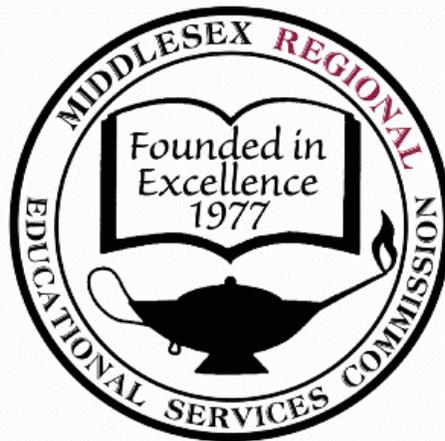


MIDDLESEX **R**EGIONAL
Educational **S**ervices **C**ommission



**BOARD OF DIRECTORS
PISCATAWAY, NJ 08854**

**Comprehensive Annual Financial Report
for the Fiscal Year ended June 30, 2013**

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

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2013

Prepared by

Middlesex Regional Educational Services Commission
Business Office

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Introductory Section

MIDDLESEX REGIONAL EDUCATIONAL SERVICES COMMISSION

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October 28, 2013

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, 2013, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Directors. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Commission. All disclosures necessary to enable the reader to gain an understanding of the Commission's financial activities have been included.

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

1. Reporting Entity and its Services

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

reflect its scope of services. The Commission is a public education agency reporting within the criteria adopted by the Governmental Accounting Standards Board (GASB) in codification section 2100. All funds and account groups of the Commission are included in this report for Fiscal Year 2013 (FY2013). 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 FY2013:

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 two hundred three (203) non-member districts contracted with the Commission for educational services and programs during the FY2013 school year.

The following educational services and programs were provided during the FY2013 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, 2013, the following services were provided:

Compensatory Education	1,303 services
English as a Second Language	187 services
Home Instruction	1,169 hours
Examination/Classification	881 services
Supplemental Instruction	558 services
Speech Correction	590 services
Speech Evaluations	46 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.

Sixty-six (66) disabled students received educational services at the RVA during the FY2013 school year.

RVA EXTENDED SCHOOL YEAR PROGRAM

During the summer of 2013 fifteen (15) students participated in the extended school year program.

NuVIEW ACADEMY

The NuView Academy program began in March, 2000 and provides a free, appropriate, public education (FAPE), in the least restrictive environment (LRE) for students exhibiting severe symptoms or diagnosis of depression, ADHD, conduct disorder, thought disorder or anxiety disorder. This is a collaborative effort between the Commission, which provides all educational programming and coordinates referral procedures, and Princeton 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 September 2008, NuView Academy moved into its 22,000 square foot facility in Piscataway. It has a current capacity of seventy-two (72) students between the ages of 5-21 years of age. In FY2013, NuView Academy served one hundred four (104) students from forty-three (43) sending districts within fourteen (14) counties.

PISCATAWAY REGIONAL DAY SCHOOL (PRDS)

The PRDS was opened in September 1982 by the State Board of Education, pursuant to approval of the Facilities for the Handicapped Bond Issue in 1973. In September 1984, the Board of Directors of the Commission, at the request of the State, entered into a management lease for the PRDS. Responsibilities of the Commission include employment of staff and program delivery. The PRDS offers specialized programs to students with severe multiple disabilities from forty-one (41) sending

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

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

One hundred fourteen (114) disabled students received educational services at the PRDS during the FY2013 school year.

PRDS EXTENDED SCHOOL YEAR PROGRAM

During the summer of 2013, eighty-four (84) 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 targeted 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, every classroom has an observation room, a storage room and a bathroom. The school serves approximately one hundred thirty-six (136) 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 and instruction using the techniques of 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 began during the 2012-13 school year 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. 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 twenty-eight (128) students participated in the 2013 ESY program.

TITLE I PROGRAM

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

Computer Assisted Instruction (CAI) was initiated in 1994 as a pilot program and made available to eligible Title I pupils. During FY2013, forty-three (43) students receiving eighty-seven (87) services and attending seven (7) nonpublic schools, participated in computer assisted instruction programs.

No students received Title I educational services during the FY2013 school year (Non-CAI instruction).

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 forty-six (1,046) cooperative special and regular education routes, public school routes, vo-tech and nonpublic school routes, transported more than ten thousand seven hundred (10,700) students to and from over two hundred eighty-one (281) destinations each day from forty-four (44) districts before-and-after-care transportation and work-study program transportation and mid-day shuttles between schools. Additionally, approximately four hundred fifty (450) students are transported daily on athletic/late routes.

NONPUBLIC TEXTBOOK LOAN PROGRAM

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

During FY2013, these services are being provided to eighty-four (84) private schools located within nineteen (19) districts in Middlesex, Mercer, Somerset, Ocean and Monmouth Counties.

NONPUBLIC NURSING SERVICES

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

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

During FY2013, these services were provided to one hundred twelve (112) nonpublic schools located within twenty-seven (27) school districts.

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 FY2013 school year, ninety-three (93) in twenty-five (25) 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-two (372) public school students from twenty-five (25) school districts in and out of Middlesex County during the FY2013 school year.

CHARTER SCHOOL SERVICES

The Commission provided an array of services to eight (8) 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 FY2013 school year. The Commission provided forty-eight (48) OT/PT evaluations for five (5) districts during the FY2013 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.

The MCA was relocated July 1, 2011 from the New Brunswick Board of Education Building to 1690 Stelton Road in Piscataway. This move in location allows for program expansion.

During the FY2013 school year, the MCA accepted both classified and non-classified students, serving approximately fifty-seven (57) alternative students from public school districts and implemented an Alternative High School Assessment program to improve student performance on standardized testing.

INTERIM ALTERNATIVE EDUCATIONAL PROGRAM (IAEP)

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

The Commission's IAEP is a countywide program designed to provide learning disabled and/or "at risk" students the opportunity to continue their educational program in a supportive, individualized learning environment for not more than a forty-five (45) day period. The

program is designed to enable a student to continue to participate in the general curriculum and continue to receive services, including those described in the students' current IEP, that will enable the student to meet the goals included in that IEP. In addition, this specialized program includes services and modifications designed to address a student's inappropriate behavior so that it does not reoccur.

During FY2013, a total of thirty-eight (38) students from twelve (12) school districts participated in the program.

PROFESSIONAL DEVELOPMENT ACADEMY (PDA)

The PDA completed its tenth full year of operation in June 2013. The PDA offered twenty-three (23) workshops at our facility and twenty-eight (28) on-site at area schools. The PDA provided learning opportunities to approximately eight hundred (800) educators.

During the FY2013 school year, fifty-six (56) 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 onsite professional development programs for eighteen (18) 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 development offerings.

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 nineteen (19) 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.

During the FY2013 school year, BBLC expanded to include secondary classes for students, ages 13 to 21, with autism. Community-based education and a career exploration program, including job sampling at community work sites, provide students with opportunities for vocational practice in preparation for post-graduation employment.

BBLC remained 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 requiring a highly specialized educational program. One hundred forty-eight (148) students, ages 3 to 21 years, were enrolled at BBLC during the FY2013 school year.

The ten (10) 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 first week in July through the first week in August. One hundred forty-one (141) students participated in 2013.

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 thirty-five (36) districts in six (6) counties seeking placement for students classified preschool disabled, multiply disabled and autistic. Two hundred nine (209) students, ages three (3) to twenty-one (21) years, were enrolled at CLL during the FY 2013 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

During the summer of FY2013, one hundred eighty-eight (188) students participated in the CLL Extended School Year.

IDEIA-B

IDEIA-B provides additional educational services to classified students attending private schools. These services provide speech therapy, occupational therapy and physical therapy, supplemental instruction, counseling, instructional aides, nursing and supplies. This program is funded through the federal government IDEA-B grant programs for FY2013. The Commission provides services to thirty-four (34) districts and fifty (50) private schools.

THE MRESC COOPERATIVE PRICING SYSTEM

The Commission has operated a State approved Cooperative Pricing System since 1996. During FY2013, the Commission expanded this program to include the following bids and expanded its membership to include over seven hundred (700) public agencies, which includes public school districts, municipalities, county governments, county and state colleges.

ACT Data/Broadband/Hosted Services	Document Management	Medical Supplies
ACT Telecommunications	Electrician-Time & Material	Occupational & Physical Therapy
Asset Id. Svs./Mktng/Advertising	Electricity-Supply of	Painting Services
Athletic Equip. Recond. & Repair	Energy Awareness I-Energy	Playground Equipment
Athletic Equip. & Supplies	Flexible Spending Acct. Mgmt.	Playground Surfacing
Automotive Fluids and Lubricants	Flooring	Plumbing-Time & Material
Bleacher (Int/Ext) Syst. Purch. & Instal.	General Office Supplies	Pool Supplies
Boiler, Maintenance & Repair	Grounds Equipment	Printing Services
Building Access & Security Systems	Gym Floors-Repair/Refinishing/T&M	School and Office Furniture
Carpet	HVAC	School Buses
Classroom Supplies	Lawn Care Products and Services	School Bus Advertising
Classroom Supplies – Cosmetology	Lockers-Purchase/Refurbishment	Shredding & Disposal of Records
Copy Machines	Lonseal Flooring & Related Services	SMART Board Technology
Copy Paper	Maintenance Equipment	Speech Services
Custodial Supplies	Medical Supplies (School/Genl Nursing	Technology Supplies & Services
Demand Response	Natural Gas-Supply of	Website Advertising
Diesel/Gasoline	Nursing Services	
Disaster Recovery	Maintenance, Repair & Operation	

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 as of June 30, 2013.

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 FY2013 school year. These efforts were highlighted by the expansion of the Cooperative Pricing Program providing additional bids in the areas of carpeting, flooring, school buses, indoor/outdoor bleachers, custodial supplies, document management, flexible spending account management, smart board equipment, maintenance equipment, nursing, OT/PT and speech services, along with time and material bids for plumbing, electric and HVAC services. In addition, the Commission took over management of the NJASBO ACT program and expanded it to include Data/Broadband and Hosted Services. Management has continued to expand the Cooperative Pricing System membership to include over seven hundred (700) 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.

9. Major Operational or Fiscal Concerns

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

10. Other Information

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

B. Grant Awards and Other Significant Acknowledgments: Through competitive RFP's the Commission was allotted the following grants for the FY2013 school year:

Safety Grant

Award Received:	\$19,763
Total Expenditure:	\$19,763

Self-Recognition - The following Commission Staff were recognized for Governor's Teacher Recognition Program for the FY2013 school year:

Amy Woodward	Academy Learning Center
Traci Yuhas	Piscataway Regional Day School
Kate Johnson	Bright Beginnings Learning Center
Jennifer George	Center for Lifelong Learning
Gisele Breton	Nonpublic Department

Student Recognition Program – Five (5) students from the Commission were honored in February 2013 at the annual Middlesex County School Boards Association Student Recognition Dinner. The students were as follows:

Samir Pandya	Piscataway Regional Day School
Noelis Cabrera	Piscataway Regional Day School
Jeffrey Volante	Academy Learning Center
Christopher Ofeogbu	Academy Learning Center
Guadalupe Saucedo	Center for Lifelong Learning

Services – Other significant developments and acknowledgments during the FY2013 school year:

- Approval of curriculum as follows – September, 2012
 - Raritan Valley Academy, Middlesex County Academy, NuView Academy
Common Core State Standards Mathematics Grades 3-5, 9-12
Common Core State Standards ELA
 - Academy Learning Center, Bright Beginnings Learning Center,
Center for Lifelong Learning, Piscataway Regional Day School
Common Core State Standards Mathematics Grades 3-5, 9-12
Common Core State Standards ELA
Comprehensive Health & Physical Education

11. For the Future

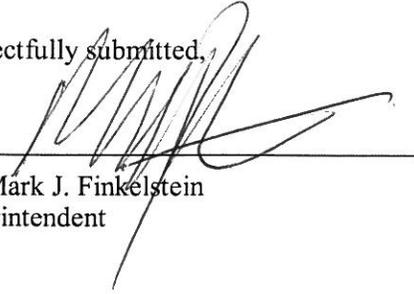
The Commission is presently in very good financial condition and continues to expand service offerings to its participating districts.

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

12. Acknowledgments

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

Respectfully submitted,



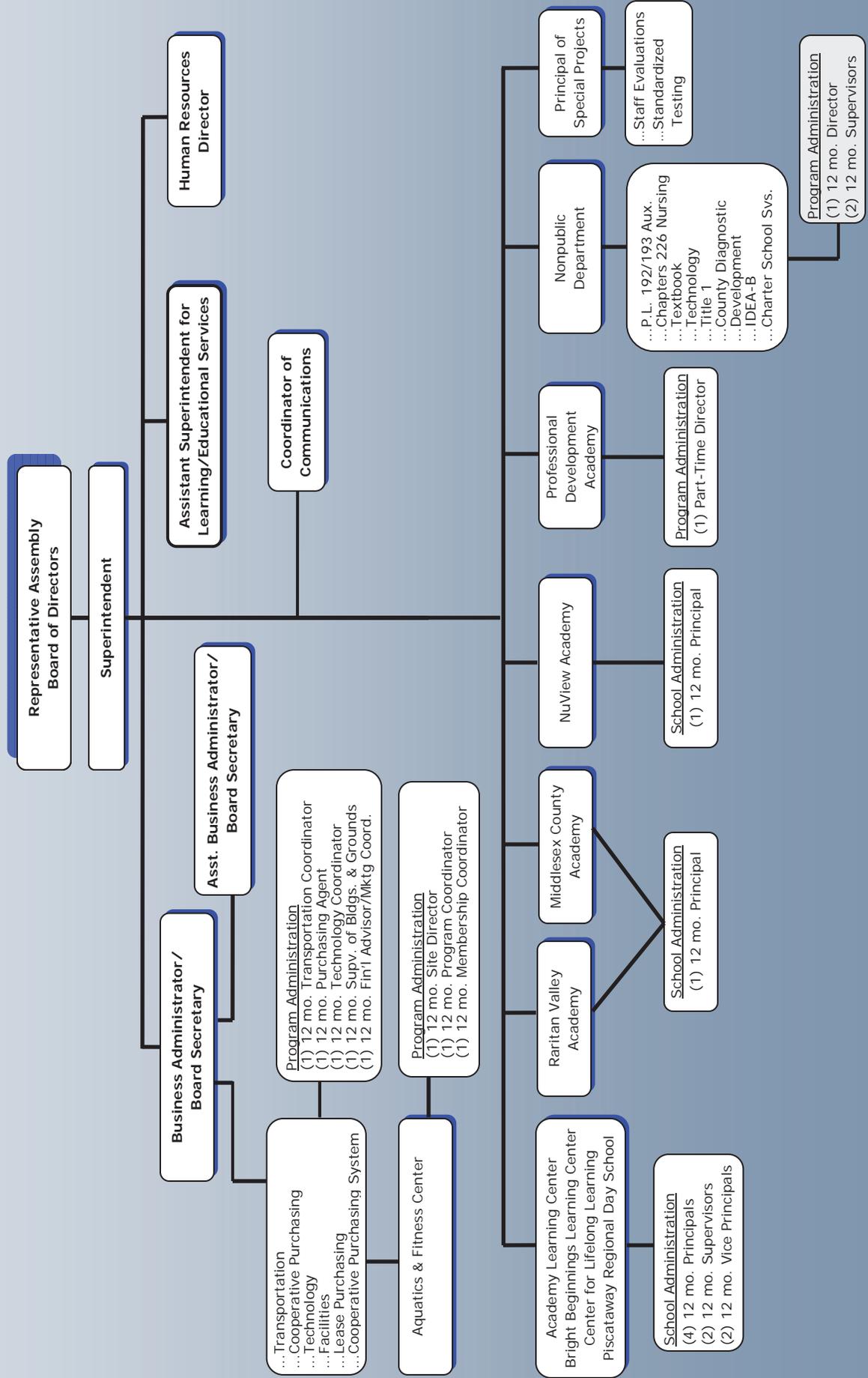
Mr. Mark J. Finkelstein
Superintendent



Mr. Patrick M. Moran
Business Administrator/Board Secretary

Middlesex Regional Educational Services Commission
Piscataway, New Jersey

Organizational Chart
June 30, 2013



Middlesex Regional Educational Services Commission
Piscataway, New Jersey

Roster of Officials

June 30, 2013

<u>Members of the Board of Directors</u>	<u>Term Expires</u>
Mr. Kevin Ahearn – Carteret	5/31/14
Dr. Susan Genco – Cranbury	5/31/14
Mr. Phillip Heiney – Dunellen	5/31/14
Mrs. Kathleen Spiegler - East Brunswick	5/31/14
Dr. Richard O’Malley – Edison	5/31/14
Dr. Frances Wood - Highland Park	5/31/14
Dr. Gail Verona – Jamesburg	5/31/14
Mrs. Rose deVries – Metuchen	5/31/14
Dr. James Baker – Middlesex	5/31/14
Mr. Bill Petscavage – Milltown	5/31/14
Mr. Louis Masters – Monroe	5/31/14
Mr. Dale Caldwell – New Brunswick	5/31/14
Dr. Brian Zychowski - North Brunswick	5/31/14
Mr. Matthew Sulikowski – Old Bridge	5/31/14
Dr. Janine Caffrey – Perth Amboy	5/31/14
Mr. Tom Mosier – Piscataway	5/31/14
Dr. Frank Alfano – Sayreville	5/31/14
Mr. Robert Sheedy - South Amboy	5/31/14
Dr. Gary McCartney - South Brunswick	5/31/14
Dr. Stephen Genco - South Plainfield	5/31/14
Mr. Michael Pfister - South River	5/31/14
Mr. Scott Rocco – Spotswood	5/31/14
Dr. Robert Zega – Woodbridge	5/31/14
Mr. Brian Loughlin - Middlesex County Vo Tech	5/31/14
<u>Other Officials</u>	
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

Attorney

Anthony B. Vignuolo, Esquire
Borrus, Goldin, Foley, Vignuolo,
Hyman & Stahl
2875 Route 1, Box 7463
North Brunswick, New Jersey 08902

Independent Auditors

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

Labor Consultants

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

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 Middlesex Regional Educational Services Commission (the “Commission”), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

Required Supplementary Information

U.S. generally accepted accounting principles require that Management's discussion and analysis and budgetary comparison information 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 04-04, *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 October 28, 2013 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.

The signature of Ernst & Young LLP is written in a cursive, handwritten style in black ink.

October 28, 2013

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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, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 through 15 of this report.

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

Financial Highlights

Key financial highlights for 2013 are as follows:

- General revenues accounted for \$13,893,646 or 16.19 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$71,905,967 or 83.81 percent of total revenues of \$85,799,613.
- The Commission had \$81,754,397 in expenses (governmental and business-type activities); \$41,657,972 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 \$44,141,641 were adequate to provide for these programs.
- Among major funds, the General Fund had \$73,842,455 in revenues and transfer in and \$70,096,522 in expenditures and transfers out. The General Fund's fund balance increased \$3,745,933 over 2012. This increase was the result of increases in services.
- In total, net assets increased \$4,045,217 or 15.45 percent.

