,145	103,565	200,726	232,606	77,231	103,751	92,744	98,782
<b>Total Other Local Revenue</b>	<b>\$ 231,738</b>	<b>\$ 200,335</b>	<b>\$ 163,145</b>	<b>\$ 103,565</b>	<b>\$ 200,726</b>	<b>\$ 232,606</b>	<b>\$ 222,586</b>	<b>\$ 443,414</b>	<b>\$ 133,836</b>	<b>\$ 484,794</b>

Source: Commission records

# Revenue Capacity



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

**Exhibit J-6**

**Not Applicable**

**Middlesex Regional Educational Services Commission  
Direct and Overlapping Property Tax Rates**

**Exhibit J-7**

**Not Applicable**

**Middlesex Regional Educational Services Commission  
Principal Property Tax Payers**

**Exhibit J-8**

**Not Applicable**

**Middlesex Regional Educational Services Commission  
Property Tax Levies and Collections**

**Exhibit J-9**

**Not Applicable**

# Debt Capacity



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

Exhibit J-10

Fiscal Year Ended June 30,	Governmental Activities				Total District	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds <sup>b</sup>	Capital Leases	Promissory Notes				
2006	\$ 22,960,000	\$ -	\$ 520,000	\$ 23,480,000	0.19%	\$ 44,022	
2007	32,065,000	-	429,703	32,494,703	0.14%	46,674	
2008	41,130,000	-	333,004	41,463,004	0.12%	48,854	
2009	60,160,000	-	229,417	60,389,417	0.08%	47,392	
2010	58,350,000	-	118,534	58,468,534	0.08%	48,256	
2011	56,405,000	-	-	56,405,000	0.09%	49,203	
2012	54,315,000	-	-	54,315,000	0.10%	52,108	
2013	52,150,000	350,162	-	52,500,162	0.10%	52,291	
2014	48,070,000	251,996	-	48,321,996	N/A	N/A	
2015	47,385,000	152,337	-	47,537,337	N/A	N/A	

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

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

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

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

**Exhibit J-11**

**Not Applicable**

**Middlesex Regional Educational Services Commission  
Ratios of Overlapping Governmental Activities Debt**

**Exhibit J-12**

**Not Applicable**

**Middlesex Regional Educational Services Commission  
Legal Debt Margin Information**

**Exhibit J-13**

**Not Applicable**

# Demographic and Economic Statistics



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

**Exhibit J-14**

<u>Year</u>	<u>Population<sup>a</sup></u>	<u>Personal Income (thousands of dollars) <sup>b</sup></u>	<u>Per Capita Personal Income<sup>c</sup></u>	<u>Unemployment Rate<sup>d</sup></u>
2006	783,371	\$ 34,485,431	\$ 44,022	4.3%
2007	783,029	36,546,831	46,674	3.9%
2008	785,324	38,052,466	48,454	5.0%
2009	790,738	37,474,546	47,392	8.7%
2010	810,747	39,115,365	48,246	8.7%
2011	814,217	40,061,864	49,203	8.5%
2012	823,041	42,886,730	52,108	8.5%
2013	830,815	43,444,147	52,291	7.4%
2014	836,297	N/A	N/A	6.0%
2015	N/A	N/A	N/A	N/A

**Source:**

a Population based on annual Est of the Resident Population for Municipalities in NJ, by County July 1, 2005 to July 1, 2014

b Personal income was based on Per Capita Personal income times Poptution.

c Per Capita based on the PerCapital Personal Income for New Jersey 2004-2013

d Unemployment data based on the NJ Dept of Labor and Workforce Development, May 14, 2014

