

**WEST ESSEX REGIONAL SCHOOL DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**Borough of North Caldwell
County of Essex, New Jersey**

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

of the

West Essex Regional School District

North Caldwell, New Jersey

For The Fiscal Year Ended June 30, 2014

Prepared by

Finance Department

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INTRODUCTORY SECTION

WEST ESSEX REGIONAL SCHOOL DISTRICT

Board of Education

West Greenbrook Road
North Caldwell, New Jersey 07006
(973) 228-1200 Fax (973) 228-0559
www.westex.org

October 22, 2014

Honorable President and
Members of the Board of Education
West Essex Regional School District
West Greenbrook Road
North Caldwell, New Jersey 07006

Dear Board Members:

The comprehensive annual financial report of the West Essex Regional School District (the "District") for the fiscal year ended June 30, 2014 is hereby submitted. Responsibility for both the accuracy of the data and completeness and depth of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in the required manner which is designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

Governmental Accounting Standards Board (GASB) requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the "Independent Auditors' Report".

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart, a roster of principal officials and a list of consultants and advisors. The financial section includes the independent auditors' report, management discussion and analysis (MD&A) and the basic financial statements including the district-wide financial statements presented in conformity with Governmental Accounting Standards Board Statement No. 34. The basic financial statements also include individual fund financial statements, notes to the financial statements and required supplemental information (RSI). The statistical section includes selected financial and

demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations", and the state Treasury Circular Letter 04-04. 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: West Essex Regional School District is an independent reporting entity within the criteria adopted by the GASB. All Funds of the District are included in this report. The West Essex Regional Board of Education and its 2 (two) schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels 7 through 12. These include regular, vocational, as well as special education services for handicapped youngsters. The District completed the 2013-2014 fiscal year with an enrollment of 1650, students, which is 59 students above the previous year's enrollment. The following details the changes in the student enrollment of the district over the last ten years.

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2013-2014	1,650	2.1
2012-2013	1,617	.001
2011-2012	1,615	.50
2010-2011	1,607	1.01
2009-2010	1,591	(2.57)
2008-2009	1,633	1.8
2007-2008	1,604	.44
2006-2007	1,597	2.31
2005-2006	1,561	3.11
2004-2005	1,543	(1.15)
2003-2004	1,507	(2.33)

2. ECONOMIC CONDITIONS: The West Essex Regional School District is comprised of four suburban municipalities: Essex Fells, Fairfield, North Caldwell, and Roseland. Covering an area of 18 square miles, with a combined population of approximately 22,850, these four highly desirable communities are located just 25 miles west of the cultural center of New York City and one hour from the New Jersey shore.

The West Essex area is convenient to Newark Liberty Airport, the New Jersey Turnpike, the Garden State Parkway, and train and bus service to New York City.

High economic standards are characteristic of the West Essex Community, as the District factor grouping rating, assigned by the New Jersey Department of Education is an "I" and about 75% of the wage earners are employed in professional, managerial, technical, or skilled occupations.

3. MAJOR INITIATIVES: The mission of the West Essex Regional School system is to provide a superior education to all students.

In 2013-14 we began the capital improvements for the new band room, new boiler in the high school, completion of window replacement project at the middle school, and the turf and track replacement.

We have added new courses, such as AP Music Theory, AP Micro Economics, and our science department has added a new Sports Medicine class that has been a great success this school year. We have rewritten all the curricula to align with the common core and continue to update our network and prepare for PARCC testing which will begin in Spring 2015. We also continue to add Smart boards to our classrooms every year in our mission to stay "state of the art" with our technology.

4. INTERNAL ACCOUNTING CONTROLS: Management of the district is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District 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 district 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 District management.

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

5. BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the district. Annual appropriated budgets are adopted for the general fund, special revenue fund and the debt service 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 cancelled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as committed or assigned fund balance at June 30, 2014.

6. ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Financial Statements".

7. CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements". The District 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.

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

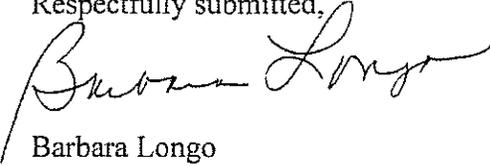
9. OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Lerch, Vinci & Higgins, LLP was selected by the members of the West Essex Regional Board of Education. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act and the related OMB Circular A-133 and state Treasury Circular Letter 04-04 OMB. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

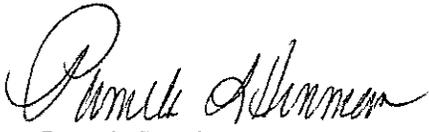
10. ACKNOWLEDGEMENTS:

We would like to express our appreciation to all the current members of the West Essex Regional Board of Education and those who served in the 2013-2014 school year for their concern in providing fiscal accountability to the citizens and taxpayers of the school district 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,

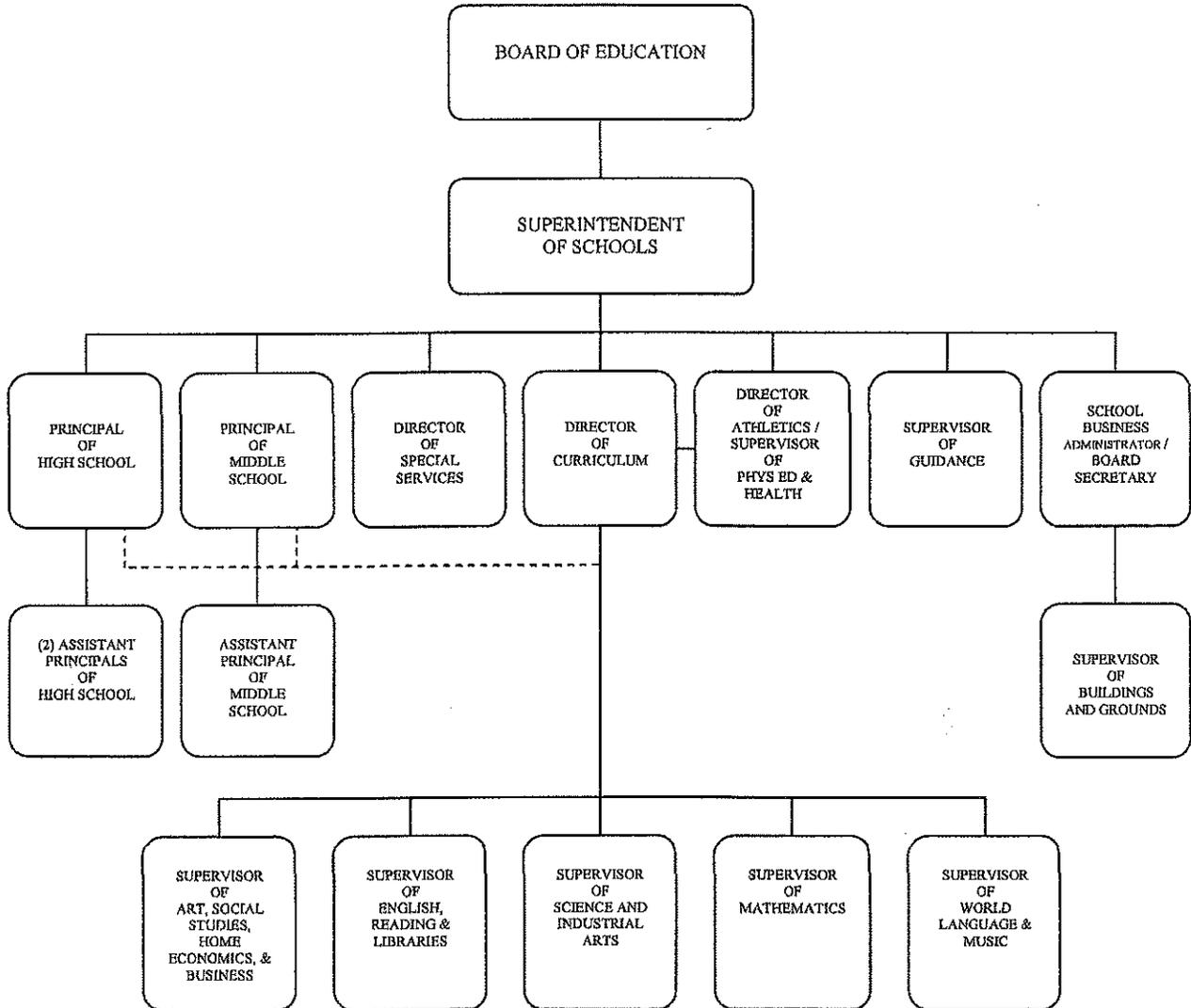


Barbara Longo
Superintendent of Schools



Pamela L. Hinman
School Business Administrator/
Board Secretary

1110 ORGANIZATIONAL CHART



Adopted: 6 April 2009
Modified: 26 September 2011



WEST ESSEX REGIONAL SCHOOL DISTRICT
NORTH CALDWELL, NEW JERSEY

ROSTER OF OFFICIALS

AT JUNE 30, 2014

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Frank Antonucci	2014
Kristin Bachmann	2015
Ann Fahey	2015
Judith Amorin Dias	2016
Argiro Doolen	2016
Anthony Rubinich	2014
Dawn Smith	2014
Deborah Sacco-Calderone	2016
Maryadele Wojtowicz	2015
<u>Other Officials</u>	
Mrs. Barbara Longo, Superintendent of Schools	
Pamela L. Hinman, Board Secretary/School Business Administrator	
Fogarty & Hara, Board Counsel	
Kerry Keane, Treasurer of School Monies	

WEST ESSEX REGIONAL SCHOOL DISTRICT

Consultants and Advisors

Architects

DiCara, Rubino Architects
30 Galesi Drive
Wayne, New Jersey 07470

Audit Firm

Lerch, Vinci & Higgins, LLP
Certified Public Accountants
17-17 Route 208 N
Fair Lawn, New Jersey 07410

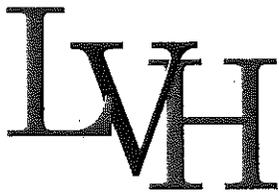
Attorney

Fogarty & Hara
16-00 Route 208 S.
Fair Lawn, NJ 07410

Official Depository

Lakeland Bank
250 Oak Ridge Road
Oak Ridge, New Jersey 07438

FINANCIAL SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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

ELIZABETH A. SHICK, CPA, RMA, PSA
ANDREW PARENTE, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
LORI T. MANUKIAN, CPA, PSA
MARK SACO, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
West Essex Regional School District
North Caldwell, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the West Essex Regional School District, as of and for the fiscal year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the West Essex Regional School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the West Essex Regional School District's basic financial statements. The introductory section, combining fund financial statements, financial schedules, statistical section, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the West Essex Regional School District.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated October 22, 2014 on our consideration of the West Essex Regional School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the West Essex Regional School District's internal control over financial reporting and compliance.

