

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**Fairfield, New Jersey**

**COMPREHENSIVE ANNUAL**

**FINANCIAL REPORT**

**of the**

**Essex Regional Educational Services Commission**

**Fairfield, New Jersey**

**For The Fiscal Year Ended June 30, 2010**

**Prepared by**

**Business Office**

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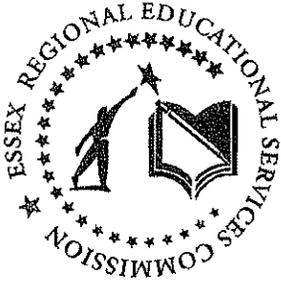
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**INTRODUCTORY SECTION**



**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION**

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

**November 17, 2010**

**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, 2010, is hereby submitted. This CAFR includes the Commission's Basic Financial Statements prepared in accordance with Governmental Accounting Standards Board Statement 34. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Directors. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Commission. All disclosures necessary to enable the reader to gain an understanding of the Commission's financial activities have been included.

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

The Commission is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and the state Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." Information related to this single audit, including the independent auditor's report on the internal control structure and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs is included in the single audit section of this report.

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

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

<b>FISCAL YEAR</b>	<b>Average Daily Enrollment (Essex Junior Academy)</b>	
	<b>STUDENT ENROLLMENT</b>	<b>PERCENT CHANGE</b>
2009-10	31.4	-1%
2008-09	31.8	-40%
2007-08	53.2	-10%
2006-07	58.9	-1%
2005-06	59.5	-14%
2004-05	68.9	-4%
2003-04	71.8	5%
2002-03	68.6	-4%
2001-02	71.7	10%
2000-01	65	10%
1999-00	58.9	7%
1998-99	55	0%

<b>FISCAL YEAR</b>	<b>Average Daily Enrollment (Essex High School)</b>	
	<b>STUDENT ENROLLMENT</b>	<b>PERCENT CHANGE</b>
2009-10	33.8	-20%
2008-09	42.5	6%
2007-08	40.1	-9%
2006-07	44	35%
2005-06	32.7	-7%
2004-05	35	48%
2003-04	23.7	-34%
2002-03	36.1	-2%
2001-02	36.8	-10%
2000-01	41	84%
1999-00	22.3	23%
1998-99	42.9	0%

<b>FISCAL YEAR</b>	<b>Average Daily Enrollment (Essex Campus Academy)</b>	
	<b>STUDENT ENROLLMENT</b>	<b>PERCENT CHANGE</b>
2009-10	84.7	2%
2008-09	82.8	-25%
2007-08	109.8	207%
2006-07	53	21%
2005-06	44	52%
2004-05	28.9	0%

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 2010, Essex Campus Academy (alternative Jr/Sr high school program) had two (2) students successfully completed requirements for eighth grade; one (1) from Orange and one (1) from Irvington. There are seven (7) students that successfully completed requirements for high school diplomas; three (3) from East Orange, two (2) Orange, one (1) from Newark and one (1) from South Orange/Maplewood.

Sojourn High School (alternative school for incarcerated youths) had twelve (12) students earned their high school diplomas; five (5) from Newark, one (1) from East Orange, one (1) from Irvington, one (1) from Orange, one (1) from Passaic, one (1) from Pompton Lakes, one (1) Madison and one (1) from Nutley. In addition, thirty-three (33) students earned the general education development diplomas.

Essex High School had five (5) students graduate; two (2) from Passaic, one (1) from Newark, one (1) from East Orange and one (1) from Irvington.

Essex Junior Academy had nine (9) students graduate from Middle School; three (3) from East Orange, three (3) from Irvington, two (2) from Newark and one (1) from South Orange/Maplewood.

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, 2010.

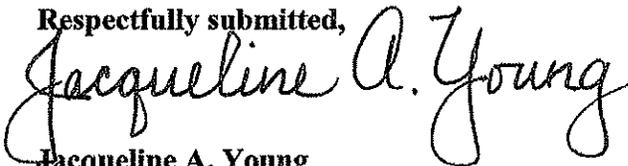
**6) CASH MANAGEMENT:** The investment policy of the Commission is guided in large part by state statutes as detailed in "Notes to the Financial Statements", Note 1. The Commission has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss 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-4.

**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 of 1984, the Single Audit Act Amendments of 1996, and the related OMB Circular A-133 and state Treasury Circular Letter 04-04 OMB. The auditor’s report on the basic financial statements and specific required supplemental information is included in the financial section of this report. The auditor’s reports related specifically to the single audit are included in the single audit section of this report.

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

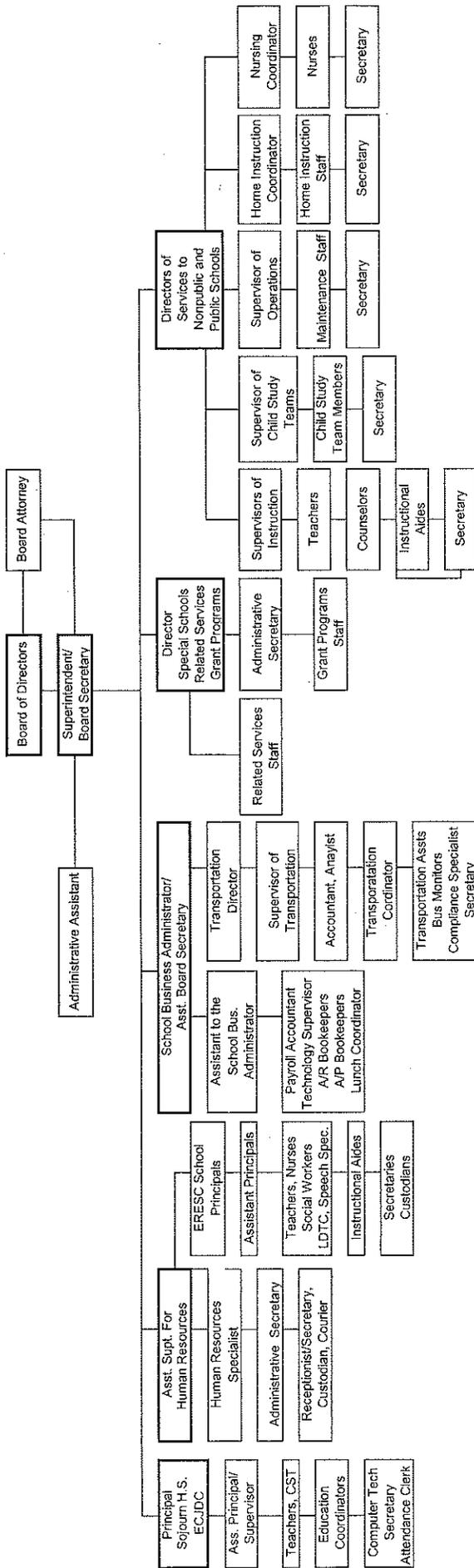
Respectfully submitted,

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

Jacqueline A. Young  
Superintendent/Board Secretary

js

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 ORGANIZATIONAL CHART 2009 - 2010



**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION**

Roster of Officials

July 1, 2009 – June 30, 2010

**MEMBERS OF THE BOARD OF EDUCATION**

**SCHOOL DISTRICT**

Mr. Salvatore Carnovale, President	Essex County Vocational
Mr. Rowland Bennett, Vice President	South Orange/Maplewood
Mr. Ronald Riddick, Executive Committee Member	Montclair
Ms. Patricia Arthur	Orange
Mr. William Freda	Belleville
Mr. Charles Granata	Livingston
Ms. Kristie Howard	East Orange
Dr. Clifford B. Janey	Newark
Mr. Joseph Lopez	Bloomfield
Dr. Ahmed Screven	Irvington

**OTHER OFFICIALS**

Dr. Jacqueline A. Young, Superintendent/Board Secretary  
Janet Su, School Business Administrator/Assistant Board Secretary  
John H. Watson, Esq., Board Attorney

**ESSEX REGIONAL EDUCATIONAL**

**SERVICES COMMISSION**

**Consultants and Advisors**

**AUDIT FIRM**

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**OFFICIAL DEPOSITORY**

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**FINANCIAL SECTION**

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PAUL J. LERCH, CPA, RMA, PSA  
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DEBORAH KOZAK, CPA, PSA  
DEBRA GOLLE, CPA  
CINDY JANACEK, CPA, RMA  
RALPH M. PICONE, CPA, RMA, PSA

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Essex Regional Educational Services Commission as of and for the fiscal year ended June 30, 2010, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. 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 Division of 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Essex Regional Educational Services Commission's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Educational Services Commission as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 17, 2010 on our consideration of the Essex Regional Educational Services Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Essex Regional Educational Services Commission's basic financial statements. The accompanying introductory section, combining fund financial statements, financial schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and New Jersey OMB's Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid", and are not a required part of the basic financial statements. The combining fund financial statements and schedules of expenditures of federal awards and state financial assistance have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on them.

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

  
Gary J. Vinci  
Public School Accountant  
PSA Number CS00829

Fair Lawn, New Jersey  
November 17, 2010

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010**

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, 2010. 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 issued in June 1999. Certain comparative information between the current year (2009-2010) and the prior year (2008-2009) is required to be presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2009-2010 fiscal year include the following:

- The assets of the Essex Regional Educational Services Commission exceeded its liabilities at the close of the fiscal year by \$30,245,249 (net assets).
- The Commission's total net assets increased \$1,059,404.
- Overall Commission revenues were \$69,046,605. General revenues accounted for \$169,372 or less than 1% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$68,877,233 or virtually 100% of total revenues.
- The Commission had \$67,874,341 in expenses for governmental activities and 100% of these expenses were offset by program specific charges, grants or contributions. Program revenues for governmental activities exceeded program expenses by \$947,131. General revenues, predominantly from interest and miscellaneous income, totaled \$169,372.
- As of the close of the current fiscal year, the Commission's governmental funds reported a combined ending fund balance of \$26,848,046, an increase of \$736,759 when compared to the previous year ending fund balance.
- The General Fund unreserved undesignated fund balance at June 30, 2010 was \$23,785,805 an increase of \$1,040,322 when compared with the beginning balance at July 1, 2009 of \$22,745,483.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

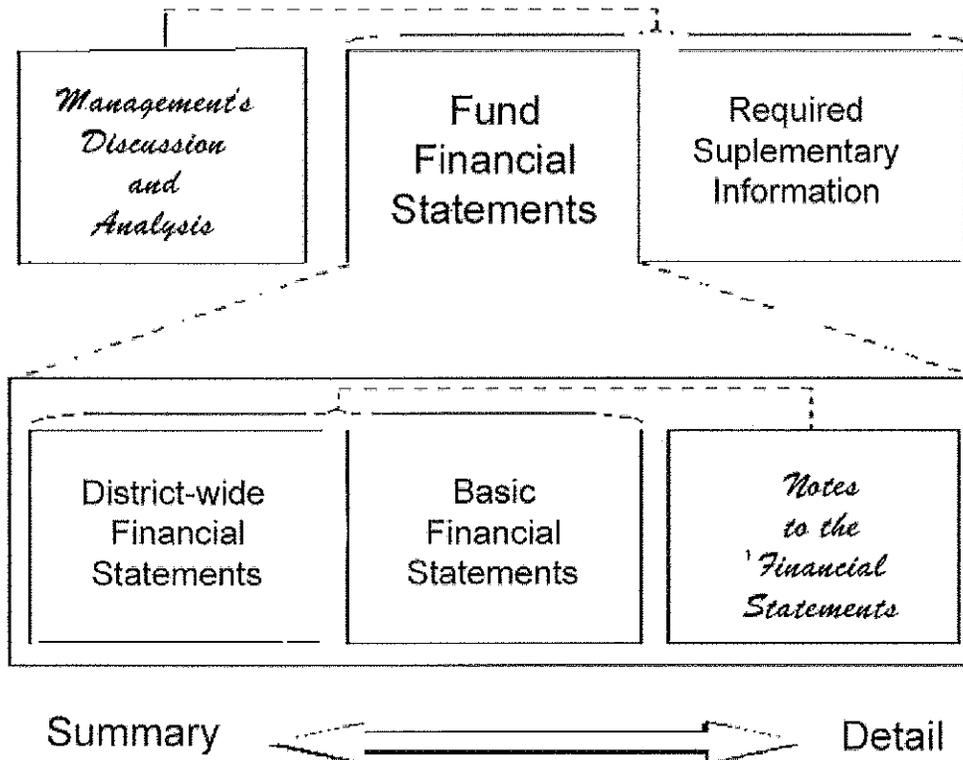
ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
FAIRFIELD, NEW JERSEY

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

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



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

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010**

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 assets Statement of activities	Balance Sheet Statement of Revenues, Expenditures and changes in fund balances	Statement of Net Assets Statement of revenue, expenses, and changes in fund net assets Statement of cash flows	Statements of Fiduciary net assets Statement of changes in fiduciary net assets
Accounting Basis and Measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources Focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be Used up and liabilities that come due during the year or soon there after; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term funds do not currently contain capital assets.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions and dedications during the year, regardless of when cash is received or paid.

**Commission-wide financial statements**

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

The two Commission-wide statements report the Commission's *net assets* and how they have changed. Net assets – 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 assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the Commission you need to consider additional non-financial factors such as changes in the Commission's revenue base and the condition of school buildings and other facilities utilized by the Commission.

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

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010**

**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 most 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.

- Food Service (Cafeteria)

- *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 assets and a statement of changes in fiduciary net assets. We exclude these activities from the commission-wide financial statements because the Commission cannot use these assets to finance its operations.

**Notes to the basic 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 basic financial statements can be found following the basic financial statements.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
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**Other Information**

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

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

**COMMISSION-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Commission, assets exceeded liabilities by \$30,245,249 as of June 30, 2010 and \$29,185,845 as of June 30, 2009.

