MIDDLESEX REGIONAL
EDUCATIONAL SERVICES COMMISSION

BOARD OF DIRECTORS
PISCATAWAY, NJ 08854

Comprehensive Annual Financial Report
for the Fiscal Year ended June 30, 2014

Middlesex Regional
Educational Services Commission
Piscataway, New Jersey

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2014

Prepared by

Middlesex Regional Educational Services Commission
Business Office

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Introductory Section

MIDDLESEX REGIONAL EDUCATIONAL SERVICES COMMISSION
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November 3, 2014

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, 2014, 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) as established by GASB Statement No. 14. All funds and account groups of the Commission are included in this report for Fiscal Year 2014 (FY2014). 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 FY2014:

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 FY2014 school year.

The following educational services and programs were provided during the FY2014 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, 2014 the following services were provided:

Compensatory Education	1,470 services
English as a Second Language	227 services
Home Instruction	690 hours
Examination/Classification	1,059 services
Supplemental Instruction	682 services
Speech Correction	647 services
Speech Evaluations	36 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-eight (68) disabled students received educational services at the RVA during the FY2014 school year.

RVA EXTENDED SCHOOL YEAR PROGRAM

During the summer of 2014, 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. It has a current capacity of seventy-two (72) students between the ages of 5-21 years of age. In FY2014, NuView Academy served one hundred (100) students from thirty-one (31) sending districts within ten (10) counties.

PISCATAWAY REGIONAL DAY SCHOOL (PRDS)

The PRDS was opened in September 1982 by the State Board of Education, pursuant to approval of the Facilities for the Handicapped Bond Issue in 1973. In September 1984, the Board of Directors of the Commission, at the request of the State, entered into a management lease for the PRDS. Responsibilities of the Commission include employment of staff and program delivery. The PRDS offers specialized programs to students with severe multiple disabilities from forty (40) sending districts representing eight (8) counties in New Jersey. These services are provided through multi-year contracts with districts.

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

One hundred sixteen (116) disabled students received educational services at the PRDS during the FY2014 school year.

PRDS EXTENDED SCHOOL YEAR PROGRAM

During the summer of 2014, eighty-nine (89) students participated in the Extended School Year program.

ACADEMY LEARNING CENTER (ALC)

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

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

The educational and behavioral program in the autism classes utilizes individualized assessment with the VB-MAPP and an ALC Functional Skills Assessment. Instruction includes intensive teaching, verbal behavior, integrated related services, and incidental learning techniques to order to maximize each student's potential. Staff members foster an active collaboration with parents/guardians in the educational process through the use of daily communication journals, parent training, classroom observation, evening meetings and home visits. An evening Sibling Group also 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. Staff utilize the VB-MAPP and an ALC Functional Skills Assessment to drive instructional planning. Teachers utilize individual and small group instruction to develop functional skills in a student-centered environment. Speech, occupational and physical therapists work closely with classroom staff to integrate instruction. A vocational program combined with paid school jobs, job sampling in the community and a paid student internship may be available for students as appropriate. Special subject classes include Adaptive Physical Education, Art and Music. Community-based instruction is provided as well as a six (6) week Extended School Year Program. As in the autism program, an extensive series of field trips develop community integration training including swimming, consumer shopping, recreation, etc. Comprehensive inclusion support is provided to all ALC students if they return to their home district on a part-time or full-time basis.

ALC EXTENDED SCHOOL YEAR PROGRAM (ALC ESY)

The ALC ESY program is a continuation of the ten month program and provides a six week program from the last week in June through the first week in August. A high percentage of ten month employees also work in the ESY program. One hundred twenty-eight (128) students participated in the 2014 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 FY2014, thirty-seven (37) students receiving fifty-seven (57) services and attending nine (9) nonpublic schools, participated in computer assisted instruction programs.

No students received Title I educational services during the FY2014 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 eleven thousand seven hundred (11,700) students to and from over two hundred eighty-one (281) destinations each day from sixty-two (62) districts before-and-after-care transportation and work-study program transportation and mid-day shuttles between schools. Additionally, approximately seven hundred fifty (750) 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 FY2014, these services are being provided to ninety-one (91) private schools located within twenty-two (22) 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 FY2014, these services were provided to one hundred twenty-one (121) nonpublic schools located within thirty-one (31) 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 FY2014 school year, one hundred twelve (112) nonpublic schools in twenty-nine (29) 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 FY2014 school year. The Commission provided forty-seven (47) OT/PT evaluations for six (6) districts during the FY2014 school year.

MIDDLESEX COUNTY ACADEMY (MCA)

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

During the FY2014 school year, the MCA accepted both classified and non-classified students, serving approximately forty-eight (48) 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 FY2014, a total of thirty-one (31) 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 2014. The PDA offered twenty-three (23) workshops at our facility and thirty-seven (37) on-site at area schools. The PDA provided learning opportunities to approximately eight hundred fifty (850) educators.

During the FY2014 school year, thirty-one (31) Commission staff participated in professional development opportunities offered through the PDA, which was designed to be engaging, informative and encourage reflective practice. In addition to regular programs and services, the PDA developed comprehensive on-site professional development programs for fifteen (15) nonpublic schools receiving IDEA-B funding. In addition, online courses were created to support DOE initiatives in technology.

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

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

Evaluations and questionnaires were disseminated to participants and administrators to ensure that the MRESC Local Professional Development Plan reflected the New Jersey Professional Standards for Teachers. Data from the questionnaires was used to design the professional 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 twenty-one (21) classrooms with adjoining observation rooms, occupational, physical, and speech therapy rooms, activities-of-daily-living room, sensory room, health office, multipurpose room, and media center/library. Each classroom is equipped with a restroom.

BBLC expanded in 2013 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 worksites, provide students with opportunities for vocational practice in preparation for post-graduation employment.

It remains a school of choice for twenty-seven (27) districts in four (4) counties seeking placement for students with preschool disabilities, multiple disabilities, and/or autism who require a highly specialized educational program. One hundred sixty (160) students, ages 3 to 21 years, were enrolled at BBLC during the FY2014 school year.

The eleven (11) 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-four (144) students participated in 2014.

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-seven (37) districts in six (6) counties seeking placement for students classified preschool disabled, multiply disabled and autistic. Two hundred nine (209) students, ages 3 to 21 years, were enrolled at CLL during the FY 2014 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 FY2014, one hundred ninety-three (193) 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 FY2014. The Commission provides services to thirty-three (33) districts and forty-four (44) private schools.

THE MRESC COOPERATIVE PRICING SYSTEM

The Commission has operated a State approved Cooperative Pricing System since 1996. During FY2014, the Commission expanded this program to include the following bids and expanded its membership to include over eight hundred (800) public agencies, which includes public school districts, municipalities, county governments, county and state colleges.

ACT Data/Broadband/Hosted Services	Electrician-Time & Material	Natural Gas-Supply of
ACT Telecommunications	Electricity-Supply of	Nursing Services
ACT Wide Area Network Services	Elevator Repair & Maintenance – T&M	Occupational & Physical Therapy
Asset Id. Svs./Mktng/Advertising	Environmental/Mold Insurance	Painting Services
Athletic Equip. Recond. & Repair	Flexible Spending Acct. Mgmt.	Playground Equipment
Athletic Equip. & Supplies	Flooring	Playground Surfacing
Automotive Fluids and Lubricants	General Office Supplies	Plumbing-Time & Material
Bleacher (Int/Ext) Syst. Purch. & Instal.	Grounds Equipment	Pool Supplies
Boiler, Maintenance & Repair	Gym Floors-Repair/Refinishing/T&M	Printing Services
Building Access & Security Systems	HVAC	Raised Access Flooring
Carpet	Industrial Arts, Career & Tech. Supplies	Safety and Security Window Film
Classroom Supplies	Integrated Cloud Based Bldg. Access	School and Office Furniture
Classroom Supplies – Cosmetology	Interactive Classroom/Meeting Room Presentation Technology	School Buses
Copy Machines	Job Order Contracting: Electric; General; HVAC; Roofing	Shredding & Disposal of Records
Copy Paper (white/color)	Lawn Care Products and Services	Small Ticket Tax-Exempt Lease Purchase Program
Custodial Supplies	Lockers-Purchase/Refurbishment	SMART Board Technology
Demand Response	Lonseal Flooring & Related Services	Speech Services
Diesel/Gasoline	Maintenance Equipment	Student SAAS Learning Data Analysis
Disaster Recovery	Maintenance, Repair & Operation	Technology Supplies & Services
Document Management	Medicaid Billing Services	Toner Supplies
Education Development Software	Medical Supplies	

2. Economic Condition and Outlook

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

Itinerant Services to Charter Schools
Itinerant Occupational & Physical Therapy Services
Public School Home Instruction Program

Interim Alternative Educational Program
Supplemental Instruction/Child Study Team/Speech Instruction Services
Additional Special Education Class Programs
Cooperative Bidding for Supplies and Energy Resources

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

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

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

Examples of consolidated services include:

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

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

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

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

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

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

3. Internal Control

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

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

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

4. Budgetary Controls

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balances in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance on June 30, 2014.

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 FY2014 school year. These efforts were highlighted by the expansion of the Cooperative Pricing Program. Management has continued to expand the Cooperative Pricing System membership to include over eight hundred (800) 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 or registered municipal accountants. The Commission's audit committee selected the accounting firm of Ernst & Young, LLP. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related OMB Circular A-133 and State Treasury Circular Letter 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: The Commission has not received any grants for the FY2014 school year.

Self-Recognition - The following Commission Staff were recognized for Governor's Teacher Recognition Program for the FY2014 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 2014 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 FY2014 school year:

- Approval of curricula as follows – September 2013

  - Raritan Valley Academy, Middlesex County Academy, NuView Academy
    Common Core State Standards Mathematics Grades 6 – 8
    Visual & Performing Arts
    World Language (Spanish)
    Technology

  - Academy Learning Center, Bright Beginnings Learning Center, Center for Lifelong Learning, Piscataway Regional Day School
    Common Core State Standards Mathematics Grades 6 – 8
    World Language (ASL)
    Technology

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.

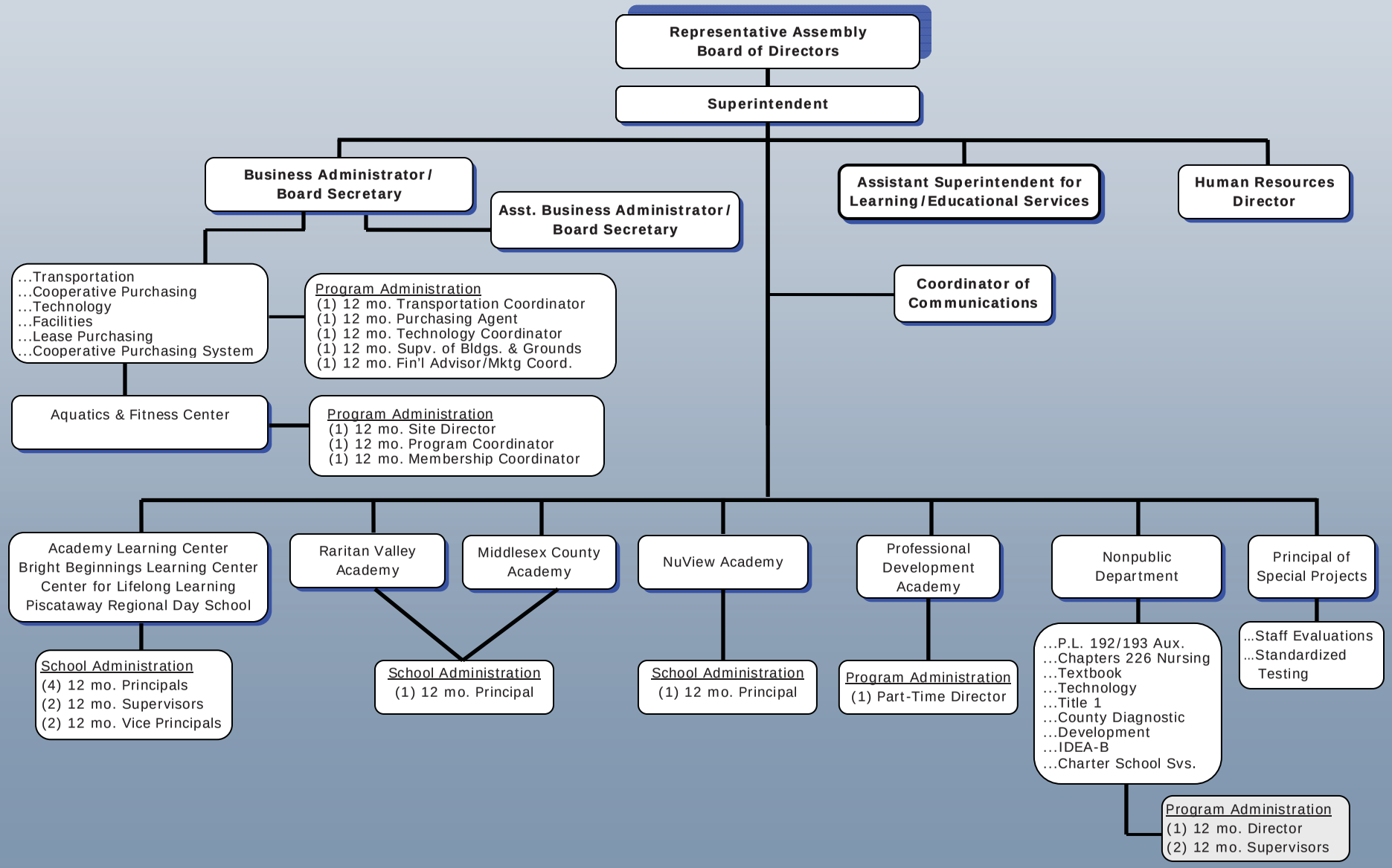
Respectfully submitted,

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, 2014



Middlesex Regional Educational Services Commission
Piscataway, New Jersey

Roster of Officials

June 30, 2014

Members of the Board of Directors	**Term**
Mr. Kevin Ahearn – Carteret	6/1/13 – 5/31/14
Dr. Susan Genco – Cranbury	1/2/14 – 12/31/14
Mr. Phillip Heiney – Dunellen	6/1/13 – 5/31/14
Mrs. Holly Howard - East Brunswick	6/1/13 – 5/31/14
Dr. Richard O'Malley – Edison	6/1/13 – 5/31/14
Mr. Timothy Capone – Highland Park	6/1/13 – 5/31/14
Dr. Gail Verona – Jamesburg	1/2/14 – 12/31/14
Mrs. Rose deVries – Metuchen	6/1/13 – 5/31/14
Dr. Linda Madison – Middlesex	1/2/14 – 12/31/14
Mr. Bill Petscavage – Milltown	1/2/14 – 12/31/14
Mr. Doug Poye – Monroe	1/2/14 – 12/31/14
Mr. Dale Caldwell – New Brunswick	6/1/13 – 5/31/14
Dr. Brian Zychowski - North Brunswick	1/2/14 – 12/31/14
Mr. Matthew Sulikowski – Old Bridge	1/2/14 – 12/31/14
Dr. Vivian Rodriguez – Perth Amboy	6/1/13 – 5/31/14
Mr. Ralph Johnson – Piscataway	1/2/14 – 12/31/14
Mr. John Walsh – Sayreville	6/1/13 – 5/31/14
Mr. Robert Sheedy - South Amboy	1/2/14 – 12/31/14
Dr. Gary McCartney - South Brunswick	1/2/14 – 12/31/14
Dr. Stephen Genco - South Plainfield	1/2/14 – 12/31/14
Mr. Michael Pfister - South River	1/2/14 – 12/31/14
Dr. Scott Rocco – Spotswood	1/2/14 – 12/31/14
Dr. Robert Zega – Woodbridge	1/2/14 – 12/31/14
Mr. Brian Loughlin - Middlesex County Vo Tech	6/1/13 – 5/31/14

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

Attorney

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

Audit Firm

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

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99 Wood Avenue South
Metropark
P.O. Box 751
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Fax: +1 732 516 4429
ey.com

Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Middlesex Regional Educational Services Commission (the "Commission"), as of and for the year ended June 30, 2014, 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.

A member firm of Ernst & Young Global Limited

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, 2014, 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.

Adoption of GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities"

As discussed in Note I.N. to the financial statements, the Commission restated its beginning net position as a result of the adoption of GASB No. 65, "*Items Previously Reported as Assets and Liabilities*" effective July 1, 2013. Our opinions are not modified with respect to this matter.

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 November 7, 2014 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.

Ernst & Young LLP

November 7, 2014

Required Supplementary Information
Part I

Management’s Discussion and Analysis

Middlesex Regional Educational Services Commission
Piscataway, New Jersey

Management's Discussion and Analysiss

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, 2014. 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 17 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 2014 are as follows:

- General revenues accounted for $14,859,976 or 16.21 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for $76,838,738 or 83.79 percent of total revenues of $91,698,714.

- The Commission had $86,600,384 in expenses (governmental and business-type activities); $76,838,738 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 $14,859,976 were adequate to provide for these programs.

- Among major funds, the General Fund had $78,620,694 in revenues and transfers in and $75,230,308 in expenditures and transfers out. The General Fund's fund balance increased $3,390,386 over 2013. This increase was the result of increases in services.

