

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Fairfield, New Jersey

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

of the

Essex Regional Educational Services Commission

Fairfield, New Jersey

For The Fiscal Year Ended June 30, 2015

Prepared by

Business Office

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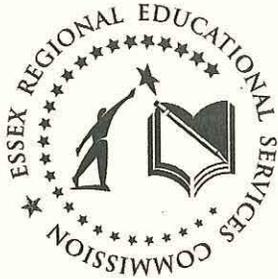
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INTRODUCTORY SECTION



ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION

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JACQUELINE A. YOUNG, Ed.D.
Superintendent
www.ecesc.com

December 9, 2015

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

The comprehensive annual financial report (CAFR) of the Essex Regional Educational Services Commission for the fiscal year ended June 30, 2015, is hereby submitted. This CAFR includes the Commission's Financial Statements prepared in accordance with Governmental Accounting Standards Board. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Directors. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Commission. All disclosures necessary to enable the reader to gain an understanding of the Commission's financial activities have been included.

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

The Commission is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act, the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and the state Treasury Circular Letter 15-08 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." Information related to this single audit, including the independent auditor's report on the internal control structure and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs is included in the single audit section of this report.

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

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

FISCAL YEAR	<u>Average Daily Enrollment (Essex Junior Academy)</u>	
	<u>STUDENT ENROLLMENT</u>	<u>PERCENT CHANGE</u>
2014-15	42.0	3%
2013-14	40.8	-8%
2012-13	44.2	-3%
2011-12	45.8	31%
2010-11	34.9	11%
2009-10	31.4	-1%
2008-09	31.8	-40%
2007-08	53.2	-10%
2006-07	58.9	-1%
2005-06	59.5	-14%

FISCAL YEAR	<u>Average Daily Enrollment (Essex High School)</u>	
	<u>STUDENT ENROLLMENT</u>	<u>PERCENT CHANGE</u>
2014-15	40	3%
2013-14	39	-16%
2012-13	46.2	5%
2011-12	44	2%
2010-11	39.3	16%
2009-10	33.8	-20%
2008-09	42.5	6%
2007-08	40.1	-9%
2006-07	44	35%
2005-06	32.7	-7%

FISCAL YEAR	<u>Average Daily Enrollment (Essex Campus Academy)</u>	
	<u>STUDENT ENROLLMENT</u>	<u>PERCENT CHANGE</u>
2014-15	40	0%
2013-14	40	10%
2012-13	36.4	-21%
2011-12	46.3	-14%
2010-11	53.8	-36%
2009-10	84.7	2%
2008-09	82.8	-25%
2007-08	109.8	207%
2006-07	53	21%

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

3) **MAJOR INITIATIVES:** In June 2015, Essex Campus Academy had thirteen (13) students that successfully completed requirements for high school diplomas – one (1) from Bloomfield, one (1) from Elizabeth, three (3) from East Orange, two (2) from Irvington, five (5) from Newark, and one (1) from Orange.

Sojourn High School (alternative school for incarcerated youths) had ten (10) students earned their high school diplomas (one (1) from Paterson, one (1) from East Orange, and eight (8) from Newark). In addition, thirteen (13) students passed the Test Assessing Secondary Completion which earned them The State of New Jersey High School Diploma.

Essex High School had five (5) students graduated -- one (1) from Bloomfield, three (3) from East Orange, and one (1) from Orange.

Essex Junior Academy had twelve (12) students graduated from Middle School -- three (3) from East Orange, one (1) from Irvington, two (2) from Newark, one (1) from North Star, three (3) from Orange, one (1) from Pride Academy, and one (1) from University Height.

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

4) **INTERNAL ACCOUNTING CONTROLS:** Management of the Commission is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Commission are protected from loss, theft or misuse and to

ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived: and (2) the valuation of costs and benefits require estimates and judgments by management.

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

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

5) **BUDGETARY CONTROLS:** In addition to internal accounting controls, the Commission maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

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

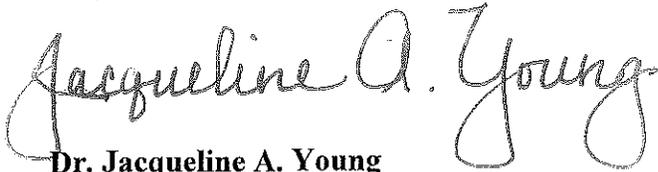
6) **CASH MANAGEMENT:** The investment policy of the Commission is guided in large part by state statutes as detailed in "Notes to the Financial Statements", Note 3. The Commission has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Government Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

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

8) **OTHER INFORMATION:** Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Lerch, Vinci, & Higgins, LLP was appointed as auditor at the reorganization meeting. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act and the related OMB Circular A-133 and state Treasury Circular Letter 15-08 OMB. The auditor's report on the basic financial statements and specific required supplemental information is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

9) **ACKNOWLEDGMENTS:** We would like to express our appreciation to the members of the Board of Directors for their concern in providing fiscal accountability to the citizens and taxpayers of the State and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated service of the Business Office staff.

Respectfully submitted,

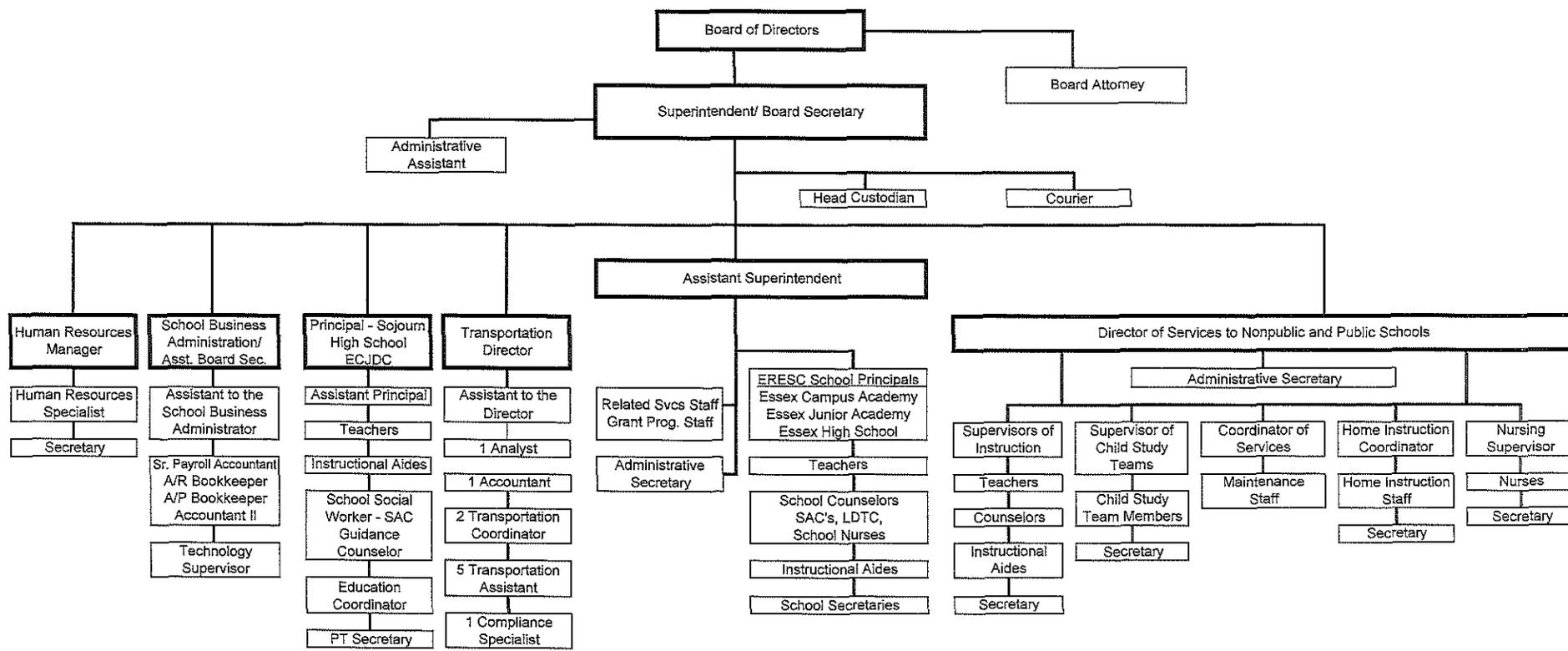
A handwritten signature in cursive script that reads "Jacqueline A. Young". The signature is written in black ink and is positioned above the printed name and title.

Dr. Jacqueline A. Young
Superintendent/Board Secretary

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION

ORGANIZATIONAL CHART 2014 - 2015

T.A.



**ESSEX REGIONAL EDUCATIONAL
SERVICES COMMISSION**

Consultants and Advisors

AUDIT FIRM

Lerch, Vinci & Higgins, LLP
Certified Public Accountants
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OFFICIAL DEPOSITORY

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BUSINESS OFFICE CONSULTANT

Ernest J. Turner
14 Main Street
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Madison, NJ 07940

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION

Roster of Officials

July 1, 2014 – June 30, 2015

MEMBERS OF THE BOARD OF EDUCATION

SCHOOL DISTRICT

Mr. Salvatore Carnovale, President

Essex County Vocational

Ms. Patricia A. Arthur, Vice President

Orange Board of Education

Mr. Richard Williams, Executive Committee Member

Irvington Board of Education

Mr. Peter Zangari Jr.

Belleville Board of Education

Ms. Eve Robinson

Montclair Board of Education

Ms. Valerie Wilson

Newark Board of Education

Ms. Maureen Jones

South Orange/Maplewood

Mr. Ronnie Spring

Livingston Board of Education

Ms. Ellen Rogers

Bloomfield Board of Education

Mr. Mustafa Brent

East Orange Board of Education

OTHER OFFICIALS

Dr. Jacqueline A. Young, Superintendent/Board Secretary

Wei-Jiun Kao, School Business Administrator

John H. Watson, Esq., Board Attorney

FINANCIAL SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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

DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. NICOLOSI, CPA
KATHLEEN WANG, CPA
ROBERT AMPONSAH, CPA

ELIZABETH A. SHICK, CPA, RMA, PSA
ANDREW PARENTE, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Commission of Trustees
Essex Regional Education Services Commission
Fairfield, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Essex Regional Education Services Commission, as of and for the fiscal year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to 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 Essex Regional Education Services Commission as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, in the fiscal year ended June 30, 2015, the Essex Regional Education Services Commission adopted new accounting guidance, Governmental Accounting Standards Commission Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

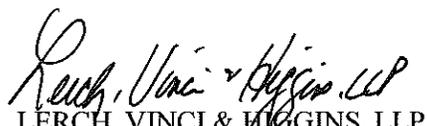
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Essex Regional Education Services Commission's basic financial statements. The introductory section, combining fund financial statements, financial schedules, statistical section, schedule of expenditures of federal awards as required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Essex Regional Education Services Commission.

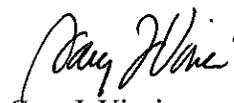
The combining fund financial statements, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated December 9, 2015 on our consideration of the Essex Regional Education Services Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Essex Regional Education Services Commission's internal control over financial reporting and compliance.


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


Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
December 9, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Management's Discussion and Analysis

This section of the Essex Regional Educational Services Commission's annual financial report presents our discussion and analysis of the Commission's financial performance during the fiscal year that ended on June 30, 2015. Please read it in conjunction with the transmittal letter at the front of this report and the Commission's financial statements, which immediately follows this section.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Certain comparative information between the current year (2014-2015) and the prior year (2013-2014) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2014-2015 fiscal year include the following:

- The assets and deferred outflows of resources of the Essex Regional Educational Services Commission exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$21,642,302 (net position).
- The Commission's total net position increased \$700,718.
- Overall Commission revenues were \$88,856,142. General revenues accounted for \$937,376 or approximately 1% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$87,918,766 or nearly 99% of total revenues.
- The Commission had \$88,067,953 in expenses for governmental activities, most of these expenses were offset by program specific charges, grants or contributions. Program revenues for governmental activities exceeded program expenses by \$687,062.
- As of the close of the current fiscal year, the Commission's governmental funds reported a combined ending fund balance of \$24,703,133, a decrease of \$129,255 when compared to the previous year ending fund balance.
- The General Fund unassigned fund balance at June 30, 2015 was \$8,282,043 an increase of \$671,885 when compared with the beginning fund balance at July 1, 2014 of \$7,610,158.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are commission wide financial statements that provide both short-term and long-term information about the Commission's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Commission, reporting the Commission's operations in more detail than the commission-wide statements.

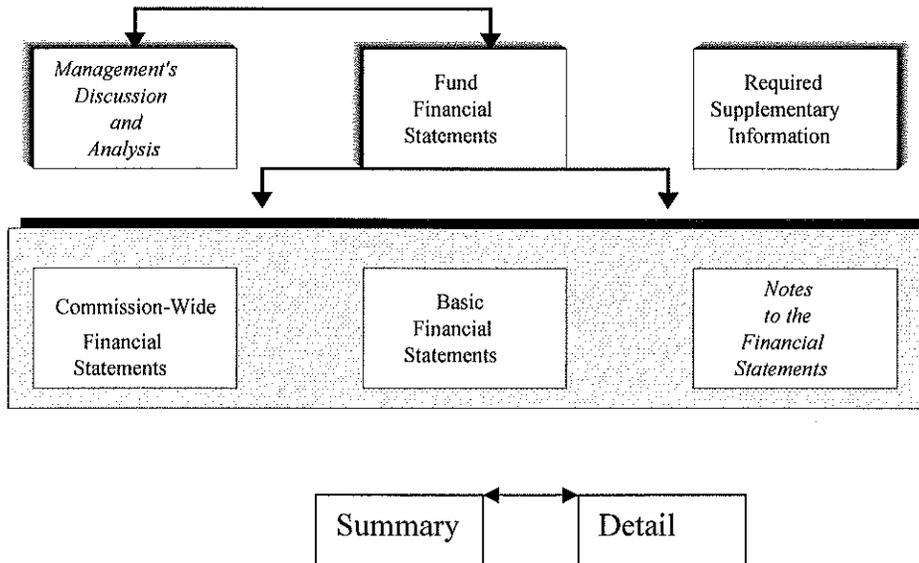
**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
FAIRFIELD, NEW JERSEY**

Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

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



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

Management’s Discussion and Analysis

The following summarizes the major features of the Commission’s financial statements, including the portion of the Commission’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

Major Features of the Commission-wide and Fund Financial Statements

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

Commission-Wide Financial Statements

The Commission-wide statements report information about the Commission as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Commission’s assets, deferred inflows/outflows of resources and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

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

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

Management's Discussion and Analysis

Commission-Wide Financial Statements (Continued)

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

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

Fund Financial Statements

The fund financial statements provide more detailed information about the Commission's funds – focusing on its most significant or "major" funds – not the Commission as a whole. Funds are accounting devices the Commission uses to keep track of specific sources of funding and spending on particular programs:

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

The Commission has three kinds of funds:

- *Governmental funds* – Most of the Commission's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Commission's programs. Because this information does not encompass the additional long-term focus of the Commission-wide statements, we provide additional information at the bottom of the governmental funds statements that explains the relationship (or differences) between them.

- *Proprietary funds* – Services for which the Commission charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the commission-wide statements.

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

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

Notes to the Financial Statements

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

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

Management's Discussion and Analysis

Other Information

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

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

COMMISSION-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Commission, assets exceeded liabilities by \$21,642,302 and \$20,941,584 (as restated) as of June 30, 2015 and 2014.