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

**Net Assets  
As of June 30, 2010 and 2009**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current Assets	\$ 28,251,946	\$ 28,444,328	\$ 16,874	\$ 7,543	\$ 28,268,820	\$ 28,451,871
Capital Assets	13,705,864	13,279,813	-	-	13,705,864	13,279,813
<b>Total Assets</b>	<u>41,957,810</u>	<u>41,724,141</u>	<u>16,874</u>	<u>7,543</u>	<u>41,974,684</u>	<u>41,731,684</u>
Long-Term Liabilities	10,744,570	10,916,199			10,744,570	10,916,199
Other Liabilities	974,017	1,628,123	10,848	1,517	984,865	1,629,640
<b>Total Liabilities</b>	<u>11,718,587</u>	<u>12,544,322</u>	<u>10,848</u>	<u>1,517</u>	<u>11,729,435</u>	<u>12,545,839</u>
Net Assets						
Invested in Capital Assets,						
Net of Related Debt	3,392,027	2,805,918			3,392,027	2,805,918
Restricted	1,815,535	2,119,098			1,815,535	2,119,098
Unrestricted	25,031,661	24,254,803	6,026	6,026	25,037,687	24,260,829
<b>Total Net Assets</b>	<u>\$ 30,239,223</u>	<u>\$ 29,179,819</u>	<u>\$ 6,026</u>	<u>\$ 6,026</u>	<u>\$ 30,245,249</u>	<u>\$ 29,185,845</u>

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

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010**

**Change in Net Assets  
For The Years Ended June 30, 2010 and 2009**

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 66,816,448	\$ 64,955,135	\$ 351	\$ 1,600	\$ 66,816,799	\$ 64,956,735
Operating Grants and Contributions	1,993,193	2,211,435	55,410	55,864	2,048,603	2,267,299
Capital Grants and Contributions	11,831				11,831	
General Revenues						
Other	169,372	291,900	-	-	169,372	291,900
<b>Total Revenues</b>	<b><u>68,990,844</u></b>	<b><u>67,458,470</u></b>	<b><u>55,761</u></b>	<b><u>57,464</u></b>	<b><u>69,046,605</u></b>	<b><u>67,515,934</u></b>
<b>Expenses</b>						
Instruction						
Regular	4,088,268	3,882,148			4,088,268	3,882,148
Special Education	3,835,227	3,545,921			3,835,227	3,545,921
Other Instruction	7,436,822	6,796,615			7,436,822	6,796,615
Support Services						
Student and Instruction Related Services	7,884,319	7,583,760			7,884,319	7,583,760
General Administrative Services	718,073	835,610			718,073	835,610
School Administrative Services	1,068,755	1,013,099			1,068,755	1,013,099
Central Services	798,615	644,228			798,615	644,228
Administrative Info. Technology	133,380	129,664			133,380	129,664
Plant Operations and Maintenance	1,491,935	1,497,997			1,491,935	1,497,997
Pupil Transportation	39,939,543	40,495,522			39,939,543	40,495,522
Interest on Long Term Debt	479,404	489,389			479,404	489,389
Food Services	-	-	62,433	64,551	62,433	64,551
<b>Total Expenses</b>	<b><u>67,874,341</u></b>	<b><u>66,913,953</u></b>	<b><u>62,433</u></b>	<b><u>64,551</u></b>	<b><u>67,936,774</u></b>	<b><u>66,978,504</u></b>
Increase in Net Assets Before Special Items and Transfers	<u>1,116,503</u>	<u>544,517</u>	<u>(6,672)</u>	<u>(7,087)</u>	<u>1,109,831</u>	<u>537,430</u>
Special Items	(50,427)	(36,917)	-	-	(50,427)	(36,917)
Transfers	(6,672)	(7,087)	6,672	7,087	-	-
	<u>(57,099)</u>	<u>(44,004)</u>	<u>6,672</u>	<u>7,087</u>	<u>(50,427)</u>	<u>(36,917)</u>
<b>Change in Net Assets</b>	<b>1,059,404</b>	<b>500,513</b>	<b>-</b>	<b>-</b>	<b>1,059,404</b>	<b>500,513</b>
<b>Net Assets, Beginning of Year</b>	<b><u>29,179,819</u></b>	<b><u>28,679,306</u></b>	<b><u>6,026</u></b>	<b><u>6,026</u></b>	<b><u>29,185,845</u></b>	<b><u>28,685,332</u></b>
<b>Net Assets, End of Year</b>	<b><u>\$ 30,239,223</u></b>	<b><u>\$ 29,179,819</u></b>	<b><u>\$ 6,026</u></b>	<b><u>\$ 6,026</u></b>	<b><u>\$ 30,245,249</u></b>	<b><u>\$ 29,185,845</u></b>

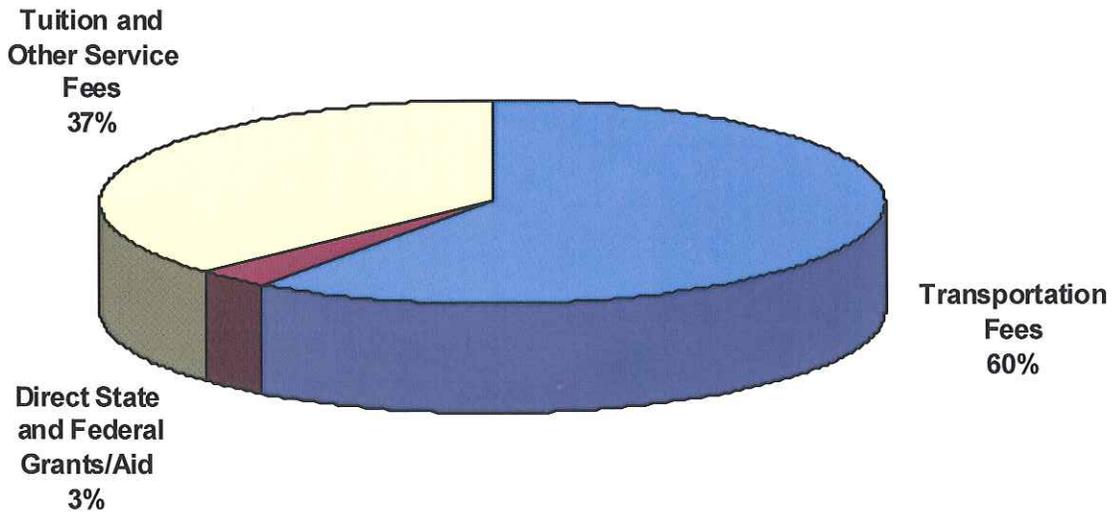
**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
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**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010**

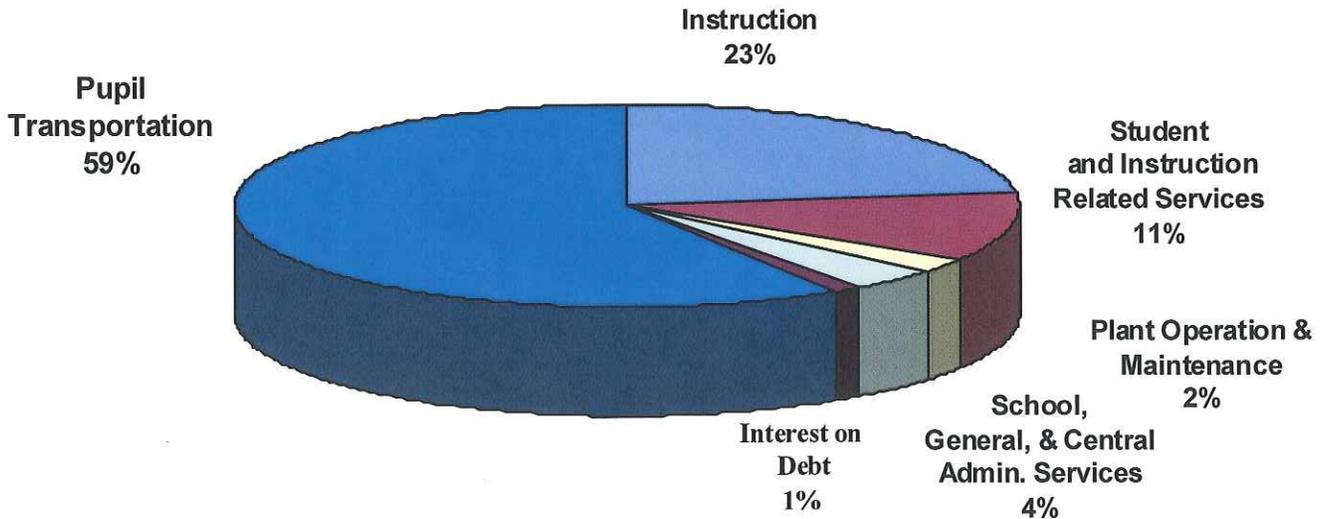
**Governmental Activities.** The Commission's total governmental activities' revenues, which includes State and Federal grants, were \$68,990,844 and \$67,458,470 for the years ended June 30, 2010 and 2009, respectively. Tuition charges and local education fees of \$66,816,448 and \$64,955,135 represented 97% and 96% of the revenues for the fiscal year ended June 30, 2010 and 2009, respectively. Another portion of revenues came from grants and contributions of \$2,005,024 and \$2,211,435 or 3% and 4% of the revenues for the fiscal year ended June 30, 2010 and 2009, respectively. 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 \$67,874,341 and \$66,913,953 for the years ended June 30, 2010 and 2009, 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 \$15,360,317 and \$14,224,684 (23% and 21%) of total expenses for the fiscal years ended June 30, 2010 and 2009, respectively. Support services (including pupil transportation), totaled \$52,034,620 and \$52,199,880 (77% and 78%) of total expenditures.

**Revenue by Source – Governmental Activities  
For Fiscal Year 2010**



**Expenditures by Type- Governmental Activities  
For Fiscal Year 2009**



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**Net Cost of Governmental Activities.** The Commission's total cost of services was \$67,874,341 and \$66,913,953 for the fiscal years ended June 30, 2010 and 2009. After applying program revenues, derived from charges for services and grants and contributions of \$68,821,472 and \$67,166,570, the net revenue from services of the Commission was \$947,131 and \$252,617 for the fiscal years ended June 30, 2010 and 2009, respectively.

**Total and Net (Cost) of Income from Governmental Activities  
For the Years Ended June 30, 2010 and 2009**

	<u>Total Cost of Services</u>		<u>Net (Cost) Income of Services</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Instruction				
Regular	\$ 4,088,268	\$ 3,882,148	\$ 734,588	\$ 281,229
Special Education	3,835,227	3,545,921	2,574,731	2,707,229
Other Instruction	7,436,822	6,796,615	313,053	(395,823)
Support Services				
Student and Instruction Related Services	7,884,319	7,583,760	384,352	1,048,775
General Administrative Services	718,073	835,610	(504,329)	(633,497)
School Administrative Services	1,068,755	1,013,099	(1,016,073)	(959,796)
Central Services	798,615	644,228	(790,573)	(644,228)
Administrative Info. Technology	133,380	129,664	(133,380)	(129,664)
Plant Operations and Maintenance	1,491,935	1,497,997	(1,491,935)	(1,497,997)
Pupil Transportation	39,939,543	40,495,522	1,299,646	965,778
Interest on Long Term Debt	479,404	489,389	(422,949)	(489,389)
<b>Total</b>	<b><u>\$ 67,874,341</u></b>	<b><u>\$ 66,913,953</u></b>	<b><u>\$ 947,131</u></b>	<b><u>\$ 252,617</u></b>

**Business-Type Activities** – The Commission's total business-type activities revenues were \$55,761 and \$57,464 for the years ended June 30, 2010 and June 30, 2009. Charges for services accounted for 1% and 3% of total revenues and operating grants and contributions accounted for 99% and 97% of total revenue for the years ended June 30, 2010 and 2009.

The total cost of all business-type activities programs and services were \$62,433 and \$64,551 for the years ended June 30, 2010 and 2009. The Commission's expenses are related to Food Service programs provided to all students, teachers and administrators within the Commission.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
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**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010**

**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, unreserved 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 year, its governmental funds reported a *combined* fund balance of \$26,848,046 for the year ended June 30, 2010 compared to \$26,111,287 for the year ended June 30, 2009.

Revenues for the Commission's governmental funds were \$70,318,662 and \$67,950,499, while total expenses were \$69,575,231 and \$68,039,265 for the fiscal years ended June 30, 2010 and 2009, respectively.

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

The following schedule presents a summary of General Fund Revenues.

	June 30,		Amount of	Percent
	2010	2009	Increase (Decrease)	Increase (Decrease)
Local Sources				
Tuition Charges	\$ 4,689,320	\$ 4,119,640	\$ 569,680	14%
Transportation Fees	41,143,289	41,206,038	(62,749)	(1)%
Miscellaneous	5,441,966	5,126,312	315,654	6%
State Sources	1,301,949	1,301,096	853	1%
 Total General Fund Revenues	\$ 52,576,524	\$ 51,753,086	\$ 823,438	2%

Tuition revenue increased to \$569,680 or 14% from the previous year. Transportation fees decreased \$62,749 or 1% from the previous year. Miscellaneous revenue increased \$315,654 or 6%. State aid revenues increased \$853 or 1%.

The following schedule presents a summary of General Fund expenditures.

	June 30,		Amount of	Percent
	2010	2009	Increase (Decrease)	Increase (Decrease)
Instruction	\$ 5,216,266	\$ 5,034,879	\$ 181,387	3%
Support Services	45,752,405	45,968,760	(216,355)	0%
Capital Outlay	52,458	91,064	(38,606)	(42)%
Debt Service	508,401	636,247	(127,846)	(25)%
 Total Expenditures	\$ 51,529,530	\$ 51,730,950	\$ (201,420)	(4)%

Total General Fund expenditures decreased \$201,420 or 14% from the previous year. The majority of this decrease is attributable to the decrease in contracted transportation expenditures.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
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**Management's Discussion and Analysis  
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**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 \$17,742,138 and \$16,197,413 for the years ended June 30, 2010 and 2009. Local sources accounted for the majority of Special Revenue Fund's revenue which represented 96% and 94% of the total revenues for the years ended June 30, 2010 and 2009, respectively.

Total Special Revenue Fund revenues increased \$1,544,725 or 10% from the previous year.