- In total, net position increased $5,098,330 or 17.31 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, 2014 with certain comparisons to the year ended June 30, 2013. 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 35 and 36 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 37. 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 activiti*es in the district-wide financial statements.

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the district-wide financial statement because the resources of those funds are *not* available to support the Commission's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund financial statements can be found on pages 43 through 44 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 45 through 71 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Commission. Required supplementary information can be found on pages 72 through 78 of this report.

Combining and individual fund statements and schedules can be found on pages 79 through 96 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 $32,675,683 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 2013 to 2014.

Table 1 – Net Position

	Governmental		Business-Type		Total	
	2014	**2013 (*restated per GASB 65)**	**2014**	**2013**	**2014**	**2013**
Assets						
Current and other assets	**$ 19,855,111**	$ 17,473,777*	**$ 1,090,109**	$ 894,046	**$ 20,945,220**	$ 18,367,823
Capital assets, net of depreciation	**63,029,707**	64,387,009	**878,927**	922,350	**63,908,634**	65,309,359
Total assets	**82,884,818**	81,860,785	**1,969,036**	1,816,396	**84,853,854**	83,677,181
Deferred Outflow of Resources	**893,551**	737,954*	**–**	**–**	**893,551**	737,954
Liabilities						
Other liabilities	**1,506,906**	2,530,773	**91,440**	108,994	**1,598,346**	2,639,767
Long-term liabilities	**49,595,780**	52,320,420*	**–**	–	**49,595,780**	52,320,420
Total liabilities	**51,102,686**	54,851,193	**91,440**	108,994	**51,194,126**	54,960,187
Net position						
Net investment in capital assets	**14,499,327**	13,740,089	**878,927**	922,350	**15,378,254**	14,662,439
Restricted	**2,931,798**	3,111,463	**–**	–	**2,931,798**	3,111,463
Unrestricted	**15,244,558**	10,895,995*	**998,669**	785,052	**16,243,227**	11,681,047
Total net position	**$ 32,675,683**	$ 27,747,547*	**$ 1,877,596**	$ 1,707,402	**$ 34,553,279**	$ 29,454,948

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 $16,243,227 and may be used to meet the government's ongoing obligations to member districts.

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

Total current and other assets increased mainly due to increases in cash equivalents 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 decreased mainly due to decreases in accounts payable related to year end invoices carried over.

Total Long-term liabilities decreased mainly due to the refunding bond of Series 2004 Bond for this fiscal year.

Restricted Net Position decreased mainly due to the closing of Capital Projects fund during fiscal year 2014.

Unrestricted Net Position increased mainly due to restatement of deferred outflow of resources based on the implementation of GASB Statement No. 65 and an excess of revenues over expenditures and other financing sources of Governmental funds.

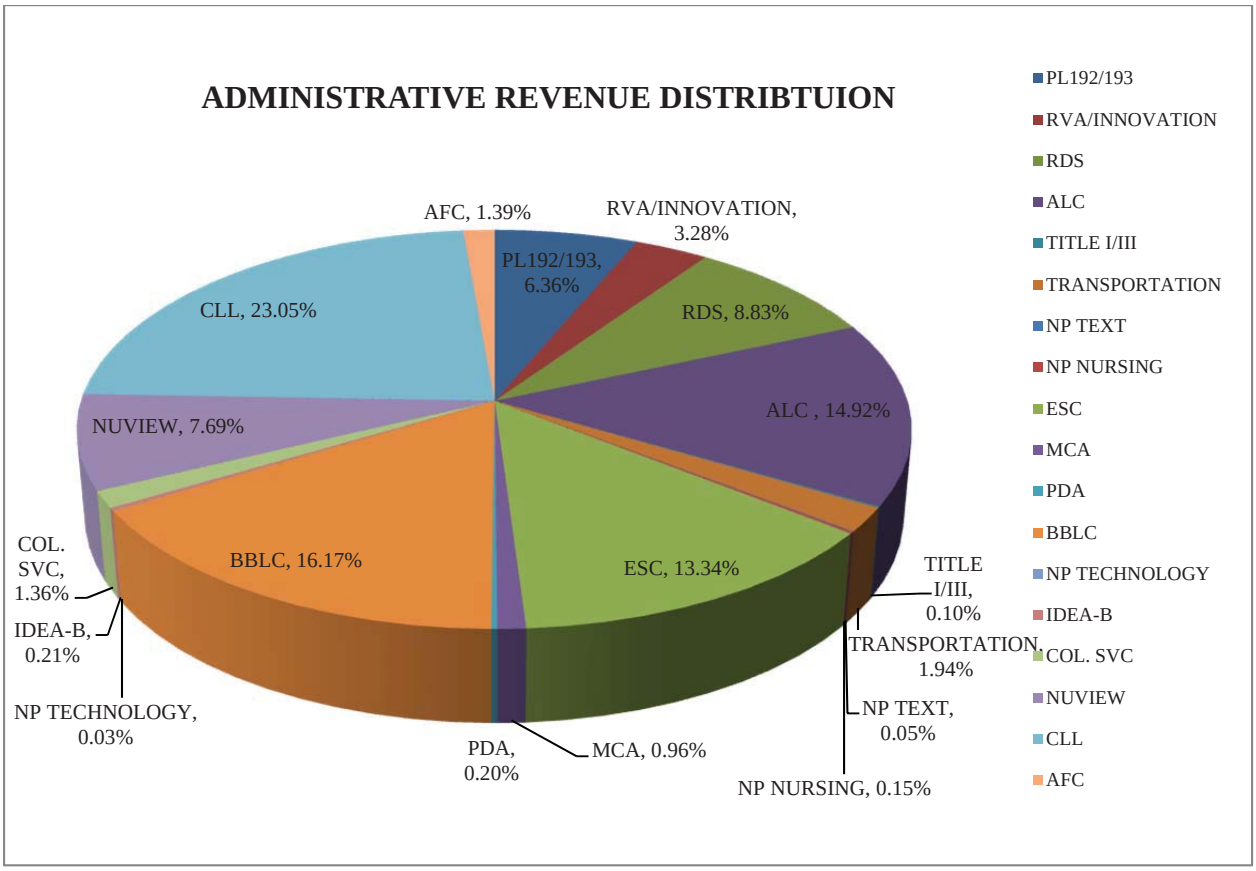
Table 2 shows the changes in net position from fiscal year 2013 to 2014.

Government-Wide Activities

Table 2 – Changes in Net Position

	Governmental		Business-Type		Total	
	2014	**2013 (* restated per GASB 65)**	**2014**	**2013**	**2014**	**2013**
Revenues						
Program revenues:						
Charges for services	**$ 31,624,558**	$ 29,200,853	**$ 5,436,496**	$ 5,284,300	**$ 37,061,054**	$ 34,485,153
Operating grants and contributions	**7,378,259**	6,931,101	**263,220**	241,718	**7,641,479**	7,172,819
General revenues:						
Tuition	**32,136,205**	30,247,995	**–**	–	**32,136,205**	30,247,995
Services provided to other districts	**12,268,807**	10,785,815	**–**	–	**12,268,807**	10,785,815
Grants and entitlements	**2,447,550**	2,655,091	**–**	–	**2,447,550**	2,655,091
Other	**143,619**	452,740	**–**	–	**143,619**	452,740
Total revenues	**85,998,998**	80,273,595	**5,699,716**	5,526,018	**91,698,714**	85,799,613
Program expenses						
Instruction	**17,965,699**	17,164,004	**–**	–	**17,965,699**	17,164,006
Support services:						
Pupils and instructional staff	**12,602,513**	11,499,733	**–**	–	**12,602,513**	11,499,733
General administration, school administration	**3,006,668**	2,807,107	**–**	–	**3,006,668**	2,807,107
Central services	**1,366,905**	1,180,180	**–**	–	**1,366,905**	1,180,180
Admin. Infor. Technology	**373,711**	278,071	**–**	–	**373,711**	278,071
Operations and maintenance of facilities	**1,967,843**	1,905,235	**–**	–	**1,967,843**	1,905,235
Pupil transportation	**37,069,323**	34,105,560	**–**	–	**37,069,323**	34,105,560
Business and other support svcs	**1,493,199**	1,862,803	**–**	–	**1,493,199**	1,862,803
Special schools	**2,678,384**	2,715,991	**–**	–	**2,678,384**	2,715,991
Interest on debt	**2,597,814**	3,379,151*	**–**	–	**2,597,814**	3,379,152
Regional Day School	**–**	–	**4,429,114**	4,666,512	**4,429,114**	4,666,512
Bus Services	**–**	–	**–**	–	**–**	–
Pool Service	**–**	–	**738,063**	654,430	**738,063**	654,430
Food Service	**–**	–	**311,148**	312,229	**311,148**	312,229
Total program expenses	**81,122,059**	76,897,835*	**5,478,325**	5,633,171	**86,600,384**	82,531,006
Excess before transfers	**4,876,939**	3,375,760*	**221,391**	(107,153)	**5,098,330**	3,268,607
Transfers	**51,197**	(76,040)	**(51,197)**	76,040	**–**	–
Change in net position	**4,928,136**	3,299,720	**170,194**	(31,113)	**5,098,330**	3,268,607
Beginning net position	**27,747,547***	24,447,827	**1,707,402**	1,738,515	**29,454,949**	26,186,342
Ending net position	**$ 32,675,683**	$ 27,747,547*	**$ 1,877,596**	$ 1,707,402	**$ 34,553,279**	$ 29,454,949

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



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

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

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

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

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

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

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

Financial Analysis of the Commission's Funds

Financial Information at Fiscal Year-End

As demonstrated by the various statements and schedules included in the financial section of this report, the Commission continues to meet its responsibility for sound financial management. The following schedule presents a summary of the general fund, special revenue fund and debt service fund revenues for the fiscal year ended June 30, 2014 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 2013	Percentage of Increase
Local sources	$ 76,173,189	88.57%	$ 5,466,024	7.73%
State sources	7,938,171	9.23	377,586	4.99
Federal sources	1,887,638	2.20	(118,206)	(5.89)
Total	$ 85,998,998	100.00%	$ 5,725,404	7.13%

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

The following schedule presents a summary of general fund, special revenue fund and debt service fund expenditures for the fiscal year ended June 30, 2014 and the amount and percentages of increases (decreases) in relation to the prior year's expenditures.

Expenditures	Amount	Percentage of Total	Increase (Decrease) from 2013	Percentage of Increase (Decrease)
Current:				
Instruction	$ 15,214,133	18.58%	$ 627,949	4.31%
Undistributed expenditures	58,796,818	71.81	4,742,370	8.77
Capital outlay	464,695	0.57	(173,215)	(27.15)
Special schools	2,678,384	3.27	(37,607)	(1.38)
Debt service:				
Principal	2,333,166	2.85	18,328	0.79
Interest	2,395,439	2.92	(77,595)	(3.14)
Total	$ 81,882,635	100.00%	$ 5,100,230	6.64%

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

acquired and placed in the service during prior year for the purpose of upgrading technology, replacement of maintenance vehicles, flooring and upgrades to the HVAC controls systems. The decrease in special schools is mainly attributable to the decrease enrollments in both Old Bridge and Sayreville Summer programs.

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, *unreserved fund balance* may serve as a useful measure of a Commission's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Commission's governmental funds reported combined ending fund balances of $18,425,743, an increase of $3,210,721 in comparison with the prior year. Approximately $14,935,187 of this total amount constitutes of *unassigned fund balance*, which is available for spending at the Commission's discretion. The remainder of fund balance is *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 $14,935,187 while total fund balance reached $15,710,337. 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 19.85 percent of total general fund expenditures, while total fund balances represent 20.88 percent of that same amount.

The total fund balance of the Commission's general fund increased by $3,390,386 during the current fiscal year and the undesignated fund balance increased by $3,510,559 during the current fiscal year.

The debt service fund has a total fund balance of $2,715,406, all of which is restricted for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was ($159,232).

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

<u>Significant Budget Variances or Budget Modifications</u>

During the 2014 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 2014 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 $76,173,144, $9,176,542 over original budgeted estimates of $66,996,602. This difference was due primarily to conservative revenue estimates for 1:1 aides, the growth of our cooperative pricing and purchasing services, additional transportation services and educational services provided to districts.

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

1. Salaries for home instruction were increased by $317,659. 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 of teachers and other salaries of instruction for Multiple Disabled Students were increased by $97,723. These increases are directly related to the actual salary paid as compared to original budget estimates for the reorganization of classes at the Academy Leaning Center and the Center for Lifelong Learning.

3. Salaries of teachers for Autistic Students were decreased by ($155,181). The decreases are directly related to the actual salary paid as compared to original budget estimates for the reorganization of classes at the Academy Leaning Center and the Center for Lifelong Learning.

4. General Supplies for Autistic Students were increased by $51,424. These increases are directly related to acquisition of instructional computer supplies orders for all programs.

5. Salaries of teachers for Preschool Disabled Students were increased by $80,307. These increases are directly related to the actual salary paid as compared to original budget estimates for the expansion of preschool disable classes at the Bright Beginnings Learning Center.

6. Other Support Services for Students salary line for instruction increased $75,097. 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.

7. Other Support Services for Students salary line for instructional 1.1 aides increased $1,016,910. This increase was primarily related to conservative revenue estimates for additional 1.1 aide service provided to all districts.

8. Other Support Services for Students salary line for other Professional staff decreased ($69,900). This decrease is directly related to the actual salary paid as compared to original budget estimates for case manager and counselors positions at the Bright Beginnings Learning Center and Raritan Valley Academy.

9. Other Support Services for Students line for Other Purchased Professional Educational Services was increased by $229,267. This increase was directly related to the actual cost paid as compared to original budget estimates for Occupational and Physical Therapy Services.

10. Other Support Services for Students line for Other Purchased Professional and Technical Services was increased by $134,441. This increase was primarily related to expansion of County Diagnostic services and Charter school services provided to districts.

11. Support Services for general administration line for Audit fees was increased by $54,683. This increase was directly related to timing difference between fund encumbered and expenditure recognized.

12. Support Services for general administration line for Telephone Communication was increased by $107,651. This increase was directly related to conversion to a hosted voice over IP Phone system.

13. Support Services for school administration line for Salaries of principal/asst. principal was increased by $62,962. This increase was directly related to the salary cost allocation increased for shared Nonpublic director and supervisors related to the expansion of County Diagnostic services and Charter school services provided to districts.

14. Support Services for school administration line for other purchased professional services was increased by $60,494. This increase was directly related to the actual purchased professional service cost paid to presenters as compared to original budget estimates for for Professional Development Academy Workshops.

15. Misc. purchased services line for Administrative information technology was decreased by ($73,329). This decrease is directly related to actual Misc purchased technology services cost paid to all providers as compared to the original budget estimates.

16. Required maintenance of school facilities for salary was increased by $53,214. This increase is directly related to actual salary and overtime payment as compared to original budget estimates for Custodial staffs were increased.

17. Required maintenance of school facilities for cleaning, repair, maintenance was increased by $94,419. This increase is directly related to actual cleaning, repair, maintenance cost paid as compared to original budget estimates for the Academy Learning Center, Center for the Lifelong, and additional maintenance cost related to flood damage at the Central office.

18. The energy line was increased $90,835. This increase is mainly due to actual electricity cost paid as compared to original budget estimates at the Raritan Valley Academy, Bright Beginning Learning Center, NuView Academy and the Center for Lifelong Learning.

19. Salaries of secretarial and clerical assistant line under Student Transportation services decreased ($110,102). This decrease is directly related to actual salary and overtime paid as compared to original budget estimates for the transportation specialist position.

20. Student Transportation Contracted Services between Home and School line increased $2,385,340. This increase is directly related to the level of service provided to participating districts as compared to budget estimates.

21. Student Transportation Contracted Services other than Home and School line increased $182,206. This increase is directly related to the level of service provided to New Brunswick for field trips as compared to budget estimates.

22. Employee Benefits for Social Security line increased $156,227. This increase is directly related to the actual social security tax paid as compared to original budget estimates for all programs.

23. Employee Benefits for Other retirement contributions decreased ($169,719). This decrease is directly related to the actual cost paid as compared to original budget estimates for all programs.

24. Heath Benefits increased $4,748,185. This represents the distribution of additional revenue for increases in services and tuition and actual health benefits cost exceeding original budget estimates.

25. Capital outlay for other and construction services increased by $631,351 and $103,528 respectively. These increases are mainly related to new copiers for central office, Chromebook technology equipment purchase for all behavior programs and replacement of flooring projects at the Academy Learning Center and the Bright Beginnings Learning Center.

26. Summer School instruction line for Other Salaries of instruction increased $135,609. This increase is mainly related to actual salary paid to instructional aides as compared to original budget and occupational therapeutic services at Center for Lifelong Learning were provided by commission staffs.

27. Summer School Support Services line for Personal Services – Employee Benefits increased $437,677. This increase is directly related to the level of funds transferred to the Commission's health benefit account to cover actual health benefit cost.

28. Summer School Support Services line for Purchased professional and Technical Services decreased ($217,070). 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.

The General Fund revenues exceeded expenditures and other financing sources (uses) of the Commission by approximately $3,390,386.