Overview of the Financial Statements

This discussion and analysis of the Commission's financial performance provides an overall review of the Commission's financial activities for the fiscal year ended June 30, 2013 with certain comparisons to the year ended June 30, 2012. 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 government-wide financial statements can be found on pages 36 and 37 of this report. 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

The analysis of the Commission's major funds begins on page 38. 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 had 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 memberships, classes and other services rendered to the public. As the YMCA was reimbursed for operational expenses, this fund also tracked all reimbursements to the YMCA for salaries, equipment and management fees. Effective September 1, 2012, the Commission took over the operation and management of Aquatic and Fitness Service for Pool Service Fund. The Commission tracks the fund revenues and expenditures similar to other funds operated by the Commission. The enterprise fund financial statements can be found on pages 41 through 43 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the district-wide financial statement because the resources of those funds are *not* available to support the Commission's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund financial statements can be found on pages 44 through 45 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 46 through 72 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* which consists of budgetary comparison schedules. Required supplementary information can be found on pages 73 through 79 of this report.

Combining and individual fund statements and schedules can be found on pages 80 through 97 of this report.

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 \$28,524,156 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. The net position restricted for capital projects is mainly related to the remaining capital projects fund for the Center for Lifelong Learning project in Sayreville.

Table 1 shows the comparison of the Commission’s Government-Wide net position from fiscal year 2012 to 2013.

	Governmental – Type		Business – Type		Total	
	2013	2012	2013	2012	2013	2012
Assets						
Current and other assets	\$ 18,250,387	\$ 13,731,637	\$ 894,046	\$ 895,762	\$ 19,144,433	\$ 14,627,399
Capital assets, net of depreciation	64,387,009	65,891,730	922,350	924,861	65,309,359	66,816,591
Total assets	82,637,396	79,623,367	1,816,396	1,820,623	84,453,792	81,443,990
Liabilities						
Other liabilities	2,530,773	1,886,089	108,994	82,108	2,639,767	1,968,197
Long-term liabilities	51,582,466	53,289,451	–	–	51,582,466	53,289,451
Total liabilities	54,113,239	55,175,540	108,994	82,108	54,222,233	55,257,648
Net position						
Net investment in capital assets	13,740,089	13,575,508	922,350	924,861	14,662,439	14,500,369
Restricted	3,111,463	2,942,246	–	–	3,111,463	2,942,246
Unrestricted	11,672,605	7,930,073	785,052	813,654	12,457,657	8,743,727
Total net position	\$ 28,524,157	\$ 24,447,827	\$ 1,707,402	\$ 1,738,515	\$ 30,231,559	\$ 26,186,342

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 \$12,457,657 and may be used to meet the government’s ongoing obligations to member districts.

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

Total current and other assets increased mainly due to increases in cash and cash equivalents and net receivables. The capital assets, net of depreciation, decreased mainly due to increases in capital assets depreciation was greater than new capital assets acquisition for this fiscal year after the Center of Lifelong Learning being placed in service in 2010.

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

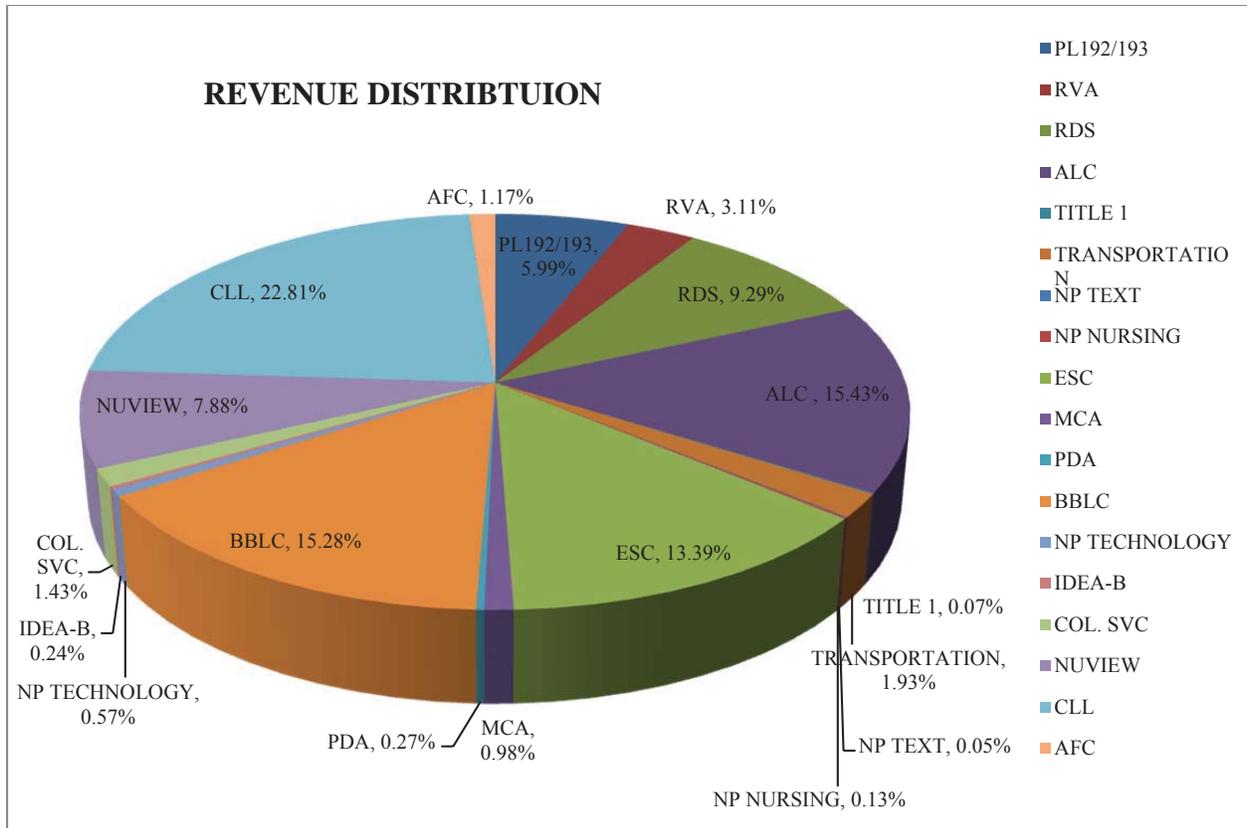
Total net position increased mainly due to increases in excess of revenues over expenditures and other financing sources from General Fund compared to fiscal year 2012.

Table 2 shows the changes in net position from fiscal year 2012 to 2013.

Government-Wide Activities

	Table 2 – Changes in Net Position					
	Governmental – Type		Business – Type		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues:						
Charges for services	\$ 29,200,853	\$ 25,935,911	\$ 5,284,300	\$ 6,336,535	\$ 34,485,153	\$ 32,272,446
Operating grants and contributions	6,931,101	6,567,329	241,718	229,042	7,172,819	6,796,371
General revenues:						
Tuition	30,247,995	27,809,066	–	–	30,247,995	27,809,066
Services provided to other districts	10,785,815	9,249,964	–	–	10,785,815	9,249,964
Grants and entitlements	2,655,091	2,189,991	–	–	2,655,091	2,189,991
Other	452,740	231,495	–	–	452,740	231,495
Total revenues	80,273,595	71,983,756	5,526,018	6,565,577	85,799,613	78,549,333
Program expenses						
Instruction	17,164,004	16,024,030	–	–	17,164,006	16,024,030
Support services:						
Pupils and instructional staff	11,499,733	10,778,159	–	–	11,499,733	10,778,159
General administration, school administration	2,807,107	2,663,984	–	–	2,807,107	2,663,984
Central services	1,180,180	1,037,913	–	–	1,180,180	1,037,913
Admin. Infor. Technology	278,071	302,361	–	–	278,071	302,361
Operations and maintenance of facilities	1,905,235	1,768,873	–	–	1,905,235	1,768,873
Pupil transportation	34,105,560	30,174,878	–	–	34,105,560	30,174,878
Business and other support svcs	1,862,803	1,413,502	–	–	1,862,803	1,413,502
Special schools	2,715,991	2,623,432	–	–	2,715,991	2,623,432
Interest on debt	2,602,541	2,671,148	–	–	2,602,541	2,671,148
Regional Day School	–	–	4,666,512	5,384,440	4,666,512	5,384,440
Bus Services	–	–	–	5,351	–	5,351
Pool Service	–	–	654,430	740,070	654,430	740,070
Food Service	–	–	312,229	292,893	312,229	292,893
Total program expenses	76,121,225	69,458,280	5,633,171	6,422,754	81,754,396	75,881,034
Excess before transfers	4,150,370	2,525,476	(107,153)	142,823	4,045,217	2,668,299
Transfers	(76,040)	793	76,040	(793)	–	–
Change in net position	4,076,330	2,526,269	(31,113)	142,030	4,045,217	2,668,299
Beginning net position	24,447,827	21,921,558	1,738,515	1,596,485	26,186,342	23,518,043
Ending net position	\$ 28,524,157	\$ 24,447,827	\$ 1,707,402	\$ 1,738,515	\$ 30,231,559	\$ 26,186,342

Revenues and Expense increased primarily due to the increases in transportation, educational services provided to other districts and re-organization between the Bright Beginning Learning Center and the Piscataway Regional Day School program.



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, 2013 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.

Revenues	Amount	Percentage of Total	Increase (Decrease) from 2012	Percentage of Increase
Local sources	\$ 70,707,165	88.08%	\$ 7,459,857	11.79%
State sources	7,560,585	9.42	1,019,985	15.59
Federal sources	2,005,844	2.50	(190,002)	(8.65)
Total	\$ 80,273,594	100.00%	\$ 8,289,840	11.52%

The increase in local sources is attributable to increases in transportation, educational services provided to districts and re-organization between the Bright Beginning Learning Center and the Piscataway Regional Day School program. The increase in State revenue sources is mainly attributable to the additional funding for Non-public Technology Initiative and 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, 2013 and the amount and percentages of increases (decreases) in relation to the prior year's expenditures.

Expenditures	Amount	Percentage of Total	Increase (Decrease) from 2012	Percentage of Increase (Decrease)
Current:				
Instruction	\$ 14,586,184	19.00%	\$ 906,435	6.63%
Undistributed expenditures	54,054,448	70.40	5,323,636	10.92
Capital outlay	637,910	0.83	513,876	414.30
Special schools	2,715,991	3.54	92,559	3.53
Debt service:				
Principal	2,314,838	3.01	224,838	10.76
Interest	2,473,034	3.22	(68,327)	(2.69)
Total	\$ 76,782,405	100.00%	\$ 6,993,017	10.02%

The increase in instruction is due to increase educational services provided to districts and re-organization between the Bright Beginning Learning Center and the Piscataway Regional Day School program. 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 various lease purchase transactions for the purpose of upgrading technology, replacement of maintenance vehicles, flooring and upgrades to the HVAC controls systems. The increase in special schools is mainly attributable to the expansion of services provided.

The increase in principal and decrease in interest on debt are based on the amortization of debt service Bond series schedules.

Governmental funds. The focus of the Commission's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Commission's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of 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 \$15,215,022, an increase of \$3,915,150 in comparison with the prior year. Approximately \$9,919,008 of this total amount is reported as *unassigned fund balance*, which is available for spending at the Commission's discretion. The remainder of fund balance is *restricted* 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.

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 \$9,919,008 while total fund balance reached \$12,319,951. 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 14.15 percent of total general fund expenditures, while total fund balances represent 17.58 percent of that same amount.

The total fund balance of the Commission's general fund increased by \$3,745,933 during the current fiscal year and the undesignated fund balance increased by \$3,770,193 during the current fiscal year.

The debt service fund has a total fund balance of \$2,874,638, 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 \$169,216.

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 2013 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 2013 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 \$70,687,364, \$9,180,757 over original budgeted estimates of \$61,506,607. 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 and re-organization between the Bright Beginning Learning Center and the Piscataway Regional Day School program.

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

1. Salaries for home instruction were increased by \$214,694. These increases are directly related to the actual salary paid related to actual number of services requested by districts compared to original budget estimates.
2. Salaries for the Auditory Impairments program were increased by \$65,691. 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 for Behavioral disabilities were decreased by (\$54,180). These decreases are directly related to the actual salary paid related to reduction of enrollments for the Raritan Valley Academy Program compared to original budget estimates. Other Objects was decreased by (\$65,204). This decrease is directly related to the actual fringe benefits and administrative charge payment to Princeton House for the psychiatric and therapeutic services for NuView Program was less than original budget estimates.
4. Salaries of teachers and other salaries of instruction for Multiple Disabled Students were decreased by (\$54,537). These decreases are directly related to the actual salary paid as compared to original budget estimates for IDEA B teachers and the reorganization of classes between the Bright Beginnings Learning Center and the Piscataway Regional Day School.

5. Salaries of teachers and Other salaries of instruction for Autistic Students were decreased by (\$196,690) and (\$60,077) respectively. These decreases are directly related to the actual salary paid as compared to original budget estimates for the reorganization of classes at the Academy Learning Center, the Bright Beginnings Learning Center and the Center for Lifelong Learning.
6. Salaries of teachers and other salaries of instruction for Preschool Disabled Students were increased by \$136,043 and \$117,504 respectively. These increases are directly related to the actual salary paid as compared to original budget estimates for the reorganization of classes at the Academy Learning Center, the Bright Beginnings Learning Center and the Center for Lifelong Learning.
7. Other Support Services for Students salary line for instruction increased \$66,145. This increase 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.
8. Other Support Services for Students salary line for instructional 1.1 aides increased \$796,482. This increase was primarily related to conservative revenue estimates for additional 1.1 aide service to districts and the expansion of collaborative personnel services with Carteret.
9. Other Support Services for Students line for Other Purchased Professional Educational Services was increased by \$116,224. This increase was primarily related to expansion of County Diagnostic services and Charter school services provided to districts.
10. Other Support Services for Students line for Other Purchased Professional and Technical Services was increased by \$157,592. This increase was directly related to the actual cost paid as compared to original budget estimates for Occupational and Physical Therapy Services.
11. Support Services for general administration line for Audit fees was increased by \$55,385. This increase was directly related to timing difference between fund encumbered and expenditure recognized.
12. Support Services for school administration line for Salaries of principal/asst. principal was increased by \$84,729. This increase was directly related to the salary cost allocation related to the expansion of County Diagnostic services and Charter school services provided to districts.
13. Support Services for school administration line for Salaries of secretarial and clerical assistants was decreased by (\$59,885). This decrease was directly related to actual salary paid less as compared to original budget estimates for Middlesex County Academy and the Bright Beginning Learning Center Secondary program.

14. Support Services for school administration line for other purchased professional services was increased by \$54,612. This increase was directly related to the actual purchased professional service cost paid to presenters as compared to original budget estimates for Professional Development Academy Workshops.
15. Central Services line for salary was increased by \$81,364. This increase is directly related to actual salary and overtime payment as compared to original budget estimates for Business Office staffs.
16. Required maintenance of school facilities for salary was increased by \$90,325. This increase is directly related to actual salary and overtime payment as compared to original budget estimates for Custodial staffs. Cleaning, repair, maintenance was increased by \$67,148 which increase is directly related to the loss related to the Super-storm Sandy.
17. The energy line was decreased by (\$53,216). This decrease is mainly due to cost saving resulted from all competitive co-op bids and reduction of energy usage due to the contribution of energy club at all schools.
18. Student Transportation Contracted Services between Home and School line increased \$3,488,282. These increased are directly related to the level of service provided to participating districts as compared to budget estimates.
19. Employee Benefits for Social Security line increased \$169,021. This increase is directly related to the actual social security tax paid as compared to original budget estimates for all programs.
20. Employee Benefits for Other retirement contributions decreased (\$67,954). This decrease is directly related to the actual cost paid as compared to original budget estimates for all programs.
21. Health Benefits increased \$3,225,417. This represents the distribution of additional revenue for increases in services and tuition and actual health benefits cost exceeding original budget estimates.
22. Capital outlay for Equipment for instruction increased by \$163,682 and for non-instruction increased by \$696,726. These increases are mainly related to the Lease Purchase for the purpose of upgrading technology, replacement of maintenance vehicles, and upgrades to the HVAC controls systems.
23. Facilities acquisition and construction series increased by \$100,000. This increase is directly related to the Lease Purchase for the purpose of replacement flooring at Academy Learning Center and the Bright Beginning Learning Center.
24. Summer School instruction line for Other Salaries of instruction increased \$129,679. This increase is mainly related to additional 1.1 aides employed on behalf of Districts and

occupational therapeutic services at Center for Lifelong Learning were provided by commission staffs.

25. Summer School Support Services line for Personal Services – Employee Benefits increased \$467,050. This increase is directly related to the level of funds transferred to the Commission’s health benefit account to cover actual health benefit cost.
26. Summer School Support Services line for Purchased professional and Technical Services decreased (\$193,827). This decrease is directly related to actual cost paid to Agency for occupational and physical therapeutic services as compared to original budget estimates and physical therapeutic services at Center for Lifelong Learning were provided by commission staffs.
27. Summer School Support Services line for Other Purchased Services increased \$74,456. This increase is directly related to the cost allocation for all major tuition programs for the Pool Usage during the summer and cost paid for record retention and disposal.

The General Fund revenues exceeded expenditures and other financing sources (uses) of the Commission by approximately \$3,745,933.

Capital Assets – Governmental Activities

At the end of the fiscal year 2013, the Commission had \$64,387,009 (net) investment in land, buildings, furniture and equipment, and vehicles. Table 3 shows a comparison of capital assets (net of depreciation) from fiscal year 2012 to 2013.

Table 3 – Capital Assets (Net of Depreciation)

	2013	2012
Land and land improvements	\$ 5,750,204	\$ 5,809,846
Buildings and improvements	56,817,322	58,067,866
Machinery, equipment and vehicles	1,819,483	2,014,018
Totals	<u>\$ 64,387,009</u>	<u>\$ 65,891,730</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, 2013, the Commission had \$55,659,098 in outstanding long-term liabilities. Of this amount \$158,936 is for compensated absences, and the balance of \$52,150,000 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.

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, 2013.