Expenditures of the Special Revenue Fund were \$17,742,138 and \$16,197,413 for the fiscal years ended June 30, 2010 and 2009. Instructional expenditures were \$10,092,814 and \$9,151,627 or 57% and 57% and expenditures for the support services were \$6,907,118 and \$6,800,597 or 39% and 42% of total expended for the years ended June 30, 2010 and 2009.

**Capital Projects Fund** - The Capital Projects Fund's revenues and other financing sources exceeded expenditures by \$1,696,437 resulting in a fund balance of \$1,815,535 at June 30, 2010. Total expenditures were \$303,563 for the year, all for improvements to the Essex Campus Academy and Essex Junior Academy.

**Proprietary Funds**

The Commission maintains an Enterprise Fund to account for activities which are supported in part through user fees.

**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, 2010 and 2009 amounted to \$13,705,864 and \$13,279,813 (net of accumulated depreciation). The capital assets consist of leasehold improvements, building and building improvements, computers, specialized machinery and various other types of equipment. Depreciation charges for fiscal years 2009-2010 and 2008-2009 amounted to \$493,902 and \$446,807 for governmental activities.

Capital Assets at June 30, 2010 and 2009  
(Net of Accumulated Depreciation)

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Land	\$ 2,100,000	\$ 2,100,000
Site Improvements	3,561	-
Building and Building Improvements	10,277,637	10,310,895
Leasehold Improvements	76,247	80,678
Machinery and Equipment	<u>1,248,419</u>	<u>788,240</u>
<b>Total Net Assets</b>	<u>\$ 13,705,864</u>	<u>\$ 13,279,813</u>

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

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

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010**

**LONG TERM LIABILITIES**

At year end, the Commission's long-term liabilities consisted of compensated absences payable of \$430,733 and \$442,304 for the years ended June 30, 2010 and 2009. In addition capital leases payable in the amount of \$10,313,837 and \$10,473,895 were reported as a long-term liability for the years ended June 30, 2010.

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

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

Many factors were considered by the Commission's administration during the process of developing the fiscal year 2009-2010 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 citizens, 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 ASSETS**  
**AS OF JUNE 30, 2010**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash	\$ 6,800,505	\$ 21,044	\$ 6,821,549
Receivables, Net	21,397,837	5,830	21,403,667
Internal Balances	10,000	(10,000)	
Other Current Assets	43,604		43,604
Capital Assets			
Capital Assets not being depreciated	2,100,000		2,100,000
Capital Assets being depreciated (Net)	<u>11,605,864</u>	<u>-</u>	<u>11,605,864</u>
Total Assets	<u>41,957,810</u>	<u>16,874</u>	<u>41,974,684</u>
<b>LIABILITIES</b>			
Accounts Payable and Other Current Liabilities	712,290	10,848	723,138
Accrued Interest Payable	238,977		238,977
Unearned Revenue	22,750		22,750
Noncurrent Liabilities			
Due within one year	236,345		236,345
Due beyond one year	<u>10,508,225</u>	<u>-</u>	<u>10,508,225</u>
Total Liabilities	<u>11,718,587</u>	<u>10,848</u>	<u>11,729,435</u>
<b>NET ASSETS</b>			
Investment in Capital Assets, Net of Related Debt	3,392,027		3,392,027
Restricted For:			
Capital Projects	1,815,535		1,815,535
Unrestricted	<u>25,031,661</u>	<u>6,026</u>	<u>25,037,687</u>
Total Net Assets	<u>\$ 30,239,223</u>	<u>\$ 6,026</u>	<u>\$ 30,245,249</u>

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities</b>							
Instruction							
Regular	\$ 4,088,268	\$ 4,519,577	\$ 303,279		\$ 734,588	\$	\$ 734,588
Special Education	3,835,227	6,323,649	86,309		2,574,731		2,574,731
Other Instruction	7,436,822	6,922,642	827,233		313,053		313,053
Support Services							
Student and Instruction Related Services	7,884,319	7,637,326	627,556	\$ 3,789	384,352		384,352
General Administrative Services	718,073	169,870	43,874		(504,329)		(504,329)
School Administrative Services	1,068,755		52,682		(1,016,073)		(1,016,073)
Central Services	798,615			8,042	(790,573)		(790,573)
Administrative Info. Technology	133,380				(133,380)		(133,380)
Plant Operations and Maintenance	1,491,935				(1,491,935)		(1,491,935)
Pupil Transportation	39,939,543	41,189,384	49,805		1,299,646		1,299,646
Interest on Long Term Debt	479,404	54,000	2,455		(422,949)		(422,949)
Total Governmental Activities	67,874,341	66,816,448	1,993,193	11,831	947,131	-	947,131
<b>Business-Type Activities</b>							
Food Service	62,433	351	55,410			\$ (6,672)	(6,672)
Total Business-Type Activities	62,433	351	55,410		-	(6,672)	(6,672)
Total Primary Government	\$ 67,936,774	\$ 66,816,799	\$ 2,048,603	\$ 11,831	947,131	(6,672)	940,459
<b>General Revenues</b>							
Miscellaneous Fees and Income					169,372	-	169,372
<b>Special Items:</b>							
Loss on Disposal of Capital Assets					(50,427)		(50,427)
Transfers					(6,672)	6,672	-
Total General Revenues, Special Items and Transfers					112,273	6,672	118,945
Change in Net Assets					1,059,404	-	1,059,404
Net Assets, Beginning of Year					29,179,819	6,026	29,185,845
Net Assets, End of Year					\$ 30,239,223	\$ 6,026	\$ 30,245,249

The accompanying Notes to the Basic 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, 2010**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash	\$ 4,983,897		\$ 1,816,608	\$ 6,800,505
Receivables, Net				
Accounts	105,035	\$ 41,488		146,523
Receivables from Other Governments	15,896,061	5,346,723		21,242,784
Due from Other Funds	4,847,520	-		4,847,520
Security Deposits	36,527	7,077	-	43,604
	<u>25,869,040</u>	<u>5,395,288</u>	<u>1,816,608</u>	<u>33,080,936</u>
Total Assets	<u>\$ 25,869,040</u>	<u>\$ 5,395,288</u>	<u>\$ 1,816,608</u>	<u>\$ 33,080,936</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts Payable	\$ 139,381	\$ 501,511	\$ 1,073	\$ 641,965
Accrued Salaries and Wages	5,538	64,787		70,325
Payable to Local Governments		-		-
Due to Other Funds		4,828,990		4,828,990
Deferred Revenue	691,610	-	-	691,610
	<u>836,529</u>	<u>5,395,288</u>	<u>1,073</u>	<u>6,232,890</u>
Total Liabilities	<u>836,529</u>	<u>5,395,288</u>	<u>1,073</u>	<u>6,232,890</u>
Fund Balances				
Unreserved:				
Designated for Repairs and Replacements	33,475			33,475
Designated for Direct Services	1,213,231			1,213,231
Undesignated, Reported in:				-
General Fund	23,785,805			23,785,805
Capital Projects Fund	-	-	1,815,535	1,815,535
	<u>25,032,511</u>	<u>-</u>	<u>1,815,535</u>	<u>26,848,046</u>
Total Fund Balances	<u>25,032,511</u>	<u>-</u>	<u>1,815,535</u>	<u>26,848,046</u>
Total Liabilities and Fund Balances	<u>\$ 25,869,040</u>	<u>\$ 5,395,288</u>	<u>\$ 1,816,608</u>	

Amounts reported for governmental activities in the statement of net assets (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 \$16,967,998 and the accumulated depreciation is \$3,262,134.

13,705,864

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

668,860

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

(238,977)

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  
Compensated Absences

\$ (10,313,837)  
(430,733)

(10,744,570)

Net Assets of Governmental Activities

\$ 30,239,223

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Local Sources				
Tuition Charges	\$ 4,689,320			\$ 4,689,320
Transportation Fees	41,143,289			41,143,289
Miscellaneous	5,441,966	\$ 17,047,105	-	22,489,071
<b>Total - Local Sources</b>	<b>51,274,575</b>	<b>17,047,105</b>		<b>68,321,680</b>
State Sources	1,301,949	124,997		1,426,946
Federal Sources	-	570,036	-	570,036
<b>Total Revenues</b>	<b>52,576,524</b>	<b>17,742,138</b>	<b>-</b>	<b>70,318,662</b>
<b>EXPENDITURES</b>				
Current				
Instruction				
Regular Instruction	2,900,780	1,185,648		4,086,428
Special Education Instruction	1,780,844	2,001,582		3,782,426
Other Special Instruction	534,642	6,905,584		7,440,226
Support Services				
Student and Instruction Related Services	2,068,138	5,818,708		7,886,846
General Administrative Services	705,521	1,055,997		1,761,518
School Administrative Services	1,044,182			1,044,182
Central Services	798,926			798,926
Administrative Info. Technology	133,450			133,450
Plant Operations and Maintenance	1,094,485			1,094,485
Pupil Transportation	39,907,703	32,413		39,940,116
Debt Service				
Principal	80,624	71,392		152,016
Interest and Other Charges	427,777	56,455		484,232
Capital Outlay	52,458	614,359	\$ 303,563	970,380
<b>Total Expenditures</b>	<b>51,529,530</b>	<b>17,742,138</b>	<b>303,563</b>	<b>69,575,231</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,046,994	-	(303,563)	743,431
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In			2,000,000	2,000,000
Transfer Out	(2,006,672)	-	-	(2,006,672)
<b>Total Other Financing Sources and Uses</b>	<b>(2,006,672)</b>	<b>-</b>	<b>2,000,000</b>	<b>(6,672)</b>
Net Change in Fund Balances	(959,678)	-	1,696,437	736,759
Fund Balance, Beginning of Year	25,992,189	-	119,098	26,111,287
Fund Balance, End of Year	\$ 25,032,511	\$ -	\$ 1,815,535	\$ 26,848,046

The accompanying Notes to the Basic 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, 2010**

<b>Total net change in fund balances - governmental funds (Exhibit B-2)</b>	<b>\$</b>	<b>736,759</b>
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>In the statement of activities revenues that do not provide current financial resources are not reported as revenue but are deferred in the funds.</p>		
Deferred Revenue - June 30, 2009	\$ (948,723)	
Deferred Revenue - June 30, 2010	<u>668,860</u>	(279,863)
<p>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.</p>		
Capital Outlay	970,380	
Depreciation Expense	<u>(493,902)</u>	476,478
<p>The net effect of various miscellaneous transactions involving capital assets (i.e. disposal, sale) is to decrease net assets</p>		
Loss on Disposal of Capital Assets		(50,427)
<p>Repayment of debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets 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 assets but does not affect the governmental funds.</p>		
Capital Leases Principal Paid	152,016	
Capital Leases Principal Forgiven	<u>8,042</u>	160,058
<p>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):</p>		
Compensated Absences		11,571
<p>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.</p>		
Decrease in accrued interest		<u>4,828</u>
Change in net assets of governmental activities	<b>\$</b>	<b><u>1,059,404</u></b>

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 PROPRIETARY FUNDS  
 STATEMENT OF NET ASSETS  
 AS OF JUNE 30, 2010**

	<u>Business-Type Activities - Enterprise Fund Food Service</u>
<b>ASSETS</b>	
Current Assets	
Cash	\$ 21,044
Intergovernmental Accounts Receivable	
Federal	5,576
State	<u>254</u>
Total Current Assets	<u>26,874</u>
Total Assets	<u>26,874</u>
 <b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	10,848
Due to Other Funds	<u>10,000</u>
Total Current Liabilities	<u>20,848</u>
Total Liabilities	<u>20,848</u>
 <b>NET ASSETS</b>	
Unrestricted	<u>6,026</u>
Total Net Assets	<u>\$ 6,026</u>

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 PROPRIETARY FUND  
 STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN NET ASSETS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<b>Business-Type Activities - Enterprise Fund Food Service</b>
<b>OPERATING REVENUES</b>	
Charges for Services	
Daily Sales	\$ 351
Total Operating Revenues	<u>351</u>
<b>OPERATING EXPENSES</b>	
Cost of Sales	<u>62,433</u>
Total Operating Expenses	<u>62,433</u>
Operating Loss	<u>(62,082)</u>
<b>NONOPERATING REVENUES</b>	
State Sources	
State School Breakfast Program	1,190
State School Lunch Program	1,210
Federal Sources	
School Breakfast Program	20,543
National School Lunch Program	<u>32,467</u>
Total Nonoperating Revenues	<u>55,410</u>
Change in Net Assets	(6,672)
Transfers In- General Fund	<u>6,672</u>
Change in Net Assets	-
Net Assets, Beginning of Year	<u>6,026</u>
Net Assets, End of Year	<u>\$ 6,026</u>

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**EXHIBIT B-6**

	<b>Business-Type Activities</b>
	<b>Food Service</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Customers	\$ 351
Cash Payments for Goods and Services	<u>(55,914)</u>
Net Cash Used for Operating Activities	<u>(55,563)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Cash Received from Subsidy Reimbursements	62,310
Cash Received from Other Funds- General Fund Transfer	<u>6,672</u>
Net Cash Provided By Non-Capital Financing Activities	<u>68,982</u>
Net Increase in Cash and Cash Equivalents	13,419
Cash, Beginning of Year	<u>7,625</u>
Cash, End of Year	<u>\$ 21,044</u>
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</b>	
Operating Loss	<u>\$ (62,082)</u>
Adjustments to Reconcile Operating Loss to Net Cash Used For Operating Activities	
Increase (Decrease) in Accounts Payable	9,331
Increase (Decrease) in Interfund Payable	<u>(2,812)</u>
Total Adjustments	<u>6,519</u>
Net Cash Used For Operating Activities	<u>\$ (55,563)</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS  
AS OF JUNE 30, 2010**

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash	\$ <u>169,284</u>
Total Assets	\$ <u>169,284</u>
<b>LIABILITIES</b>	
Payable to Student Groups	\$ 2,604
Payroll Deductions and Withholdings	158,150
Due to Other Funds	<u>8,530</u>
Total Liabilities	\$ <u>169,284</u>

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOT APPLICABLE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Essex Regional Educational Services Commission (the “Board” or 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 located in the County of Essex and is 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, boards and agencies that are not legally separate from the Commission. For the Essex Regional Educational Services Commission this includes general operations, food service and student related activities of the 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 board and (1) the Commission is able to significantly influence the programs or services performed or provided by the organization; or (2) the Commission is legally entitled to or can otherwise access the organization's resources; the Commission is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Commission is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Commission in that the Commission approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the Commission has no component units. Furthermore, the Commission is not includable in any other reporting entity as a component unit.