Capital Assets – Governmental Activities

At the end of the fiscal year 2014, the Commission had $63,029,707 (net) investment in land, buildings, furniture and equipment, and vehicles. Table 3 shows a comparison of capital assets (net of depreciation) from fiscal year 2013 to 2014.

Table 3 – Capital Assets (Net of Depreciation)

	2014	2013
Land and land improvements	**$ 5,690,561**	$ 5,750,204
Buildings and improvements	**55,509,918**	56,817,322
Machinery, equipment and vehicles	**1,829,228**	1,819,483
Totals	**$ 63,029,707**	$ 64,387,009

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

Debt Administration

On June 30, 2014, the Commission had $48,493,845 in outstanding long-term liabilities. Of this amount $171,849 is for compensated absences, and the balance of $48,070,000 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, 2014.

Middlesex Regional Educational Services Commission

Statement of Net Position

June 30, 2014

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 4,936,880	$ 560,709	**$ 5,497,589**
Cash and cash equivalents-restricted	216,392	–	**216,392**
Cash held by fiscal agent	220,379	–	**220,379**
Receivables, net	14,529,180	481,680	**15,010,860**
Internal balances	(47,720)	47,720	**–**
Capital assets, nondepreciable	5,231,614	–	**5,231,614**
Capital assets, depreciable, net	57,798,093	878,927	**58,677,020**
Total assets	82,884,818	1,969,036	**84,853,854**
Deferred outflows of resources			
Deferred loss on refunding	893,551	–	**893,551**
Liabilities			
Accounts payable	960,807	39,384	**1,000,191**
Accrued interest payable	77,538	–	**77,538**
Intergovernmental accounts payable:			
Districts	296,357	–	**296,357**
Unearned revenue	172,204	52,056	**224,260**
Noncurrent liabilities:			
Due within one year	1,730,430	–	**1,730,430**
Due beyond one year	47,865,350	–	**47,865,350**
Total liabilities	51,102,686	91,440	**51,194,126**
Net position			
Net investment in capital assets	14,499,327	878,927	**15,378,254**
Restricted for:			
Capital reserve	216,392	–	**216,392**
Debt service	2,715,406	–	**2,715,406**
Unrestricted	15,244,558	998,669	**16,243,227**
Total net position	$ 32,675,683	$ 1,877,596	**$ 34,553,279**

Middlesex Regional Educational Services Commission

Statement of Activities

Year ended June 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental activities						
Instruction	$ 17,965,699	$ 32,136,205	$ 4,718,315	$ 18,888,821	$ –	**$ 18,888,821**
Support services:						
Health services	707,233	–	–	(707,233)	–	**(707,233)**
Student and instruction related services	11,895,280	–	2,628,725	(9,266,555)	–	**(9,266,555)**
General and business administrative services	1,095,306	–	–	(1,095,306)	–	**(1,095,306)**
School administrative services	1,911,362	–	–	(1,911,362)	–	**(1,911,362)**
Central services	1,366,905	–	–	(1,366,905)	–	**(1,366,905)**
Admin. Infor. Technology	373,711	–	–	(373,711)	–	**(373,711)**
Plant operations and maintenance	1,967,843	–	–	(1,967,843)	–	**(1,967,843)**
Pupil transportation	37,069,323	31,624,558	–	(5,444,765)	–	**(5,444,765)**
Employee benefits	1,379,758	–	–	(1,379,758)	–	**(1,379,758)**
Capital outlay	113,441	–	31,219	(82,222)	–	**(82,222)**
Special schools	2,678,384	–	–	(2,678,384)	–	**(2,678,384)**
Interest on long-term debt	2,597,814	–	–	(2,597,814)	–	**(2,597,814)**
Total governmental activities	81,122,059	63,760,763	7,378,259	(9,983,037)	–	**(9,983,037)**
Business-type activities						
Regional Day School	4,429,114	4,740,445	–	–	311,331	**311,331**
Pool services	738,063	633,974	–	–	(104,089)	**(104,089)**
Food service	311,148	62,077	263,220	–	14,149	**14,149**
Total business-type activities	5,478,325	5,436,496	263,220	–	221,391	**221,391**
Total primary government	$ 86,600,384	$ 69,197,259	$ 7,641,479	(9,983,037)	221,391	**(9,761,646)**
General revenues:						
Federal and state aid not restricted				2,447,550	–	**2,447,550**
Services provided to districts				12,268,807	–	**12,268,807**
Interest income				9,783	–	**9,783**
Miscellaneous income				133,836	–	**133,836**
Transfers				51,197	(51,197)	**–**
Total general revenues and transfers, net				14,911,173	(51,197)	**14,859,976**
Change in net position				4,928,136	170,194	**5,098,330**
Net position—beginning (*restated for GASB 65 implementation – please see Note 1)				27,747,547	1,707,402	**29,454,949**
Net position—ending				$ 32,675,683	$ 1,877,596	**$ 34,553,279**

See accompanying notes.

Fund Financial Statements

Governmental Funds

Middlesex Regional Educational Services Commission
Governmental Funds

Balance Sheet

June 30, 2014

	Major Funds				Total Governmental Funds
	General	Special Revenue	Capital Projects	Debt Service	
Assets					
Cash and cash equivalents	$ 2,571,016	$ –	$ –	$ 2,365,864	**$ 4,936,880**
Cash and cash equivalents-restricted	216,392	–	–	–	**216,392**
Cash held by fiscal agent-restricted	29,200	–	–	191,179	**220,379**
Intergovernmental accounts receivable					
State	47,064	–	–	–	**47,064**
Other districts	10,836,360	3,078,438	–	–	**13,914,798**
Other accounts receivable	10,859	–	–	–	**10,859**
Interfund receivable	3,320,775	–	–	158,363	**3,479,138**
Total assets	$ 17,031,666	$ 3,078,438	$ –	$ 2,715,406	**$ 22,825,510**
Liabilities					
Accounts payable	$ 916,297	$ 44,510	$ –	$ –	**$ 960,807**
Intergovernmental accounts payable					
Other districts	126,704	169,653	–	–	**296,357**
Interfunds payable	248,166	2,722,233	–	–	**2,970,399**
Unearned revenue	30,162	142,042	–	–	**172,204**
Total liabilities	1,321,329	3,078,438	–	–	**4,399,767**
Fund balances					
Nonspendable: Invested in Capital Assets					
Restricted for:					
Capital reserve	216,392	–	–	–	**216,392**
Debt service	–	–	–	2,715,406	**2,715,406**
Committed - encumbrances	529,558	–	–	–	**529,558**
Assigned	29,200	–	–	–	**29,200**
Unassigned	14,935,187	–	–	–	**14,935,187**
Total fund balances	15,710,337	–	–	2,715,406	**18,425,743**
Total liabilities and fund balances	$ 17,031,666	$ 3,078,438	$ –	$ 2,715,406	

Amounts reported for *governmental activities* in the statement of net position (A-1) are different because:	
Capital assets used in govenmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is $78,713,822 and the accumulated depreciation is $15,684,115.	**63,029,707**
Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.	**(77,538)**
Deferred Outflows of Resources not reported as outflows of resources in the funds	**893,551**
Long-term liabilities, including bonds payable, capital leases and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds.	**(49,595,780)**
Net position of governmental activities (A-1)	**$ 32,675,683**

See accompanying notes.

Middlesex Regional Educational Services Commission
Governmental Funds

Statements of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2014

	Major Funds				
	General Fund	**Special Revenue Fund**	**Capital Projects Fund**	**Debt Service Fund**	**Total**
Revenues:					
Local sources:					
Tuition from districts	$ 32,136,205	$ –	$ –	$ –	**$ 32,136,205**
Transportation fees	31,624,558	–	–	–	**31,624,558**
Services provided to districts	12,268,807	–	–	–	**12,268,807**
Interest on investments	9,738	–	–	45	**9,783**
Miscellaneous	133,836	–	–	–	**133,836**
Total revenues – local sources	76,173,144	–	–	45	**76,173,189**
State sources	2,447,550	5,490,621	–	–	**7,938,171**
Federal sources	–	1,887,638	–	–	**1,887,638**
Total revenues	78,620,694	7,378,259	–	45	**85,998,998**
Expenditures:					
Current:					
Instruction	10,495,818	4,718,315	–	–	**15,214,133**
Undistributed:					
Health services	610,528	–	–	–	**610,528**
Other support: special	7,706,612	2,562,141	–	–	**10,268,753**
General administration	945,537	–	–	–	**945,537**
School administration	1,650,008	–	–	–	**1,650,008**
Central Services	1,179,998	–	–	–	**1,179,998**
Admin. Info. Technology	322,611	–	–	–	**322,611**
Required maintenance for school facilities	913,923	–	–	–	**913,923**
Operation of plant	784,842	–	–	–	**784,842**
Student transportation	32,000,567	–	–	–	**32,000,567**
Employee benefits	7,672,501	–	–	–	**7,672,501**
Reimbursement TPAF social security and pension (non-budgeted)	2,447,550	–	–	–	**2,447,550**
Capital outlay	433,476	31,219	–	–	**464,695**
Special schools	2,678,384	–	–	–	**2,678,384**
Debt service:					
Principal	–	–	–	2,333,166	**2,333,166**
Interest	–	–	–	2,395,439	**2,395,439**
Total expenditures	69,842,355	7,311,675	-	4,728,605	**81,882,635**
Excess (deficiency) of revenues over (under) expenditures	8,778,339	66,584	–	(4,728,560)	**4,116,363**
Other financing sources (uses):					
Transfers in	20,433	–	–	5,526,167	**5,546,600**
Transfers out	(5,408,386)	(66,584)	(20,433)	–	**(5,495,403)**
Proceeds from Bond	–	–	–	10,511,398	**10,511,398**
Advanced Refunding Escrow	–	–	–	(1,011,254)	**(1,011,254)**
Payment to Debt Escrow	–	–	–	(10,456,983)	**(10,456,983)**
Total other financing (uses) sources	(5,387,953)	(66,584)	(20,433)	4,569,328	**(905,642)**
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	3,390,386	- –	(20,433)	(159,232)	**3,210,721**
Fund balances, July 1	12,319,951	–	20,433	2,874,638	**15,215,022**
Fund balances, June 30	$ 15,710,337	$ –	$ –	$ 2,715,406	**$ 18,425,743**

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, 2014

Total net change in fund balances - governmental funds (B-2)			$ 3,210,721
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	$ (1,708,557)	
	Capital outlays	351,255	(1,357,302)
The issuance of long-term debt (e.g. bonds/loans, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.			2,893,149
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due.			194,481
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.			(12,913)
Change in net position of governmental activities (A-2)			$ 4,928,136

See accompanying notes.

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Proprietary Funds

Middlesex Regional Educational Services Commission
Proprietary Funds

Statement of Net Position

June 30, 2014

	Regional Day School Fund	Pool Services Fund	Food Services Fund	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 549,491	$ –	$ 43,260	**$ 592,751**
Intergovernmental accounts receivable:				
State	–	–	1,008	**1,008**
Federal	–	–	58,679	**58,679**
Other districts	419,938	1,978	77	**421,993**
Interfund receivable	10,790	112,254	–	**123,044**
Total current assets	980,219	114,232	103,024	**1,197,475**
Capital assets:				
Site Improvement	824,429	–	–	**824,429**
Equipment	614,855	–	–	**614,855**
Accumulated depreciation	(560,357)	–	–	**(560,357)**
Total capital assets	878,927	–	–	**878,927**
Total assets	1,859,146	114,232	103,024	**2,076,402**
Liabilities				
Current liabilities:				
Cash overdraft	–	32,042	–	**32,042**
Accounts payable	8,653	29,940	791	**39,384**
Interfunds payable	22,451	44	52,829	**75,324**
Unearned revenues	–	52,056	–	**52,056**
Total current liabilities	31,104	114,082	53,620	**198,806**
Net Position				
Invested in capital assets, net of related debt	878,927	–	–	**878,927**
Unrestricted	949,115	150	49,404	**998,669**
Total net position	$ 1,828,042	$ 150	$ 49,404	**$ 1,877,596**

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, 2014

	Regional Day School Fund	Pool Services Fund	Food Services Fund	Total
Operating revenues:				
Local sources:				
School lunch program	$ –	$ –	$ 62,077	**$ 62,077**
Tuition	4,218,408	–	–	**4,218,408**
Services	521,727	627,638	–	**1,149,365**
Miscellaneous	310	6,336	–	**6,646**
Total operating revenues	4,740,445	633,974	62,077	**5,436,496**
Operating expenses:				
Cost of food	–	–	284,695	**284,695**
Salaries and wages	2,491,533	439,069	26,453	**2,957,055**
Employee benefits	1,192,490	91,849	–	**1,284,339**
Materials and supplies	45,499	71,504	–	**117,003**
Textbooks	606	–	–	**606**
Maintenance and repairs	23,155	28,485	–	**51,640**
Other professional services	421,560	13,142	–	**434,702**
Insurance	13,269	–	–	**13,269**
Telephone/communications	33,232	289	–	**33,521**
Utilities	107,847	61,192	–	**169,039**
Depreciation	55,142	–	–	**55,142**
Miscellaneous	44,781	32,533	–	**77,314**
Total operating expenses	4,429,114	738,063	311,148	**5,478,325**
Operating income (loss)	311,331	(104,089)	(249,071)	**(41,829)**
Nonoperating revenues:				
State school lunch program	–	–	3,760	**3,760**
National breakfast program - federal	–	–	92,094	**92,094**
Federal school lunch program	–	–	167,366	**167,366**
Total nonoperating revenues	–	–	263,220	**263,220**
Income before transfers	311,331	(104,089)	14,149	**221,391**
Transfers in	–	112,254	–	**112,254**
Transfers out	(113,451)	(50,000)	–	**(163,451)**
Total transfer	(113,451)	62,254	–	**(51,197)**
Change in net position	197,880	(41,835)	14,149	**170,194**
Net position, beginning of year	1,630,162	41,985	35,255	**1,707,402**
Net position, end of year	$ 1,828,042	$ 150	$ 49,404	**$ 1,877,596**

See accompanying notes.

Middlesex Regional Educational Services Commission
Proprietary Fund

Statement of Cash Flows

Year ended June 30, 2014

	Regional Day School Fund	Pool Services Fund	Food Services Fund	Total
Cash flows from operating activities				
Receipts from customers	$ 4,705,437	$ 543,166	$ 62,000	**$ 5,310,603**
Payments to employees	(2,491,533)	(439,069)	(26,453)	**(2,957,055)**
Payments for employee benefits	(1,192,490)	(91,849)	–	**(1,284,339)**
Payments to suppliers	(737,860)	(198,649)	(284,695)	**(1,221,204)**
Net cash provided by (used in) operating activities	283,554	(186,401)	(249,148)	**(151,995)**
Cash flows from noncapital financing activities				
State sources	–	–	3,327	**3,327**
Federal sources	–	–	225,880	**225,880**
Operating subsidies and transfers to other funds	(85,675)	62,298	26,507	**3,130**
Net cash (used in) provided by noncapital financing activities	(85,675)	62,298	255,714	**232,337**
Cash flows from capital and related financing				
Purchases of capital assets	(11,719)	–	–	**(11,719)**
Net cash used in capital and related financing activities	(11,719)	–	–	**(11,719)**
Net increase (decrease) in cash and cash equivalents	186,160	(124,103)	6,566	**68,623**
Balances – beginning of year	363,331	92,061	36,694	**492,086**
Balances – end of year	$ 549,491	$ (32,042)	$ 43,260	**$ 560,709**
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	$ 311,331	$ (104,089)	$ (249,071)	**$ (41,829)**
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation and net amortization	55,142	–	–	**55,142**
Change in assets and liabilities:				
(Increase) Decrease in accounts receivable, net	(35,008)	(112,669)	(77)	**(147,754)**
(Decrease) Increase in accounts payable, net	(47,911)	8,496	–	**(39,415)**
(Decrease) Increase in deferred revenue, net	–	21,861	–	**21,861**
Net cash provided by (used in) operating activities	$ 283,554	$ (186,401)	$ (249,148)	**$ (151,995)**

See accompanying notes.

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Fiduciary Funds

Middlesex Regional Educational Services Commission
Fiduciary Funds

Statement of Fiduciary Net Position

June 30, 2014

	Unemployment Compensation Trust Fund	Agency Fund
Assets		
Cash and cash equivalents	$ 295,458	$ 719,649
Interfund receivable	–	44
Accounts receivable – other	17,572	1,083
Total assets	$ 313,030	$ 720,776
Liabilities		
Account payable	$ –	$ 156,890
Interfunds payable	–	556,504
Due to student groups	–	7,382
Total liabilities	–	$ 720,776
Net Position		
Held in trust for unemployment claims	$ 313,030	

See accompanying notes.

Middlesex Regional Educational Services Commission
Fiduciary Funds

Statement of Changes in Fiduciary Net Position

Year ended June 30, 2014

	Unemployment Compensation Trust Fund
Additions	
Contributions	$ 237,158
Interest on investments	232
Total additions	237,390
Deductions	
Payment of claims	113,850
Total deductions	113,850
Change in net position	123,540
Net position- beginning	189,490
Net position - ending	$ 313,030

See accompanying notes.