LERCH, VINCI & HIGGINS, LLP

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



Jeffrey C. Bliss
Public School Accountant
PSA Number CS00932

Fair Lawn, New Jersey
October 22, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

WEST ESSEX REGIONAL SCHOOL DISTRICT

Management Discussion and Analysis Fiscal Year Ended June 30, 2014

INTRODUCTION

This section of West Essex Regional School District's annual financial report presents our discussion and analysis of the School District's financial performance during the fiscal year that ended on June 30, 2014. Please read it in conjunction with the transmittal letter at the front of this report and the School District's financial statements, which immediately follows this section.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Certain comparative information between the current year (2013-2014) and the prior year (2012-2013) is required to be presented in the MD&A.

The discussion and analysis of the School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the financial statements and financial statements to enhance their understanding of the School District's financial performance.

USING THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

This annual report consists of a series of financial statements as well as notes to those statements. These statements are organized so that the reader can understand the West Essex Regional School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. In the case of the West Essex Regional School District, the General Fund is by far the most significant fund.

REPORTING THE SCHOOL DISTRICT AS A WHOLE

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The Statement of Net Position and Statement of Activities help answer this question. These Statements include all assets, liabilities and deferred outflows/inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

WEST ESSEX REGIONAL SCHOOL DISTRICT

Management's Discussion and Analysis Fiscal Year Ended June 30, 2014

REPORTING THE SCHOOL DISTRICT AS A WHOLE (Continued)

Statement of Net Position and the Statement of Activities (Continued)

These two Statements report the School District's net position and changes in those assets. This change in net position is important because it tells the reader that, for the School District as a whole, the financial condition of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the School District is divided into two distinct kinds of activities:

- **Governmental Activities** – All of the School District's programs and services are reported here, including, but not limited to, Instruction, Support Services, Operation and Maintenance of Plant Facilities, Pupil Transportation and Extracurricular Activities.
- **Business-Type Activities** – This service is provided on a charge for goods or services basis to recover all the expense of the goods or services provided. The Food Service (Cafeteria) operations are reported as a business activity.

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Detailed information about the School District's major funds is presented and an analysis of the School District's major funds is included in the fiscal year 2014 Comprehensive Annual Financial Report as presented by the School District. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund.

Governmental Funds

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Enterprise Fund

The Enterprise Fund uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

WEST ESSEX REGIONAL SCHOOL DISTRICT

Management's Discussion and Analysis Fiscal Year Ended June 30, 2014

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS (Continued)

Fiduciary Funds

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

Notes to the Financial Statements

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

Other Information

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

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

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year 2014 are as follows:

- The assets and deferred outflows of resources of the West Essex Regional School District exceeded its liabilities at the close of the fiscal year by \$33,432,798 (net position). The amount available to meet the District's ongoing obligations (unrestricted net position) was \$1,749,024.
- The School District's total net position increased \$2,572,133.
- Overall general revenues accounted for \$34,261,107 or 87 percent of all revenues. Overall program specific revenues in the form of charges for services, operating grants and contributions, and capital grants accounted for \$5,158,728 or 13 percent of total revenues of \$39,419,835.
- The School District had \$36,053,234 in expenses for governmental activities; only \$4,431,244 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$34,261,107 were adequate to provide for these programs.

WEST ESSEX REGIONAL SCHOOL DISTRICT

**Management's Discussion and Analysis
Fiscal Year Ended June 30, 2014**

FINANCIAL HIGHLIGHTS (Continued)

- The General Fund had \$35,906,242 in revenues and \$34,676,011 in expenditures. The General Fund's balance increased \$1,109,451 over the previous year to \$6,012,610. Of this amount, \$626,842 is available for spending at the District's discretion (unassigned fund balance).
- The General Fund unassigned budgetary fund balance at the close of the current fiscal year was \$1,102,078 which represented a decrease of \$46,157 from the previous year.

THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the School District as a whole.

The following provides a summary of the School District's Net Position as of 2014 and 2013:

**Net Position
As of June 30, 2014 and 2013**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Assets						
Current Assets	\$ 7,607,905	\$ 6,943,953	\$ 162,058	\$ 297,628	\$ 7,769,963	\$ 7,241,581
Capital Assets	45,926,038	46,285,711	12,596	24,289	45,938,634	46,310,000
Total Assets	<u>53,533,943</u>	<u>53,229,664</u>	<u>174,654</u>	<u>321,917</u>	<u>53,708,597</u>	<u>53,551,581</u>
Deferred Outflows of Resources	<u>555,936</u>	<u>676,981</u>	<u>-</u>	<u>-</u>	<u>555,936</u>	<u>676,981</u>
Total Assets and Deferred Outflows of Resources	<u>54,089,879</u>	<u>53,906,645</u>	<u>174,654</u>	<u>321,917</u>	<u>54,264,533</u>	<u>54,228,562</u>
Liabilities						
Long-Term Liabilities	20,040,808	21,996,362			20,040,808	21,996,362
Other Liabilities	728,967	1,229,296	61,960	129,286	790,927	1,358,582
Total Liabilities	<u>20,769,775</u>	<u>23,225,658</u>	<u>61,960</u>	<u>129,286</u>	<u>20,831,735</u>	<u>23,354,944</u>
Net Position						
Net Investment in Capital Assets	27,772,465	26,350,801	12,596	24,289	27,785,061	26,375,090
Restricted	3,898,713	3,667,260			3,898,713	3,667,260
Unrestricted	1,648,926	662,926	100,098	168,342	1,749,024	831,268
Total Net Position	<u>\$ 33,320,104</u>	<u>\$ 30,680,987</u>	<u>\$ 112,694</u>	<u>\$ 192,631</u>	<u>\$ 33,432,798</u>	<u>\$ 30,873,618</u>

By far the largest portion of the School District's net position reflects its investment in capital assets (e.g., land and improvements, construction in progress, buildings and improvements, vehicles, furniture and equipment); less any related debt used to acquire those assets that are still outstanding. The School District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

WEST ESSEX REGIONAL SCHOOL DISTRICT

**Management's Discussion and Analysis
Fiscal Year Ended June 30, 2014**

THE SCHOOL DISTRICT AS A WHOLE (Continued)

The following shows the changes in Net Position for fiscal years 2014 and 2013:

**Change in Net Position
For The Fiscal Years Ended June 30, 2014 and 2013**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues						
Program Revenues						
Charges for Services	\$ 102,010	\$ 77,076	\$ 727,484	\$ 743,292	\$ 829,494	\$ 820,368
Operating Grants and Contributions	4,329,234	4,782,073			4,329,234	4,782,073
General Revenues						
Property Taxes	33,915,158	33,397,836			33,915,158	33,397,836
Other	345,949	370,036	-	-	345,949	370,036
Total Revenues	<u>38,692,351</u>	<u>38,627,021</u>	<u>727,484</u>	<u>743,292</u>	<u>39,419,835</u>	<u>39,370,313</u>
Expenses						
Instruction						
Regular	15,059,639	15,319,829			15,059,639	15,319,829
Special Education	5,244,537	5,376,409			5,244,537	5,376,409
Other Instruction	130,856	48,195			130,856	48,195
School Sponsored Activities and Athletics	1,600,776	1,640,057			1,600,776	1,640,057
Support Services						
Student and Instruction Related Services	3,954,056	4,090,642			3,954,056	4,090,642
General Administrative Services	773,663	945,428			773,663	945,428
School Administrative Services	2,260,028	2,169,472			2,260,028	2,169,472
Central and Other Support Services	566,228	552,372			566,228	552,372
Plant Operations and Maintenance	3,979,360	3,655,757			3,979,360	3,655,757
Pupil Transportation	1,792,279	1,839,796			1,792,279	1,839,796
Interest on Debt	691,812	761,455			691,812	761,455
Food Services	-	-	794,468	750,776	794,468	750,776
Total Expenses	<u>36,053,234</u>	<u>36,399,412</u>	<u>794,468</u>	<u>750,776</u>	<u>36,847,702</u>	<u>37,150,188</u>
Change in Net Position	2,639,117	2,227,609	(66,984)	(7,484)	2,572,133	2,220,125
Net Position, Beginning of Year	30,680,987	28,453,378	192,631	200,115	30,873,618	28,653,493
Prior Period Adjustment - Capital Assets, Net	-	-	(12,953)	-	(12,953)	-
Net Position, End of Year	<u>\$ 33,320,104</u>	<u>\$ 30,680,987</u>	<u>\$ 112,694</u>	<u>\$ 192,631</u>	<u>\$ 33,432,798</u>	<u>\$ 30,873,618</u>

WEST ESSEX REGIONAL SCHOOL DISTRICT

**Management's Discussion and Analysis
Fiscal Year Ended June 30, 2014**

Governmental Activities. The District's total revenues for governmental activities were \$38,692,351 and \$38,627,021 for the fiscal years ended June 30, 2014 and 2013, respectively. Property taxes of \$33,915,158 and \$33,397,836 made up 88% and 86% of the revenues for governmental activities for the West Essex Regional School District for fiscal years ended June 30, 2014 and 2013. Federal, state and local grants and aid accounted for another \$4,329,234 and \$4,782,073 representing 11% and 12% of total revenues for the fiscal years ended June 30, 2014 and 2013, respectively. In addition, tuition and other miscellaneous income is earned. Miscellaneous income includes items such as interest, prior year refunds and other miscellaneous revenue items.