**B. Commission-wide and Fund Financial Statements**

The Commission-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Board of Education. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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.

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

The Commission-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements with the exception of the Agency Fund which does not have a measurement focus. All assets and all liabilities associated with these operations (with the exception of the fiduciary funds) are included on the Statement of Net Assets. 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 debt service expenditures as well as expenditures related to compensated absences and claims and judgments which are recorded only when payment is due.

Tuition, local education 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. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. All other revenue items are considered to be measurable and available only when cash is received by the Commission.

The Commission reports the following major governmental funds:

The *general fund* is the School District's primary operating fund. It accounts for all financial resources of the District, 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 and state financial programs, with the exception of grants for major capital projects and the school breakfast and lunch programs. This fund also accounts for fees received 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 major capital facilities and other capital assets.

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

The *food service fund* accounts for the activities of the school cafeteria, which provides food service to students as well as a la carte and catering services for teachers and special events.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

Additionally, the government reports the following fund type:

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.

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

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.

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 investment earnings and miscellaneous revenues.

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.

**D. Assets, Liabilities and Net Assets or Equity**

**1. *Deposits 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.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

**D. Assets, Liabilities and Net Assets or Equity (Continued)**

**2. *Receivables and Payables***

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”.

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 Board as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or estimated historical cost if constructed. 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 assets lives are not capitalized.

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

Property, plant, and equipment of the primary government 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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

**D. Assets, Liabilities and Net Assets or Equity (Continued)**

**5. *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 accrue accumulated vacation and sick leave and salary related payments in the period that they are earned. 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.

**6. *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 assets.

**7. *Fund Equity***

Reservations of fund balances of governmental funds are created to either (1) satisfy legal covenants that require a portion of the fund balance to be segregated or (2) identify the portion of the fund balance that is appropriated for future expenditures.

Designations of fund balance represent tentative management plans that are subject to change.

**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 Direct Services** – This designation was created to dedicate a portion of fund balance for any potential claims against direct service fees received in prior years.

**8. *Reclassifications***

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

**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 special revenue fund, which is more fully explained below and in 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.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

**A. Budgetary Information (Continued)**

The annual budget is adopted in the spring of the preceding year for the general and special revenue funds. The District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent and is approved by the Board of Directors on or before March 8 of the preceding year. Prior to the adoption of the budget the Commission must notify each member district of the fees to be charged for each service and program for the ensuing school year and the method by which the Commission expenses shall be funded. Budget adoptions and amendments are recorded in the Commission's board minutes. The budget is amended by the Board of Directors as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Commission approved several budget transfers during 2009/2010. During 2009/2010 the Commission increased the original budget by \$9,398,787. The increase was funded by additional surplus appropriated, the capital reserve, additional grant awards and restricted 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 reservations of 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.

**B. Capital Reserve Account**

A capital reserve account was established by the Commission on June 29, 2008. The accumulation of funds will be used for capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the Department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line-item appropriation amounts or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

**B. Capital Reserve Account (Continued)**

The activity of the capital reserve for the fiscal year ended June 30, 2010 is as follows:

Balance, July 1, 2009	\$ 2,000,000
Increases	
Deposits Approved by Board Resolution	<u>          -</u>
	2,000,000
Withdrawals	
Approved by Board Resolution	<u>2,000,000</u>
Balance, June 30, 2010	<u>\$          -</u>

The withdrawal from the capital reserve was for use in school facility projects, consistent with the district's Long Range Facilities Plan.

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

**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 plus collateral equal to 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of 75% of its capital funds 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, 2010, the book value of the Commission's deposits was \$6,990,833 and bank balances of the Commission's cash and deposits amounted to \$12,593,142. The Commission's deposits which are displayed on the balance sheets and statement of net assets as "cash" are categorized as:

<b><u>Depository Account</u></b>	<b><u>Bank Balance</u></b>
Insured	<u>\$ 12,593,142</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

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

**Investments**

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

As of June 30, 2010, the Commission had no outstanding investments.

**B. Receivables**

Receivables as of year-end for the Commission's individual major funds, in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Food Service</u>	<u>Total</u>
Receivables:				
Accounts	\$ 105,035	\$ 41,488		\$ 146,523
Intergovernmental	<u>15,896,061</u>	<u>5,346,723</u>	<u>\$ 5,830</u>	<u>21,248,614</u>
Gross Receivables	16,001,096	5,388,211	5,830	21,395,137
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 16,001,096</u>	<u>\$ 5,388,211</u>	<u>\$ 5,830</u>	<u>\$ 21,395,137</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund			
Intergovernmental Receivables:			
Tuition	\$ 406,739		\$ 406,739
Transportation Fees	219,055		219,055
Miscellaneous Fees	43,066		43,066
Prepaid Summer School Tuition	<u>-</u>	<u>\$ 22,750</u>	<u>22,750</u>
Total Deferred Revenue	<u>\$ 668,860</u>	<u>\$ 22,750</u>	<u>\$ 691,610</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2010 was as follows:

	Balance, <u>July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	Balance, <u>June 30, 2010</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,100,000	-	-	\$ 2,100,000
Capital assets, being depreciated:				
Site Improvements		\$ 3,652		3,652
Building and Building Improvements	11,313,125	263,815		11,576,940
Leasehold Improvements	89,540			89,540
Machinery and Equipment	2,723,585	702,913	\$ (228,632)	3,197,866
Total capital assets being depreciated	<u>14,126,250</u>	<u>970,380</u>	<u>(228,632)</u>	<u>14,867,998</u>
Less accumulated depreciation for:				
Site Improvements		(91)		(91)
Building and Building Improvements	(1,002,230)	(297,073)		(1,299,303)
Leasehold Improvements	(8,862)	(4,431)		(13,293)
Machinery and Equipment	(1,935,345)	(192,307)	178,205	(1,949,447)
Total accumulated depreciation	<u>(2,946,437)</u>	<u>(493,902)</u>	<u>178,205</u>	<u>(3,262,134)</u>
Total capital assets, being depreciated, net	<u>11,179,813</u>	<u>476,478</u>	<u>(50,427)</u>	<u>11,605,864</u>
Government activities capital assets, net	<u>\$ 13,279,813</u>	<u>\$ 476,478</u>	<u>\$ (50,427)</u>	<u>\$ 13,705,864</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

**C. Capital Assets (Continued)**

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

**Governmental activities:**

Instruction	
Regular	\$ 4,128
Special	<u>54,272</u>
Total Instruction	<u>58,400</u>
Support Services	
General Administration	12,826
School Administration	25,112
Operations and Maintenance of Plant	<u>397,564</u>
Total Support Services	<u>435,502</u>
Total Governmental Activities	<u>\$ 493,902</u>

**D. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2010, is as follows:

**Due to/from other funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue	\$ 4,828,990
General Fund	Food Service Enterprise Fund	10,000
General Fund	Payroll Agency Fund	<u>8,530</u>
Total		<u>\$ 4,847,520</u>

The above balances are the result of expenditures paid by one fund on behalf of another fund 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 EDUCATIONAL SERVICES COMMISSION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

**D. Interfund Receivables, Payables, and Transfers (Continued)**

**Interfund transfers**

	Transfer In:		<u>Total</u>
	<u>Capital Projects</u>	Enterprise Food Service <u>Service</u>	
Transfer Out:			
General Fund	\$ 2,000,000	\$ 6,672	\$ 2,006,672

The above transfers are the result of revenues earned in one fund to finance expenditures in another fund.

**E. Leases**

**Operating Leases**

The Commission leases buildings, vehicles and copiers under noncancelable operating leases. Lease payments for the year ended June 30, 2010 were \$659,394. The future minimum lease payments for these operating leases are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2011	\$ 692,995
2012	646,936
2013	527,834
2014	517,261
2015	<u>492,469</u>
Total	<u>\$ 2,877,495</u>

**Capital Leases**

The Commission is leasing a building acquisition and buses totaling \$12,589,880 under capital leases. The leases are for terms of 5 to 25 years.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

**E. Leases (Continued)**

**Capital Leases (Continued)**

The capital assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Land	\$ 2,100,000
Building and Building Improvements	10,400,000
Machinery and Equipment	<u>89,880</u>
 Total	 <u>\$ 12,589,880</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2010 were as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2011	\$ 669,847
2012	719,847
2013	710,000
2014	720,000
2015	730,000
2016-2020	3,920,000
2021-2025	4,108,020
2026-2030	4,108,020
2031-2035	<u>821,604</u>
 Total Minimum Lease Payments	 16,507,338
 Less: Amount Representing Interest	 <u>(6,193,501)</u>
 Present Value of Minimum Lease Payments	 <u>\$ 10,313,837</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

**F. Long-Term Debt (Continued)**

**Changes in long-term liabilities**

Long-term liability activity for the year ended June 30, 2010, was as follows:

	Balance, July 1, 2009	<u>Additions</u>	<u>Reductions</u>	Balance, June 30, 2010	Due Within One Year
<b>Governmental activities:</b>					
Capital Leases	\$ 10,473,895		\$ 160,058	\$ 10,313,837	\$ 193,345
Compensated Absences	442,304	\$ 37,615	49,186	430,733	43,000
Governmental activity Long-term liabilities	<u>\$ 10,916,199</u>	<u>\$ 37,615</u>	<u>\$ 209,244</u>	<u>\$ 10,744,570</u>	<u>\$ 236,345</u>

**NOTE 4 OTHER INFORMATION**

**A. Risk Management**

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

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage's in any of the prior three years.

**B. Contingent Liabilities**

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

**Federal and State Awards** – The Commission participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Commission may be required to reimburse the grantor government. As of June 30, 2010, 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 EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**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, 2010, 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 8 to 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

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

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

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

**Other Pension Funds**

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

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

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

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 4 OTHER INFORMATION (Continued)**

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

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

**Significant Legislation**

P.L. 2009, c. 19, effective March 17, 2009 provided an option for local employers to contribute 50 percent of the normal and accrued liability contribution amounts certified by the PERS for payments due in State fiscal year 2009. This law also provided that a local employer may pay 100 percent of the required contribution. Such an employer was credited with the full payment and any such amounts were not to be included in their unfunded liability. The actuaries for PERS will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the State fiscal year ending June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

P.L. 2008, c. 89, effective November 1, 2008, increased the TPAF and PERS eligibility age for unreduced benefits from age 60 to age 62 for members hired on or after November 1, 2008; changed the early retirement provisions; increased the minimum annual compensation required for membership eligibility for new members on or after the effective date of this law.

P.L. 2007, c. 103, certain parts effective July 1, 2007, provided for the following: changed contribution rates of TPAF, PERS, and Defined Contribution Retirement Program (DCRP) to 5.5 percent of annual compensation; imposed an annual maximum wage contribution base and a new retirement age to new employees; implemented changes to State Health Benefits Program (SHBP) which included the creation of the School Employees' Health Benefit Program (SEHBP) and established an employee contribution of 1.5 percent of the employee's base salary.

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

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

**Funding Status and Funding Progress**

As of June 30, 2008, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems including TPAF and PERS, is 72.6 percent with an unfunded actuarial accrued liability of \$34.4 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 69.6 percent and \$23.0 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 77.2 percent and \$11.4 billion.

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

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

**Actuarial Methods and Assumptions**

In the June 30, 2008 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 (1) 8.25 percent for investment rate of return for the retirement systems and (2) 5.45 percent for projected salary increases for the PERS and 5.74 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 5.5% for PERS, 5.5% for TPAF and 5.5% for DCRP of the employee's annual compensation.

**Annual Pension Costs (APC)**

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2010 for TPAF, which is a cost sharing plan with special funding situations, annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Commission. PERS employer contributions are made annually by the Commission to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

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

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

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

During the years ended June 30, 2010, 2009 and 2008 the Commission was required to contribute for PERS and the State of New Jersey was required to contribute for TPAF for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Year Ended June 30,	PERS	On-behalf TPAF	DCRP
2010	\$401,381	\$ 29,925	NONE
2009	373,918	30,728	NONE
2008	262,766	704,330	NONE

During 2009/2010 and 2008/2009 school years, the State of New Jersey did not contribute to the TPAF for normal cost and accrued liability. The State only contributed \$29,925 and \$30,728 during 2009/2010 and 2008/2009, respectively, for the NCGI premium.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Commission \$709,989 during the year ended June 30, 2010 for the employer’s share of social security contributions for TPAF members as calculated on their base salaries. This amount, along with the on-behalf TPAF pension contribution, has been included in the Commission-wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

**E. Post-Retirement Medical Benefits**

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

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other employee Benefit Trust Funds in the State’s Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, PDP-State, and the PRM of the PERS are combined and reported as a Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF are combined and reported as Health Benefits Program Fund –Local Government classified as a cost-sharing multiple-employer plan in the State’s CAFR. The post-retirement benefit programs had a total of 484 state and local participating employers and contributing entities for Fiscal Year 2009.

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.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 4 OTHER INFORMATION (Continued)**

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

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

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

**Basis of Accounting**

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

**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 June 30, 2008, the most recent actuarial valuation date, the State had a \$55.9 billion unfunded actuarial accrued liability for other postemployment benefits (OPEB) which is made up to \$19.8 billion for state active and retired members and \$36.1 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 is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events in the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 4 OTHER INFORMATION (Continued)**

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

**Actuarial Methods and Assumptions**

In the June 30, 2008, actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included 4.50 percent for investment rate of return for the OPEB.