Middlesex Regional Educational Services Commission

Notes to Financial Statements

June 30, 2014

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

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

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

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, 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.

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,

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 unearned 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, 2014 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.

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:

	Years
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.

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, 2014, 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.

1. Summary of Significant Accounting Policies (continued)

- 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.

- 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 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.

- Unrestricted net position consists of net position 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

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

N. New Accounting Standards Adopted

Effective July 1, 2013, the Commission implemented GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities." This Statement established 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 or inflows of resources, certain items that were previously reported as assets and liabilities. The implementation of this new standard resulted in the modification of the method previously used to account for bond issuance costs and the expenses incurred on bond refunding. Pursuant to paragraph 14 of GASB Statement No. 65, the Commission has expensed the balance of unamortized bond issuance costs. In addition, the Commission has reclassified the unamortized cost of bond refunding to deferred outflows.

O. Accounting Standards Issued But Not Yet Adopted

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.

1. Summary of Significant Accounting Policies (continued)

- 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.

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 employers 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.

1. Summary of Significant Accounting Policies (continued)

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.

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. The Commission does not believe there will be an impact of its adoption on the 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.

1. Summary of Significant Accounting Policies (continued)

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 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. The Commission does not believe there will be an impact of its adoption on the financial statements.

GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, was issued in November 2013. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions.* This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

The provisions of this Statement should be applied simultaneously with the provisions of Statement 68, which 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.

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 Position

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the district-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds and loans payable, are not due and payable in the current period and therefore are not reported in the funds. The details of the $49,595,780 difference are as follows:

Bonds/loans payable	$ 48,321,996
Less:	
Unamortized bond issuance (discount)/premium net	1,101,935
Compensated absences	171,849
Net adjustment to reduce fund balance-total governmental funds to arrive at net position – governmental activities	$ 49,595,780

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 represent 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.

3. Deposits (continued)

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.

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.

3. Deposits (continued)

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, 2014, the carrying amount of the Commission's deposits was $6,709,735 and the bank balance was $13,491,037. Of the bank balance, $100,000 was covered by the Federal Depository Insurance and $13,391,037 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.

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, 2014.

	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	67,283,051	93,738	–	67,376,789
Land improvements	1,192,854	–	–	1,192,854
Vehicles	774,009	120,283	–	894,292
Machinery and equipment	3,881,039	137,234	–	4,018,273
Total capital assets, being depreciated	73,130,952	351,255	–	73,482,208
Less accumulated depreciation for:				
Buildings and building improvements	(10,465,729)	(1,401,142)	–	(11,866,871)
Land improvements	(674,264)	(59,643)	–	(733,907)
Vehicles	(667,286)	(29,176)	–	(696,462)
Machinery and equipment	(2,168,279)	(218,596)	–	(2,386,875)
Total accumulated depreciation	(13,975,558)	(1,708,557)	–	(15,684,115)
Total capital assets, being depreciated, net	59,155,395	(1,357,302)	–	57,798,093
Governmental activities capital assets, net	$ 64,387,009	$ (1,357,302)	$ –	$ 63,029,707

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

Instruction	$ 341,711
Business and other support services	1,366,846
Total allocated depreciation	$ 1,708,557

4. Capital Assets (continued)

The following is a summary of business-type capital assets for the fiscal year ended June 30, 2014.

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, being depreciated:				
Building and building improvements	$ 807,140	$ 11,127	$ –	$ 818,267
Land improvements	6,163	–	–	6,163
Machinery and equipment	614,260	593	–	614,853
Total capital assets being depreciated	1,427,565	11,720	–	1,439,283
Less accumulated depreciation for:				
Land improvements	(126,397)	(30,179)	–	(156,576)
Building and building improvements	(2,863)	(308)	–	(3,171)
Machinery and equipment	(375,954)	(24,655)	–	(400,609)
Total accumulated depreciation	(505,214)	(55,142)	–	(560,356)
Total capital assets, being depreciated, net	922,349	(43,422)	–	878,927
Business-type activities capital assets, net	$ 922,349	$ (43,422)	$ –	$ 878,927

5. Long-Term Liabilities

Changes in Long-term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences payable	$ 158,936	$ 12,913	$ –	$ 171,849	$ 771
MCIA loans payable	52,150,000	9,385,000	(13,465,000)	48,070,000	1,630,000
TD Equipment Loans payable	350,162	–	(98,166)	251,996	99,659
Less deferred amounts:					
Issuance (discount)/premium	(338,678)	1,440,613	–	1,101,935	–
	$ 52,320,420	$ 10,838,526	$(13,563,166)	$ 49,595,780	$ 1,730,430

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

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.

In fiscal year 2014, the Commission advance refunded $13,465,000 of the 2004 County Guaranteed Revenue Bonds. The principal amount outstanding as of June 30, 2014 was $11,230,000. Terms of the loan repayment call for semi-annual interest with rates that vary from 2.00% to 5.00% and annual principal repayments. The Commission completed the refunding to reduce total debt service payments by over 10%.

As of June 30, 2014, $28,580,000 of defeased bonds remains outstanding.

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

5. Long-Term Liabilities (continued)

Future loan payments are as follows:

	2008		2010		2012		2014		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
Year ending June 30											
2015	$ 1,095,000	$ 1,731,864	$ 535,000	$ 113,975	$ 99,659	$ 3,442	$ –	$ 265,016	$ 1,729,659	$ 2,114,297	$ 3,843,956
2016	1,135,000	1,688,631	550,000	97,700	101,174	1,927	645,000	378,250	2,431,174	2,166,508	4,597,682
2017	1,185,000	1,636,306	575,000	77,950	51,163	388	735,000	360,775	2,546,163	2,075,419	4,621,582
2018 – 2022	6,785,000	7,288,768	1,855,000	101,075	–	–	4,085,000	1,352,850	12,725,000	8,742,693	21,467,693
2023 – 2027	8,630,000	5,398,593	–	–	–	–	3,920,000	388,525	12,550,000	5,787,118	18,337,118
2028 – 2034	16,340,000	3,171,066	–	–	–	–	–	–	16,340,000	3,171,066	19,511,066
Totals	$ 35,170,000	$ 20,915,228	$3,515,000	$ 390,700	$ 251,996	$ 5,757	$ 9,385,000	$ 2,745,416	$ 48,321,996	$ 24,057,101	$ 72,379,097

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.

6. Pension Plans (continued)

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 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 through 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 through 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.

6. Pension Plans (continued)

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 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 through 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 through 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.

6. Pension Plans (continued)

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.

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

6. Pension Plans (continued)

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 $969,128, $946,962, and $953,223 during the years ended June 30, 2014, 2013 and 2012 for the employer's share of social security contributions for TPAF members as calculated on their base salaries and $1,478,422, $1,708,129, and $1,236,768 for post-retirement medical benefits and normal pension costs for years ended 2014, 2013 and 2012.

The Commission's contributions to PERS for the years ended June 30, 2014, 2013 and 2012 were $784,072, $870,819, and $972,536, 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 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 pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education 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, 2014 may be impaired. In the opinion of the Commission, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying financial statements for such contingencies.

9. Risk Management

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

Property and Liability Insurance

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

New Jersey Unemployment Compensation Insurance

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

9. Risk Management (continued)

Reimbursable Unemployment Account to a Contributory Unemployment Account. The Employer Unemployment Compensation Insurance Contribution rate is 0.60% for the period January 1, 2010 to December 31, 2010 and the rate will be changed to 0.70% from the period January 1, 2011 June 30, 2014. Based on final unemployment experience rate, the Commission was allocated to the Unemployment and Workforce Funds in the total amount of $131,421 for fiscal year 2014.

10. Capital Reserve Account – Restricted Net Position

Capital reserve accounts may be established for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. A capital reserve account is maintained in the General Fund and its activity is included in the General Fund annual budget. Funds placed in the capital reserve account are restricted to capital outlay expenditures and transfers of such funds for other uses are prohibited pursuant to N.J.S.A. 18A:22-8.2. The amount included in the Commission's capital reserve account at June 30, 2014 is $216,392.

11. Inter-fund Receivables and Payables

The following inter-fund balances remained on the balance sheet at June 30, 2014:

Fund	Inter-fund Receivables	Inter-fund Payables
General Fund	$ 3,320,775	$ 248,166
Special Revenue Fund	–	2,722,232
Debt Service Fund	158,363	–
Proprietary Fund	123,044	75,324
Trust and Agency Fund – Payroll	44	556,504
	$ 3,602,226	$ 3,602,226

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

12. Transfers – Reconciliation

	Transfers In	Transfers Out
General Fund	$ 20,433	$ 5,408,386
Special Revenue Fund	–	66,584
Capital Projects Fund	–	20,433
Debt Service Fund	5,526,167	–
Enterprise Fund – RDS/Bus Services/Pool	112,254	163,451
	$ 5,658,854	$ 5,658,854

12. Transfers – Reconciliation (continued)

The transfers represent an allocation to the various funds for debt service charges to pay for the Commission's interest and principal on its outstanding debt. The Commission does not have the ability to raise taxes and does not receive any debt service aid. The transfer inflow of the General fund and outflow of the capital projects fund was to close out the capital project fund as major capital acquisition or construction of facilities were completed.

13. Fund Balance Components – General Fund

Of the $15,710,337 of General Fund balance at June 30, 2014, $216,932 has been classified as restricted for capital reserve; $529,558 is classified as reserved for committed encumbrances; $29,200 has been classified as assigned for general liability claims; and the remaining $14,935,187 is unassigned.

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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, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local sources:					
Tuition	$ 30,106,437	$ 2,029,768	$ 32,136,205	$ 32,136,205	$ –
Transportation fees	29,081,328	2,543,230	31,624,558	31,624,558	–
Services provided to districts	7,680,837	4,587,970	12,268,807	12,268,807	–
Interest on investments	8,000	1,738	9,738	9,738	–
Miscellaneous	120,000	13,836	133,836	133,836	–
Total – local sources	66,996,602	9,176,542	76,173,144	76,173,144	–
State sources:					
Reimbursed TPAF social security and pension contributions (non-budgeted)				2,447,550	2,447,550
Total – state sources				2,447,550	2,447,550
Total revenues	66,996,602	9,176,542	76,173,144	78,620,694	2,447,550
Expenditures					
Current:					
Regular programs – Instruction					
Grades 9-12					
Salaries of teachers	211,000	13,871	224,871	224,871	–
Total instruction – regular programs	211,000	13,871	224,871	224,871	–
Home instruction:					
Salaries of teachers	320,000	317,659	637,659	637,659	–
Total home instruction	320,000	317,659	637,659	637,659	–
Charter School:					
Salaries of teachers	12,000	(3,225)	8,775	8,775	–
Total Charter School	12,000	(3,225)	8,775	8,775	–
Regular programs – Undistributed Instruction					
Other salaries of instruction	5,000	5,027	10,027	10,027	–
General supplies	9,480	(9,480)	–	–	–
Textbooks	1,271	(1,271)	–	–	–
Other objects	2,672	4,118	6,790	6,790	–
Total interim alternative education program	18,423	(1,606)	16,817	16,817	–
Total instruction – regular programs	561,423	326,699	888,122	888,122	–
Special education:					
Auditory Impairments program:					
Salaries of teachers	105,000	15,948	120,948	120,948	–
Purchased Instructional services	32,590	(16,014)	16,576	16,576	–
General supplies	1,910	(1,568)	342	342	–
Other Objects	7,500	(5,662)	1,838	1,838	–
Total Auditory Impairments program	147,000	(7,296)	139,704	139,704	–
Learning and/or language disabilities:					
Salaries of teachers	30,000	(19,261)	10,739	10,739	–
Total learning and/or language disabilities	30,000	(19,261)	10,739	10,739	–

Middlesex Regional Educational Services Commission
General Fund

Budgetary Comparison Schedule

Year ended June 30, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
For Keeps Children's program:					
Salaries of teachers	$ 68,000	$ 6,680	$ 74,680	$ 74,680	$ –
General supplies	3,000	(2,912)	88	88	–
Total For Keeps Children's program	71,000	3,768	74,768	74,768	–
Behavioral disabilities:					
Salaries of teachers	680,000	26,080	706,080	706,080	–
Other salaries of instruction	214,000	(24,935)	189,065	189,065	–
General supplies	22,260	(8,852)	13,408	13,408	–
Textbooks	22,790	(18,718)	4,072	4,072	–
Other objects	361,433	(5,006)	356,427	356,427	–
Total behavioral disabilities	1,300,483	(31,431)	1,269,052	1,269,052	–
Multiple disabilities:					
Salaries of teachers	1,630,500	34,361	1,664,861	1,664,861	–
Other salaries of instruction	900,000	97,723	997,723	997,723	–
General supplies	47,394	49,065	96,458	54,672	41,786
Textbooks	336	–	336	336	–
Other objects	7,066	(2,419)	4,647	4,647	–
Total multiple disabilities	2,585,296	178,729	2,764,025	2,722,239	41,786
Autism:					
Salaries of teachers	2,725,500	(155,181)	2,570,319	2,570,319	–
Other salaries of instruction	2,034,000	(12,059)	2,021,942	2,021,942	–
General supplies	72,594	51,424	124,017	82,279	41,738
Textbooks	910	–	910	910	–
Other objects	11,986	(4,220)	7,766	7,766	–
Total autism	4,844,990	(120,036)	4,724,954	4,683,216	41,738
Preschool:					
Salaries of teachers	336,000	80,307	416,307	416,307	–
Other salaries of instruction	313,000	(30,049)	282,951	282,951	–
General supplies	9,240	(1,195)	8,045	7,833	212
Textbooks	84	–	84	84	–
Other objects	1,804	(1,000)	804	804	–
Total preschool	660,128	48,063	708,191	707,979	212
Total special education	9,638,896	52,536	9,691,432	9,607,696	83,736
Total instruction	10,200,319	379,235	10,579,554	10,495,818	83,736
Undistributed expenditures:					
Health services:					
Salaries	396,000	4,109	400,109	400,109	–
Purchased professional and technical services	208,720	(19,761)	188,959	188,001	958
Supplies	20,135	2,866	23,001	22,418	583
Total health services	624,855	(12,786)	612,069	610,528	1,541
Other support services – students special services:					
Salaries of instruction (speech/otpt)	2,041,000	75,097	2,116,097	2,116,097	–
Other salaries of instruction (1.1)	830,000	1,016,910	1,846,910	1,846,910	–
Salaries of other professional staff	843,000	(69,900)	773,100	773,100	–
Purchased Professional – Ed. Services	1,565,631	229,267	1,794,898	1,794,898	–
Other Purchased Prof. And Tech Services	1,016,768	134,441	1,151,209	1,123,119	28,090
Supplies and materials	4,150	(1,796)	2,354	2,354	–
Total other support services – students special services	6,300,549	1,384,019	7,684,568	7,656,478	28,090
Improvement of Instructional Services					
Other purchased services	79,260	(29,126)	50,134	50,134	–
Total Improvement of Instructional Services	79,260	(29,126)	50,134	50,134	–

Middlesex Regional Educational Services Commission
General Fund

Budgetary Comparison Schedule

Year ended June 30, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Undistributed expenditures (continued):					
Support services – general administration:					
Salaries	$ 487,400	$ (17,714)	$ 469,686	$ 469,686	$ –
Legal services	27,500	2,142	29,642	25,795	3,847
Audit fees	57,150	54,683	111,833	55,641	56,192
Other purchased professional services	41,000	(1,038)	39,962	39,962	–
Telephone	171,050	107,651	278,701	278,701	–
Supplies and materials	11,400	(1,150)	10,250	10,250	–
Other objects	65,789	(287)	65,502	65,502	–
Total support services – general administration	861,289	144,287	1,005,576	945,537	60,039
Support services – school administration:					
Salaries of principals/asst. principals	1,033,250	62,962	1,096,212	1,055,212	41,000
Salaries of secretarial and clerical assistants	459,750	2,807	462,557	462,557	–
Other purchased professional services	28,190	60,494	88,684	88,684	–
Supplies and materials	44,940	(13,132)	31,808	31,808	–
Other objects	25,891	(14,144)	11,747	11,747	–
Total support services – school administration	1,592,021	98,987	1,691,008	1,650,008	41,000
Central services:					
Salaries	1,048,600	(18,217)	1,030,383	1,030,383	–
Purchased professional services	45,700	(19,709)	25,991	25,991	–
Misc. purchased services (400-500 series)	51,600	(13,437)	38,163	37,284	879
Supplies and materials	17,700	6,085	23,785	21,789	1,996
Miscellaneous expenditures	26,039	38,512	64,551	64,551	–
Total central services	1,189,639	(6,766)	1,182,873	1,179,998	2,875
Admin. Infor. Technology:					
Salaries	150,300	47,080	197,380	197,380	–
Misc. purchased services (400-500 series)	168,100	(73,329)	94,771	93,912	859
Supplies and materials	27,500	9,443	36,943	31,319	5,624
Total admin. Infor. Technology	345,900	(16,806)	329,094	322,611	6,483
Required maintenance of school facilities:					
Salaries	485,000	53,214	538,214	538,214	–
Cleaning, repair, maintenance	182,050	94,419	276,469	250,868	25,601
General supplies	148,075	(19,653)	128,422	124,841	3,581
Total required maintenance of school facilities	815,125	127,980	943,105	913,923	29,182
Other operation and maintenance for plant:					
Salaries	89,000	(22,705)	66,295	66,295	–
Other Purchased Property Services	38,200	(2,545)	35,655	35,655	–
Insurance	86,100	23,851	109,951	109,951	–
Energy (heat and electricity)	480,600	90,835	571,435	571,435	–
Other objects	16,775	(15,269)	1,506	1,506	–
Total other operation and maintenance or plant	710,675	74,167	784,842	784,842	–