**Middlesex Regional Educational Services Commission  
Principal Employers**

**Exhibit J-15**

**Not Applicable**

# Operating Information



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

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Instruction</b>										
PL192/193	36.50	37.30	36.20	29.20	29.10	30.00	22.90	22.79	21.29	25.77
RVA	18.95	19.47	16.50	16.40	17.50	16.21	13.36	9.69	9.27	8.44
NuView	5.10	7.00	7.30	12.70	14.00	13.21	15.52	13.52	14.30	15.35
Piscataway Regional Day School	68.88	77.43	79.70	80.54	77.54	70.74	68.40	44.00	47.35	48.75
Academy Learning Center	84.14	86.24	86.08	87.11	86.11	86.11	84.78	82.80	79.85	79.85
Academy Learning Center Annex I	-	-	2.00	6.25	-	-	-	-	-	-
Title I	1.00	1.00	1.00	0.40	0.40	0.40	-	-	-	-
Middlesex County Academy High School	4.00	4.70	4.90	4.90	5.00	5.16	4.10	3.75	3.07	2.68
Bright Beginnings Learning Center	66.18	67.03	65.60	68.18	68.88	68.53	57.10	74.50	78.45	78.65
Bright Beginnings Learning Center Annex II	-	14.00	24.55	25.55	-	-	-	-	-	-
Bright Beginnings Learning Center Annex	21.35	25.63	24.60	22.35	-	-	-	-	-	-
IDEA B	35.60	65.90	65.90	65.27	45.13	57.88	28.00	37.27	34.89	28.55
Carteret Collaborative Services	-	-	-	-	-	-	13.00	12.00	12.45	20.15
Edison Collaborative Services	10.75	17.50	18.15	-	-	-	-	-	-	-
Sayreville Collaborative Services	14.50	14.40	16.40	13.05	9.00	-	-	-	-	-
PIC-C	-	-	1.00	1.00	1.00	1.00	-	-	-	-
Early Childhood Program	26.00	54.00	56.33	53.00	52.00	-	-	-	-	-
Center for Lifelong Learning	-	-	-	-	72.68	101.50	109.10	106.80	115.40	120.90
<b>Health Services:</b>										
RVA	0.95	0.67	0.95	0.95	0.95	1.00	1.00	0.30	0.20	0.20
Piscataway Regional Day School	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.20	1.50	2.00
Academy Learning Center	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Academy Learning Center Annex I	-	-	-	0.20	-	-	-	-	-	-
Non-Public Nursing	35.00	43.00	38.87	40.60	40.60	40.00	42.00	45.00	48.00	66.00
Middlesex County Academy High School	-	-	-	-	-	-	-	0.10	0.10	0.05
Bright Beginnings Learning Center	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.40	2.20	2.25
Bright Beginnings Learning Center Annex II	-	1.00	1.00	1.00	-	-	-	-	-	-
Bright Beginnings Learning Center Annex	0.05	0.33	0.05	0.05	-	-	-	-	-	-
Edison Collaborative Services	-	1.00	1.00	-	-	-	-	-	-	-
Sayreville Collaborative Services	-	0.25	0.25	0.20	0.40	-	-	-	-	-
Center for Lifelong Learning	-	-	-	-	1.60	2.00	2.00	2.00	2.00	2.00
<b>Support Services:</b>										
RVA	4.00	5.00	4.00	4.00	4.00	3.00	3.00	3.00	3.00	3.00
Piscataway Regional Day School	1.50	2.00	2.00	2.00	2.00	2.00	2.00	1.00	1.00	1.00
Academy Learning Center	1.50	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Academy Learning Center Annex I	-	-	-	0.20	-	-	-	-	-	-
Middlesex County Academy High School	0.50	0.50	0.44	0.44	0.45	0.44	0.44	0.30	-	-
Bright Beginnings Learning Center	1.45	2.00	2.00	2.00	2.00	1.00	1.00	1.50	2.00	2.00
Bright Beginnings Learning Center Annex II	-	0.50	0.50	0.50	-	-	-	-	-	-
Bright Beginnings Learning Center Annex	0.55	0.55	0.50	0.50	-	-	-	-	-	-
IDEA B	1.00	1.00	1.00	1.00	-	-	-	-	-	-
Carteret Collaborative Services	-	-	-	-	-	-	3.00	3.00	4.00	-