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

**Net Position
As of June 30, 2015 and 2014**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Assets						
Current Assets	\$ 32,571,219	\$ 31,482,726	\$ 40,253	\$ 25,163	\$ 32,611,472	\$ 31,507,889
Capital Assets	<u>11,791,581</u>	<u>12,166,770</u>	<u>-</u>	<u>1,434</u>	<u>11,791,581</u>	<u>12,168,204</u>
Total Assets	<u>44,362,800</u>	<u>43,649,496</u>	<u>40,253</u>	<u>26,597</u>	<u>44,403,053</u>	<u>43,676,093</u>
Deferred Outflows of Resources						
Deferred Amounts on Net						
Pension Liability	<u>354,619</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>354,619</u>	<u>-</u>
Liabilities						
Long-Term Liabilities	20,638,152	9,714,346			20,638,152	9,714,346
Other Liabilities	<u>1,203,180</u>	<u>795,769</u>	<u>-</u>	<u>-</u>	<u>1,203,180</u>	<u>795,769</u>
Total Liabilities	<u>21,841,332</u>	<u>10,510,115</u>	<u>-</u>	<u>-</u>	<u>21,841,332</u>	<u>10,510,115</u>
Deferred Inflows of Resources						
Deferred Amounts on Net						
Pension Liability	<u>1,274,038</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,274,038</u>	<u>-</u>
Net Position						
Net Investment						
in Capital Assets	2,756,573	2,831,476		1,434	2,756,573	2,832,910
Restricted	36,052	88,212			36,052	88,212
Unrestricted	<u>18,809,424</u>	<u>17,995,299</u>	<u>40,253</u>	<u>25,163</u>	<u>18,849,677</u>	<u>18,020,462</u>
Total Net Position	<u>\$ 21,602,049</u>	<u>\$ 20,914,987</u>	<u>\$ 40,253</u>	<u>\$ 26,597</u>	<u>\$ 21,642,302</u>	<u>\$ 20,941,584</u>

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

Management's Discussion and Analysis

**Change in Net Position
For The Fiscal Years Ended June 30, 2015 and 2014**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues						
Charges for Services	\$ 83,162,980	\$ 72,228,181			\$ 83,162,980	\$ 72,228,181
Operating Grants and Contributions	4,654,659	2,299,589	\$ 101,127	\$ 98,996	4,755,786	2,398,585
General Revenues						
Other	937,376	1,615,851	-	-	937,376	1,615,851
Total Revenues	<u>88,755,015</u>	<u>76,143,621</u>	<u>101,127</u>	<u>98,996</u>	<u>88,856,142</u>	<u>76,242,617</u>
Expenses						
Instruction						
Regular	4,470,116	3,480,682			4,470,116	3,480,682
Special Education	10,245,503	9,773,594			10,245,503	9,773,594
Other Instruction	5,331,868	5,099,113			5,331,868	5,099,113
Support Services						
Student and Instruction Related Services	6,322,752	6,234,603			6,322,752	6,234,603
General Administrative Services	1,784,255	2,276,788			1,784,255	2,276,788
School Administrative Services	1,171,115	1,207,752			1,171,115	1,207,752
Central Services	727,272	725,075			727,272	725,075
Administrative Info. Technology	132,698	151,218			132,698	151,218
Plant Operations and Maintenance	1,488,500	1,487,824			1,488,500	1,487,824
Pupil Transportation	55,971,127	43,201,500			55,971,127	43,201,500
Interest on Long Term Debt	422,747	436,410			422,747	436,410
Food Services	-	-	87,471	94,109	87,471	94,109
Total Expenses	<u>88,067,953</u>	<u>74,074,559</u>	<u>87,471</u>	<u>94,109</u>	<u>88,155,424</u>	<u>74,168,668</u>
Change in Net Position	687,062	2,069,062	13,656	4,887	700,718	2,073,949
Net Position, Beginning of Year	20,914,987	31,070,319	26,597	21,710	20,941,584	31,092,029
Prior Period Adjustment	-	(12,224,394)	-	-	-	(12,224,394)
Net Position, End of Year	<u>\$ 21,602,049</u>	<u>\$ 20,914,987</u>	<u>\$ 40,253</u>	<u>\$ 26,597</u>	<u>\$ 21,642,302</u>	<u>\$ 20,941,584</u>

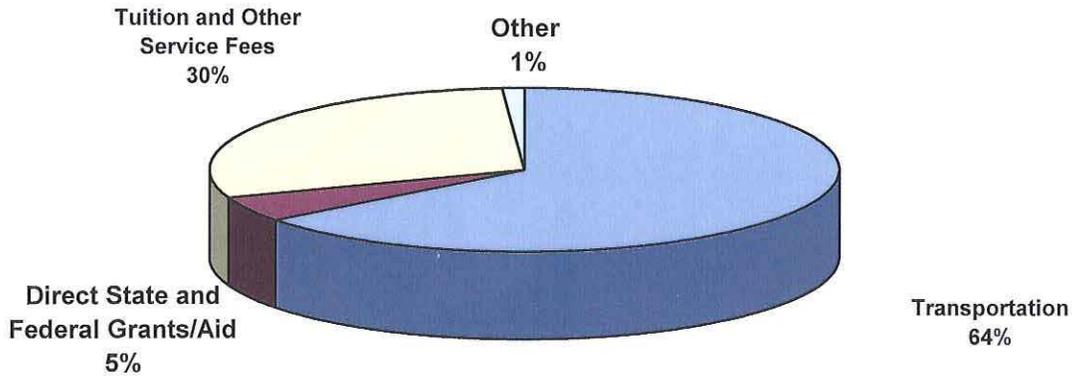
**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
FAIRFIELD, NEW JERSEY**

Management's Discussion and Analysis

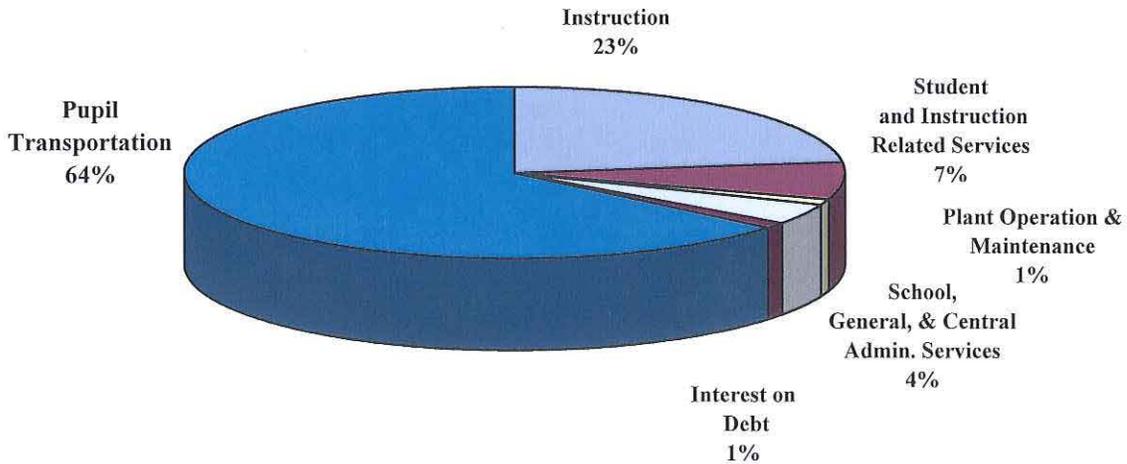
Governmental Activities. The Commission's total governmental activities' revenues, which includes State and Federal grants, were \$88,755,015 and \$76,143,621 for the fiscal years ended June 30, 2015 and 2014, respectively. Tuition charges and local education fees of \$83,162,980 and \$72,228,181 represented 94% and 95% of the revenues for the respective years. Grants and contributions of \$4,654,659 and \$2,299,589 were realized for the fiscal years ended June 30, 2015 and 2014. In addition, miscellaneous income is earned which includes items such as interest, prior year refunds and other miscellaneous items.

The total cost of all governmental activities programs and services were \$88,067,953 and \$74,074,559 for the fiscal years ended June 30, 2015 and 2014, respectively. The Commission's expenses are related to educating and caring for students and providing transportation and other related services to local education agencies. Instruction totaled \$20,047,487 and \$18,353,389 representing 23% and 25% of total expenses for the fiscal years ended June 30, 2015 and 2014, respectively. Support services (including pupil transportation), totaled \$67,597,719 and \$55,284,760 representing 76% and 74% of total expenditures for the fiscal years ended June 30, 2015 and 2014, respectively.

**Revenues by Source – Governmental Activities
For Fiscal Year 2014/15**



**Expenditures by Type- Governmental Activities
For Fiscal Year 2014/15**



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

Management's Discussion and Analysis

Net Cost of Governmental Activities. The Commission's total cost of services was \$88,067,953 and \$74,074,559 for the fiscal years ended June 30, 2015 and 2014. After applying program revenues, derived from charges for services and grants and contributions of \$87,817,639 and \$74,527,770, the net revenue (expense) for fiscal years ended June 30, 2015 and 2014 were \$(250,314) and \$453,211, respectively.

**Total and Net (Expense) Revenue from Governmental Activities
For the Fiscal Years Ended June 30, 2015 and 2014**

	<u>Total Cost of Services</u>		<u>Net (Cost) Income of Services</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Instruction				
Regular	\$ 4,470,116	\$ 3,480,682	\$ (272,580)	\$ (966,013)
Special Education	10,245,503	9,773,594	(4,968,064)	(3,992,533)
Other Instruction	5,331,868	5,099,113	(53,713)	657,067
Support Services				
Student and Instruction Related Services	6,322,752	6,234,603	8,286,976	6,988,834
General Administrative Services	1,784,255	2,276,788	(606,849)	(503,930)
School Administrative Services	1,171,115	1,207,752	(960,547)	(1,093,966)
Central Services	727,272	725,075	(719,772)	(725,075)
Administrative Info. Technology	132,698	151,218	(132,698)	(151,218)
Plant Operations and Maintenance	1,488,500	1,487,824	(1,474,634)	(1,487,824)
Pupil Transportation	55,971,127	43,201,500	1,074,314	2,164,279
Interest on Long Term Debt	422,747	436,410	(422,747)	(436,410)
	<u>422,747</u>	<u>436,410</u>	<u>(422,747)</u>	<u>(436,410)</u>
Total	<u>\$ 88,067,953</u>	<u>\$ 74,074,559</u>	<u>\$ (250,314)</u>	<u>\$ 453,211</u>

Business-Type Activities – The Commission's total business-type activities revenues were \$101,127 and \$98,996 for the fiscal years ended June 30, 2015 and June 30, 2014. Grants and contributions accounted for 100% of total revenue for both fiscal years.

The total cost of all business-type activities programs and services were \$87,471 and \$94,109 for the fiscal years ended June 30, 2015 and 2014. The Commission's expenses are related to Food Service programs provided to all eligible students within the Commission.

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

Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE COMMISSION'S FUNDS

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

Governmental Funds

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

The financial performance of the Commission as a whole is reflected in its governmental funds as well. As the Commission completed the school year, its governmental funds reported a combined fund balance of \$24,703,133 for the fiscal year ended June 30, 2015 compared to \$24,832,388 for the fiscal year ended June 30, 2014.

Revenues for the Commission's governmental funds were \$86,115,794 and \$73,241,450, while total expenses were \$86,245,049 and \$73,875,710 for the fiscal years ended June 30, 2015 and 2014, respectively.

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

The following schedule presents a summary of General Fund Revenues.

	Fiscal Year Ended June 30,		Amount of Increase (Decrease)	Percent Change
	<u>2015</u>	<u>2014</u>		
Local Sources				
Tuition Charges	\$ 4,679,444	\$ 3,867,628	\$ 811,816	21%
Transportation Fees	54,508,463	43,808,107	10,700,356	24%
Miscellaneous	12,626,222	11,271,254	1,354,968	12%
State Sources	<u>1,686,981</u>	<u>1,467,685</u>	<u>219,296</u>	15%
 Total General Fund Revenues	 <u>\$ 73,501,110</u>	 <u>\$ 60,414,674</u>	 <u>\$ 13,086,436</u>	 22%

Total revenues increased \$13,086,436 or 22% from the previous year. Transportation fees increased over \$10 million due to an increase in transportation services provided to other local education agencies. Miscellaneous revenue increased \$1,354,968 or 10% mainly attributed to an increase in fees from related services provided to other local education agencies. State aid revenues increased \$219,296 due to the increase in State funding for TPAF on-behalf pension contributions.

The following schedule presents a summary of General Fund Expenditures.

	Fiscal Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	<u>2015</u>	<u>2014</u>		
Instruction	\$ 11,945,634	\$ 11,673,491	\$ 272,143	2%
Support Services	60,858,244	48,592,355	12,265,889	25%
Capital Outlay	25,347		25,347	
Debt Service	<u>730,000</u>	<u>720,000</u>	<u>10,000</u>	1%
 Total Expenditures	 <u>\$ 73,559,225</u>	 <u>\$ 60,985,846</u>	 <u>\$ 12,573,379</u>	 21%

Total General Fund expenditures increased \$12,573,379 or 21% from the previous year. The majority of this increase is attributable to the increase in the cost of transportation and others support expenditures for services provided to other local education agencies.

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

Management's Discussion and Analysis

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

Revenues of the Special Revenue Fund were \$12,614,684 and \$12,826,776 for the fiscal years ended June 30, 2015 and 2014. Local sources accounted for the majority of Special Revenue Fund's revenue which represented 91% and 94% of the total revenues for fiscal years June 30, 2015 and June 30, 2014.

Total Special Revenue Fund revenues decreased \$212,092 or 2% from the previous year. This was attributable to a decrease in Title I fees and an increase in fees earned from other local sources for nonpublic services.

Expenditures of the Special Revenue Fund were \$12,614,684 and \$12,826,776 for the fiscal years ended June 30, 2015 and 2014. Instructional expenditures were \$6,781,611 and \$6,595,394 or 54% and 51% and expenditures for the support services were \$5,833,073 and \$6,214,835 or 46% and 48% of total expended for the fiscal years ended June 30, 2015 and 2014.

Capital Projects Fund - The Capital Projects Fund's expenditures exceeded revenues and other financing sources by \$52,160 resulting in a fund balance of \$36,052 at June 30, 2015. Total expenditures for the current year (\$71,140) were for security improvements to the school facilities and the Essex Campus Academy Gymnasium lighting upgrade.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS

The Commission's investment in capital assets for its governmental activities as of June 30, 2015 and 2014 amounted to \$11,791,581 and \$12,166,770 and its business-type activities of \$- and \$1,434, respectively (net of accumulated depreciation). The capital assets consist of land, construction in progress site and leasehold improvements, building and building improvements, computers, specialized machinery and various other types of equipment. Depreciation charges for fiscal years 2014-2015 and 2013-2014 amounted to \$471,676 and \$502,183 for governmental activities and \$1,434 and \$1,434 for business-type activities, respectively.

Capital Assets at June 30, 2015 and 2014
(Net of Accumulated Depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 2,100,000	\$ 2,100,000		
Construction In Progress		63,088		
Site Improvements	2,648	2,831		
Building and Building Improvements	9,124,906	9,368,269		
Leasehold Improvements	121,319	128,992		
Machinery and Equipment	442,708	503,590	\$ -	\$ 1,434
Total Capital Assets, Net	<u>\$ 11,791,581</u>	<u>\$ 12,166,770</u>	<u>\$ -</u>	<u>\$ 1,434</u>

Additional information on the Commission's capital assets is presented in the notes to the financial statements.

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

Management's Discussion and Analysis

LONG TERM LIABILITIES

At year end, the Commission's long-term liabilities consisted of compensated absences payable of \$325,837 and \$379,052, capital leases payable in the amount of \$9,035,008 and \$9,335,294 and net pension liability of \$11,277,307 and \$12,224,394 for the fiscal years ended June 30, 2015 and 2014.

Additional information of the Commission's long-term liabilities is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Many factors were considered by the Commission's administration during the process of developing the fiscal year 2015-2016 budget. The primary factors were the Commission's projected student population and services required to be provided to local education agencies as well as increasing transportation, salary and related benefit costs.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our member school districts, customers, and investors and creditors with a general overview of the Commission's finances and to demonstrate the Commission's accountability for the money it receives. If you have questions about this report or need additional information contact the School Business Administrator, Essex Regional Educational Services Commission, 369 Passaic Avenue, Fairfield, NJ 07052.