**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, 2009, there were 84,590 retirees receiving post-retirement medical benefits and the State contributed \$837.7 million on their behalf. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education with 25 years of service. The State paid \$116.9 million toward Chapter 126 benefits for 13,320 eligible retired members in fiscal year 2009.

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 School District for the years ended June 30, 2010, 2009 and 2008 were \$562,035, \$586,221 and \$354,785, 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 School District was not determined or made available by the State of New Jersey.

**BUDGETARY COMPARISON SCHEDULES**

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
<b>REVENUES</b>					
Local Sources					
Tuition	\$ 4,567,303	\$ (141,412)	\$ 4,425,891	\$ 4,689,320	\$ 263,429
Transportation Fees	40,884,698	304,686	41,189,384	41,143,289	(46,095)
Miscellaneous	4,646,335	821,514	5,467,849	5,441,966	(25,883)
Total Revenues - Local Sources	<u>50,098,336</u>	<u>984,788</u>	<u>51,083,124</u>	<u>51,274,575</u>	<u>191,451</u>
State Sources					
On Behalf TPAF Contributions(Non-Budgeted)					
Pension Contribution - NCGI				29,925	29,925
Post Retirement Medical Contribution				562,035	562,035
Reimbursed TPAF Social Security Contributions (Non-Budgeted)	-	-	-	709,989	709,989
Total State Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,301,949</u>	<u>1,301,949</u>
Total Revenues	<u>50,098,336</u>	<u>984,788</u>	<u>51,083,124</u>	<u>52,576,524</u>	<u>1,493,400</u>
<b>CURRENT EXPENDITURES</b>					
Instruction - Regular Programs					
Salaries of Teachers:					
Grades 9 - 12	293,402	255,367	548,769	548,769	
Other Salaries for Instruction		12,290	12,290	12,290	
Home Instruction:					
Salaries of Teachers	1,481,686	23,299	1,504,985	1,504,985	
Purchased Professional - Educational Services		2,800	2,800	2,800	
Other Purchased Services	8,000	(4,647)	3,353	3,353	
Regular Programs - Undistributed Instruction:					
General Supplies	5,000	(3,740)	1,260	1,260	
Other Objects	500	(455)	45	45	-
Total Instruction Regular Programs	<u>1,788,588</u>	<u>284,914</u>	<u>2,073,502</u>	<u>2,073,502</u>	<u>-</u>
Special Education					
Learning/Language Disabilities					
Salaries of Teachers	253,744	(1,259)	252,485	252,485	
Other Salaries for Instruction	193,772	75,922	269,694	269,694	
General Supplies	33,000	(25,115)	7,885	7,885	
Other Objects	20,000	(16,041)	3,959	3,959	-
Total Learning/Language Disabilities	<u>500,516</u>	<u>33,507</u>	<u>534,023</u>	<u>534,023</u>	<u>-</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, 2010**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
<b>CURRENT EXPENDITURES (Continued)</b>					
Special Education (Continued)					
Behavioral Disabilities					
Salaries of Teachers	\$ 424,771	\$ (81,546)	\$ 343,225	\$ 343,225	
Other Salaries for Instruction	425,619	(80,716)	344,903	344,903	
Purchased Professional Educational Services	2,000	(2,000)			
Other Purchased Services		465	465	465	
General Supplies	14,000	56,599	70,599	70,599	
Textbooks	2,000	2,128	4,128	4,128	
Other Objects	10,500	(2,958)	7,542	7,542	-
<b>Total Behavioral Disabilities</b>	<u>878,890</u>	<u>(108,028)</u>	<u>770,862</u>	<u>770,862</u>	-
<b>Total Special Education</b>	<u>1,379,406</u>	<u>(74,521)</u>	<u>1,304,885</u>	<u>1,304,885</u>	-
<b>Total Instruction</b>	<u>3,167,994</u>	<u>210,393</u>	<u>3,378,387</u>	<u>3,378,387</u>	-
Undistributed Expenditures					
Health Services					
Salaries of Teachers	115,498	(19,860)	95,638	93,370	\$ 2,268
General Supplies	2,000	(423)	1,577	1,577	-
<b>Total Health Services</b>	<u>117,498</u>	<u>(20,283)</u>	<u>97,215</u>	<u>94,947</u>	2,268
Other Supp. Serv. - Speech, OT, PT & Related Services					
Salaries of Teachers	648,291	24,837	673,128	673,128	
Purchased Professional-Educational Services	38,721	78,101	116,822	116,822	
Supplies and Materials	500	(36)	464	464	
Other Objects	500	(500)	-	-	-
<b>Total Other Supp. Serv. - Speech, OT, PT &amp; Related Serv.</b>	<u>688,012</u>	<u>102,402</u>	<u>790,414</u>	<u>790,414</u>	-
Child Study Teams					
Salaries of Other Professional Staff	351,041	37,517	388,558	374,358	14,200
Purchased Professional-Educational Services	186,510	32,003	218,513	180,327	38,186
<b>Total Child Study Teams</b>	<u>537,551</u>	<u>69,520</u>	<u>607,071</u>	<u>554,685</u>	52,386
Improvement of Inst. Serv.					
Purchased Professional-Educational Services	-	36,698	36,698	36,698	-
<b>Total Improvement of Inst. Serv.</b>	<u>-</u>	<u>36,698</u>	<u>36,698</u>	<u>36,698</u>	-
Instructional Staff Training Services					
Purchased Professional - Educational Services	7,000	(5,967)	1,033	1,033	-
<b>Total Instructional Staff Training Services</b>	<u>7,000</u>	<u>(5,967)</u>	<u>1,033</u>	<u>1,033</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, 2010**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
<b>CURRENT EXPENDITURES (Continued)</b>					
Support Services General Administration					
Salaries	\$ 391,831	\$ 79,256	\$ 471,087	\$ 396,459	\$ 74,628
Legal Services	50,000	(5,997)	44,003	44,003	
Audit Fees	30,000		30,000	30,000	
Other Purchased Professional Services	3,000	48,756	51,756	51,756	
Communications/Telephone	46,500	(25,892)	20,608	20,017	591
BOE Other Purchased Services	1,000		1,000	1,000	
Misc. Purchased Services	11,500	(7,013)	4,487	4,351	136
General Supplies	4,500	(695)	3,805	2,219	1,586
BOE In-House Training/Meeting Supplies	3,000	414	3,414	2,389	1,025
Miscellaneous Expenditures	560,744	1,654,178	2,214,922	39,520	2,175,402
BOE Membership Dues and Fees	8,000	2,018	10,018	10,018	-
<b>Total Support Services General Administration</b>	<u>1,110,075</u>	<u>1,745,025</u>	<u>2,855,100</u>	<u>601,732</u>	<u>2,253,368</u>
Support Services School Administration					
Salaries of Principals and Assistant Principals	385,120	22,875	407,995	407,995	
Salaries of Other Professional Staff	81,922	31,133	113,055	113,055	
Salaries of Secretarial and Clerical Assistants	232,257	27,824	260,081	260,081	
Purchased Prof. and Tech. Services	5,200	2,116	7,316	7,316	
Other Purchased Services	18,750	(6,395)	12,355	12,355	
Supplies and Materials	8,500	(3,813)	4,687	4,687	
Other Objects	14,700	7,281	21,981	21,981	-
<b>Total Support Services School Administration</b>	<u>746,449</u>	<u>81,021</u>	<u>827,470</u>	<u>827,470</u>	<u>-</u>
Central Services					
Salaries	431,662	19,042	450,704	449,704	1,000
Purchased Professional Services	142,000	27,870	169,870	147,031	22,839
Purchased Technical Services	76,000	(37,062)	38,938	36,625	2,313
Miscellaneous Purchased Services	42,500	(14,856)	27,644	26,896	748
Supplies and Materials	9,000	1,360	10,360	9,066	1,294
Interest on Lease Purchase Agreements	426,995		426,995	426,995	
Misc Expenditures	18,000	(9,480)	8,520	7,148	1,372
<b>Total Central Services</b>	<u>1,146,157</u>	<u>(13,126)</u>	<u>1,133,031</u>	<u>1,103,465</u>	<u>29,566</u>
Admin. Info. Tech.					
Salaries	101,714		101,714	101,714	
Purchased Professional Services	2,000	(2,000)			
Supplies and Materials	500	(126)	374	329	45
<b>Total Undistributed Expenditures - Admin. Info. Technology</b>	<u>104,214</u>	<u>(2,126)</u>	<u>102,088</u>	<u>102,043</u>	<u>45</u>
Required Maintenance for School Facilities					
Cleaning, Repair and Maintenance Services	14,000	10,275	24,275	23,602	673
General Supplies	6,500	(253)	6,247	6,247	
Other Objects	14,500	(9,247)	5,253	5,253	-
<b>Total Required Maintenance for School Facilities</b>	<u>35,000</u>	<u>775</u>	<u>35,775</u>	<u>35,102</u>	<u>673</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, 2010**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
<b>CURRENT EXPENDITURES (Continued)</b>					
Custodial Services					
Salaries	\$ 170,516	\$ (4,899)	\$ 165,617	\$ 165,617	
Cleaning, Repair and Maintenance Services	5,000	552	5,552	5,552	
Rental of Land & Bldg. Oth. Than Lease Pur Agreement	606,875	(18,052)	588,823	588,823	
Insurance	40,900	(463)	40,437	40,437	
Miscellaneous Purchased Services	3,000	1,194	4,194	4,194	
General Supplies	17,500	(4,590)	12,910	12,180	\$ 730
Energy (Heat and Electricity)	232,587	(53,837)	178,750	175,862	2,888
Other Objects	7,000	8,580	15,580	15,580	-
Total Custodial Services	<u>1,083,378</u>	<u>(71,515)</u>	<u>1,011,863</u>	<u>1,008,245</u>	<u>3,618</u>
Student Transportation Services					
Salaries for Pupil Trans (Bet Home & Sch)-Sp Ed.	827,191	2,709	829,900	829,900	
Contr Serv(Special Education)-Vendors	39,377,300	(555,751)	38,821,549	38,821,549	-
Total Student Transportation Services	<u>40,204,491</u>	<u>(553,042)</u>	<u>39,651,449</u>	<u>39,651,449</u>	<u>-</u>
Unallocated Benefits					
Unallocated Employee Benefits					
Social Security Contributions	316,601	22,333	338,934	338,934	
Other Retirement Contributions - PERS	250,254	(57,362)	192,892	192,792	100
Other Retirement Contributions - ERIP	43,150	(682)	42,468	42,468	
Unemployment Compensation	25,557	6,975	32,532	32,532	
Workers Compensation	168,694	(90,798)	77,896	77,343	553
Health Benefits	1,113,216	24,064	1,137,280	1,096,869	40,411
Tuition Reimbursements	7,500	(2,892)	4,608	4,608	-
Total Unallocated Employee Benefits	<u>1,924,972</u>	<u>(98,362)</u>	<u>1,826,610</u>	<u>1,785,546</u>	<u>41,064</u>
On Behalf TPAF Pension Contributions (Non budgeted)					
Pension Benefit Cost - NCGI				29,925	(29,925)
Post Retirement Medical Contribution				562,035	(562,035)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)	-	-	-	709,989	(709,989)
Total TPAF Pension and Social Security Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,301,949</u>	<u>(1,301,949)</u>
Total Undistributed Expenditures	<u>47,704,797</u>	<u>1,271,020</u>	<u>48,975,817</u>	<u>47,894,778</u>	<u>1,081,039</u>
Total Current Expenditures	<u>50,872,791</u>	<u>1,481,413</u>	<u>52,354,204</u>	<u>51,273,165</u>	<u>1,081,039</u>
<b>CAPITAL OUTLAY</b>					
Equipment					
Undistributed Expenditures					
Behavioral Disabilities		3,046	3,046	3,046	-
Adm. Info. Tech.	24,500	(4,500)	20,000	20,000	-
Total Equipment	<u>24,500</u>	<u>(1,454)</u>	<u>23,046</u>	<u>23,046</u>	<u>-</u>

(Continued)

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
<b>CURRENT EXPENDITURES (Continued)</b>					
Facilities Acquisition and Constr. Services					
Construction Services		\$ 29,412	\$ 29,412	\$ 29,412	
Lease Purchase Agreements - Principal	\$ 119,005	-	119,005	65,005	\$ 54,000
Total Facilities Acquisition and Constr. Services	119,005	29,412	148,417	94,417	54,000
Assets Acquired Under Capital Leases (Non-Budgeted)					
School Buses	-	-	-	-	-
Total Assets Acquired Under Capital Leases (Non-Budgeted)	-	-	-	-	-
Total Expenditures - Capital Outlay	143,505	27,958	171,463	117,463	54,000
<b>SPECIAL SCHOOLS</b>					
Summer School- Instruction					
Salaries	-	83,995	83,995	83,995	-
Total Summer School- Instruction	-	83,995	83,995	83,995	-
Summer School- Support Services					
Central Admin Fee		43,773	43,773	1,895	41,878
Salaries		19,276	19,276	19,276	
Misc Expenditures		22,654	22,654	22,654	
Property Insurance					
Employee Benefits	-	11,128	11,128	11,082	46
Total Summer School- Support Services	-	96,831	96,831	54,907	41,924
Total Expenditures - Special Schools	-	180,826	180,826	138,902	41,924
Total Expenditures - General Fund	51,016,296	1,690,197	52,706,493	51,529,530	1,176,963
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(917,960)	(705,409)	(1,623,369)	1,046,994	2,670,363
Other Financing Sources (Uses)					
Transfer Out - Capital Projects Fund	-	(2,000,000)	(2,000,000)	(2,000,000)	-
Transfer Out - Food Service Fund	-	(6,672)	(6,672)	(6,672)	-
Total Other Financing Sources (Uses)	-	(2,006,672)	(2,006,672)	(2,006,672)	-
Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(917,960)	(2,712,081)	(3,630,041)	(959,678)	2,670,363
Fund Balance, Beginning of Year	25,992,189	-	25,992,189	25,992,189	-
Fund Balance, End of Year	\$ 25,074,229	\$ (2,712,081)	\$ 22,362,148	\$ 25,032,511	\$ 2,670,363
<b>Recapitulation of Fund Balance</b>					
Designated for Repairs and Replacements				\$ 33,475	
Designated for Direct Services				1,213,231	
Unreserved/Undesignated Fund Balance				23,785,805	
Fund Balance (Budgetary Basis/GAAP Basis)				\$ 25,032,511	

