PASSAIC COUNTY EDUCATIONAL SERVICES COMMISSION
COUNTY OF PASSAIC, NEW JERSEY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2010

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INTRODUCTORY SECTION

PASSAIC COUNTY
EDUCATIONAL SERVICES COMMISSION
45 Reinhardt Road
Wayne, New Jersey 07470
Phone (973) 614-8585 – Fax (973) 614-1334

Diana C. Lobosco
Superintendent of Schools

Richard Giglio
Business Administrator/Board Secretary

October 29, 2010

President and Members of the Board of Directors
Passaic County Educational Services Commission
Passaic County, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Passaic County Educational Services Commission for the fiscal year ended June 30, 2010, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Directors. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the various funds and account groups 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 three sections: introductory, financial and statistical. The introductory section includes this transmittal letter, the Commission's organizational chart and a list of principal officials. The financial section includes the management discussion and analysis, the basic financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The Commission is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments", and the state Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES: Passaic County Educational Services Commission is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement No.3. All funds and account groups of the Commission are included in this report. The Passaic County Educational Services Commission Board of Directors and all its programs constitute the Commission's reporting entity.

2) ECONOMIC CONDITION AND OUTLOOK:
The Passaic County Educational Services Commission is experiencing a period of declining enrollments (for a number of reasons not related to the commission) and financial recision. The Commission will need to stabilize financially and restructure before it can begin rebuilding programmatically.

3) MAJOR INITIATIVES:

The Passaic County Educational Services Commission continued to provide many different kinds of services for the school districts of Passaic County. A brief overview of certain selected services is outlined below:

TRANSPORTATION

The Passaic County Educational Services Commission transports many students in the county. This year we provided transportation for many regular and special education students from most of the districts in the county, and several out-of-county districts. We also provide non-public transportation, and transportation for our own education programs.

SKYLANDS SCHOOL FOR THE EXCEPTIONAL

The Commission operates a very effective program for multiply handicapped youngsters. This well received program, called " Skylands Schools for the Exceptional", is located in Ringwood's Ryerson School and educates eleven medically and physically severely challenged students. This program is extremely necessary in this county, since these children would be bused to classes an hour away from their homes.

DESTINY ACADEMY

In January 2010, the Commission opened the Destiny Academy in Prospect Park for Paterson at-risk students who were below grade level in credits and exhibit behavioral and social disorders that are in compatible with academic progress in a traditional high school. Currently there are 67 students attending the Destiny Academy.

HOPE ACADEMY

In October 2008, the Commission opened the Hope Academy in Passaic for 70 over-aged middle school students previously enrolled in the Passaic School system. Hope Academy provides a program to ensure the at-risk students achieve a high school diploma.

POMPTON LAKES EARLY CHILDHOOD CENTER

The Passaic County Educational Services Commission assumed the operation of the Pompton Lakes Early Childhood Center in April of 2001. This center provides services to children during the day and also has a component for before and after-school care. It services approximately 165 students.

SUBSTITUTE TEACHERS REGISTRY

This year 8 school districts, as well as the Commission, participated in the substitute registry program. This function is aided with our Internet Site, Aesop, which allows substitutes, teachers and School Districts access 24/7 to enter and review absences. A Substitute Coordinator oversees this process and continuously updates the substitute list.

NON-PUBLIC NURSING

The Commission provides non-public nursing services to private schools in the county. The nurses serve a number of different functions in the private schools and make sure that basic requirements are covered.

The Commission also provides non-public nursing services to the Paterson Nonpublic schools. There were currently 16 schools being serviced at June 30, 2010.

We now have 13 non-public nurses working in various schools within the county, including Paterson

PERSONNEL

Several districts are now using the Commission for certain types of personnel. These include:

- Speech and Language Pathologists
- Physical Therapists
- Occupational Therapists
- COTAs (Certified Occupational Therapy Assistants)

This sharing provides continuity, cost-savings, and the greater possibility of sharing some services in the future.

MISCELLANEOUS SERVICES

The Commission places the yearly nutrition advertisement in the newspaper. By doing this together, we save each district the cost of having to run this large ad on their own.

SUMMER SCHOOLS

The Passaic County Educational Services Commission again operated summer schools in Clifton, Hawthorne, Pompton Lakes, P.C. Manchester, Wayne, West Milford and North Arlington during the summer of 2010. These programs provide students the opportunity to receive credit for courses in which they may not have been successful during the school year. Many enrichment courses are also being offered.

AFTER-SCHOOL PROGRAM AT PCTI

The Passaic County Educational Services Commission operates an after-school program for high school students at Passaic County Technical Institute in the fall and spring semesters. This program provides students the opportunity to receive credit for courses in which they may not have been successful during the school year.

There are other programs that the Commission is also currently investigating. The Commission was established, and is able, to provide many different services for the districts in Passaic County. The possibilities are endless, and, with the positive cooperation characteristic of our county, many valuable and beneficial resources will be made available to our school districts.

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 requires 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.

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 board of directors of the Commission. Annual appropriated budgets are adopted for the general fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. The Commission had no open encumbrances at June 30, 2010.

6) ACCOUNTING SYSTEMS AND REPORT

The Commission's accounting records reflect accounting principles generally accepted in the United States, as promulgated by the Governmental Accounting Standards Board 9GASB). The accounting system of the Commission is organized on the basis of funds. These funds are explained in "Notes to Financial Statements," Note 1.

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

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

9) OTHER INFORMATION:

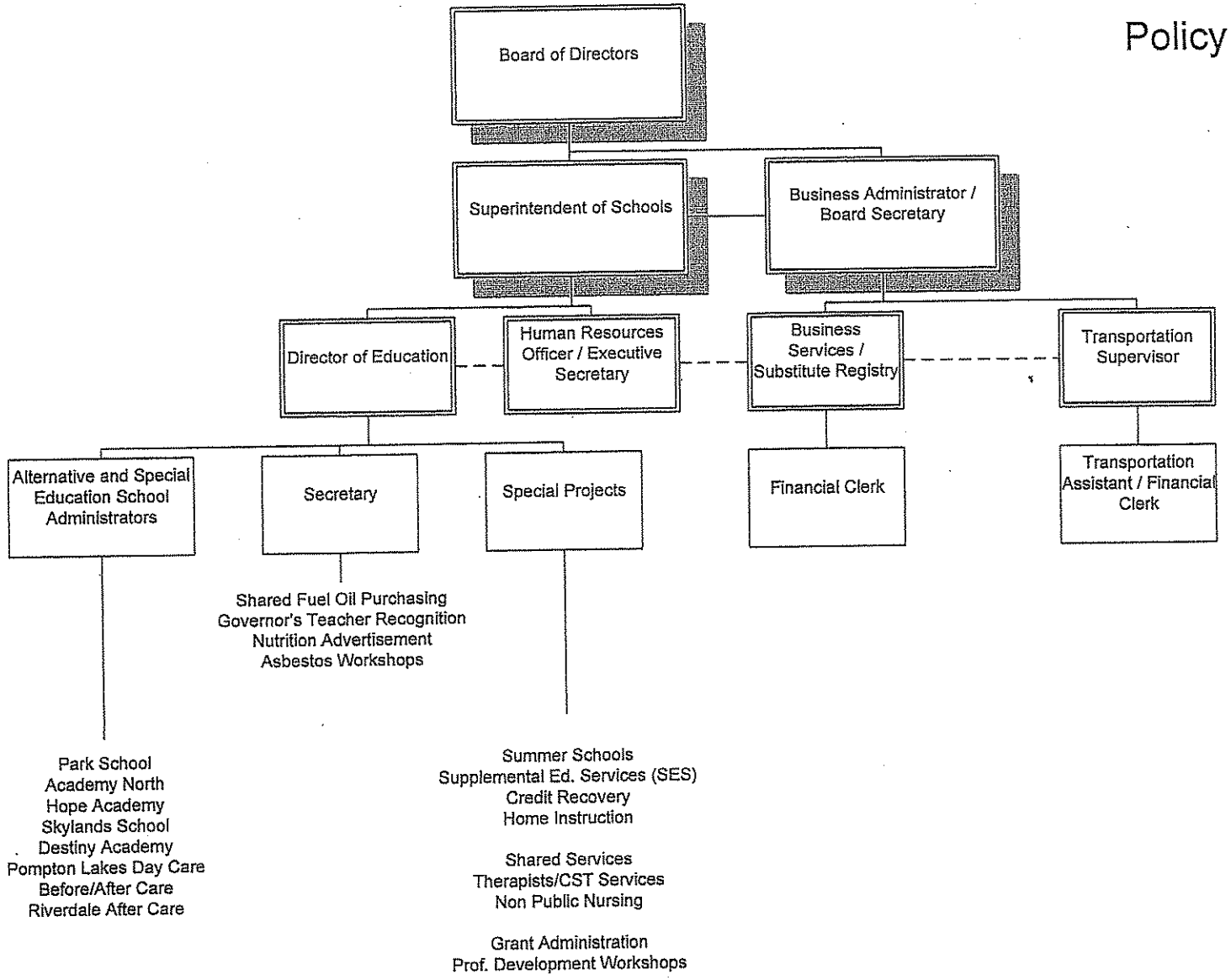
A) Independent Audit - State statutes require an annual audit by independent certified public accounts or registered municipal accountants. The Commission's Board of Directors selected the account firm of Ferraioli, Wielkotz, Cerullo & Cuva. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the OMB Circular A-133 and state Treasury Circular Letter 04-04 OMB. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

10) ACKNOWLEDGEMENTS:

We would like to express our appreciation to the members of the Passaic County Educational Services Commission Board of Directors for their concern in providing fiscal accountability to the member boards of education and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,

Diana C. Lobosco
Superintendent of Schools


Board of Directors
Superintendent of Schools
Business Administrator / Board Secretary
Director of Education
Human Resources Officer / Executive Secretary
Business Services / Substitute Registry
Transportation Supervisor
Alternative and Special Education School Administrators
Secretary
Special Projects
Financial Clerk
Transportation Assistant / Financial Clerk
Shared Fuel Oil Purchasing
Governor's Teacher Recognition
Nutrition Advertisement
Asbestos Workshops
Park School
Academy North
Hope Academy
Skylands School
Destiny Academy
Pompton Lakes Day Care
Before/After Care
Riverdale After Care
Summer Schools
Supplemental Ed. Services (SES)
Credit Recovery
Home Instruction
Shared Services
Therapists/CST Services
Non Public Nursing
Grant Administration
Prof. Development Workshops

Passaic County
Educational Services Commission
Passaic County, New Jersey

Roster of Officials

June 30, 2010

Members of the Board of Directors	District Represented
Richard Ney	P.C. Manchester Regional, Haledon
Terrance Brennan	Pompton Lakes
Robert Mooney	Hawthorne
John DiGiovachino	Woodland Park
Donna Cardiello	North Haledon
Robert Holster	Passaic
Vincent Varcadipane	Totowa
Bernice Colefield	West Milford
Richard Tardaldo	Clifton
Anthony Riscica	Lakeland Regional
Robert Otnisky	Little Falls
Richard Weisenfeld	Wanaque
Rudolph Sellitti	Ringwood
Freda Rosenberg	Bloomingdale
James Barriale	Prospect Park
Donnie Evans	Paterson
James Campbell	Wayne
Viktor Joganow	P.V. Regional H.S. District #1