BASIC FINANCIAL STATEMENTS

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
STATEMENT OF NET POSITION
AS OF JUNE 30, 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 3,567,897	\$ 32,975	\$ 3,600,872
Receivables, Net	28,939,989	7,278	28,947,267
Other Current Assets	63,333		63,333
Capital Assets			
Capital Assets Not Being Depreciated	2,100,000		2,100,000
Capital Assets Being Depreciated (Net)	<u>9,691,581</u>	<u>-</u>	<u>9,691,581</u>
Total Assets	<u>44,362,800</u>	<u>40,253</u>	<u>44,403,053</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts on Net Pension Liability	<u>354,619</u>	<u>-</u>	<u>354,619</u>
Total Deferred Outflows of Resources	<u>354,619</u>	<u>-</u>	<u>354,619</u>
Total Assets and Deferred Outflows	<u>44,717,419</u>	<u>40,253</u>	<u>44,757,672</u>
LIABILITIES			
Accounts Payable and Other Current Liabilities	956,082		956,082
Accrued Interest Payable	209,612		209,612
Unearned Revenue	37,486		37,486
Noncurrent Liabilities			
Due Within One Year	863,599		863,599
Due Beyond One Year	<u>19,774,553</u>	<u>-</u>	<u>19,774,553</u>
Total Liabilities	<u>21,841,332</u>	<u>-</u>	<u>21,841,332</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Amounts on Net Pension Liability	<u>1,274,038</u>	<u>-</u>	<u>1,274,038</u>
Total Deferred Inflows of Resources	<u>1,274,038</u>	<u>-</u>	<u>1,274,038</u>
Total Liabilities and Deferred Inflows	<u>23,115,370</u>	<u>-</u>	<u>23,115,370</u>
NET POSITION			
Net Investment in Capital Assets	2,756,573		2,756,573
Restricted For:			
Capital Projects	36,052		36,052
Unrestricted	<u>18,809,424</u>	<u>40,253</u>	<u>18,849,677</u>
Total Net Position	<u>\$ 21,602,049</u>	<u>\$ 40,253</u>	<u>\$ 21,642,302</u>

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction							
Regular	\$ 4,470,116	\$ 2,493,540	\$ 1,703,996		\$ (272,580)		\$ (272,580)
Special Education	10,245,503	5,009,749	267,690		(4,968,064)		(4,968,064)
Other Instruction	5,331,868	4,299,240	978,915		(53,713)		(53,713)
Support Services							
Student and Instruction Related Services	6,322,752	13,243,687	1,366,041		8,286,976		8,286,976
General Administrative Services	1,784,255	1,110,950	66,456		(606,849)		(606,849)
School Administrative Services	1,171,115		210,568		(960,547)		(960,547)
Central Services	727,272		7,500		(719,772)		(719,772)
Administrative Info. Technology	132,698				(132,698)		(132,698)
Plant Operations and Maintenance	1,488,500	13,866			(1,474,634)		(1,474,634)
Pupil Transportation	55,971,127	56,991,948	53,493		1,074,314		1,074,314
Interest on Long Term Debt	422,747	-	-	-	(422,747)	-	(422,747)
Total Governmental Activities	<u>88,067,953</u>	<u>83,162,980</u>	<u>4,654,659</u>	<u>-</u>	<u>(250,314)</u>	<u>-</u>	<u>(250,314)</u>
Business-Type Activities							
Food Service	<u>87,471</u>	<u>-</u>	<u>101,127</u>	<u>-</u>	<u>-</u>	<u>\$ 13,656</u>	<u>13,656</u>
Total Business-Type Activities	<u>87,471</u>	<u>-</u>	<u>101,127</u>	<u>-</u>	<u>-</u>	<u>13,656</u>	<u>13,656</u>
Total Primary Government	<u>\$ 88,155,424</u>	<u>\$ 83,162,980</u>	<u>\$ 4,755,786</u>	<u>\$ -</u>	<u>(250,314)</u>	<u>13,656</u>	<u>(236,658)</u>
General Revenues							
Indirect Cost Reimbursement and Miscellaneous					<u>937,376</u>	<u>-</u>	<u>937,376</u>
Total General Revenues					<u>937,376</u>	<u>-</u>	<u>937,376</u>
Change in Net Position					687,062	13,656	700,718
Net Position, Beginning of Year (Restated)					<u>20,914,987</u>	<u>26,597</u>	<u>20,941,584</u>
Net Position, End of Year					<u>\$ 21,602,049</u>	<u>\$ 40,253</u>	<u>\$ 21,642,302</u>

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

FUND FINANCIAL STATEMENTS

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2015

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 3,531,845		\$ 36,052	\$ 3,567,897
Receivables, Net				
Accounts	70,446	\$ 36,585		107,031
Receivables from Other Governments	23,876,283	4,951,675		28,827,958
Due from Other Funds	4,797,458			4,797,458
Prepaid Items				-
Security Deposits	63,333	-	-	63,333
	<u>32,339,365</u>	<u>4,988,260</u>	<u>36,052</u>	<u>37,363,677</u>
Total Assets	<u>\$ 32,339,365</u>	<u>\$ 4,988,260</u>	<u>\$ 36,052</u>	<u>\$ 37,363,677</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES				
FUND BALANCE				
Liabilities				
Accounts Payable	\$ 429,104	\$ 172,816		\$ 601,920
Accrued Salaries and Wages	331,176	22,986		354,162
Due to Other Funds		4,792,458		4,792,458
Unearned Revenue	37,486	-	-	37,486
	<u>797,766</u>	<u>4,988,260</u>	<u>-</u>	<u>5,786,026</u>
Total Liabilities	<u>797,766</u>	<u>4,988,260</u>	<u>-</u>	<u>5,786,026</u>
Deferred Inflows of Resources				
Unavailable Revenue - Program Fees	6,874,518	-	-	6,874,518
	<u>6,874,518</u>	<u>-</u>	<u>-</u>	<u>6,874,518</u>
Total Deferred Inflows of Resources	<u>6,874,518</u>	<u>-</u>	<u>-</u>	<u>6,874,518</u>
Fund Balances				
Restricted				
Capital Projects			\$ 36,052	36,052
Assigned:				
Designated for Capital Projects	2,743,918			2,743,918
Designated for Repairs and Replacements	683,475			683,475
Designated for Fairfield Building Lease	12,957,645			12,957,645
Unassigned	8,282,043	-	-	8,282,043
	<u>24,667,081</u>	<u>-</u>	<u>36,052</u>	<u>24,703,133</u>
Total Fund Balances	<u>24,667,081</u>	<u>-</u>	<u>36,052</u>	<u>24,703,133</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 32,339,365</u>	<u>\$ 4,988,260</u>	<u>\$ 36,052</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$16,472,997 and the accumulated depreciation is \$4,681,416.

11,791,581

Unearned revenues in the funds that do not provide current financial resources are realized as revenues in the statement of activities

6,874,518

The District has financed capital assets through the issuance of long-term debt. The interest accrued at year end is:

(209,612)

Long term liabilities, are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Capital Leases Payable	\$ (9,035,008)
Compensated Absences	(325,837)
Net Pension Liability	(11,277,307)
Deferred Amounts on Net Pension Liability	
Deferred Inflows	(1,274,038)
Deferred Outflows	354,619

(21,557,571)

Net Position of Governmental Activities

\$ 21,602,049

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

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local Sources				
Tuition Charges	\$ 4,679,444			\$ 4,679,444
Transportation Fees	54,508,463			54,508,463
Miscellaneous	12,626,222	\$ 11,482,857	-	24,109,079
	<u>71,814,129</u>	<u>11,482,857</u>		<u>83,296,986</u>
Total - Local Sources				
State Sources	1,686,981	124,997		1,811,978
Federal Sources	-	1,006,830	-	1,006,830
	<u>1,686,981</u>	<u>1,131,827</u>		<u>2,818,808</u>
Total Revenues	<u>73,501,110</u>	<u>12,614,684</u>	<u>-</u>	<u>86,115,794</u>
EXPENDITURES				
Current				
Instruction				
Regular Instruction	2,225,930	1,033,366		3,259,296
Special Education Instruction	8,993,946	1,142,135		10,136,081
Other Special Instruction	725,758	4,606,110		5,331,868
Support Services				
Student and Instruction Related Services	1,188,891	4,814,984		6,003,875
General Administrative Services	792,752	950,730		1,743,482
School Administrative Services	1,050,228			1,050,228
Central Services	727,501			727,501
Administrative Info. Technology	133,282			133,282
Plant Operations and Maintenance	1,043,373	13,866		1,057,239
Pupil Transportation	55,922,217	53,493		55,975,710
Debt Service				
Principal	300,286			300,286
Interest and Other Charges	429,714			429,714
Capital Outlay	25,347	-	\$ 71,140	96,487
	<u>73,559,225</u>	<u>12,614,684</u>	<u>71,140</u>	<u>86,245,049</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(58,115)</u>	<u>-</u>	<u>(71,140)</u>	<u>(129,255)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In			18,980	18,980
Transfers Out	(18,980)	-	-	(18,980)
	<u>(18,980)</u>		<u>18,980</u>	<u>-</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	(77,095)	-	(52,160)	(129,255)
Fund Balance, Beginning of Year	24,744,176	-	88,212	24,832,388
Fund Balance, End of Year	<u>\$ 24,667,081</u>	<u>\$ -</u>	<u>\$ 36,052</u>	<u>\$ 24,703,133</u>

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
WITH THE COMMISSION-WIDE STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Net Change in Fund Balances - Governmental Funds (Exhibit B-2) **\$ (129,255)**

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

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

Unearned Revenue - June 30, 2014	\$ (6,071,148)	
Unearned Revenue - June 30, 2015	<u>6,874,518</u>	803,370

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

Capital Outlay	96,487	
Depreciation Expense	<u>(471,676)</u>	(375,189)

Repayment of debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities. Forgiveness of debt is a revenue in the statement of activities and reduces long-term debt in the statement of net position but does not affect the governmental funds.

Capital Leases Principal Paid		300,286
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In the statement of activities, certain operating expenses - compensated absences and claims and judgements - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (paid):

Decrease in Compensated Absences		53,215
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In the statement of activities, pension expenses are measured by the liability accrued during the year. In the governmental funds, however, expenditures are reported in the amount of financial resources used (paid).

Decrease in Pension Expense - Public Employees' Retirement System		27,668
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Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

Decrease in Accrued Interest		<u>6,967</u>
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Change in Net Position of Governmental Activities (Exhibit A-2) **\$ 687,062**

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 PROPRIETARY FUNDS
 FOOD SERVICE ENTERPRISE FUND
 STATEMENT OF NET POSITION
 AS OF JUNE 30, 2015**

ASSETS

Current Assets

Cash and Cash Equivalents	\$	32,975
Intergovernmental Accounts Receivable		
Federal		7,169
State		109
		<u> </u>

Total Current Assets		<u>40,253</u>
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Non-Current Assets

Capital Assets		7,170
Accumulated Depreciation		<u>(7,170)</u>

Total Capital Assets, Net		<u> </u>
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Total Assets		<u>40,253</u>
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NET POSITION

Investment in Capital Assets		
Unrestricted		<u>40,253</u>

Total Net Position	\$	<u>40,253</u>
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The accompanying Notes to the Financial Statements are an Integral Part of this Statement.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 PROPRIETARY FUND
 FOOD SERVICE ENTERPRISE FUND
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

OPERATING EXPENSES

Cost of Sales	\$	86,037
Depreciation		<u>1,434</u>
Total Operating Expenses		<u>87,471</u>
Operating (Loss)		<u>(87,471)</u>
 NONOPERATING REVENUES		
State Sources		
State School Lunch Program		1,142
Federal Sources		
School Breakfast Program		38,642
National School Lunch Program		<u>61,343</u>
Total Nonoperating Revenues		<u>101,127</u>
Change in Net Position		13,656
Net Position, Beginning of Year		<u>26,597</u>
Net Position, End of Year	\$	<u><u>40,253</u></u>

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 PROPRIETARY FUNDS
 FOOD SERVICE ENTERPRISE FUND
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Payments for Goods and Services	\$ <u>(86,037)</u>
Net Cash (Used for) Operating Activities	<u>(86,037)</u>
 CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Return of Advances	(7,000)
Cash Received from State and Federal Subsidy Reimbursements	<u>113,042</u>
Net Cash Provided By Non-Capital Financing Activities	<u>106,042</u>
 Net Change in Cash and Cash Equivalents	 20,005
Cash and Cash Equivalents, Beginning of Year	<u>12,970</u>
Cash and Cash Equivalents, End of Year	<u>\$ 32,975</u>
 Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:	
Operating (Loss)	\$ <u>(87,471)</u>
Adjustments to Reconcile Operating (Loss) to Net Cash (Used) by Operating Activities	
Depreciation Expense	<u>1,434</u>
Total Adjustments	<u>1,434</u>
Net Cash (Used for) Operating Activities	<u>\$ (86,037)</u>

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2015**

	<u>Agency Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ <u>198,456</u>
Total Assets	\$ <u>198,456</u>
LIABILITIES	
Due to Student Groups	\$ 1,108
Payroll Deductions and Withholdings	194,183
Accrued Salaries and Wages	(1,835)
Due to Other Funds	<u>5,000</u>
Total Liabilities	\$ <u>198,456</u>

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOT APPLICABLE

NOTES TO THE FINANCIAL STATEMENTS

**ESSEX REGIONAL EDUCATION SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Essex Regional Education Services Commission (the "Commission") is an instrumentality of the State of New Jersey, established to function as an education institution. The Commission consists of ten member school districts who assign an individual to serve on the Commission's Board of Directors. The Commission is located in the County of Essex and the Board of Directors are responsible for the fiscal control of the Commission. A superintendent is appointed by the Commission and is responsible for the administrative control of the Commission. Under existing statutes, the Commission's duties and powers include, but are not limited to, the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

The Commission also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

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

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

B. New Accounting Standards

During fiscal year 2015, the Commission adopted the following GASB statements:

- GASB 68, *Accounting and Financial Reporting for Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria.
- GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, should be applied simultaneously with the provisions of Statement No. 68. 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*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

**ESSEX REGIONAL EDUCATION SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

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

- GASB 72, *Fair Value Measurement and Application*, will be effective beginning with the fiscal year ending June 30, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.
- GASB 73, *Accounting and Financial Reporting for Pensions and Related Assets that Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, will be effective beginning with the fiscal year ending June 30, 2017. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.
- GASB 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, will be effective beginning with the fiscal year ending June 30, 2017. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.
- GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective beginning with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.
- GASB 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, will be effective beginning with the fiscal year ending June 30, 2016. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

C. Basis of Presentation - Financial Statements

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

**ESSEX REGIONAL EDUCATION SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Commission-Wide Financial Statements

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

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

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

Fund Financial Statements

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

The Commission reports the following major governmental funds:

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

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

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

The Commission reports the following major proprietary funds which are organized to be self-supporting through user charges:

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

**ESSEX REGIONAL EDUCATION SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (Continued)

Additionally, the Commission reports the following fund types:

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

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

Reclassifications

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

D. Measurement Focus and Basis of Accounting

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

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

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

**ESSEX REGIONAL EDUCATION SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

1. Cash, Cash Equivalents and Investments

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

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

2. Receivables

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

3. Inventories

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

4. Capital Assets

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

**ESSEX REGIONAL EDUCATION SERVICES COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. Capital Assets (Continued)

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

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

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

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Commission has one item which arises only under the accrual basis of accounting that qualifies for reporting in this category. The item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the commission-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; (4) changes in proportion and differences between employer contributions and proportionate share of contributions; and (5) contributions made subsequent to the measurement date. These amounts are deferred and amortized over future years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Commission has two types of items, one type which arises only under a modified accrual basis of accounting, and one type which arises only under the accrual basis of accounting that qualify for reporting in this category. Accordingly, one item, unavailable revenue, is reported only in the governmental funds balance sheet for tuition, transportation fees and miscellaneous service fees. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. At the end of the current fiscal year, the various components of unavailable revenue reported in the governmental funds as deferred inflows of resources were as follows:

General Fund	
Intergovernmental Receivables:	
Tuition	\$ 294,362
Transportation Fees	5,994,172
Miscellaneous Service Fees	<u>585,984</u>
 Total Unavailable Revenue	 <u>\$ 6,874,518</u>

**ESSEX REGIONAL EDUCATION SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

5. Deferred Outflows/Inflows of Resources (Continued)

The other item that qualifies for reporting in this category are the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the commission-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; and (4) changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are deferred and amortized over future years.

6. Compensated Absences

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

7. Pensions

In the commission-wide financial statements, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the retirement systems sponsored and administered by the State of New Jersey and additions to/deductions from these retirement systems' fiduciary net position have been determined on the same basis as they are reported by the retirement systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

In the governmental fund financial statements, net pension liabilities represent amounts normally expected to be liquidated with expendable available financial resources for required pension contributions that are due and payable at year end. Pension expenditures are recognized based on contractual pension contributions that are required to be made to the pension plan during the fiscal year.

8. Long-Term Obligations

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

ESSEX REGIONAL EDUCATION SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. *Net Position/Fund Balance*

Commission-Wide Statements

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

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

Governmental Fund Statements

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

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

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

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

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

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

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

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

**ESSEX REGIONAL EDUCATION SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Revenues and Expenditures/Expenses

1. *Program Revenues*

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

2. *Tuition Revenues and Expenditures*

Tuition Revenues - Tuition charges were established by the Commission based on estimated costs.