The total cost of all governmental activities programs and services were \$36,053,234 and \$36,399,412 for the fiscal years ended June 30, 2014 and 2013, respectively. Instruction comprised \$22,035,808 (61%) and \$22,384,490 (62%) of District expenses for the fiscal years ended June 30, 2014 and 2013, respectively. Support services totaled \$13,325,614 (37%) and \$13,253,467 (36%) of District expense and interest on debt totaled \$691,812 (2%) and \$761,455 (2%) of District expenses for fiscal year ended June 30, 2014 and 2013, respectively.

Total governmental activities revenues exceeded expenses, increasing net position \$2,639,117 and \$2,227,609 for the fiscal years ended June 30, 2014 and 2013, respectively.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows the total cost of services and the net cost of services. The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

**Total and Net Cost of Governmental Activities
for the Fiscal Years Ended June 30, 2014 and 2013**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Instruction				
Regular	\$ 15,059,639	\$ 15,319,829	\$ 13,364,166	\$ 13,288,575
Special Education	5,244,537	5,376,409	3,176,032	3,364,884
Other Instruction	130,856	48,195	38,806	28,282
School Sponsored Activities and Athletics	1,600,776	1,640,057	1,600,776	1,640,057
Support Services				
Student and Instruction Related Services	3,954,056	4,090,642	3,666,383	3,746,099
General Administrative Services	773,663	945,428	773,663	945,428
School Administrative Services	2,260,028	2,169,472	2,065,302	1,953,401
Central and Other Support Services	566,228	552,372	566,228	552,372
Plant Operations and Maintenance	3,979,360	3,655,757	3,953,815	3,633,718
Pupil Transportation	1,792,279	1,839,796	1,725,007	1,625,992
Interest on Debt	691,812	761,455	691,812	761,455
Total	<u>\$ 36,053,234</u>	<u>\$ 36,399,412</u>	<u>\$ 31,621,990</u>	<u>\$ 31,540,263</u>

WEST ESSEX REGIONAL SCHOOL DISTRICT

Management's Discussion and Analysis Fiscal Year Ended June 30, 2014

Governmental Activities (Continued)

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student, including extracurricular activities. Extracurricular activities includes expenses related to student activities provided by the School District which are designed to provide opportunities for students to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

Student and instruction related services include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development. Curriculum and staff development includes expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public.

General administration, school administration, central and other support services include expenses associated with administrative and financial supervision of the District.

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

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

Interest and fiscal charges involve the transactions associated with the payment of interest and other related charges on debt of the School District.

Business-Type Activities. Revenues for the District's business-type activities (food service program) were comprised solely of charges for services. The District decided in 1999 not to participate in the National School Lunch Program and thus does not receive any federal or state subsidies. However, the District has still been able to run a program that does not require any board contribution and is also able to provide eligible students with free and reduced priced meals.

- Food service revenues were less than expenses by \$66,984 and \$7,484 for the fiscal year ended June 30, 2014 and 2013, respectively.
- Charges for services were \$727,484 and \$743,292 and represents 100% of the revenue for the fiscal years ended June 30, 2014 and 2013. This represents amounts paid by patrons for daily food services.
- Expenses were \$794,468 and \$750,776 for the fiscal years ended June 30, 2014 and 2013, respectively. This represents amounts paid for salaries, cost of goods and other related expenses to operate the District's cafeteria.

WEST ESSEX REGIONAL SCHOOL DISTRICT

Management's Discussion and Analysis Fiscal Year Ended June 30, 2014

THE SCHOOL DISTRICT'S FUNDS

Information about the School District's major funds is included in the fiscal year 2014 Comprehensive Annual Financial Report as presented by the School District. These funds are accounted for using the modified accrual basis of accounting. All governmental funds (i.e., General Fund, Special Revenue Fund, Capital Projects and Debt Service Fund) presented in the fund-based statements had total revenues of \$38,692,351 and \$38,627,021 and expenditures of \$37,540,651 and \$37,316,932 for the fiscal years ended June 30, 2014 and 2013, respectively.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the General Fund for the fiscal years ended June 30, 2014 and 2013, and the amount and percentage of change in relation to prior-year revenues.

	<u>Fiscal</u>		<u>Amount of</u>	<u>Percent</u>
	<u>Year Ended June 30,</u>		<u>Increase</u>	<u>Change</u>
	<u>2014</u>	<u>2013</u>	<u>(Decrease)</u>	
Local Sources				
Property Taxes	\$ 31,507,960	\$ 30,890,157	\$ 617,803	2%
Tuition	102,010	77,076	24,934	32%
Other	345,948	370,036	(24,088)	-7%
State Sources	<u>3,950,324</u>	<u>4,429,580</u>	<u>(479,256)</u>	-11%
Total General Fund Revenues	<u>\$ 35,906,242</u>	<u>\$ 35,766,849</u>	<u>\$ 139,393</u>	0.4%

Overall General Fund revenues increased .4% from the previous year. The change in Local Sources is attributable to a tax increase of 2% needed to finance increases in budgeted expenditures for the 2014 fiscal year. State sources decreased 11% mainly due to the result of a decrease in categorical formula aid and on-behalf contributions made by the State for the District's share of teachers' pension and post-retirement medical benefit contributions.

WEST ESSEX REGIONAL SCHOOL DISTRICT

Management's Discussion and Analysis Fiscal Year Ended June 30, 2014

THE SCHOOL DISTRICT'S FUNDS (Continued)

The following schedule presents a summary of General Fund expenditures for the fiscal years ended June 30, 2014 and 2013:

	Fiscal		Amount of	Percent
	Year Ended June 30,		Increase	Change
	2014	2013	(Decrease)	
Instruction	\$ 20,717,250	\$ 21,139,056	\$ (421,806)	-2%
Support Services	12,822,390	12,679,586	142,804	1%
Capital Outlay	<u>1,136,371</u>	<u>818,459</u>	<u>317,912</u>	39%
Total General Fund Expenditures	<u>\$ 34,676,011</u>	<u>\$ 34,637,101</u>	<u>\$ 38,910</u>	0.1%

The decrease in Instruction is attributed to decreases in regular instructional cost. The increase in Support Services is attributable to an increase in student and instruction related services for students. The increase in capital outlay relates to the Middle School bathroom upgrades, band room conversion and other building upgrades.

For the 2014 school year, General Fund revenues exceeded expenditures and other financing uses by \$1,109,451. Total fund balance increased to \$6,012,610 at June 30, 2014. After deducting fund balances restricted, committed and assigned, the unassigned fund balance increased from \$621,000 at June 30, 2013 to \$626,842 at June 30, 2014.

GENERAL FUND BUDGETING HIGHLIGHTS

The School District's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on the budgetary basis of revenues, expenditures and encumbrance accounting. In addition, certain state aid which is deferred by the state to the 2014-2015 fiscal year is required to be recognized as revenue by the School District for budgetary purposes during the 2013-2014 fiscal year. The most significant budgeted fund is the General Fund.

WEST ESSEX REGIONAL SCHOOL DISTRICT

Management's Discussion and Analysis Fiscal Year Ended June 30, 2014

GENERAL FUND BUDGETING HIGHLIGHTS

During the course of the 2014 school year, the School District amended its General Fund budget as needed. The School District uses program-based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management. Transfers from one program to another must be approved by the School Business Administrator, Superintendent and Board of Education. Transfers were necessitated by:

- Staffing changes based on student needs.
- Need for additional instructional supplies and equipment.
- Changes in appropriations to prevent budget overruns.

For the fiscal year ended June 30, 2014, General Fund budgetary revenues exceeded expenditures and other financing uses increasing budgetary fund balance by \$1,057,452 from the previous year. After deducting fund balances restricted, committed and assigned, the unassigned budgetary fund balance decreased \$46,157 from \$1,148,235 at June 30, 2013 to \$1,102,078 at June 30, 2014. However, the District's capital reserve increased by \$189,204 to \$3,647,933 from \$3,458,729.

CAPITAL ASSETS

At the end of fiscal years 2014 and 2013, the School District had \$45,938,634 and \$46,297,047 invested in land, land improvements, buildings, machinery and equipment, net of accumulated depreciation. Depreciation charges for the fiscal years 2014 and 2013 were \$1,496,044 and \$1,400,828 for governmental activities, respectively, and \$2,870 and \$9,158 for business-type activities, respectively.