Other Officials

Diana C. Lobosco	Superintendent
Richard J. Giglio	School Business Administrator/Board Secretary
Rita Pascrell	Treasurer
Derlys Gutierrez	Attorney

Passaic County
Educational Services Commission

Consultant and Advisors

Auditing Firm

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
401 Wanaque Avenue
Pompton Lakes, New Jersey 07442

Attorney

Derlys Gutierrez
ADAMS, STERN, GUTIERREZ & LATTIBOUDERE, LLC
1037 Raymond Boulevard, Suite 710
Newark, New Jersey 07102

Official Depository

COLUMBIA BANK
19-01 Route 208
Fair Lawn, New Jersey 07410

FINANCIAL SECTION

Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA
Steven D. Wielkotz, CPA, RMA
James J. Cerullo, CPA, RMA
Paul J. Cuva, CPA, RMA
Thomas M. Ferry, CPA, RMA

Certified Public Accountants
401 Wanaque Avenue
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973-835-7900
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Newton Office
100B Main Street
Newton, N.J. 07860
973-579-3212
Fax 973-579-7128

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Directors
Passaic County Educational Services Commission
45 Reinhardt Road
Wayne, NJ 07470

We have audited the accompanying financial statements of the governmental and each major fund and the aggregate remaining fund information of the Passaic County Educational Services Commission , in the County of Passaic, State of New Jersey, 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 Passaic County Educational Services 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 *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 Passaic County Educational Services Commission's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund, and the aggregate remaining fund information of the Passaic County Educational Services Commission , in the County of Passaic, State of New Jersey, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

FWCC

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2010 on our consideration of the Passaic County Educational Services Commission's internal control over financial reporting and 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 our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management Discussion and Analysis and Budgetary Comparison Information on pages 11 through 18 and 44 through 48 are not a required part of the basic financial statements but are supplementary information required by the 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 performed for the purpose of forming opinions on the financial statements that collectively comprise the Passaic County Educational Services Commission's basic financial statements. The accompanying introductory section and other supplementary information such as the combining and individual fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements 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 and statistical tables 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.

The accompanying schedules 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

James Cerullo, C.P.A.
Licensed Public School Accountant
No. 881

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants

October 27, 2010

FWCC

REQUIRED SUPPLEMENTARY INFORMATION - PART I

PASSAIC COUNTY EDUCATIONAL SERVICES COMMISSION
WAYNE, NJ

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

The discussion and analysis of the Passaic County Educational Services Commission's financial performance provides an overall review of the Commission's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the Commission's financial performance as a whole and should not be interpreted as a replacement for the audit which consists of the financial statements and other supplemental information that presents all the Commission's revenues and expenditures by program for the General Fund and Special Revenue Fund.

FINANCIAL HIGHLIGHTS

- In total, net assets increased $171,908.47.
- General revenues accounted for $6,238,296.09 revenue or 40.66 percent of all Commission revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $9,102,831.41 or 59.34 percent of total revenues of $15,341,127.50.
- The Commission had $15,169,219.03 in expenses related to governmental activities; only $9,102,831.41 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of $6,238,296.09 were adequate to provide for these programs.
- As of the close of the Commission's current fiscal year, the governmental funds reported a combined increase of $197,872.89, resulting in a fund balance of $460,763.73.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Commission as a whole (district-wide statements), and then proceed to provide an increasingly detailed look at specified financial activities.

District-Wide Financial Statements

The *statement of net assets and statement of activities* reports information about the Commission as a whole and about its activities in a manner that helps answer the question, "Is the Commission better or worse off as a result of the year's activities?" These statements include all assets and liabilities of the Commission using the accrual basis of accounting, similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

Both of the district-wide financial statements distinguish functions of the Passaic County Educational Services Commission that are principally supported by intergovernmental revenues (*governmental activities*). All of the Commission's programs and services are reported here.

The two statements report the Commission's net assets and changes in them. The change in net assets can be utilized by a reader to assist in determining whether the Commission's financial health is improving or deteriorating.

USING THIS ANNUAL REPORT, (continued)

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Passaic County Educational Services Commission, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Commission's funds can be divided into two categories: Governmental Funds and Fiduciary Funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources,* as well as on balances of *spendable resources* available at the end of the fiscal year. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash.

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

The Passaic County Educational Services Commission maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures and changes in fund balances for the general and special revenue funds, which are both considered to be major funds.

The Passaic County Educational Services Commission adopts annual appropriated budgets for its governmental funds. A budgetary comparison statement has been provided for the general fund and special revenue fund to demonstrate compliance with their budgets.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Commission. These activities are excluded from the Commission's other financial statements because the assets cannot be utilized by the Commission to finance its operations.

USING THIS ANNUAL REPORT, (continued)

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning budgetary information for the Commission's major funds.

Our auditor has provided assurance in his independent auditor's report, located immediately preceding this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the Required Supplemental Information and the Supplemental Information identified above. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts in the Financial Section.

DISTRICT-WIDE FINANCIAL ANALYSIS

The Statement of Net Assets provides the perspective of the Commission as a whole. Net assets may, over time, serve as a useful indicator of a government's financial position.

The Commission's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The Commission's net assets were $795,995.45 at June 30, 2010 and $624,086.98 at June 30, 2009. Our analysis below focuses on the net assets for 2010 compared to 2009 (Table 1) and change in net assets (Table 2) of the Commission.

DISTRICT-WIDE FINANCIAL ANALYSIS, (continued)

Table 1

Net Assets
June 30,

	Governmental Activities 2010	Governmental Activities 2009
Assets		
Current and Other Assets	1,778,719.55	2,708,814.40
Capital Assets	344,331.72	369,446.14
Total Assets	2,123,051.27	3,078,260.54
Liabilities		
Current Liabilities	1,317,955.82	2,445,923.56
Noncurrent Liabilities	9,100.00	8,250.00
Total Liabilities	1,327,055.82	2,454,173.56
Net Assets		
Invested in Capital Assets-Net of Debt	344,331.72	369,446.14
Restricted		22,645.67
Unrestricted	451,663.73	231,995.17
Total Net Assets	795,995.45	624,086.98

Table 2 below shows the changes in net assets for fiscal year 2010.

Table 2
Changes in Net Assets
Year Ended June 30,

	Governmental Activities 2010	Governmental Activities 2009
Revenues		
Program Revenues:		
Charges for Services and Sales	8,794,769.45	9,394,596.10
Operating Grants and Contributions	308,061.96	642,476.88
General Revenues:		
Tuition Received	4,266,916.71	3,821,701.46
Miscellaneous Income	1,971,379.38	2,072,702.07
Total Revenues and Transfers	15,341,127.50	15,931,476.51

DISTRICT-WIDE FINANCIAL ANALYSIS, (continued)

	Governmental Activities 2010	Governmental Activities 2009
Functions/Program Expenses		
Instruction:		
Regular	1,800,944.12	1,508,815.56
Special	474,135.33	773,028.38
Other	1,729.19	1,876.54
Support Services:		
Tuition		
Student & Instruction		
Related Services	1,257,309.92	1,269,135.74
School Administrative Services	467,952.07	433,719.38
General Administrative Services	1,366,948.50	1,349,779.54
Central Services	67,785.48	73,162.04
Plant Operations and Maintenance	768,825.28	597,812.91
Pupil Transportation	8,665,822.59	9,250,428.47
Unallocated Benefits	272,652.13	389,310.71
Unallocated depreciation	25,114.42	24,690.67
Total Expenses and Transfers	15,169,219.03	15,671,759.94
Increase or (Decrease) in Net Assets	171,908.47	259,716.57

Governmental and Business- Activities

As reported in the Statement of Activities the cost of all of our governmental activities this year was $15,169,219.03. However, these costs were offset by some of the cost that was paid by those who benefitted from the programs $8,794,769.45, by other governments and organizations who subsidized certain programs with grants and contributions $308,061.96.

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS

The Commission's budgets are prepared according to New Jersey law, and are based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted funds are the general fund and the special revenue fund.

During the fiscal year ended June 30, 2010, the Commission amended the budgets of these major governmental funds several times. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent over-expenditures in specific line item accounts. Several of these revisions were for increases or decreases in the various programs of the Commission.

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS, (continued)

General Fund

The general fund actual revenue was $15,304,867.67. That amount is $1,953,275.33 below the final amended budget of $17,258,143.00. The variance between the actual revenues and final budget was the result of non-budgeted on-behalf payments of $271,802.13 for TPAF social security reimbursements and on-behalf pension payments and a $2,225,077.46 deficit in miscellaneous anticipated revenues.

The following schedule presents a comparison of General Fund Revenues for the fiscal years ended June 30, 2010 and 2009:

	June 30, 2010	June 30, 2009	Amount of Increase (Decrease)	Percent Increase (Decrease)
Local Sources				
Tuition Charges	4,266,916.71	3,821,701.46	445,215.25	11.65%
Transportation Fees	8,794,769.45	9,394,596.10	(599,826.65)	(6.38)%
Miscellaneous	1,971,379.38	2,072,702.07	(101,322.69)	(4.89)%
State Sources	271,802.13	389,986.71	(118,184.58)	(30.30)%
Total General Fund Revenues	15,304,867.67	15,678,986.34	(374,118.67)	(2.39)%

Tuition revenue showed an increase of $445,215.25 or 11.65% over the previous year, predominantly due to the opening of Destiny Academy. Transportation fees decreased $599,826.65 or 6.38% over the previous year. Miscellaneous revenue decreased $101,322.69 or 4.89%, and state aid revenues decreased $118,184.58 or 30.30%, all attributable to on-behalf TPAF social security and pension contributions.

The actual expenditures of the general fund were $15,106,994.78 including transfers and capital leases which is $2,173,793.89 below the final amended budget of $17,280,788.67. The variance between the actual expenditures and final budget was due to non-budget on-behalf TPAF social security and pension payments of $271,802.13 and $2,445,596.02 of unexpended budgeted funds.

The following schedule presents a comparison of General Fund expenditures for the fiscal years ended June 30, 2010 and 2009:

	June 30, 2010	June 30, 2009	Amount of Increase (Decrease)	Percent Increase (Decrease)
Instruction	1,872,633.52	1,662,073.35	210,560.17	12.67%
Support Services	13,234,361.26	13,733,181.75	(498,820.49)	(3.63)%
Capital outlay		16,217.00	(16,217.00)	100.00%
Total Expenditures	15,106,994.78	15,411,472.10	(304,477.32)	(1.98)%

Total General Fund expenditures decreased $(304,477.32) or (1.98)% from the previous year.

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS, (continued)

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 $7,083.33 and $252,490.17 for the years ended June 30, 2010 and 2009. Federal sources accounted for all of the Special Revenue Fund's revenue which represented 100% and 100% of the total revenues for the years ended June 30, 2010 and 2009.