Middlesex Regional Educational Services Commission

Statement of Net Position

June 30, 2013

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 3,359,189	\$ 492,086	\$ 3,851,275
Cash and cash equivalents-restricted	216,392	-	216,392
Cash held by fiscal agent	1,303,626	-	1,303,626
Receivables, net	12,573,573	422,957	12,996,530
Unamortized bond issuance costs	776,610	-	776,610
Internal balances	20,997	(20,997)	-
Capital assets, nondepreciable	5,231,614	-	5,231,614
Capital assets, depreciable, net	59,155,395	922,350	60,077,745
Total assets	<u>82,637,396</u>	<u>1,816,396</u>	<u>84,453,792</u>
Liabilities			
Accounts payable	2,006,736	78,799	2,085,535
Accrued interest payable	272,018	-	272,018
Intergovernmental accounts payable:			
Districts	190,867	-	190,867
Unearned revenue	61,152	30,195	91,347
Noncurrent liabilities:			
Due within one year	2,340,145	-	2,340,145
Due beyond one year	49,242,321	-	49,242,321
Total liabilities	<u>54,113,239</u>	<u>108,994</u>	<u>54,222,233</u>
Net Position			
Net investment in capital assets	13,740,089	922,350	14,662,439
Restricted for:			
Capital projects	20,433	-	20,433
Capital reserve	216,392	-	216,392
Debt service	2,874,638	-	2,874,638
Unrestricted	11,672,605	785,052	12,457,657
Total Net Position	<u>\$ 28,524,157</u>	<u>\$ 1,707,402</u>	<u>\$ 30,231,559</u>

Middlesex Regional Educational Services Commission

Statement of Activities

Year ended June 30, 2013

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities						
Instruction	\$ 17,164,004	\$ 30,247,995	\$ 4,450,245	\$ 17,534,236	\$ -	\$ 17,534,236
Support services:						
Health services	681,030	-	-	(681,030)	-	(681,030)
Student and instruction related services	10,818,703	-	2,358,232	(8,460,471)	-	(8,460,471)
General and business administrative services	897,651	-	-	(897,651)	-	(897,651)
School administrative services	1,909,456	-	-	(1,909,456)	-	(1,909,456)
Central services	1,180,180	-	-	(1,180,180)	-	(1,180,180)
Admin. Infor. Technology	278,071	-	-	(278,071)	-	(278,071)
Plant operations and maintenance	1,905,235	-	-	(1,905,235)	-	(1,905,235)
Pupil transportation	34,105,560	29,200,853	-	(4,904,707)	-	(4,904,707)
Employee benefits	1,216,465	-	-	(1,216,465)	-	(1,216,465)
Capital outlay	646,338	-	122,624	(523,714)	-	(523,714)
Special schools	2,715,991	-	-	(2,715,991)	-	(2,715,991)
Interest on long-term debt	2,602,541	-	-	(2,602,541)	-	(2,602,541)
Total governmental activities	76,121,225	59,448,848	6,931,101	(9,741,276)	-	(9,741,276)
Business-type activities						
Regional Day School	4,666,512	4,660,530	-	-	(5,982)	(5,982)
Pool services	654,430	554,933	-	-	(99,497)	(99,497)
Food service	312,229	68,837	241,718	-	(1,674)	(1,674)
Total business-type activities	5,633,171	5,284,300	241,718	-	(107,153)	(107,153)
Total primary government	\$ 81,754,396	\$ 64,733,148	\$ 7,172,819	(9,741,276)	(107,153)	(9,848,429)
General revenues:						
Federal and state aid not restricted				2,655,091	-	2,655,091
Services provided to districts				10,785,815	-	10,785,815
Interest income				9,326	-	9,326
Miscellaneous income				443,414	-	443,414
Transfers				(76,040)	76,040	-
Total general revenues and transfers, net				13,817,606	76,040	13,893,646
Change in net position				4,076,330	(31,113)	4,045,217
Net position—beginning				24,447,827	1,738,515	26,186,342
Net position—ending				\$ 28,524,157	\$ 1,707,402	\$ 30,231,559

See accompanying notes.

Fund Financial Statements

Governmental Funds

Middlesex Regional Educational Services Commission
Governmental Funds

Balance Sheet

June 30, 2013

	Major Funds				Total Governmental Funds
	General	Special Revenue	Capital Projects	Debt Service	
Assets					
Cash and cash equivalents	\$ 1,736,033	\$ -	\$ 7,761	\$ 1,615,395	\$ 3,359,189
Cash and cash equivalents-restricted	216,392	-	-	-	216,392
Cash held by fiscal agent-restricted	149,373	-	12,672	1,141,581	1,303,626
Intergovernmental accounts receivable					
State	46,210	-	-	-	46,210
Other districts	9,946,505	2,463,905	-	-	12,410,410
Other accounts receivable	84,224	-	-	-	84,224
Interfund receivable	2,195,142	-	-	117,662	2,312,804
Total assets	\$ 14,373,879	\$ 2,463,905	\$ 20,433	\$ 2,874,638	\$ 19,732,855
Liabilities					
Accounts payable	1,862,619	144,117	-	-	2,006,736
Intergovernmental accounts payable					
Other districts	54,523	136,344	-	-	190,867
Interfunds payable	117,681	2,141,397	-	-	2,259,078
Unearned revenue	19,105	42,047	-	-	61,152
Total liabilities	2,053,928	2,463,905	-	-	4,517,833
Fund balances					
Restricted for:					
Capital projects	-	-	20,433	-	20,433
Capital reserve	216,392	-	-	-	216,392
Debt service	-	-	-	2,874,638	2,874,638
Committed - encumbrances	2,035,178	-	-	-	2,035,178
Assigned	149,373	-	-	-	149,373
Unassigned	9,919,008	-	-	-	9,919,008
Total fund balances	12,319,951	-	20,433	2,874,638	15,215,022
Total liabilities and fund balances	\$ 14,373,879	\$ 2,463,905	\$ 20,433	\$ 2,874,638	

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 \$78,362,567 and the accumulated depreciation is \$13,975,558.	64,387,009
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.	(272,018)
Unamortized portion of debt issuance costs not reported as an asset in the funds	776,610
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.	(51,582,466)
Net position of governmental activities (A-1)	\$ 28,524,157

See accompanying notes.

Middlesex Regional Educational Services Commission
Governmental Funds

Statements of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2013

	Major Funds				Total
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	
Revenues:					
Local sources:					
Tuition from districts	\$ 30,247,995	\$ -	\$ -	\$ -	\$ 30,247,995
Transportation fees	29,200,853	-	-	-	29,200,853
Services provided to districts	10,785,815	-	-	-	10,785,815
Interest on investments	9,287	-	1	38	9,326
Miscellaneous	443,414	-	-	-	443,414
Total revenues—local sources	70,687,364	-	1	38	70,687,403
Local sources	-	19,763	-	-	19,763
State sources	2,655,091	4,905,494	-	-	7,560,585
Federal sources	-	2,005,844	-	-	2,005,844
Total revenues	73,342,455	6,931,101	1	38	80,273,595
Expenditures:					
Current:					
Instruction	10,135,939	4,450,245	-	-	14,586,184
Undistributed:					
Health services	589,017	-	-	-	589,017
Other support: special	7,067,113	2,289,896	-	-	9,357,009
General administration	776,371	-	-	-	776,371
School administration	1,651,473	-	-	-	1,651,473
Central Services	1,020,728	-	-	-	1,020,728
Admin. Info. Technology	240,501	-	-	-	240,501
Required maintenance for school facilities	925,595	-	-	-	925,595
Operation of plant	722,227	-	-	-	722,227
Student transportation	29,497,624	-	-	-	29,497,624
Employee benefits	6,618,812	-	-	-	6,618,812
Reimbursement TPAF social security and pension (non-budgeted)	2,655,091	-	-	-	2,655,091
Capital outlay	515,286	122,624	-	-	637,910
Special schools	2,715,991	-	-	-	2,715,991
Debt service:					
Principal	-	-	-	2,314,838	2,314,838
Interest	-	-	-	2,473,034	2,473,034
Total expenditures	65,131,768	6,862,765	-	4,787,872	76,782,405
Excess (deficiency) of revenues over (under) expenditures	8,210,687	68,336	1	(4,787,834)	3,491,190
Other financing sources (uses):					
Transfers in	-	-	-	4,957,050	4,957,050
Transfers out	(4,964,754)	(68,336)	-	-	(5,033,090)
Proceeds from Loan	500,000	-	-	-	500,000
Total other financing (uses) sources	(4,464,754)	(68,336)	-	4,957,050	423,960
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	3,745,933	-	1	169,216	3,915,150
Fund balances, beginning of year	8,574,018	-	20,432	2,705,422	11,299,872
Fund balances, end of year	\$ 12,319,951	\$ -	\$ 20,433	\$ 2,874,638	\$ 15,215,022

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, 2013

Total net change in fund balances - governmental funds (B-2) \$ 3,915,150

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	\$ (1,496,293)	
	Capital outlays	<u>(8,428)</u>	(1,504,721)

The issuance of long-term debt (e.g. bonds/loans, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 1,669,302

In the statement of activities, interest on long-term debt is accrued, regardless of when due. In the governmental funds, interest is reported when due. 16,029

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. (19,430)

Change in net position of governmental activities (A-2) \$ 4,076,330

See accompanying notes.

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Proprietary Funds

Middlesex Regional Educational Services Commission
Proprietary Funds

Statement of Net Position

June 30, 2013

	Regional Day School Fund	Bus Services Fund	Pool Services Fund	Food Services Fund	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 363,331	\$ -	\$ 92,061	\$ 36,694	\$ 492,086
Intergovernmental accounts receivable:					
State	-	-	-	575	575
Federal	-	-	-	25,099	25,099
Other districts	395,720	-	1,563	-	397,283
Interfund receivable	5,325	-	-	-	5,325
Total current assets	<u>764,376</u>	<u>-</u>	<u>93,624</u>	<u>62,368</u>	<u>920,368</u>
Capital assets:					
Site Improvement	813,303	-	-	-	813,303
Equipment	614,262	-	-	-	614,262
Accumulated depreciation	(505,215)	-	-	-	(505,215)
Total capital assets	<u>922,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>922,350</u>
Total assets	<u>1,686,726</u>	<u>-</u>	<u>93,624</u>	<u>62,368</u>	<u>1,842,718</u>
Liabilities					
Current liabilities:					
Accounts payable	56,564	-	21,444	791	78,799
Interfunds payable	-	-	-	26,322	26,322
Unearned Revenues	-	-	30,195	-	30,195
Total current liabilities	<u>56,564</u>	<u>-</u>	<u>51,639</u>	<u>27,113</u>	<u>135,316</u>
Net Position					
Net investment in capital assets	922,350	-	-	-	922,350
Unrestricted	707,812	-	41,985	35,255	785,052
Total net position	<u>\$ 1,630,162</u>	<u>\$ -</u>	<u>\$ 41,985</u>	<u>\$ 35,255</u>	<u>\$ 1,707,402</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, 2013

	Regional Day School Fund	Bus Services Fund	Pool Services Fund	Food Services Fund	Total
Operating revenues:					
Local sources:					
School lunch program	\$ -	\$ -	\$ -	\$ 68,837	\$ 68,837
Tuition	4,134,667	-	-	-	4,134,667
Services	524,363	-	484,602	-	1,008,965
Miscellaneous	1,500	-	70,331	-	71,831
Total operating revenues	4,660,530	-	554,933	68,837	5,284,300
Operating expenses:					
Cost of food	-	-	1,068	285,907	286,975
Salaries and wages	2,573,593	-	317,052	26,322	2,916,967
Employee benefits	1,294,544	-	31,093	-	1,325,637
Materials and supplies	38,062	-	74,186	-	112,248
Maintenance and repairs	24,024	-	12,644	-	36,668
Other professional services	511,233	-	140,011	-	651,244
Insurance	10,343	-	-	-	10,343
Telephone/communications	21,334	-	500	-	21,834
Utilities	91,137	-	63,964	-	155,101
Depreciation	59,722	-	-	-	59,722
Miscellaneous	42,520	-	13,912	-	56,432
Total operating expenses	4,666,512	-	654,430	312,229	5,633,171
Operating (loss)	(5,982)	-	(99,497)	(243,392)	(348,871)
Nonoperating revenues:					
State school lunch program	-	-	-	3,715	3,715
National breakfast program - federal	-	-	-	84,954	84,954
Federal school lunch program	-	-	-	153,049	153,049
Total nonoperating revenues	-	-	-	241,718	241,718
Income before transfers	(5,982)	-	(99,497)	(1,674)	(107,153)
Transfers in	51,039	-	125,000	-	176,039
Transfers out	(96,992)	(1,039)	(1,968)	-	(99,999)
Total transfer	(45,953)	(1,039)	123,032	-	76,040
Change in net position	(51,935)	(1,039)	23,535	(1,674)	(31,113)
Net position, beginning of year	1,682,097	1,039	18,450	36,929	1,738,515
Net position, end of year	\$ 1,630,162	\$ -	\$ 41,985	\$ 35,255	\$ 1,707,402

See accompanying notes.

Middlesex Regional Educational Services Commission
Proprietary Fund

Statement of Cash Flows

Year ended June 30, 2013

	Regional Day School Fund	Bus Services Fund	Newsletter Services Fund	Pool Services Fund	Food Services Fund	Total
Cash flows from operating activities						
Receipts from customers	\$ 4,559,061	\$ 5,025	\$ -	\$ 690,398	\$ 68,837	\$ 5,323,321
Payments to employees	(2,573,593)	-	-	(317,052)	(26,322)	(2,916,967)
Payments for employee benefits	(1,294,544)	-	-	(31,093)	-	(1,325,637)
Payments to suppliers	(703,094)	-	-	(342,203)	(287,357)	(1,332,654)
Net cash provided by (used in) operating activities	(12,170)	5,025	-	50	(244,842)	(251,937)
Cash flows from noncapital financing activities						
State sources	-	-	-	-	3,350	3,350
Federal sources	-	-	-	-	226,288	226,288
Operating subsidies and transfers to other funds	(45,953)	(5,025)	-	92,011	26,322	67,355
Net cash provided by (used in) noncapital financing activities	(45,953)	(5,025)	-	92,011	255,960	296,993
Cash flows from capital and related financing						
Purchases of capital assets	(57,211)	-	-	-	-	(57,211)
Net cash used in capital and related financing activities	(57,211)	-	-	-	-	(57,211)
Net decrease in cash and cash equivalents	(115,334)	-	-	92,061	11,118	(12,155)
Balances—beginning of year	478,665	-	-	-	25,576	504,241
Balances—end of year	\$ 363,331	\$ -	\$ -	\$ 92,061	\$ 36,694	\$ 492,086
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities						
Operating income (loss)	\$ (5,982)	\$ -	\$ -	\$ (99,497)	\$ (243,392)	\$ (348,871)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation and net amortization	59,722	-	-	-	-	59,722
Change in assets and liabilities:						
(Increase) Decrease in accounts receivable, net	(99,969)	5,025	-	105,270	-	10,326
(Decrease) Increase in accounts payable, net	35,559	-	-	(35,918)	(1,450)	(1,809)
(Decrease) Increase in unearned revenue, net	(1,500)	-	-	-	-	(1,500)
Net cash provided by (used in) operating activities	\$ (12,170)	\$ 5,025	\$ -	\$ (30,145)	\$ (244,842)	\$ (282,132)

See accompanying notes.

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Fiduciary Funds

Middlesex Regional Educational Services Commission
Fiduciary Funds

Statement of Fiduciary Net Position

June 30, 2013

	Unemployment Compensation Trust Fund	Agency Fund
Assets		
Cash and cash equivalents	\$ 230,878	\$ 273,593
Interfund receivable	-	41,407
Accounts receivable- other	-	4,733
Total assets	\$ 230,878	\$ 319,733
Liabilities		
Account payable	\$ -	\$ 280,377
Interfunds payable	41,388	32,748
Due to student groups	-	6,608
Total liabilities	41,388	\$ 319,733
Net Position		
Held in trust for unemployment claims	\$ 189,490	

See accompanying notes.

Middlesex Regional Educational Services Commission
Fiduciary Funds

Statement of Changes in Fiduciary Net Position

Year ended June 30, 2013

	<u>Unemployment Compensation Trust Fund</u>
Additions	
Contributions	\$ 226,400
Interest on investments	169
Total additions	<u>226,569</u>
Deductions	
Payment of claims	<u>126,449</u>
Total deductions	<u>126,449</u>
Change in net position	100,120
Net position - beginning	<u>89,370</u>
Net position - ending	<u><u>\$ 189,490</u></u>

See accompanying notes.

Middlesex Regional Educational Services Commission

Notes to Financial Statements

June 30, 2013

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 (NJS 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, 2013 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, 2013, 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. 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.
- Non-spendable fund balances include amounts that cannot be spent because they are in a non-spendable form, such as prepaid assets, or they are legally or contractually required to be maintained intact, such as the corpus of a permanent fund.

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

- 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.

K. Net Position

The Commission adopted GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*", which was issued in June, 2011 for financial statements for periods beginning after December 15, 2011. Effective July 1, 2012, the commission implemented GASB Statement No. 63 by renaming the net assets reporting requirements in GASB Statement No. 34 as net position to report the residual of all other elements presented in a statement of financial 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.
- Restricted net position is restricted due to legal restrictions from creditors, grantors, or laws and regulations of other governments.

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

- Unrestricted net position consists of net assets which do not meet the definition of the two preceding categories.

L. On-Behalf Payments

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

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

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

N. Accounting Standards Issued But Not Yet Adopted

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB No. 65). This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4.

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as limiting the use of the term *deferred* in financial statement presentations.

The provisions of the Statement are effective for financial statements for periods beginning after December 15, 2012, and is not expected to have a significant impact on the Commission's financial statements.

In 2012, GASB issued Statement No. 66, *Technical Corrections-2012 – an amendment of GASB Statements No. 10 and No. 62* (GASB No. 66). The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and*

AICPA Pronouncements. The adoption of this Statement is not expected to have a significant impact on the Commission's financial statements.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, was issued in June, 2012. The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

The requirements of GASB 68 apply to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet certain criteria and to the financial statements of state and local governmental nonemployer contributing entities that have a legal obligation to make contributions directly to such pension plans. The requirements apply whether the government's financial statements are presented in stand-alone financial reports or are included in the financial reports of another government.

GASB Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

This Statement requires governments providing defined pension benefits to recognize their long-term obligation for benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employees whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared.

This Statement is effective for fiscal years beginning after June 15, 2014. The Commission is in the process of evaluating the impact of its adoption on the financial statements.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, was issued in January 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* include a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

The distinction between a government merger and a government acquisition is based upon whether an exchange of significant consideration is present within the combination transaction. Government mergers include combinations of legally separate entities without the exchange of significant consideration. This Statement requires the use of carrying values to measure the assets and liabilities in a government merger. Conversely, government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. This Statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This Statement defines the term *operations* for purposes of determining the applicability of this Statement and requires the use of carrying values to measure the assets and liabilities in a transfer of operations.

A disposal of a government's operations results in the removal of specific activities of a government. This Statement provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold.

This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions.

The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. This Statement is not expected to have an impact on the Commission's financial statements.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, was issued in April 2013. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee expected to be incurred. When there is no best estimate, but a range of the estimated future outflows can be established, the amount of the

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

liability to be recognized should be the discounted present value of the minimum amount within the range.

This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units.

This Statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees.

The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. This Statement is not expected to have an impact on the Commission's financial statements.

2. Reconciliation of District-Wide and Fund Financial Statements

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

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the district-wide statement of net assets. One element of that reconciliation explains that long-term liabilities, including bonds and loans payable, are not due and payable in the current period and therefore are not reported in the funds. The details of the \$51,582,466 difference are as follows:

Bonds/loans payable	\$ 52,500,162
Less:	
Deferred loss on refunding	(737,954)
Unamortized bond issuance discount	(338,678)
Compensated absences	158,936
Net adjustment to reduce fund balance-total governmental funds to arrive at net assets – governmental activities	<u>\$ 51,582,466</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, 2013, the carrying amount of the Commission's deposits was \$4,511,669 and the bank balance was \$11,059,492. Of the bank balance, \$100,000 was covered by the Federal Depository Insurance and \$10,959,492 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Governmental Unit Deposit Protection Act (GUDPA).

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

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

3. Deposits (continued)

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, 2013.

	Beginning Balance	Increases	Decreases	Ending Balance
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	67,144,282	138,769	-	67,283,051
Land improvements	1,192,854	-	-	1,192,854
Vehicles	983,030	68,985	(278,006)	774,009
Machinery and equipment	3,819,214	61,825	-	3,881,039
Total capital assets, being depreciated	73,139,380	269,579	(278,006)	73,130,953
Less accumulated depreciation for:				
Buildings and building improvements	(9,076,416)	(1,389,313)	-	(10,465,729)
Land improvements	(614,622)	(59,642)	-	(674,264)
Vehicles	(834,070)	(48,115)	214,899	(667,286)
Machinery and equipment	(1,954,156)	(214,123)	-	(2,168,279)
Total accumulated depreciation	(12,479,264)	(1,711,193)	214,899	(13,975,558)
Total capital assets, being depreciated, net	60,660,116	(1,441,614)	(63,107)	59,155,395
Governmental activities capital assets, net	\$ 65,891,730	\$ (1,441,614)	\$ (63,107)	\$ 64,387,009

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

Instruction	\$ 299,259
Business and other support services	1,197,036
Total allocated depreciation	<u>\$ 1,496,293</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, 2013.