Sayreville Collaborative Services	-	-	-	0.60	0.60	-	-	-	-	-
PIC-C	-	-	3.31	3.31	3.50	3.50	-	-	-	-
Early Childhood Program	6.00	13.22	9.00	8.00	8.00	-	-	-	-	-
Center for Lifelong Learning	-	-	-	-	2.40	4.50	5.50	7.50	8.30	10.00
General Administration	3.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	4.75	4.75
<b>School Administration</b>										
PL192/193	3.82	6.07	4.53	4.87	5.15	5.63	5.63	3.85	4.55	3.19
RVA	3.16	3.03	2.13	2.13	2.12	2.12	2.12	1.62	1.52	1.52
NuView	2.07	2.00	2.00	2.00	2.17	2.15	2.15	2.18	2.03	2.03
Piscataway Regional Day School	3.93	3.92	3.78	3.90	3.94	3.94	3.94	3.12	2.20	2.45
Academy Learning Center	4.01	4.03	3.48	3.93	3.97	3.97	3.97	4.19	4.02	4.02
Academy Learning Center Annex I	-	-	-	0.37	-	-	-	-	-	-
Title I	0.15	0.20	0.10	0.12	0.12	0.21	0.21	0.10	0.08	0.15
Non-Public Textbook	0.39	0.45	0.42	0.23	0.23	0.25	0.25	0.23	0.27	0.27
Non-Public Nursing	0.60	0.35	0.55	0.40	0.35	0.30	0.30	0.40	0.40	0.62
Professional Development Program	1.60	1.00	1.60	1.40	1.00	1.00	0.40	0.40	0.15	0.40
ESC-(CSH, CST, Charter)	-	-	-	-	-	1.20	1.20	2.34	2.29	4.21
Middlesex County Academy High School	1.77	2.00	2.00	2.00	2.00	2.00	2.00	1.50	1.00	1.00
Bright Beginnings Learning Center	3.59	3.79	3.73	3.91	3.95	3.95	3.95	5.10	5.35	4.93
Bright Beginnings Learning Center Annex II	-	2.15	1.65	1.34	-	-	-	-	-	-
Bright Beginnings Learning Center Annex	1.34	1.33	1.15	0.84	-	-	-	-	-	-
Non-Public Technology	0.27	0.31	0.27	0.28	-	-	-	-	0.16	0.15
IDEA B	1.40	1.50	1.45	1.67	1.47	0.99	0.99	1.42	-	-
Edison Collaborative Services	0.10	0.15	0.15	-	-	-	-	-	-	-
Sayreville Collaborative Services	1.13	1.00	0.50	0.54	0.30	-	-	-	-	-
Carteret Collaborative Services	-	-	-	-	-	-	1.00	1.00	1.00	1.00
Early Childhood Program	4.00	7.50	7.00	6.00	6.00	-	-	-	-	-
Center for Lifelong Learning	-	-	-	-	3.87	3.97	3.97	4.37	4.11	4.11
Center for Lifelong Learning- Pool	-	-	-	-	-	-	-	2.00	2.00	2.00
Central Services	14.50	16.66	17.50	19.50	19.50	20.65	19.50	19.50	22.00	20.00
<b>Operations &amp; Maintenance</b>										
PL192/193	2.20	2.20	3.30	2.20	2.20	1.15	1.25	1.65	1.65	1.15
RVA	3.20	3.20	2.75	2.20	2.20	2.13	2.23	1.13	1.13	1.63
NuView	0.60	0.50	0.60	1.00	1.00	1.50	1.23	1.00	1.13	1.13
Piscataway Regional Day School	2.20	2.70	2.70	2.70	2.20	2.15	2.25	2.15	2.15	2.15
Academy Learning Center	2.20	2.20	2.30	2.20	2.20	2.15	2.25	2.15	2.15	2.15
Middlesex County Academy High School	0.20	0.50	0.60	0.40	0.25	0.25	0.25	1.25	1.00	0.25
ESC-General	-	-	-	-	-	1.00	1.00	1.75	2.00	2.00
Bright Beginnings Learning Center	2.20	2.20	2.25	2.20	2.20	2.15	2.25	2.15	2.15	2.40
Bright Beginnings Learning Center Annex II	-	0.20	0.20	-	-	-	-	-	-	-
Bright Beginnings Learning Center Annex	1.00	0.50	0.50	1.00	-	-	-	-	-	-
Sayreville Collaborative Services	-	-	-	-	0.25	0.25	-	-	-	-
Early Childhood Program	2.00	1.65	3.33	3.00	4.00	4.00	-	-	-	-
Center for Lifelong Learning	-	-	-	-	3.00	4.15	4.25	4.15	4.15	4.15
Student Transportation	5.50	5.50	5.50	5.50	5.50	6.50	6.50	6.50	6.50	6.50
Student Transportation - Bus driver	2.00	5.00	2.00	4.80	4.80	-	-	-	-	-
<b>Business Services</b>										
Total	525.58	659.41	664.10	647.08	643.78	600.89	564.54	560.62	574.51	601.90