Total Special Revenue Fund revenues decreased $245,406.84 or 97.20% from the previous year.

Expenditures of the Special Revenue Fund were $7,083.33 and $252,490.17 for the fiscal years ended June 30, 2010 and 2009. Instructional expenditures were $7,083.33 and $252,490.17, respectively.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2010 the Commission had $766,806.92 invested in sites, buildings and equipment. Of this amount, $422,475.20 in depreciation has been taken over the years. We currently have a net book value of $344,331.72. Total additions for the year were $-0-. Table 3 shows fiscal year 2010 balances compared to 2009.

Table 3
Capital Assets at June 30,
(Net of Depreciation)

	Governmental Activities 2010	Governmental Activities 2009
Site Improvements	61,537.35	67,002.92
Buildings	257,077.95	263,613.83
Furniture and Equipment	25,716.42	38,829.39
	344,331.72	369,446.14

Debt Administration

At June 30, 2010, the Commission had $9,100.00 of long-term debt. Of this amount, $9,100.00 is for compensated absences.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Many factors were considered by the Commission's administration during the process of developing the fiscal year 2010-2011 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.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Passaic County Educational Services Commission's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Richard Giglio,
School Business Administrator
45 Reinhardt Road
Wayne, NJ 07470

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

PASSAIC COUNTY EDUCATIONAL SERVICES COMMISSION
Statement of Net Assets
June 30, 2010

	Governmental Activities	Total
ASSETS		
Cash and Cash Equivalents	407,838.05	407,838.05
Receivables, net	1,370,881.50	1,370,881.50
Capital Assets, net :	344,331.72	344,331.72
Total Assets	2,123,051.27	2,123,051.27
LIABILITIES		
Accounts Payable and Accrued Liabilities	858,423.32	858,423.32
Interfunds Payable	2,756.73	2,756.73
Deferred Revenue	456,775.77	456,775.77
Noncurrent Liabilities:		
Due beyond one year	9,100.00	9,100.00
Total Liabilities	1,327,055.82	1,327,055.82
NET ASSETS		
Invested in Capital Assets, net of Related Debt	344,331.72	344,331.72
Unrestricted (Deficit)	451,663.73	451,663.73
Total Net Assets	795,995.45	795,995.45

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

PASSAIC COUNTY EDUCATIONAL SERVICES COMMISSION
Statement of Activities
For the Year Ended June 30, 2010

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Total
Governmental activities:						
Instruction:						
Regular	1,519,445.73	281,498.38		36,259.83	(1,764,684.28)	(1,764,684.28)
Special Education	387,718.43	86,416.90			(474,135.33)	(474,135.33)
Other Instruction	1,729.19	-			(1,729.19)	(1,729.19)
Support services:						
Student & Instruction Related Services	1,098,030.10	159,279.82		-	(1,257,309.92)	(1,257,309.92)
School Administrative Services	384,160.49	83,791.58			(467,952.07)	(467,952.07)
General Administrative Services	1,341,283.45	25,665.05			(1,366,948.50)	(1,366,948.50)
Plant Operations and Maintenance	758,878.07	9,947.21			(768,825.28)	(768,825.28)
Pupil Transportation	8,665,822.59	-	8,794,769.45		128,946.86	128,946.86
Central Services & Admin. Info. Technology	55,474.48	12,311.00			(67,785.48)	(67,785.48)
Unallocated Benefits	272,652.13	-		271,802.13	(850.00)	(850.00)
Unallocated Depreciation	25,114.42	-			(25,114.42)	(25,114.42)
Total Governmental Activities	14,510,309.08	658,909.95	8,794,769.45	308,061.96	(6,066,387.62)	(6,066,387.62)
Total Primary Government	14,510,309.08		8,794,769.45	308,061.96	(6,066,387.62)	(6,066,387.62)
General Revenues:						
Tuition Received					4,266,916.71	4,266,916.71
Miscellaneous Income					1,971,379.38	1,971,379.38
Total General Revenues, Special Items, Extraordinary Items and Transfers					6,238,296.09	6,238,296.09
Change in Net Assets					171,908.47	171,908.47
Net Assets—Beginning					624,086.98	624,086.98
Net Assets—Ending					795,995.45	795,995.45

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

FUND FINANCIAL STATEMENTS

PASSAIC COUNTY EDUCATIONAL SERVICES COMMISSION
Balance Sheet
Governmental Funds
June 30, 2010

	General Fund	Total Governmental Funds
ASSETS		
Cash and Cash Equivalents	407,838.05	407,838.05
Receivables from Other Governments	1,361,881.88	1,361,881.88
Other Receivables	8,999.62	8,999.62
Total Assets	1,778,719.55	1,778,719.55
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable	851,064.24	851,064.24
Accrued Salaries & Benefits	7,359.08	7,359.08
Interfund Payables	2,756.73	2,756.73
Deferred Revenue	456,775.77	456,775.77
Total Liabilities	1,317,955.82	1,317,955.82
Fund Balances:		
Unreserved, Reported in:		
General Fund	460,763.73	460,763.73
Total Fund Balances	460,763.73	460,763.73
Total Liabilities and Fund Balances	1,778,719.55	
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 $766,806.92 and the accumulated depreciation is $422,475.20.		344,331.72
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(9,100.00)
Net assets of governmental activities		795,995.45

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

PASSAIC COUNTY EDUCATIONAL SERVICES COMMISSION
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Local Sources:			
Tution	4,266,916.71		4,266,916.71
Transportation Fees	8,794,769.45		8,794,769.45
Miscellaneous	1,971,379.38		1,971,379.38
Total - Local Sources	15,033,065.54	-	15,033,065.54
State Sources	271,802.13	-	271,802.13
Federal Sources	-	36,259.83	36,259.83
Total Revenues	15,304,867.67	36,259.83	15,341,127.50
EXPENDITURES			
Current:			
Regular Instruction	1,483,185.90	36,259.83	1,519,445.73
Special Education Instruction	387,718.43		387,718.43
Other Instruction	1,729.19		1,729.19
Support Services and Undistributed Costs:			
Student & Instruction Related Services	1,055,801.66	-	1,055,801.66
School Administrative Services	384,160.49		384,160.49
General Administrative Services	1,341,283.45		1,341,283.45
Central Services & Admin. Info. Technolgy	55,474.48		55,474.48
Plant Operations and Maintenance	758,878.07		758,878.07
Pupil Transportation	8,629,110.59		8,629,110.59
Health Services Employee Benefits	42,228.44		42,228.44
Student Transportation Services Employee Benefits	36,712.00		36,712.00
Unallocated Benefits and On-Behalf Contributions	930,712.08		930,712.08
Total Expenditures	15,106,994.78	36,259.83	15,143,254.61
Excess (Deficiency) of Revenues Over Expenditures	197,872.89	-	197,872.89
OTHER FINANCING SOURCES (USES)			
Transfers out	-		-
Total other financing sources and (uses)	-	-	-
Net Change in Fund Balances	197,872.89	-	197,872.89
Fund Balance—July 1	262,890.84		262,890.84
Fund Balance—June 30	460,763.73	-	460,763.73

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

PASSAIC COUNTY EDUCATIONAL SERVICES COMMISSION
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2010

Total net change in fund balances - governmental funds (from B-2)		197,872.89
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.		
Depreciation Expense	(25,114.42)	
Depreciable Capital Outlays	-	(25,114.42)
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		
Decrease in Compensated Absences Payable		(850.00)
Change in net assets of governmental activities		171,908.47

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

PASSAIC COUNTY EDUCATIONAL SERVICES COMMISSION
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Unemployment Compensation Trust Fund	Agency Fund
ASSETS		
Cash and Cash Equivalents	42,838.54	12,397.60
Interfund Receivables	8,667.60	2,756.73
Total Assets	51,506.14	15,154.33
LIABILITIES		
Payroll Deductions and Withholdings		3,730.00
Interfund Payables		8,667.60
Due to PC Principal Association		2,488.72
Due to PC Partnership		268.01
Total Liabilities	-	15,154.33
NET ASSETS		
Held in Trust for Unemployment Claims and Other Purposes	51,506.14	

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

Exhibit B-8

PASSAIC COUNTY EDUCATIONAL SERVICES COMMISSION
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2010

	Unemployment Compensation Trust Fund
ADDITIONS	
Contributions:	
Plan Member	7,270.58
Total Contributions	7,270.58
Investment Earnings:	
Interest	363.04
Net Investment Earnings	363.04
Total Additions	7,633.62
DEDUCTIONS	
Unemployment Claims	-
Total Deductions	-
Change in Net Assets	7,633.62
Net Assets—Beginning of the Year	43,872.52
Net Assets—End of the Year	51,506.14

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY:

The Passaic County Educational Services Commission (the "Commission") is an instrumentality of the State of New Jersey, established for the purpose of providing educational and administrative service as may be authorized by the State Board of Education. The Board of Directors (the "Board") consists of appointed officials from the member school districts and is responsible for the fiscal control of the Commission. A superintendent is appointed by the Board and is responsible for the administrative control of the Commission. Under existing statutes, the Board'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 Board also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The primary criterion for including activities within the Commission's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is whether:

- the organization is legally separate (can sue or be sued in their own name)
- the Commission holds the corporate powers of the organization
- the Commission appoints a voting majority of the organization's board
- the Commission is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Commission
- there is a fiscal dependency by the organization on the Commission

Based on the aforementioned criteria, the Commission has no component units. Furthermore, the Commission is not includable in any other reporting entity on the basis of such criteria.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Commission also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the Commission's accounting policies are described below.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

A. Basis of Presentation:

The Commission's basic financial statements consist of District-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

District-wide Financial Statements:

The statement of net assets and the statement of activities display information about the Commission as a whole. These statements include the financial activities of the overall District, except for the fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the Commission at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the governmental activities of the Commission. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Commission, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Commission.

Fund Financial Statements:

During the fiscal year, the Commission segregates transactions related to certain Commission functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the Commission's funds, including its fiduciary funds. Separate statements for each fund category - *government* and *fiduciary* - are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models. The various funds of the Commission are grouped into the categories governmental and fiduciary.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

A. Basis of Presentation: (continued)

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the Commission are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Commission's governmental funds:

General Fund - The General Fund is the general operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the Capital Outlay subfund.

As required by the New Jersey State Department of Education, the Board includes budgeted Capital Outlay in this fund. Accounting principles generally accepted in the United States of America as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, District taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

A. Basis of Presentation:

FIDUCIARY FUNDS

Fiduciary Fund - Fiduciary Fund reporting focuses on net assets and changes in net assets. The Fiduciary Funds are used to account for assets held by the Commission on behalf of individuals, private organizations, other governments and/or other funds. Fiduciary Funds include Unemployment Compensation Insurance, the Passaic County Educational Partnership and the Passaic County Principal Association Agency Fund, and Payroll Agency Fund.