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, being depreciated:				
Building and building improvements	\$ 749,929	\$ 57,211	\$ —	\$ 807,140
Land improvements	6,163	—	—	6,163
Machinery and equipment	614,260	—	—	614,260
Total capital assets being depreciated	1,370,352	57,211	—	1,427,563
Less accumulated depreciation for:				
Land improvements	(98,630)	(27,767)	—	(126,397)
Building and building improvements	(2,555)	(308)	—	(2,863)
Machinery and equipment	(344,306)	(31,648)	—	(375,954)
Total accumulated depreciation	(445,491)	(59,723)	—	(505,214)
Total capital assets, being depreciated, net	924,861	(2,512)	—	922,349
Business-type activities capital assets, net	\$ 924,861	\$ (2,512)	\$ —	\$ 922,349

5. Long-Term Liabilities

Changes in Long-term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences payable	\$ 139,506	\$ 25,079	\$ (5,649)	\$ 158,936	\$ 6,979
MCIA loans payable	56,315,000	—	(2,165,000)	52,150,000	2,235,000
TD Equipment Loans payable	—	500,000	(149,838)	350,162	98,166
Less deferred amounts:					
Loss on refunding	(805,040)	67,086	—	(737,954)	—
Bond discount	(360,015)	21,337	—	(338,678)	—
	\$ 53,289,451	\$ 613,502	\$ (2,320,487)	\$ 51,582,466	\$ 2,340,145

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

5. Long-Term Liabilities (continued)

Bonds/Loan Payable

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

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

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

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

In fiscal year 2010, the Middlesex County Improvement Authority issued a \$16,170,000 County-Guaranteed Lease Revenue Bonds (Middlesex Regional Educational Services Commission Project) Series 2000 to finance the costs of the acquisition of real property in Middlesex County and for constructing two special education school facilities (Academy Learning Center and

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

5. Long-Term Liabilities (continued)

Bright Beginnings Learning Center). Terms of the loan repayment call for semi-annual interest with rates that vary from 4.85% to 5.10% and annual principal repayments. In fiscal year 2005, the Commission advance refunded \$12,275,000 of the 2000 County Guaranteed Revenue Bonds. The principal amount outstanding as of June 30, 2010 is \$520,000. The serious 2000 County Guaranteed Revenue Bonds retired in fiscal year 2011.

In fiscal year 2011, the Commission advance refunded \$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.

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 expired on December 10, 2016.

As of June 30, 2013, \$18,890,000 of defeased bonds remains outstanding.

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

Future loan payments are as follows:

Year ending June 30	2004		2008		2010		2012		Total		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2014	720,000	490,735	1,060,000	1,770,944	455,000	128,825	98,166	4,935	2,333,166	2,395,439	4,728,605
2015	750,000	463,900	1,095,000	1,731,864	535,000	113,975	99,659	3,442	2,479,659	2,313,181	4,792,840
2016	775,000	435,300	1,135,000	1,688,631	550,000	97,700	101,174	1,927	2,561,174	2,223,558	4,784,732
2017	805,000	404,878	1,185,000	1,636,306	575,000	77,950	51,163	388	2,616,163	2,119,522	4,735,685
2018 – 2022	4,535,000	1,493,287	6,785,000	7,288,768	1,855,000	101,075	–	–	13,175,000	8,883,130	22,058,130
2023 – 2027	4,365,000	413,957	8,630,000	5,398,593	–	–	–	–	12,995,000	5,812,550	18,807,550
2028 – 2034	–	–	16,340,000	3,171,066	–	–	–	–	16,340,000	3,171,066	19,511,066
Totals	\$ 11,950,000	\$ 3,702,057	\$ 36,230,000	\$ 22,686,172	\$3,970,000	\$ 519,525	\$ 350,162	\$ 10,692	\$52,500,162	\$ 26,918,446	\$ 79,418,608

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

6. Pension Plans

Description of Systems

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), and the Public Employees' Retirement System (PERS); or a Defined Contribution Retirement Program (DCRP). TPAF and PERS are cost sharing multiple-employer plans that are sponsored and administered by the New Jersey Division of Pensions and Benefits. The Teachers' Pension and Annuity Fund retirement system is considered a single employer plan, as under current statute all employer contributions are made by the State of New Jersey on behalf of the Commission and the system's related non-contributing employers. 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.

Teachers' Pension and Annuity Fund: The Teachers' Pension and Annuity Fund was established in January 1955 under the provisions of N.J.S.A. 18A:66 to provide coverage, including post-retirement health care to substantially all full time public school teachers. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for health care coverage. The passage of Chapter 103, P.L. 2007, and Chapter 89, P.L. 2008, changed the enrollment and retirement criteria for TPAF members enrolled as of certain dates and membership Tiers are defined as Membership Tier 1 – Members who were enrolled prior to July 1, 2007, Membership Tier 2 – Member were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008, and Membership Tier 3 – Members eligible to enroll on or after November 2, 2008 and on or before May 21, 2010 with minimum annual salary required of \$7,700. For Membership Tier 4 – Members eligible to enroll after May 21, 2010 but before June 28, 2011 and Membership Tier 5 – Members eligible to enroll on and after June 28, 2011 must work at least a minimum of 32 hours per week and an annual salary requirement of \$7,700 or more is required for enrollment. For Tier 1 members are eligible for retirement at age 55. Early retirement is available to those under age 55 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

6. Pension Plans (continued)

in the above mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55). For Tier 2 members who retire before age 60, retirement amount is reduced 1/12 of 1 percent (1 percent per year) for each month under age 60 though age 55 and 1/4 of 1 percent (3 percent per year) for each month under age 55. For Tier 3 and Tier 4 members who retire before age 62, retirement amount is reduced 1/12 of 1 percent (1 percent per year) for each month under age 62 though age 55 and 1/4 of 1 percent (3 percent per year) for each month under age 55. The retirement age for Tier 5 members is increased to age 65 and early retirement is available to Tier 5 members with at least 30 years of service credit. The early retirement benefits is permanently reduced by 3 percent per year for the Tier 5 members is under age 65 at the time of retirement. For Tier 1, 2 and 3, final Average salary with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service, For Tier 4 and Tier 5, final Average salary with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service.

Public Employees' Retirement System: The Public Employees' Retirement System was established in January 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service. The passage of Chapter 103, P.L. 2007, and Chapter 89, P.L. 2008, changed the enrollment and retirement criteria for TPAF members enrolled as of certain dates and membership Tiers are defined as Membership Tier 1 – Members who were enrolled prior to July 1, 2007, Membership Tier 2 – Member were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008, and Membership Tier 3 – Members eligible to enroll on or after November 2, 2008 and on or before May 21, 2010 with minimum annual salary required of \$7,700 for calendar year 2010. For Membership Tier 4 – Members eligible to enroll after May 21, 2010 but before June 28, 2011 and Membership Tier 5 – Members eligible to enroll on and after June 28, 2011 must work at least a minimum of 32 hours per week and an annual salary requirement of \$7,700 or more is required for enrollment. For Tier 1 members are eligible for retirement at age 55. Early retirement is available to those under age 55 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above mentioned formula but at a reduced rate (one quarter of one percent for

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

6. Pension Plans (continued)

each month the member lacks of attaining age 55). For Tier 2 members who retire before age 60, retirement amount is reduced 1/12 of 1 percent (1 percent per year) for each month under age 60 though age 55 and 1/4 of 1 percent (3 percent per year) for each month under age 55. For Tier 3 and Tier 4 members who retire before age 62, retirement amount is reduced 1/12 of 1 percent (1 percent per year) for each month under age 62 though age 55 and 1/4 of 1 percent (3 percent per year) for each month under age 55. The retirement age for Tier 5 members is increased to age 65 and early retirement is available to Tier 5 members with at least 30 years of service credit. The early retirement benefits is permanently reduced by 3 percent per year for the Tier 5 members is under age 65 at the time of retirement. For Tier 1, 2 and 3, final Average salary with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. For Tier 4 and Tier 5, final Average salary with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service.

The Defined Contribution Retirement Program (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 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.

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

6. Pension Plans (continued)

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

Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 5.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Commission is a non-contributing employer of the TPAF.

In accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Commission \$946,962, \$953,223, and \$910,176 during the years ended June 30, 2013, 2012 and 2011 for the employer's share of social security contributions for TPAF members as calculated on their base salaries and \$1,708,129, \$1,236,768, and \$917,354 for post-retirement medical benefits and normal pension costs for years ended 2013, 2012 and 2011.

The Commission's contributions to PERS for the years ended June 30, 2013, 2012 and 2011 were \$870,819, \$972,536, and \$1,012,468, respectively for each of the three years equal to the required contributions for each year.

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

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

7. Post-retirement Benefits (continued)

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.

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, 2012 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.

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

9. Risk Management (continued)

As of June, 30, 2013, the Commission was refunded for the health insurance reserve in the amount of \$139,420 for minimum premium run-out claims ending December 31, 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 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 June 30, 2014. Based on its final unemployment experience rate, the Commission has allocated to the Unemployment Compensation Trust the total amount of \$126,439 for fiscal year 2013.

10. Capital Reserve Account – Restricted Net Assets

Capital reserve accounts may be established for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. A capital reserve account is maintained in the General Fund and its activity is included in the General Fund annual budget. Funds placed in the capital reserve account are restricted to capital outlay expenditures and transfers of such funds for other uses are prohibited pursuant to N.J.S.A. 18A:22-8.2. The amount included in the Commission's capital reserve account at June 30, 2013 is \$216,392.

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

11. Inter-fund Receivables and Payables

The following inter-fund balances remained on the balance sheet at June 30, 2013:

Fund	Inter-fund Receivables	Inter-fund Payables
General Fund	\$ 2,195,142	\$ 117,681
Special Revenue Fund	–	2,141,397
Debt Service Fund	117,663	–
Proprietary Fund	–	20,997
Trust and Agency Fund – Payroll	18	32,748
	<u>\$ 2,312,823</u>	<u>\$ 2,312,823</u>

The general fund receivable represents funds owed from Special Revenue fund, Proprietary Fund and agency payroll fund during 2013 operation. The general fund payable represents cash owed to the debt service for annual MCIA fee and trustee fee paid through debt service fund and Sales tax payment due. The Commission expects to liquidate these Inter-funds within one year.

12. Transfers – Reconciliation

	Transfers In	Transfers Out
General Fund	\$ –	\$ 4,964,754
Special Revenue Fund	–	68,336
Capital Projects Fund	–	–
Debt Service Fund	4,957,050	–
Enterprise Fund – RDS/Bus Services/Pool	175,000	98,960
	<u>\$ 5,132,050</u>	<u>\$ 5,132,050</u>

The transfers represent an allocation to the various funds for debt service charges to pay for the Commission’s interest and principal on its outstanding debt. The transfer inflow of fund for the Enterprise fund was to cover the cost of operating Pool Services Fund and the Piscataway Regional Day school. The Commission does not have the ability to raise taxes and does not receive any debt service aid.

Middlesex Regional Educational Services Commission

Notes to Financial Statements (continued)

13. Fund Balance Components – General Fund

Of the \$12,319,951 of General Fund balance at June 30, 2013, \$216,932 has been classified as restricted for capital reserve; \$2,035,178 is classified as committed for encumbrances; \$149,373 has been classified as assigned for general liability claims; and the remaining \$9,919,008 is unassigned.

14. Deferred charges

The Deferred charges related to debt issuance costs are recorded in the district-wide statement of net assets. These amounts are being amortized using a method that approximates the effective interest method over the life of the related bonds. The unamortized debt issue costs associated with the issues of the various bonds/loans amounted to \$776,610 at June 30, 2013. The amortization expense for the year ended June 30, 2013 amounted to \$593,329.

The noncurrent liabilities reflected in the district-wide statement of net assets are shown net of deferred charges for a deferred loss on a refunding and an original issue discount. The amounts are being amortized using a method that approximates the effective interest method over the life of the related bonds. The Unamortized cost and amortized cost associated with the Commission's deferred loss on a refunding and original issue discount amounted to \$338,678 and \$140,054, respectively.

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

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Required Supplementary Information
Part II

Budgetary Comparison Schedules

Middlesex Regional Educational Services Commission
General Fund

Budgetary Comparison Schedule

Year ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local sources:					
Tuition	\$ 28,817,658	\$ 1,430,337	\$ 30,247,995	\$ 30,247,995	\$ -
Transportation fees	25,635,328	3,565,525	29,200,853	29,200,853	-
Services provided to districts	6,945,621	3,840,194	10,785,815	10,785,815	-
Interest on investments	8,000	1,287	9,287	9,287	-
Miscellaneous	100,000	343,414	443,414	443,414	-
Total - local sources	61,506,607	9,180,757	70,687,364	70,687,364	-
State sources:					
Reimbursed TPAF social security and pension contributions (non-budgeted)				2,655,091	2,655,091
Total - state sources				2,655,091	2,655,091
Total revenues	61,506,607	9,180,757	70,687,364	73,342,455	2,655,091
Expenditures					
Current:					
Regular programs - Instruction					
Grades 9-12					
Salaries of teachers	246,000	(11,521)	234,479	234,479	-
Total instruction - regular programs	246,000	(11,521)	234,479	234,479	-
Home instruction:					
Salaries of teachers	320,000	214,694	534,694	534,694	-
Total home instruction	320,000	214,694	534,694	534,694	-
Charter School:					
Salaries of teachers	31,000	(17,151)	13,849	13,849	-
Total Charter School	31,000	(17,151)	13,849	13,849	-
Regular programs - Undistributed Instruction					
Other salaries of instruction	5,000	507	5,507	5,507	-
General supplies	10,400	(5,610)	4,790	4,790	-
Textbooks	1,280	(1,280)	-	-	-
Other objects	2,760	(1,614)	1,146	1,146	-
Total interim alternative education program	19,440	(7,997)	11,443	11,443	-
Total instruction - regular programs	616,440	178,025	794,465	794,465	-
Special education:					
Auditory Impairments program:					
Salaries of teachers	96,000	65,691	161,691	161,691	-
Purchased instructional services	32,932	(11,152)	21,780	21,780	-
General supplies	3,410	(2,719)	691	691	-
Other objects	2,000	309	2,309	2,309	-
Total Auditory Impairments program	134,342	52,129	186,471	186,471	-
Learning and/or language disabilities:					
Salaries of teachers	40,000	(34,715)	5,285	5,285	-
Total learning and/or language disabilities	40,000	(34,715)	5,285	5,285	-

Middlesex Regional Educational Services Commission
General Fund

Budgetary Comparison Schedule

Year ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
For Keeps Children's program:					
Salaries of teachers	\$ 78,000	\$ 7,540	\$ 85,540	\$ 85,540	\$ -
General supplies	3,600	(1,225)	2,375	2,375	-
Total For Keeps Children's program	81,600	6,315	87,915	87,915	-
Behavioral disabilities:					
Salaries of teachers	727,000	(54,180)	672,820	672,820	-
Other salaries of instruction	214,000	13,598	227,598	227,598	-
General supplies	22,260	(6,037)	16,223	16,179	44
Textbooks	31,700	(9,768)	21,932	21,932	-
Other objects	360,433	(65,204)	295,229	295,229	-
Total behavioral disabilities	1,355,393	(121,591)	1,233,802	1,233,758	44
Multiple disabilities:					
Salaries of teachers	1,553,000	8,291	1,561,291	1,561,291	-
Other salaries of instruction	903,000	(54,537)	848,463	848,463	-
General supplies	50,235	(5,316)	44,919	41,554	3,366
Textbooks	329	-	329	329	-
Other objects	7,091	(2,879)	4,212	4,212	-
Total multiple disabilities	2,513,654	(54,440)	2,459,214	2,455,849	3,366
Autism:					
Salaries of teachers	2,832,000	(196,690)	2,635,310	2,635,310	-
Other salaries of instruction	2,035,000	(60,077)	1,974,923	1,974,923	-
General supplies	75,141	3,955	79,095	75,204	3,892
Textbooks	854	-	854	854	-
Other objects	11,929	(3,669)	8,260	8,253	7
Total autism	4,954,923	(256,481)	4,698,442	4,694,544	3,899
Preschool:					
Salaries of teachers	217,000	136,043	353,043	353,043	-
Other salaries of instruction	199,000	117,504	316,504	316,504	-
General supplies	6,993	76	7,069	7,069	-
Textbooks	70	(1)	69	69	-
Other objects	1,353	(374)	979	968	11
Total preschool	424,416	253,248	677,664	677,653	11
Total special education	9,504,328	(155,535)	9,348,793	9,341,474	7,319
Total instruction	10,120,768	22,490	10,143,258	10,135,939	7,319
Undistributed expenditures:					
Health services:					
Salaries	402,000	(14,083)	387,917	387,917	-
Purchased professional and technical services	208,635	(20,769)	187,866	186,699	1,167
Supplies	20,485	(6,084)	14,401	14,401	-
Total health services	631,120	(40,936)	590,184	589,017	1,167
Other support services - students special services:					
Salaries of instruction (speech/opt)	1,870,000	66,145	1,936,145	1,936,145	-
Other salaries of instruction (1.1)	705,000	796,482	1,501,482	1,501,482	-
Salaries of other professional staff	685,000	27,765	712,765	712,765	-
Purchased Professional - Ed. Services	1,084,590	116,224	1,200,814	1,196,041	4,773
Other Purchased Prof. And Tech Services	1,520,231	157,592	1,677,823	1,677,823	-
Supplies and materials	4,105	(893)	3,212	2,842	370
Total other support services - students special services	5,868,926	1,163,315	7,032,241	7,027,098	5,143
Improvement of Instructional Services					
Other purchased services	66,970	(26,955)	40,015	40,015	-
Total Improvement of Instructional Services	66,970	(26,955)	40,015	40,015	-