Capital Assets at June 30, 2014 and 2013

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
				(Restated)		
Land	\$ 288,849	\$ 288,849			\$ 288,849	\$ 288,849
Construction in Progress	534,105	594,663			534,105	594,663
Land Improvements	2,227,440	2,223,215			2,227,440	2,223,215
Buildings and Building Improvements	54,394,925	53,333,640			54,394,925	53,333,640
Machinery and Equipment	<u>1,487,884</u>	<u>1,356,465</u>	<u>\$ 152,120</u>	<u>\$ 147,990</u>	<u>1,640,004</u>	<u>1,504,455</u>
	58,933,203	57,796,832	152,120	147,990	59,085,323	57,944,822
Less Accumulated Depreciation	<u>(13,007,165)</u>	<u>(11,511,121)</u>	<u>(139,524)</u>	<u>(136,654)</u>	<u>(13,146,689)</u>	<u>(11,647,775)</u>
Total	<u>\$ 45,926,038</u>	<u>\$ 46,285,711</u>	<u>\$ 12,596</u>	<u>\$ 11,336</u>	<u>\$ 45,938,634</u>	<u>\$ 46,297,047</u>

WEST ESSEX REGIONAL SCHOOL DISTRICT

Management's Discussion and Analysis Fiscal Year Ended June 30, 2014

LONG-TERM LIABILITIES

At June 30, 2014, the School District had \$19,134,273 as outstanding debt consisting of \$417,273 for compensated absences, and \$18,717,000 of serial bonds for school construction projects. The following is a comparison of the June 30, 2014 and 2013 balances:

Outstanding Long-Term Liabilities		
At June 30, 2014 and 2013		
	<u>2014</u>	<u>2013</u>
Bonds Payable	\$ 18,717,000	\$ 20,422,000
Compensated Absences	<u>417,273</u>	<u>470,445</u>
Total	<u>\$ 19,134,273</u>	<u>\$ 20,892,445</u>

FOR THE FUTURE

While many factors influence the School District's future, the availability of funding for special education needs, changes in student population and the economy will have the most impact on educational and fiscal decisions in the future.

Many factors were considered by the School District's administration during the process of developing the fiscal year 2014-2015 budget. The primary factors were the District's projected student population, anticipated state and federal aid as well as increasing salary and related benefit costs.

These indicators were considered when adopting the budget for fiscal year 2014-2015. Budgeted expenditures in the General Fund increased approximately 1 percent to \$35,903,378 for fiscal year 2014-2015.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the funds it receives. If you have questions on this report or need additional financial information, please contact the School Business Administrator/Board Secretary at West Essex Regional School District, West Greenbrook Road, North Caldwell, New Jersey 07006.

DISTRICT - WIDE FINANCIAL STATEMENTS

WEST ESSEX REGIONAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2014

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 5,181,906	\$ 151,763	\$ 5,333,669
Receivables, Net	2,425,999		2,425,999
Inventory		10,295	10,295
Capital Assets, Not Being Depreciated	822,954		822,954
Capital Assets, Being Depreciated, Net	<u>45,103,084</u>	<u>12,596</u>	<u>45,115,680</u>
Total Assets	<u>53,533,943</u>	<u>174,654</u>	<u>53,708,597</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges on Refunding of Debt	<u>555,936</u>	-	<u>555,936</u>
Total Deferred Outflows of Resources	<u>555,936</u>	-	<u>555,936</u>
Total Assets and Deferred Outflows of Resources	<u>54,089,879</u>	<u>174,654</u>	<u>54,264,533</u>
LIABILITIES			
Accounts Payable and Other Liabilities	273,314	61,960	335,274
Accrued Interest Payable	168,478		168,478
Intergovernmental Liabilities	457		457
Unearned Revenue	286,718		286,718
Noncurrent Liabilities			
Due within one year	1,810,000		1,810,000
Due beyond one year	<u>18,230,808</u>	-	<u>18,230,808</u>
Total Liabilities	<u>20,769,775</u>	<u>61,960</u>	<u>20,831,735</u>
NET POSITION			
Net Investment in Capital Assets	27,772,465	12,596	27,785,061
Restricted for:			
Capital Projects	3,768,713		3,768,713
Plant Maintenance	130,000		130,000
Unrestricted	<u>1,648,926</u>	<u>100,098</u>	<u>1,749,024</u>
Total Net Position	<u>\$ 33,320,104</u>	<u>\$ 112,694</u>	<u>\$ 33,432,798</u>

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

**WEST ESSEX REGIONAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
Governmental Activities:							
Instruction:							
Regular	\$ 15,059,639		\$ 1,695,473		\$ (13,364,166)		\$ (13,364,166)
Special Education	5,244,537	\$ 102,010	1,966,495		(3,176,032)		(3,176,032)
Other Instruction	130,856		92,050		(38,806)		(38,806)
School Sponsored Activities and Athletics	1,600,776				(1,600,776)		(1,600,776)
Support Services:							
Student & Instruction Related Services	3,954,056		287,673		(3,666,383)		(3,666,383)
General Administrative Services	773,663				(773,663)		(773,663)
School Administrative Services	2,260,028		194,726		(2,065,302)		(2,065,302)
Central and Other Support Services	566,228				(566,228)		(566,228)
Plant Operations and Maintenance	3,979,360		25,545		(3,953,815)		(3,953,815)
Pupil Transportation	1,792,279		67,272		(1,725,007)		(1,725,007)
Interest on Long Term Debt	691,812	-	-	-	(691,812)	-	(691,812)
Total Governmental Activities	<u>36,053,234</u>	<u>102,010</u>	<u>4,329,234</u>	<u>-</u>	<u>(31,621,990)</u>	<u>-</u>	<u>(31,621,990)</u>
Business-Type Activities:							
Food Service	<u>794,468</u>	<u>727,484</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ (66,984)</u>	<u>(66,984)</u>
Total Business-Type Activities	<u>794,468</u>	<u>727,484</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(66,984)</u>	<u>(66,984)</u>
Total Primary Government	<u>\$ 36,847,702</u>	<u>\$ 829,494</u>	<u>\$ 4,329,234</u>	<u>\$ -</u>	<u>(31,621,990)</u>	<u>(66,984)</u>	<u>(31,688,974)</u>

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

(Continued)

WEST ESSEX REGIONAL SCHOOL DISTRICT
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2014

	Net (Expense) Revenue and Changes in Net Position		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General Revenues:			
Taxes:			
Property Taxes, levied for general purposes	\$ 31,507,960		\$ 31,507,960
Property Taxes, levied for debt service	2,407,198		2,407,198
Miscellaneous Income	<u>345,949</u>	<u>-</u>	<u>345,949</u>
Total General Revenues	<u>34,261,107</u>	<u>-</u>	<u>34,261,107</u>
Change in Net Position	2,639,117	\$ (66,984)	2,572,133
Net Position, Beginning of Year	30,680,987	192,631	30,873,618
Prior Period Adjustment - Capital Assets, Net	<u>-</u>	<u>(12,953)</u>	<u>(12,953)</u>
Net Position, End of year	<u>\$ 33,320,104</u>	<u>\$ 112,694</u>	<u>\$ 33,432,798</u>

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

FUND FINANCIAL STATEMENTS

WEST ESSEX REGIONAL SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2014

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 5,098,708		\$ 83,198		\$ 5,181,906
Receivables, Net					
Intergovernmental	746,825	\$ 177,833	1,232,685		2,157,343
Due from Other Funds	411,897	-	-	-	411,897
Total assets	<u>\$ 6,257,430</u>	<u>\$ 177,833</u>	<u>\$ 1,315,883</u>	<u>\$ -</u>	<u>\$ 7,751,146</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 244,820	\$ 23,981			\$ 268,801
Due to Other Funds		145,056			145,056
Payable to State Government		457			457
Unearned Revenue	-	8,339	\$ 281,077	-	289,416
Total Liabilities	<u>244,820</u>	<u>177,833</u>	<u>281,077</u>	<u>-</u>	<u>703,730</u>
Fund Balances:					
Restricted					
Capital Reserve	1,972,933				1,972,933
Capital Reserve Designated for Subsequent Year's Expenditures	1,675,000				1,675,000
Maintenance Reserve	130,000				130,000
Capital Projects			1,034,806		1,034,806
Committed					
Year End Encumbrances	490,602				490,602
Assigned					
Year End Encumbrances	677,404				677,404
Designated for Subsequent Years Expenditures	439,829				439,829
Unassigned	626,842	-	-	-	626,842
Total Fund balances	<u>6,012,610</u>	<u>-</u>	<u>1,034,806</u>	<u>-</u>	<u>7,047,416</u>
Total Liabilities and Fund Balances	<u>\$ 6,257,430</u>	<u>\$ 177,833</u>	<u>\$ 1,315,883</u>	<u>\$ -</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$58,933,203 and the accumulated depreciation is \$13,007,165. 45,926,038

Amounts resulting from the refunding of debt are reported as deferred outflows of resources on the statement of net position and amortized over the life of the debt. 555,936

The District has financed capital assets through the issuance of serial bonds and long-term lease obligations. The interest accrual at year end is: (168,478)

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

Bonds Payable, net	\$ 19,623,535	
Compensated Absences	417,273	
	<u>(20,040,808)</u>	

Net Position of Governmental Activities \$ 33,320,104

**WEST ESSEX REGIONAL SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local Sources:					
Property Tax Levy	\$ 31,507,960			\$ 2,407,198	\$ 33,915,158
Tuition	102,010				102,010
Miscellaneous	345,948	\$ 24,922	-	1	370,871
Total - Local Sources	31,955,918	24,922	-	2,407,199	34,388,039
State Sources	3,950,324				3,950,324
Federal Sources	-	353,988	-	-	353,988
Total Revenues	35,906,242	378,910	-	2,407,199	38,692,351
EXPENDITURES					
Current					
Instruction					
Regular Instruction	14,328,906	794			14,329,700
Special Education Instruction	4,806,923	282,704			5,089,627
Other Instruction	43,435	84,030			127,465
School Sponsored Activities and Athletics	1,537,986				1,537,986
Support Services					
Student & Instruction Related Services	3,758,252	11,382			3,769,634
General Administrative Services	751,062				751,062
School Administrative Services	2,152,073				2,152,073
Central Services	540,137				540,137
Plant Operations and Maintenance	3,839,438				3,839,438
Pupil Transportation	1,781,428				1,781,428
Debt Service					
Principal				1,705,000	1,705,000
Interest				780,730	780,730
Capital Outlay	1,136,371	-	-	-	1,136,371
Total Expenditures	34,676,011	378,910	-	2,485,730	37,540,651
Excess (Deficiency) of Revenues Over/(Under) Expenditures	1,230,231	-	-	(78,531)	1,151,700
OTHER FINANCING SOURCES (USES)					
Transfers In			120,780		120,780
Transfers Out	(120,780)	-	-	-	(120,780)
Total Other Financing Sources and Uses	(120,780)	-	120,780	-	-
Net Change in Fund Balance	1,109,451	-	120,780	(78,531)	1,151,700
Fund Balance, Beginning of Year	4,903,159	-	914,026	78,531	5,895,716
Fund Balance, End of Year	\$ 6,012,610	\$ -	\$ 1,034,806	\$ -	\$ 7,047,416

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

**WEST ESSEX REGIONAL SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2) **\$ 1,151,700**

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 depreciation exceeded capital outlay in the period.