Source: Based on Commission budget record.

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

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	Other Staff <sup>c</sup>	Average Daily Enrollment (ADE) <sup>d</sup>	Average Daily Attendance (ADA) <sup>d</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
2006	784	\$ 50,102,656	\$ 63,906	(10.39)%	200	307	768.10	673.20	35.61%	87.64%
2007	1,041	54,521,965	52,375	(18.04)%	240	345	1,037.00	905.70	35.01%	87.34%
2008	1,055	57,242,381	54,258	3.60%	211	429	1,110.80	963.60	7.12%	86.75%
2009	1,008	57,214,351	56,760	4.61%	196	441	1,076.80	941.00	(3.06)%	87.39%
2010	731	62,697,849	85,770	51.11%	186	406	730.30	648.00	(32.18)%	88.73%
2011	710	62,325,417	87,782	2.35%	195	424	735.20	646.90	0.67%	87.99%
2012	719	65,033,993	90,451	3.04%	188	410	727.60	649.30	(1.03)%	89.24%
2013	744	71,356,623	95,909	6.04%	199	412	738.20	661.90	1.46%	89.66%
2014	754	76,689,335	101,710	6.05%	215	460	749.90	658.00	1.58%	87.75%
2015	732	82,612,133	112,858	10.96%	208	477	752.00	665.00	0.28%	88.43%

Sources: Commission records.

Note: Revised enrollment for 2006-2008 was based on actual enrollment as of June.

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

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

Exhibit J-18

Unaudited

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>District Building</b>										
<b>Raritan Valley Academy, 1690 Stelton Rd, Piscataway</b>										
(September 1997)										
RVA	42,755	42,755	42,755	42,755	48,525	48,525	44,149	38,379	38,379	38,379
Square Feet	132	132	132	132	174	174	114	72	72	72
Capacity (students)	70	70	70	66	66	53	41	41	40	25
RVA										
Enrollment										
MCA										
Square Feet							4,376	4,376	4,376	4,376
Capacity (students)							60	60	60	60
MCA							35	22	31	20
Enrollment										
BB Secondary	5,770	5,770	5,770	5,770				5,770	5,770	5,770
Square Feet	42	42	42	42				42	42	42
Capacity (students)	40	40	40	37				23	32	41
BB Secondary										
Enrollment										
Nonpublic	2360	2360	2360	2360	2360	2360	2360	2360	2360	1,415
Square Feet										
Transportation										945
Square Feet (moved from BB 3/2014)										
<b>Nuview Academy, 1 Park Ave, Piscataway</b>										
(September 2001, September 2008)										
NV	6,000	6,000	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500
Square Feet	48	48	72	72	72	72	72	73	73	73
Capacity (students)	34	34	45	60	60	67	63	73	66	60
NV										
Enrollment										
<b>Academy Learning Center, 145 Pergola Ave, Monroe</b>										
(September 2000)										
ALC	42,516	42,516	42,516	42,516	42,516	42,516	42,516	42,516	42,516	42,516
Square Feet	148	148	148	148	148	148	148	148	148	148
Capacity (students)	138	138	138	143	143	141	142	141	144	142
ALC										
Enrollment										
<b>Bright Beginnings Learning Center, 1660 Stelton Rd, Piscataway</b>										
(September 1998, September 2002)										
BBLC	36,422	36,422	36,422	36,422	36,422	36,422	36,422	36,422	36,422	36,422
Square Feet	130	130	130	130	130	130	130	130	130	130
Capacity (students)	127	127	127	126	126	121	130	124	128	119
BBLC										
Enrollment										
Central Office	7,583	7,583	7,583	7,583	7,583	7,583	7,583	7,583	7,583	8,503
Square Feet										
Transportation	920	920	920	920	920	920	920	920	920	-
Square Feet (moved to RVA-NP 3/2014)										
<b>Center for Lifelong Learning, 333 Cheesequake Rd, Parlin</b>										
(September 2009)										
CLL/AFC				88,000	88,000	88,000	88,000	88,000	88,000	88,000
Square Feet				288	288	288	288	288	288	288
Capacity (students)				N/A	153	170	183	208	209	206
CLL										
Enrollment										

**Source:** Commission records.  
Note: Year of original construction is shown in parentheses. The increases in square footage and capacity are the result of renovation addition. Enrollment is based on the annual district count.