B. Measurement Focus:

District-wide Financial Statements

The District-wide statements (i.e., the statement of net assets and the statement of activities) are prepared using the economic resources measurements focus and the accrual basis of accounting. All assets and liabilities associated with the operation of the Commission are included on the statement of net assets, except for fiduciary funds.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the District-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

C. Basis of Accounting:

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The District-wide financial statements and the financial statements of the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. Basis of Accounting: (continued)

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Nonexchange transactions, in which the Commission receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Board must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Commission on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: transportation fees, tuition, unrestricted grants and interest.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

The measurement of focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

D. Budgets/Budgetary Control:

Annual appropriated budgets are adopted in the spring of the preceding year for the general, and special revenue funds. The budgets are submitted to the county superintendents office for approval. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23-2(g)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. The Commission made $1,716,698.00 in supplemental budgetary appropriations for the various programs and services during the year.

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 the last state aid payment for budgetary purposes only and special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

E. Encumbrances:

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.

Open encumbrances in the special revenue fund, for which the Commission has received advances, are reflected in the balance sheet as deferred revenues at fiscal year end.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

F. Cash, Cash Equivalents and Investments:

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

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

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

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

G. Prepaid Items:

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Short-Term Interfund Receivables/Payables:

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

I. Capital Assets:

General capital assets are those assets not specifically related to activities reported in the enterprise fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the district -wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the enterprise fund are reported both in the business-type activity column of the District-wide statement of net assets and in the fund.

All capital assets acquired or constructed during the year are recorded at actual cost. Donated fixed assets are valued at their estimated fair market value on the date received. The capital assets acquired or constructed prior to June 30, 1993 are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Donated capital assets are valued at their estimated fair market value on the date received. The Commission maintains a capitalization threshold of $2,000.00. The Commission does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activity Estimated Lives
Sites and Improvements	20 years	N/A
Buildings and Improvements	7-50 years	N/A
Furniture, Equipment and Vehicles	5-20 years	5-20 years

J. Compensated Absences:

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Commission and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Commission and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

J. Compensated Absences: (continued)

For the District-wide Statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, for the governmental funds, in the Fund Financial Statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and District-wide presentations.

K. Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Deferred revenue in the special revenue fund represents cash that has been received but not yet earned. See Note 2(E) regarding the special revenue fund.

L. Accrued Liabilities and Long-term Obligations:

All payables, accrued liabilities and long-term obligations are reported in the District-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgements, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds, long-term obligations, and capital leases that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

M. Fund Balance Reserves:

The Board reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods.

N. Net Assets:

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Board or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

N. Net Assets: (continued)

The Commission applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

O. Extraordinary and Special Items:

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Commission and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year.

P. Allocation of Indirect Expenses:

The Commission reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation, and medical and dental benefits, were allocated based on salaries of that program. TPAF on-behalf contributions and changes in compensated absences have not been allocated and have been reported as unallocated benefits on the Statement of Activities. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities as unallocated depreciation. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Q. Use of Estimates:

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reports, amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS:

Cash

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Commission's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 18A:20-37 that are treated as cash equivalents. As of June 30, 2010, $-0- of the Commission's bank balance of $1,465,670.74 was exposed to custodial credit risk.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS:, (continued)

Investments

Investment Rate Risk

The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 18A:20-37 limits the length of time for most investments to 397 days.

Credit Risk

New Jersey Statutes 18A:20-37 limits school district investments to those specified in the Statutes. The type of allowance investments are Bonds of the United States of America, bonds or other obligations of the school districts or bonds or other obligations of the local unit or units within which the school district is located: obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk

The Commission places no limit on the amount the Commission may invest in any one issuer.

NOTE 4. RECEIVABLES:

Receivables at June 30, 2010, consisted of accounts and intergovernmental. All receivables are considered collectible in full. A summary of the principal items of receivables follows:

	Governmental Fund Financial Statements	District Wide Financial Statements
Other Governments	$1,361,881.88	$1,361,881.88
Other Receivables	8,999.62	8,999.62
Gross Receivables	1,370,881.50	1,370,881.50
Less: Allowance for Uncollectibles		
Total Receivables, Net	$1,370,881.50	$1,370,881.50

NOTE 5. INTERFUND BALANCES AND ACTIVITY:

Balance due to/from other funds at June 30, 2010, consist of the following:

$8,667.60	Due to the Unemployment Compensation Trust Fund from the Payroll Agency Fund for employee contributions.
2,756.73	Due to the Fiduciary Fund from the General Fund for Fiduciary Fund resources deposited into the General Fund.
$11,424.33	

There were no interfund transfers for the year ended June 30, 2010.

It is anticipated that the interfunds will be liquidated within the year.

NOTE 6. CAPITAL ASSETS:

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

	Balance 6/30/09	Additions	Deductions	Balance 6/30/10
Governmental Activities				
Capital Assets Being Depreciated				
Site Improvements	$109,311.48			$109,311.48
Buildings	326,794.00			326,794.00
Furniture, Equipment and Vehicles	330,701.44	$	$	330,701.44
Total Capital Assets, Being Depreciated	766,806.92			766,806.92
Less Accumulated Depreciation:				
Site Improvements	(42,308.56)	(5,465.57)		(47,774.13)
Buildings	(63,180.17)	(6,535.88)		(69,716.05)
Furniture, Equipment and Vehicles	(291,872.05)	(13,112.97)		(304,985.02)
Total Accumulated Depreciation	(397,360.78)	(25,114.42)		(422,475.20)
Total Capital Assets, Being Depreciated, Net	369,446.14	(25,114.42)		344,331.72
Governmental Activities Capital Assets, Net	$369,446.14	($25,114.42)	$	$344,331.72

Depreciation expense was charged to governmental functions as follows:

Unallocated Depreciation	$25,114.42

NOTE 7. LONG-TERM OBLIGATION ACTIVITY:

Changes in long-term obligations for the year ended June 30, 2010 were as follows:

	Balance June 30, 2009	Issued	Retired	Balance June 30, 2010	Amounts Due Within One year
Compensated Absences Payable	$8,250.00	$1,200.00	($350.00)	$9,100.00	$0.00

Compensated absences have been liquidated in the general fund.

NOTE 8. DESCRIPTION OF FACILITY LEASING ARRANGEMENTS:

The Passaic County Educational Services Commission conducts part of its operations from various leased facilities. The leases expire on various dates from June 30, 2010 to June 30, 2011.

Rental expense, under operating leases, was $337,502.00 for the year ended June 30, 2010.

The following is a schedule, by year, of the total future minimum rental payments required under operating leases that have initial or remaining lease terms in excess of one year at June 30, 2010:

Year Ending June 30,	Amounts
2011	$163,732.00
Total Minimum Payments	$163,732.00

NOTE 9. PENSION PLANS:

Description of Plans - All required employees of the Commission are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

NOTE 9. PENSION PLANS: (continued)

Teachers' Pension and Annuity Fund (TPAF) - The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Commission and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Significant Legislation- - Chapter 108, P.L. 2003, effective July 1, 2003 provided that the State Treasurer shall reduce the normal and accrued liability contributions payable by employers other than the State, excluding the contribution payable from the benefit enhancement fund, to a percentage of the amount certified annually by the retirement system, which for PERS will be as follows: for payments due in the State fiscal year ending June 30, 2005, 20 percent; for payments due in the State fiscal year ending June 30, 2006, not more than 40 percent; for payments due in the State fiscal year ending June 30, 2007, not more than 60 percent; and for payments due in the State fiscal year ending June 30, 2008, not more than 80 percent.

Chapter 42, P.L. 2002 permitted local government units to issue refunding bonds to retire unfunded accrued liability resulting from early retirement benefits under PERS and TPAF, effective July 12, 2002.

NOTE 9. PENSION PLANS: (continued)

Contribution Requirements - The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.0% for PERS and 5.0% for TPAF of the employee's annual compensation, as defined through June 30, 2007. Under Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, the PERS and employee contribution rate will increase to 5.5 percent effective July 1, 2007. Employers are required to contribute at an actuarially determined rate in all Funds except the SACT. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS and TPAF. In the PERS and TPAF, the employer contribution includes funding for post-retirement medical premiums.

During the year ended June 30, 2010 for TPAF, which is a cost sharing plan with special funding situations, annual pension cost equals annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost differs from the annual required contribution due to the enactment of Chapter 114, P.L. 1997. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997.

The Commission's contribution to PERS, equal to the required contributions for each year, were as follows:

Year Ending	
6/30/10	$109,828.00
6/30/09	132,917.00
6/30/08	114,400.00

The State of New Jersey contribution to TPAF (paid on-behalf of the Commission) for normal and post retirement benefits were as follows:

Year Ending	Pension Contributions	Post-Retirement Medical Contributions	NCGI Premium
6/30/10	$	$119,304.00	$6,352.00
6/30/09		227,915.00	11,947.00
6/30/08	252,003.00	21,866.00	11,716.00

NOTE 9. PENSION PLANS: (continued)

During the year ended June 30, 2010, the State of New Jersey contributed $125,656.00 to the TPAF for noncontributory life insurance contributions and post-retirement medical benefits on behalf of the Commission, $6,352.00 was for noncontributory life insurance contributions and $119,304.00 was for post-retirement medical benefits. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Commission $146,146.13 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. These amounts have been included in the district-wide financial statements, and the fund-based statements as revenues and expenditures in accordance with GASB 24.

NOTE 10. POST-RETIREMENT BENEFITS:

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Teachers' Pension and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2009, there were 84,590 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994 Chapter 62. Funding of post-retirement medical premiums changed from a prefunding 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 Chapter 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. In fiscal year 2009, the State paid $116.9 million toward Chapter 126 benefits for 13,320 eligible retired members.

NOTE 11. DEFERRED COMPENSATION:

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the entities listed below, permits participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

Valic AXA Equitable

NOTE 12. RISK MANAGEMENT:

The Commission is exposed to various risks of loss related to general liability, automobile coverage; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has obtained insurance coverage to guard against these events to minimize the exposure to the Commission should they occur.

Property and Liability Insurance - The Commission is currently a member of the School Alliance Insurance Fund (the "Fund"). The Fund provides it's members with General Liability, Auto Liability, Property, Employee Benefits Liability, Worker's Compensation and Employer Liability Insurance. The Fund is a risk-sharing public entity risk pool that is both an insured and self-administered group of School District's established for the purpose of providing low-cost insurance coverage for their respective members in order to keep insurance costs at a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Funds are elected.

As a member of the Fund, the Commission could be subject to supplemental assessments in the event of deficiencies. If the assets of the Funds were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities. However, this Fund has fully reinsured the exposures above all limits subscribed to by its members. The Funds can declare and distribute dividends to members upon arrival of the State of New Jersey Department of Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body.

Financial statements for the Funds are available at the office of the Fund's administrator, 51 Everette Drive, Suite 105B, Lawrenceville, New Jersey 08646.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverages.