Capital outlays	\$ 1,136,371	
Depreciation expense	<u>(1,496,044)</u>	(359,673)

Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.

Payment of Principal on Serial Bonds	1,705,000
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The issuance of refunding bonds provides current financial resources to the governmental funds, while the repayment of the refunded bonds uses those current financial resources of governmental funds. Neither transactions, however, has any effect on net position. Also, governmental funds report the effect of premiums and other such items related to the refunding bonds when they are first issued, whereas these amounts are deferred and amortized in the statement of activities.

Amortization of Bond Premium	197,382	
Amortization of Deferred Amounts on Refunding	<u>(121,045)</u>	76,337

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

Decrease in Accrued Interest	12,581
------------------------------	--------

In the statement of activities, certain operating expenses, e.g., compensated absences 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).

Decrease in Compensated Absences	<u>53,172</u>
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Change in Net Position of Governmental Activities (Exhibit A-2) **\$ 2,639,117**

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

WEST ESSEX REGIONAL SCHOOL DISTRICT
 PROPRIETARY FUND
 STATEMENT OF NET POSITION
 AS OF JUNE 30, 2014

	Business-Type Activities Enterprise Fund <u>Food Service</u>
ASSETS	
Cash and Cash Equivalents	\$ 151,763
Inventories	<u>10,295</u>
Total Current Assets	<u>162,058</u>
Capital Assets	
Equipment	152,120
Accumulated Depreciation	<u>(139,524)</u>
Total Capital Assets	<u>12,596</u>
Total Assets	<u>174,654</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	<u>61,960</u>
Total Current Liabilities	<u>61,960</u>
NET POSITION	
Investment in Capital Assets	12,596
Unrestricted	<u>100,098</u>
Total Net Position	<u>\$ 112,694</u>

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

**WEST ESSEX REGIONAL SCHOOL DISTRICT
 PROPRIETARY FUND
 COMBINING STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Business-Type <u>Activities</u> Enterprise Fund <u>Food Service</u>
OPERATING REVENUES	
Local Sources	
Daily Sales	\$ 727,484
	<u>727,484</u>
Total Operating Revenues	<u>727,484</u>
OPERATING EXPENSES	
Salaries and Benefits	298,070
Cost of Sales	338,882
Purchased Management Services	47,903
Miscellaneous Purchased Services	5,652
Repairs and Maintenance Services	7,648
Supplies and Materials	92,940
Depreciation	2,870
Miscellaneous	503
	<u>794,468</u>
Total Operating Expenses	<u>794,468</u>
Operating Loss	(66,984)
Total Net Position, Beginning of Year	<u>192,631</u>
Prior Period Adjustment - Capital Assets, Net	<u>(12,953)</u>
Total Net Position, End of Year	<u>\$ 112,694</u>

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

WEST ESSEX REGIONAL SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

EXHIBIT B-6

	Business-Type Activities Enterprise Fund <u>Food Service</u>
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 727,484
Cash Payments for Employees	
Salaries and Benefits	(298,070)
Cash Payments to Suppliers for Goods and Services	<u>(559,104)</u>
Net Cash Used by Operating Activities	<u>(129,690)</u>
Cash Flows from Capital Activities	
Acquisition of Capital Assets	<u>(4,130)</u>
Net Cash Used by Capital Activities	<u>(4,130)</u>
Net Decrease in Cash and Cash Equivalents	(133,820)
Cash and Cash Equivalents, Beginning of Year	<u>285,583</u>
Cash and Cash Equivalents, End of Year	<u>\$ 151,763</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating Loss	<u>\$ (66,984)</u>
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation	2,870
Change in Assets and Liabilities	
(Increase)/Decrease in Inventory	1,750
Increase/(Decrease) in Accounts Payable	<u>(67,326)</u>
Total Adjustments	<u>(62,706)</u>
Net Cash Used by Operating Activities	<u>\$ (129,690)</u>

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

**WEST ESSEX REGIONAL SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2014**

	<u>Unemployment Compensation Trust</u>	<u>Scholarship Fund</u>	<u>Agency Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 163,920	\$ 147,642	\$ 691,689
Total Assets	<u>163,920</u>	<u>147,642</u>	<u>\$ 691,689</u>
LIABILITIES			
Intergovernmental Payable - State	\$ 10,493		
Payroll Deductions Payable			\$ 160,500
Accrued Salaries and Wages			(2,952)
Due to Other Funds	3,467		263,374
Due to Student Groups	<u>-</u>	<u>-</u>	<u>270,767</u>
Total Liabilities	<u>13,960</u>	<u>-</u>	<u>\$ 691,689</u>
NET POSITION			
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 149,960</u>	<u>\$ 147,642</u>	

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

**WEST ESSEX REGIONAL SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Unemployment Compensation Trust</u>	<u>Scholarship Trust</u>
ADDITIONS		
Contributions		
Employer	\$ 14,523	
Employees	46,572	
Private Donations	-	\$ 17,887
	<hr/>	<hr/>
Total Contributions	61,095	17,887
Investment earnings		
Interest	280	310
	<hr/>	<hr/>
Total Additions	61,375	18,197
DEDUCTIONS		
Unemployment Claims	43,669	
Scholarship Awards	-	17,850
	<hr/>	<hr/>
Total Deductions	43,669	17,850
Change in Net Position	17,706	347
Net Position, Beginning of the Year	<hr/> 132,254	<hr/> 147,295
Net Position, End of the Year	<u>\$ 149,960</u>	<u>\$ 147,642</u>

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

NOTES TO THE FINANCIAL STATEMENTS

**WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The West Essex Regional School District Board of Education (the "Board" or the "District") is an instrumentality of the State of New Jersey, established to function as an education institution. The Board consists of nine elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District. 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 reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the West Essex Regional School District this includes general operations, food service, and student related activities of the District.

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

B. New Accounting Standards

During fiscal year 2014, the District adopted the following GASB statements:

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

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

- GASB 68, *Accounting and financial Reporting for Pensions*, will be effective beginning with the fiscal year ending June 30, 2015. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria.

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

- GASB 69, *Government Combinations and Disposals of Government Operations* will be effective beginning with the fiscal year ending June 30, 2015. The objective of this Statement is to establish accounting and financial reporting standards for mergers, acquisitions, and transfers of operations (i.e., government combinations). The Statement also provides guidance on how to determine the gain or loss on a disposal of government operations. This Statement applies to all state and local governmental entities. The District does not expect this statement to impact its financial statements.

C. Basis of Presentation - Financial Statements

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

District-Wide Financial Statements

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

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

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

Fund Financial Statements

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

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (Continued)

The District reports the following major governmental funds:

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

The *special revenue fund* accounts for the proceeds of specific revenue sources legally restricted to expenditures for specified purposes. This fund accounts for federal, state and local financial programs, with the exception of grants for major capital projects and the child nutrition programs.

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

The *debt service fund* accounts for the accumulation of resources for and the payment of principal and interest on long-term general obligation debt of governmental funds.

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

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

Additionally, the government reports the following fund types:

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

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

Reclassifications

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

D. Measurement Focus and Basis of Accounting

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

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e. when they are both measurable and available). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within 60 days after year-end. Expenditures are recorded when a liability is incurred, as under accrual basis of accounting, with the exception of debt service expenditures as well as expenditures related to compensated absences and claims and judgments which are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

1. *Cash, Cash Equivalents and Investments*

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

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

2. *Receivables*

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

WEST ESSEX REGIONAL SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

3. *Inventories*

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

Food Service Fund inventories, are valued at cost, using the first-in first-out (FIFO) method and consist of food and expendable supplies. The cost of such inventories is recorded as expenses when consumed rather than purchased.

4. *Capital Assets*

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

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

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

<u>Assets</u>	<u>Years</u>
Land Improvements	15-20
Buildings	50
Building Improvements	20
Machinery & Equipment	5-20

5. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred amounts on refunding of debt which results from the loss on a debt refunding reported in the district-wide statement of net position. A deferred charge on debt refunding results from the loss on the transaction when the debt's reacquisition price is greater than the carrying value of the refunded debt. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. Compensated Absences

It is the District's policy to permit employees to accumulate (with certain restrictions) earned but unused vacation and sick leave benefits. A long-term liability of accumulated vacation and sick leave and salary related payments has been recorded in the governmental activities in the district-wide financial statements, representing the Board's commitment to fund such costs from future operations. Proprietary Funds accrue accumulated vacation, personal and sick leave and salary related payments in the period that they are earned. A liability is reported in the governmental funds only to the amount actually due at year end as a result of employee resignations and retirements.

7. Long-Term Obligations

In the district-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Gains resulting from debt refundings are classified as deferred inflows of resources and losses are reported as deferred outflows or resources. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method. Gains and losses resulting from debt refundings are also deferred and amortized over the life of the refunded bonds or new bonds whichever is less using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs (other than for prepaid insurance) are treated as an expense.