Tuition Expenditures - Tuition charges for the fiscal years 2013-2014 and 2014-2015 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

3. *Proprietary Funds, Operating and Nonoperating Revenues and Expenses*

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

The annual budget is adopted in the spring of the preceding year for the general and special revenue funds. The Commission is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent for review and approval prior to adoption and is approved by the Board of Directors on or before March 8 of the preceding fiscal year. Prior to the adoption of the budget the Commission must notify each member of the Commission of the fees to be charged for each service and program fees for the ensuing school year and the method by which the Commission expenses shall be funded.

**ESSEX REGIONAL EDUCATION SERVICES COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

Budget adoptions and amendments are recorded in the Commission's minutes. The budget is amended by the Board of Directors as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Commission approved several budget transfers during 2014/2015. Also, during 2014/2015 the Commission increased the original budget by \$32,995,424. The increase was funded by additional surplus appropriated, grant awards additional program fees.

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

Encumbrance accounting is employed in the governmental funds. Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as committed and/or assigned fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services which are reappropriated and honored during the subsequent fiscal year.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Cash Deposits and Investments

Cash Deposits

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

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2015, the book value of the Commission's deposits were \$3,799,328 and bank balances of the Commission's deposits amounted to \$11,036,284. The Commission's deposits which are displayed on the various fund balance sheets as "cash and cash equivalents" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ <u>11,036,284</u>

**ESSEX REGIONAL EDUCATION SERVICES COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash Deposits and Investments (Continued)

Cash Deposits (Continued)

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Commission does not have a policy for custodial credit risk. As of June 30, 2015 the Commission had no bank balances exposed to custodial credit risk.

Investments

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

As of June 30, 2015, the Commission had no outstanding investments

B. Receivables

Receivables as of June 30, 2015 for the Commission’s individual major funds including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Food Service</u>	<u>Total</u>
Receivables:				
Accounts	\$ 70,446	\$ 36,585		\$ 107,031
Intergovernmental				
Federal		458,197	\$ 7,169	465,366
State	52,396		109	52,505
Local	<u>25,170,929</u>	<u>4,493,478</u>	<u>-</u>	<u>29,664,407</u>
Gross Receivables	25,293,771	4,988,260	7,278	30,289,309
Less: Allowance for Uncollectibles	<u>1,347,042</u>	<u>-</u>	<u>-</u>	<u>1,347,042</u>
Net Total Receivables	<u>\$ 23,946,729</u>	<u>\$ 4,988,260</u>	<u>\$ 7,278</u>	<u>\$ 28,942,267</u>

C. Unearned Revenue

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

General Fund	
Summer School Tuition	<u>\$ 37,486</u>

**ESSEX REGIONAL EDUCATION SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015 was as follows:

	Balance, <u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	Balance, <u>June 30, 2015</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,100,000			\$ 2,100,000
Construction in Progress	63,088	\$ 71,140	\$ 134,228	-
Total Capital Assets, Not Being Depreciated	<u>2,163,088</u>	<u>71,140</u>	<u>134,228</u>	<u>2,100,000</u>
Capital Assets, Being Depreciated:				
Site Improvements	3,652			3,652
Building and Building Improvements	11,916,970	134,228		12,051,198
Leasehold Improvements	154,389			154,389
Machinery and Equipment	2,746,298	25,347	(607,887)	2,163,758
Total Capital Assets Being Depreciated	<u>14,821,309</u>	<u>159,575</u>	<u>(607,887)</u>	<u>14,372,997</u>
Less Accumulated Depreciation For:				
Site Improvements	(821)	(183)		(1,004)
Building and Building Improvements	(2,548,701)	(377,591)		(2,926,292)
Leasehold Improvements	(25,397)	(7,673)		(33,070)
Machinery and Equipment	(2,242,708)	(86,229)	607,887	(1,721,050)
Total Accumulated Depreciation	<u>(4,817,627)</u>	<u>(471,676)</u>	<u>607,887</u>	<u>(4,681,416)</u>
Total Capital Assets, Being Depreciated, Net	<u>10,003,682</u>	<u>(312,101)</u>	<u>-</u>	<u>9,691,581</u>
Governmental Activities Capital Assets, net	<u>\$ 12,166,770</u>	<u>\$ (240,961)</u>	<u>\$ 134,228</u>	<u>\$ 11,791,581</u>
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Machinery and Equipment	\$ 7,170	-	-	\$ 7,170
Total Capital Assets Being Depreciated	<u>7,170</u>	<u>-</u>	<u>-</u>	<u>7,170</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	(5,736)	\$ (1,434)	-	(7,170)
Total Accumulated Depreciation	<u>(5,736)</u>	<u>(1,434)</u>	<u>-</u>	<u>(7,170)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,434</u>	<u>\$ (1,434)</u>	<u>\$ -</u>	<u>\$ -</u>

**ESSEX REGIONAL EDUCATION SERVICES COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

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

Governmental Activities:		
Instruction		
Regular	\$	4,815
Special		<u>10,245</u>
Total Instruction		<u>15,060</u>
Support Services		
General Administration		8,360
School Administration		14,072
Operations and Maintenance of Plant		432,361
Business and Other Support Services		<u>1,823</u>
Total Support Services		<u>456,616</u>
Total Depreciation Expense - Governmental Activities	\$	<u>471,676</u>
Business-Type Activities:		
Food Service Fund	\$	<u>1,434</u>
Total Depreciation Expense - Business-Type Activities	\$	<u>1,434</u>

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2015, is as follows:

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 4,792,458
General Fund	Payroll Agency Fund	<u>5,000</u>
Total		<u>\$ 4,797,458</u>

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

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

**ESSEX REGIONAL EDUCATION SERVICES COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Receivables, Payables, and Transfers (Continued)

Interfund Transfers

	<u>Transfer In:</u>
	Capital Projects Fund
Transfer Out:	
General Fund	\$ <u>18,980</u>

The above transfer is the result of the appropriation of monies to finance capital projects.

F. Leases

Operating Leases

The Commission leases buildings and office equipment under noncancelable operating leases. Lease payments for the fiscal year ended June 30, 2015 were \$588,198. The future minimum lease payments for these operating leases are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	610,684
2017	621,546
2018	444,750
2019	430,238
2020	436,501
2021-2022	<u>899,366</u>
Total	<u>\$ 3,443,085</u>

**ESSEX REGIONAL EDUCATION SERVICES COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

F. Leases (Continued)

Capital Leases

The Commission is leasing a building acquisition for a term of 25 years. The Commission will own the building upon payment of the final lease installation in fiscal year 2031.

The capital assets acquired through capital leases are as follows:

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

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015 were as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ 750,000
2017	770,000
2018	790,000
2019	800,000
2020	810,000
2021-2025	4,108,020
2026-2030	4,108,020
2031	<u>821,605</u>
 Total Minimum Lease Payments	 12,957,645
Less: Amount Representing Interest	<u>(3,922,637)</u>
 Present Value of Minimum Lease Payments	 <u>\$ 9,035,008</u>

**ESSEX REGIONAL EDUCATION SERVICES COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

G. Other Long-Term Liabilities

Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2015, was as follows:

	<u>Balance,</u> <u>July 1, 2014</u> <u>(Restated)</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance,</u> <u>June 30, 2015</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Governmental activities:					
Capital Leases	\$ 9,335,294		\$ 300,286	\$ 9,035,008	\$ 334,613
Compensated Absences	379,052		53,215	325,837	
Net Pension Liability	<u>12,224,394</u>	<u>\$ -</u>	<u>947,087</u>	<u>11,277,307</u>	<u>528,986</u>
Governmental Activity Long-Term Liabilities	<u>\$ 21,938,740</u>	<u>\$ -</u>	<u>\$ 1,300,588</u>	<u>\$ 20,638,152</u>	<u>\$ 863,599</u>

For the governmental activities, the liabilities for compensated absences, capital leases and net pension liability are generally liquidated by the General Fund.

NOTE 4 OTHER INFORMATION

A. Risk Management

The Commission is exposed to various risks of loss related to property, general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; student accident; termination of employees and natural disasters. The Commission has obtained insurance coverage from New Jersey Schools Insurance Group (NJSIG) to guard against these events to minimize the exposure to the Commission should they occur. A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report.

B. Contingent Liabilities

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

Federal and State Awards – The Commission participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Commission may be required to reimburse the grantor government. As of June 30, 2015, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Commission believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Commission.

**ESSEX REGIONAL EDUCATION SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (Continued)

C. Federal Arbitrage Regulations

The Commission is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At June 30, 2015, the Commission had no estimated arbitrage earnings due to the IRS.

D. Employee Retirement Systems and Pension Plans

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

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

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

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

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected, certain appointed officials, and certain Commission employees not eligible for enrollment in PERS or TPAF. Effective July 1, 2007 membership is mandatory for such individuals with vesting occurring after one (1) year of membership. DCRP is a defined contribution pension plan.

Other Pension Funds

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

The cost of living increase for PERS and TPAF, are funded directly by each of the respective systems but are currently suspended as a result of reform legislation.

**ESSEX REGIONAL EDUCATION SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

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

Basis of Accounting

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

Investment Valuation

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

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial reports may be obtained in writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290 or at www.state.nj.us/treasury/doinvest.

Funding Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems including TPAF and PERS, is 62.8 percent with an unfunded actuarial accrued liability of \$51.0 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 54.2 percent and \$37.3 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and Police and Firemen's Retirement System ("PFRS") is 75.4 percent and \$13.7 billion, respectively.

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

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

**ESSEX REGIONAL EDUCATION SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Actuarial Methods and Assumptions

In the July 1, 2013 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (a) an investment rate of return for the retirement systems of 7.90 percent and (b) projected salary increases of 4.24 percent for the PERS and 3.33 percent for TPAF.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 6.9% for PERS, 6.9% for TPAF and 5.50% for DCRP of the employee's annual compensation.

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 *Accounting for Pensions by State and Local Government Employees*, for the fiscal year ended June 30, 2015 for TPAF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Commission. PERS employer contributions are made annually by the Commission to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the fiscal years ended June 30, 2015, 2014 and 2013 the Commission was required to contribute for PERS and DCRP and the State of New Jersey was required to contribute for TPAF for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Fiscal Year Ended <u>June 30,</u>	<u>PERS</u>	On-behalf <u>TPAF</u>	<u>DCRP</u>
2015	\$496,554	\$ 440,485	\$ 150,386
2014	481,940	334,841	135,308
2013	528,730	540,679	146,219

For fiscal years 2014/2015 and 2012/2013, the state contributed \$440,485 and \$540,679, respectively for normal cost pension, accrued liability and the NCGI premium. For fiscal year 2013/2014 the State did not contribute to the TPAF for accrued liability but did contribute \$334,841 for normal cost pension and NCGI premium.

The PERS contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure. The on-behalf TPAF contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 24. The DCRP contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure, as well as, the commission-wide financial statements (accrual basis) as an expense.

**ESSEX REGIONAL EDUCATION SERVICES COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Annual Pension Costs (APC) (Continued)

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Commission \$547,226 during the fiscal year ended June 30, 2015 for the employer’s share of social security contributions for TPAF members as calculated on their base salaries. This amount has been recognized in the commission-wide financial statements (accrual basis) and the governmental fund financial statements (modified accrual basis) as a revenue and expense/expenditure in accordance with GASB No. 24.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Public Employees Retirement System (PERS)

At June 30, 2015, the Commission reported in the statement of net position (accrual basis) a liability of \$11,277,307 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission’s proportionate share of the net pension liability was based on a projection of the Commission’s long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2014, the Commission’s proportionate share was .06023 percent, which was an decrease of .00373 percent from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the Commission recognized in the commission-wide statement of activities (accrual basis) pension expense of \$469,592 for PERS. At June 30, 2015, the Commission reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience		
Changes of Assumptions	\$ 354,619	
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments		\$ 672,066
Changes in Proportion and Differences Between		
District Contributions and Proportionate Share		
of Contributions	<u>-</u>	<u>601,972</u>
 Total	 <u>\$ 354,619</u>	 <u>\$ 1,274,038</u>

**ESSEX REGIONAL EDUCATION SERVICES COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
 Related to Pensions (Continued)**

Public Employees Retirement System (PERS) (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

Fiscal Year Ending <u>June 30,</u>	
2016	\$ (213,486)
2017	(213,486)
2018	(213,486)
2019	(213,486)
2020	(45,469)
Thereafter	<u>(20,006)</u>
	<u>\$ (919,419)</u>

Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	<u>PERS</u>
Inflation Rate	3.01%
Salary Increases:	
2012-2021	2.15-4.40%
Thereafter	Based on Age 3.15-5.40%
Investment Rate of Return	Based on Age 7.90%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	July 1, 2008 -
Study Upon Which Actuarial Assumptions were Based	June 30, 2011

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

**ESSEX REGIONAL EDUCATION SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions (Continued)**

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Intermediate-Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed Bonds	2.50%	3.51%
Broad US Equities	25.90%	8.22%
Developed Foreign Equities	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds/Absolute Return	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%

Discount Rate

The discount rate used to measure the total pension liabilities of the PERS plan was as follows:

<u>Plan</u>	<u>Discount Rate</u>
PERS	5.39%

**ESSEX REGIONAL EDUCATION SERVICES COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Teachers Pension and Annuity Fund (TPAF)

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the Commission is not required to recognize a net pension liability for TPAF. The State of New Jersey is the only entity that has a legal obligation to make employer contributions to TPAF on behalf of the Commission. Accordingly, the Commission's proportionate share percentage determined under Statement No. 68 is zero percent and the State's proportionate share is 100% for TPAF. Therefore, in addition, the Commission does not recognize any portion of the TPAF collective deferred outflows of resources and deferred inflows of resources.

For the fiscal year ended June 30, 2015, the Commission recognized in the commission-wide statement of activities (accrual basis) pension expense of \$2,276,336 for TPAF. This amount has been included in the commission-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 24.

At June 30, 2015 the State's proportionate share of the net pension liability attributable to the Commission is \$42,303,700. The nonemployer allocation percentages are based on the ratio of the State's contributions made as an employer and nonemployer towards the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the year ended June 30, 2014.

Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

	<u>TPAF</u>
Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.90%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	July 1, 2009 - June 30, 2012
Study Upon Which Actuarial Assumptions were Based	

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

**ESSEX REGIONAL EDUCATION SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions (Continued)**

Teachers Pension and Annuity Fund (TPAF) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2014 are summarized in the following table:

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

**ESSEX REGIONAL EDUCATION SERVICES COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Teachers Pension and Annuity Fund (TPAF) (Continued)

Discount Rate

The discount rate used to measure the total pension liabilities of the TPAF plan was as follows:

<u>Plan</u>	<u>Discount Rate</u>
TPAF	4.68%

The following table represents the crossover period, if applicable, for the TPAF defined benefit plan:

TPAF

Period of Projected Benefit Payments for which the Following Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2027
Municipal Bond Rate *	From July 1, 2027 and Thereafter

* The municipal bond return rate used is 4.29%. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the State's proportionate share of the TPAF net pension liability attributable to the Commission calculated using the discount rate of 4.68%, as well as what the State's proportionate share of the TPAF net pension liability attributable to the Commission that would be if it were calculated using a discount rate that is 1-percentage-point lower (3.68 percent) or 1-percentage-point higher (5.68 percent) than the current rate:

	1% Decrease <u>(3.68%)</u>	Current Discount Rate <u>(4.68%)</u>	1% Increase <u>(5.68%)</u>
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the Commission	<u>\$ 50,880,352</u>	<u>\$ 42,303,700</u>	<u>\$ 35,170,450</u>

The sensitivity analysis was based on the State's proportionate share of the net pension liability attributable to the Commission at June 30, 2014. A sensitivity analysis specific to the State's proportionate share of the net pension liability attributable to the Commission at June 30, 2014 was not provided by the pension system.

**ESSEX REGIONAL EDUCATION SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Teachers Pension and Annuity Fund (TPAF) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the TPAF pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

E. Post-Retirement Medical Benefits

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for school districts. The Plans are classified as either single employer plans or cost sharing multiple employer defined benefit plans depending on the plan the eligible employee is covered under.

As a result of implementing Governmental Accounting Standards Commission (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, and the PRM of the PERS are combined and reported as a Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF-Local are combined and reported as Health Benefits Program Fund –Local Government classified as a cost-sharing multiple-employer plan in the State's CAFR. The post-retirement benefit programs had a total of 590 state and local participating employers and contributing entities for Fiscal Year 2014.