New Jersey Unemployment Compensation Insurance - The Commission has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Commission is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Commission is billed quarterly for amounts due to the State. The following is a summary of Commission contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Commission's expendable trust fund for the current and previous year:

Fiscal Year	Interest Earnings/ Commission Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
2009-2010	$363.04	$7,270.58	$	$51,506.14
2008-2009	449.63	8,667.60	34,288.76	43,872.52
2007-2008	5,509.11	7,938.02	164,165.93	69,044.05

NOTE 13. REVOLVING LINE OF CREDIT:

The Commission entered into an agreement with Columbia Bank for a $500,000.00 revolving line of credit. The line of credit is to be utilized for cash flow purposes. During the 2009-2010 school year, the Commission did not utilize this line of credit.

NOTE 14. FUND BALANCE APPROPRIATED:

General Fund [Exhibit B-1] - Of the $460,763.73 General Fund fund balance at June 30, 2010, $-0- is reserved for encumbrances and 460,763.73 is unreserved and undesignated.

NOTE 15. CONTINGENT LIABILITIES:

Grant Programs - The school district participates in federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The school district is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

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 Board's Attorney the potential claims against the Commission not covered by insurance policies would not materially affect the financial condition of the Commission.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

PASSAIC COUNTY EDUCATIONAL SERVICES COMMISSION

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2010

	Original Budget	Budget Transfers/ Adjustments	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Tuition	3,893,288.00	1,680,838.00	5,574,126.00	4,266,916.71	(1,307,209.29)
Transportation Fees	9,630,148.00	-	9,630,148.00	8,794,769.45	(835,378.55)
Miscellaneous	2,018,009.00	35,860.00	2,053,869.00	1,971,379.38	(82,489.62)
Total - Local Sources	15,541,445.00	1,716,698.00	17,258,143.00	15,033,065.54	(2,225,077.46)
State Sources:					
TPAF Post Retirement Medical (On-Behalf - Non-Budgeted)			-	119,304.00	119,304.00
TPAF NCGI Premium (On-Behalf - Non-Budgeted)			-	6,352.00	6,352.00
TPAF Social Security (Reimbursed - Non-Budgeted)			-	146,146.13	146,146.13
Total - State Sources	-	-	-	271,802.13	271,802.13
TOTAL REVENUES	15,541,445.00	1,716,698.00	17,258,143.00	15,304,867.67	(1,953,275.33)
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Preschool/Kindergarten - Salaries of Teachers	487,187.00	43,662.00	530,849.00	270,850.00	259,999.00
Grades 9-12 - Salaries of Teachers	490,306.00	535,906.00	1,026,212.00	945,386.00	80,826.00
Other Salaries for Instruction		122,800.00	122,800.00	86,462.91	36,337.09
Purchased Professional-Educational Services		132,500.00	132,500.00	12,500.00	120,000.00
General Supplies	18,930.42	131,328.00	150,258.42	116,595.94	33,662.48
Textbooks		32,200.00	32,200.00	14,874.42	17,325.58
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	110,334.00	(57,076.00)	53,258.00	34,206.35	19,051.65
General Supplies	62,300.00	(50,000.00)	12,300.00	2,310.28	9,989.72
Textbooks	35,000.00	(35,000.00)			-
TOTAL REGULAR PROGRAMS - INSTRUCTION	1,204,057.42	856,320.00	2,060,377.42	1,483,185.90	577,191.52
SPECIAL EDUCATION - INSTRUCTION					
Learning and/or Language Disabilities:					
Salaries of Teachers	167,000.00	-	167,000.00	3,110.00	163,890.00
Other Salaries for Instruction	184,955.00	(49,563.00)	135,392.00	70,258.78	65,133.22
Total Learning and/or Language Disabilities	351,955.00	(49,563.00)	302,392.00	73,368.78	229,023.22
Behavioral Disabilities:					
Salaries of Teachers	59,729.00	2,000.00	61,729.00		61,729.00
Total Behavioral Disabilities	59,729.00	2,000.00	61,729.00	-	61,729.00
Multiple Disabilities:					
Salaries of Teachers	187,773.00	28,999.00	216,772.00	166,501.44	50,270.56
Other Salaries for Instruction	190,183.00	6,246.00	196,429.00	144,001.81	52,427.19
General Supplies	7,000.00	(2,000.00)	5,000.00	3,846.40	1,153.60
Total Multiple Disabilities	384,956.00	33,245.00	418,201.00	314,349.65	103,851.35
TOTAL SPECIAL EDUCATION - INSTRUCTION	796,640.00	(14,318.00)	782,322.00	387,718.43	394,603.57
School-Sponsored Cocurricular Activities - Instruction					
Supplies and Materials	5,000.00	-	5,000.00	1,729.19	3,270.81
Other Objects		6,000.00	6,000.00		6,000.00
Total School-Sponsored Cocurricular Activities - Instruction	5,000.00	6,000.00	11,000.00	1,729.19	9,270.81
TOTAL INSTRUCTION	2,005,697.42	848,002.00	2,853,699.42	1,872,633.52	981,065.90
Undist. Expend. - Health Services					
Salaries	361,833.00	5,354.90	367,187.90	333,985.52	33,202.38
Other Purchased Services (400-500 series)		2,700.00	2,700.00	2,700.00	-
Supplies and Materials	2,054.00	(742.90)	1,311.10	1,231.91	79.19
Total Undistributed Expenditures - Health Services	363,887.00	7,312.00	371,199.00	337,917.43	33,281.57
Undist. Expend. - Speech, OT, PT & Related Serv.					
Salaries	141,959.00	(22,959.00)	119,000.00	64,736.70	54,263.30
Total Undist. Expend. - Speech, OT, PT & Related Serv.	141,959.00	(22,959.00)	119,000.00	64,736.70	54,263.30
Undist. Expend. - Other Supp. Serv. Students-Extra Services					
Salaries	540,233.00	103,600.00	643,833.00	561,291.90	82,541.10
Total Undist. Expend. - Other Supp. Serv. Students-Extra Serv.	540,233.00	103,600.00	643,833.00	561,291.90	82,541.10
Undist. Expend. - Guidance					
Salaries of Other Professional Staff		82,800.00	82,800.00	30,914.90	51,885.10
Other Salaries	46,095.00	4,498.00	50,593.00	50,592.50	0.50
Purchased Professional - Educational Services		11,000.00	11,000.00	8,400.00	2,600.00
Total Undist. Expend. - Guidance	46,095.00	98,298.00	144,393.00	89,907.40	54,485.60

PASSAIC COUNTY EDUCATIONAL SERVICES COMMISSION

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2010

	Original Budget	Budget Transfers/ Adjustments	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Instructional Staff Training Serv.					
Other Purchased Services (400-500 series)	10,500.00	6,010.00	16,510.00	1,948.23	14,561.77
Total Undist. Expend. - Instructional Staff Training Serv.	10,500.00	6,010.00	16,510.00	1,948.23	14,561.77
Undist. Expend. - Supp. Serv. - General Administration					
Salaries	78,395.00	11,902.00	90,297.00	90,294.57	2.43
Legal Services	15,000.00	10,300.00	25,300.00	23,712.00	1,588.00
Audit Fees		11,600.00	11,600.00	11,600.00	-
Other Purchased Professional Services	12,000.00	(12,000.00)			-
Other Purchased Technical Services	999,000.00	26,471.00	1,025,471.00	876,789.14	148,681.86
Communications/Telephone	18,610.00	9,347.00	27,957.00	22,211.62	5,745.38
Miscellaneous Purchased Services (400-500 series)	260,000.00	45,671.00	305,671.00	302,532.06	3,138.94
General Supplies	15,500.00	209.00	15,709.00	14,144.06	1,564.94
Miscellaneous Expenditures	1,500.00	8,800.00	10,300.00		10,300.00
Total Undist. Expend. - Supp. Serv. - General Administration	1,400,005.00	112,300.00	1,512,305.00	1,341,283.45	171,021.55
Undist. Expend. - Support Serv. - School Administration					
Salaries of Principals/Assistant Principals	279,250.00	(14,557.00)	264,693.00	193,510.48	71,182.52
Salaries of Other Professional Staff	176,085.00	(26,024.00)	150,061.00	105,673.54	44,387.46
Salaries of Secretarial and Clerical Assistants	64,941.00	22,895.00	87,836.00	73,026.06	14,809.94
Purchased Professional and Technical Services		-			-
Supplies and Materials	9,715.25	6,545.00	16,260.25	11,950.41	4,309.84
Other Objects	2,500.00	-	2,500.00		2,500.00
Total Undist. Expend. - Support Serv. - School Administration	532,491.25	(11,141.00)	521,350.25	384,160.49	137,189.76
Undist. Expend. - Central Services					
Salaries	54,688.00	-	54,688.00	54,686.64	1.36
Supplies and Materials		788.00	788.00	787.84	0.16
Total Undist. Expend. - Central Services	54,688.00	788.00	55,476.00	55,474.48	1.52
Undist. Expend. - Required Maint. for School Facilities					
Salaries	35,400.00	(23,400.00)	12,000.00		12,000.00
Cleaning, Repair and Maintenance Services	38,000.00	57,864.00	95,864.00	86,496.21	9,367.79
Undist. Expend. - Required Maint. for School Facilities	73,400.00	34,464.00	107,864.00	86,496.21	21,367.79
Undist. Expend. - Custodial Services					
Salaries		50,600.00	50,600.00	44,186.46	6,413.54
Salaries of Non-Instructional Aides	8,000.00	39,000.00	47,000.00	38,470.33	8,529.67
Purchased Professional and Technical Services		81,082.00	81,082.00	76,513.24	4,568.76
Cleaning, Repair and Maintenance Services	35,000.00	(8,997.00)	26,003.00	17,492.92	8,510.08
Rental of Land & Bldg. Other than Lease Purchase Agreement	332,502.00	79,315.00	411,817.00	351,402.60	60,414.40
Insurance	20,361.00	5,739.00	26,100.00	25,092.00	1,008.00
General Supplies		16,200.00	16,200.00	14,883.58	1,316.42
Energy (Natural Gas)		66,759.00	66,759.00	32,901.77	33,857.23
Energy (Electricity)	68,100.00	(39,500.00)	28,600.00	15,222.00	13,378.00
Total Undist. Expend. - Custodial Services	463,963.00	290,198.00	754,161.00	616,164.90	137,996.10
Undist. Expend. - Required Maint. for School Facilities					
Salaries	50,000.00	45,480.00	95,480.00	52,425.01	43,054.99
Purchased Professional and Technical Services		30,000.00	30,000.00	2,640.00	27,360.00
General Supplies		2,000.00	2,000.00	1,151.95	848.05
Undist. Expend. - Required Maint. for School Facilities	50,000.00	77,480.00	127,480.00	56,216.96	71,263.04
Total Undist. Expend. - Operation and Maint. Of Plant Services	587,363.00	402,142.00	989,505.00	758,878.07	230,626.93
Undist. Expend. - Student Transportation Services					
Salaries for Pupil Trans (Between Home and School)-Special Ed.	144,065.00	480.00	144,545.00	144,543.71	1.29
Contracted Services (Between Home and School)-Vendors	13,933.00	6,067.00	20,000.00	14,840.00	5,160.00
Contracted Services (Special Ed. Students)-Vendors	8,923,572.00	(11,726.00)	8,911,846.00	8,459,417.32	452,428.68
Miscellaneous Purchased Services		6,200.00	6,200.00	5,812.56	387.44
Supplies and Materials		900.00	900.00	848.20	51.80
Miscellaneous Expenditures	500.00	8,294.00	8,794.00	3,648.80	5,145.20
Total Undist. Expend. - Student Transportation Services	9,082,070.00	10,215.00	9,092,285.00	8,629,110.59	463,174.41
Health Services - Employee Benefits					
Social Security Contributions	19,905.00	(1,541.00)	18,364.00	13,605.44	4,758.56
Other Retirement Contributions - Regular	25,370.00	(1,234.00)	24,136.00	23,926.00	210.00
Workmen's Compensation	5,203.00	(231.00)	4,972.00	4,697.00	275.00
Total Health Services - Employee Benefits	50,478.00	(3,006.00)	47,472.00	42,228.44	5,243.56
Student Transportation Services - Employee Benefits					
Social Security Contributions	11,022.00	-	11,022.00	76.50	10,945.50
Other Retirement Contributions - Regular	14,046.00	(1,766.00)	12,280.00	11,655.00	625.00
Workmen's Compensation	500.00	-	500.00		500.00
Health Benefits	18,105.00	11,000.00	29,105.00	24,980.50	4,124.50
Total Student Transportation Services - Employee Benefits	43,673.00	9,234.00	52,907.00	36,712.00	16,195.00
TOTAL ALLOCATED BENEFITS	94,151.00	6,228.00	100,379.00	78,940.44	21,438.56