Middlesex Regional Educational Services Commission
General Fund

Budgetary Comparison Schedule

Year ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Undistributed expenditures (continued):					
Support services - general administration:					
Salaries	\$ 439,300	\$ 2,978	\$ 442,278	\$ 442,278	\$ -
Legal services	28,500	(15,292)	13,208	8,763	4,445
Audit fees	51,050	55,385	106,435	50,794	55,641
Other purchased professional Services	5,000	35,934	40,934	40,934	-
Telephone	174,650	(14,653)	159,997	159,997	-
Supplies and materials	11,400	(1,369)	10,031	9,950	81
Other objects	66,212	(2,557)	63,655	63,655	-
Total support services - general administration	776,112	60,426	836,538	776,371	60,167
Support services - school administration:					
Salaries of principals/asst. principals	973,250	84,729	1,057,979	1,057,979	-
Salaries of secretarial and clerical assistants	502,750	(59,885)	442,865	442,865	-
Other purchased professional services	48,570	54,612	103,182	103,145	37
Supplies and materials	45,810	(9,975)	35,835	35,053	782
Other objects	20,271	(7,840)	12,431	12,431	-
Total support services - school administration	1,590,651	61,641	1,652,292	1,651,473	819
Central services:					
Salaries	805,500	81,364	886,864	886,864	-
Purchased professional services	48,200	1,822	50,022	44,856	5,166
Misc. purchased services (400-500 series)	51,500	(3,374)	48,126	47,022	1,104
Supplies and materials	16,800	3,568	20,368	20,368	-
Miscellaneous expenditures	21,212	406	21,618	21,618	-
Total central services	943,212	83,786	1,026,998	1,020,728	6,270
Admin. Infor. Technology:					
Salaries	133,100	(18,043)	115,057	115,057	-
Misc. purchased services (400-500 series)	158,374	(47,333)	111,041	109,146	1,895
Supplies and materials	23,100	(6,802)	16,298	16,298	-
Total admin. Infor. Technology	314,574	(72,178)	242,396	240,501	1,895
Required maintenance of school facilities:					
Salaries	468,000	90,325	558,325	558,325	-
Cleaning, repair, maintenance	173,675	67,148	240,823	225,591	15,232
General supplies	142,825	(989)	141,836	141,679	157
Total required maintenance of school facilities	784,500	156,484	940,984	925,595	15,389
Other operation and maintenance for plant:					
Salaries	87,000	(23,829)	63,171	63,171	-
Other purchased property services	39,000	(7,176)	31,824	31,823	1
Insurance	95,100	(14,411)	80,689	80,689	-
Energy (heat and electricity)	597,100	(53,216)	543,884	543,884	-
Other objects	17,390	(14,730)	2,660	2,660	-
Total other operation and maintenance or plant	835,590	(113,362)	722,228	722,227	1

Middlesex Regional Educational Services Commission
General Fund

Budgetary Comparison Schedule

Year ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Undistributed expenditures (continued):					
Student transportation services:					
Salaries for pupil transportation (between home and school) - regular	\$ 80,000	\$ -	\$ 80,000	\$ 80,000	\$ -
Salaries of secretarial and clerical assistants	250,000	(45,235)	204,765	204,765	-
Contracted svc (bet. Home and Sch) -Vendors	25,110,000	3,488,282	28,598,282	28,529,453	68,829
Contracted svc (oth. Than bet. Home and Sch)	522,995	76,148	599,143	599,143	-
Contracted svc -Aide in Lieu Pymts -NP Sch	81,328	(12,779)	68,549	68,549	-
Supplies and materials& Misc	18,750	(2,397)	16,353	15,714	639
Total student transportation services	26,063,073	3,504,019	29,567,092	29,497,624	69,468
Employee benefits:					
Social security	481,500	169,021	650,521	650,521	-
Other retirement contributions - regular	772,700	(67,954)	704,746	704,746	-
Unemployment compensation	174,200	-	174,200	174,200	-
Workmen's compensation	213,200	(20,689)	192,511	185,864	6,647
Health benefits	4,889,343	3,225,417	8,114,760	4,779,040	3,335,720
Tuition reimbursement	100,000	1,037	101,037	41,852	59,185
Other employee benefits	76,450	6,139	82,589	82,589	-
Total employee benefits	6,707,393	3,312,971	10,020,364	6,618,812	3,401,552
Reimbursed social security and pension contributions (non-budgeted)				2,655,091	(2,655,091)
Total				2,655,091	(2,655,091)
Total undistributed expenditures	44,582,121	8,089,211	52,671,332	51,764,552	906,780
Total expenditures - current	54,702,889	8,111,701	62,814,590	61,900,491	914,099
Capital outlay					
Equipment:					
Regular programs - instruction:					
Special education - instruction:					
Multiple disabilities	1,500	81,841	83,341	78,341	5,000
Autism	1,500	81,841	83,341	78,341	5,000
Special education - non-instruction:					
Others	-	696,726	696,726	358,604	338,122
Total equipment	3,000	860,408	863,408	515,286	348,122
Facilities acquisition and construction services:					
Construction services	-	100,000	100,000	-	100,000
Total facilities acquisition and construction services	-	100,000	100,000	-	100,000
Total capital outlay	3,000	960,408	963,408	515,286	448,122

Middlesex Regional Educational Services Commission
General Fund

Budgetary Comparison Schedule

Year ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Special schools:					
Summer School - Instruction					
Salaries of teachers	\$ 695,801	\$ (46,335)	\$ 649,466	\$ 649,466	\$ -
Other salaries of instruction	398,877	129,679	528,556	528,556	-
General supplies	35,350	1,897	37,247	37,247	-
Total summer school year - Instruction	1,130,028	85,241	1,215,269	1,215,269	-
Summer School - Support Services					
Salaries	624,831	(17,191)	607,640	607,640	-
Personal Services - Employee Benefits	121,613	467,050	588,663	561,007	27,656
Purch Pro & Tech Services	419,166	(193,827)	225,339	225,339	-
Other Purchased Services	32,280	74,456	106,736	106,736	-
Total summer school year - Support Services	1,197,890	330,488	1,528,378	1,500,722	27,656
Total special schools	2,327,918	415,729	2,743,647	2,715,991	27,656
Total expenditures	57,033,807	9,487,838	66,521,645	65,131,768	1,389,877
(Deficiency) excess of revenues (under) over expenditures	4,472,800	(307,081)	4,165,719	8,210,687	4,044,968
Other financing sources (uses):					
Transfers out	(4,472,800)	(1,191,954)	(5,664,754)	(4,964,754)	(700,000)
Proceeds from Loan		500,000	500,000	500,000	-
Total other financing sources (uses)	(4,472,800)	(691,954)	(5,164,754)	(4,464,754)	(700,000)
(Deficiency) excess of revenues (under) over expenditures and other financing sources (uses)	-	(999,035)	(999,035)	3,745,933	4,744,968
Fund balances, beginning of year	5,587,027	(2,840,055)	2,746,972	8,574,018	
Fund balances, end of year	\$ 5,587,027	\$ (3,839,090)	\$ 1,747,937	\$ 12,319,951	4,744,968
Recapitulation of (deficiency) excess of revenues (under) over expenditures and other financing sources (uses)					
Adjustment for prior year encumbrances	\$ -	\$ (999,035)	\$ (999,035)	\$ (999,035)	-
Budgeted fund balance	-	-	-	4,744,968	4,744,968
Total	\$ -	\$ (999,035)	\$ (999,035)	\$ 3,745,933	4,744,968

Middlesex Regional Educational Services Commission
Special Revenue Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local sources	\$ -	\$ 19,763	\$ 19,763	\$ 19,763	\$ -
State sources	4,792,842	182,696	4,975,538	4,894,331	(81,207)
Federal sources	2,298,690	463,535	2,762,225	2,010,818	(751,407)
Total revenues	7,091,532	665,994	7,757,526	6,924,912	(832,614)
Expenditures					
Instruction:					
Salaries of teachers	1,520,000	(217,110)	1,302,890	1,302,890	-
Purchased professional and technical services	2,377,192	549,067	2,926,259	2,216,543	709,716
General supplies	139,133	197,509	336,642	330,128	6,514
Textbooks	499,458	121,990	621,448	588,785	32,663
Total instruction	4,535,783	651,456	5,187,239	4,438,346	748,893
Support services:					
Salaries of supervisors of instruction	257,500	6,995	264,495	238,872	25,623
Salaries of other professional staff	868,900	76,819	945,719	915,124	30,595
Salaries of secretarial and clerical employees	141,500	11,650	153,150	137,081	16,069
Personal services-employee benefits	805,333	(98,328)	707,005	707,005	-
Travel	115,000	(103,355)	11,645	11,645	-
Supplies and materials	43,598	17,377	60,975	52,209	8,766
Others	182,066	51,856	233,922	233,922	-
Total support services	2,413,897	(36,986)	2,376,911	2,295,858	81,053
Facilities acquisition and construction services:					
Instructional equipment	-	49,333	49,333	46,665	2,668
Noninstructional equipment	68,352	7,607	75,959	75,959	-
Total facilities acquisition and construction services	68,352	56,940	125,292	122,624	2,668
Total expenditures	7,018,032	671,410	7,689,442	6,856,828	832,614
Other financing uses:					
Transfers out	(73,500)	5,416	(68,084)	(68,084)	-
Total other financing uses	(73,500)	5,416	(68,084)	(68,084)	-
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, 2013

		<u>Special Revenue Fund</u>
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-2]	\$ 6,924,912
Differences - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized		<u>6,189</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	[B-2]	<u>\$ 6,931,101</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-2]	\$ 6,924,912
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		6,189
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.		<u>(68,336)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2]	<u>\$ 6,862,765</u>

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Other Supplementary Information

School Level Schedules

Not applicable.

Special Revenue Fund Detail Statements

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

Middlesex Regional Educational Services Commission
Special Revenue Fund

Combining Schedule of Revenues and Expenditures –
Budgetary Basis

Year ended June 30, 2013

	State Grants									
	Compensatory Education	ESL	Home Instruction	Transportation	Supp. Instruct	Exam and Class	Speech Corr.	Text- Books	Nursing	
Revenues:										
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	1,081,969	152,533	21,376	281,916	379,253	597,533	491,139	588,785	1,024,656	
Federal sources	-	-	-	-	-	-	-	-	-	-
Total revenues	\$ 1,081,969	\$ 152,533	\$ 21,376	\$ 281,916	\$ 379,253	\$ 597,533	\$ 491,139	\$ 588,785	\$ 1,024,656	
Expenditures:										
Instruction:										
Salaries of teachers	\$ 638,240	\$ 122,165	\$ 12,099	\$ -	\$ 71,962	\$ 26,426	\$ 422,124	\$ -	\$ -	\$ -
Purchased professional and technical services	-	-	7,783	-	-	450,133	-	-	-	-
General supplies/Misc	5,643	778	-	-	1,567	8,348	1,588	-	-	-
Textbooks	-	-	-	-	-	-	-	588,785	-	-
Total instruction	643,883	122,943	19,882	-	73,529	484,907	423,712	588,785	-	-
Support services:										
Salaries of supervisors of instruction	86,822	5,864	-	-	60,590	22,321	13,363	-	5,671	-
Salaries of other professional staff	58,007	3,918	-	33,143	40,481	14,913	8,928	-	747,112	-
Salaries of secretarial and clerical employees	26,839	1,813	92	17,271	18,730	6,900	4,131	-	14,659	-
Personal services - employee benefits	202,243	13,660	690	-	141,138	51,994	31,128	-	215,464	-
Travel	4,125	279	14	2,654	2,878	1,060	635	-	-	-
Supplies and materials	2,174	147	7	9,642	1,517	559	335	-	37,543	-
Other	57,875	3,909	691	162,724	40,389	14,879	8,908	-	4,207	-
Total support services	438,086	29,590	1,494	225,435	305,724	112,626	67,427	-	1,024,656	-
Facilities acquisition and construction services:										
Instructional equipment	-	-	-	-	-	-	-	-	-	-
Noninstructional equipment	-	-	-	56,481	-	-	-	-	-	-
Total facilities acquisition and construction services	-	-	-	56,481	-	-	-	-	-	-
Total expenditures	\$ 1,081,969	\$ 152,533	\$ 21,376	\$ 281,916	\$ 379,253	\$ 597,533	\$ 491,139	\$ 588,785	\$ 1,024,656	

Middlesex Regional Educational Services Commission
Special Revenue Fund

Combining Schedule of Revenues and Expenditures –
Budgetary Basis

Year ended June 30, 2013

	State Grants		Local Grants		Federal Grants			
	Technology	Safety Grant	Title I Grant	IDEA-B Regular	IDEA-B Preschool	Total		
Revenues:								
Local sources	\$ -	\$ 19,763	\$ -	\$ -	\$ -	\$ 19,763		
State sources	275,171	-	-	-	-	4,894,331		
Federal sources	-	-	35,848	1,951,989	22,981	2,010,818		
Total revenues	\$ 275,171	\$ 19,763	\$ 35,848	\$ 1,951,989	\$ 22,981	\$ 6,924,912		
Expenditures:								
Instruction:								
Salaries of teachers	\$ -	\$ -	\$ 9,874	\$ -	\$ -	\$ 1,302,890		
Purchased professional and technical services	-	-	-	1,738,252	20,375	2,216,543		
General supplies/Misc.	214,289	-	-	96,688	1,227	330,128		
Textbooks	-	-	-	-	-	588,785		
Total instruction	214,289	-	9,874	1,834,940	21,602	4,438,346		
Support services:								
Salaries of supervisors of instruction	-	-	4,978	39,262	-	238,872		
Salaries of other professional staff	1,500	-	1,739	5,383	-	915,124		
Salaries of secretarial and clerical employees	5,777	-	2,269	37,221	1,379	137,081		
Personal services - employee benefits	6,940	-	15,252	28,496	-	707,005		
Travel	-	-	-	-	-	11,645		
Supplies and materials	-	285	-	-	-	52,209		
Other	-	-	1,736	6,687	-	302,006		
Total support services	14,217	285	25,974	117,049	1,379	2,363,942		
Facilities acquisition and construction services:								
Instructional equipment	46,665	-	-	-	-	46,665		
Noninstructional equipment	-	19,478	-	-	-	75,959		
Total facilities acquisition and construction services	46,665	19,478	-	-	-	122,624		
Total expenditures	\$ 275,171	\$ 19,763	\$ 35,848	\$ 1,951,989	\$ 22,981	\$ 6,924,912		

Middlesex Regional Educational Services Commission

Schedule of Demonstrably Effective Program Aid Expenditures – Budgetary Basis

Year Ended June 30, 2013

Not Applicable

Middlesex Regional Educational Services Commission
Schedule of Early Childhood Program Aid Expenditures – Budgetary Basis
Year Ended June 30, 2013

Not Applicable

Middlesex Regional Educational Services Commission

Schedule of Distance Learning Network Aid Expenditures – Budgetary Basis

Year Ended June 30, 2013

Not Applicable

Middlesex Regional Educational Services Commission
Schedule of Instructional Supplement Aid Expenditures – Budgetary Basis
Year Ended June 30, 2013

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, 2013

Revenues and Other Financing Sources

Interest on investments	\$	1
Transfers In		-
Total revenues		1

Expenditures and Other Financing Uses

Construction services		-
Total expenditures		-

Excess of revenues over expenditures		1
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Fund balance, beginning of year		20,432
Fund balance, end of year	\$	20,433

Middlesex Regional Educational Services Commission
Capital Projects Fund

Summary Schedule of Project Expenditures

Year ended June 30, 2013

Project Title	Appropriations	Prior Years Expenditures	Current Year Expenditures	Unexpended Balance
Sayreville Projects	\$ 37,257,962	\$ 37,238,352	\$ -	\$ 19,610
NuView Projects	7,308,520	7,307,697	-	823
		<u>\$ 44,546,049</u>	<u>\$ -</u>	<u>\$ 20,433</u>

Enterprise Funds Detail Statements

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

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

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

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

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, 2013

	Regional Day School Fund	Bus Services Fund	Pool Services Fund	Food Services Fund	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 363,331	\$ -	\$ 92,061	\$ 36,694	\$ 492,086
Intergovernmental accounts receivable:					
State	-	-	-	575	575
Federal	-	-	-	25,099	25,099
Other	395,720	-	1,563	-	397,283
Interfunds receivable	5,325	-	-	-	5,325
Total current assets	<u>764,376</u>	<u>-</u>	<u>93,624</u>	<u>62,368</u>	<u>920,368</u>
Capital assets:					
Site Improvement	813,303	-	-	-	813,303
Equipment	614,262	-	-	-	614,262
Accumulated depreciation	(505,215)	-	-	-	(505,215)
Total capital assets	<u>922,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>922,350</u>
Total assets	<u>1,686,726</u>	<u>-</u>	<u>93,624</u>	<u>62,368</u>	<u>1,842,718</u>
Liabilities					
Current liabilities:					
Accounts payable	56,564	-	21,444	791	78,799
Interfunds payable	-	-	-	26,322	26,322
Unearned revenues	-	-	30,195	-	30,195
Total current liabilities	<u>56,564</u>	<u>-</u>	<u>51,639</u>	<u>27,113</u>	<u>135,316</u>
Net Position					
Net investment in capital assets	922,350	-	-	-	922,350
Unrestricted	707,812	-	41,985	35,255	785,052
Total net position	<u>\$ 1,630,162</u>	<u>-</u>	<u>\$ 41,985</u>	<u>\$ 35,255</u>	<u>\$ 1,707,402</u>

Middlesex Regional Educational Services Commission
Enterprise Funds

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

Year ended June 30, 2013

	Regional Day School Fund	Bus Services Fund	Pool Services Fund	Food Services Fund	Total
Operating revenues:					
Local sources:					
School lunch program	\$ -	\$ -	\$ -	\$ 68,837	\$ 68,837
Tuition	4,134,667	-	-	-	4,134,667
Services	524,363	-	484,602	-	1,008,965
Miscellaneous	1,500	-	70,331	-	71,831
Total operating revenues	4,660,530	-	554,933	68,837	5,284,300
Operating expenses:					
Cost of food	-	-	1,068	285,907	286,975
Salaries and wages	2,573,593	-	317,052	26,322	2,916,967
Employee benefits	1,294,544	-	31,093	-	1,325,637
Materials and supplies	38,062	-	74,186	-	112,248
Textbooks	-	-	-	-	-
Maintenance and repairs	24,024	-	12,644	-	36,668
Other professional services	511,233	-	140,011	-	651,244
Insurance	10,343	-	-	-	10,343
Telephone/Communications	21,334	-	500	-	21,834
Utilities	91,137	-	63,964	-	155,101
Depreciation	59,722	-	-	-	59,722
Miscellaneous	42,520	-	13,912	-	56,432
Total operating expenses	4,666,512	-	654,430	312,229	5,633,171
Operating income (loss)	(5,982)	-	(99,497)	(243,392)	(348,871)
Nonoperating revenues:					
State school lunch program	-	-	-	3,715	3,715
National breakfast program - federal	-	-	-	84,954	84,954
Federal school lunch program	-	-	-	153,049	153,049
Total nonoperating revenues	-	-	-	241,718	241,718
Income before transfers	(5,982)	-	(99,497)	(1,674)	(107,153)
Transfers in	51,039	-	125,000	-	176,039
Transfers out	(96,992)	(1,039)	(1,968)	-	(99,999)
Total Transfer	(45,953)	(1,039)	123,032	-	76,040
Change in net position	(51,935)	(1,039)	23,535	(1,674)	(31,113)
Net position, beginning of year	1,682,097	1,039	18,450	36,929	1,738,515
Net position, end of year	\$ 1,630,162	\$ -	\$ 41,985	\$ 35,255	\$ 1,707,402

Middlesex Regional Educational Services Commission
Proprietary Fund - Enterprise Funds