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

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

School Facilities	Project # (s) #	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
RVA	N/A	\$ 145,937	\$ 149,482	\$ 180,604	\$ 157,056	\$ 147,118	\$ 132,440	\$ 74,646	\$ 83,454	\$ 134,629	\$ 108,808
ALC	N/A	168,826	181,094	180,619	185,851	188,796	146,036	181,696	145,269	130,937	165,516
ALC Annex I				554	1,097						
Transportation	N/A	3,072	537	5,959	2,663	2,678	1,510	4,114	1,550	2,183	431
ESC - General	N/A	42,861	8,152	9,820	14,098	62,815	69,034	99,350	194,362	178,259	148,669
ESC - MCA	N/A	25,290	33,884	27,785	17,090	12,947	8,234	39,170	51,925	35,126	23,593
BBLC	N/A	125,118	146,414	160,791	146,614	144,413	130,425	124,586	141,799	138,914	182,484
BBLC Annex II			9,259	7,835	23,034						
BBLC Annex I	N/A	25,927	38,237	28,429	42,512						
Edison Collaborative	N/A	1,962	5,693	7,350	307						
Sayreville Collaborative	N/A	3,727	8,117	7,123	10,107	11,256					
Nuview	N/A	40,546	82,263	29,224	61,737	72,324	64,724	83,947	83,297	86,402	98,808
Center for Lifelong Learning	N/A					220,569	155,481	158,288	223,939	207,473	181,388
<b>Total School Facilities</b>		<b>\$ 583,266</b>	<b>\$ 663,132</b>	<b>\$ 646,093</b>	<b>\$ 662,166</b>	<b>\$ 862,916</b>	<b>\$ 707,884</b>	<b>\$ 765,797</b>	<b>\$ 925,595</b>	<b>\$ 913,923</b>	<b>\$ 909,697</b>

Source: Commission records

**Middlesex Regional Educational Services Commission**  
**Insurance Schedule**  
**For the Fiscal Year Ended June 30, 2015**  
**Unaudited**

Exhibit J-20

Company	Type of Coverage	Coverage	Deductible
NJSIG	<b>MULTI PERIL PACKAGE POLICY</b>		
	<b>Property:</b>		
	Blanket building and contents	\$ 96,269,621	\$ 5,000
	Extra Expense	50,000,000	
	Musical Instruments	Incl in prop limit	
	Misc Equipment	Incl in prop limit	
	Computer equipment	1,000,000	
	Loss of Rents	2,583,668	
	Flood	Various limits	10,000
	<b>Energy Systems:</b>	100,000,000	
	Spoilage	500,000	
	<b>Commercial Liability:</b>		
	Per occurrence	11,000,000	
	Sexual molestation	11,000,000/17,000,000	
	Fire damage	11,000,000	
	Medical expense (excludes students)	10,000	
	Employee benefits programs	11,000,000	
	<b>Crime:</b>		
	Money & Securities	50,000	
	Employee Dishonesty	1,000,000	
	Dopositors Forgery	1,000,000	
	Computer Fraud	500,000	
	<b>Automobile</b>		
	Bodily injury/property damage	11,000,000	
	Personal injury protection	Statutory	
	Underinsured/uninsured	1,000,000	
	Private passenger	10,000	
	Comprehensive deductible		1,000
	Collision deductible		1,000
NJSBAIG	<b>SCHOOL BOARD LEGAL</b>	11,000,000	5,000
Firemans Fund	<b>CAP</b>		
	Limit of liability	50,000,000	
NJSIG	<b>WORKERS COMPENSATION</b>		
	Section B limits	2,000,000	
Chubb	<b>SUPPLEMENTARY WORKERS COMP</b>		
	Weekly maximum	1,750	
AIG	<b>ENVIRONMENTAL IMPAIRMENT</b>	1,000,000/1,000,000	
NJSIG	<b>BONDS</b>		
	Business Administrator - Patrick Moran	250,000	
McCloskey	<b>STUDENT ACCIDENT</b>		
	Medical Benefit	5,000,000	

Source: Commission Records

*This page left blank intentionally.*

# Single Audit Section



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States 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 Middlesex Regional Educational Services Commission (the “Commission”) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Commission’s basic financial statements, and have issued our report thereon dated December 11, 2015.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission’s internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

### **Compliance and Other Matters**

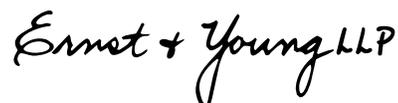
As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material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

### **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 result of that testing, and not to provide an opinion on the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Louis Roberts  
Licensed Public School Accountant  
No. 224900



December 11, 2015

## Report of Independent Auditors on Compliance for Each Major Federal and State Program; Report on Internal Control Over Compliance and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 and New Jersey OMB Circular 15-08

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

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

We have audited Middlesex Regional Educational Services Commission's (the "Commission") compliance with the types of compliance requirements described in the US Office of Management and Budget (OMB) *Compliance Supplement* and the New Jersey *State Grant Compliance Supplement* that could have a direct and material effect on each of the Commission's major federal and state programs for the year ended June 30, 2015. The Commission's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***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 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments*. Those standards, OMB Circular A-133, and New Jersey OMB Circular 15-08 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 and state program occurred. An audit includes

examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the 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 year ended June 30, 2015.