**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, 2010**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES</b>					
Local Sources	\$ 11,788,540	\$ 4,727,917	\$ 16,516,457	\$ 16,513,705	\$ (2,752)
State	-	124,997	124,997	124,997	-
Federal	300,000	849,004	1,149,004	570,036	(578,968)
<b>Total Revenues</b>	<b>12,088,540</b>	<b>5,701,918</b>	<b>17,790,458</b>	<b>17,208,738</b>	<b>(581,720)</b>
<b>EXPENDITURES</b>					
<b>Instruction</b>					
Salaries of Teachers	4,872,369	1,360,391	6,232,760	6,076,695	156,065
Other Salaries for Instruction	339,083	714,932	1,054,015	1,030,729	23,286
Purchased Professional and Technical Services	7,000	49,003	56,003	56,003	-
General Supplies	109,776	1,155,654	1,265,430	1,209,270	56,160
Other Objects	-	18,233	18,233	9,381	8,852
<b>Total Instruction</b>	<b>5,328,228</b>	<b>3,298,213</b>	<b>8,626,441</b>	<b>8,382,078</b>	<b>244,363</b>
<b>Support Services</b>					
Salaries of Supervisors of Instruction	459,297	164,222	623,519	584,763	38,756
Salaries of Program Directors	453,934	125,153	579,087	572,811	6,276
Salaries of Other Professional Staff	785,883	149,028	934,911	934,911	-
Salaries of Secretaries and Clerical Assistants	152,361	58,082	210,443	190,830	19,613
Other Salaries	129,377	124,683	254,060	234,116	19,944
Purchased Professional-Educational Services	1,065,293	635,425	1,700,718	1,692,618	8,100
Other Purchased Professional Services	16,207	7,150	23,357	23,357	-
Purchased Technical Services	10,200	8,699	18,899	18,899	-
Rentals	76,960	35,848	112,808	102,308	10,500
Indirect Costs - Administrative Costs	671,733	384,264	1,055,997	1,055,997	-
Travel	32,800	14,183	46,983	31,294	15,689
Other Purchased Services	193,362	1,478	194,840	194,840	-
Supplies and Materials	280,574	59,268	339,842	329,994	9,848
Telephone	97,609	(5,527)	92,082	91,434	648
Energy	67,000	(3,147)	63,853	63,853	-
Other Objects	146,400	111,950	258,350	254,742	3,608
<b>Total Support Services</b>	<b>4,638,990</b>	<b>1,870,759</b>	<b>6,509,749</b>	<b>6,376,767</b>	<b>132,982</b>
Contracted Services - Transportation	-	103,298	103,298	52,260	51,038
Personal Services - Employee Benefits	2,031,322	338,689	2,370,011	2,316,674	53,337
<b>Facilities Acquisition and Construction Services</b>					
Construction Services	10,000	(10,000)	-	-	-
Non-Instructional Equipment	-	3,789	3,789	3,789	-
Instructional Equipment	80,000	97,170	177,170	77,170	100,000
<b>Total Facilities Acq. &amp; Construction</b>	<b>90,000</b>	<b>90,959</b>	<b>180,959</b>	<b>80,959</b>	<b>100,000</b>
<b>Total Expenditures</b>	<b>12,088,540</b>	<b>5,701,918</b>	<b>17,790,458</b>	<b>17,208,738</b>	<b>581,720</b>
Excess of Revenue over Expenditures	-	-	-	-	-
Other Financing Use	-	-	-	-	-
Operating Transfer Out - General Fund	\$ -	\$ -	\$ -	\$ -	\$ -

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>Sources/inflows of resources</b>		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedules	\$ 52,576,524	\$ 17,208,738
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Encumbrances, June 30, 2009		533,400
Encumbrances, June 30, 2010	-	-
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 52,576,524</u>	<u>\$ 17,742,138</u>
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 51,529,530	\$ 17,208,738
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Encumbrances, June 30, 2009		533,400
Encumbrances, June 30, 2010	-	-
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 51,529,530</u>	<u>\$ 17,742,138</u>

**SCHOOL LEVEL SCHEDULES**

**(General Fund)**

**NOT APPLICABLE**

**SPECIAL REVENUE FUND**

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Essex Detention Center Title I Services	Migrant Education 2010	Migrant Education 2009	Homeless Education 2008/09	Homeless Education 2009/10	Homeless Education ARRA 2009/10	Migrant Education Summer	Total Brought Forward (Ex. 1a)	Totals 2010
REVENUES								
Local Sources	\$ 698,772				\$ 15,814,933		\$ 15,814,933	\$ 16,513,705
Slate Sources	-	\$ 85,755	\$ 263,525	\$ 101,715	\$ 23,096	\$ 24,134	\$ 124,997	\$ 124,997
Federal Sources	-	-	-	-	-	-	-	\$ 570,036
Total Revenues	698,772	85,755	263,525	101,715	23,096	24,134	15,939,930	17,208,738
EXPENDITURES								
Instruction:								
Salaries of Teachers	318,335	6,284	59,416	16,754	1,668	28,148	5,646,090	6,076,695
Other Salaries for Instruction	63,094		23,215	12,404	11,130		920,886	1,030,729
Purchased Prof. and Technical Services	2,800						53,203	56,003
General Supplies	17,208	1,388	1,839	6,723	3,903		1,178,209	1,209,270
Other Objects	-	-	1,587	4,447	-	884	2,463	9,381
Total Instruction	401,437	7,672	86,057	40,328	5,571	40,162	7,800,851	8,382,078
Support Services								
Salaries of Supervisors of Instruction		6,532	12,391	278	3,011	3,991	577,761	584,763
Salaries of Program Directors	70,929	733	8,312	6,759	1,088	1,443	531,079	572,811
Salaries of Other Professional Staff			18,251	3,008	1,293	5,464	842,714	934,911
Salaries of Secretaries and Clerical Assistants			41,563	43,486	1,293	166,985	166,985	190,830
Other Salaries	149,236	23,503	48,186	16,595	9,510	10,619	2,057,025	2,316,674
Personal Services - Employee Benefits				1,030	2,400		1,689,188	1,692,618
Purchased Professional-Educational Services							23,357	23,357
Other Purchased Professional Services							18,899	18,899
Purchased Technical Services			4,850				96,808	102,308
Rentals			5,500				4,821	52,260
Contracted Services - Transportation			23,825	23,614			1,055,997	1,055,997
Indirect Costs							21,342	31,294
Travel		3,375	4,735	287	223	1,332	168,369	194,840
Other Purchased Services		318	2,019				312,956	329,994
Supplies and Materials		59	1,862	8,050	7,067	24,134	90,507	91,434
Telephone				927			63,853	63,853
Energy							249,412	254,742
Other Objects			4,051	839		440		
Total Support Services	220,165	78,083	177,468	61,387	17,525	24,134	8,135,290	8,745,701
Facilities Acquisition and Equipment								
Construction Services	77,170						3,789	3,789
Noninstructional Equipment								77,170
Instructional Equipment								
Total Facilities Acquisition	77,170						3,789	80,959
Total Expenditures	698,772	85,755	263,525	101,715	23,096	24,134	15,939,930	17,208,738
Excess of Revenue over Expenditures	-	-	-	-	-	-	-	-
Other Financing Use								
Operating Transfer Out - General 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, 2010

	Extended Day Program	Essex Detention Center	Supplemental Educational Services	Chapter 192/193 Services	Title I Services	Non Public Nursing Services	Non Public Technology Services	IDEA - B Services	Total Carried Forward
<b>REVENUES</b>									
Local Sources	\$ 124,997								\$ 124,997
State Sources									
Federal Sources									
<b>Total Revenues</b>	<b>124,997</b>	<b>1,670,096</b>	<b>410,734</b>	<b>8,361,579</b>	<b>1,226,209</b>	<b>1,179,154</b>	<b>-</b>	<b>2,967,161</b>	<b>15,939,930</b>
<b>EXPENDITURES</b>									
Instruction:									
Salaries of Teachers		627,509	78,691	4,259,245	422,709			237,936	5,646,090
Other Salaries for Instruction	25,876	224,915		9,164	35,680			660,931	920,886
Purchased Prof. and Technical Services				17,523					53,203
General Supplies	1,178	2,124	505	18,117	294,739			861,546	1,178,209
Textbooks									
Other Objects	839				1,624				2,463
<b>Total Instruction</b>	<b>27,893</b>	<b>854,548</b>	<b>79,196</b>	<b>4,304,049</b>	<b>754,752</b>	<b>-</b>	<b>-</b>	<b>1,780,413</b>	<b>7,800,851</b>
Support Services									
Salaries of Supervisors of Instruction			64,075	283,990	138,317	89,379			577,761
Salaries of Program Directors	10,687	290,848		249,544					551,079
Salaries of Other Professional Staff	8,010	151,464				681,755		1,485	842,714
Salaries of Secretaries and Clerical Assistants	5,245	23,266	13,280	123,194					166,985
Other Salaries				149,067					149,067
Personal Services - Employee Benefits	16,454	223,916	29,091	1,056,029	166,125	267,240		298,170	2,057,025
Purchased Professional-Educational Services				1,220,392				468,796	1,689,188
Other Purchased Professional Services					15,507	3,000			18,507
Purchased Technical Services				16,105		2,794			18,899
Rentals	19,000			74,808				3,000	96,808
Contracted Services - Transportation	4,821							4,821	4,821
Indirect Costs	7,500	94,554	179,743	473,236	66,177	66,854		167,933	1,055,997
Travel	100		117	19,293	1,098	734			21,342
Other Purchased Services	13,778	9,151		124,440		21,000			168,369
Supplies and Materials	7,157	2,995		11,744		45,310		245,750	312,956
Telephone	349	1,556							90,507
Energy				63,853					63,853
Other Objects	214	15,798	45,232	183,842	1,624	1,088		1,614	249,412
<b>Total Support Services</b>	<b>93,315</b>	<b>815,548</b>	<b>331,538</b>	<b>4,057,530</b>	<b>471,457</b>	<b>1,179,154</b>	<b>-</b>	<b>1,186,748</b>	<b>8,135,290</b>
Facilities Acquisition and Construction Services									
Noninstructional Equipment	3,789								3,789
Instructional Equipment									
<b>Total Facilities Acquisition</b>	<b>3,789</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,789</b>
<b>Total Expenditures</b>	<b>124,997</b>	<b>1,670,096</b>	<b>410,734</b>	<b>8,361,579</b>	<b>1,226,209</b>	<b>1,179,154</b>	<b>-</b>	<b>2,967,161</b>	<b>15,939,930</b>
Excess of Revenue over Expenditures									
Other Financing Use									
Operating Transfer Out - General Fund									

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
SPECIAL REVENUE FUND  
SCHEDULE OF PRESCHOOL EDUCATION AID EXPENDITURES  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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, 2010**

<u>Issue/Project Title</u>	<u>Appropriation</u>	<u>Expenditures to Date</u>		<u>Project Balance June 30, 2010</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Essex Campus Academy - Various Improvements	\$ 230,000	\$ 110,902	\$ 19,426	\$ 99,672
Essex Junior Academy - Various Improvements	<u>2,000,000</u>	<u>-</u>	<u>284,137</u>	<u>1,715,863</u>
	<u>\$ 2,230,000</u>	<u>\$ 110,902</u>	<u>\$ 303,563</u>	<u>\$ 1,815,535</u>
 <b><u>Reconciliation to GAAP</u></b>				
				\$ <u>1,815,535</u>
Project Balances, June 30, 2010				\$ <u>1,815,535</u>
Fund Balance, June 30, 2010 - GAAP				<u>\$ 1,815,535</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2010**

**Revenues and Other Financing Sources**

Other Financing Sources	
Transfer from General Fund - Capital Reserve	\$ 2,000,000
	<hr/>
Total Revenues and Other Financing Sources	2,000,000

**Expenditures and Other Financing Uses**

Expenditures:	
Capital Outlay	
Facilities Acquisition and Construction	
Other Purchased Professional and Technical Services	61,066
Construction Services	176,989
Equipment	64,435
Supplies and Materials	1,073
	<hr/>
Total Expenditures	303,563

Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,696,437
Fund Balance, Beginning of Year	<hr/> 119,098
Fund Balance - End of Year	\$ <hr/> <hr/> 1,815,535

**Reconciliation to GAAP**

Fund Balance - End of Year - Budgetary Basis	\$ 1,815,535
Fund Balance, June 30, 2010 - GAAP	\$ <hr/> <hr/> 1,815,535

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS  
ESSEX CAMPUS ACADEMY - VARIOUS IMPROVEMENTS  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
Local Sources - Transfer from Capital Reserve	\$ 230,000	-	\$ 230,000	\$ 230,000
Total Revenues and Other Financing Sources	230,000	-	230,000	230,000
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services	28,606	\$ 6,026	34,632	30,000
Construction Services	82,296	13,400	95,696	200,000
Total Expenditures and Other Financing Uses	110,902	19,426	130,328	230,000
Excess (Deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ 119,098	\$ (19,426)	\$ 99,672	\$ -

**Additional project information:**

Project Number	N/A
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$230,000
Additional Authorized Cost	
Revised Authorized Cost	\$230,000
Percentage Increase Over Original	
Authorized Cost	0.00%
Percentage Completion	48.22%
Original Target Completion Date	N/A
Revised Target Completion Date	N/A