8. Net Position/Fund Balance

District-Wide Statements

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

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

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. *Net Position/Fund Balance (Continued)*

Governmental Fund Statements

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

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

Capital Reserve – This restriction was created by the District in accordance with NJAC 6A:23A-14.1 to fund future capital expenditures (See Note 2.)

Capital Reserve – Designated for Subsequent Year's Expenditures – This restriction was created by the District in accordance with NJAC 6A:23A-14.1 and represents the June 30, 2014 capital reserve balance that was appropriated in the 2014/2015 District budget certified for taxes. (See Note 2.)

Maintenance Reserve – This restriction was created by the Board in accordance with NJAC 6A:23A-14.2 to accumulate funds for the required maintenance of school facilities in accordance with the EFCA (NJSA 18A:7G-9) for a thorough and efficient education.

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

Debt Service – Represents fund balance restricted specifically for the repayment of long-term debt principal and interest in the Debt Service Fund.

Committed Fund Balance – Amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Year-End Encumbrances – Represents outstanding purchase orders at year end for contracts awarded by formal action of the Board of Trustee's for specific purposes from available resources of the current year for which the goods and materials have not yet been received or the services have not yet been rendered at June 30.

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

Year-End Encumbrances – Represent outstanding purchase orders for goods or services approved by management for specific purposes from available resources of the current year for which the goods and materials have not yet been received or the services have not yet been rendered at June 30.

Designated for Subsequent Year's Expenditures – This designation was created to dedicate the portion of fund balance appropriated in the adopted 2014/2015 District budget certified for taxes.

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. Net Position/Fund Balance (Continued)

Governmental Fund Statements (Continued)

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

F. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues in the district-wide statement of activities include 1) charges to customers or applicants for goods or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes, investment earnings and miscellaneous revenues.

2. Property Taxes

Property taxes are levied pursuant to law and are collected by the municipality and are transferred to the District as requested. Property tax revenue is recognized in the year they are levied and become available. Property taxes collected in advance of the year-end for which they are levied and transferred to the District are reported as deferred inflows of resources. The tax bills are mailed annually in June by the municipal tax collector and are levied and due in four quarterly installments on August 1, November 1, February 1 and May 1 of the fiscal year. When unpaid, taxes or any other municipal lien, or part thereof, on real property, remains in arrears on April 1st in the year following the calendar year levy when the same became in arrears, the tax collector of the municipality shall, subject to the provisions of New Jersey Statute, enforce the lien by placing the property on a tax sale. The municipality may institute annual “in rem” tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property.

3. Tuition Revenues and Expenditures

Tuition Revenues - Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs are determined and certified by the State Department of Education.

Tuition Expenditures - Tuition charges for the fiscal years 2012-2013 and 2013-2014 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

4. Proprietary Funds, Operating and Non-Operating Revenues and Expenses

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

**WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

Prior to the 2012/2013 budget year, the annual budget was required to be voted upon at the annual school election held on the third Tuesday in April. On January 17, 2012, Chapter 202 of the Laws of P.L. 2011 was approved which established procedures for moving the date of a school district's annual school election from April to the general election in November. Under the new law, districts that have their school board members elected in November no longer have to submit their budgets that meet levy cap requirements for voter approval beginning with the 2012/2013 budget year. Only a school board decision to exceed the tax levy cap would require voter approval for the additional amount on the November ballot. On February 13, 2012, the Board adopted a resolution to move its annual election to the date of the general elections in accordance with the law; therefore voter approval of the annual budget is not required.

Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Board approved several budget transfers during 2013/2014. Also, during 2013/2014 the Board increased the original general fund budget by \$348,693 and the original special revenue budget by \$58,190. The increases were funded by reappropriation of prior year general fund encumbrances, the appropriation of capital reserve funds and additional special revenue grant awards.

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

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

WEST ESSEX REGIONAL SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Excess Expenditures Over Appropriations

The following is a summary of expenditures in excess of available appropriations. The overexpended appropriations resulted in unfavorable variances.

	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
<u>General Fund</u>			
Home Instruction – Salaries of Teachers	\$46,000	\$46,501	\$(501)
Health Services – Salaries	172,429	172,601	(172)
Central Services – Salaries	358,171	360,378	(2,207)
Unallocated Employee Benefits – Social Security Contributions	369,280	413,424	(44,144)

The above variances were offset with other available resources.

C. Capital Reserve

A capital reserve account was established by the District on September 25, 2002. The accumulation of funds will be used for capital outlay expenditures in subsequent fiscal years. The capital reserve is maintained in the general fund and its activity is included in the general fund annual budget.

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

The activity of the capital reserve for the fiscal year ended June 30, 2014 is as follows:

Balance, July 1, 2013	\$	3,458,729
Increased by:		
Deposits Approved by Board Resolution	\$	1,510,055
Unexpended Capital Outlay Appropriations Funded by Capital Reserve		<u>899,929</u>
Total Increases		2,409,984
Withdrawals by:		
Approved by Board Resolution		120,780
Approved in District Budget		<u>2,100,000</u>
Total Withdrawals		<u>2,220,780</u>
Balance, June 30, 2014	\$	<u>3,647,933</u>

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

D. Transfers to Capital Outlay

During the 2013/2014 school year, the district transferred \$218,241 to the non-equipment capital outlay accounts. The transfer was made from the capital reserve account to supplement a capital project previously approved by the voters in the budget certified for taxes pursuant to N.J.A.C. 6A:23-8.4.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Cash Deposits and Investments

Cash Deposits

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

Bank balances for interest bearing accounts are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2014, the book value of the Board's deposits were \$6,336,920 and bank and brokerage firm balances of the Board's deposits amounted to \$6,737,490. The Board's deposits which are displayed on the various fund balance sheets as "cash and cash equivalents" are categorized as:

Depository Account

Insured	\$ <u>6,737,490</u>
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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 Board does not have a policy for custodial credit risk. As of June 30, 2014 none of the Board's bank balances were exposed to custodial credit risk.

Investments

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

As of June 30, 2014, the Board had no outstanding investments.

WEST ESSEX REGIONAL SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

Receivables as of June 30, 2014 for the district's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Receivables:				
Intergovernmental				
Local	\$ 628,980			\$ 628,980
State	117,845		\$ 1,232,685	1,350,530
Federal	-	\$ 177,833	-	177,833
	<hr/>	<hr/>	<hr/>	<hr/>
Gross Receivables	746,825	177,833	1,232,685	2,157,343
Less: Allowance for Uncollectibles	<hr/> -	<hr/> -	<hr/> -	<hr/> -
Net Total Receivables	<u>\$ 746,825</u>	<u>\$ 177,833</u>	<u>\$ 1,232,685</u>	<u>\$ 2,157,343</u>

C. Unearned Revenue

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

	<u>Total</u>
Special Revenue Fund	
Unencumbered Grant Draw Downs	\$ 4,511
Grant Draw Downs Reserved for Encumbrances	3,828
Capital Projects Fund	
Unrealized School Facilities Grant Awards	<hr/> 281,077
Total Unearned Revenue for Governmental Funds	<u>\$ 289,416</u>

WEST ESSEX REGIONAL SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

	Balance, July 1, 2013	Increases	Adjustments	Balance, June 30, 2014
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 288,849	-	-	\$ 288,849
Construction in Progress	594,663	\$ 530,452	(591,010)	534,105
Total Capital Assets, Not Being Depreciated	<u>883,512</u>	<u>530,452</u>	<u>(591,010)</u>	<u>822,954</u>
Capital Assets, Being Depreciated:				
Land Improvements	2,223,215	\$ 4,225		2,227,440
Buildings and Building Improvements	53,333,640	470,275	591,010	54,394,925
Machinery and Equipment	1,356,465	131,419	-	1,487,884
Total Capital Assets Being Depreciated	<u>56,913,320</u>	<u>605,919</u>	<u>591,010</u>	<u>58,110,249</u>
Less Accumulated Depreciation for:				
Land Improvements	(1,084,285)	(89,316)		(1,173,601)
Buildings and Building Improvements	(9,412,939)	(1,353,807)		(10,766,746)
Machinery and Equipment	(1,013,897)	(52,921)	-	(1,066,818)
Total Accumulated Depreciation	<u>(11,511,121)</u>	<u>(1,496,044)</u>	<u>-</u>	<u>(13,007,165)</u>
Total Capital Assets, Being Depreciated, Net	<u>45,402,199</u>	<u>(890,125)</u>	<u>591,010</u>	<u>45,103,084</u>
Governmental Activities Capital Assets, Net	<u>\$ 46,285,711</u>	<u>\$ (359,673)</u>	<u>\$ -</u>	<u>\$45,926,038</u>

WEST ESSEX REGIONAL SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

	Balance, July 1, 2013	Prior Period Adjustment	Increases	Balance, June 30, 2014
Business-Type Activities:				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 171,084	\$ (23,094)	\$ 4,130	\$ 152,120
Total Capital Assets Being Depreciated	<u>171,084</u>	<u>(23,094)</u>	<u>4,130</u>	<u>152,120</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	(146,795)	10,141	(2,870)	(139,524)
Total Accumulated Depreciation	<u>(146,795)</u>	<u>10,141</u>	<u>(2,870)</u>	<u>(139,524)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 24,289</u>	<u>\$ (12,953)</u>	<u>\$ 1,260</u>	<u>\$ 12,596</u>

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

Governmental Activities:

Instruction

Regular	\$ 757,616
Special	160,895
Other Instruction	3,522
School Sponsored	65,216
Total Instruction	<u>987,249</u>

Support Services

Student and Instruction Related Services	191,068
General Administrative Services	23,474
School Administrative Services	112,126
Central Services	27,099
Operations and Maintenance of Plant	144,177
Transportation	10,851
Total Support Services	<u>508,795</u>
Total Governmental Activities	<u>\$ 1,496,044</u>

Business-Type Activities:

Food Service Fund	\$ 2,870
Total Depreciation Expense-Business-Type Activities	<u>\$ 2,870</u>

**WEST ESSEX REGIONAL SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

Construction Commitments

The District has the following active construction projects as of June 30, 2014:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Band Room Conversion (General Fund)	\$ 307,815	\$ 369,082
Window Replacement (Capital Projects Fund)		201,300
		<u>\$ 570,382</u>

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2014, is as follows:

Due to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 145,056
General Fund	Payroll Agency Fund	156,242
General Fund	Student Activities Fund	107,132
General Fund	Unemployment Fund	3,467
		<u>\$ 411,897</u>

The above balances are the result of revenues earned in one fund which are due to another fund and/or to cover cash balances which were in an overdraft position.