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

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

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

**ESSEX REGIONAL EDUCATION SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Basis of Accounting

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

Significant Legislation

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

Investment Valuation

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

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the State had a \$53.0 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$19.7 billion for state active and retired members and \$33.3 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

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

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

Actuarial Methods and Assumptions

In the July 1, 2013, OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

**ESSEX REGIONAL EDUCATION SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Post-Retirement Medical Benefits Contributions

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2014, there were 103,432, retirees receiving post-retirement medical benefits and the State contributed \$1.04 billion on their behalf. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid 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 \$165.8 million toward Chapter 126 benefits for 18,122 eligible retired members in Fiscal Year 2014.

The State sets the contribution rate based on a pay as you go basis and not on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the Commission for the fiscal years ended June 30, 2015, 2014 and 2013 were \$699,270, \$549,014 and \$611,372 respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the Commission was not determined or made available by the State of New Jersey.

F. Subsequent Events

On August 27, 2015, the Commission approved a resolution to cancel the unexpended capital projects balance of \$36,052 for the Fairfield Building security screens. The unexpended balance will be returned to the General Fund (assigned fund balance, designated for capital projects).

NOTE 5 RESTATEMENT

On July 1, 2014, the Commission implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions. The Commission has determined that the effect of implementing this accounting change on the financial statements previously reported as of and for the fiscal year ended June 30, 2014 was to recognize the Commission's proportionate share of the Public Employees' Retirement System's (PERS) net pension liability, deferred outflows of resources and deferred inflows of resources with a corresponding reduction in the unrestricted component of net position in the amount of \$12,224,394. The result of this restatement is to reduce total net position of Governmental Activities at June 30, 2014 from \$33,139,381 as originally reported to \$20,914,987 as adjusted for the effects of the change in accounting principle.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
REVENUES					
Local Sources					
Tuition	\$ 4,780,853	\$ 27,116	\$ 4,807,969	\$ 4,679,444	\$ (128,525)
Transportation Fees	34,091,403	29,000,000	63,091,403	54,508,463	(8,582,940)
Miscellaneous	11,551,289	(573,515)	10,977,774	12,626,222	1,648,448
Total Local Sources	<u>50,423,545</u>	<u>28,453,601</u>	<u>78,877,146</u>	<u>71,814,129</u>	<u>(7,063,017)</u>
State Sources					
On-Behalf TPAF (Non-Budget)					
Pension Contribution				410,921	410,921
NCGI Premium				29,564	29,564
Post Retirement Medical Benefits				699,270	699,270
Social Security Contributions (Non-Budget)	-	-	-	547,226	547,226
Total State Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,686,981</u>	<u>1,686,981</u>
Total Revenues	<u>50,423,545</u>	<u>28,453,601</u>	<u>78,877,146</u>	<u>73,501,110</u>	<u>(5,376,036)</u>
CURRENT EXPENDITURES					
Instruction - Regular Programs					
Salaries of Teachers:					
Grades 9 - 12	739,950	-	739,950	666,297	73,653
Home Instruction:					
Salaries of Teachers	893,690	42,722	936,412	936,411	1
Purchased Professional - Educational Services	5,000	(5,000)	-	-	-
Other Purchased Services	4,000	(4,000)	-	-	-
Undistributed Instruction					
General Supplies	-	282	282	271	11
Total Instruction Regular Programs	<u>1,642,640</u>	<u>34,004</u>	<u>1,676,644</u>	<u>1,602,979</u>	<u>73,665</u>
Special Education					
Learning/Language Disabilities					
Salaries of Teachers	455,350	(62,608)	392,742	372,978	19,764
Other Salaries for Instruction	112,291	62,345	174,636	174,634	2
General Supplies		479	479	478	1
Other Objects	-	4,076	4,076	4,075	1
Total Learning/Language Disabilities	<u>567,641</u>	<u>4,292</u>	<u>571,933</u>	<u>552,165</u>	<u>19,768</u>
Behavioral Disabilities					
Salaries of Teachers	271,194	60,985	332,179	259,565	72,614
Other Salaries for Instruction	6,315,475	357,403	6,672,878	6,627,899	44,979
General Supplies	1,500	541	2,041	2,018	23
Textbooks	720	(720)	-	-	-
Other Objects	3,500	12,177	15,677	15,676	1
Total Behavioral Disabilities	<u>6,592,389</u>	<u>430,386</u>	<u>7,022,775</u>	<u>6,905,158</u>	<u>117,617</u>
Total Special Education	<u>7,160,030</u>	<u>434,678</u>	<u>7,594,708</u>	<u>7,457,323</u>	<u>137,385</u>
Total Instruction	<u>8,802,670</u>	<u>468,682</u>	<u>9,271,352</u>	<u>9,060,302</u>	<u>211,050</u>

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final To Actual
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures					
Instruction					
Tuition to County Voc. School District-Special	\$ 30,000	\$ (2,808)	\$ 27,192	\$ 23,815	\$ 3,377
Total Undistributed Expenditures - Instruction	30,000	(2,808)	27,192	23,815	3,377
Health Services					
Salaries of Teachers	87,363	(212)	87,151	83,118	4,033
General Supplies	-	322	322	322	-
Total Health Services	87,363	110	87,473	83,440	4,033
Other Supp. Serv. - Speech, OT, PT & Related Services					
Salaries	51,000	(7,008)	43,992	43,992	-
Purchased Professional-Educational Services	582,449	(516,558)	65,891	65,891	-
Supplies and Materials	1,000	(1,000)	-	-	-
Total Other Supp. Serv. - Speech, OT, PT & Related Serv.	634,449	(524,566)	109,883	109,883	-
Child Study Teams					
Salaries of Other Professional Staff	430,239	(29,785)	400,454	382,516	17,938
Purchased Professional-Educational Services	87,038	40,073	127,111	110,410	16,701
Total Child Study Teams	517,277	10,288	527,565	492,926	34,639
Improvement of Inst. Serv.					
Purchased Professional-Educational Services	10,000	4,160	14,160	14,160	-
Total Improvement of Inst. Serv.	10,000	4,160	14,160	14,160	-
Instructional Staff Training Services					
Purchased Professional - Educational Services	17,000	(10,300)	6,700	3,700	3,000
Total Instructional Staff Training Services	17,000	(10,300)	6,700	3,700	3,000
Support Services General Administration					
Salaries	375,325	130,277	505,602	505,121	481
Legal Services	45,000	(14,625)	30,375	30,374	1
Audit Fees	32,600	7,625	40,225	40,225	-
Other Purchased Professional Services	70,000	(39,948)	30,052	30,051	1
Communications/Telephone	26,000	2,365	28,365	24,080	4,285
Misc. Purchased Services	4,600	(181)	4,419	4,097	322
General Supplies	2,000	2,966	4,966	4,219	747
BOE In-House Training/Meeting Supplies	2,500	862	3,362	2,618	744
Miscellaneous Expenditures	1,894,631	(290,540)	1,604,091	62,108	1,541,983
BOE Membership Dues and Fees	11,000	(2,895)	8,105	8,105	-
Total Support Services General Administration	2,463,656	(204,094)	2,259,562	710,998	1,548,564
Support Services School Administration					
Salaries of Principals and Assistant Principals	521,653	(75,635)	446,018	426,900	19,118
Salaries of Other Professional Staff	140,292	(56)	140,236	90,236	50,000
Salaries of Secretarial and Clerical Assistants	323,729	(31,308)	292,421	292,421	-
Purchased Prof. and Tech. Services	8,000	(313)	7,687	6,722	965
Other Purchased Services	20,300	(3,220)	17,080	15,105	1,975
Supplies and Materials	2,000	6,979	8,979	8,852	127
Other Objects	13,000	6,411	19,411	17,535	1,876
Total Support Services School Administration	1,028,974	(97,142)	931,832	857,771	74,061

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final To Actual
CURRENT EXPENDITURES (Continued)					
Central Services					
Salaries	\$ 395,003	\$ (237)	\$ 394,766	\$ 394,468	\$ 298
Purchased Professional Services	144,516	1,990	146,506	146,506	-
Purchased Technical Services	49,000	(5,000)	44,000	38,795	5,205
Miscellaneous Purchased Services	22,400	5,183	27,583	26,581	1,002
Supplies and Materials	3,000	9,413	12,413	12,412	1
Interest on Lease Purchase Agreements		429,714	429,714	429,714	-
Other Objects	12,500	22,977	35,477	35,476	1
Total Central Services	<u>626,419</u>	<u>464,040</u>	<u>1,090,459</u>	<u>1,083,952</u>	<u>6,507</u>
Admin. Info. Tech.					
Salaries	173,264	(60,858)	112,406	112,405	1
Total Undistributed Expenditures-Admin. Info. Technology	<u>173,264</u>	<u>(60,858)</u>	<u>112,406</u>	<u>112,405</u>	<u>1</u>
Required Maintenance for School Facilities					
Cleaning, Repair and Maintenance Services	20,500	6,357	26,857	18,895	7,962
General Supplies	8,000	1,441	9,441	7,475	1,966
Other Objects	8,000	69	8,069	6,854	1,215
Total Required Maintenance for School Facilities	<u>36,500</u>	<u>7,867</u>	<u>44,367</u>	<u>33,224</u>	<u>11,143</u>
Custodial Services					
Salaries	209,565	5,445	215,010	211,613	3,397
Cleaning, Repair and Maintenance Services	5,040	12,723	17,763	17,533	230
Rental of Land & Bldg. Oth. Than Lease Pur Agreement	480,543	1	480,544	480,543	1
Insurance	42,000	19,074	61,074	60,620	454
Miscellaneous Purchased Services	1,500	60	1,560	1,255	305
General Supplies	16,000	-	16,000	12,917	3,083
Energy (Heat and Electricity)	158,000	21,764	179,764	171,367	8,397
Other Objects	2,500	12,044	14,544	13,373	1,171
Total Custodial Services	<u>915,148</u>	<u>71,111</u>	<u>986,259</u>	<u>969,221</u>	<u>17,038</u>
Student Transportation Services					
Salaries for Pupil Trans (Bet Home & Sch)-Sp Ed.	813,960	67,225	881,185	881,185	-
Contr Serv(Special Education)-Vendors	31,606,000	28,937,470	60,543,470	54,877,372	5,666,098
Total Student Transportation Services	<u>32,419,960</u>	<u>29,004,695</u>	<u>61,424,655</u>	<u>55,758,557</u>	<u>5,666,098</u>
Unallocated Employee Benefits					
Social Security Contributions	728,484	48,700	777,184	758,844	18,340
Other Retirement Contributions - PERS	512,445	27,834	540,279	497,260	43,019
Unemployment Compensation	78,043	6,776	84,819	83,851	968
Workers Compensation	301,159	(194,450)	106,709	106,703	6
Health Benefits	1,030,234	(168,340)	861,894	772,481	89,413
Tuition Reimbursements	10,500	2,869	13,369	9,760	3,609
Total Unallocated Employee Benefits	<u>2,660,865</u>	<u>(276,611)</u>	<u>2,384,254</u>	<u>2,228,899</u>	<u>155,355</u>
On-Behalf TPAF (Non-Budget)					
Pension Contribution				410,921	(410,921)
NCGI Premium				29,564	(29,564)
Post Retirement Medical Benefits				699,270	(699,270)
Social Security Contributions (Non-Budget)	-	-	-	547,226	(547,226)
Total TPAF Pension and Social Security Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,686,981</u>	<u>(1,686,981)</u>
Total Undistributed Expenditures	<u>41,620,875</u>	<u>28,385,892</u>	<u>70,006,767</u>	<u>64,169,932</u>	<u>5,836,835</u>
Total Current Expenditures	<u>50,423,545</u>	<u>28,854,574</u>	<u>79,278,119</u>	<u>73,230,234</u>	<u>6,047,885</u>

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final To Actual
CAPITAL OUTLAY					
Facilities Acquisition and Constr. Services					
Other Purchased Professional and Technical Services		\$ 1,625	\$ 1,625	\$ 1,625	
Lease Purchase Agreements - Principal	-	300,286	300,286	300,286	-
Total Facilities Acquisition and Constr. Services	-	301,911	301,911	301,911	-
Total Expenditures - Capital Outlay	-	301,911	301,911	301,911	-
SPECIAL SCHOOLS					
Summer School- Instruction					
Salaries of Teachers	-	14,000	\$ 14,000	14,000	-
Total Summer School- Instruction	-	14,000	14,000	14,000	-
Summer School- Support Services					
Purchase Professional and Technical Services		4,293	4,293	4,293	-
Personal Services - Employee Benefits		1,653	1,653	1,617	\$ 36
Other Objects	-	7,170	7,170	7,170	-
Total Summer School- Support Services	-	13,116	13,116	13,080	36
Total Expenditures - Special Schools	-	27,116	27,116	27,080	36
Total Expenditures - General Fund	\$ 50,423,545	29,183,601	79,607,146	73,559,225	6,047,921
Excess (Deficiency) of Revenues Over/(Under) Expenditures	-	(730,000)	(730,000)	(58,115)	671,885
Other Financing Sources (Uses)					
Transfer Out - Capital Projects Fund	-	(18,980)	(18,980)	(18,980)	-
Total Other Financing Sources (Uses)	-	(18,980)	(18,980)	(18,980)	-
Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	-	(748,980)	(748,980)	(77,095)	671,885
Fund Balance, Beginning of Year	24,744,176	-	24,744,176	24,744,176	-
Fund Balance, End of Year	\$ 24,744,176	\$ (748,980)	\$ 23,995,196	\$ 24,667,081	\$ 671,885
Recapitulation of Fund Balance					
Assigned Fund Balance					
Designated for Capital Projects				\$ 2,743,918	
Designated for Repairs and Replacements				683,475	
Designated for Fairfield Building Lease				12,957,645	
Unassigned Fund Balance				8,282,043	
Fund Balance (Budgetary Basis/GAAP Basis)				\$ 24,667,081	

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Local Sources	\$ 9,299,881	\$ 2,182,976	\$ 11,482,857	\$ 11,482,857	
State		124,997	124,997	124,997	-
Federal	-	1,484,870	1,484,870	1,006,830	\$ (478,040)
Total Revenues	<u>9,299,881</u>	<u>3,792,843</u>	<u>13,092,724</u>	<u>12,614,684</u>	<u>(478,040)</u>
EXPENDITURES					
Instruction					
Salaries of Teachers	4,098,683	179,990	4,278,673	4,186,857	91,816
Other Salaries for Instruction	273,873	688,138	962,011	929,106	32,905
Purchased Professional and Technical Services	16,700	31,462	48,162	47,762	400
Other Purchased Services		54,621	54,621	24,858	29,763
General Supplies	25,887	766,682	792,569	743,693	48,876
Travel	3,000	(1,304)	1,696	1,695	1
Other Objects	-	10,764	10,764	5,523	5,241
Total Instruction	<u>4,418,143</u>	<u>1,730,353</u>	<u>6,148,496</u>	<u>5,939,494</u>	<u>209,002</u>
Support Services					
Salaries of Supervisors of Instruction	338,006	6,751	344,757	344,757	-
Salaries of Principals/Program Directors	364,049	53,560	417,609	417,540	69
Salaries of Other Professional Staff	242,976	48,077	291,053	277,364	13,689
Salaries of Secretaries and Clerical Assistants	116,811	89,676	206,487	202,022	4,465
Other Salaries	710,519	219,425	929,944	891,849	38,095
Purchased Professional-Educational Services	1,113,000	314,467	1,427,467	1,424,667	2,800
Other Purchased Professional Services	7,000	67,268	74,268	56,677	17,591
Purchased Technical Services	16,000	(5,287)	10,713	10,713	-
Cleaning, Repairs and Maintenance	8,500	(1,513)	6,987	6,986	1
Rentals	35,000	52,700	87,700	80,700	7,000
Indirect Costs	321,975	628,755	950,730	950,730	-
Travel	12,700	15,902	28,602	20,756	7,846
Other Purchased Services	78,000	146,621	224,621	201,208	23,413
Supplies and Materials	34,750	396,600	431,350	394,240	37,110
Telephone	8,000	4,012	12,012	10,573	1,439
Energy	38,500	(835)	37,665	37,665	-
Other Objects	55,912	45,151	101,063	93,062	8,001
Total Support Services	<u>3,501,698</u>	<u>2,081,330</u>	<u>5,583,028</u>	<u>5,421,509</u>	<u>161,519</u>
Contracted Services - Transportation	-	119,896	119,896	53,493	66,403
Personal Services - Employee Benefits	<u>1,368,540</u>	<u>(134,116)</u>	<u>1,234,424</u>	<u>1,193,308</u>	<u>41,116</u>
Facilities Acquisition and Construction Services					
Construction Services	<u>11,500</u>	<u>(4,620)</u>	<u>6,880</u>	<u>6,880</u>	<u>-</u>
Total Facilities Acq. and Construction	<u>11,500</u>	<u>(4,620)</u>	<u>6,880</u>	<u>6,880</u>	<u>-</u>
Total Expenditures	<u>9,299,881</u>	<u>3,792,843</u>	<u>13,092,724</u>	<u>12,614,684</u>	<u>478,040</u>
Excess of Revenue over Expenditures	-	-	-	-	-
Fund Balances, Beginning of Year	-	-	-	-	-
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART II

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

The accounting records of the Special Revenue 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.