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

Management of the 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 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 program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

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 OMB Circular A-133 and New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.



Louis Roberts  
Licensed Public School Accountant  
No. 224900



December 11, 2015

*This page left blank intentionally.*

Middlesex Regional Educational Services Commission  
Schedule of Expenditures of Federal Awards

For the Fiscal Year ended June 30, 2015

Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period From To	Balance at June 30, 2014		Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance at June 30, 2015		
				Deferred Revenue	(Accounts Receivable)					Due to Districts	Due to Grantor	
<b>U.S. Department of Education - Passed -</b>												
<b>Through Middlesex County School Districts</b>												
Special Revenue Fund:												
84-027A	N/A	\$ 1,916,365	7/1/2012	8/31/2013	\$ -	\$ 203,359	\$ -	\$ -	\$ (1,367)	\$ -	\$ -	
84-027A	N/A	1,858,979	7/1/2013	6/30/2014	\$ (203,359)	-	(487,940)	(3)	-	(98,785)	-	
84-027A	N/A	2,156,629	7/1/2014	6/30/2015	(672,460)	-	(1,183,540)	-	-	(477,609)	-	
84-173	N/A	12,251	7/1/2014	6/30/2015	-	540	(540)	-	-	-	-	
Total Special Education Cluster												
84-010A	NCLB_09	35,848	7/1/2012	6/30/2013	(875,819)	1,971,448	(1,672,020)	(3)	(1,367)	(576,394)	-	
84-010A	NCLB_09	48,797	7/1/2013	6/30/2014	(120)	120	-	-	-	-	-	
84-031A	N/A	4,111	7/1/2013	6/30/2014	(9,784)	9,784	-	-	(692)	-	-	
84-010A	NCLB_09	52,736	7/1/2014	6/30/2015	-	35,627	(52,736)	-	-	(17,109)	-	
84-031A	N/A	1,758	7/1/2014	6/30/2015	-	1,758	(1,758)	-	-	-	-	
Total U.S. Department of Education-passed-through Middlesex County School Districts												
					(885,723)	2,059	(1,726,514)	(3)	(2,059)	(595,503)	-	
Total Special Revenue Fund					(885,723)	2,059	(1,726,514)	(3)	(2,059)	(595,503)	-	
<b>U.S. Department of Agriculture - Passed -</b>												
<b>Through State Department of Education</b>												
Enterprise Fund:												
10-555	5120-201-372573-63	92,094	7/1/2013	6/30/2014	(20,866)	-	-	-	-	-	-	
10-555	5120-201-372573-63	167,366	7/1/2013	6/30/2014	(37,813)	-	-	-	-	-	-	
10-555	5120-201-372573-63	95,580	7/1/2014	6/30/2015	-	76,416	(95,580)	-	-	(19,164)	-	
10-555	5120-201-372573-63	172,895	7/1/2014	6/30/2015	-	138,531	(172,895)	-	-	(34,364)	-	
Total Enterprise Fund												
					(58,679)	-	(288,475)	-	-	(53,528)	-	
Total Federal Financial Awards					(944,402)	2,059	(1,994,989)	(3)	(2,059)	(647,031)	\$ -	

See accompanying notes to schedules of federal and state awards.

Middlesex Regional Educational Services Commission  
 Schedule of Expenditures of State Financial Assistance  
 For The Fiscal Year ended June 30, 2015