PASSAIC COUNTY EDUCATIONAL SERVICES COMMISSION

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2010

	Original Budget	Budget Transfers/ Adjustments	Final Budget	Actual	Variance Final to Actual
UNALLOCATED BENEFITS					
Social Security Contributions	88,242.00	56,402.00	144,644.00	119,226.82	25,417.18
Other Retirement Contributions - Regular	56,459.00	28,981.00	85,440.00	76,062.00	9,378.00
Unemployment Compensation	131,360.00	14,008.00	145,368.00	105,995.55	39,372.45
Workmen's Compensation	11,102.00	3,634.00	14,736.00	12,429.15	2,306.85
Health Benefits	417,788.00	52,878.00	470,666.00	345,196.43	125,469.57
TOTAL UNALLOCATED BENEFITS	704,951.00	155,903.00	860,854.00	658,909.95	201,944.05
On-behalf TPAF Post Retirement Medical (Non-Budgeted)				119,304.00	(119,304.00)
TPAF Pension (On-Behalf - Non-Budgeted)				6,352.00	(6,352.00)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				146,146.13	(146,146.13)
TOTAL ON-BEHALF CONTRIBUTIONS	-	-	-	271,802.13	(271,802.13)
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS	799,102.00	162,131.00	961,233.00	1,009,652.52	(48,419.52)
TOTAL UNDISTRIBUTED EXPENDITURES	13,558,393.25	868,696.00	14,427,089.25	13,234,361.26	1,192,727.99
TOTAL GENERAL CURRENT EXPENSE	15,564,090.67	1,716,698.00	17,280,788.67	15,106,994.78	2,173,793.89
TOTAL EXPENDITURES	15,564,090.67	1,716,698.00	17,280,788.67	15,106,994.78	2,173,793.89
Excess (Deficiency) of Revenues Over (Under) Expenditures	(22,645.67)	-	(22,645.67)	197,872.89	220,518.56
Fund Balance, July 1	262,890.84		262,890.84	262,890.84	-
Fund Balance, June 30	240,245.17	-	240,245.17	460,763.73	220,518.56
Recapitulation of excess (deficiency) of revenues under expenditures					
Adjustment for Prior Year Encumbrances	(22,645.67)		(22,645.67)	(22,645.67)	-
Budgeted Fund Balance			-	220,518.56	220,518.56
	(22,645.67)	-	(22,645.67)	197,872.89	220,518.56

Recapitulation:

Unrestricted Fund Balance - Undesignated	460,763.73
	460,763.73
Reconciliation to Governmental Funds Statements (GAAP):	
Last State Aid Payment not recognized on GAAP basis	
Fund Balance per Governmental Funds (GAAP)	460,763.73

Exhibit C-2

PASSAIC COUNTY EDUCATIONAL SERVICES COMMISSION
Budgetary Comparison Schedule
Special Revenue Fund
For the Year Ended June 30, 2010

	Original Budget	Budget Transfers/ Adjustments	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Federal Sources	170,000.00	(162,916.67)	7,083.33	7,083.33	-
Total Revenues	170,000.00	(162,916.67)	7,083.33	7,083.33	-
EXPENDITURES:					
Instruction:					
Purchased Professional - Educational Services	170,000.00	(162,916.67)	7,083.33	7,083.33	-
Total Instruction	170,000.00	(162,916.67)	7,083.33	7,083.33	-
Total Expenditures	170,000.00	(162,916.67)	7,083.33	7,083.33	-
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	-	-	-	-	-

PASSAIC COUNTY EDUCATIONAL SERVICES COMMISSION
Required Supplementary Information
Budgetary Comparison Schedule
Note to Required Supplementary Information
For the Year Ended June 30, 2010

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

		General Fund	Special Revenue Fund
Sources/inflows of resources			
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1]&[C-2]	15,304,867.67	7,083.33
Difference - budget to GAAP:		NONE	
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.			29,176.50
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2]	15,304,867.67	36,259.83
Uses/outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1]&[C-2]	15,106,994.78	7,083.33
Differences - budget to GAAP		NONE	
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for *budgetary* purposes, but in the year the supplies are received for *financial reporting* purposes.		N/A	29,176.50
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2]	15,106,994.78	36,259.83

SPECIAL REVENUE FUND

Exhibit E-1

PASSAIC COUNTY EDUCATIONAL SERVICES COMMISSION
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Year Ended June 30, 2010

	Education of Homeless Children & Youth	Totals 2010
REVENUES		
Federal Sources	7,083.33	7,083.33
Total Revenues	7,083.33	7,083.33
EXPENDITURES:		
Instruction:		
Purchased Professional - Educational Services	7,083.33	7,083.33
Total Instruction	7,083.33	7,083.33
Total Expenditures	7,083.33	7,083.33
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	-	-

FIDUCIARY FUND

PASSAIC COUNTY EDUCATIONAL SERVICES COMMISSION
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Unemployment Compensation Trust Fund	Agency Fund
ASSETS		
Cash and Cash Equivalents	42,838.54	12,397.60
Interfund Receivable	8,667.60	2,756.73
Total Assets	51,506.14	15,154.33
LIABILITIES		
Payroll Deductions and Withholdings		3,730.00
Interfund Payable		8,667.60
Due to PC Principal Association		2,488.72
Due to PC Partnership		268.01
Total Liabilities	-	15,154.33
NET ASSETS		
Held in Trust for Unemployment Claims and Other Purposes	51,506.14	

Exhibit H-2

PASSAIC COUNTY EDUCATIONAL SERVICES COMMISSION
Combining Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2010

	Unemployment Compensation Trust Fund
ADDITIONS	
Contributions:	
Plan Member	7,270.58
Total Contributions	7,270.58
Investment Earnings:	
Interest	363.04
Net Investment Earnings	363.04
Total Additions	7,633.62
DEDUCTIONS	
Unemployment Claims/Contributions	-
Total Deductions	-
Change in Net Assets	7,633.62
Net Assets—Beginning of the Year	43,872.52
Net Assets—End of the Year	51,506.14

Exhibit H-3

PASSAIC COUNTY EDUCATIONAL SERVICES COMMISSION
Miscellaneous Agency Funds
Schedule of Receipts and Disbursements
For the Year Ended June 30, 2010

	Balance July 1, 2009	Cash Receipts	Cash Disbursed	Balance June 30, 2010
Passaic County Educational Partnership	10,269.93	4,830.00	14,831.92	268.01
Passaic County Principal Association	2,488.72			2,488.72
	12,758.65	4,830.00	14,831.92	2,756.73

Exhibit H-4

PASSAIC COUNTY EDUCATIONAL SERVICES COMMISSION
Payroll Agency Fund
Schedule of Receipts and Disbursements
For the Year Ended June 30, 2010

	Balance July 1, 2009	Cash Receipts	Cash Disbursed	Balance June 30, 2010
Net Payroll		2,880,389.66	2,880,389.66	-
Payroll Deductions and Withholdings	27,533.10	1,697,282.71	1,721,085.81	3,730.00
Interfunds Payable	8,667.60			8,667.60
	36,200.70	4,577,672.37	4,601,475.47	12,397.60

STATISTICAL SECTION

STATISTICAL SECTION (UNAUDITED)

Introduction to the Statistical Section

Financial Trends

J-1 Net Assets by Component
J-2 Changes in Net Assets
J-3 Fund Balances - Governmental Funds
J-4 Changes in Fund Balances - Governmental Funds
J-5 General Fund Other Local Revenue by Source

Revenue Capacity

J-6 Assessed Value and Estimated Actual Value of Taxable Property
J-7 Direct and Overlapping Property Tax Rates
J-8 Principal Property Taxpayers
J-9 Property Tax Levies and Collections

Debt Capacity

J-10 Ratios of Outstanding Debt by Type
J-11 Ratios of General Bonded Debt Outstanding
J-12 Direct and Overlapping Governmental Activities Debt
J-13 Legal Debt Margin Information

Demographic and Economic Information

J-14 Demographic and Economic Statistics
J-15 Principal Employers

Operating Information

J-16 Full-time Equivalent District Employees by Function/Program
J-17 Operating Statistics
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J-20 Insurance Schedule

STATISTICAL SECTION (UNAUDITED) - INTRODUCTION

J SERIES

Contents **Page**

Financial Trends

These schedules contain trend information to help the reader understand how the district's financial performance and well-being have changes over time. **J-1 to J-5**

Revenue Capacity

These schedules contain information to help the reader assess the district's most significant local revenue sources, the property tax. **J-6 to J-9**

Debt Capacity

These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district'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 district's financial activities take place. **J-14 to J-15**

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district 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 (CAFR) for the relevant year. The district implemented GASB Statement 34 in the fiscal year ending June 30, 2003; schedules presenting district-wide information include information beginning in that year.