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS  
ESSEX JUNIOR ACADEMY - VARIOUS IMPROVEMENTS  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
Local Sources - Transfer from Capital Reserve	-	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
Total Revenues and Other Financing Sources	-	2,000,000	2,000,000	2,000,000
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services		55,040	55,040	288,704
Construction Services		163,589	163,589	1,610,788
Equipment		64,435	64,435	99,435
Supplies and Materials	-	1,073	1,073	1,073
Total Expenditures and Other Financing Uses	-	284,137	284,137	2,000,000
Excess (Deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ -	\$ 1,715,863	\$ 1,715,863	\$ -
<b>Additional project information:</b>				
Project Number	N/A			
Grant Date	N/A			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$	2,000,000		
Additional Authorized Cost				
Reduced Authorized Costs				
Revised Authorized Cost	\$	2,000,000		
Percentage Decrease Over Original				
Authorized Cost	0.00%			
Percentage Completion	15.18%			
Original Target Completion Date	N/A			
Revised Target Completion Date	N/A			

**PROPRIETARY FUND**

**EXHIBIT G-1**

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
FOOD SERVICE ENTERPRISE FUND  
COMBINING STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2010**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

**EXHIBIT G-2**

**COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

**EXHIBIT G-3**

**ENTERPRISE FUNDS - NONMAJOR  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

**FIDUCIARY FUNDS**

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2010**

	<u>Student Activity</u>	<u>Agency Funds</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,604	\$ 166,680	\$ 169,284
Total Assets	<u>\$ 2,604</u>	<u>\$ 166,680</u>	<u>\$ 169,284</u>
<b>LIABILITIES</b>			
Payable to Student Groups	\$ 2,604		\$ 2,604
Payroll Deductions and Withholdings	-	\$ 158,150	158,150
Due to Other Funds	<u>-</u>	<u>8,530</u>	<u>8,530</u>
Total Liabilities	<u>\$ 2,604</u>	<u>\$ 166,680</u>	<u>\$ 169,284</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOT APPLICABLE

**STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Balance</u> <u>July 1, 2009</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disburse-</u> <u>ments</u>	<u>Balance</u> <u>June 30, 2010</u>
Essex Junior Academy	\$ 115	\$ 2,618	\$ 2,222	\$ 511
Essex High School	92	336	336	92
Essex Campus Academy	<u>1,601</u>	<u>7,707</u>	<u>7,307</u>	<u>2,001</u>
Total Assets	<u>\$ 1,808</u>	<u>\$ 10,661</u>	<u>\$ 9,865</u>	<u>\$ 2,604</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<b>Balance, July 1, <u>2009</u></b>	<b>Cash <u>Receipts</u></b>	<b>Cash <u>Disbursements</u></b>	<b>Balance, June 30, <u>2010</u></b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 117,656	\$ 30,726,631	\$ 30,677,607	\$ 166,680
Total Assets	<u>\$ 117,656</u>	<u>\$ 30,726,631</u>	<u>\$ 30,677,607</u>	<u>\$ 166,680</u>
<b>LIABILITIES</b>				
Payroll Deductions and Withholdings	\$ 112,656	\$ 19,305,145	\$ 19,259,651	\$ 158,150
Accrued Salaries and Wages		11,417,956	11,417,956	-
Due to Other Funds	<u>5,000</u>	<u>3,530</u>	<u>-</u>	<u>8,530</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 117,656</u>	<u>\$ 30,726,631</u>	<u>\$ 30,677,607</u>	<u>\$ 166,680</u>

**LONG-TERM DEBT**

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
LONG-TERM DEBT  
SCHEDULE OF SERIAL BONDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOT APPLICABLE

**SCHEDULE OF CAPITAL LEASES PAYABLE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<u>Issue</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Balance, July 1, 2009</u>	<u>Issued Current Year</u>	<u>Paid</u>	<u>Cancelled</u>	<u>Balance, June 30, 2010</u>
Fairfield Bldg	4.64%	\$ 12,500,000	\$ 10,395,676		\$ 119,005		\$ 10,276,671
Copiers	3.95%	75,213	23,661		15,619	\$ 8,042	
Buses	4.50%	89,880	54,558	-	17,392	-	37,166
			<u>\$ 10,473,895</u>	<u>\$ -</u>	<u>\$ 152,016</u>	<u>\$ 8,042</u>	<u>\$ 10,313,837</u>

**DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOT APPLICABLE

## STATISTICAL SECTION

This part of the Essex Regional Educational Services Commission Board of Education'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 government'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 ASSETS BY COMPONENT**  
**LAST SIX FISCAL YEARS**  
**(Unaudited)**  
*(accrual basis of accounting)*

	Fiscal Year Ended June 30,					
	2005	2006	2007	2008	2009	2010
<b>Governmental Activities</b>						
Invested in Capital Assets, Net of Related Debt	\$ 996,487	\$ 3,234,522	\$ 2,829,300	\$ 2,697,515	\$ 2,805,918	\$ 3,392,027
Restricted				230,000	2,119,098	1,815,535
Unrestricted	<u>21,751,046</u>	<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>
<b>Total Governmental Activities Net Assets</b>	<u>\$ 22,747,533</u>	<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>
<b>Business-Type Activities</b>						
Unrestricted	<u>\$ 1,621</u>	<u>\$ 6,844</u>	<u>\$ 7,940</u>	<u>\$ 6,026</u>	<u>\$ 6,026</u>	<u>\$ 6,026</u>
<b>Total Business-Type Activities Net Assets</b>	<u>\$ 1,621</u>	<u>\$ 6,844</u>	<u>\$ 7,940</u>	<u>\$ 6,026</u>	<u>\$ 6,026</u>	<u>\$ 6,026</u>
<b>District-Wide</b>						
Invested in Capital Assets, Net of Related Debt	\$ 996,487	\$ 3,234,522	\$ 2,829,300	\$ 2,697,515	\$ 2,805,918	\$ 3,392,027
Restricted				230,000	2,119,098	1,815,535
Unrestricted	<u>21,752,667</u>	<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>
<b>Total District Net Assets</b>	<u>\$ 22,749,154</u>	<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>

## Note:

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

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

	Fiscal Year Ended June 30,					
	2005	2006	2007	2008	2009	2010
<b>Expenses</b>						
Governmental Activities						
Instruction						
Regular	\$ 4,569,083	\$ 3,077,673	\$ 3,524,336	\$ 3,738,088	\$ 3,882,148	\$ 4,088,268
Special Education	2,802,646	3,375,388	3,794,669	4,200,043	3,545,921	3,835,227
Other Instruction	6,621,841	6,079,154	6,300,982	7,027,823	6,796,615	7,436,822
Support Services:						
Student & Instruction Related Services	8,153,530	7,861,125	7,709,704	7,346,768	7,583,760	7,884,319
General Administrative Services	768,842	623,511	672,801	830,519	835,610	718,073
School Administrative Services	760,654	1,077,885	1,128,423	1,017,907	1,013,099	1,068,755
Central Services	761,219	879,321	1,005,528	802,040	644,228	798,615
Administrative Info. Technology		55,746	45,170	120,382	129,664	133,380
Plant Operations And Maintenance	1,303,452	1,804,082	2,006,369	1,541,027	1,497,997	1,491,935
Pupil Transportation	40,798,238	45,865,443	51,517,118	41,421,483	40,495,522	39,939,543
Interest On Long-Term Debt	-	247,493	495,274	492,546	489,389	479,404
<b>Total Governmental Activities Expenses</b>	<u>66,539,505</u>	<u>70,946,821</u>	<u>78,200,374</u>	<u>68,538,626</u>	<u>66,913,953</u>	<u>67,874,341</u>
Business-Type Activities						
Food Service	75,321	67,004	88,000	70,588	64,551	62,433
<b>Total Business-Type Activities Expense</b>	<u>75,321</u>	<u>67,004</u>	<u>88,000</u>	<u>70,588</u>	<u>64,551</u>	<u>62,433</u>
<b>Total District Expenses</b>	<u>\$ 66,614,826</u>	<u>\$ 71,013,825</u>	<u>\$ 78,288,374</u>	<u>\$ 68,609,214</u>	<u>\$ 66,978,504</u>	<u>\$ 67,936,774</u>
<b>Program Revenues</b>						
Governmental Activities:						
Charges For Services:						
Instruction (Regular)	\$ 4,187,031	\$ 3,378,896	\$ 3,544,679	\$ 3,647,413	\$ 3,847,060	\$ 4,519,577
Special Education	5,697,178	5,884,458	7,671,748	7,514,337	6,155,795	6,323,649
Other Instruction	4,824,184	5,431,775	5,238,430	5,362,818	5,377,201	6,922,642
Student and Instruction Related Services	8,012,844	7,378,278	7,543,475	7,803,937	8,028,872	7,637,326
General Administrative Services	126,240	153,599	153,760	154,183	149,460	169,870
Pupil Transportation	41,602,235	47,234,980	52,658,003	42,277,892	41,396,747	41,189,384
Interest on Long-Term Debt		1,870,731	2,585,753	2,651,295	2,211,435	54,000
Operating Grants And Contributions	3,537,307	-	-	-	-	2,005,024
Capital Grants And Contributions	34,650	-	-	-	-	-
<b>Total Governmental Activities Program Revenues</b>	<u>68,021,669</u>	<u>71,332,717</u>	<u>79,395,848</u>	<u>69,412,075</u>	<u>67,166,570</u>	<u>68,821,472</u>

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

	Fiscal Year Ended June 30,					
	2005	2006	2007	2008	2009	2010
Business-Type Activities:						
Charges For Services	\$ 1,275	\$ 9,648	\$ 10,962	\$ 3,377	\$ 1,600	\$ 351
Food Service	67,343	62,579	78,134	65,297	55,864	55,410
Operating Grants And Contributions						
Total Business Type Activities Program Revenues	68,618	72,227	89,096	68,674	57,464	55,761
Total District Program Revenues	\$ 68,090,287	\$ 71,404,944	\$ 79,484,944	\$ 69,480,749	\$ 67,224,034	\$ 68,877,233
<b>Net (Expense)/Revenue</b>						
Governmental Activities	\$ 1,482,164	\$ 385,896	\$ 1,195,474	\$ 873,449	\$ 252,617	\$ 947,131
Business-Type Activities	(6,703)	5,223	1,096	(1,914)	(7,087)	(6,672)
Total District-Wide Net Expense	\$ 1,475,461	\$ 391,119	\$ 1,196,570	\$ 871,535	\$ 245,530	\$ 940,459
<b>General Revenues and Other Changes in Net Assets</b>						
Governmental Activities:						
Miscellaneous Income	1,105,162	2,807,533	400,249	421,588	291,900	169,372
Loss on Disposal of Capital Assets			(32,208)	(120,208)	(36,917)	(50,427)
Transfers					(7,087)	(6,672)
Total Governmental Activities	1,105,162	2,807,533	368,041	301,380	247,896	112,273
Business-Type Activities:						
Transfers					7,087	6,672
Total Business-Type Activities					7,087	6,672
Total District-Wide	\$ 1,105,162	\$ 2,807,533	\$ 368,041	\$ 301,380	\$ 254,983	\$ 118,945
<b>Change in Net Assets</b>						
Governmental Activities	\$ 2,587,326	\$ 3,193,429	\$ 1,563,515	\$ 1,174,829	\$ 500,513	\$ 1,059,404
Business-Type Activities	(6,703)	5,223	1,096	(1,914)		
Total District	\$ 2,580,623	\$ 3,198,652	\$ 1,564,611	\$ 1,172,915	\$ 500,513	\$ 1,059,404

Note:  
 GASB requires that ten years of statistical data be presented. However, since the District implemented the new reporting model contained in GASB No. 34 in fiscal year 2005 only six years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

EXHIBIT J-3

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

	Fiscal Year Ended June 30,					
	2005	2006	2007	2008	2009	2010
General Fund						
Reserved	\$ 22,124,812	\$ 19,119,045	\$ 23,177,835	\$ 230,000	\$ 2,000,000	\$ -
Unreserved				26,207,140	23,992,189	25,032,511
Total General Fund	\$ 22,124,812	\$ 19,119,045	\$ 23,177,835	\$ 26,437,140	\$ 25,992,189	\$ 25,032,511
Total All Other Governmental Funds						
Unreserved	\$ -	\$ -	\$ -	\$ -	\$ 119,098	\$ 1,815,535

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

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

	Fiscal Year Ended June 30,					
	2005	2006	2007	2008	2009	2010
<b>Revenues</b>						
Tuition Charges	\$ 5,112,090	\$ 5,100,389	\$ 5,728,041	\$ 5,578,707	\$ 4,119,640	\$ 4,689,320
Transportation Fees	41,602,235	43,290,690	54,756,134	44,022,551	41,206,038	41,143,289
Miscellaneous	9,422,400	20,441,677	19,556,726	20,357,069	20,413,386	22,489,071
State Sources	11,614,922	1,190,972	1,834,276	1,853,167	1,426,093	1,426,946
Federal Sources	2,199,870	686,706	751,477	798,128	785,342	570,036
<b>Total Revenue</b>	<u>69,951,517</u>	<u>70,710,434</u>	<u>82,626,654</u>	<u>72,609,622</u>	<u>67,950,499</u>	<u>70,318,662</u>
<b>Expenditures</b>						
<b>Instruction</b>						
Regular Instruction	4,575,542	3,071,899	3,501,064	3,745,121	3,881,257	4,086,428
Special Education Instruction	2,777,821	3,343,187	3,757,139	4,182,027	3,504,060	3,782,426
Other Instruction	6,630,391	6,070,613	6,266,731	7,045,758	6,801,189	7,440,226
<b>Support Services</b>						
Student and Inst. Related Services	8,160,139	7,856,216	7,683,233	7,359,159	7,585,888	7,886,846
General Administration	1,488,749	1,350,504	1,464,784	1,794,103	1,786,575	1,761,518
School Administrative Services	768,930	1,046,290	1,087,329	985,591	979,828	1,044,182
Central Services	761,939	878,617	1,001,404	803,585	644,573	798,926
Admin. Information Technology		55,680	44,919	120,726	129,744	133,450
Plant Operations And Maintenance	1,111,956	1,473,939	1,584,543	1,179,055	1,146,913	1,094,485
Pupil Transportation	40,799,330	45,864,269	51,511,655	41,424,404	40,496,196	39,940,116
Capital Outlay	59,944	13,397,000	238,542	304,541	446,795	970,380
<b>Debt Service</b>						
Principal		1,883,200	20,971	141,695	145,332	152,016
Interest and other Charges	-	-	495,430	494,552	490,915	484,232
<b>Total Expenditures</b>	<u>67,134,741</u>	<u>86,291,414</u>	<u>78,657,744</u>	<u>69,580,317</u>	<u>68,039,265</u>	<u>69,575,231</u>
<b>Excess (Deficiency) of Revenues</b>						
Over (Under) Expenditures	<u>2,816,776</u>	<u>(15,580,980)</u>	<u>3,968,910</u>	<u>3,029,305</u>	<u>(88,766)</u>	<u>743,431</u>
<b>Other Financing Sources (Uses)</b>						
Capital Leases (Non-Budgeted)		12,575,213	89,880			
Transfers In		1,213,231			230,000	2,000,000
Transfers Out	-	(1,213,231)	-	-	(237,087)	(2,006,672)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>12,575,213</u>	<u>89,880</u>	<u>-</u>	<u>(7,087)</u>	<u>(6,672)</u>
<b>Net Change in Fund Balances</b>	<u>\$ 2,816,776</u>	<u>\$ (3,005,767)</u>	<u>\$ 4,058,790</u>	<u>\$ 3,029,305</u>	<u>\$ (95,853)</u>	<u>\$ 736,759</u>
<b>Debt Service as a Percentage of</b>						
Noncapital Expenditures	0.00%	2.58%	0.66%	0.92%	0.94%	0.93%

\* Noncapital expenditures are total expenditures less capital outlay.