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual revenue amounts (budgetary basis)	\$ 73,501,110	\$ 12,614,684
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 73,501,110</u>	<u>\$ 12,614,684</u>
Uses/Outflows of Resources		
Actual expenditure amounts (budgetary basis)	\$ 73,559,225	\$ 12,614,684
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 73,559,225</u>	<u>\$ 12,614,684</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART III

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Last Two Fiscal Years *

	<u>2015</u>	<u>2014</u>
Commission's Proportion of the Net Position Liability (Asset)	0.06023%	0.06396%
Commission's Proportionate Share of the Net Pension Liability (Asset)	\$ 11,277,307	\$ 12,224,394
Commission's Covered-Employee Payroll	\$ 4,036,385	\$ 4,098,734
Commission's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	279.39%	298.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	52.08%	48.72%

* The amounts presented for each fiscal year were determined as of the previous fiscal year end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the Commission will only present information for those years for which information is available.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE COMMISSION'S CONTRIBUTIONS**

PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Last Two Fiscal Years

	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 496,554	\$ 481,940
Contributions in Relation to the Contractually Required Contributions	<u>496,554</u>	<u>481,940</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Commission's Covered- Employee Payroll	\$ 4,036,385	\$ 4,098,734
Contributions as a Percentage of Covered-Employee Payroll	12.30%	11.76%

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the Commission will only present information for those years for which information is available.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

**TEACHERS' PENSION AND ANNUITY FUND
Last Two Fiscal Years ***

	<u>2015</u>	<u>2014</u>
Commission's Proportion of the Net Position Liability (Asset)	0.00%	0.00%
Commission's Proportionate Share of the Net Pension Liability (Asset)	\$ -	\$ -
State's Proportionate Share of the Net Pension Liability (Asset) Associated With the Commission	<u>42,303,700</u>	<u>42,289,363</u>
Total	<u>\$ 42,303,700</u>	<u>\$ 42,289,363</u>
Commission's Covered-Employee Payroll	\$ 7,355,503	\$ 7,705,990
Commission's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	0	0
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	33.64%	33.76%

* The amounts presented for each fiscal year were determined as of the previous fiscal year end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the Commission will only present information for those years for which information is available.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF COMMISSION'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND SCHEDULE OF COMMISSION CONTRIBUTIONS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Change of Benefit Terms: None.

Change of Assumptions: The discount rate changed from the Commission's rate as of June 30, 2014 to the Commission's rate as of June 30, 2015, in accordance with GASB Statement No. 67.

SCHOOL LEVEL SCHEDULES

(General Fund)

NOT APPLICABLE

SPECIAL REVENUE FUND

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Essex Detention Center Title I Services	Migrant Education Current	Migrant Education Prior	Homeless Education Current	Homeless Education Prior	Migrant Education Summer	Total Brought Forward (Ex. E-1a)	Totals
REVENUES								
Local Sources	\$ 466,493						\$ 11,016,364	\$ 11,482,857
State Sources							124,997	124,997
Federal Sources	-	\$ 172,147	\$ 433,821	\$ 177,797	\$ 193,243	\$ 29,822	-	1,006,830
Total Revenues	\$ 466,493	\$ 172,147	\$ 433,821	\$ 177,797	\$ 193,243	\$ 29,822	\$ 11,141,361	\$ 12,614,684
EXPENDITURES								
Instruction:								
Salaries of Teachers	\$ 238,504	\$ 15,537	\$ 87,078	\$ 58,367	\$ 34,214		\$ 3,753,157	\$ 4,186,857
Other Salaries for Instruction	131,728		15,477	3,812			778,089	929,106
Purchased Prof. and Technical Services						4,000	43,762	47,762
Other Purchased Services		1,050	15,000	312		8,496	-	24,858
General Supplies			44,241	6,413		9,138	683,901	743,693
Travel							1,695	1,695
Other Objects	-	225	1,376	134	2,000	-	1,788	5,523
Total Instruction	370,232	16,812	163,172	69,038	57,848	-	5,262,392	5,939,494
Support Services								
Salaries of Supervisors of Instruction				7,300	7,573		329,884	344,757
Salaries of Principals/Program Directors		15,382	18,433	8,000	3,172		372,553	417,540
Salaries of Other Professional Staff		9,530	7,016	15,207			245,611	277,364
Salaries of Secretaries and Clerical Assistants		19,800	19,800	6,700		118	155,604	202,022
Other Salaries		59,524	57,202	13,070	23,413		738,640	891,849
Personal Services - Employee Benefits	96,261	44,266	37,633	32,536	4,422		978,190	1,193,308
Purchased Professional-Educational Services					2,800		1,421,867	1,424,667
Other Purchased Professional Services			5,841				50,836	56,677
Purchased Technical Services							10,713	10,713
Cleaning, Repairs and Maintenance							6,986	6,986
Rentals			11,700				69,000	80,700
Contracted Services - Transportation		244	27,001	9,650	4,512		12,086	53,493
Indirect Costs							950,730	950,730
Travel		3,663	4,626	528	201		11,738	20,756
Other Purchased Services		1,286	18,859	264	72,433	\$ 29,822	78,544	201,208
Supplies and Materials		1,640	53,220	15,504	14,473		309,403	394,240
Telephone					2,278		8,295	10,573
Energy							37,665	37,665
Other Objects	-	-	9,318	-	-	-	83,744	93,062
Total Support Services	96,261	155,335	270,649	108,759	135,395	29,822	5,872,089	6,668,310
Facilities Acquisition and Construction								
Construction Services	-	-	-	-	-	-	6,880	6,880
Total Facilities Acquisition	-	-	-	-	-	-	6,880	6,880
Total Expenditures	\$ 466,493	\$ 172,147	\$ 433,821	\$ 177,797	\$ 193,243	\$ 29,822	\$ 11,141,361	\$ 12,614,684

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Extended Day Program</u>	<u>Essex Detention Center</u>	<u>IDEA - B Services</u>	<u>Non Public Technology Services</u>	<u>Chapter 192/193 Services</u>	<u>Title I Services</u>	<u>Non Public Nursing Services</u>	<u>Total Carried Forward</u>
REVENUES								
Local Sources		\$ 1,900,000	\$ 1,445,909	\$ 135,817	\$ 5,701,736	\$ 620,916	\$ 1,211,986	\$ 11,016,364
State Sources	\$ 124,997							124,997
Federal Sources	-	-	-	-	-	-	-	-
Total Revenues	\$ 124,997	\$ 1,900,000	\$ 1,445,909	\$ 135,817	\$ 5,701,736	\$ 620,916	\$ 1,211,986	\$ 11,141,361
EXPENDITURES								
Instruction:								
Salaries of Teachers		\$ 715,370	\$ 24,877		\$ 2,879,732	\$ 133,178		\$ 3,753,157
Other Salaries for Instruction	\$ 26,977	142,479	608,633					778,089
Other Salaries								-
Purchased Prof. and Technical Services				\$ 985	25,267	17,510		43,762
Other Purchased Services								-
General Supplies		120	404,346		4,907	274,528		683,901
Travel						1,695		1,695
Other Objects	1,788	-	-	-	-	-	-	1,788
Total Instruction	28,765	857,969	1,037,856	985	2,909,906	426,911	-	5,262,392
Support Services								
Salaries of Supervisors of Instruction					243,162	86,722		329,884
Salaries of Program Directors	12,500	252,333			81,480		\$ 26,240	372,553
Salaries of Other Professional Staff		245,611						245,611
Salaries of Secretaries and Clerical Assistants	6,786	23,117			95,230		30,471	155,604
Other Salaries	28,543		2,970		92,613		614,514	738,640
Personal Services - Employee Benefits	7,712	203,767	109,120		440,068	66,650	150,873	978,190
Purchased Professional-Educational Services		3,250	276,255		1,142,362			1,421,867
Other Purchased Professional Services						237	50,599	50,836
Purchased Technical Services					8,953		1,760	10,713
Cleaning, Repairs and Maintenance					6,986			6,986
Rentals	19,000				35,000	15,000		69,000
Contracted Services - Transportation	12,086							12,086
Indirect Costs	7,500	271,916	19,389	6,850	475,013	23,998	146,064	950,730
Travel					11,327		411	11,738
Other Purchased Services		9,971			50,933		17,640	78,544
Supplies and Materials	2,105	1,041		127,982	4,861		173,414	309,403
Telephone		3,425			4,870			8,295
Utilities					37,665			37,665
Other Objects	-	27,600	319	-	54,427	1,398	-	83,744
Total Support Services	96,232	1,042,031	408,053	134,832	2,784,950	194,005	1,211,986	5,872,089
Facilities Acquisition and Construction								
Construction Services	-	-	-	-	6,880	-	-	6,880
Total Facilities Acquisition	-	-	-	-	6,880	-	-	6,880
Total Expenditures	\$ 124,997	\$ 1,900,000	\$ 1,445,909	\$ 135,817	\$ 5,701,736	\$ 620,916	\$ 1,211,986	\$ 11,141,361

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SPECIAL REVENUE FUND
SCHEDULE OF PRESCHOOL EDUCATION AID EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOT APPLICABLE

CAPITAL PROJECTS FUND

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 CAPITAL PROJECTS FUND
 SUMMARY SCHEDULE OF PROJECT EXPENDITURES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>Issue/Project Title</u>	<u>Appropriation</u>	<u>Transfers</u>	<u>Expenditures to Date</u>		<u>Project Balance June 30, 2015</u>
			<u>Prior Years</u>	<u>Current Year</u>	
Essex Campus Academy Gymnasium Lighting Upgrade	\$ 18,980			\$ 18,980	
Fairfield Building Security Screens	<u>150,000</u>	<u>\$ 1,300</u>	<u>\$ 63,088</u>	<u>52,160</u>	<u>\$ 36,052</u>
	<u>\$ 168,980</u>	<u>\$ 1,300</u>	<u>\$ 63,088</u>	<u>\$ 71,140</u>	<u>\$ 36,052</u>
 <u>Reconciliation to GAAP Basis</u>					
Project Balances, June 30, 2015					<u>\$ 36,052</u>
Fund Balance, June 30, 2015 - GAAP Basis					<u>\$ 36,052</u>
 <u>Analysis of Restricted Fund Balance</u>					
Available for Capital Projects					<u>\$ 36,052</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Revenues and Other Financing Sources

Other Financing Sources	
Transfer from General Fund	\$ 18,980
 Total Revenues and Other Financing Sources	 <u>18,980</u>

Expenditures and Other Financing Uses

Expenditures:	
Capital Outlay	
Facilities Acquisition and Construction	
Construction Services	<u>71,140</u>
 Total Expenditures	 <u>71,140</u>

Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(52,160)
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Fund Balance, Beginning of Year	<u>88,212</u>
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Fund Balance, End of Year	<u>\$ 36,052</u>
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Reconciliation to GAAP

Fund Balance, June 30, 2015 (Budgetary Basis)	<u>\$ 36,052</u>
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Fund Balance, June 30, 2015 (GAAP Basis)	<u>\$ 36,052</u>
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ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
ESSEX CAMPUS ACADEMY GYMNASIUM LIGHTING UPGRADE
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Prior</u> <u>Periods</u>	<u>Current</u> <u>Year</u>	<u>Totals</u>	<u>Revised</u> <u>Authorized</u> <u>Cost</u>
Revenues and Other Financing Sources				
Local Sources - Transfer from General Fund	\$ -	\$ 18,980	\$ 18,980	\$ 18,980
Total Revenues and Other Financing Sources	-	18,980	18,980	18,980
Expenditures and Other Financing Uses				
Construction Services	-	18,980	18,980	18,980
Total Expenditures and Other Financing Uses	-	18,980	18,980	18,980
Excess (Deficiency) of Revenues and Other Financing Sources over (under) Expenditures	\$ -	\$ -	\$ -	\$ -
Additional Project Information:				
Original Authorized Cost	\$ 18,980			
Additional Authorized Cost	\$ -			
Revised Authorized Cost	\$ 18,980			
Percentage Decrease Over Original				
Authorized Cost		100%		
Percentage Completion		100%		
Original Target Completion Date		June 30, 2015		
Revised Target Completion Date		June 30, 2015		

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
FAIRFIELD BUILDING SECURITY SCREENS
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Local Sources - Transfer from Capital Reserve	\$ 150,000		\$ 150,000	\$ 150,000
Transfer (to) from Other Capital Projects	<u>1,300</u>	<u>-</u>	<u>1,300</u>	<u>1,300</u>
Total Revenues and Other Financing Sources	<u>151,300</u>	<u>-</u>	<u>151,300</u>	<u>151,300</u>
Expenditures and Other Financing Uses				
Purchased Professional and Technical Services	7,171		7,171	11,300
Construction Services	<u>55,917</u>	<u>\$ 52,160</u>	<u>108,077</u>	<u>140,000</u>
Total Expenditures and Other Financing Uses	<u>63,088</u>	<u>52,160</u>	<u>115,248</u>	<u>151,300</u>
Excess (Deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ 88,212</u>	<u>\$ (52,160)</u>	<u>\$ 36,052</u>	<u>\$ -</u>
Additional Project Information:				
Original Authorized Cost	\$ 81,300			
Additional Authorized Cost	\$ 70,000			
Revised Authorized Cost	\$ 151,300			
Percentage Increase Over Original Authorized Cost	86%			
Percentage Completion	100%			
Original Target Completion Date	November 30, 2014			
Revised Target Completion Date	November 30, 2014			

PROPRIETARY FUND

EXHIBIT G-1

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
FOOD SERVICE ENTERPRISE FUND
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2015**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

EXHIBIT G-2

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

EXHIBIT G-3

**COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

FIDUCIARY FUNDS

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
FIDUCIARY FUNDS
COMBINING STATEMENT OF AGENCY ASSETS AND LIABILITIES
AS OF JUNE 30, 2015**

	<u>Student Activity</u>	<u>Payroll Agency Funds</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,108	\$ 197,348	\$ 198,456
Total Assets	<u>\$ 1,108</u>	<u>\$ 197,348</u>	<u>\$ 198,456</u>
LIABILITIES			
Due to Student Groups	\$ 1,108		\$ 1,108
Payroll Deductions and Withholdings		\$ 194,183	194,183
Accrued Salaries and Wages		(1,835)	(1,835)
Due to Other Funds	<u>-</u>	<u>5,000</u>	<u>5,000</u>
Total Liabilities	<u>\$ 1,108</u>	<u>\$ 197,348</u>	<u>\$ 198,456</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOT APPLICABLE

**STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Balance</u> <u>July 1, 2014</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disburse-</u> <u>ments</u>	<u>Balance</u> <u>June 30, 2015</u>
Essex Junior Academy	\$ 1,654	\$ 500	\$ 1,819	\$ 335
Essex High School	229			229
Essex Campus Academy	<u>128</u>	<u>4,418</u>	<u>4,002</u>	<u>544</u>
	<u>\$ 2,011</u>	<u>\$ 4,918</u>	<u>\$ 5,821</u>	<u>\$ 1,108</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Balance, July 1, 2014</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2015</u>
ASSETS				
Cash and Cash Equivalents	\$ 202,216	\$ 35,500,243	\$ 35,505,111	\$ 197,348
Total Assets	<u>\$ 202,216</u>	<u>\$ 35,500,243</u>	<u>\$ 35,505,111</u>	<u>\$ 197,348</u>
LIABILITIES				
Payroll Deductions and Withholdings	\$ 197,073	\$ 21,966,932	\$ 21,969,822	\$ 194,183
Accrued Salaries and Wages	143	13,533,155	13,535,133	(1,835)
Due to Other Funds	<u>5,000</u>	<u>156</u>	<u>156</u>	<u>5,000</u>
Total Liabilities	<u>\$ 202,216</u>	<u>\$ 35,500,243</u>	<u>\$ 35,505,111</u>	<u>\$ 197,348</u>