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From To	Balance at June 30, 2014			Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Deferred Revenue	Balance at June 30, 2015		MEMO Cumulative Total Expenditures
				(Accounts Receivable)	Due to Districts	Due to Grantor						Due to Districts	Due to Grantor	
<b>State Department of Education</b>														
General Fund:														
Reimbursed TPAF Social Security Contributions	495-034-5095-050	\$ 969,128	7/1/2013	6/30/2014	\$ -	\$ (47,064)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reimbursed TPAF Social Security Contributions	495-034-5095-050	981,118	7/1/2011	6/30/2015	-	-	933,430	(881,118)	(204)	(47,892)	-	-	(981,118)	
On Behalf TPAF Pension Contribution (GASB 68)	595-034-5095-051	3,807,624	7/1/2014	6/30/2015	-	-	3,807,624	(3,807,624)	(204)	(47,892)	-	-	(3,807,624)	
Total General Fund							4,788,118	(4,788,742)	(204)	(47,892)	-	-	(4,788,742)	
<b>State Department of Education-Passed-Through</b>														
<b>Middlesex County School Districts</b>														
Special Revenue Fund:														
N.J. Nonpublic Aid:														
Textbooks Aid	100-034-5120-064	618,872	7/1/2013	6/30/2014	-	(93,559)	-	-	(13,104)	-	-	-	-	-
Textbooks Aid	100-034-5120-064	742,126	7/1/2014	6/30/2015	-	-	716,181	(742,126)	-	(65,570)	39,625	-	(742,126)	
Nursing Services Aid	100-034-5120-070	900,472	7/1/2011	6/30/2012	-	(2,618)	-	-	-	-	-	-	-	
Nursing Services Aid	100-034-5120-070	1,341,735	7/1/2013	6/30/2014	-	(176,424)	32,422	(901)	(31,973)	(2,896)	-	-	(1,698,577)	
Nursing Services Aid	100-034-5120-070	1,698,577	7/1/2013	6/30/2015	-	-	1,479,120	(1,698,577)	(8,798)	(295,490)	76,033	-	(1,698,577)	
Technology Initiative	100-034-5120-070	278,560	7/1/2013	6/30/2014	-	(37,033)	8,798	-	-	-	-	-	-	
Technology Initiative	100-034-5120-070	476,134	7/1/2014	6/30/2015	-	-	421,073	(476,134)	-	(84,752)	29,691	-	(476,134)	
Auxiliary services (Chapter 192):														
Compensatory Education	100-034-5120-067	1,081,969	7/1/2012	6/30/2013	-	(6,481)	-	6,481	(2,592)	-	-	-	-	
Compensatory Education	100-034-5120-067	1,227,052	7/1/2013	6/30/2014	-	(573,623)	35,449	(4,418)	(27,201)	2,061	856	-	(1,431,885)	
Compensatory Education	100-034-5120-067	1,431,885	7/1/2014	6/30/2015	-	-	843,511	(1,431,885)	-	(61,171)	23,397	-	(1,431,885)	
English as a Second Language	100-034-5120-067	152,533	7/1/2012	6/30/2013	-	-	12,934	(1)	(12,764)	-	170	-	-	
English as a Second Language	100-034-5120-067	184,009	7/1/2013	6/30/2014	-	(95,295)	27,096	(1)	(17,101)	-	-	-	-	
English as a Second Language	100-034-5120-067	165,166	7/1/2014	6/30/2015	-	-	80,867	(165,166)	-	(4,434)	2,337	-	(165,166)	
Transportation	100-034-5120-067	281,916	7/1/2012	6/30/2013	-	(3,434)	476	2,817	(4,341)	-	171	-	-	
Transportation	100-034-5120-067	282,152	7/1/2013	6/30/2014	-	(175,116)	4,341	11,579	(4,341)	-	-	-	-	
Transportation	100-034-5120-067	282,644	7/1/2014	6/30/2015	-	-	99,567	(282,644)	-	(183,168)	91	-	(282,644)	
Nonpublic Home Instruction	100-034-5120-066	36,859	7/1/2011	6/30/2012	-	(141)	-	141	-	-	-	-	-	
Nonpublic Home Instruction	100-034-5120-066	21,376	7/1/2012	6/30/2013	-	(355)	355	-	-	(1,944)	-	-	-	
Nonpublic Home Instruction	100-034-5120-066	22,239	7/1/2013	6/30/2014	-	(21,693)	19,657	2	-	(54,532)	-	-	-	
Nonpublic Home Instruction	100-034-5120-066	60,938	7/1/2014	6/30/2015	-	-	6,406	(60,938)	-	-	-	-	(60,938)	
Handicapped services (Chapter 193):														
Supplemental Instruction	100-034-5120-066	379,253	7/1/2012	6/30/2013	-	-	1,338	(287)	(199)	-	852	-	-	
Supplemental Instruction	100-034-5120-066	453,218	7/1/2013	6/30/2014	-	(254,116)	5,957	-	(1,521)	-	-	-	-	
Supplemental Instruction	100-034-5120-066	593,074	7/1/2014	6/30/2015	-	-	317,166	(593,074)	-	(276,102)	194	-	(593,074)	
Examination and Classification	100-034-5120-066	597,533	7/1/2012	6/30/2013	-	18,800	3,583	-	18,580	-	-	-	(18,800)	
Examination and Classification	100-034-5120-066	721,104	7/1/2013	6/30/2014	-	(470,460)	20,674	4,994	(15,272)	(558)	1,114	-	(896,481)	
Examination and Classification	100-034-5120-066	896,481	7/1/2014	6/30/2015	-	-	492,098	(896,481)	-	(405,901)	1,518	-	(896,481)	
Corrective Speech	100-034-5120-066	491,139	7/1/2012	6/30/2013	-	(847)	3,351	(49)	(3,302)	-	-	-	-	
Corrective Speech	100-034-5120-066	526,995	7/1/2013	6/30/2014	-	(260,600)	15,203	-	(731)	-	-	-	-	
Corrective Speech	100-034-5120-066	631,357	7/1/2014	6/30/2015	-	-	354,968	(631,357)	-	(286,511)	10,122	-	(631,357)	
Total State Department of Education-passed-through							6,952,672	(6,997,182)	38,938	(142,226)	2,061	186,171	(6,997,182)	
Middlesex County School Districts														
Total Special Revenue Fund							6,952,672	(6,997,182)	38,938	(142,226)	2,061	186,171	(6,997,182)	
<b>State Department of Agriculture</b>														
Enterprise Fund:														
National School Lunch Program (State share)	100-010-3360-067	3,502	7/1/2012	6/30/2013	-	(807)	1,008	-	(201)	-	-	-	-	
National School Lunch Program (State share)	100-010-3360-067	3,637	7/1/2013	6/30/2014	-	-	2,913	(3,637)	-	(724)	-	-	(3,637)	
Total Enterprise Fund							3,921	(3,637)	(201)	(724)	-	-	(3,637)	
Total State Financial Assistance							\$ 11,744,711	\$ (11,789,561)	\$ 38,737	\$ (142,430)	\$ 2,061	\$ 186,171	\$ (11,789,561)	