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

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

<b>Fiscal Year Ended June 30</b>	<b>Local Education Agency Fees</b>	<b>Indirect Cost Fees</b>	<b>Interest</b>	<b>Miscellaneous</b>	<b>Total</b>
2005	\$ 6,236,291	\$ 824,686	\$ 241,966	\$ 38,510	\$ 7,341,453
2006	4,172,162	803,250	498,257	292,795	5,766,464
2007	4,156,615	857,079	380,884	19,365	5,413,943
2008	3,813,695	991,991	376,654	44,934	5,227,274
2009	3,969,280	965,132	163,678	28,222	5,126,312
2010	4,244,377	1,055,997	132,867	8,725	5,441,966

Note:

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

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

**NOT APPLICABLE**

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST TEN YEARS  
(Unaudited)**

**NOT APPLICABLE**

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

NOT APPLICABLE

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
(Unaudited)**

**NOT APPLICABLE**

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

Fiscal Year Ended June 30,	Governmental Activities			Business-Type Activities			County Population	Per Capita
	General Obligation Bonds	Certificates of Participation	Capital Leases	Capital Leases	Total District	Population		
2005						778,819	\$ -	
2006			\$ 10,692,013		\$ 10,692,013	772,090	\$ 14	
2007			10,760,922		10,760,922	769,139	\$ 14	
2008			10,619,227		10,619,227	767,075	\$ 14	
2009			10,473,895		10,473,895	769,644	\$ 14	
2010			10,313,837		10,313,837	769,644	\$ (E) 13	

Source: District records

Note:

GASB requires that ten years of statistical data be presented. As a result of the implementation of GASB No. 34 in fiscal year 2005 only six years of information is available. Each year thereafter, an additional year's data will be included until ten years of data is present.

(E) - Estimate

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
	General Obligation Bonds	Deductions			

NOT APPLICABLE

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES BONDED DEBT  
AS OF JUNE 30, 2010  
(Unaudited)**

NOT APPLICABLE

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
LEGAL DEBT MARGIN INFORMATION  
(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>Population***</u>
2000	4.5%	\$ 37,488	729,302
2001	5.4%	38,139	793,099
2002	7.3%	37,988	792,992
2003	7.3%	38,980	790,601
2004	5.9%	41,737	785,389
2005	5.6%	43,649	778,819
2006	5.8%	47,837	772,090
2007	5.3%	50,146	769,139
2008	6.0%	51,617	767,075
2009	10.5%	N/A	769,644

Note: Information represents County of Essex demographics

Source: New Jersey Department of Work Force Development

**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 SIX FISCAL YEARS  
(Unaudited)

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

Source: District Personnel Records

Note:  
GASB requires that ten years of statistical data be presented. As a result of the implementation of GASB No. 34 in fiscal year 2005 only six years of information is available. Each year thereafter, an additional year's data will be included until ten years of data is present.

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

Fiscal Year	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					
2001	137.0	\$ 51,988,445	N/A	1:5.7	1:12	45.7	36.3	36.83%	79%	
2002	144.0	56,570,678	N/A	1:4.5	1:11.7	48.0	35.1	5.03%	71%	
2003	141.9	58,143,547	N/A	1:6	1:4.9	47.3	36.3	-1.48%	79%	
2004	129.6	61,029,162	N/A	1:5.3	1:5.6	43.2	34.4	-8.67%	91%	
2005	162.5	67,134,741	N/A	1:5.5	1:5.5	40.6	30.3	-6.08%	90%	
2006	188.3	71,011,214	35	1:2.6	1:5.5	47.1	32.4	16.01%	69%	
2007	186.6	77,902,801	28	1:5.1	1:8.9	66.9	43.9	42.04%	66%	
2008	203.1	68,639,529	24	1:6.6	1:6.9	67.7	41.8	1.20%	62%	
2009	157.1	66,956,223	24	5:2:1	6:0:1	52.4	34.6	-22.60%	66%	
2010	122.0	67,968,603	17	8:7:1	6:3:1	50.0	29.8	-4.58%	60%	

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 FIVE FISCAL YEARS**  
**(Unaudited)**

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

Source: District Records

**Note:**

GASB requires that ten years of statistical data be presented. As a result of the implementation of GASB No. 34 in fiscal year 2005 only five year of information is available. Each year thereafter, an additional year's data will be included until ten years of data is present.

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, 2010**  
**(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
School Alliance Insurance Fund		
General Liability		
Per Occurrence, Bodily Injury, Property Damages & Personal Injury		
Combined Single Limit	\$ 5,000,000	\$1,000 per claim
Per Occurrence/Annual Aggregate	10,000,000	\$1,000 per claim
Premises Medical Expense Per Person	5,000	\$1,000 per claim
Professional Liability		
Each Claim, Each Insured	5,000,000	
Aggregate, Each Insured	5,000,000	
Each Claim, All Insured	10,000,000	
Workers Compensation Policy		
Bodily Injury by Accident (Each Accident)	2,000,000	
Bodily Injury by Disease (Policy Limit)	2,000,000	
Bodily Injury by Disease (Each Employee)	2,000,000	
Payrolls: Estimated Prof. & Clerical	13,800,000	
Estimated Non-Prof. Drivers	308,000	
Excess Liability		
New Jersey CAP Program		
Claims Made, Each Occurrence	50,000,000	
Aggregate	50,000,000	
Student Accident Policy		
Maximum Benefit, Each Medical Incident	1,000,000	
Crime & Fidelity		
Blanket Dishonesty Bond Including Faithful Performance Per Person	100,000	\$1,000 per loss
Theft Disappearance & Destruction		
Inside Premises Per Loss	50,000	\$1,000 per loss
Outside Premises Per Loss	50,000	\$1,000 per loss
Computer Fraud	50,000	\$1,000 per loss
Forgery & Alteration	50,000	\$1,000 per loss

Source: School District's records

**SINGLE AUDIT SECTION**

# LERCH, VINCI & HIGGINS, LLP

EXHIBIT K-1

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

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DEBORAH KOZAK, CPA, PSA  
DEBRA GOLLE, CPA  
CINDY JANACEK, CPA, RMA  
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

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

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, 2010, which collectively comprise the Essex Regional Educational Services Commission's basic financial statements and have issued our report thereon dated November 17, 2010. 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 Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Essex Regional Educational Services Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Essex Regional Educational Services Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Essex Regional Educational Services Commission's internal control over financial reporting.

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 Essex Regional Educational Services Commission's financial statements will not be prevented, or detected and corrected on a timely basis.

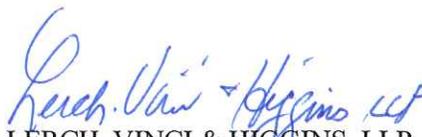
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

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

However, we noted certain matters that we have reported to management of the Essex Regional Educational Services Commission in a separate report entitled, "Auditors' Management Report on Administrative Findings – Financial, Compliance and Performance" dated November 17, 2010.

This report is intended solely for the information and use of the Board of Directors, management, the New Jersey State Department of Education and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

  
Gary J. Vinci  
Public School Accountant  
PSA Number CS00829

Fair Lawn, New Jersey  
November 17, 2010

# LERCH, VINCI & HIGGINS, LLP

EXHIBIT K-2

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

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ANDREW PARENTE, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
DEBORAH KOZAK, CPA, PSA  
DEBRA GOLLE, CPA  
CINDY JANACEK, CPA, RMA  
RALPH M. PICONE, CPA, RMA, PSA

## REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04

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

### Compliance

We have audited the Essex Regional Educational Services Commission's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the New Jersey OMB Circular 04-04 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of Essex Regional Educational Services Commission's major federal and state programs for the fiscal year ended June 30, 2010. 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. Compliance with the requirement of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Essex Regional Educational Services Commission's management. Our responsibility is to express an opinion on Essex Regional Educational Services Commission's compliance based on our audit.

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 Division of Finance, Department of Education, State of New Jersey; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards and circulars require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination on Essex Regional Educational Services Commission's compliance with those requirements.

In our opinion, Essex Regional Educational Services Commission complied, in all material respects, with the 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, 2010.

### Internal Control Over Compliance

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

A deficiency in internal control over compliance 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 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, the New Jersey State Department of Education and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

  
 Gary J. Vinci  
 Public School Accountant  
 PSA Number CS00829

Fair Lawn, New Jersey  
 November 17, 2010

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Grant Period	Award Amount	July 1, 2009 Balance July 1, 2009	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Year Balances	Balance June 30, 2010		Memo GAAP Receivable
										(Accounts Receivable)	Deferred Revenue	
<b>U.S. Department of Education</b>												
<b>Passed Through State Department of Education</b>												
<u>Special Revenue Fund:</u>												
Migrant Education	84.011A	1/1/10-12/31/10	\$ 318,000			\$ 85,755				\$ (318,000)	\$ 232,245	\$ (85,755)
Migrant Education	84.011A	1/1/09-12/31/09	351,000	\$ 64,041	\$ 199,484	263,525						
Homeless Children and Youth Ed.	84.196	9/1/09-8/31/10	120,555			23,096				(120,555)	97,459	(23,096)
Homeless Children and Youth Ed.-ARRA	84.387	9/1/09-8/31/10	158,419			58,388				(100,031)	86,608	(13,423)
Homeless Children and Youth Ed.	84.196	9/1/08-8/31/09	170,000	77,615		36,359	101,715		\$ 12,259			
Homeless Children and Youth Ed.	84.196	11/1/07-8/31/08	150,000	(669)		669						
Migrant Education -Summer	84.011A	9/1/09-8/31/10	24,134			24,134						
IASA Title I - Part D	84.010A	9/1/08-8/31/09	282,784	(70,696)				\$ 70,696				
Total Special Revenue Fund										(538,286)	416,312	(122,274)
<b>U.S. Department of Education</b>												
<b>Passed Through State Department of Education</b>												
<u>Enterprise Fund:</u>												
National School Lunch Program	10.555	7/1/09-6/30/10	32,467	-		29,118	32,467			(3,349)		(3,349)
National School Lunch Program	10.555	7/1/08-6/30/09	32,240	(7,325)		7,325						
National School Breakfast Program	10.555	7/1/09-6/30/10	20,543	-		18,316	20,543			(2,227)		(2,227)
National School Breakfast Program	10.555	7/1/08-6/30/09	21,080	(4,828)		4,828						
Total Enterprise Fund										(5,576)		(5,576)
Total Federal Financial Awards										\$ 544,162	\$ 416,312	\$ (127,850)



**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE SCHEDULES OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 1 GENERAL**

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

**NOTE 2 BASIS OF ACCOUNTING**

The accompanying schedules are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Notes 1(C) to the Commission's basic financial statements.

**NOTE 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

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

The general fund is presented in the accompanying schedules on a modified accrual basis 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.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is zero for the general fund and \$533,400 for the special revenue fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Commission's basic financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 1,301,949	\$ 1,301,949
Special Revenue Fund	\$ 570,036	124,997	695,033
Food Service Fund	<u>53,010</u>	<u>2,400</u>	<u>55,410</u>
Total Financial Assistance	<u>\$ 623,046</u>	<u>\$ 1,429,346</u>	<u>\$ 2,052,392</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE SCHEDULES OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**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 District's fiscal year and grant program years.

**NOTE 5 OTHER INFORMATION**

TPAF Social Security contributions in the amount of \$709,989 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2010. The amount reported as TPAF Pension System Contributions – NCGI in the amount of \$29,925 and TPAF Post-Retirement Medical Benefits Contributions in the amount of \$562,035 represents the amount paid by the State on behalf of the District for the year ended June 30, 2010.

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

On-behalf State Programs for TPAF Pension and Post-Retirement Medical Benefits Contributions as well as on-behalf School Development Authority Educational Facility Construction and Financing Act Program payments 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 District's basic 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 (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Part I – Summary of Auditor’s Results

**State Awards Section**

Internal Control over major programs:

(1) Were any significant deficiency(ies) in internal control over major programs identified? \_\_\_\_\_ yes        X   no

(2) If applicable, were any such significant deficiency(ies) considered to be material weakness(es)? \_\_\_\_\_ yes        X   none reported

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

Any audit findings disclosed that are required to be reported in accordance with N.J. Circular Letter 04-04? \_\_\_\_\_ yes        X   no

Identification of major state programs:

GMIS Number(s)	Name of State Program
10-495-034-5095-002	TPAF Social Security Contribution

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

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

*Part 2 – Schedule of Financial Statement Findings*

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

THERE ARE NONE.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

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

**CURRENT YEAR FEDERAL AWARDS**

THERE ARE NONE.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

This section identifies the status of prior-year findings related to the 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.