Exhibit J-1

PASSAIC COUNTY EDUCATIONAL SERVICES COMMISSION
Net Assets by Component,
Last Ten Fiscal Years*

(accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010
Governmental activities							
Invested in capital assets, net of related debt	496,505.02	462,632.07	428,759.00	401,746.17	377,919.81	369,446.14	344,331.72
Restricted						22,645.67	
Unrestricted	792,244.59	1,405,137.13	1,208,245.00	685,284.00	(13,549.40)	231,995.17	451,663.73
Total governmental activities net assets	1,288,749.61	1,867,769.20	1,637,004.00	1,087,030.17	364,370.41	624,086.98	795,995.45
District-wide							
Invested in capital assets, net of related debt	496,505.02	462,632.07	428,759.00	401,746.17	377,919.81	369,446.14	344,331.72
Unrestricted	792,244.59	1,405,137.13	1,208,245.00	685,284.00	(13,549.40)	231,995.17	451,663.73
Total district net assets	1,288,749.61	1,867,769.20	1,637,004.00	1,087,030.17	364,370.41	624,086.98	795,995.45

Source: CAFR Scehdule A-1

* GASB requires that ten years of statistical data be presented. However, since fiscal year 2004 was the first year of GASB 34 implementation ten years is not presented. Each year thereafter, an additional year will be included until ten years of data is presented.

PASSAIC COUNTY EDUCATIONAL SERVICES COMMISSION **Exhibit J-2**

Changes in Net Assets, Last Ten Fiscal Years*

(accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010
Expenses							
Governmental activities							
Instruction							
Regular	1,986,925.92	2,232,353.60	1,818,072.00	1,704,111.00	1,034,429.38	1,508,815.56	1,800,944.12
Special education	1,722,842.21	1,845,043.66	1,990,856.00	1,929,759.00	1,162,541.70	773,028.38	474,135.33
Other instruction						1,876.54	1,729.19
Support Services:							
Tuition	1,005.75	931.20			742.50		
Student & instruction related services	1,265,438.84	1,577,726.88	1,782,999.00	1,702,520.00	1,487,092.70	1,269,135.74	1,257,309.92
School administrative services	1,486,332.21	1,707,770.57	1,734,902.00	1,286,526.00	640,277.17	433,719.38	467,952.07
General administrative services	1,122,210.36	1,098,741.79	1,148,024.00	1,441,605.00	1,365,548.32	1,349,779.54	1,366,948.50
Central Services & Admin Info Technology		259,386.39	212,833.00	259,572.00	169,659.65	73,162.04	67,785.48
Business administrative services	206,445.30						
Plant operations and maintenance	636,954.48	671,547.05	715,892.00	732,358.00	595,372.03	597,812.91	768,825.28
Pupil transportation	8,789,900.58	8,912,420.82	8,179,988.00	8,716,817.00	8,796,595.29	9,250,428.47	8,665,822.59
Unallocated benefits	254,000.62	302,880.12			464,426.91	389,310.71	272,652.13
Unallocated depreciation	47,544.94	33,872.95			23,826.36	24,690.67	25,114.42
Total governmental activities expenses	17,519,601.21	18,642,675.03	17,583,566.00	17,773,268.00	15,740,512.01	15,671,759.94	15,169,219.03
Total district expenses	17,519,601.21	18,642,675.03	17,583,566.00	17,773,268.00	15,740,512.01	15,671,759.94	15,169,219.03
Program Revenues							
Governmental activities:							
Charges for services	9,020,011.56	9,073,703.00	8,344,548.00	8,792,953.00	8,984,023.07	9,394,596.10	8,794,769.45
Operating grants and contributions	253,350.62	287,904.61	329,060.00	580,472.00	557,125.91	642,476.88	308,061.96
Total governmental activities program revenues	9,273,362.18	9,361,607.61	8,673,608.00	9,373,425.00	9,541,148.98	10,037,072.98	9,102,831.41
Total district program revenues	9,273,362.18	9,361,607.61	8,673,608.00	9,373,425.00	9,541,148.98	10,037,072.98	9,102,831.41
Net (Expense)/Revenue							
Governmental activities	(8,246,239.03)	(9,281,067.42)	(8,909,958.00)	(8,399,843.00)	(6,199,363.03)	(5,634,686.96)	(6,066,387.62)
Total district-wide net expense	(8,246,239.03)	(9,281,067.42)	(8,909,958.00)	(8,399,843.00)	(6,199,363.03)	(5,634,686.96)	(6,066,387.62)
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Unrestricted grants and contributions					682.00		
Tuition Received	5,648,401.44	7,467,598.84	6,485,664.00	5,828,738.00	3,182,048.05	3,821,701.46	4,266,916.71
Miscellaneous income	2,975,804.61	2,392,488.18	2,193,529.00	2,021,131.00	2,293,973.22	2,072,702.07	1,971,379.38
Total governmental activities	8,624,206.05	9,860,087.02	8,679,193.00	7,849,869.00	5,476,703.27	5,894,403.53	6,238,296.09

PASSAIC COUNTY EDUCATIONAL SERVICES COMMISSION
Changes in Net Assets, Last Ten Fiscal Years*
(accrual basis of accounting)

Exhibit J-2

	2004	2005	2006	2007	2008	2009	2010
Total district-wide	8,624,206.05	9,860,087.02	8,679,193.00	7,849,869.00	5,476,703.27	5,894,403.53	6,238,296.09
Change in Net Assets							
Governmental activities	377,967.02	579,019.60	(230,765.00)	(549,974.00)	(722,659.76)	259,716.57	171,908.47
Total district	377,967.02	579,019.60	(230,765.00)	(549,974.00)	(722,659.76)	259,716.57	171,908.47

Source: CAFR Schedule A-2

* GASB requires that ten years of statistical data be presented. However, since fiscal year 2004 was the first year of GASB 34 implementation ten years is not presented. Each year thereafter, an additional year will be included until ten years of data is presented.

PASSAIC COUNTY EDUCATIONAL SERVICES COMMISSION **Exhibit J-3**

Fund Balances, Governmental Funds,
Last Ten Fiscal Years*
(modified accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010
General Fund							
Reserved						22,645.67	
Unreserved	811,144.59	1,443,552.63	1,223,545.00	701,034.00	(4,623.40)	240,245.17	460,763.73
Total general fund	811,144.59	1,443,552.63	1,223,545.00	701,034.00	(4,623.40)	262,890.84	460,763.73

Source: CAFR Schedule B-1

* GASB requires that ten years of statistical data be presented. However, since fiscal year 2004 was the first year of GASB 34 implementation ten years is not presented. Each year thereafter, an additional year will be included until ten years of data is presented.

PASSAIC COUNTY EDUCATIONAL SERVICES COMMISSION
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years

Exhibit J-4

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues										
Tuition	4,764,956.69	4,754,198.56	4,919,937.39	5,648,401.44	6,305,029.09	6,485,664.00	5,828,738.00	3,182,048.05	3,821,701.46	4,266,916.71
Transportation fees	6,176,480.20	7,306,276.52	7,664,611.66	9,020,011.56	9,073,703.00	8,344,548.00	8,792,953.00	8,984,023.07	9,394,596.10	8,794,769.45
Miscellaneous	2,254,770.09	2,854,415.77	2,581,699.94	2,975,804.61	3,555,057.93	2,193,529.00	2,021,131.00	2,293,973.22	2,072,702.07	1,971,379.38
State sources	190,071.11	245,136.49	224,995.27	253,350.62	287,904.61	329,060.00	580,472.00	471,932.91	389,986.71	271,802.13
Federal sources								85,875.00	223,313.67	36,259.83
Total revenue	13,386,278.09	15,160,027.34	15,391,244.26	17,897,568.23	19,221,694.63	17,352,801.00	17,223,294.00	15,017,852.25	15,902,300.01	15,341,127.50
Expenditures										
Instruction										
Regular Instruction	1,082,167.20	1,364,394.97	1,346,394.09	1,744,240.49	1,940,680.85	1,814,574.00	1,700,852.00	871,703.54	1,254,252.91	1,519,445.73
Special education	1,471,624.97	1,849,517.30	1,718,067.49	1,503,984.46	1,597,204.82	1,987,026.00	1,926,082.00	959,119.50	629,257.57	387,718.43
Other instruction									1,876.54	1,729.19
Support Services:										
Instruction - tuition				1,005.75	931.20			742.50		
Student & instruction related services	664,892.68	954,298.30	816,915.98	1,102,882.70	1,362,883.38	1,779,569.00	1,699,276.00	1,267,198.13	1,051,113.63	1,055,801.66
General administrative services	1,298,564.34	1,219,822.32	1,336,556.60	1,091,666.00	1,071,366.86	1,731,564.00	1,284,075.00	1,333,886.61	1,331,716.04	1,341,283.45
School administrative services	975,960.10	1,169,837.47	1,170,941.88	1,297,829.02	1,481,092.43	1,145,815.00	1,438,859.00	533,136.70	355,637.38	384,160.49
Central services & admin. info. technology					232,034.23	235,495.00	258,628.00	141,118.08	61,937.54	55,474.48
Plant operations and maintenance	534,341.44	571,768.03	609,694.64	624,538.46	657,218.45	714,514.00	730,962.00	579,931.24	581,539.42	758,878.07
Pupil transportation	6,054,853.30	7,204,388.67	7,555,780.21	8,774,545.99	8,877,128.13	8,164,252.00	8,700,211.00	8,768,970.51	9,227,434.79	8,629,110.59
Business and other support services	119,203.08	132,076.11	144,620.00	179,802.63						
Health services employee benefits								27,655.81	47,502.78	42,228.44
Pupil transportation employee benefits								27,624.78	22,993.68	36,712.00
Unallocated employee benefits	727,582.00	957,752.17	987,484.60	1,146,910.77	1,368,746.24			1,212,422.25	1,053,306.49	930,712.08
Capital outlay	29,182.44	121,423.88	31,217.00				6,860.00		16,217.00	
Total expenditures	12,958,371.55	15,545,279.22	15,717,672.49	17,467,406.27	18,589,286.59	17,572,809.00	17,745,805.00	15,723,509.65	15,634,785.77	15,143,254.61
Excess (Deficiency) of revenues over (under) expenditures	427,906.54	(385,251.88)	(326,428.23)	430,161.96	632,408.04	(220,008.00)	(522,511.00)	(705,657.40)	267,514.24	197,872.89
Net change in fund balances	427,906.54	(385,251.88)	(326,428.23)	430,161.96	632,408.04	(220,008.00)	(522,511.00)	(705,657.40)	267,514.24	197,872.89