LONG-TERM DEBT

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 LONG-TERM DEBT
 SCHEDULE OF SERIAL BONDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOT APPLICABLE

SCHEDULE OF CAPITAL LEASES PAYABLE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>Issue</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Balance, July 1, 2014</u>	<u>Paid</u>	<u>Balance, June 30, 2015</u>
Fairfield Building	4.64%	\$ 12,500,000	\$ 9,335,294	\$ 300,286	\$ 9,035,008
			\$ 9,335,294	\$ 300,286	\$ 9,035,008

DEBT SERVICE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOT APPLICABLE

STATISTICAL SECTION

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

Contents

Exhibits

Financial Trends

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

J-1 to J-5

Revenue Capacity

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

J-6 to J-9

Debt Capacity

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

J-10 to J-13

Demographic and Economic Information

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

J-14 and J-15

Operating Information

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

J-16 to J-20

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

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

	Fiscal Year Ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014 (Restated)	2015
Governmental Activities										
Net Investment in Capital Assets	\$ 3,234,522	\$ 2,829,300	\$ 2,697,515	\$ 2,805,918	\$ 3,392,027	\$ 3,411,282	\$ 3,123,390	\$ 2,976,864	\$ 2,831,476	\$ 2,756,573
Restricted			230,000	2,119,098	1,815,535	1,761,854	1,697,005	1,414,198	88,212	36,052
Unrestricted	<u>22,706,440</u>	<u>24,675,177</u>	<u>25,751,791</u>	<u>24,254,803</u>	<u>25,031,661</u>	<u>25,777,639</u>	<u>26,373,107</u>	<u>26,679,257</u>	<u>17,995,299</u>	<u>18,809,424</u>
Total Governmental Activities Net Position	<u>\$ 25,940,962</u>	<u>\$ 27,504,477</u>	<u>\$ 28,679,306</u>	<u>\$ 29,179,819</u>	<u>\$ 30,239,223</u>	<u>\$ 30,950,775</u>	<u>\$ 31,193,502</u>	<u>\$ 31,070,319</u>	<u>\$ 20,914,987</u>	<u>\$ 21,602,049</u>
Business-Type Activities										
Investment in Capital Assets						\$ 5,736	\$ 4,302	\$ 2,868	\$ 1,434	
Unrestricted	<u>\$ 6,844</u>	<u>\$ 7,940</u>	<u>\$ 6,026</u>	<u>\$ 6,026</u>	<u>\$ 6,026</u>	<u>7,371</u>	<u>14,807</u>	<u>18,842</u>	<u>25,163</u>	<u>\$ 40,253</u>
Total Business-Type Activities Net Position	<u>\$ 6,844</u>	<u>\$ 7,940</u>	<u>\$ 6,026</u>	<u>\$ 6,026</u>	<u>\$ 6,026</u>	<u>\$ 13,107</u>	<u>\$ 19,109</u>	<u>\$ 21,710</u>	<u>\$ 26,597</u>	<u>\$ 40,253</u>
Commission-Wide										
Net Investment in Capital Assets	\$ 3,234,522	\$ 2,829,300	\$ 2,697,515	\$ 2,805,918	\$ 3,392,027	\$ 3,417,018	\$ 3,127,692	\$ 2,979,732	\$ 2,832,910	\$ 2,756,573
Restricted			230,000	2,119,098	1,815,535	1,761,854	1,697,005	1,414,198	88,212	36,052
Unrestricted	<u>22,713,284</u>	<u>24,683,117</u>	<u>25,757,817</u>	<u>24,260,829</u>	<u>25,037,687</u>	<u>25,785,010</u>	<u>26,387,914</u>	<u>26,698,099</u>	<u>18,020,462</u>	<u>18,849,677</u>
Total Commission Net Position	<u>\$ 25,947,806</u>	<u>\$ 27,512,417</u>	<u>\$ 28,685,332</u>	<u>\$ 29,185,845</u>	<u>\$ 30,245,249</u>	<u>\$ 30,963,882</u>	<u>\$ 31,212,611</u>	<u>\$ 31,092,029</u>	<u>\$ 20,941,584</u>	<u>\$ 21,642,302</u>

Source: Commission's financial statements

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

	Fiscal Year Ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 3,077,673	\$ 3,524,336	\$ 3,738,088	\$ 3,882,148	\$ 4,088,268	\$ 4,098,815	\$ 3,631,613	\$ 4,122,477	\$ 3,480,682	\$ 4,470,116
Special Education	3,375,388	3,794,669	4,200,043	3,545,921	3,835,227	2,910,254	8,530,077	9,136,576	9,773,594	10,245,503
Other Instruction	6,079,154	6,300,982	7,027,823	6,796,615	7,436,822	6,760,567	6,321,903	4,875,645	5,099,113	5,331,868
Support Services:										
Student & Instruction Related Services	7,861,125	7,709,704	7,346,768	7,583,760	7,884,319	12,979,070	7,860,385	6,420,782	6,234,603	6,322,752
General Administrative Services	623,511	672,801	830,519	835,610	718,073	774,117	683,125	934,794	2,276,788	1,784,255
School Administrative Services	1,077,885	1,128,423	1,017,907	1,013,099	1,068,755	1,054,926	1,136,124	1,255,294	1,207,752	1,171,115
Central Services	879,321	1,005,528	802,040	644,228	798,615	900,040	770,527	782,318	725,075	727,272
Administrative Info. Technology	55,746	45,170	120,382	129,664	133,380	159,899	234,833	194,258	151,218	132,698
Plant Operations And Maintenance	1,804,082	2,006,369	1,541,027	1,497,997	1,491,935	1,595,476	1,642,414	1,690,455	1,487,824	1,488,500
Pupil Transportation	45,865,443	51,517,118	41,421,483	40,495,522	39,939,543	38,457,959	42,106,886	43,751,326	43,201,500	55,971,127
Interest On Long-Term Debt	247,493	495,274	492,546	489,389	479,404	472,165	461,169	384,009	436,410	422,747
Total Governmental Activities Expenses	70,946,821	78,200,374	68,538,626	66,913,953	67,874,341	70,163,288	73,379,056	73,547,934	74,074,559	88,067,953
Business-Type Activities										
Food Service	67,004	88,000	70,588	64,551	62,433	71,978	78,552	68,163	94,109	87,471
Total Business-Type Activities Expense	67,004	88,000	70,588	64,551	62,433	71,978	78,552	68,163	94,109	87,471
Total District Expenses	\$ 71,013,825	\$ 78,288,374	\$ 68,609,214	\$ 66,978,504	\$ 67,936,774	\$ 70,235,266	\$ 73,457,608	\$ 73,616,097	\$ 74,168,668	\$ 88,155,424
Program Revenues										
Governmental Activities:										
Charges For Services:										
Instruction (Regular)	\$ 3,378,896	\$ 3,544,679	\$ 3,647,413	\$ 3,847,060	\$ 4,519,577	\$ 3,472,176	\$ 3,053,560	\$ 2,783,443	\$ 2,201,921	\$ 2,493,540
Special Education	5,884,458	7,671,748	7,514,537	6,155,795	6,323,649	6,021,136	5,972,108	5,530,256	5,656,240	5,009,749
Other Instruction	5,431,775	5,238,430	5,362,818	5,377,201	6,922,642	5,948,585	5,612,115	4,630,818	4,846,085	4,299,240
Student and Instruction Related Services	7,378,278	7,543,475	7,803,937	8,028,872	7,637,326	12,763,421	12,621,977	11,611,081	12,465,347	13,243,687
General Administrative Services	153,599	153,760	154,183	149,460	169,870	577,577	434,196	262,489	1,764,771	1,110,950
Central Services						475,278	298,455	106,842		
Administration Info. Technology						84,437	90,960	26,609		
Plant Operations and Maintenance										13,866
Pupil Transportation	47,234,980	52,658,003	42,277,892	41,396,747	41,189,384	39,447,997	43,475,789	45,303,697	45,293,817	56,991,948
Interest on Long-Term Debt					54,000					
Operating Grants And Contributions	1,870,731	2,585,753	2,651,295	2,211,435	2,005,024	2,034,702	2,210,734	2,659,389	2,299,589	4,654,659
Total Governmental Activities Program Revenues	71,332,717	79,395,848	69,412,075	67,166,570	68,821,472	70,825,309	73,769,894	72,914,624	74,527,770	87,817,639

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

	Fiscal Year Ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Business-Type Activities:										
Charges For Services										
Food Service	\$ 9,648	\$ 10,962	\$ 3,377	\$ 1,600	\$ 351	\$ 322				
Operating Grants And Contributions	62,579	78,134	65,297	55,864	55,410	67,036	\$ 82,873	\$ 70,764	\$ 98,996	\$ 101,127
Capital Grants and Contributions	-	-	-	-	-	7,170	-	-	-	-
Total Business Type Activities Program Revenues	72,227	89,096	68,674	57,464	55,761	74,528	82,873	70,764	98,996	101,127
Total District Program Revenues	\$ 71,404,944	\$ 79,484,944	\$ 69,480,749	\$ 67,224,034	\$ 68,877,233	\$ 70,899,837	\$ 73,852,767	\$ 72,985,388	\$ 74,626,766	\$ 87,918,766
Net (Expense)/Revenue										
Governmental Activities	\$ 385,896	\$ 1,195,474	\$ 873,449	\$ 252,617	\$ 947,131	\$ 662,021	\$ 390,838	\$ (633,310)	\$ 453,211	\$ (250,314)
Business-Type Activities	5,223	1,096	(1,914)	(7,087)	(6,672)	2,550	4,321	2,601	4,887	13,656
Total District-Wide Net Expense	\$ 391,119	\$ 1,196,570	\$ 871,535	\$ 245,530	\$ 940,459	\$ 664,571	\$ 395,159	\$ (630,709)	\$ 458,098	\$ (236,658)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Miscellaneous Income	2,807,533	400,249	421,588	291,900	169,372	54,062	117,164	510,127	1,615,851	937,376
Loss on Disposal of Capital Assets	-	(32,208)	(120,208)	(36,917)	(50,427)	-	-	-	-	-
Transfers	-	-	-	(7,087)	(6,672)	(4,531)	(1,681)	-	-	-
Total Governmental Activities	2,807,533	368,041	301,380	247,896	112,273	49,531	115,483	510,127	1,615,851	937,376
Business-Type Activities:										
Transfers	-	-	-	7,087	6,672	4,531	1,681	-	-	-
Total Business-Type Activities	-	-	-	7,087	6,672	4,531	1,681	-	-	-
Total Commission-Wide	\$ 2,807,533	\$ 368,041	\$ 301,380	\$ 254,983	\$ 118,945	\$ 54,062	\$ 117,164	\$ 510,127	\$ 1,615,851	\$ 937,376
Change in Net Position										
Governmental Activities	\$ 3,193,429	\$ 1,563,515	\$ 1,174,829	\$ 500,513	\$ 1,059,404	\$ 711,552	\$ 506,321	\$ (123,183)	\$ 2,069,062	\$ 687,062
Business-Type Activities	5,223	1,096	(1,914)	-	-	7,081	6,002	2,601	4,887	13,656
Total Commission	\$ 3,198,652	\$ 1,564,611	\$ 1,172,915	\$ 500,513	\$ 1,059,404	\$ 718,633	\$ 512,323	\$ (120,582)	\$ 2,073,949	\$ 700,718

Source: Commission's financial statements

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

	Fiscal Year Ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Reserved			\$ 230,000	\$ 2,000,000						
Unreserved	\$ 19,119,045	\$ 23,177,835	26,207,140	23,992,189	\$ 25,032,511					
Assigned						\$ 5,012,173	\$ 4,533,122	\$ 16,441,121	\$ 17,134,018	\$ 16,385,038
Unassigned	-	-	-	-	-	19,972,123	20,443,335	7,611,329	7,610,158	8,282,043
Total General Fund	\$ 19,119,045	\$ 23,177,835	\$ 26,437,140	\$ 25,992,189	\$ 25,032,511	\$ 24,984,296	\$ 24,976,457	\$ 24,052,450	\$ 24,744,176	\$ 24,667,081
All Other Governmental Funds										
Unreserved				\$ 119,098	\$ 1,815,535					
Restricted	-	-	-	-	-	\$ 1,761,854	\$ 1,697,005	\$ 1,414,198	\$ 88,212	\$ 36,052
Total All Other Governmental Funds	\$ -	\$ -	\$ -	\$ 119,098	\$ 1,815,535	\$ 1,761,854	\$ 1,697,005	\$ 1,414,198	\$ 88,212	\$ 36,052

Source: Commission's financial statements

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

	Fiscal Year Ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Tuition Charges	\$ 5,100,389	\$ 5,728,041	\$ 5,578,707	\$ 4,119,640	\$ 4,689,320	\$ 4,505,166	\$ 4,767,441	\$ 4,733,809	\$ 3,867,628	\$ 4,679,444
Transportation Fees	43,290,690	54,756,134	44,022,551	41,206,038	41,143,289	39,522,391	42,790,390	44,296,463	43,808,107	54,508,463
Miscellaneous	20,441,677	19,556,726	20,357,069	20,413,386	22,489,071	25,043,753	24,218,331	20,531,007	23,266,126	24,109,079
State Sources	1,190,972	1,834,276	1,853,167	1,426,093	1,426,946	1,400,857	1,620,817	1,915,432	1,592,682	1,811,978
Federal Sources	686,706	751,477	798,128	785,342	570,036	633,845	589,917	743,957	706,907	1,006,830
Total Revenue	70,710,434	82,626,654	72,609,622	67,950,499	70,318,662	71,106,012	73,986,896	72,220,668	73,241,450	86,115,794
Expenditures										
Instruction										
Regular Instruction	3,071,899	3,501,064	3,745,121	3,881,257	4,086,428	4,101,707	3,633,314	4,124,419	3,456,189	3,259,296
Special Education Instruction	3,343,187	3,757,139	4,182,027	3,504,060	3,782,426	2,866,453	8,479,605	9,107,491	9,713,583	10,136,081
Other Instruction	6,070,613	6,266,731	7,045,758	6,801,189	7,440,226	6,760,567	6,330,597	4,875,645	5,099,113	5,331,868
Support Services										
Student and Inst. Related Services	7,856,216	7,683,233	7,359,159	7,585,888	7,886,846	12,997,008	7,878,960	6,423,908	6,226,591	6,003,875
General Administration	1,350,504	1,464,784	1,794,103	1,786,575	1,761,518	1,730,966	1,328,410	928,168	2,268,945	1,743,482
School Administrative Services	1,046,290	1,087,329	985,591	979,828	1,044,182	1,034,202	1,121,016	1,240,552	1,189,158	1,050,228
Central Services	878,617	1,001,404	803,585	644,573	798,926	901,066	770,824	780,663	722,882	727,501
Admin. Information Technology	55,680	44,919	120,726	129,744	133,450	160,140	235,181	194,422	150,829	133,282
Plant Operations And Maintenance	1,473,939	1,584,543	1,179,055	1,146,913	1,094,485	1,165,627	1,209,822	1,201,781	1,049,769	1,057,239
Pupil Transportation	45,864,269	51,511,655	41,424,404	40,496,196	39,940,116	38,459,828	42,108,609	43,752,176	43,199,016	55,975,710
Capital Outlay	13,397,000	238,542	304,541	446,795	970,380	355,966	241,718	153,257	79,635	96,487
Debt Service										
Principal	1,883,200	20,971	141,695	145,332	152,016	193,345	252,965	255,073	277,160	300,286
Interest and Other Charges	-	495,430	494,552	490,915	484,232	476,502	466,882	389,927	442,840	429,714
Total Expenditures	86,291,414	78,657,744	69,580,317	68,039,265	69,575,231	71,203,377	74,057,903	73,427,482	73,875,710	86,245,049
Excess (Deficiency) of Revenues Over (Under) Expenditures	(15,580,980)	3,968,910	3,029,305	(88,766)	743,431	(97,365)	(71,007)	(1,206,814)	(634,260)	(129,255)
Other Financing Sources (Uses)										
Capital Leases (Non-Budgeted)	12,575,213	89,880								
Transfers In	1,213,231			230,000	2,000,000				1,562,898	18,980
Transfers Out	(1,213,231)	-	-	(237,087)	(2,006,672)	(4,531)	(1,681)	-	(1,562,898)	(18,980)
Total Other Financing Sources (Uses)	12,575,213	89,880	-	(7,087)	(6,672)	(4,531)	(1,681)	-	-	-
Net Change in Fund Balances	\$ (3,005,767)	\$ 4,058,790	\$ 3,029,305	\$ (95,853)	\$ 736,759	\$ (101,896)	\$ (72,688)	\$ (1,206,814)	\$ (634,260)	\$ (129,255)
Debt Service as a Percentage of Noncapital Expenditures	2.58%	0.66%	0.92%	0.94%	0.93%	0.95%	0.98%	0.88%	0.98%	0.85%

* Noncapital expenditures are total expenditures less Capital Outlay.