Middlesex Regional Educational Services Commission
General Fund

Budgetary Comparison Schedule

Year ended June 30, 2014

	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	$ 85,000	$ (1,800)	$ 83,200	$ 83,200	$ –
Salaries of secretarial and clerical assistants	308,000	(110,102)	197,898	197,898	–
Contracted svc (bet. Home and Sch) – Vendors	28,556,000	2,385,340	30,941,340	30,916,762	24,578
Contracted svc (oth. Than bet. Home and Sch)	526,948	182,206	709,154	707,348	1,806
Contracted svc – Aide in Lieu Pymts – NP Sch	81,328	(4,040)	77,288	77,288	–
Supplies and materials& Misc	18,750	(679)	18,071	18,071	–
Total student transportation services	29,576,026	2,450,925	32,026,951	32,000,567	26,384
Employee benefits:					
Social security	527,000	156,227	683,227	683,227	–
Other retirement contributions – regular	827,700	(169,719)	657,981	657,981	–
Unemployment compensation	180,200	800	181,000	181,000	–
Workmen's compensation	198,200	13,384	211,584	190,383	21,201
Health benefits	5,777,885	4,748,185	10,526,070	5,821,296	4,704,774
Tuition reimbursement	100,000	3,284	103,284	37,164	66,120
Other employee benefits	85,550	15,900	101,450	101,450	–
Total employee benefits	7,696,535	4,768,061	12,464,596	7,672,501	4,792,095
Reimbursed social security and pension contributions (non-budgeted)				2,447,550	(2,447,550)
Total				2,447,550	(2,447,550)
Total undistributed expenditures	49,791,874	8,982,942	58,774,816	56,234,677	2,540,139
Total expenditures – current	59,992,193	9,362,177	69,354,370	66,730,495	2,623,875
Capital outlay					
Equipment:					
Regular programs – instruction:					
Special education – instruction:					
Multiple disabilities	1,500	10,662	12,162	2,904	9,258
Behavioral disabilities	2,000	–	2,000	–	2,000
Autism	1,500	10,662	12,162	2,904	9,258
Special education – non-instruction:					
Multiple disabilities	–	–	–	–	–
Behavioral disabilities	–	–	–	–	–
Autism	–	–	–	–	–
Others	–	631,351	631,351	333,551	297,800
Total equipment	5,000	652,675	657,675	339,359	318,316
Facilities acquisition and construction services:					
Construction services	–	103,528	103,528	94,117	9,411
Total facilities acquisition and construction services	–	103,528	103,528	94,117	9,411
Total capital outlay	5,000	756,203	761,203	433,476	327,727

Middlesex Regional Educational Services Commission
General Fund

Budgetary Comparison Schedule

Year ended June 30, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Special schools:					
Summer School – Instruction					
Salaries of teachers	$ 666,224	$ (19,504)	$ 646,720	$ 646,720	$ –
Other salaries of instruction	391,400	135,609	527,009	527,009	–
General supplies	37,000	(8,534)	28,466	28,466	–
Total summer school year – Instruction	1,094,624	107,571	1,202,195	1,202,195	–
Summer School – Support Services					
Salaries	629,851	12,184	642,035	642,035	–
Personal Services – Employee Benefits	137,774	437,677	575,451	569,474	5,977
Purch Pro & Tech Services	465,160	(217,070)	248,090	248,090	–
Other Purchased Services	33,000	(16,410)	16,590	16,590	–
Total summer school year – Support Services	1,265,785	216,381	1,482,166	1,476,189	5,977
Total special schools	2,360,409	323,952	2,684,361	2,678,384	5,977
Total expenditures	62,357,602	10,442,332	72,799,934	69,842,355	2,957,579
(Deficiency) excess of revenues (under) over expenditures	4,639,000	(1,265,790)	3,373,210	8,778,339	5,405,129
Other financing sources (uses):					
Transfers in		20,433	20,433	20,433	–
Transfers out	(4,639,000)	(789,819)	(5,428,819)	(5,408,386)	(20,433)
Total other financing sources (uses)	(4,639,000)	(769,386)	(5,408,386)	(5,387,953)	(20,433)
(Deficiency) excess of revenues (under) over expenditures and other financing sources (uses)	–	(2,035,176)	(2,035,176)	3,390,386	5,425,562
Fund balances, July 1	5,587,027	(3,839,090)	1,747,937	12,319,951	
Fund balances, June 30	$ 5,587,027	$ (5,874,266)	$ (287,239)	$ 15,710,337	$ 5,425,562
Recapitulation of (deficiency) excess of revenues (under) over expenditures and other financing sources (uses)					
Adjustment for prior year encumbrances	$ –	$ (2,035,177)	$ (2,035,177)	$ (2,035,177)	$ –
Budgeted fund balance	–	1	1	5,425,563	5,425,562
Total	$ –	$ (2,035,176)	$ (2,035,176)	$ 3,390,386	$ 5,425,562

Middlesex Regional Educational Services Commission
Special Revenue Fund

Budgetary Comparison Schedule
(Budgetary Basis)
Year ended June 30, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local sources	$ –	$ –	$ –	$ –	$ –
State sources	5,228,285	427,651	5,655,936	5,554,896	(101,040)
Federal sources	2,079,993	498,696	2,578,689	1,904,558	(674,131)
Total revenues	7,308,278	926,347	8,234,625	7,459,454	(775,171)
Expenditures					
Instruction:					
Salaries of teachers	1,384,000	190,362	1,574,362	1,574,362	–
Purchased professional and technical services	2,143,856	790,309	2,934,165	2,260,034	674,131
General supplies	328,375	(28,928)	299,447	286,286	13,161
Textbooks	620,550	(1,678)	618,872	587,735	31,137
Total instruction	4,476,781	950,065	5,426,846	4,708,417	718,429
Support services:					
Salaries of supervisors of instruction	262,850	(59,947)	202,903	202,903	–
Salaries of other professional staff	967,600	161,359	1,128,959	1,091,372	37,587
Salaries of secretarial and clerical employees	169,300	(71,690)	97,610	97,610	–
Personal services-employee benefits	780,067	75,247	855,314	847,929	7,385
Travel	15,000	(509)	14,491	14,491	–
Supplies and materials	95,890	28,281	124,171	112,401	11,770
Others	330,477	(43,949)	286,528	286,528	–
Total support services	2,621,184	88,792	2,709,976	2,653,234	56,742
Facilites acquisition and construction services:					
Instructional equipment	139,213	(107,994)	31,219	31,219	–
Noninstructional equipment	–	–	–	–	–
Total facilities acquisition and construction services	139,213	(107,994)	31,219	31,219	–
Total expenditures	7,237,178	930,863	8,168,041	7,392,870	775,171
Other financing uses:					
Transfers out	(71,100)	4,516	(66,584)	(66,584)	–
Total other financing uses	(71,100)	4,516	(66,584)	(66,584)	–
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, 2014

			Special Revenue Fund
Sources/inflows of resources			
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-2]	$	7,459,454
Differences - budget to GAAP:			
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized			(81,195)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	[B-2]	$	7,378,259
Uses/outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-2]	$	7,459,454
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			(81,195)
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.			(66,584)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2]	$	7,311,675

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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, 2014

	State Grants								
	Compensatory Education	ESL	Home Instruction	Transportation	Supp. Instruct	Exam and Class	Speech Corr.	Text-Books	Nursing
Revenues:									
Local sources	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
State sources	1,227,052	184,009	22,239	282,152	453,218	721,104	526,995	587,735	1,284,992
Federal sources	–	–	–	–	–	–	–	–	–
Total revenues	$ 1,227,052	$ 184,009	$ 22,239	$ 282,152	$ 453,218	$ 721,104	$ 526,995	$ 587,735	$ 1,284,992
Expenditures:									
Instruction:									
Salaries of teachers	$ 882,780	$ 128,138	$ 13,606	$ –	$ 52,436	$ 27,868	$ 452,487	$ –	$ –
Purchased professional and technical services	–	–	4,698	–	–	525,171	4,688	–	–
General supplies/Misc	5,500	–	–	–	637	6,600	1,040	–	–
Textbooks	–	–	–	–	–	–	–	587,735	–
Total instruction	888,280	128,138	18,304	–	53,073	559,639	458,215	587,735	–
Support services:									
Salaries of supervisors of instruction	63,882	1,226	–	–	100,729	8,928	17,314	–	5,761
Salaries of other professional staff	44,092	846	–	45,198	69,523	6,162	11,950	–	912,317
Salaries of secretarial and clerical employees	20,741	398	322	12,232	32,704	2,899	5,621	–	14,605
Personal services - employee benefits	175,308	52,733	1,400	23,000	142,396	138,621	24,476	–	256,133
Travel	4,012	77	62	2,366	6,326	561	1,087	–	
Supplies and materials	2,325	45	36	15,127	3,667	325	630	–	90,246
Other	28,412	545	2,115	184,229	44,800	3,971	7,701	–	5,930
Total support services	338,772	55,870	3,935	282,152	400,145	161,467	68,779	–	1,284,992
Facilities acquisition and construction services:									
Instructional equipment	–	–	–	–	–	–	–	–	–
Total facilities acquisition and construction services	–	–	–	–	–	–	–	–	–
Total expenditures	$ 1,227,052	$ 184,008	$ 22,239	$ 282,152	$ 453,218	$ 721,106	$ 526,994	$ 587,735	$ 1,284,992

Middlesex Regional Educational Services Commission
Special Revenue Fund

Combining Schedule of Revenues and Expenditures -
Budgetary Basis

Year ended June 30, 2014

	State Grants	Federal Grants				
	Technology	**Title I Grant**	**Title III Grant**	**IDEA-B Regular**	**IDEA-B Preschool**	**Total**
Revenues:						
Local sources	$ –	$ –	$ –	$ –	$ –	**$ –**
State sources	265,400	–	–	–	–	**5,554,896**
Federal sources	–	48,796	4,112	1,848,534	3,116	**1,904,558**
Total revenues	$ 265,400	$ 48,796	$ 4,112	$ 1,848,534	$ 3,116	**$ 7,459,454**
Expenditures:						
Instruction:						
Salaries of teachers	$ –	$ 15,426	$ 1,621	$ –	$ –	**$ 1,574,362**
Purchased professional and technical services	–	–	–	1,723,635	1,842	**2,260,034**
General supplies/Misc.	220,252	–	–	50,983	1,274	**286,286**
Textbooks	–	–	–	–	–	**587,735**
Total instruction	220,252	15,426	1,621	1,774,618	3,116	**4,708,417**
Support services:						
Salaries of supervisors of instruction	–	4,711	352	–	–	**202,903**
Salaries of other professional staff	440	785	59	–	–	**1,091,372**
Salaries of secretarial and clerical employees	5,774	2,153	161	–	–	**97,610**
Personal services - employee benefits	6,973	25,022	1,867	–	–	**847,929**
Travel	–			–	–	**14,491**
Supplies and materials		–	–	–	–	**112,401**
Other	742	699	52	73,916	–	**353,112**
Total support services	13,929	33,370	2,491	73,916	–	**2,719,818**
Facilities acquisition and construction services:						
Instructional equipment	31,219	–	–	–	–	**31,219**
Total facilities acquisition and construction services	31,219	–	–	–	–	**31,219**
Total expenditures	$ 265,400	$ 48,796	$ 4,112	$ 1,848,534	$ 3,116	**$ 7,459,454**

Middlesex Regional Educational Services Commission

Schedule of Demonstrably Effective Program Aid Expenditures – Budgetary Basis

Year Ended June 30, 2014

Not Applicable

Middlesex Regional Educational Services Commission

Schedule of Early Childhood Program Aid Expenditures – Budgetary Basis

Year Ended June 30, 2014

Not Applicable

Middlesex Regional Educational Services Commission

Schedule of Distance Learning Network Aid Expenditures – Budgetary Basis

Year Ended June 30, 2014

Not Applicable

Middlesex Regional Educational Services Commission

Schedule of Instructional Supplement Aid Expenditures – Budgetary Basis

Year Ended June 30, 2014

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, 2014

Revenues and Other Financing Sources	
Interest on investments	$ –
Transfers In	–
Total revenues	–
Expenditures and Other Financing Uses	
Transfers out	20,433
Total expenditures	20,433
Excess of revenues over expenditures	(20,433)
Fund balance, July 1	20,433
Fund balance, June 30	$ –

Middlesex Regional Educational Services Commission
Capital Projects Fund

Summary Schedule of Project Expenditures

Year ended June 30, 2014

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

Enterprise Funds
Detail Statements

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

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

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

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

Middlesex Regional Educational Services Commission
Enterprise Funds

Combining Statement of Net Position

June 30, 2014

	Regional Day School Fund	Pool Services Fund	Food Services Fund	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 549,491	$ –	$ 43,260	**$ 592,751**
Intergovernmental accounts receivable:				
State	–	–	1,008	**1,008**
Federal	–	–	58,679	**58,679**
Other	419,938	1,978	77	**421,993**
Interfunds receivable	10,790	112,254	–	**123,044**
Total current assets	980,219	114,232	103,024	**1,197,475**
Capital assets:				
Site improvement	824,429	–	–	**824,429**
Equipment	614,855	–	–	**614,855**
Accumulated depreciation	(560,357)	–	–	**(560,357)**
Total capital assets	878,927	–	–	**878,927**
Total assets	1,859,146	114,232	103,024	**2,076,402**
Liabilities				
Current liabilities:				
Cash overdraft	–	32,042	–	**32,042**
Accounts payable	8,653	29,940	791	**39,384**
Interfunds payable	22,451	44	52,829	**75,324**
Unearned revenues	–	52,056	–	**52,056**
Total current liabilities	31,104	114,082	53,620	**198,806**
Net Position				
Invested in capital assets, net of related debt	878,927	–	–	**878,927**
Unrestricted	949,115	150	49,404	**998,669**
Total net position	$ 1,828,042	$ 150	$ 49,404	**$ 1,877,596**

Middlesex Regional Educational Services Commission
Enterprise Funds

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

Year ended June 30, 2014

	Regional Day School Fund	Pool Services Fund	Food Services Fund	Total
Operating revenues:				
Local sources:				
School lunch program	$ –	$ –	$ 62,077	**$ 62,077**
Tuition	4,218,408	–	–	**4,218,408**
Services	521,727	627,638	–	**1,149,365**
Miscellaneous	310	6,336	–	**6,646**
Total operating revenues	4,740,445	633,974	62,077	**5,436,496**
Operating expenses:				
Cost of food	–	–	284,695	**284,695**
Salaries and wages	2,491,533	439,069	26,453	**2,957,055**
Employee benefits	1,192,490	91,849	–	**1,284,339**
Materials and supplies	45,499	71,504	–	**117,003**
Textbooks	606		–	**606**
Maintenance and repairs	23,155	28,485	–	**51,640**
Other professional services	421,560	13,142	–	**434,702**
Insurance	13,269		–	**13,269**
Telephone/comunications	33,232	289	–	**33,521**
Utilities	107,847	61,192	–	**169,039**
Depreciation	55,142		–	**55,142**
Miscellaneous	44,781	32,533	–	**77,314**
Total operating expenses	4,429,114	738,063	311,148	**5,478,325**
Operating income (loss)	311,331	(104,089)	(249,071)	**(41,829)**
Nonoperating revenues:				
State school lunch program	–	–	3,760	**3,760**
National breakfast program – federal	–	–	92,094	**92,094**
Federal school lunch program	–	–	167,366	**167,366**
Total nonoperating revenues	–	–	263,220	**263,220**
Income before transfers	311,331	(104,089)	14,149	**221,391**
Transfers in		112,254	–	**112,254**
Transfers out	(113,451)	(50,000)	–	**(163,451)**
Total transfer	(113,451)	62,254	–	**(51,197)**
Change in net position	197,880	(41,835)	14,149	**170,194**
Net position, beginning of year	1,630,162	41,985	35,255	**1,707,402**
Net position, end of year	$ 1,828,042	$ 150	$ 49,404	**$ 1,877,596**

Middlesex Regional Educational Services Commission
Proprietary Fund - Enterprise Funds