Source: CAFR Schedule B-2

Exhibit J-5

PASSAIC COUNTY EDUCATIONAL SERVICES COMMISSION

General Fund Other Local Revenue by Source
Last Ten Fiscal Years

Function	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Tuition	4,764,956.69	4,754,198.56	4,919,937.39	5,648,401.44	6,305,029.09	6,806,696.00	5,828,738.00	3,182,048.05	3,821,701.46	4,266,916.71
Transportation	6,176,480.20	7,306,276.52	7,664,611.66	9,020,011.56	9,073,703.00	9,073,703.00	8,792,953.00	8,984,023.07	9,394,596.10	8,794,769.45
Cooperative Purchasing - Fuel Oil	137,408.46									
Non-public Nursing Services	95,397.00	111,205.00	116,822.00	325,983.00	320,168.00	310,144.00	268,192.00	252,775.72	267,921.00	242,794.00
Election Services	287,523.96	251,555.13	274,444.73	281,769.77	287,813.58	273,584.00	253,103.00	302,651.47	322,337.18	322,145.99
Substitute Teacher Registry	18,045.00	14,439.00	14,946.00	22,581.00	23,018.98	29,365.00	32,658.00	39,584.50	53,462.85	54,451.00
Workshops	8,850.00	8,790.00	7,959.00	8,630.00	14,100.00	230.00	10,190.00	10,040.00	8,740.00	6,630.00
Home Instruction Services	5,196.22	28,617.23	10,617.38	9,379.00	4,585.00	7,175.00	14,062.00	498.75		
Interest Income	30,927.68	11,247.36	6,865.09	16,801.81	19,900.64	47,995.00	48,834.00	21,751.31	12,449.25	7,911.93
Governors Teachers Recognition Program	8,225.00	9,512.00	10,592.00	12,326.00	16,014.00	16,783.00	15,766.00	5,928.00		
Cooperative Advertising	1,760.00		2,010.00	2,025.00	2,840.00	3,020.00	2,745.00	880.00	990.00	990.00
Other Miscellaneous	36,339.81	72,338.20			10,502.32	20,430.00	58,168.00	27,877.62	21,414.54	4,519.14
Cancellation/Refund of Prior Year Orders			(5,756.33)	10,495.62						
Shared Services	347,530.01	641,990.72	302,213.40	407,455.70	821,428.88	871,810.00	599,027.00	773,101.36	583,289.80	511,353.00
Summer School Programs	341,281.17	361,216.42	387,466.00	351,960.00	405,656.76	509,834.00	436,160.00	678,460.99	637,904.69	611,199.81
After School Program	62,130.00	61,404.00	72,335.00	70,262.00	53,759.50	71,267.00	89,343.00	121,129.66	88,678.84	85,575.51
C.A.P. Program	55,214.50	61,479.00	58,797.91	62,478.00	57,332.81	54,683.00	109,235.00			
PCCC Day Care Tuition	472,061.08	613,691.32	738,023.73	811,115.55	821,609.17	274,498.00	29,390.00			
Pompton Lakes Day Care Tuition	67,252.47	328,508.39	315,320.48	347,131.26	340,960.58	363,614.00	54,258.00	59,293.84		
SES Program									75,513.92	114,809.00
Rental Office Building										9,000.00
Administrative Fees	279,627.73	278,422.00	269,043.55	235,410.90	355,367.71					
	13,196,206.98	14,914,890.85	15,166,248.99	17,644,217.61	18,933,790.02	18,734,831.00	16,642,822.00	14,460,044.34	15,288,999.63	15,033,065.54

Source: District records.

Exhibit J-16

PASSAIC COUNTY EDUCATIONAL SERVICES COMMISSION
Full-time Equivalent District Employees by Function/Program,
Last Ten Fiscal Years

Function/Program	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Instruction										
Regular										
Other special education										
Vocational	INFORMATION NOT AVAILABLE									
Other instruction										
Support Services:										
Student & instruction related services										
General adminsitrative services										
School administrative services										
Business adminsitrative services										
Plant operations and maintenance										
Pupil transportation										
Total	-	-	-	-	-	-	-	-	-	-

Source: District Personnel Records

Exhibit J-17

PASSAIC COUNTY EDUCATIONAL SERVICES COMMISSION
Operating Statistics
Last Ten Fiscal Years

Fiscal Year	Average Daily Enrollment (ADE) [a]	Average Daily Attendance (ADA) [a]	% Change in Average Daily Enrollment	Student Attendance Percentage
2001	338.0	299.8	19.77%	88.70%
2002	326.1	285.2	-3.52%	87.46%
2003	326.7	290.9	0.18%	89.04%
2004	337.6	304.7	3.34%	90.25%
2005	346.4	313.8	2.61%	90.59%
2006	331.5	299.7	-4.30%	90.41%
2007	278.1	250.2	-16.11%	89.97%
2008	103.2	91.8	-62.89%	88.95%
2009	47.9	42.7	-53.59%	89.14%
2010	75.5	67.2	57.62%	89.01%

Sources: District records.

Note: Enrollment based on annual October district count.

a Average daily enrollment and average daily attendance are obtained fr

Exhibit J-20

PASSAIC COUNTY EDUCATIONAL SERVICES COMMISSION

INSURANCE SCHEDULE
JUNE 30, 2010

	Coverage	Deductible
PROPERTY SECTION (1)		
Building and Contents	130,000	1,000
Boiler & Machinery	Included	1,000
GENERAL LIABILITY SECTION (1)		
Each Occurrence	5,000,000	None
Aggregate	5,000,000	None
Employee Benefit Liability	5,000,000	None
WORKERS' COMPENSATION (1)		
(a) Statutory Benefits	Included	None
(b) Employers Liability	5,000,000	None
Supplemental Coverage (Optional)	Included	None
ERRORS AND OMISSIONS (1)	5,000,000	
CRIME (1)		
Blanket Employee Dishonesty	400,000	
Faithful Performance	400,000	
Depositor's Forgery	50,000	
Computer Fraud	50,000	
Surety Bonds (2)		
Treasurer	205,000	N/A
Board Secretary / Business Asministrator	205,000	N/A

(1) Ace Insurance Company, School Alliance Insurance Fund
(2) Selective Insurance

Source: District records.

SINGLE AUDIT SECTION

Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA
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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
Passaic County Educational Services Commission
45 Reinhardt Road
Wayne, NJ 07470

We have audited the financial statements of the governmental activities and each major fund of the Passaic County Educational Services Commission in the County of Passaic as of and for the fiscal year ended June 30, 2010 which collectively comprise the basic financial statements of the Passaic County Educational Services Commission in the County of Passaic, and have issued our report thereon dated October 27, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Passaic County 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 Passaic County Educational Services Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Passaic County 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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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 Passaic County 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 immaterial instances of noncompliance that we have reported to the management of the Passaic County Educational Services Commission in a separate report entitled, "Auditors' Management Report on Administrative Findings - Financial, Compliance and Performance", dated October 27, 2010.

This report is intended solely for the information of management, the Passaic County Educational Services Commission, New Jersey State Department of Education and other state and federal awarding agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

James Cerullo, C.P.A.
Licensed Public School Accountant
No. 881

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants

October 27, 2010

FWCC

Schedule A

PASSAIC COUNTY EDUCATIONAL SERVICES COMMISSION
Schedule of Expenditures of Federal Awards
for the Fiscal Year Ended June 30, 2010

Federal Grant/Pass-Through Grantor Program Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2009	Carryover/ Adjustments	Cash Received	Budgetary Expenditures	Repayment of Prior Year's Balance	Balance at June 30, 2010 Accounts Receivable	Balance at June 30, 2010 Deferred Revenue	Balance at June 30, 2010 Due To Grantor at	MEMO Cumulative Total Expenditures
U.S. Department of Education Passed-Through State Department of Education:													
Special Revenue Fund:													
Education for Homeless Children and Youth	84.196A	IDEA5690-09	09/01/08-08/31/09	170,000.00	(38,916.67)		46,000.00	(7,083.33)		-			170,000.00
Total Special Revenue Fund					(38,916.67)	-	46,000.00	(7,083.33)	-	-	-	-	170,000.00
TOTAL FEDERAL FINANCIAL AWARDS					(38,916.67)	-	46,000.00	(7,083.33)	-	-	-	-	170,000.00

NOTE: THIS SCHEDULE WAS NOT SUBJECT TO AN AUDIT IN ACCORDANCE WITH FEDERAL OMB CIRCULAR A-133.

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

Schedule B

PASSAIC COUNTY EDUCATIONAL SERVICES COMMISSION
Schedule of Expenditures of State Financial Assistance
for the Fiscal Year Ended June 30, 2010

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2009 Deferred Revenue/ (Accts. Receivable)	Balance at June 30, 2009 Due To Grantor	Carryover/ Walkover Amount	Cash Received	Budgetary Expenditures	Adjustment/ Repayment of Prior Year's Balance	Balance at June 30, 2010 Accounts Receivable	Balance at June 30, 2010 Deferred Revenue	Balance at June 30, 2010 Due To Grantor at		MEMO Budgetary Receivable	MEMO Cumulative Total Expenditures
State Department of Education:															
General Fund:															
On-Behalf TPAF - Post Retirement Medical	10-495-034-5095-001	07/01/09-06/30/10	119,304.00				119,304.00	(119,304.00)		-			*		119,304.00
On-Behalf TPAF - NCGI Contributions	10-495-034-5095-007	07/01/09-06/30/10	6,352.00				6,352.00	(6,352.00)		-			*		6,352.00
Reimbursed TPAF - Social Security	09-495-034-5095-002	07/01/08-06/30/09	150,124.71	(7,293.43)			7,293.43			-			*		-
Reimbursed TPAF - Social Security	10-495-034-5095-002	07/01/09-06/30/10	146,146.13				146,146.13	(146,146.13)		-			*		146,146.13
													*		
Total General Fund				(7,293.43)	-	-	279,095.56	(271,802.13)	-	-	-	-	*	-	271,802.13
													*		
TOTAL STATE FINANCIAL ASSISTANCE				(7,293.43)	-	-	279,095.56	(271,802.13)	-	-	-	-	*	-	271,802.13

NOTE: THIS SCHEDULE WAS NOT SUBJECT TO AN AUDIT IN ACCORDANCE WITH NEW JERSEY OMB CIRCULAR 04-04..

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

NOTE 1. GENERAL

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance include the activity of all federal and state award programs of the Passaic County Educational Services Commission. The Commission is defined in Note 1 to the Commission's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal and state awards passed through other government agencies is included on the Schedules of Expenditures of Federal Awards and State Financial Assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented on 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 2(C) and 2(D) to the Board's basic financial statements. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ in amounts presented in or used in the preparation of the basic financial statements.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the general fund and the 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 the modified accrual basis with the exception of the revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes, that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payment 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, whereas the GAAP basis does not. The special revenue fund also recognizes the last state aid payment in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS, (continued)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is $-0- for the general fund and $29,176.50 for the special revenue fund. See Notes to Required Supplemental 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 Board's financial statements on a GAAP basis as follows:

	Federal	State	Total
General Fund		$271,802.13	$271,802.13
Special Revenue Fund	$36,259.83		36,259.83
Total Awards and Financial	$36,259.83	$271,802.13	$308,061.96

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the Commission for the year ended June 30, 2010. The amount reported as TPAF Social Security Contributions 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.

PASSAIC COUNTY EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

1. Material weakness(es) identified? _____ yes ____X____ no

2. Significant deficiencies identified that are not considered to be material weaknesses? _____ yes ____X____ none reported

Noncompliance material to basic financial statements noted? _____ yes ____X____ no

Federal Awards - Not Applicable

State Awards - Not Applicable

PASSAIC COUNTY EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(continued)

Section II - Financial Statement Findings

None

Section III - Federal Awards and State Financial Assistance Findings and Questioned Costs

No matters were reported.

PASSAIC COUNTY EDUCATIONAL SERVICES COMMISSION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Status of Prior Year Findings

There were no prior year audit findings related to Federal or State Awards.