Combining Statement of Cash Flows

Year ended June 30, 2013

	Regional Day School Fund	Bus Services Fund	Pool Services Fund	Food Services Fund	Total
Cash flows from operating activities					
Receipts from customers	\$ 4,559,061	\$ 5,025	\$ 690,398	\$ 68,837	\$ 5,323,321
Payments to employees	(2,573,593)	-	(317,052)	(26,322)	(2,916,967)
Payments for employee benefits	(1,294,544)	-	(31,093)	-	(1,325,637)
Payments to suppliers	(703,094)	-	(342,203)	(287,357)	(1,332,654)
Net cash provided by (used in) operating activities	(12,170)	5,025	50	(244,842)	(251,937)
Cash flows from noncapital financing activities					
State sources	-	-	-	3,350	3,350
Federal sources	-	-	-	226,288	226,288
Operating subsidies and transfers to/from other funds	(45,953)	(5,025)	92,011	26,322	67,355
Net cash (used in) provided by noncapital financing activities	(45,953)	(5,025)	92,011	255,960	296,993
Cash flows from capital and related financing					
Purchases of capital assets	(57,211)	-	-	-	(57,211)
Net cash used in capital and related financing activities	(57,211)	-	-	-	(57,211)
Net decrease in cash and cash equivalents	(115,334)	-	92,061	11,118	(12,155)
Balances—beginning of year	478,665	-	-	25,576	504,241
Balances—end of year	\$ 363,331	\$ -	\$ 92,061	\$ 36,694	\$ 492,086
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ (5,982)	\$ -	\$ (99,497)	\$ (243,392)	\$ (348,871)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation and net amortization	59,722	-	-	-	59,722
Change in assets and liabilities:					
(Increase) Decrease in accounts receivable, net	(99,969)	5,025	105,270	-	10,326
(Decrease) Increase in accounts payable, net	35,559	-	(35,918)	(1,450)	(1,809)
(Decrease) Increase in deferred revenue, net	(1,500)	-	-	-	(1,500)
Net cash provided by (used in) operating activities	\$ (12,170)	\$ 5,025	\$ (30,145)	\$ (244,842)	\$ (282,132)

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Fiduciary Funds Detail Statements

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

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

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

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

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

Middlesex Regional Educational Services Commission
Trust and Agency Funds

Combining Statement of Fiduciary Net Position

June 30, 2013

	<u>Trust</u>	<u>Agency</u>		<u>Total</u>
	<u>Unemployment</u> <u>Compensation</u>	<u>Student</u> <u>Activity</u>	<u>Payroll</u>	
Assets				
Cash and cash equivalents	\$ 230,878	\$ 6,608	\$ 266,985	\$ 273,593
Interfund receivable	-	-	41,407	41,407
Accounts receivable - other	-	-	4,733	4,733
Total assets	<u>\$ 230,878</u>	<u>\$ 6,608</u>	<u>\$ 313,125</u>	<u>\$ 319,733</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ 280,377	\$ 280,377
Interfund payable	41,388	-	32,748	32,748
Due to student groups	-	6,608	-	6,608
Total liabilities	<u>41,388</u>	<u>\$ 6,608</u>	<u>\$ 313,125</u>	<u>\$ 319,733</u>
Net position held in trust for unemployment claims	<u>\$ 189,490</u>			

Middlesex Regional Educational Services Commission
Trust Funds

Statement of Changes in Fiduciary Net Position

Year ended June 30, 2013

	Unemployment Compensation Trust Fund
Additions:	
Contributions	\$ 226,400
Interest on investments	169
Total additions	226,569
Deductions:	
Payment of claims	126,449
Total deductions	126,449
Change in net position	100,120
Net position - beginning	89,370
Net position - ending	\$ 189,490

Middlesex Regional Educational Services Commission
Student Activity Agency Fund

Schedule of Receipts and Disbursements

Year ended June 30, 2013

	Balance July 1, 2012	Cash Receipts	Cash Disbursements	Balance June 30, 2013
Raritan Valley Academy				
Student activity	\$ 352	\$ -	\$ 29	\$ 323
Year book	158	-	-	158
Total	<u>510</u>	<u>-</u>	<u>29</u>	<u>481</u>
Piscataway Regional Day School				
Student activity	423	4,203	3,805	821
Total	<u>423</u>	<u>4,203</u>	<u>3,805</u>	<u>821</u>
Academy Learning Center				
Student activity	1,221	2,078	3,190	109
Total	<u>1,221</u>	<u>2,078</u>	<u>3,190</u>	<u>109</u>
Bright Beginning Learning Center				
Student activity	3,330	2,142	3,527	1,945
Total	<u>3,330</u>	<u>2,142</u>	<u>3,527</u>	<u>1,945</u>
Center for Lifelong Learning				
Student activity	2,348	2,611	1,707	3,252
Year Book	-	1,294	1,294	-
Total	<u>2,348</u>	<u>3,905</u>	<u>3,001</u>	<u>3,252</u>
Total of all schools	<u>\$ 7,832</u>	<u>\$ 12,328</u>	<u>\$ 13,552</u>	<u>\$ 6,608</u>

Middlesex Regional Educational Services Commission
Payroll Agency Fund

Schedule of Cash Receipts and Disbursements

Year ended June 30, 2013

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Assets				
Cash and cash equivalents	\$ 216,915	\$ 27,913,183	\$ 27,863,113	\$ 266,985
Interfund receivable	-	41,407	-	41,407
Accounts receivable - other	3,423	4,733	3,423	4,733
Total assets	<u>\$ 220,338</u>	<u>\$ 27,959,323</u>	<u>\$ 27,866,536</u>	<u>\$ 313,125</u>
Liabilities				
Accounts payable	\$ 211,753	\$ 280,377	\$ 211,753	\$ 280,377
Interfund payable	8,585	32,748	8,585	32,748
Payroll, payroll deductions and withholdings payable	-	27,646,198	27,646,198	-
Total liabilities	<u>\$ 220,338</u>	<u>\$ 27,959,323</u>	<u>\$ 27,866,536</u>	<u>\$ 313,125</u>

Long-Term Debt

Middlesex Regional Educational Services Commission
Long-Term Debt

Schedule of Bonds/Loans Payable

June 30, 2013

Description	Interest Rate Payable	Amount of Issue	Balance July 1, 2012	Issued	Retired	Balance June 30, 2013
Bonds/loan payable :						
Middlesex County Improvement Authority - 2004 (refunding issue)	Various	\$ 14,010,000	\$ 12,645,000	\$ -	\$ 695,000	\$ 11,950,000
Middlesex County Improvement Authority - 2008	Various	40,000,000	37,255,000	-	1,025,000	36,230,000
Middlesex County Improvement Authority - 2010	Various	5,300,000	4,415,000	-	445,000	3,970,000
Loans payable :						
TD Equipment Finance Inc. - 2012	1.52%	500,000	-	500,000	149,838	350,162
			<u>\$ 54,315,000</u>	<u>\$ 500,000</u>	<u>\$ 2,314,838</u>	<u>\$ 52,500,162</u>

Middlesex Regional Educational Services Commission
Long-Term Debt

Schedule of Obligations Under Capital Leases

June 30, 2013

Not Applicable

Middlesex Regional Educational Services Commission
Debt Service Fund

Budgetary Comparison Schedule

Year ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Actual to Final
Revenues:					
Interest earned	\$ -	\$ 38	\$ 38	\$ 38	\$ -
Total revenues	-	38	38	38	-
Expenditures:					
Regular debt service:					
Interest	2,318,382	154,652	2,473,034	2,473,034	-
Principal	2,314,838	-	2,314,838	2,314,838	-
Total expenditures	4,633,220	154,652	4,787,872	4,787,872	-
(Deficiency) excess of revenues (under) over expenditures	(4,633,220)	(154,614)	(4,787,834)	(4,787,834)	-
Other financing sources:					
Transfers in	4,802,936	154,114	4,957,050	4,957,050	-
Total other financing sources (uses)	4,802,936	154,114	4,957,050	4,957,050	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	169,716	(500)	169,216	169,216	-
Fund balance, July 1	2,705,422	-	2,705,422	2,705,422	-
Fund balance, June 30	\$ 2,875,138	\$ (500)	\$ 2,874,638	\$ 2,874,638	\$ -

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Statistical Section
(Unaudited)

Financial Trends

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

	Fiscal Year Ending June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2012
Governmental activities										
Net investment in capital assets										
Restricted for:										
Capital projects and reserve	\$ 4,763,199	\$ 4,798,939	\$ 5,456,599	\$ 74,310	\$ (907,884)	\$ 3,533,402	\$ 11,861,037	\$ 13,000,522	\$ 13,575,508	\$ 13,740,089
Debt service	2,166,287	2,463,307	2,808,031	2,346,234	8,312,635	4,036,257	751,545	231,255	236,824	236,825
Committed - Encumbrances	123,683	73,559	43,343	6,445,100	2,619,217	2,993,928	2,278,154	2,650,293	2,705,422	2,874,638
Assigned	640,361	591,420	1,282,784	959,782	1,091,094	1,220,140	930,684	1,267,891	999,035	2,035,178
Unassigned	50,000	500,000	-	1,000,000	-	-	-	-	173,633	-
Total governmental activities net position	\$ 3,449,664	\$ 4,352,529	\$ 5,020,454	\$ 5,488,515	\$ 7,151,486	\$ 6,940,353	\$ 4,027,647	\$ 4,771,597	\$ 6,757,405	\$ 9,637,427
Total	\$ 11,193,194	\$ 12,779,754	\$ 14,611,211	\$ 16,313,941	\$ 18,266,548	\$ 18,724,080	\$ 19,849,067	\$ 21,921,558	\$ 24,447,827	\$ 28,524,157
Business-type activities										
Net investment in capital assets										
Unrestricted	\$ 100,041	\$ 98,488	\$ 242,976	\$ 658,070	\$ 806,809	\$ 1,119,901	\$ 1,083,451	\$ 955,897	\$ 924,861	\$ 922,350
Total	\$ 319,909	\$ 664,925	\$ 873,489	\$ 1,025,166	\$ 1,328,970	\$ 1,530,675	\$ 605,244	\$ 640,388	\$ 813,654	\$ 785,052
Total business-type activities net position	\$ 419,950	\$ 763,413	\$ 1,116,465	\$ 1,683,256	\$ 2,158,779	\$ 2,650,276	\$ 1,688,695	\$ 1,596,485	\$ 1,798,515	\$ 1,707,402
District-wide										
Net investment in capital assets										
Restricted for:										
Capital projects and reserve	\$ 4,863,240	\$ 4,897,427	\$ 5,699,575	\$ 732,380	\$ (101,075)	\$ 4,653,303	\$ 12,944,488	\$ 13,956,419	\$ 14,500,369	\$ 14,662,439
Debt service	2,166,287	2,463,307	2,808,031	2,346,234	8,312,635	4,036,257	751,545	14,863	236,824	236,825
Committed - Encumbrances	123,683	73,559	43,343	6,445,100	2,619,217	2,993,928	2,278,154	2,650,293	2,705,422	2,874,638
Assigned	4,459,934	6,108,874	7,176,727	8,473,463	9,571,550	9,691,168	5,563,575	6,680,076	8,743,727	12,457,637
Unassigned	11,613,144	13,543,167	15,727,676	17,997,177	20,402,527	21,374,656	21,537,762	23,518,043	26,186,342	30,231,559
Total district net position	\$ 11,613,144	\$ 13,543,167	\$ 15,727,676	\$ 17,997,177	\$ 20,402,527	\$ 21,374,656	\$ 21,537,762	\$ 23,518,043	\$ 26,186,342	\$ 30,231,559

Source: CAFR Schedule A-1

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governments										
Instruction	\$ 10,045,961	\$ 11,711,007	\$ 13,567,181	\$ 15,427,298	\$ 17,820,197	\$ 18,158,241	\$ 17,929,049	\$ 17,099,823	\$ 16,024,030	\$ 17,164,004
Support Services:										
Health services	442,547	376,269	526,476	590,115	681,759	650,633	744,761	739,248	697,076	681,030
Student & instruction related services	5,722,662	6,045,929	7,215,021	8,280,536	8,280,536	7,678,650	10,496,291	10,172,638	10,081,083	10,818,703
General administrative services	1,283,755	1,409,910	1,409,747	1,409,497	1,443,263	1,578,352	1,758,352	1,758,352	1,730,098	1,909,456
Central Services	787,261	1,334,618	1,051,071	1,051,071	1,001,380	992,939	1,018,260	1,037,913	1,180,180	1,180,180
Admin. Infor. Technology	912,879	1,098,047	1,240,848	1,648,485	1,708,220	1,985,062	2,288,865	1,895,022	302,361	278,071
Plant operations and maintenance	20,047,974	19,888,448	22,713,537	23,986,263	25,427,834	24,909,636	25,611,438	26,235,508	30,174,878	34,105,500
Employee benefits	6,091,121	6,825,942	7,680,209	8,682,309	9,600,230	10,127,007	11,369,225	12,379,466	13,751,466	12,164,465
Capital assets	340,302	406,313	462,313	528,313	594,313	660,313	726,313	792,313	858,313	924,313
Special services	896,372	1,238,338	1,461,003	1,683,668	1,906,333	2,129,000	2,351,665	2,574,330	2,797,000	3,019,665
Interest on long-term debt	1,343,097	1,233,139	1,271,981	1,313,139	1,354,338	1,395,486	1,436,634	1,477,782	1,518,930	1,560,078
Total governmental activities expenses	\$ 43,732,102	\$ 45,221,894	\$ 52,394,138	\$ 57,624,246	\$ 60,439,524	\$ 61,438,891	\$ 66,713,448	\$ 66,539,055	\$ 69,458,280	\$ 76,121,224
Business-type activities:										
Regional Day School	\$ 3,933,290	\$ 4,069,217	\$ 4,670,095	\$ 4,929,321	\$ 5,264,305	\$ 5,536,535	\$ 5,596,920	\$ 5,384,440	\$ 5,384,440	\$ 4,666,512
Bus Service			1,965,308	4,966,436	163,003	190,437	29,398	2,162	5,351	
Early Childhood Program					5,577,675	5,382,667	521,189	782,664		
Pool service					276,201	276,201	78,643	740,070		654,430
Food service					311,229	298,567	278,054	292,893		312,229
Total business-type activities expense	\$ 4,066,901	\$ 4,903,313	\$ 6,645,942	\$ 10,127,007	\$ 11,279,410	\$ 11,388,409	\$ 12,735,137	\$ 6,681,448	\$ 6,422,754	\$ 5,653,171
Total district expenses	\$ 47,799,003	\$ 49,525,207	\$ 59,240,080	\$ 67,751,253	\$ 71,718,934	\$ 72,827,300	\$ 73,448,585	\$ 73,221,503	\$ 75,881,034	\$ 81,774,395
Program Revenues										
Governmental activities:										
Charges for services:										
Pupil transportation	\$ 18,455,166	\$ 18,128,655	\$ 20,706,149	\$ 21,521,584	\$ 22,552,408	\$ 21,849,114	\$ 22,014,291	\$ 22,506,936	\$ 25,935,911	\$ 29,200,853
Opening grants and contributions	7,314,519	7,707,304	9,462,226	9,518,615	9,322,936	9,050,390	9,033,229	8,465,057	6,567,329	6,931,101
Total governmental activities program revenues	\$ 25,769,685	\$ 25,835,959	\$ 30,168,375	\$ 31,040,199	\$ 31,875,344	\$ 30,899,504	\$ 31,047,520	\$ 30,971,993	\$ 32,503,240	\$ 36,131,954
Business-type activities:										
Charges for services:										
Regional Day School	\$ 4,113,422	\$ 4,582,216	\$ 4,910,145	\$ 5,343,578	\$ 5,662,998	\$ 5,898,870	\$ 5,709,075	\$ 5,634,551	\$ 5,599,225	\$ 4,660,530
Bus service			2,079,420	4,949,768	150,198	110,042	11,154	755	6,390	
Pool service					5,005,367	5,495,793	276,333	575,609	656,928	554,933
Food service	49,889	62,143	70,345	67,827	72,933	72,388	74,989	87,379	73,992	68,837
Opening grants and contributions	87,965	124,282	231,447	393,316	478,337	477,438	255,244	222,103	229,042	241,718
Total business-type activities program revenues	\$ 4,251,276	\$ 4,768,641	\$ 7,291,357	\$ 10,754,489	\$ 11,875,853	\$ 12,026,531	\$ 6,698,532	\$ 6,515,757	\$ 6,565,577	\$ 5,526,018
Total district program revenues	\$ 30,020,961	\$ 30,604,600	\$ 37,459,732	\$ 41,794,688	\$ 43,751,197	\$ 42,926,035	\$ 37,746,052	\$ 37,487,750	\$ 39,068,817	\$ 41,657,972
Net (Expense)/Revenue	\$ (17,962,417)	\$ (19,338,935)	\$ (22,225,763)	\$ (26,584,047)	\$ (28,564,180)	\$ (30,539,387)	\$ (35,665,927)	\$ (35,567,062)	\$ (36,955,040)	\$ (39,989,270)
Governmental activities:										
Federal and state and/or restricted	184,375	465,328	445,415	627,482	596,443	638,322	(36,605)	(165,691)	142,823	(107,153)
Total district-wide net expense	\$ (17,778,042)	\$ (18,973,607)	\$ (21,780,348)	\$ (25,956,565)	\$ (27,967,737)	\$ (29,901,065)	\$ (35,702,532)	\$ (35,732,753)	\$ (36,812,217)	\$ (40,096,423)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Federal and state and/or restricted	\$ 587,346	\$ 619,230	\$ 922,184	\$ 1,638,362	\$ 1,837,857	\$ 1,836,600	\$ 1,835,723	\$ 1,827,530	\$ 2,189,991	\$ 2,655,091
Services provided to districts	14,790,356	16,768,466	18,411,306	20,678,439	22,527,836	21,150,645	24,186,492	27,207,213	27,899,066	30,242,995
Services provided to districts	2,772,329	3,092,986	3,911,988	5,164,915	5,282,055	5,672,086	7,620,980	8,433,509	9,249,964	10,785,815
Interest income	67,851	210,949	391,878	654,726	561,994	120,398	21,818	12,176	8,909	9,326
Special items	-	-	60,125	-	-	-	-	-	-	-
Miscellaneous income	312,366	162,854	200,335	200,335	163,145	103,565	200,725	232,606	222,586	443,414
Transfers	152,273	125,000	128,000	150,000	143,900	123,525	925,276	(73,481)	793	(76,040)
Total governmental activities	\$ 18,687,521	\$ 20,972,495	\$ 24,087,219	\$ 28,286,777	\$ 30,516,787	\$ 30,996,919	\$ 36,790,914	\$ 37,639,553	\$ 39,481,309	\$ 44,065,601
Business-type activities:										
Services provided to districts	6,223	3,135	33,928	86,061						
Miscellaneous income	(153,223)	(128,709)	3,228	3,228						
Transfers	(142,050)	(121,865)	(138,300)	(150,318)	(143,900)	(123,525)	(935,726)	71,481	(793)	76,040
Total business-type activities	\$ (18,540,471)	\$ 20,850,630	\$ 23,964,856	\$ 28,226,066	\$ 30,372,887	\$ 30,873,394	\$ 35,855,188	\$ 37,113,034	\$ 39,480,516	\$ 44,141,641
Change in Net Position	\$ 725,104	\$ 1,586,560	\$ 1,831,456	\$ 1,705,730	\$ 1,952,607	\$ 457,532	\$ 2,072,491	\$ 2,072,491	\$ 2,526,269	\$ 4,076,331
Business-type activities	\$ 37,325	\$ 353,052	\$ 566,771	\$ 514,793	\$ 452,543	\$ 482,543	\$ 961,881	\$ 142,030	\$ 142,030	\$ (311,113)
Total district	\$ 762,429	\$ 1,939,612	\$ 2,398,247	\$ 2,220,523	\$ 2,405,150	\$ 970,076	\$ 1,633,106	\$ 1,980,231	\$ 2,668,299	\$ 4,045,218