Combining Statement of Cash Flows

Year ended June 30, 2014

	Regional Day School Fund	Pool Services Fund	Food Services Fund	Total
Cash flows from operating activities				
Receipts from customers	$ 4,705,437	$ 543,166	$ 62,000	**$ 5,310,603**
Payments to employees	(2,491,533)	(439,069)	(26,453)	**(2,957,055)**
Payments for employee benefits	(1,192,490)	(91,849)	–	**(1,284,339)**
Payments to suppliers	(737,860)	(198,649)	(284,695)	**(1,221,204)**
Net cash provided by (used in) operating activities	283,554	(186,401)	(249,148)	**(151,995)**
Cash flows from noncapital financing activities				
State sources	–	–	3,327	**3,327**
Federal sources	–	–	225,880	**225,880**
Operating subsidies and transfers to/from other funds	(85,675)	62,298	26,507	**3,130**
Net cash (used in) provided by noncapital financing activities	(85,675)	62,298	255,714	**232,337**
Cash flows from capital and related financing				
Purchases of capital assets	(11,719)	–	–	**(11,719)**
Net cash used in capital and related financing activities	(11,719)	–	–	**(11,719)**
Net decrease in cash and cash equivalents	186,160	(124,103)	6,566	**68,623**
Balances – beginning of year	363,331	92,061	36,694	**492,086**
Balances – end of year	$ 549,491	$ (32,042)	$ 43,260	**$ 560,709**
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	$ 311,331	$ (104,089)	$ (249,071)	**$ (41,829)**
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation and net amortization	55,142	–	–	**55,142**
Change in assets and liabilities:				
(Increase) decrease in accounts receivable, net	(35,008)	(112,669)	(77)	**(147,754)**
(Decrease) increase in accounts payable, net	(47,911)	8,496	–	**(39,415)**
(Decrease) increase in deferred revenue, net	–	21,861	–	**21,861**
Net cash provided by (used in) operating activities	$ 283,554	$ (186,401)	$ (249,148)	**$ (151,995)**

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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, 2014

	Trust	Agency		
	Unemployment Compensation	**Student Activity**	**Payroll**	**Total Agency**
Assets				
Cash and cash equivalents	$ 295,458	$ 7,382	$ 712,267	**$ 719,649**
Interfund receivable	–	–	44	**44**
Accounts receivable – other	17,572	–	1,083	**1,083**
Total assets	$ 313,030	$ 7,382	$ 713,394	**$ 720,776**
Liabilities				
Accounts payable	$ –	$ –	$ 156,890	**$ 156,890**
Interfund payable	–	–	556,504	**556,504**
Due to student groups	–	7,382	–	**7,382**
Total liabilities	–	$ 7,382	$ 713,394	**$ 720,776**
Net position held in trust for unemployment claims	$ 313,030			

Middlesex Regional Educational Services Commission
Trust Funds

Statement of Changes in Fiduciary Net Position

Year ended June 30, 2014

	Unemployment Compensation Trust Fund
Additions:	
Contributions	$ 237,158
Interest on investments	232
Total additions	237,390
Deductions:	
Payment of claims	113,850
Total deductions	113,850
Change in net position	123,540
Net position – beginning	189,490
Net position – ending	$ 313,030

Middlesex Regional Educational Services Commission
Student Activity Agency Fund

Schedule of Receipts and Disbursements

Year ended June 30, 2014

	Balance July 1, 2012	Cash Receipts	Cash Disbursements	Balance June 30, 2013
Raritan Valley Academy				
Student activity	$ 323	$ 1	$ –	**$ 324**
Year book	158	–	–	**158**
Total	481	1	–	**482**
Piscataway Regional Day School				
Student activity	821	3,609	3,363	**1,067**
Total	821	3,609	3,363	**1,067**
Academy Learning Center				
Student activity	109	4,689	2,397	**2,401**
Total	109	4,689	2,397	**2,401**
Bright Beginning Learning Center				
Student activity	1,945	1,099	2,958	**86**
Total	1,945	1,099	2,958	**86**
Center for Lifelong Learning				
Student activity	3,252	541	492	**3,301**
Year Book	–	45	–	**45**
Total	3,252	586	492	**3,346**
Total of all schools	**$ 6,608**	**$ 9,984**	**$ 9,210**	**$ 7,382**

Middlesex Regional Educational Services Commission
Payroll Agency Fund

Schedule of Cash Receipts and Disbursements

Year ended June 30, 2014

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2014
Assets				
Cash and cash equivalents	$ 266,985	$ 30,902,930	$ 30,457,648	**$ 712,267**
Interfund receivable	41,407	44	41,407	**44**
Accounts receivable – other	4,733	1,083	4,733	**1,083**
Total assets	$ 313,125	$ 30,904,057	$ 30,503,788	**$ 713,394**
Liabilities				
Accounts payable	$ 280,377	$ 156,890	$ 280,377	**$ 156,890**
Interfund payable	32,748	556,504	32,748	**556,504**
Payroll, payroll deductions and withholdings payable	–	30,190,663	30,190,663	**–**
Total liabilities	$ 313,125	$ 30,904,057	$ 30,503,788	**$ 713,394**

Long-Term Debt

Middlesex Regional Educational Services Commission
Long-Term Debt

Schedule of Bonds/Loans Payable

June 30, 2014

Description	Interest Rate Payable	Amount of Issue	Balance July 1, 2013	Issued	Retired	Balance June 30, 2014
Bonds/loan payable –						
Middlesex County Improvement Authority – 2004 (refunding issue)	Various	$ 14,010,000	$ 11,950,000	$ –	$ 11,950,000	$ –
Middlesex County Improvement Authority – 2008	Various	40,000,000	36,230,000	–	1,060,000	35,170,000
Middlesex County Improvement Authority – 2010	Various	5,300,000	3,970,000	–	455,000	3,515,000
Middlesex County Improvement Authority – 2014	Various	9,385,000	–	9,385,000	–	9,385,000
Loans payable –						
TD Equipment Finance Inc. – 2012	1.52%	500,000	350,162		98,166	251,996
			$ 52,500,162	$ 9,385,000	$ 13,563,166	$ 48,321,996

Middlesex Regional Educational Services Commission
Long-Term Debt

Schedule of Obligations Under Capital Leases

June 30, 2014

Not Applicable

Middlesex Regional Educational Services Commission
Debt Service Fund

Budgetary Comparison Schedule

Year ended June 30, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Actual to Final
Revenues:					
Interest earned	$ –	$ 45	$ 45	$ 45	$ –
Total revenues	–	45	45	45	–
Expenditures:					
Regular debt service:					
Interest	2,395,439	–	2,395,439	2,395,439	–
Principal	2,333,166	–	2,333,166	2,333,166	–
Total expenditures	4,728,605	–	4,728,605	4,728,605	–
(Deficiency) excess of revenues (under) over expenditures	(4,728,605)	45	(4,728,560)	(4,728,560)	–
Other financing sources:					
Transfers in	4,728,605	797,562	5,526,167	5,526,167	–
Transfers out	–	–	–	–	–
Proceeds from Bond	–	10,456,983	10,456,983	10,511,398	(54,415)
Advance Refunding Escrow	–	(1,011,254)	(1,011,254)	(1,011,254)	–
Payment to Debt Escrow	–	(10,243,336)	(10,243,336)	(10,456,983)	213,647
Total other financing sources (uses)	4,728,605	(45)	4,728,560	4,569,328	159,232
Excess (deficiency) of revenues and other financing sources over (under) expenditures	–	–	–	(159,232)	(159,232)
Fund balance, July 1	2,874,638	–	2,874,638	2,874,638	–
Fund balance, June 30	$ 2,874,638	$ –	$ 2,874,638	$ 2,715,406	$ (159,232)

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Statistical Section
(Unaudited)

Financial Trends

Exhibit J-1

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

	Fiscal Year Ending June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net Investment in capital assets	$ 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	$ 14,499,327
Restricted for:										
Capital projects and reserve	2,463,307	2,808,031	2,346,234	8,312,635	4,036,257	751,545	231,255	236,824	236,825	216,392
Debt service	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	2,715,406
Committed - Encumbrances	591,420	1,282,784	959,782	1,091,094	1,220,140	930,684	1,267,891	999,035	2,035,178	529,558
Assigned	500,000	-	1,000,000	-	-	-	-	173,633	-	-
Unassigned	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	14,715,000
Total governmental activities net position	**$ 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**	**$ 32,675,683**
Business-type activities										
Net Investment in capital assets	$ 98,488	$ 242,976	$ 658,070	$ 806,809	$ 1,119,901	$ 1,083,451	$ 955,897	$ 924,861	$ 922,350	$ 878,927
Unrestricted	664,925	873,489	1,025,166	1,328,970	1,530,675	605,244	640,588	813,654	785,052	998,669
Total business-type activities net position	**$ 763,413**	**$ 1,116,465**	**$ 1,683,236**	**$ 2,135,779**	**$ 2,650,576**	**$ 1,688,695**	**$ 1,596,485**	**$ 1,738,515**	**$ 1,707,402**	**$ 1,877,596**
District-wide										
Net Investment in capital assets	$ 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	$ 15,378,254
Restricted for:										
Capital projects and reserve	2,463,307	2,808,031	2,346,234	8,312,635	4,036,257	751,545	14,863	236,824	236,825	216,392
Debt service	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	2,715,406
Unrestricted	6,108,874	7,176,727	8,473,463	9,571,550	9,691,168	5,563,575	6,680,076	8,743,727	12,457,657	16,243,227
Total district net position	**$ 13,543,167**	**$ 15,727,676**	**$ 17,997,177**	**$ 20,402,327**	**$ 21,374,656**	**$ 21,537,762**	**$ 23,518,043**	**$ 26,186,342**	**$ 30,231,559**	**$ 34,553,279**

Source: CAFR Scehdule A-1

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

	Fiscal Year Ending June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities										
Instruction	$ 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	$ 17,965,699
Support Services:										
Health services	376,269	526,476	590,115	681,759	650,633	744,761	739,248	697,076	681,030	707,233
Student & instruction related services	6,045,929	7,215,021	8,280,536	6,725,338	6,768,050	10,496,291	10,172,638	10,081,083	10,818,703	11,895,280
General administrative services	490,910	498,747	658,020	654,386	712,561	772,495	748,892	933,886	897,651	1,095,306
School administrative services	1,251,931	1,409,497	1,308,333	1,443,203	1,519,283	1,578,352	1,758,468	1,730,098	1,909,456	1,911,362
Central Services	787,261	1,334,618	1,051,071	949,542	1,001,380	992,939	1,018,260	1,037,913	1,180,180	1,366,905
Admin. Infor. Technology	72,506	114,514	113,310	196,642	98,180	296,674	331,041	302,361	278,071	373,711
Plant operations and maintenance	1,090,047	1,240,844	1,648,485	1,708,220	1,765,062	2,288,865	1,895,022	1,768,873	1,905,235	1,967,843
Pupil transportation	19,888,448	22,713,537	23,906,263	25,427,834	24,909,636	25,611,438	26,235,308	30,174,878	34,105,560	37,069,323
Employee benefits	619,121	768,269	707,911	776,720	940,187	1,369,252	580,225	1,373,746	1,216,465	1,379,758
Capital outlay	399,268	421,292	958,624	501,852	328,342	52,021	928,963	39,757	646,338	113,441
Special Schools	1,250,338	1,461,003	1,702,299	1,827,514	1,843,787	2,328,007	2,522,036	2,623,432	2,715,991	2,678,384
Interest on long-term debt	1,238,860	1,123,139	1,271,981	1,726,318	2,743,549	2,253,304	2,509,129	2,671,148	2,602,541	2,597,814
Total governmental activities expenses	$ 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	$ 81,122,059
Business-type activities:										
Regional Day School	$ 4,069,217	$ 4,670,095	$ 4,929,321	$ 5,264,305	$ 5,516,538	$ 5,596,920	$ 5,536,555	$ 5,384,440	$ 4,666,512	$ 4,429,114
Bus Service				163,003	190,437	29,598	2,162	5,351	-	-
Early Childhood Program		1,965,308	4,966,436	5,577,675	5,382,667	521,189	78,264	-	-	-
Pool service						276,201	786,413	740,070	654,430	738,063
Food service	234,096	210,539	231,250	274,427	298,567	311,229	278,054	292,893	312,229	311,148
Total business-type activities expense	4,303,313	6,845,942	10,127,007	11,279,410	11,388,209	6,735,137	6,681,448	6,422,754	5,633,171	5,478,325
Total district expenses	$ 49,525,207	$ 59,240,080	$ 67,751,253	$ 71,718,934	$ 72,827,100	$ 73,448,585	$ 73,220,503	$ 75,881,034	$ 81,754,395	$ 86,600,384
Program Revenues										
Governmental activities:										
Charges for services:										
Pupil transportation	$ 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	$ 31,624,558
Operating grants and contributions	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	7,378,259
Total governmental activities program revenues	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	39,002,817
Business-type activities:										
Charges for services										
Regional Day School	$ 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	$ 4,740,445
Bus service				156,198	118,042	11,154	755	6,390	-	-
Newsletter Services program		2,079,420	4,949,768	5,505,367	5,459,793	371,737	-	-	-	-
Pool service						276,333	575,609	656,928	554,933	633,974
Food service	62,143	70,345	67,827	72,933	72,388	74,989	82,739	73,992	68,837	62,077
Operating grants and contributions	124,282	231,447	393,316	478,357	477,438	255,244	222,103	229,042	241,718	263,220
Total business type activities program revenues	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	5,699,716
Total district program revenues	$ 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	$ 44,702,533
Net (Expense)/Revenue										
Governmental activities	$ (19,385,935)	$ (22,225,763)	$ (26,584,047)	$ (28,564,180)	$ (30,539,387)	$ (35,665,927)	$ (35,567,062)	$ (36,955,040)	$ (39,989,270)	$ (42,119,242)
Business-type activities	465,328	445,415	627,482	596,443	638,322	(36,605)	(165,691)	142,823	(107,153)	221,391
Total district-wide net expense	$ (18,920,607)	$ (21,780,348)	$ (25,956,565)	$ (27,967,737)	$ (29,901,065)	$ (35,702,532)	$ (35,732,753)	$ (36,812,217)	$ (40,096,423)	$ (41,897,851)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Federal and state aid not restricted	$ 612,230	$ 922,184	$ 1,638,362	$ 1,837,857	$ 1,826,690	$ 1,835,723	$ 1,827,530	$ 2,189,991	$ 2,655,091	$ 2,447,550
Tuition received	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	32,136,205
Services provided to districts	3,092,996	3,911,988	5,164,915	5,282,055	5,672,096	7,620,980	8,433,509	9,249,964	10,785,815	12,268,807
Interest income	210,949	391,878	654,726	561,994	120,398	21,818	12,176	8,909	9,326	9,783
Special items		60,125	-	-	-	-	-	-	-	-
Miscellaneous income	162,854	231,738	200,335	163,145	103,565	200,725	232,606	222,586	443,414	133,836
Transfers	125,000	128,000	150,000	143,900	123,525	925,276	(73,481)	793	(76,040)	51,197
Proceeds from Loan									0	-
Total governmental activities	20,972,495	24,057,219	28,286,777	30,516,787	30,996,919	36,790,914	37,639,553	39,481,309	44,065,601	47,047,378
Business-type activities:										
Services provided to districts		33,928	86,061							
Miscellaneous income	3,135	1,709	3,228							
Transfers	(125,000)	(128,000)	(150,000)	(143,900)	(123,525)	(925,276)	73,481	(793)	76,040	(51,197)
Total business-type activities	(121,865)	(92,363)	(60,711)	(143,900)	(123,525)	(925,276)	73,481	(793)	76,040	(51,197)
Total district-wide	$ 20,850,630	$ 23,964,856	$ 28,226,066	$ 30,372,887	$ 30,873,394	$ 35,865,638	$ 37,713,034	$ 39,480,516	$ 44,141,641	$ 46,996,181
Change in Net Position										
Governmental activities	$ 1,586,560	$ 1,831,456	$ 1,702,730	$ 1,952,607	$ 457,532	$ 1,124,987	$ 2,072,491	$ 2,526,269	$ 4,076,331	$ 4,928,136
Business-type activities	343,463	353,052	566,771	452,543	514,797	(961,881)	(92,210)	142,030	(31,113)	170,194
Total district	$ 1,930,023	$ 2,184,508	$ 2,269,501	$ 2,405,150	$ 972,329	$ 163,106	$ 1,980,281	$ 2,668,299	$ 4,045,218	$ 5,098,330

Source: CAFR Schedule A-2

Exhibit J-3

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

	Fiscal Year Ending June 30,									
	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
General Fund										
Nonspendable: Invested in capital assets										
Restricted for:										
Other purposes	$ 874,180	$ 915,620	$ 954,158	$ 1,307,486	$ 1,436,532	$ 371,031	$ 216,392	$ 216,392	$ 216,392	$ 216,392
Committed: Encumbrance	591,420	1,282,784	959,782	941,351	302,631	930,684	1,267,891	999,035	2,035,178	529,558
Assigned	500,000	–	1,000,000	–	–	–	163,501	173,633	149,373	29,200
Unassigned	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	14,935,187
Total general fund	**$ 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**	**$ 15,710,337**
All other governmental funds										
Restricted for:										
Debt service fund	$ 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	$ 2,715,406
Capital projects fund	73,559	43,343	6,445,100	8,096,243	3,819,865	535,153	14,863	20,432	20,433	–
Total all other governmental funds	**$ 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**	**$ 2,715,406**
Total governmental funds	**$ 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**	**$ 18,425,743**

Source: CAFR Schedule B-1

Exhibit J-4

Middlesex Regional Educational Services Commission
Changes in Fund Balances, Governmental Funds,