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

Interfund Transfers

Transfer Out: General Fund	Transfer In: Capital <u>Projects Fund</u>
	\$ <u>120,780</u>

The above transfers are the result of revenues earned and/or other financing sources received in one fund to finance expenditures in another fund.

**WEST ESSEX REGIONAL SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

F. Leases

Operating Leases

The District leases copiers under noncancelable operating leases. Lease payments for the fiscal year ended June 30, 2014 were \$16,320. The future minimum lease payments for these operating leases are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2015	65,280
2016	65,280
2017	65,280
2018	<u>48,960</u>
Total	<u>244,800</u>

G. Long-Term Debt

General Obligation Bonds

The Board issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities and other capital assets. The full faith and credit of the Board are irrevocably pledged for the payment of the principal of the bonds and the interest thereon.

Bonds payable at June 30, 2014 are comprised of the following issues:

\$6,537,000, 2009 Bonds, due in annual installments of \$270,000 to \$440,000 through August 15, 2029, interest at 3.00% to 4.00%	\$5,787,000
\$14,470,000, 2011 Refunding Bonds, due in annual installments of \$1,415,000 to \$1,490,000 through November 1, 2022, interest at 2.25% to 5.00%	<u>\$12,930,000</u>
	<u>\$18,717,000</u>

WEST ESSEX REGIONAL SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Debt (Continued)

The Board's schedule of principal and interest for long-term debt issued and outstanding is as follows:

Governmental Activities:

Fiscal Year Ending June 30,	<u>Serial Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2015	\$ 1,710,000	\$ 715,105	\$ 2,425,105
2016	1,720,000	649,280	2,369,280
2017	1,720,000	586,749	2,306,749
2018	1,725,000	528,261	2,253,261
2019	1,725,000	465,743	2,190,743
2020-2024	7,565,000	1,202,725	8,767,725
2025-2029	2,115,000	302,800	2,417,800
2030	<u>437,000</u>	<u>8,740</u>	<u>445,740</u>
	<u>\$ 18,717,000</u>	<u>\$ 4,459,403</u>	<u>\$ 23,176,403</u>

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2014 was as follows:

3.5% of Equalized Valuation Basis (Municipal)	\$ 244,610,592
Less: Net Debt Issued	<u>18,717,000</u>
Remaining Borrowing Power	<u>\$ 225,893,592</u>

WEST ESSEX REGIONAL SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

H. Other Long-Term Liabilities

Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2014, was as follows:

	Balance, <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance, <u>June 30, 2014</u>	Due Within <u>One Year</u>
Governmental activities:					
Bonds Payable	\$ 20,422,000	-	\$ 1,705,000	\$ 18,717,000	\$ 1,710,000
Add: Original Issue Premium	<u>1,103,917</u>	<u>-</u>	<u>197,382</u>	<u>906,535</u>	<u>-</u>
Total Bonds Payable	21,525,917	-	1,902,382	19,623,535	1,710,000
Compensated Absences	<u>470,445</u>	<u>\$ 155,957</u>	<u>209,129</u>	<u>417,273</u>	<u>100,000</u>
Governmental Activity Long-Term Liabilities	<u>\$ 21,996,362</u>	<u>\$ 155,957</u>	<u>\$ 2,111,511</u>	<u>\$ 20,040,808</u>	<u>\$ 1,810,000</u>

For the governmental activities, the liabilities for compensated absences are generally liquidated by the general fund.

NOTE 4 OTHER INFORMATION

A. Risk Management

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

The District is a member of the School Alliance Insurance Fund (SAIF or Fund). The Fund is a risk sharing public entity pool, established for the purpose of insuring and providing various types of risk coverage's to the District.

The relationship between the Board and the Fund is governed by a contract and by laws that have been adopted by resolution of each unit's governing body. The Board is contractually obligated to make all annual and supplementary contributions to the Fund, to report claims on a timely basis, cooperate with the management of the Fund, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the Fund. Members have a contractual obligation to fund any deficit of the Fund attributable to a membership year during which they were a member.

**WEST ESSEX REGIONAL SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 4 OTHER INFORMATION (Continued)

A. Risk Management (Continued)

The SAIF provides its members with risk management service, including the defense of and settlement of claims and to establish reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the insurance fund are on file with the School's Business Administrator.

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

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan the District 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 District is billed quarterly for amounts due to the State. The following is a summary of District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's fiduciary trust fund for the current and previous two years:

Fiscal Year Ended <u>June 30,</u>	District <u>Contributions</u>	Employee <u>Contributions</u>	Amount <u>Reimbursed</u>	Ending <u>Balance</u>
2014	\$ 14,523	\$ 46,572	\$ 43,669	\$ 149,960
2013	80,768	113,751	157,547	132,254
2012	127,876	41,825	109,323	95,025

B. Contingent Liabilities

The District 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 District not covered by insurance policies would not materially affect the financial condition of the District.

Federal and State Awards – The Board participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor government. As of June 30, 2014, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

C. Federal Arbitrage Regulations

The District is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At June 30, 2014, the District has not estimated its arbitrage earnings due to the IRS, if any.

**WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans

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

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

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

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

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

Other Pension Funds

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

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

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

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

**WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Basis of Accounting

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

Significant Legislation

P.L. 2011, c.78, effective June 28, 2011, made various changes to the manner in which TPAF and PERS operate and to the benefit provisions of those systems.

The legislation's provisions impacting employee pension and health benefits include:

- For new members of TPAF and PERS hired on or after June 28, 2011 (Tier 5 members), the years of creditable service needed for early retirement benefits increased from 25 to 30 years and the early retirement age increased from 55 to 65.
- The eligibility age to qualify for a service retirement in the TPAF and PERS increased from age 62 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PERS members enrolled after June 28, 2011 (Tier 3 members) decreased from 65 percent of final compensation to 60 percent of final compensation after 25 years of service and from 70 percent of final compensation to 65 percent of final compensation after 30 or more years of service.
- It increased the TPAF and PERS active member rates from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years for members hired or reappointed on or after June 28, 2011. For Fiscal Year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contributions for TPAF and PERS members takes place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries was suspended. COLA increases may be reactivated at a future date as permitted by this law.
- It changed the method for amortizing the pension system's unfunded accrued liability (from a level percent of pay method to a level dollar of pay method).

Investment Valuation

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

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

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Funding Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems including TPAF and PERS, is 64.5 percent with an unfunded actuarial accrued liability of \$47.2 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 57.7 percent and \$34.4 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and Police and Firemen's Retirement System ("PFRS") is 76.1 percent and \$12.8 billion.

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

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

Actuarial Methods and Assumptions

In the July 1, 2012 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (a) an investment rate of return for all retirement systems from 7.95 percent to 7.90 percent and (b) projected salary increases of 4.22 percent for the PERS and 3.51 percent for TPAF.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 6.6% for PERS, 6.6% for TPAF and 5.50% for DCRP of the employee's annual compensation.

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 *Accounting for Pensions by State and Local Government Employees*, for the year ended June 30, 2013 for TPAF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

**WEST ESSEX REGIONAL SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Annual Pension Costs (APC) (Continued)

During the fiscal years ended June 30, 2014, 2013 and 2012 the Board was required to contribute for PERS and DCRP and the State of New Jersey was required to contribute for TPAF for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Year Ended June 30,	<u>PERS</u>	On-Behalf <u>TPAF</u>	<u>DCRP</u>
2014	\$ 326,374	\$ 540,895	\$ 14,360
2013	323,229	881,561	6,139
2012	346,746	427,103	14,252

During fiscal year 2013/2014 the State did not contribute to the TPAF for accrued liability but did contribute \$540,895 for normal cost pension and NCGI premium. For fiscal years 2012/2013 and 2011/2012, the state contributed \$881,561 and \$427,103, respectively for normal cost pension, accrued liability and the NCGI premium.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$1,019,341 during the year ended June 30, 2014 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount, along with the on-behalf TPAF pension contribution, has been included in the district-wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

E. Post-Retirement Medical Benefits

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

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State and the PRM of the PERS are combined and reported as a Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF-Local are combined and reported as Health Benefits Program Fund –Local Government classified as a cost-sharing multiple-employer plan in the State's CAFR. The post-retirement benefit programs had a total of 585 state and local participating employers and contributing entities for Fiscal Year 2013.

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

**WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

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

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

Basis of Accounting

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

Significant Legislation

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

Investment Valuation

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

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the State had a \$51.5 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$19.3 billion for state active and retired members and \$32.2 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

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

**WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Funded Status and Funding Progress (Continued)

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

Actuarial Methods and Assumptions

In the July 1, 2012, OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

Post-Retirement Medical Benefits Contributions

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2013, there were 100,134, retirees receiving post-retirement medical benefits and the State contributed \$1.07 billion on their behalf. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$173.8 million toward Chapter 126 benefits for 17,356 eligible retired members in Fiscal Year 2013.

The State sets the contribution rate based on a pay as you go basis and not on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the years ended June 30, 2014, 2013 and 2012 were \$886,863 \$996,822 and \$858,591, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

NOTE 5 PRIOR PERIOD ADJUSTMENTS

The net position at the beginning of year of the Business-Type Activities has been adjusted to correct prior year differences related to capital assets and accumulated depreciation. An adjustment was made to reduce net position, at the beginning of year, of the Business-Type Activities by \$12,953 to reflect the adjustment to capital assets net of accumulated depreciation.