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

## Middlesex Regional Educational Services Commission

### Notes to Schedules of Expenditures of Federal and State Awards

June 30, 2015

#### 1. General

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

#### 2. Basis of Accounting

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

#### 3. Relationship to Basic Financial Statements

Amounts reported in the accompanying schedules agree with amounts reported in the Commission's basic financial statements. The basic financial statements present the special revenue fund on both a GAAP basis and a budgetary basis. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$(145,109). A budgetary comparison schedule (RSI) at C-3 is presented for the special revenue fund to demonstrate. Federal and state award revenues are reported in the Commission's basic financial statements on a GAAP basis as follows:

	<b>Federal</b>	<b>State</b>	<b>Total</b>
General Fund	\$ —	\$ 4,788,742	\$ 4,788,742
Special Revenue Fund	1,726,514	6,997,182	8,723,696
Enterprise Fund	268,475	3,637	272,112
Total financial award expenditures	\$ 1,994,989	\$ 11,789,561	\$ 13,784,550

## Middlesex Regional Educational Services Commission

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

#### **4. Relationship to Federal and State Financial Reports**

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

#### **5. Cancellations and Adjustments**

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

#### **6. Other**

TPAF Social Security and pension contributions represent the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2015.

The State of New Jersey also makes TPAF post retirement medical and pension contribution expenditures on behalf of the Commission. These expenditures are not subject to New Jersey OMB Circular 15-08 because the contributions are made by the State directly and do not have any compliance related requirements, and therefore have not been included in the Schedule of State Awards, as directed by the funding agency.

Middlesex Regional Educational Services Commission

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

**Part I – Summary of Auditor’s Results**

**Financial Statement Section**

Type of auditor’s report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	<u>          </u> Yes	<u>    X    </u> No	
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>          </u> Yes	<u>    X    </u> None Reported	
Noncompliance material to financial statements noted?	<u>          </u> Yes	<u>    X    </u> No	

**Federal Awards Section**

Dollar threshold used to determine Type A programs:	<u>\$300,000</u>		
Auditee qualified as low-risk auditee?	<u>    X    </u> Yes	<u>          </u> No	
Type of auditor’s report on compliance for major programs:	<u>Unmodified</u>		
Internal control over compliance:			
Material weakness(es) identified?	<u>          </u> Yes	<u>    X    </u> No	
Were significant deficiency(ies) identified not considered to be material weakness(es)?	<u>          </u> Yes	<u>    X    </u> None Reported	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (Section .510(a))?	<u>          </u> Yes	<u>    X    </u> No	



Middlesex Regional Educational Services Commission

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

**Part II – Schedule of Financial Statement Findings**

None reported.

Middlesex Regional Educational Services Commission

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

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

None reported.

Middlesex Regional Educational Services Commission

Summary Schedule of Prior Year Findings

Year Ended June 30, 2014

Not applicable.