Last Ten Fiscal Years
Unaudited

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Revenues										
Local sources:										
Tuition	$ 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	$ 32,136,205
Transportation fees	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	31,624,558
Services provided to districts	3,092,996	3,911,988	5,164,915	5,282,055	5,672,096	7,620,980	8,433,509	9,249,964	10,785,815	12,268,807
Interest on investments	189,732	384,001	488,423	301,628	79,931	21,600	12,077	8,871	9,287	9,738
Special items		60,125	–	–	–	–	–	–	–	–
Miscellaneous	155,919	231,738	200,335	163,145	103,565	200,725	232,606	222,586	443,414	133,836
Total - Local sources	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	76,173,144
State sources										
Reimbursed TPAF S.S. Contributions	574,552	847,238	892,882	923,795	966,784	967,981	910,176	953,223	946,962	969,128
On-behalf TPAF pension Contributions	37,678	74,946	745,480	914,062	859,906	867,742	917,354	1,236,768	1,708,129	1,478,422
Total - State sources	612,230	922,184	1,638,362	1,837,857	1,826,690	1,835,723	1,827,530	2,189,991	2,655,091	2,447,550
Total revenue	38,947,998	44,627,491	49,492,058	52,664,929	52,682,041	57,879,711	60,219,871	65,416,389	73,342,455	78,620,694
Expenditures										
Instruction	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	10,495,818
Support Services:										
Health services	347,868	485,621	539,185	614,484	581,568	649,995	643,950	607,982	589,017	610,528
Student & instruction related services	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	7,706,612
General administrative services	453,856	460,044	601,229	589,813	636,922	674,201	652,351	814,525	776,371	945,537
School Administrative services	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	1,650,008
Central Services	727838	1,231,051	960,358	855,843	895,083	866,595	886,994	905,256	1,020,728	1,179,998
Admin. Infor. Technology	67033	105,628	103,531	177,237	87,758	258,924	288,365	263,715	240,501	322,611
Required maint for school facilities	532,871	583,266	665,132	646,093	662,166	862,916	707,884	765,797	925,595	913,923
Operation of plant	474,899	561,288	841,080	893,563	915,533	1,134,707	942,846	776,994	722,227	784,842
Pupil transportation	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	32,000,567
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	7,672,501
Reimbursed S.S. contributions	574,552	847,238	892,882	923,795	966,784	967,981	910,176	953,223	946,962	969,128
On-behalf TPAF pension contributions	37,678	74,946	745,480	914,062	859,906	867,742	917,354	1,236,768	1,708,129	1,478,422
Capital outlay	286,192	835,350	990,311	883,017	601,797	220,453	207,423	103,616	515,286	433,476
Special Schools	1,250,338	1,461,003	1,702,299	1,827,514	1,843,787	2,328,007	2,522,036	2,623,432	2,715,991	2,678,384
Total expenditures	35,999,656	42,343,410	46,549,219	49,339,961	49,312,927	54,162,689	54,294,222	58,679,858	65,131,768	69,842,355
Excess (Deficiency) of revenues over (under) expenditures	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	8,778,339
Other Financing sources (uses)										
Transfers in	6,236	521,086	152,590	221,510	37,958	621,370	46,179	–	–	20,433
Health reserve contributions										
Proceeds from Loan				–	–	–	–	–	500,000	–
Total other financing sources (uses)	(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)	(5,387,953)
Net change in fund balances, General Fund	**$ 1,178,369**	**$ 883,027**	**$ 1,398,324**	**$ 1,001,949**	**$ 307,731**	**$ (3,824,508)**	**$ 846,961**	**$ 1,890,030**	**$ 3,745,933**	**$ 3,390,386**
Special Revenue Fund										
Revenues										
Local sources	$ –	$ –	$ –	$ 3,000	$ 5,000	$ 269,403	$ 291,470	$ 20,874	$ 19,763	$ –
State sources	6,601,277	6,792,742	6,466,443	6,610,896	6,339,625	5,592,407	5,141,173	4,350,609	4,905,494	5,490,621
Federal sources	1,106,027	2,669,484	3,052,172	2,709,040	2,705,765	3,171,419	3,032,414	2,195,846	2,005,844	1,887,638
Total revenue	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	7,378,259
Expenditures										
Instruction	3,776,708	4,540,793	4,423,864	5,612,782	5,606,452	6,209,229	5,489,149	4,420,463	4,450,245	4,718,315
Other support : special	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	2,562,141
Capital outlay	369,023	698,880	381,133	377,642	365,169	131,883	43,179	20,418	122,624	31,219
Total expenditures	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	7,311,675
Excess (Deficiency) of revenues over (under) expenditures	188,979	168,750	174,425	159,857	182,000	145,733	183,260	89,160	68,336	66,584
Other Financing sources (uses)										
Transfers in										
Transfers out	(188,979)	(168,750)	(174,425)	(159,857)	(182,000)	(145,733)	(183,260)	(89,160)	(68,336)	(66,584)
Total other financing sources (uses)	(188,979)	(168,750)	(174,425)	(159,857)	(182,000)	(145,733)	(183,260)	(89,160)	(68,336)	(66,584)
Net change in fund balances, Special Revenue fund	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**

Exhibit J-4

Middlesex Regional Educational Services Commission
Changes in Fund Balances, Governmental Funds,

Last Ten Fiscal Years
Unaudited

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Capital Projects Fund										
Revenues										
Interest Earned	$ 965	$ 1,086	$ 152,590	$ 221,510	$ 37,958	$ 158	$ 55	$ 2	$ 1	$ –
Total revenue	965	1,086	152,590	221,510	37,958	158	55	2	1	–
Expenditures										
Capital outlay	50,000	30,216	4,098,243	8,348,857	23,291,986	7,928,491	620,902	244,433	–	–
Total expenditures	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	(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	(1,089)	(1,086)	(152,590)	(221,510)	(37,958)	–	(26,461)	–	–	(20,433)
Proceeds - Bonds			10,000,000	10,000,000	18,682,354	–	–	–	–	-
Total other financing sources (uses)	(1,089)	(1,086)	10,347,410	9,778,490	18,977,650	4,643,621	100,557	250,000	–	(20,433)
Net change in fund balances, Capital projects fund	**$ (50,124)**	**$ (30,216)**	**$ 6,401,757**	**$ 1,651,143**	**$ (4,276,378)**	**$ (3,284,712)**	**$ (520,290)**	**$ 5,569**	**$ 1**	**$ (20,433)**
Debt service Fund										
Revenues										
Interest Earned	$ 20,252	$ 6,791	$ 13,713	$ 38,856	$ 2,509	$ 60	$ 44	$ 36	$ 38	$ 45
Total revenue	20,252	6,791	13,713	38,856	2,509	60	44	36	38	45
Expenditures										
Principal	725,000	865,000	985,200	11,031,699	21,073,587	1,920,883	2,178,534	2,090,000	2,314,838	2,333,166
Interest	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	2,395,439
Total expenditures	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	4,728,605
Excess (Deficiency) of revenues over (under) expenditures	(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)	(4,728,560)
Other Financing sources (uses)										
Transfers in	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	5,526,167
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	–	–	10,511,398
Advanced Refunding Escrow										(1,011,254)
Payment to refunded bond escrow agent	(14,003,065)								–	(10,456,983)
Total other financing sources (uses)	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	4,569,328
Net change in fund balances, Debt Svc Fund	**$ 297,020**	**$ 344,724**	**$ (461,797)**	**$ 489,375**	**$ 374,711**	**$ (715,774)**	**$ 372,139**	**$ 55,129**	**$ 169,216**	**$ (159,232)**
Net change in fund balances, Governmental Fund	**$ 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**	**$ 3,210,721**

Source: CAFR Schedule B-2

Exhibit J-5

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Miscellaneous Revenue										
Proceeds from lease purchase										
Sale of property									$ 104,300	$ -
Insurance proceeds	$ -	$ -	$ -	$ 21,131	$ 34,490	$ 5,965	$ 28,800	$ -	102,261	27,284
Refunds	53,156	10,621	93,349	5,173	11,672	12,842	1,590	22,033	5,656	2,215
Cancellation of aging liabilities	4,013	10,075	728	16,776	10,448	17,839	5,841	54,633	38,744	(93,095)
E-rate reimubrsement	37,485	40,774	52,214	86,935	45,102	84,560	130,654	68,689	88,702	104,688
Other	61,265	170,268	54,044	33,130	1,853	79,520	65,720	77,231	103,751	92,744
Total Other Local Revenue	$ 155,919	$ 231,738	$ 200,335	$ 163,145	$ 103,565	$ 200,726	$ 232,606	$ 222,586	$ 443,414	$ 133,836

Source: Commission records

Not Applicable

Middlesex Regional Educational Services Commission **Exhibit J-7**
Direct and Overlapping Property Tax Rates

Not Applicable

Middlesex Regional Educational Services Commission **Exhibit J-8**
Principal Property Tax Payers

Not Applicable

Not Applicable

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

Exhibit J-10

	Governmental Activities				Business-Type Activities			
Fiscal Year Ended June 30,	**General Obligation Bonds [b]**	**Certificates of Participation**	**Capital Leases**	**Promissory Notes**	**Capital Leases**	**Total District**	**Percentage of Personal Income [a]**	**Per Capita [a]**
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	0.10%	52,108
2013	52,150,000	–	350,162	–	–	52,500,162	N/A	N/A
2014	48,070,000	–	251,996	–	–	48,321,996	N/A	N/A

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

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

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

Middlesex Regional Educational Services Commission **Exhibit J-11**
Ratios of Net General Bonded Debt Outstanding

Not Applicable

Not Applicable

Middlesex Regional Educational Services Commission **Exhibit J-13**

Legal Debt Margin Information

Not Applicable

Exhibit J-14

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

Year	Population [a]	Personal Income (Thousands of Dollars) [b]	Per Capita Personal Income [c]	Unemployment Rate [d]
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	823,041	42,886,730	52.108	8.5%
2013	N/A	N/A	N/A	7.4%
2014	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

Middlesex Regional Educational Services Commission **Exhibit J-15**
Principal Employers

Not Applicable

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

Exhibit J-16

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Instruction										
PL192/193	35.90	36.50	37.30	36.20	29.20	29.10	30.00	22.90	22.79	21.29
RVA	28.60	18.95	19.47	16.50	16.40	17.50	16.21	13.36	9.69	9.27
NuView	4.20	5.10	7.00	7.30	12.70	14.00	13.21	15.52	13.52	14.30
Piscataway Regional Day School	70.33	68.88	77.43	79.70	80.54	77.54	70.74	68.40	44.00	47.35
Academy Learning Center	91.34	84.14	86.24	86.08	87.11	86.11	86.11	84.78	82.80	79.85
Academy Learning Center Annex I	–	–	–	2.00	6.25	–	–	–	–	–
Title I	1.00	1.00	1.00	1.00	0.40	0.40	0.40	–	–	–
Middlesex County Academy High School	3.90	4.00	4.70	4.90	4.90	5.00	5.16	4.10	3.75	3.07
Bright Beginnings Learning Center	64.03	66.18	67.03	65.60	68.18	68.88	68.53	57.10	74.50	78.45
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	25.00	35.60	65.90	65.90	65.27	45.13	57.88	28.00	37.27	34.89
Carteret Collaborative Services								13.00	12.00	12.45
Edison Collaborative Services	10.00	10.75	17.50	18.15	–	–	–	–	–	–
Sayreville Collaborative Services	–	14.50	14.40	16.40	13.05	9.00	–	–	–	–
PIC-C	–	–	–	1.00	1.00	1.00	1.00	–	–	–
Early Childhood Program	–	26.00	54.00	56.33	53.00	52.00	–	–	–	–
Center for Lifelong Learning	–	–	–	–	–	72.68	101.50	109.10	106.80	115.40
Health Services:										
RVA	1.00	0.95	0.67	0.95	0.95	0.95	1.00	1.00	0.30	0.20
Piscataway Regional Day School	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.20	1.50
Academy Learning Center	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Academy Learning Center Annex I	28.00	–	–	–	0.20	–	–	–	–	–
Non-Public Nursing	2.00	35.00	43.00	38.87	40.60	40.60	40.00	42.00	45.00	48.00
Middlesex County Academy High School									0.10	0.10
Bright Beginnings Learning Center	–	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.40	2.20
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	2.00
Support Services:										
RVA	5.00	4.00	5.00	4.00	4.00	4.00	3.00	3.00	3.00	3.00
Piscataway Regional Day School	1.50	1.50	2.00	2.00	2.00	2.00	2.00	2.00	1.00	1.00
Academy Learning Center	1.50	1.50	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Academy Learning Center Annex I	–	–	–	–	0.20	–	–	–	–	–
Middlesex County Academy High School	0.50	0.50	0.50	0.44	0.44	0.45	0.44	0.44	0.30	–
Bright Beginnings Learning Center	1.50	1.45	2.00	2.00	2.00	2.00	1.00	1.00	1.50	2.00
Bright Beginnings Learning Center Annex II	–	–	0.50	0.50	0.50	–	–	–	–	–
Bright Beginnings Learning Center Annex	–	0.55	0.55	0.50	0.50	–	–	–	–	–
IDEA B	1.00	1.00	1.00	1.00	1.00	–	–	–	–	–
Carteret Collaborative Services	–	–	–	–	–	–	–	3.00	3.00	4.00
Sayreville Collaborative Services	–	–	–	–	0.60	0.60	–	–	–	–
PIC-C	–	–	–	3.31	3.31	3.50	3.50	–	–	–
Early Childhood Program	–	6.00	13.22	9.00	8.00	8.00	–	–	–	–
Center for Lifelong Learning	–	–	–	–	–	2.40	4.50	5.50	7.50	8.30
General Administration	3.00	3.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	4.75
School Administration										
PL192/193	5.50	3.82	6.07	4.53	4.87	5.15	5.63	5.63	3.85	4.55
RVA	4.00	3.16	3.03	2.13	2.13	2.12	2.12	2.12	1.62	1.52
NuView	2.00	2.07	2.00	2.00	2.00	2.17	2.15	2.15	2.18	2.03
Piscataway Regional Day School	3.75	3.93	3.92	3.78	3.90	3.94	3.94	3.94	3.12	2.20
Academy Learning Center	3.75	4.01	4.03	3.48	3.93	3.97	3.97	3.97	4.19	4.02
Academy Learning Center Annex I	–	–	–	–	0.37	–	–	–	–	–
Title I	0.05	0.15	0.20	0.10	0.12	0.12	0.21	0.21	0.10	0.08
Non-Public Textbook	0.40	0.39	0.45	0.42	0.23	0.23	0.25	0.25	0.23	0.27
Non-Public Nursing	0.25	0.60	0.35	0.55	0.40	0.35	0.30	0.30	0.40	0.40
Professional Development Program	1.00	1.60	1.00	1.60	1.40	1.00	1.00	0.40	0.40	0.15
ESC-(CSH, CST, Charter)	–	–	–	–	–	–	1.20	1.20	2.34	2.29
Middlesex County Academy High School	1.10	1.77	2.00	2.00	2.00	2.00	2.00	2.00	1.50	1.00
Bright Beginnings Learning Center	3.90	3.59	3.79	3.73	3.91	3.95	3.95	3.95	5.10	5.35
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	0.27	0.31	0.27	0.28	–	–	–	–	0.16
IDEA B	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	1.00
Early Childhood Program	–	4.00	7.50	7.00	6.00	6.00	–	–	–	–
Center for Lifelong Learning	–	–	–	–	–	3.87	3.97	3.97	4.37	4.11
Center for Lifelong Learning- Pool	–	–	–	–	–	–	–	–	2.00	2.00
Central Services	13.50	14.50	16.66	17.50	19.50	19.50	20.65	19.50	19.50	22.00
Operations & Maintenance										
PL192/193	2.20	2.20	2.20	3.30	2.20	2.20	1.15	1.25	1.65	1.65
RVA	3.70	3.20	3.20	2.75	2.20	2.20	2.13	2.23	1.13	1.13
NuView	0.75	0.60	0.50	0.60	1.00	1.00	1.50	1.23	1.00	1.13
Piscataway Regional Day School	2.20	2.20	2.70	2.70	2.70	2.20	2.15	2.25	2.15	2.15
Academy Learning Center	2.20	2.20	2.20	2.30	2.20	2.20	2.15	2.25	2.15	2.15
Middlesex County Academy High School	0.25	0.20	0.50	0.60	0.40	0.25	0.25	0.25	1.25	1.00
ESC-General	–	–	–	–	–	–	1.00	1.30	1.75	2.00
Bright Beginnings Learning Center	2.20	2.20	2.20	2.25	2.20	2.20	2.15	2.25	2.15	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	4.15
Student Transportation	6.50	5.50	5.50	5.50	5.50	5.50	6.50	6.50	6.50	6.50
Student Transportation - Bus driver	–	2.00	5.00	2.00	4.80	4.80	–	–	–	–
Business Services										
Total	443.27	525.58	659.41	664.10	647.08	643.78	600.89	564.54	560.62	574.51

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
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	54.66%	195	424	735.20	646.90	(45.71)%	87.99%
2012	719	65,033,993	90,451	66.70%	188	410	727.60	649.30	(34.50)%	89.24%
2013	744	71,356,623	95,909	68.97%	199	412	738.20	661.90	(31.45)%	89.66%
2014	754	76,689,335	101,710	79.19%	215	460	749.90	658.00	(30.36)%	87.75%