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,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Nonspendable: Invested in capital assets										
Restricted for:										
Other Purposes	\$ 856,753	\$ 874,180	\$ 915,620	\$ 954,158	\$ 1,307,486	\$ 1,436,532	\$ 371,031	\$ 216,392	\$ 216,392	\$ 216,392
Committed: Encumbrance	522,627	591,420	1,282,784	959,782	941,351	302,631	930,684	1,267,891	999,035	2,035,178
Assigned	50,000	500,000	-	1,000,000	-	-	-	163,501	173,633	149,373
Unassigned	3,462,755	4,104,904	4,755,127	5,437,915	7,104,967	7,922,372	4,535,312	5,036,204	7,184,958	9,919,008
Total general fund	\$ 4,892,135	\$ 6,070,504	\$ 6,953,531	\$ 8,351,855	\$ 9,353,804	\$ 9,661,535	\$ 5,837,027	\$ 6,683,988	\$ 8,574,018	\$ 12,319,951
All Other Governmental Funds										
Restricted for:										
Debt service fund	\$ 1,949,895	\$ 2,246,915	\$ 2,591,639	\$ 2,129,842	\$ 2,619,217	\$ 2,993,928	\$ 2,278,154	\$ 2,650,293	\$ 2,705,422	\$ 2,874,638
Capital projects fund	123,683	73,559	43,343	6,445,100	8,896,243	3,819,865	535,153	14,865	20,432	20,433
Total all other governmental funds	\$ 2,073,578	\$ 2,320,474	\$ 2,634,982	\$ 8,574,942	\$ 10,715,460	\$ 6,813,793	\$ 2,813,307	\$ 2,665,156	\$ 2,725,854	\$ 2,895,071
Total Governmental Funds	\$ 6,965,713	\$ 8,390,978	\$ 9,588,513	\$ 16,926,797	\$ 20,069,264	\$ 16,475,328	\$ 8,650,334	\$ 9,349,144	\$ 11,299,872	\$ 15,215,022

Source: CAFR Schedule B-1

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Revenues										
Local sources:										
Tuition	\$ 14,790,356	\$ 16,768,466	\$ 18,411,306	\$ 20,478,439	\$ 22,527,836	\$ 23,150,645	\$ 26,186,392	\$ 27,207,213	\$ 27,809,066	\$ 30,247,995
Transportation fees	18,455,166	18,128,655	20,706,149	21,521,584	22,552,408	21,849,114	22,014,291	22,506,936	25,935,911	29,200,853
Services provided to districts	2,777,329	3,092,996	3,911,988	5,164,915	5,282,055	7,620,980	8,453,509	9,249,964	10,785,815	10,785,815
Interest on investments	66,718	189,732	384,001	488,423	301,628	79,931	21,600	12,077	8,871	9,287
Special items	-	60,125	-	-	-	-	-	-	-	-
Miscellaneous	312,366	155,919	231,738	200,335	163,145	103,565	200,725	232,606	222,586	443,414
Total - Local sources	36,401,935	38,335,768	43,705,307	47,853,696	50,827,072	50,855,351	56,043,988	58,392,341	63,226,398	70,687,364
State sources										
Reimbursed TPAF S.S. Contributions	572,999	574,552	847,238	892,882	923,795	966,784	967,981	910,176	953,223	946,962
On-behalf TPAF pension Contributions	14,347	37,678	74,946	74,946	914,062	859,906	867,742	917,354	1,236,768	1,708,129
Total - State sources	587,346	612,230	922,184	1,638,562	1,837,857	1,826,690	1,835,723	1,827,528	2,189,991	2,655,091
Total revenue	36,989,281	38,947,998	44,627,491	49,492,258	52,664,929	52,682,041	57,879,711	60,219,871	65,416,389	73,342,455
Expenditures										
Instruction	5,951,925	6,921,324	7,841,582	9,522,342	10,275,667	10,434,360	9,140,843	9,236,148	9,259,286	10,135,939
Support Services:										
Health services	414,046	347,868	485,621	539,185	614,484	581,568	649,995	643,950	607,982	589,017
Student & instruction related services	1,902,079	2,216,986	2,601,331	3,026,688	2,889,039	3,152,844	6,614,327	6,111,787	6,755,318	7,067,113
General administrative services	681,822	453,856	460,044	601,229	589,813	636,922	674,201	652,351	814,525	776,371
School Administrative services	1,200,927	1,157,435	1,300,120	1,195,417	1,300,790	1,358,009	1,377,518	1,531,779	1,508,972	1,651,473
Central Services	-	727,838	1,231,051	960,358	855,843	895,083	866,395	886,994	905,256	1,020,728
Admin. Infor. Technology	-	67,033	105,628	103,531	177,237	87,738	258,924	288,365	263,715	240,501
Required maint for school facilities	560,501	532,871	583,266	646,093	662,132	662,166	862,916	707,884	765,797	925,595
Operation of plant	356,165	474,899	561,288	841,080	893,563	1,134,707	942,846	776,994	722,227	722,227
Pupil transportation	18,756,860	18,387,260	20,950,963	21,843,023	22,918,661	22,265,448	22,352,560	22,853,243	26,318,186	29,497,624
Business and other support services	3,335,961	-	-	-	-	-	-	-	-	-
Unallocated employee benefits	-	2,563,526	3,003,979	2,920,262	3,630,383	4,050,962	5,845,920	5,881,886	5,786,788	6,618,812
Reimbursed S.S. contributions	572,999	574,552	847,238	892,882	923,795	966,784	967,981	910,176	953,223	946,962
On-behalf TPAF pension contributions	14,347	37,678	74,946	74,946	914,062	859,906	867,742	917,354	1,236,768	1,708,129
Capital outlay	393,829	286,192	835,350	883,017	990,311	601,797	220,453	207,423	103,616	515,286
Special Schools	898,372	1,250,338	1,461,003	1,702,299	1,843,787	1,843,787	2,328,007	2,522,036	2,623,432	2,715,991
Total expenditures	35,039,833	35,999,656	42,343,410	46,549,219	49,339,961	49,312,927	54,162,689	54,294,222	58,679,858	65,131,766
Excess (Deficiency) of revenues over (under) expenditures	1,949,448	2,948,342	2,284,081	2,942,839	3,324,968	3,369,114	3,717,022	5,925,649	6,736,531	8,210,687
Other Financing sources (uses)										
Transfers in	896	6,236	521,086	152,590	221,510	37,958	621,370	46,179	-	-
Transfers out	(1,644,083)	(1,776,209)	(1,922,140)	(1,697,105)	(2,544,529)	(3,099,341)	(8,162,900)	(5,124,867)	(4,846,501)	(4,964,754)
Proceeds from Loan	-	-	-	-	-	-	-	-	-	500,000
Total other financing sources (uses)	(1,643,187)	(1,769,973)	(1,401,054)	(1,544,515)	(2,323,019)	(3,061,383)	(7,541,530)	(5,078,688)	(4,846,501)	(4,464,754)
Net change in fund balances, General Fund	306,261	1,178,369	883,027	1,398,324	1,001,949	307,731	(3,824,508)	846,961	1,890,030	3,745,933
Special Revenue Fund										
Revenues										
Local sources										
State sources	\$ 5,755,855	\$ 6,601,277	\$ 6,792,742	\$ 6,466,443	\$ 6,610,896	\$ 6,339,625	\$ 5,592,407	\$ 5,141,173	\$ 4,350,609	\$ 19,763
Federal sources	1,558,664	1,106,027	2,669,484	3,052,172	2,709,040	3,171,419	3,032,414	3,032,414	2,195,846	2,005,844
Total revenue	7,314,519	7,707,304	9,462,226	9,518,615	9,322,936	9,505,390	8,624,821	8,173,587	6,546,455	6,931,101
Expenditures										
Instruction	3,322,572	3,776,708	4,540,793	4,423,864	5,612,782	5,066,452	6,209,229	5,489,149	4,420,463	4,450,245
Other support - special	3,456,715	3,372,594	4,053,803	4,539,193	3,172,655	2,896,769	2,546,384	2,749,469	2,037,288	2,289,896
Capital outlay	377,432	369,023	698,880	381,133	377,642	365,169	131,883	43,179	20,418	122,624
Total expenditures	7,156,719	7,518,325	9,293,476	9,344,190	9,163,079	8,868,390	8,887,496	8,281,797	6,478,169	6,862,765
Excess (Deficiency) of revenues over (under) expenditures	157,800	188,979	168,750	174,425	159,857	182,000	145,733	183,260	89,160	68,336
Other Financing sources (uses)										
Transfers in	(157,800)	(188,979)	(168,750)	(174,425)	(159,857)	(182,000)	(145,733)	(183,260)	(89,160)	(68,336)
Transfers out	(157,800)	(188,979)	(168,750)	(174,425)	(159,857)	(182,000)	(145,733)	(183,260)	(89,160)	(68,336)
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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Capital Projects Fund										
Revenues										
Interest Earned	896	965	1,086	1,086	\$ 221,510	\$ 37,958	\$ 158	\$ 55	\$ 2	\$ 1
Total revenue	896	965	1,086	1,086	221,510	37,958	158	55	2	1
Expenditures										
Capital outlay	32,144	50,000	30,216	4,098,243	8,348,857	23,291,986	7,928,491	620,902	244,433	-
Total expenditures	32,144	50,000	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	(31,248)	(49,035)	(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	(896)	(1,089)	(1,086)	(152,590)	(221,510)	(37,958)	-	(26,461)	-	-
Proceeds - Bonds	-	-	-	10,000,000	10,000,000	18,682,354	-	-	-	-
Total other financing sources (uses)	(896)	(1,089)	(1,086)	10,347,410	9,778,490	18,977,650	4,643,621	100,557	250,000	-
Net change in fund balances, Capital projects fund	(32,144)	(50,124)	(30,216)	6,401,757	1,651,143	(4,276,378)	(3,284,712)	(520,290)	5,569	1
Debt service Fund										
Revenues										
Interest Earned	237	20,252	6,791	13,713	38,856	2,509	60	44	36	38
Total revenue	237	20,252	6,791	13,713	38,856	2,509	60	44	36	38
Expenditures										
Principal	695,000	725,000	865,000	985,200	11,031,699	21,073,587	1,920,883	2,178,534	2,090,000	2,314,838
Interest	1,214,390	1,090,208	1,015,957	1,011,840	1,366,068	2,813,546	2,763,869	2,559,972	2,541,361	2,473,034
Total expenditures	1,909,390	1,815,208	1,880,957	1,997,040	12,397,767	23,887,133	4,684,752	4,738,506	4,631,361	4,787,872
Excess (Deficiency) of revenues over (under) expenditures	(1,909,153)	(1,794,956)	(1,874,166)	(1,983,327)	(12,358,911)	(23,884,624)	(4,684,692)	(4,738,462)	(4,631,325)	(4,787,834)
Other Financing sources (uses)										
Transfers in	1,954,156	2,090,188	2,218,890	2,021,530	2,848,286	3,404,866	4,468,918	5,207,629	4,936,454	4,957,050
Transfers out	-	(5,147)	(520,000)	(500,000)	-	(333,254)	(500,000)	(119,719)	(250,000)	-
Proceeds - loans	-	-	520,000	-	-	-	-	-	-	-
Proceeds - bonds	-	14,010,000	-	-	10,000,000	21,187,723	-	22,691	-	-
Payment to refunded bond escrow agent	-	(14,003,065)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	1,954,156	2,091,976	2,218,890	1,521,530	12,848,286	24,259,335	3,968,918	5,110,601	4,686,454	4,957,050
Net change in fund balances, Debt Svc Fund	45,003	297,020	344,724	(461,797)	489,375	374,711	(715,774)	372,139	55,129	169,216
Net change in fund balances, Governmental Fund	319,120	1,425,265	1,197,535	7,338,284	3,142,467	(3,593,936)	(7,824,994)	698,810	1,950,728	3,915,150

Source: CAFR Schedule B-2

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

Exhibit J-5

Unaudited

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Miscellaneous Revenue										
Sale of property	\$ 35,244	\$ -	\$ -	\$ -	\$ 21,131	\$ 34,490	\$ 5,965	\$ 28,800	\$ -	\$ 104,300
Insurance proceeds	21,573	53,156	10,621	93,349	5,173	11,672	12,842	1,590	-	102,261
Refunds	150,401	4,013	10,075	728	16,776	10,448	17,839	5,841	22,033	5,656
Cancellation of aging liabilities	44,665	37,485	40,774	52,214	86,935	45,102	84,560	130,654	54,633	38,744
E-rate reimbursement	60,483	61,265	170,268	54,044	33,130	1,853	79,520	65,720	68,689	88,702
Other									77,231	103,751
Total Other Local Revenue	\$ 312,366	\$ 155,919	\$ 231,738	\$ 200,335	\$ 163,145	\$ 103,565	\$ 200,726	\$ 232,606	\$ 222,586	\$ 443,414

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

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Promissory Notes	Capital Leases				
2004	\$ 22,815,000	\$ -	\$ -	-	\$ -	-	22,815,000	0.18%	\$ 40,036
2005	23,825,000	-	-	-	-	-	23,825,000	0.17%	41,050
2006	22,960,000	-	-	520,000	-	-	23,480,000	0.19%	44,022
2007	32,065,000	-	-	429,703	-	-	32,494,703	0.14%	46,674
2008	41,130,000	-	-	333,004	-	-	41,463,004	0.12%	48,854
2009	60,160,000	-	-	229,417	-	-	60,389,417	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	N/A	N/A
2013	52,150,000	-	350,162	-	-	-	52,500,162	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 Long term debt section of the 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

Year	Population ^a	Personal Income (thousands of dollars) ^b	Per Capita Personal Income ^c	Unemployment Rate ^d
2004	783,665	\$ 31,374,912	\$ 40,036	4.5%
2005	789,283	32,400,068	41,050	4.2%
2006	783,371	34,485,431	44,022	4.3%
2007	783,029	36,546,831	46,674	3.9%
2008	785,324	38,052,466	48,454	5.0%
2009	790,738	37,474,546	47,392	8.7%
2010	810,747	39,115,365	48,256	8.7%
2011	814,217	40,061,864	49,203	8.5%
2012	N/A	N/A	N/A	N/A
2013	N/A	N/A	N/A	N/A

Source:

a Population based on the Bureau of Economic Analysis Table CA04, Nov. 26, 2012

b Personal income based on the Bureau of Economic Analysis Table CA04, Nov. 26, 2012

^c Per Capita based on the Bureau of Economic Analysis Table CA04, Nov. 26, 2012

^d Unemployment data based on the NJ Dept of Labor and Workforce Development, March 30, 2012

**Middlesex Regional Educational Services Commission
Principal Employers**

Exhibit J-15

Not Applicable

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

Exhibit J-16

<u>Function/Program</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Instruction										
PL192/193	37.00	35.90	36.50	37.30	36.20	29.20	29.10	30.00	22.90	22.79
RVA	32.50	28.60	18.95	19.47	16.50	16.40	17.50	16.21	13.36	9.69
NuView	4.00	4.20	5.10	7.00	7.30	12.70	14.00	13.21	15.52	13.52
Piscataway Regional Day School	64.00	70.33	68.88	77.43	79.70	80.54	77.54	70.74	68.40	44.00
Academy Learning Center	80.00	91.34	84.14	86.24	86.08	87.11	86.11	86.11	84.78	82.80
Academy Learning Center Annex I					2.00	6.25	-	-	-	-
Title I	1.00	1.00	1.00	1.00	1.00	0.40	0.40	0.40	-	-
Middlesex County Academy High School	3.50	3.90	4.00	4.70	4.90	4.90	5.00	5.16	4.10	3.75
Bright Beginnings Learning Center	70.00	64.03	66.18	67.03	65.60	68.18	68.88	68.53	57.10	74.50
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	2.00	25.00	35.60	65.90	65.90	65.27	45.13	57.88	28.00	37.27
Carteret Collaborative Services									13.00	12.00
Edison Collaborative Services	3.00	10.00	10.75	17.50	18.15	-	-	-	-	-
Sayreville Collaborative Services			14.50	14.40	16.40	13.05	9.00	-	-	-
PJC-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
Health Services:										
RVA	1.25	1.00	0.95	0.67	0.95	0.95	0.95	1.00	1.00	0.30
Piscataway Regional Day School	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.20
Academy Learning Center	1.80	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Academy Learning Center Annex I	29.00	28.00	-	-	-	0.20	-	-	-	-
Non-Public Nursing	1.75	2.00	35.00	43.00	38.87	40.60	40.60	40.00	42.00	45.00
Middlesex County Academy High School										0.10
Bright Beginnings Learning Center			2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.40
Bright Beginnings Learning Center Annex II				1.00	1.00	1.00	-	-	-	-
Bright Beginnings Learning Center Annex			0.05	0.33	0.05	0.05	-	-	-	-
Edison Collaborative Services		0.17		1.00	1.00	-	-	-	-	-
Sayreville Collaborative Services				0.25	0.25	0.20	0.40	-	-	-
Center for Lifelong Learning							1.60	2.00	2.00	2.00
Support Services:										
RVA	6.00	5.00	4.00	5.00	4.00	4.00	4.00	3.00	3.00	3.00
Piscataway Regional Day School	1.50	1.50	1.50	2.00	2.00	2.00	2.00	2.00	2.00	1.00
Academy Learning Center	1.00	1.50	1.50	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	0.50	0.50	0.44	0.44	0.45	0.44	0.44	0.30
Bright Beginnings Learning Center	1.50	1.50	1.45	2.00	2.00	2.00	2.00	1.00	1.00	1.50
Bright Beginnings Learning Center Annex II				0.50	0.50	0.50	-	-	-	-
Bright Beginnings Learning Center Annex			0.55	0.55	0.50	0.50	-	-	-	-
IDEA B		1.00	1.00	1.00	1.00	1.00	-	-	-	-
Carteret Collaborative Services									3.00	3.00
Sayreville Collaborative Services						0.60	0.60	-	-	-
PJC-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
General Administration										
	5.00	3.00	3.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
School Administration										
PL192/193	3.85	5.50	3.82	6.07	4.53	4.87	5.15	5.63	5.63	3.85
RVA	4.00	4.00	3.16	3.03	2.13	2.13	2.12	2.12	2.12	1.62
NuView	2.00	2.00	2.07	2.00	2.00	2.00	2.17	2.15	2.15	2.18
Piscataway Regional Day School	3.85	3.75	3.93	3.92	3.78	3.90	3.94	3.94	3.94	3.12
Academy Learning Center	3.85	3.75	4.01	4.03	3.48	3.93	3.97	3.97	3.97	4.19
Academy Learning Center Annex I						0.37	-	-	-	-
Title I	0.05	0.05	0.15	0.20	0.10	0.12	0.12	0.21	0.21	0.10
Non-Public Textbook	0.40	0.40	0.39	0.45	0.42	0.23	0.23	0.25	0.25	0.23
Non-Public Nursing	0.25	0.25	0.60	0.35	0.55	0.40	0.35	0.30	0.30	0.40
Professional Development Program		1.00	1.60	1.00	1.60	1.40	1.00	1.00	0.40	0.40
ESC-(CSH, CST, Charter)								1.20	1.20	2.34
Middlesex County Academy High School	1.50	1.10	1.77	2.00	2.00	2.00	2.00	2.00	2.00	1.50
Bright Beginnings Learning Center	3.95	3.90	3.59	3.79	3.73	3.91	3.95	3.95	3.95	5.10
Bright Beginnings Learning Center Annex II				2.15	1.65	1.34	-	-	-	-
Bright Beginnings Learning Center Annex			1.34	1.33	1.15	0.84	-	-	-	-
Non-Public Technology	0.35	0.35	0.27	0.31	0.27	0.28	-	-	-	-
IDEA B	0.10	0.20	1.40	1.50	1.45	1.67	1.47	0.99	0.99	1.42
Edison Collaborative Services		0.05	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
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
Central Services										
		13.50	14.50	16.66	17.50	19.50	19.50	20.65	19.50	19.50
Operations & Maintenance										
PL192/193	2.40	2.20	2.20	2.20	3.30	2.20	2.20	1.15	1.25	1.65
RVA	3.70	3.70	3.20	3.20	2.75	2.20	2.20	2.13	2.23	1.13
NuView	0.50	0.75	0.60	0.50	0.60	1.00	1.00	1.50	1.23	1.00
Piscataway Regional Day School	2.20	2.20	2.20	2.70	2.70	2.70	2.20	2.15	2.25	2.15
Academy Learning Center	2.20	2.20	2.20	2.20	2.30	2.20	2.20	2.15	2.25	2.15
Middlesex County Academy High School	0.50	0.25	0.20	0.50	0.60	0.40	0.25	0.25	0.25	1.25
ESC-General								1.00	1.30	1.75
Bright Beginnings Learning Center	2.20	2.20	2.20	2.20	2.25	2.20	2.20	2.15	2.25	2.15
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
Student Transportation										
Student Transportation	6.00	6.50	5.50	5.50	5.50	5.50	5.50	6.50	6.50	6.50
Student Transportation - Bus driver			2.00	5.00	2.00	4.80	4.80	-	-	-
Business Services										
	12.50									
Total	404.65	443.27	525.58	659.41	664.10	647.08	643.78	600.89	564.54	558.62

Source: Based on Commission budget record.