Source: Commission's financial statements

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

Fiscal Year Ended June 30	Local Education Agency Fees	Indirect Cost Fees	Interest	Miscellaneous	Total
2006	\$ 4,172,162	\$ 803,250	\$ 498,257	\$ 292,795	\$ 5,766,464
2007	4,156,615	857,079	380,884	19,365	5,413,943
2008	3,813,695	991,991	376,654	44,934	5,227,274
2009	3,969,280	965,132	163,678	28,222	5,126,312
2010	4,244,377	1,055,997	132,867	8,725	5,441,966
2011	9,471,705	968,497	22,608	31,454	10,494,264
2012	10,414,271	654,016	17,007	117,164	11,202,458
2013	8,958,318	228,221	26,577	483,550	9,696,666
2014	9,655,402	1,597,052	7,012	11,788	11,271,254
2015	11,688,846	937,376			12,626,222

Source: Commission's financial statements

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

NOT APPLICABLE

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

NOT APPLICABLE

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

NOT APPLICABLE

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

NOT APPLICABLE

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

Fiscal Year Ended June 30,	Governmental Activities		Total Commission	County Population	Per Capita
	General Obligation Bonds	Capital Leases			
2006		\$ 10,692,013	\$ 10,692,013	772,090	\$ 14
2007		10,760,922	10,760,922	769,139	14
2008		10,619,227	10,619,227	767,075	14
2009		10,473,895	10,473,895	769,644	14
2010		10,313,837	10,313,837	784,608	13
2011		10,120,492	10,120,492	787,232	13
2012		9,867,527	9,867,527	788,425	13
2013		9,612,454	9,612,454	792,091	12
2014		9,335,294	9,335,294	795,723	12
2015		9,035,008	9,035,008	795,723 (E)	11

Source: Commission records

(E) - Estimate

EXHIBIT J-11

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

NOT APPLICABLE

EXHIBIT J-12

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

NOT APPLICABLE

EXHIBIT J-13

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

NOT APPLICABLE

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

<u>Year Ended December 31,</u>	<u>Unemployment Rate</u>	<u>Per Capita Income</u>	<u>County Population</u>
2006	5.8%	\$ 47,603	772,090
2007	5.3%	49,962	769,139
2008	6.0%	51,038	767,075
2009	10.5%	49,750	769,644
2010	11.0%	51,422	784,608
2011	10.8%	53,597	787,232
2012	10.8%	54,318	788,425
2013	10.8%	54,606	792,091
2014	9.5%	54,606 (E)	795,723
2015	7.9%	54,606 (E)	795,723 (E)

Note: Information represents County of Essex demographics

Source: New Jersey Department of Work Force Development

E = Estimate

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

NOT APPLICABLE

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

<u>Function/Program</u>	<u>Fiscal Year Ended June 30,</u>									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Instruction	176	176	160	160	150	150	140	140	145	142
Support Services:										
Student and Instruction Related Services	91	80	69	106	106	324	280	290	292	298
General Administration	12	4	6	5	5	5	5	5	5	5
School Administrative Services	5	26	14	11	10	10	10	10	10	9
Central and Other Support Services	10	9	20	18	17	17	16	17	18	18
Plant Operations And Maintenance	10	8	8	7	7	6	6	6	6	6
Pupil Transportation	14	13	16	17	17	13	15	15	15	17
Total	<u>318</u>	<u>316</u>	<u>293</u>	<u>324</u>	<u>312</u>	<u>525</u>	<u>472</u>	<u>483</u>	<u>491</u>	<u>495</u>

Source: District Personnel Records

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

Fiscal Year Ended June 30,	Enrollment	Operating Expenditures	Teaching Staff	Pupil/Teacher Ratio		Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
				Elementary/ Middle School	High School				
2006	188.3	71,011,214	35	1:2.6	1:5.5	47.1	32.4	16.01	69
2007	186.6	77,902,801	28	1:5.1	1:8.9	66.9	43.9	42.04	66
2008	203.1	68,639,529	24	1:6.6	1:6.9	67.7	41.8	1.20	62
2009	157.1	66,956,223	24	5.2:1	6.0:1	52.4	34.6	-22.60	66
2010	122.0	67,968,603	17	8.7:1	6.3:1	50.0	29.8	-4.58	60
2011	128.0	70,177,564	19	7.0:1	6.6:1	43.0	30.0	-14.00	70
2012	135.0	73,096,338	17	11.0:1	7.1:1	45.4	34.7	5.58	76
2013	126.8	72,629,225	20	7.5:1	6.2:1	42.3	32.3	-6.83	76
2014	120.0	73,076,075	20	6.8:1	5.6:1	39.4	35.5	-6.86	90
2015	122.0	85,418,562	20	7.0:1	5.7:1	41.0	35.0	4.06	85

Sources: District records

N/A - Not Available

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

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

	Fiscal Year Ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<u>District Building</u>										
<u>Dr. Jacqueline A. Young Education Center</u>										
Square Feet	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000
Capacity (students)										
Enrollment										
<u>Essex Campus Academy</u>										
Square Feet	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Capacity (students)	125	125	125	125	125	125	125	125	125	125
Enrollment	44	91	110	83	52	52	46	36	40	40
<u>Essex Junior Academy</u>										
Square Feet	33,276	33,276	33,276	32,276	33,276	33,276	33,276	38,000	38,000	38,000
Capacity (students)	192	192	192	192	192	192	192	220	220	220
Enrollment	60	59	53	32	35	35	46	44	41	42
<u>Essex High School</u>										
Square Feet	6,260	6,260	6,260	6,260	7,580	7,580	7,580	7,580	7,580	7,580
Capacity (students)	48	48	48	36	48	48	48	48	48	48
Enrollment	34	84	40	42	35	35	44	46	39	40
Number of Schools at June 30, 2015										
Elementary/Middle School	1	1	1	1	1	1	1	1	1	1
Senior High School =	3	3	2	2	2	2	2	2	2	2

Source: District Records

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

NOT APPLICABLE

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF INSURANCE
JUNE 30, 2015
(Unaudited)

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy		
Property	\$ 350,000,000	\$ 1,000
Extra Expense	50,000,000	1,000
Valuable Papers	10,000,000	1,000
EDP	250,000	1,000
Equipment Breakdown	100,000,000	1,000
Crime and Bonds		
Faithful Performance	500,000	1,000
Forgery and Alteration	500,000	1,000
Money and Securities	100,000	500
Money Orders/Counterfeit	100,000	500
Computer Fraud	500,000	1,000
General Liability	31,000,000	
Bodily Injury and Property Damage	31,000,000	

Note: Unless otherwise noted all Insurance Policies are with the New Jersey Schools Insurance Fund

Source: School District's records

SINGLE AUDIT SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-1

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
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ELIZABETH A. SHICK, CPA, RMA, PSA
ANDREW PARENTE, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Essex Regional Educational Services Commission as of and for the fiscal year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the Essex Regional Educational Services Commission's basic financial statements and have issued our report thereon dated December 9, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

However, we noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Essex Regional Educational Services Commission in a separate report entitled, "Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance" dated December 9, 2015.

Purpose of this Report

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


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


Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
December 9, 2015



LERCH, VINCI & HIGGINS, LLP

EXHIBIT K-2

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
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RALPH M. PICONE, CPA, RMA, PSA

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY
U.S. OMB CIRCULAR A-133 AND SCHEDULE OF EXPENDITURES OF STATE FINANCIAL
ASSISTANCE AS REQUIRED BY NEW JERSEY OMB CIRCULAR 15-08**

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal and State Program

We have audited the Essex Regional Educational Services Commission's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the New Jersey OMB Circular 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the Essex Regional Educational Services Commission's major federal and state programs for the fiscal year ended June 30, 2015. The Essex Regional Educational Services Commission's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Essex Regional Educational Services Commission's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; U.S. OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards and Circulars require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Essex Regional Educational Services Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

In our opinion, the Essex Regional Educational Services Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Essex Regional Educational Services Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Essex Regional Educational Services Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with U.S. OMB Circular A-133 and New Jersey OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Essex Regional Educational Services Commission's internal control over compliance.

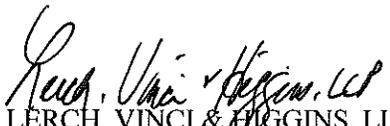
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of U.S. OMB Circular A-133 and New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by U.S. OMB Circular A-133 and Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 15-08

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Essex Regional Educational Services Commission, as of and for the fiscal year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements. We issued our report thereon dated December 9, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards as required by U.S. OMB Circular A-133 and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.


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


Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
December 9, 2015

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Grant Period	Award Amount	Balance July 1, 2014		Carryover Amount	Cash Received	Budgetary Expenditures	Adjustment	Balance June 30, 2015			Memo GAAP Receivable
				(Accounts Receivable)	Unearned Revenue					(Accounts Receivable)	Unearned Revenue	Due to LEA	
U.S. Department of Education													
Passed Through State Department of Education													
<u>Special Revenue Fund:</u>													
Migrant Education	84.011A	1/1/14-12/31/14	\$ 518,391	\$ (518,391)	\$ 433,821		\$ 316,188	\$ 433,821		\$ (202,203)			\$ (202,203)
Migrant Education	84.011A	1/1/15-12/31/15	518,391					172,147		(518,391)	\$ 346,244		(172,147)
Migrant Education -Summer	84.011A	9/1/14-8/31/14	29,822				29,822	29,822					
Homeless Children and Youth Ed.	84.196	9/1/13-8/31/14	326,472	(238,267)	202,242		229,267	193,243	\$ 1				
Homeless Children and Youth Ed.	84.196	9/1/14-9/30/15	335,393	-	-	-	93,950	177,797	-	(241,443)	157,596	-	(83,847)
Total Special Revenue Fund				(756,658)	636,063	-	669,227	1,006,830	1	(962,037)	503,840	-	(458,197)
U.S. Department of Education													
Passed Through State Department of Education													
<u>Enterprise Fund:</u>													
National School Lunch Program	10.555	7/1/14-6/30/15	61,343				56,979	61,343		(4,364)			(4,364)
National School Lunch Program	10.555	7/1/13-6/30/14	60,103	(11,624)				11,624					
National School Breakfast Program	10.553	7/1/14-6/30/15	37,572				35,837	38,642		(2,805)			(2,805)
National School Breakfast Program	10.553	7/1/13-6/30/14	37,732	(7,294)	-	-	7,294	-	-	-	-	-	-
Total Enterprise Fund				(18,918)	-	-	111,734	99,985	-	(7,169)	-	-	(7,169)
Total Federal Financial Awards				\$ (775,576)	\$ 636,063	\$ -	\$ 780,961	\$ 1,106,815	\$ 1	\$ (969,206)	\$ 503,840	\$ -	\$ (465,366)

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

State Department of Education	Grant or State Project Number	Grant Period	Award Amount	Balance July 1, 2014	Carryover Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Year Balances	Balance June 30, 2015			MEMO	
									(Accts. Receivable)	Unearned Revenue	Due to LEA	GAAP Receivable	Cumulative Total Expenditures
<u>General Fund:</u>													
TPAF Pension Contributions	15-495-034-5094-006	7/1/14-6/30/15	\$ 410,921			\$ 410,921	\$ 410,921						\$ 410,921
TPAF Pension - NCGI Premium	15-495-034-5094-007	7/1/14-6/30/15	29,564			29,564	29,564						29,564
TPAF Pension-Post Retirement Medical	15-495-034-5094-001	7/1/14-6/30/15	699,270			699,270	699,270						699,270
Reimbursed TPAF Social Security Contr.	15-495-034-5094-003	7/1/14-6/30/15	547,226			494,830	547,226		\$ (52,396)			\$ (52,396)	547,226
Reimbursed TPAF Social Security Contr.	14-495-034-5095-002	7/1/13-6/30/14	583,830	\$ (56,015)	-	56,015	-	-	-	-	-	-	-
Total General Fund				(56,015)	-	1,690,600	1,686,981	-	(52,396)	-	-	(52,396)	1,686,981
<u>Special Revenue Fund:</u>													
State Division of Youth and Family Serv.													
Extended Day Care	15AJGM	7/1/14-6/30/15	124,997			124,997	124,997						124,997
Extended Day Care	14AJGM	7/1/13-6/30/14	124,997	(124,997)	-	124,997	-	-	-	-	-	-	-
Total Special Revenue Fund				(124,997)	-	249,994	124,997	-	-	-	-	-	124,997
<u>Enterprise Fund:</u>													
State School Lunch Program													
State Share	15-100-034-5120-122	7/1/14-6/30/15	1,142			1,033	1,142		(109)			(109)	1,142
State Share	14-100-034-5120-122	7/1/13-6/30/14	1,161	(275)	-	275	-	-	-	-	-	-	-
Total Enterprise Fund				(275)	-	1,308	1,142	-	(109)	-	-	(109)	1,142
Total State Financial Assistance				(181,287)	-	1,941,902	1,813,120	-	(52,505)	-	-	(52,505)	1,813,120
<u>State Financial Assistance Not Subject to Single Audit Determination</u>													
<u>General Fund</u>													
TPAF Pension Contributions						(410,921)	(410,921)						(410,921)
TPAF Pension - NCGI Premium						(29,564)	(29,564)						(29,564)
TPAF Pension-Post Retirement Medical						(699,270)	(699,270)						(699,270)
Total State Assistance Subject to Single Audit Determination				\$ (181,287)	\$ -	\$ 802,147	\$ 673,365	\$ -	\$ (52,505)	\$ -	\$ -	\$ (52,505)	\$ 673,365

**ESSEX REGIONAL EDUCATION SERVICES COMMISSION
 NOTES TO THE SCHEDULES OF EXPENDITURES OF
 FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 GENERAL

The accompanying schedules present the activity of all federal and state financial assistance programs of the Essex Regional Education Services Commission. The Commission is defined in Note 1(A) to the Commission's financial statements. All federal financial assistance received directly from federal agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are prepared and presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Notes 1(C) to the Commission's financial statements. The information in these schedules is presented in accordance with requirements of U.S. OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations" and New Jersey OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Therefore, some amounts presented in these schedules may differ from the amounts presented in, or used in the preparation of, the financial statements.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

The financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on a modified accrual basis with the exception of the revenue recognition of the delayed state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes, those payments are not recognized until the subsequent year due to the state deferral and recording of certain state aid payments in the subsequent year. 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, which may include the delayed state aid payments, whereas the GAAP basis does not. The special revenue fund also recognizes the delayed state aid payments in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

There were no required adjustments to reconcile from the budgetary basis to the GAAP basis for the general and special revenue funds. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Commission's financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 1,686,981	\$ 1,686,981
Special Revenue Fund	\$ 1,006,830	124,997	1,131,827
Food Service Fund	<u>99,985</u>	<u>1,142</u>	<u>101,127</u>
Total Financial Assistance	<u>\$ 1,106,815</u>	<u>\$ 1,813,120</u>	<u>\$ 2,919,935</u>

**ESSEX REGIONAL EDUCATION SERVICES COMMISSION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015****NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

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

NOTE 5 OTHER INFORMATION

TPAF Social Security contributions in the amount of \$547,226 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2015. The amount reported as TPAF Pension System Contributions in the amount of \$440,485 and TPAF Post-Retirement Medical Benefits Contributions in the amount of \$699,270 represents the amount paid by the State on behalf of the Commission for the fiscal year ended June 30, 2015.

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

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Part 2 – Schedule of Financial Statement Findings

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

THERE ARE NONE.

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 15-08.

CURRENT YEAR FEDERAL AWARDS

THERE ARE NONE.

CURRENT YEAR STATE AWARDS

THERE ARE NONE.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

STATUS OF PRIOR YEAR FINDINGS

THERE WERE NONE.