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

Exhibit J-18

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

Unaudited

		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
District Building											
Raritan Valley Academy, 1690 Stelton Rd, Piscataway											
(September 1997)											
RVA	Square Feet	42,755	42,755	42,755	42,755	42,755	48,525	48,525	48,525	42,755	42,755
RVA	Capacity (students)	132	132	132	132	132	174	174	174	132	132
RVA	Enrollment	71	70	70	70	66	66	53	41	41	40
BB Secondary	Square Feet	5,245	5,770	5,770	5,770	5,770				5,770	5,770
BB Secondary	Capacity (students)	42	42	42	42	42				42	42
BB Secondary	Enrollment	27	40	40	40	37				23	32
Nonpublic	Square Feet	2,360	2360	2360	2360	2360	2360	2360	2360	2360	2360
Nuview Academy, Park Ave, Piscataway											
(September 2001, September 2008)											
NV	Square Feet	8,050	6,000	6,000	22,500	22,500	22,500	22,500	22,500	22,500	22,500
NV	Capacity (students)	48	48	48	72	72	72	72	72	73	73
NV	Enrollment	32	34	34	45	60	60	67	63	73	66
Academy Learning Center, 145 Pergola Ave. Monroe											
(September 2000)											
ALC	Square Feet	42,516	42,516	42,516	42,516	42,516	42,516	42,516	42,516	42,516	42,516
ALC	Capacity (students)	148	148	148	148	148	148	148	148	148	148
ALC	Enrollment	140	138	138	138	143	143	141	142	141	144
Bright Beginnings Learning Center, 1660 Stelton Rd, Piscataway											
(September 1998, September 2002)											
BBLC	Square Feet	36,422	36,422	36,422	36,422	36,422	36,422	36,422	36,422	36,422	36,422
BBLC	Capacity (students)	130	130	130	130	130	130	130	130	130	130
BBLC	Enrollment	127	127	127	127	126	126	121	130	124	128
Central Office	Square Feet	7,583	7,583	7,583	7,583	7,583	7,583	7,583	7,583	7,583	7,583
Transportation	Square Feet	920	920	920	920	920	920	920	920	920	920
Center for Lifelong Learning, 333 Cheese Quake Rd, Parlin											
(September 2009)											
CLL	Square Feet					88,000	88,000	88,000	88,000	88,000	88,000
CLL	Capacity (students)					288	288	288	288	288	288
CLL	Enrollment					N/A	153	170	183	208	209

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

Exhibit J-19

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

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

School Facilities	Project # (s) #	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
RVA	N/A	$ 143,235	$ 145,937	$ 149,482	$ 180,604	$ 157,056	$ 147,118	$ 132,440	$ 74,646	$ 83,454	$ 134,629
ALC	N/A	137,771	168,826	181,094	180,619	185,851	188,796	146,036	181,696	145,269	130,937
ALC Annex I					554	1,097					
Transportation	N/A	4,096	3,072	537	5,959	2,663	2,678	1,510	4,114	1,550	2,183
ESC - General	N/A	24,934	42,861	8,152	9,820	14,098	62,815	69,034	99,350	194,362	178,259
ESC - MCA	N/A	9,581	25,290	33,884	27,785	17,090	12,947	8,234	39,170	51,925	35,126
BBLC	N/A	141,254	125,118	146,414	160,791	146,614	144,413	130,425	124,586	141,799	138,914
BBLC Annex II				9,259	7,835	23,034					
BBLC Annex I	N/A	24,302	25,927	38,237	28,429	42,512					
Edison Collaborative	N/A	2,820	1,962	5,693	7,350	307					
Sayreville Collaborative	N/A	662	3,727	8,117	7,123	10,107	11,256				
Nuview	N/A	44,216	40,546	82,263	29,224	61,737	72,324	64,724	83,947	83,297	86,402
Center for Lifelong Learning	N/A						220,569	155,481	158,288	223,939	207,473
Total School Facilities		**$ 532,871**	**$ 583,266**	**$ 663,132**	**$ 646,093**	**$ 662,166**	**$ 862,916**	**$ 707,884**	**$ 765,797**	**$ 925,595**	**$ 913,923**

* Commission records

Middlesex Regional Educational Services Commission **Exhibit J-20**
Insurance Schedule
For the Fiscal Year Ended June 30, 2014
Unaudited

Company	Type of Coverage	Coverage	Deductible
NJSBAIG	**MULTI PERIL PACKAGE POLICY**		
	Property:		
	Blanket building and contents	$ 92,923,043	$ 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
	Energy Systems:	100,000,000	
	Spoilage	500,000	
	Commercial Liability:		
	Per occurrence	11,000,000	
	Sexual molestation	11000000/17000000	
	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

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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, 2014, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated November 7, 2014.

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.

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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

Ernst & Young LLP
November 7, 2014

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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, 2014. 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

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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, 2014.

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

November 7, 2013

Middlesex Regional Educational Services Commission

Schedule of Expenditures of Federal Awards

For the Fiscal Year ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period From	Grant Period To	Balance at June 30, 2013 Deferred Revenue	Balance at June 30, 2013 (Accounts Receivable)	Balance at June 30, 2013 Due to Districts	Balance at June 30, 2013 Due to Grantor	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance at June 30, 2014 Deferred Revenue	Balance at June 30, 2014 (Accounts Receivable)	Balance at June 30, 2014 Due to Districts	Balance at June 30, 2014 Due to Grantor
U.S. Department of Education–Passed-																	
Through Middlesex County School Districts																	
Special Revenue Fund:																	
I.D.E.A. Part B, Preschool	84.173	N/A	$ 53,535	7/1/2010	8/31/2011	$ –	$ (3,771)	$ –	$ –	$ 3,771	$ –	$ –	$ –	$ –	$ –	$ –	$ –
I.D.E.A. Part B, Regular	84.027A	N/A	2,208,415	7/1/2011	8/31/2012	–	(146,007)	–	–	146,007	–	–	–	–	–	–	–
I.D.E.A. Part B, Regular	84.027A	N/A	1,916,365	7/1/2012	8/31/2013	–	(734,902)	1,696	–	990,654	(457,754)	10	(1,696)	–	(203,359)	1,367	–
I.D.E.A. Part B, Preschool	84.173	N/A	24,812	7/1/2012	8/31/2013	–	–	–	–	1,677	(1,677)	–	–	–	–	–	–
I.D.E.A. Part B, Regular	84.027A	N/A	1,858,979	7/1/2013	6/30/2014	–	–	–	–	718,320	(1,390,780)	–	–	–	(672,460)	–	–
I.D.E.A. Part B, Preschool	84.173	N/A	20,207	7/1/2013	6/30/2014	–	–	–	–	1,439	(1,439)	–	–	–	–	–	–
Total Special Education Cluster						–	(884,680)	1,696	–	1,861,868	(1,851,650)	10	(1,696)	–	(875,819)	1,367	–
Title I	84.010A	NCLB_09	46,108	7/1/2011	6/30/2012	–	(1,897)	–	–	1,897	–	-	-	–	–	–	–
Title I	84.010A	NCLB_09	35,848	7/1/2012	6/30/2013	–	(6,639)	–	–	6,519	–	-	-	–	(120)	–	–
Title I	84.010A	NCLB_09	48,797	7/1/2013	6/30/2014	–	–	–	–	39,013	(48,797)	-	-	–	(9,784)	–	–
Title III	84.365A	N/A	4,111	7/1/2013	6/30/2014	–	–	–	–	4,803	(4,111)	-	-	–	–	692	–
Total U.S. Department of Education–passed-through Middlesex County School Districts						–	(893,216)	1,696	–	1,914,100	(1,904,558)	10	(1,696)	–	(885,723)	2,059	–
Total Special Revenue Fund						–	(893,216)	1,696	–	1,914,100	(1,904,558)	10	(1,696)	–	(885,723)	2,059	–
U.S. Department of Agriculture–Passed-																	
Through State Department of Education																	
Enterprise Fund:																	
National School Breakfast Program	10.553	5120-201-372573-63	84,954	7/1/2012	6/30/2013	–	(9,092)	–	–	9,092		–	–	–	–	–	–
National School Lunch Program	10.555	5120-201-372573-63	153,048	7/1/2012	6/30/2013	–	(16,007)	–	–	16,007		–	–	–	–	–	–
National School Breakfast Program	10.553	5120-201-372573-63	92,094	7/1/2012	6/30/2013	–	–	–	–	71,228	(92,094)	–	–	–	(20,866)	–	–
National School Lunch Program	10.555	5120-201-372573-63	167,366	7/1/2012	6/30/2013	–	–	–	–	129,553	(167,366)	–	–	–	(37,813)	–	–
Total Enterprise Fund						–	(25,099)	–	–	225,880	(259,460)	–	–	–	(58,679)	–	–
Total Federal Financial Awards						$ –	$ (918,315)	$ 1,696	$ –	$ 2,139,980	$ (2,164,018)	$ 10	$ (1,696)	$ –	$ (944,402)	$ 2,059	$ –

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, 2014

State Grantor/Program Title	Program or Award Amount	Grant Period From	Grant Period To	Balance at June 30, 2013 Deferred Revenue	Balance at June 30, 2013 (Accounts Receivable)	Balance at June 30, 2013 Due to Districts	Balance at June 30, 2013 Due to Grantor	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance at June 30, 2014 Deferred Revenue	Balance at June 30, 2014 (Accounts Receivable)	Balance at June 30, 2014 Due to Districts	Balance at June 30, 2014 Due to Grantor	MEMO Budgetary Receiable	MEMO Cumulative Total Expenditures
State Department of Education																	
General Fund:																	
Reimbursed TPAF Social Security Contributions	$ 946,962	7/1/2012	6/30/2013	$ –	$ (46,210)	$ –	$ –	$ 46,210	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Reimbursed TPAF Social Security Contributions	969,128	7/1/2013	6/30/2014	–	–	–	–	922,064	(969,128)	–	–	–	(47,064)	–	–	–	(969,128)
On Behalf TPAF Pension Contribution	1,478,422	7/1/2013	6/30/2014	–	–	–	–	1,478,422	(1,478,422)	–	–	–	–	–	–	–	(1,478,422)
Total General Fund				–	(46,210)	–	–	2,446,696	(2,447,550)	–	–	–	(47,064)	–	–	–	(2,447,550)
State Department of Education–Passed-Through																	
Middlesex County School Districts																	
Special Revenue Fund:																	
N.J. Nonpublic Aid:																	
Textbooks Aid	621,448	7/1/2012	6/30/2013	–	(25,672)	31,440	–	25,672	–	–	(31,440)	–	–	–	–	–	–
Textbooks Aid	618,872	7/1/2013	6/30/2014	–	–	–	–	507,280	(587,735)	–	–	–	(93,559)	13,104	–	–	(587,735)
Nursing Services Aid	900,472	7/1/2011	6/30/2012	–	(2,618)	–	–	–	–	–	–	–	(2,618)	–	–	–	–
Nursing Services Aid	1,064,017	7/1/2012	6/30/2013	–	(106,883)	32,346	–	106,883	–	–	(32,346)	–	–	–	–	–	–
Nursing Services Aid	1,341,735	7/1/2013	6/30/2014	–	–	–	–	1,140,990	(1,284,992)	–	–	–	(176,424)	32,422	–	–	(1,284,992)
Technology Initiative	284,353	7/1/2012	6/30/2013	–	(19,674)	8,559	–	19,674	–	–	(8,559)	–	–	–	–	–	–
Technology Initiative	278,560	7/1/2013	6/30/2014	–	–	–	–	237,165	(265,400)	–	–	–	(37,033)	8,798	–	–	(265,400)
Auxiliary services (Chapter 192):																	
Compensatory Education	1,081,969	7/1/2012	6/30/2013	–	(333,501)	35,947	–	299,360	–	(153)	(5,542)	–	(6,481)	2,592	–	–	–
Compensatory Education	1,227,052	7/1/2013	6/30/2014	–	–	–	–	688,878	(1,227,052)	–	–	–	(573,623)	35,449	–	–	(1,227,052)
English as a Second Language	152,533	7/1/2012	6/30/2013	–	(78,194)	25,355	–	65,777	–	(4)	–	–	–	12,934	–	–	–
English as a Second Language	184,009	7/1/2013	6/30/2014	–	–	–	–	115,810	(184,009)	–	–	–	(95,295)	27,096	–	–	(184,009)
Transportation	276,948	7/1/2011	6/30/2012	–	(408)	–	–	408	–	–	–	–	–	–	–	–	–
Transportation	281,916	7/1/2012	6/30/2013	–	(164,285)	666	–	159,481	–	1,016	–	–	(3,434)	312	–	–	–
Transportation	282,152	7/1/2013	6/30/2014	–	–	–	–	111,377	(282,152)	–	–	–	(175,116)	4,341	–	–	(282,152)
Nonpublic Home Instruction	36,859	7/1/2011	6/30/2012	–	(141)	–	–	–	–	–	–	–	(141)	–	–	–	–
Nonpublic Home Instruction	21,376	7/1/2012	6/30/2013	–	(20,779)	–	–	20,414	–	10	–	–	(355)	–	–	–	–
Nonpublic Home Instruction	22,239	7/1/2013	6/30/2014	–	–	–	–	636	(22,239)	–	–	–	(21,603)	–	–	–	(22,239)
Handicapped services (Chapter 193):				–	–	–	–	–	–	–	–	–	–	–	–	–	–
Supplemental Instruction	351,814	7/1/2011	6/30/2012	–	(1,265)	–	–	1,265	–	–	–	–	–	–	–	–	–
Supplemental Instruction	379,253	7/1/2012	6/30/2013	–	(166,486)	287	–	166,933	–	604	–	–	–	1,338	–	–	–
Supplemental Instruction	453,218	7/1/2013	6/30/2014	–	–	–	–	205,059	(453,218)	–	–	–	(254,116)	5,957	–	–	(453,218)
Examination and Classification	571,949	7/1/2011	6/30/2012	–	(4,001)	–	–	4,001	–	–	–	–	–	–	–	–	–
Examination and Classification	597,533	7/1/2012	6/30/2013	–	(425,126)	48	–	406,586	–	(17,735)	–	18,800	(21,010)	3,583	–	–	–
Examination and Classification	721,104	7/1/2013	6/30/2014	–	–	–	–	251,758	(721,104)	–	–	–	(470,460)	1,114	–	–	(721,104)
Corrective Speech	491,139	7/1/2012	6/30/2013	–	(221,656)	–	–	223,581	–	579	–	–	(847)	3,351	–	–	–
Corrective Speech	526,995	7/1/2013	6/30/2014	–	–	–	–	281,598	(526,995)	–	–	–	(260,600)	15,203	–	–	(526,995)
Total State Department of Education–passed-through Middlesex County School Districts				–	(1,570,689)	134,648	–	5,040,586	(5,554,896)	(15,683)	(77,887)	18,800	(2,192,715)	167,594	–	–	(5,554,896)
Total Special Revenue Fund				–	(1,570,689)	134,648	–	5,040,586	(5,554,896)	(15,683)	(77,887)	18,800	(2,192,715)	167,594	–	–	(5,554,896)
State Department of Agriculture																	
Enterprise Fund:																	
National School Lunch Program (State share)	3,502	7/1/2012	6/30/2013	–	(362)	–	–	575	–	(213)	–	–	–	–	–	–	–
National School Lunch Program (State share)	3,559	7/1/2013	6/30/2014	–	–	–	–	2,752	(3,559)	–	–	–	(807)	–	–	–	(3,559)
Total Enterprise Fund				–	(362)	–	–	3,327	(3,559)	(213)	–	–	(807)	–	–	–	(3,559)
Total State Financial Assistance				$ –	$ (1,617,261)	$ 134,648	$ –	$ 7,490,609	$ (8,006,005)	$ (15,896)	$ (77,887)	$ 18,800	$ (2,240,586)	$ 167,594	$ –	$ –	$ (8,006,005)

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, 2014

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 $(81,195). 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	$ –	$ 2,447,550	$ 2,447,550
Special Revenue Fund	1,904,558	5,554,896	7,459,454
Enterprise Fund	259,460	3,559	263,019
Total financial award expenditures	$ 2,164,018	$ 8,006,005	$ 10,170,023

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, 2014.

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, 2014

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, 2014

Part II – Schedule of Financial Statement Findings

State Awards Section

Dollar threshold used to determine Type A program:	$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 NJOMB Circular 04-04?		Yes	X	No

Identification of major programs:

Federal Awards

CFDA Number	Name of Federal Program or Cluster
	Special Education Cluster (IDEA):
84.027	Special Education–Grants to States (IDEA, Part B)
84.173	Special Education–Preschool Grants (IDEA Preschool)

State Awards

GMIS Number State Grant Number	Name of State Program or Cluster
100-034-5120-066	N.J. Nonpublic Handicapped Aid (Chapter 193)
100-034-5120-064	N.J. Nonpublic Textbooks

Middlesex Regional Educational Services Commission

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Part II – Schedule of Financial Statement Findings

None reported.

Middlesex Regional Educational Services Commission

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

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, 2013

Not applicable.

EY | Assurance | Tax | Transactions | Advisory

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