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

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Other Staff ^c	Average Daily Enrollment (ADE) ^d	Average Daily Attendance (ADA) ^d	% Change in Average Daily Enrollment	Student Attendance Percentage
2004	568	\$ 41,425,291	\$ 72,932	8.02%	176	246	521.00	444.00	-4.28%	85.22%
2005	601	42,862,766	71,319	-2.21%	182	272	566.40	489.30	8.71%	86.39%
2006	784	50,102,656	63,906	-10.39%	200	307	768.10	673.20	35.61%	87.64%
2007	1,041	54,521,965	52,375	-18.04%	240	345	1,037.00	905.70	35.01%	87.34%
2008	1,055	57,242,381	54,258	3.60%	211	429	1,110.80	963.60	7.12%	86.75%
2009	1,008	57,214,351	56,760	4.61%	196	441	1,076.80	941.00	-3.06%	87.39%
2010	731	62,697,849	85,770	51.11%	186	406	730.30	648.00	-32.18%	88.73%
2011	710	62,325,417	87,782	2.35%	195	424	735.20	646.90	-45.71%	87.99%
2012	719	65,033,993	90,451	3.04%	188	410	727.60	649.30	-34.50%	89.24%
2013	744	71,356,623	95,909	6.04%	199	412	738.20	661.90	-31.45%	89.66%

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

Operating Information

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

Exhibit J-18

Unaudited

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
District Building										
<u>Raritan Valley Academy, 1690 Stelton Rd, Piscataway</u>										
(September 1997)										
RVA	42,755	42,755	42,755	42,755	42,755	42,755	48,525	48,525	48,525	42,755
Square Feet	132	132	132	132	132	132	174	174	174	132
Capacity (students)	89	71	70	70	70	66	66	53	41	41
RVA										
Enrollment										
BB Secondary		5,245	5,770	5,770	5,770	5,770				5,770
Square Feet		42	42	42	42	42				42
Capacity (students)		27	40	40	40	37				23
BB Secondary										
Enrollment										
Nonpublic	2,360	2,360	2360	2360	2360	2360	2360	2360	2360	2360
Square Feet										
<u>Nuview Academy, Park Ave, Piscataway</u>										
(September 2001, September 2008)										
NV	8,050	8,050	6,000	6,000	22,500	22,500	22,500	22,500	22,500	22,500
Square Feet	48	48	48	48	72	72	72	72	72	73
Capacity (students)	30	32	34	34	45	60	60	67	63	73
NV										
Enrollment										
<u>Academy Learning Center, 145 Pergola Ave, Monroe</u>										
(September 2000)										
ALC	42,516	42,516	42,516	42,516	42,516	42,516	42,516	42,516	42,516	42,516
Square Feet	148	148	148	148	148	148	148	148	148	148
Capacity (students)	142	140	138	138	138	143	143	141	142	141
ALC										
Enrollment										
<u>Bright Beginnings Learning Center, 1660 Stelton Rd, Piscataway</u>										
(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)	129	127	127	127	127	126	126	121	130	124
BBLC										
Enrollment										
Central Office	7,583	7,583	7,583	7,583	7,583	7,583	7,583	7,583	7,583	7,583
Square Feet										
Transportation	920	920	920	920	920	920	920	920	920	920
Square Feet										
<u>Center for Lifelong Learning, 333 Cheese Quake Rd, Parlin</u>										
(September 2009)										
CLL			88,000	88,000	88,000	88,000	88,000	88,000	88,000	88,000
Square Feet			288	288	288	288	288	288	288	288
Capacity (students)			N/A	N/A	N/A	N/A	153	170	183	208
CLL										
Enrollment										

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

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

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

School Facilities	Project # (s) #	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
RVA	N/A	\$ 191,024	\$ 143,235	\$ 145,937	\$ 149,482	\$ 180,604	\$ 157,056	\$ 147,118	\$ 132,440	\$ 74,646	\$ 83,454
ALC	N/A	149,902	137,771	168,826	181,094	180,619	185,851	188,796	146,036	181,696	145,269
ALC Annex I	N/A	5,691	4,096	3,072	537	554	1,097	-	-	-	-
Transportation	N/A	44,242	24,934	42,861	8,152	5,959	2,663	2,678	1,510	4,114	1,550
ESC - General	N/A	9,167	9,581	25,290	33,884	9,820	14,098	62,815	69,034	99,350	194,302
ESC - MCA	N/A	114,881	141,254	125,118	146,414	27,785	17,090	12,947	8,234	39,170	51,925
BBLC	N/A	-	-	-	9,259	160,791	146,614	144,413	130,425	124,586	141,799
BBLC Annex II	N/A	-	-	-	7,835	7,835	23,034	-	-	-	-
BBLC Annex I	N/A	8,324	24,302	25,927	38,237	28,429	42,512	-	-	-	-
Edison Collaborative	N/A	-	2,820	1,962	5,693	7,350	307	-	-	-	-
Stayville Collaborative	N/A	-	662	3,727	8,117	7,123	10,107	11,256	-	-	-
Nutview	N/A	37,270	44,216	40,546	82,263	29,224	61,737	72,324	64,724	83,947	83,297
Center for Lifelong Learning	N/A	-	-	-	-	-	-	220,569	155,481	158,288	223,939
Total School Facilities		\$ 560,501	\$ 532,871	\$ 583,266	\$ 663,132	\$ 646,093	\$ 662,166	\$ 862,916	\$ 707,884	\$ 765,797	\$ 925,595

* Commission records

Middlesex Regional Educational Services Commission
Insurance Schedule
For the Fiscal Year Ended June 30, 2013
Unaudited

Exhibit J-20

Company	Type of Coverage	Coverage	Deductible
NJSBAIG	MULTI PERIL PACKAGE POLICY		
	Property:		
	Blanket building and contents	\$ 92,026,914	\$ 5,000
	Extra Expense	1,000,000	
	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	25,000
	Demolition/incr. Cost of construction	5,000,000	
	Energy Systems:	100,000,000	
	Spoilage	500,000	
	Commercial Liability:		
	Per occurrence	11,000,000	
	Sexual molestation	11,000,000/17,000,000	
	Fire damage	11,000,000	
	Medical expense (excludes students)	10,000	
	Employee benefits programs	11,000,000	
	Crime:		
	Money & Securities	50,000	
	Employee Dishonesty	1,000,000	
	Forgery	1,000,000	
	Automobile:		
	Bodily injury/property damage	11,000,000	
	Personal injury protection	Statutory	
	Underinsured/uninsured	1,000,000	
	Private passenger	10,000	
	Comprehensive deductible		1,000
	Collision deductible		1,000
NJSBAIG	SCHOOL BOARD LEGAL	11,000,000	5,000
Firemans Fund	CAP		
	Limit of liability	50,000,000	
NJSBAIG	WORKERS COMPENSATION		
	Section B limits	2,000,000	
NJSBAIG	SUPPLEMENTARY WORKERS COMP		
	Weekly maximum	1,750	
Chubb	ENVIRONMENTAL IMPAIRMENT	1,000,000/3,000,000	
Selective	BONDS		
	Business Administrator - Patrick Moran	250,000	
NJSBAIG	STUDENT ACCIDENT		
	Medical Benefit	5,000,000	

Source: Commission Records

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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 Middlesex Regional Educational Services Commission (the “Commission”) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission’s basic financial statements, and have issued our report thereon dated October 28, 2013

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.

Ernst + Young LLP

October 28, 2013

Report of Independent Auditors on Compliance for Each Major Federal 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 04-04

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) *Circular A-133 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, 2013. 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 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments*. Those standards and OMB Circular A-133, and New Jersey OMB Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether

noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal 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, 2013.

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 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

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

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

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

Ernst + Young LLP

October 28, 2013

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Middlesex Regional Educational Services Commission
Schedule of Expenditures of Federal Awards

For the Fiscal Year ended June 30, 2013

Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period From To	Balance at June 30, 2012		Due to Districts	Due to Grantor	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance at June 30, 2013	
				Unearned Revenue	(Accounts Receivable)							Unearned Revenue	(Accounts Receivable)
U.S. Department of Education—Passed—													
Through Middlesex County School Districts													
Special Revenue Fund:													
84.027A	N/A	\$ 2,333,617	7/1/2010	8/31/2011	\$ -	\$ (54,546)	\$ 96	\$ 84,139	\$ (29,564)	\$ (29)	\$ (96)	\$ -	\$ -
	I.D.E.A. Part B, Regular					(3,771)	465	-	-	-	(465)	(3,771)	-
84.173	N/A	53,535	7/1/2010	8/31/2011	-	(878,607)	-	1,126,746	(394,125)	(21)	-	(146,007)	-
	I.D.E.A. Part B, Preschool					-	-	-	-	-	-	-	-
84.027A	N/A	2,208,415	7/1/2011	8/31/2012	-	-	-	19,951	(19,951)	-	-	(734,902)	1,696
	I.D.E.A. Part B, Regular					-	-	795,094	(1,528,300)	-	-	-	-
84.173	N/A	1,916,365	7/1/2012	8/31/2013	-	-	-	3,030	(3,030)	-	-	-	-
	I.D.E.A. Part B, Regular					(99)	-	148	-	(49)	-	-	-
	ARRA I.D.E.A. Part B, Regular					(937,023)	561	2,029,108	(1,974,970)	(99)	(561)	(884,680)	1,696
84.010A	NCLB_09	46,108	7/1/2011	6/30/2012	-	(35,694)	-	33,797	-	(1)	-	(1,897)	-
	Title I					-	-	29,210	(35,848)	(1)	-	(6,639)	-
84.010A	NCLB_09	35,848	7/1/2012	6/30/2013	-	-	-	-	-	-	-	-	-
	Total U.S. Department of Education—passed-through					(972,717)	561	2,092,115	(2,010,818)	(100)	(561)	(893,216)	1,696
	Middlesex County School Districts					(972,717)	561	2,092,115	(2,010,818)	(100)	(561)	(893,216)	1,696
	Total Special Revenue Fund					-	-	-	-	-	-	-	-
U.S. Department of Agriculture—Passed—													
Through State Department of Education													
Enterprise Fund:													
10.553	5120-201-372573-63	79,412	7/1/2011	6/30/2012	-	(4,767)	-	4,767	-	-	-	-	-
	National School Breakfast Program					-	-	-	-	-	-	-	-
10.555	5120-201-372573-63	146,020	7/1/2011	6/30/2012	-	(8,616)	-	8,617	-	(1)	-	(9,092)	-
	National School Lunch Program					-	-	75,862	(84,954)	-	-	(16,007)	-
10.553	5120-201-372573-63	84,954	7/1/2012	6/30/2013	-	-	-	137,041	(153,048)	-	-	(25,099)	-
	National School Breakfast Program					-	-	-	-	-	-	-	-
10.555	5120-201-372573-63	153,048	7/1/2012	6/30/2013	-	(13,383)	-	226,287	(238,002)	(1)	-	(918,315)	-
	National School Lunch Program					-	-	-	-	-	-	-	-
	Total Enterprise Fund					(972,717)	561	2,318,402	(2,246,830)	(101)	(561)	(918,315)	1,696
	Total Federal Financial Awards					(972,717)	561	2,318,402	(2,246,830)	(101)	(561)	(918,315)	1,696

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

Middlesex Regional Educational Services Commission
Schedule of Expenditures of State Financial Assistance
For The Fiscal Year ended June 30, 2013

State Grantor/Program Title	Program or Award Amount	Grant Period From	To	Balance at June 30, 2012			Due to Districts	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Unearned Revenue	Balance at June 30, 2013		Due to Districts	MEMO Budgetary Releasable	MEMO Cumulative Total Expenditures	
				(Accounts Receivable)	Due to Districts	Due to Grantor							(Accounts Receivable)	Due to Districts				
State Department of Education																		
General Fund:																		
Reimbursed TPAF Social Security Contributions	\$ 953,223	7/1/2011	6/30/2012	\$ -	\$ (92,896)	\$ -	\$ 92,896	\$ (946,962)	-	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reimbursed TPAF Social Security Contributions	946,962	7/1/2012	6/30/2013	-	-	-	940,752	(1,708,129)	-	-	-	-	(46,210)	-	-	-	(1,708,129)	
On-Behalf TPAF Pension Contribution	1,708,129	7/1/2012	6/30/2013	-	-	-	1,708,129	(2,655,091)	-	-	-	-	(46,210)	-	-	-	(2,655,091)	
Total General Fund																		
State Department of Education - Passed-Through																		
Middlesex County School Districts																		
Special Revenue Fund:																		
N.J. Nonpublic Aid:																		
Textbooks Aid	499,458	7/1/2011	6/30/2012	-	-	10,891	-	(688,785)	-	-	(10,891)	-	(25,672)	31,440	-	-	(688,785)	
Textbooks Aid	621,448	7/1/2012	6/30/2013	-	-	24,056	594,553	(8,798)	-	-	(24,056)	-	(2,618)	-	-	-	(2,618)	
Nursing Services Aid	900,472	7/1/2011	6/30/2012	-	(11,416)	-	8,798	(1,024,656)	(1)	-	-	-	(106,883)	32,346	-	-	(1,024,656)	
Nursing Services Aid	1,064,017	7/1/2012	6/30/2013	-	-	-	950,120	(275,171)	-	-	-	-	(19,674)	8,559	-	-	(275,171)	
Technology Initiative	284,353	7/1/2012	6/30/2013	-	-	-	264,056	-	-	-	-	-	-	-	-	-	-	
Auxiliary services (Chapter 192):																		
Compensatory Education	1,118,629	7/1/2011	6/30/2012	-	(161,268)	175,575	89,412	(1,081,969)	-	2	(103,721)	-	(333,501)	35,947	-	-	(1,081,969)	
Compensatory Education	1,081,969	7/1/2012	6/30/2013	-	(53,354)	40,302	784,415	(152,533)	(1)	(12,304)	-	-	(78,194)	25,355	-	-	(152,533)	
English as a Second Language	193,182	7/1/2011	6/30/2012	-	(109,397)	4,008	99,694	(281,916)	-	-	-	-	(408)	666	-	-	(281,916)	
English as a Second Language	152,533	7/1/2012	6/30/2013	-	(2,207)	-	118,297	-	-	-	-	-	(141)	-	-	-	-	
Transportation	276,948	7/1/2011	6/30/2012	-	(33,075)	1,261	32,934	(21,376)	-	(1)	-	-	(20,779)	-	-	-	(21,376)	
Transportation	281,916	7/1/2012	6/30/2013	-	-	-	598	-	-	-	-	-	-	-	-	-	-	
Nonpublic Home Instruction	50,551	7/1/2010	6/30/2011	-	(68,793)	20,206	64,096	-	-	-	(16,774)	-	(1,265)	-	-	-	-	
Nonpublic Home Instruction	36,859	7/1/2011	6/30/2012	-	(292,620)	18,087	213,054	(379,253)	-	-	(8,583)	-	(166,486)	287	-	-	(379,253)	
Nonpublic Home Instruction	21,376	7/1/2012	6/30/2013	-	(92,120)	15,510	87,222	(597,533)	-	-	-	-	(425,126)	48	-	-	(597,533)	
Handicapped services (Chapter 193):																		
Supplemental Instruction	351,814	7/1/2011	6/30/2012	-	(68,793)	20,206	64,096	-	-	-	(16,774)	-	(1,265)	-	-	-	-	
Supplemental Instruction	379,253	7/1/2012	6/30/2013	-	(292,620)	18,087	279,115	-	-	-	(8,583)	-	(166,486)	287	-	-	(379,253)	
Examination and Classification	571,949	7/1/2011	6/30/2012	-	(92,120)	15,510	87,222	-	-	-	(10,613)	-	(221,656)	-	-	-	(491,139)	
Examination and Classification	597,533	7/1/2012	6/30/2013	-	-	-	269,483	-	-	-	-	-	-	-	-	-	-	
Corrective Speech	456,695	7/1/2011	6/30/2012	-	-	-	269,483	-	-	-	-	-	-	-	-	-	-	
Corrective Speech	491,139	7/1/2012	6/30/2013	-	-	-	4,150,396	(4,894,331)	10,451	(188,183)	134,648	-	(1,570,689)	134,648	-	-	(4,894,331)	
Total State Department of Education-passed-through																		
Middlesex County School Districts																		
Total Special Revenue Fund																		
State Department of Agriculture																		
Enterprise Fund:																		
National School Lunch Program (State share)	3,523	7/1/2011	6/30/2012	-	(210)	-	210	-	-	-	-	-	-	-	-	-	-	-
National School Lunch Program (State share)	3,502	7/1/2012	6/30/2013	-	-	-	3,140	(3,502)	-	-	-	-	(362)	-	-	-	(3,502)	
Total Enterprise Fund																		
Total State Financial Assistance																		

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, 2013

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 \$6,189. A budgetary comparison schedule (RSI) at C-3 is presented for the special revenue fund to demonstrate. Federal and state award revenues are reported in the Commission's basic financial statements on a GAAP basis as follows:

	Federal	State	Total
General Fund	\$	\$ 2,655,091	\$ 2,655,091
Special Revenue Fund	2,005,844	4,905,494	6,911,338
Enterprise Fund	238,003	3,715	241,718
Total financial award expenditures	<u>\$ 2,243,847</u>	<u>\$ 7,564,300</u>	<u>\$ 9,808,147</u>

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, 2013.

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 04-04 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, 2013

Part I – Summary of Auditor’s Results

Financial Statement Section

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

Federal Awards Section

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

Auditee qualified as low-risk auditee? X Yes No

Type of auditor’s report on compliance for major programs: Unmodified

Internal control over compliance:

Material weakness(es) identified? Yes X No

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

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

Middlesex Regional Educational Services Commission

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

Part II – Schedule of Financial Statement Findings

None reported.

Middlesex Regional Educational Services Commission

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

**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, 2012

Not applicable.

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