BUDGETARY COMPARISON SCHEDULES

WEST ESSEX REGIONAL SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final Budget to Actual
REVENUES					
Local Sources					
Local Tax Levy	\$ 31,507,960		\$ 31,507,960	\$ 31,507,960	\$ -
Tuition	50,000	-	50,000	102,010	52,010
Miscellaneous	300,001	-	300,001	345,948	45,947
Total Local Revenues	31,857,961	-	31,857,961	31,955,918	97,957
State Sources					
Special Education Aid	811,495		811,495	811,495	-
Security Aid	25,666		25,666	25,666	-
Transportation Aid	158,980		158,980	158,980	-
Additional Adjustment Aid	1		1	1	-
Extraordinary Aid				387,812	387,812
Additional Non - Public Transportation Aid				67,272	67,272
On Behalf TPAF Pension System Contribution (Non Budgeted)					
Pension - Normal Contributions				497,024	497,024
Pension - NGCI Premium				43,871	43,871
Post Retirement Medical Benefit Contribution				886,863	886,863
On Behalf Reimbursed TPAF Social Security Contribution (Non Budgeted)	-	-	-	1,019,341	1,019,341
Total State Revenues	996,142	-	996,142	3,898,325	2,902,183
Total Revenues	32,854,103	-	32,854,103	35,854,243	3,000,140
CURRENT EXPENDITURES					
Regular Programs - Instruction					
Salaries of Teachers					
Grades 6-8	3,572,699	\$ (30,900)	3,541,799	3,442,469	99,330
Grades 9-12	6,232,854	245,010	6,477,864	6,451,783	26,081
Regular Programs - Undistributed Instruction					
Purchased Professional-Educational Svcs.	-	13,200	13,200	12,198	1,002
Other Purchased Services	223,575	(8,521)	215,054	188,532	26,522
General Supplies	557,252	(19,290)	537,962	404,275	133,687
Textbooks	100,000	86,573	186,573	167,830	18,743
Other Objects	3,000	(1,600)	1,400	1,400	-
Total Regular Programs	10,689,380	284,472	10,973,852	10,668,487	305,365
Special Education					
Learning / Language Disabilities					
Salaries of Teachers	95,567	-	95,567	95,567	-
General Supplies	3,000	285	3,285	3,268	17
Textbooks	-	-	-	-	-
Total Learning / Language Disabilities	98,567	285	98,852	98,835	17
Resource Room / Resource Center					
Salaries of Teachers	1,519,761	(26,389)	1,493,372	1,454,186	39,186
Other Salaries for Instruction	670,729	(64,872)	605,857	543,432	62,425
Purchased Technical Services	60,570	(6,057)	54,513	15,210	39,303
General Supplies	3,500	(229)	3,271	2,647	624
Textbooks	2,350	-	2,350	1,677	673
Total Resource Room / Resource Center	2,256,910	(97,547)	2,159,363	2,017,152	142,211

WEST ESSEX REGIONAL SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final Budget to Actual
CURRENT EXPENDITURES (Continued)					
Special Education (Continued)					
Home Instruction					
Salaries of Teachers	\$ 42,000	\$ 4,000	\$ 46,000	\$ 46,501	\$ (501)
Total Home Instruction	42,000	4,000	46,000	46,501	(501)
Total Special Education	2,397,477	(93,262)	2,304,215	2,162,488	141,727
Bilingual Education					
Salaries of Teachers	25,446	1,000	26,446	26,312	134
Total Bilingual Education	25,446	1,000	26,446	26,312	134
School Sponsored Co-Curricular Activities-Instruction					
Salaries	186,927	-	186,927	182,113	4,814
Purchased Services	5,500	-	5,500	1,459	4,041
Supplies and Materials	18,800	(4,000)	14,800	9,094	5,706
Other Objects	11,000	4,000	15,000	3,233	11,767
Total School Sponsored Co-Curricular Activities	222,227	-	222,227	195,899	26,328
School Sponsored Athletics - Instruction					
Salaries	687,383	2,087	689,470	685,172	4,298
Purchased Services	155,662	(1,514)	154,148	125,835	28,313
Supplies and Materials	209,070	(2,748)	206,322	182,311	24,011
Other Objects	1,000	(1,000)	-	-	-
Total School Sponsored Athletics - Instruction	1,053,115	(3,175)	1,049,940	993,318	56,622
Total - Instruction	14,387,645	189,035	14,576,680	14,046,504	530,176
Undistributed Expenditures					
Instruction					
Tuition - Other LEA's Within State - Regular		4,410	4,410	330	4,080
Tuition - Other LEA's Within State - Special	355,543	(102,725)	252,818	214,842	37,976
Tuition to County Voc. School District-Special	102,023	(11,595)	90,428	49,848	40,580
Tuition to Private Schools for the Disabled Within State	1,935,944	(236,190)	1,699,754	1,522,675	177,079
Tuition to Private Schools for the Disabled Outside State	77,950	(2,795)	75,155	54,894	20,261
Total Undistributed Expenditures - Instruction	2,471,460	(348,895)	2,122,565	1,842,589	279,976
Attendance and Social Work Services					
Salaries	72,788	(13,269)	59,519	49,947	9,572
Supplies and Materials	4,753	(500)	4,253	2,845	1,408
Total Attendance and Social Work Services	77,541	(13,769)	63,772	52,792	10,980
Health Services					
Salaries	170,480	1,949	172,429	172,601	(172)
Purchased Professional and Technical Svcs.	18,400	4,463	22,863	15,503	7,360
Supplies and Materials	4,300	1,630	5,930	5,862	68
Total Health Services	193,180	8,042	201,222	193,966	7,256

WEST ESSEX REGIONAL SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final Budget to Actual
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Speech, OT, PT and Related Services					
Purchased Professional-Educational Svcs.	\$ 23,717	\$ 2,556	\$ 26,273	\$ 18,068	\$ 8,205
Total Speech, OT, PT and Related Services	23,717	2,556	26,273	18,068	8,205
Other Support Services-Students-Extra Services					
Purchased Professional-Educational Services	116,160	12,556	128,716	110,170	18,546
Total Other Support Services-Extra Services	116,160	12,556	128,716	110,170	18,546
Guidance					
Salaries of Other Professional Staff	783,706	68,390	852,096	851,979	117
Salaries of Secretarial and Clerical Assistants	153,364	-	153,364	151,839	1,525
Other Salaries	13,500	4,172	17,672	17,672	-
Purchased Professional and Technical Services	27,476	(4,172)	23,304	20,750	2,554
Other Purchased Services	500	-	500	57	443
Supplies and Materials	15,265	-	15,265	10,055	5,210
Other Objects	1,000	(1,000)	-	-	-
Total Guidance	994,811	67,390	1,062,201	1,052,352	9,849
Child Study Teams					
Salaries of Other Professional Staff	434,264	(51,070)	383,194	363,651	19,543
Salaries of Secretarial and Clerical Assistants	107,413	-	107,413	106,246	1,167
Purchased Professional - Educational Services	164,454	(16,991)	147,463	106,647	40,816
Other Purchased Prof. and Tech. Services	72,950	(12,495)	60,455	44,192	16,263
Miscellaneous Purchased Services	2,000	4,600	6,600	868	5,732
Supplies and Materials	5,200	9,150	14,350	13,995	355
Total Child Study Teams	786,281	(66,806)	719,475	635,599	83,876
Educational Media Services/School Library					
Salaries	315,119	22,000	337,119	309,318	27,801
Supplies and Materials	39,000	-	39,000	33,273	5,727
Total Educational Media Services/School Library	354,119	22,000	376,119	342,591	33,528
Instructional Staff Training Services					
Salaries of Supervisors of Instruction	409,497	(20,861)	388,636	388,636	-
Salaries of Other Professional Staff	30,680	-	30,680	6,600	24,080
Purchased Professional-Educational Services	50,000	(14,033)	35,967	35,767	200
Other Purchased Services	20,000	7,575	27,575	25,183	2,392
Total Instructional Staff Training Services	510,177	(27,319)	482,858	456,186	26,672
Support Services General Administration					
Salaries	330,004	(9,793)	320,211	312,168	8,043
Legal Services	70,000	3,266	73,266	64,372	8,894
Audit Fees	32,000	(1,700)	30,300	30,300	-
Other Purchased Professional Services	59,500	(12,926)	46,574	31,480	15,094
Communications/Telephone	83,066	(11,919)	71,147	53,813	17,334
BOE - Other Purchased Services	5,000	(50)	4,950	4,543	407
Miscellaneous Purchased Services	7,500	15,341	22,841	20,041	2,800
General Supplies	6,000	(2,231)	3,769	524	3,245
Miscellaneous Expenditures	7,500	(10)	7,490	5,908	1,582
BOE Membership Dues and Fees	25,000	(5,990)	19,010	19,008	2
Total Support Services General Administration	625,570	(26,012)	599,558	542,157	57,401

WEST ESSEX REGIONAL SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final Budget to Actual
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Support Services School Administration					
Salaries of Principals/Asst. Principals/Prog. Dir.	\$ 606,034	25,565	\$ 631,599	\$ 627,664	\$ 3,935
Salaries of Other Professional Staff	586,685	(76,125)	510,560	509,318	1,242
Salaries of Secretarial and Clerical Assistants	361,760	\$ (1,917)	359,843	354,142	5,701
Purchased Professional and Technical Services	8,875	7,550	16,425	7,916	8,509
Other Purchased Service	1,500	500	2,000	1,366	634
Supplies and Materials	74,500	8,395	82,895	74,453	8,442
Other Objects	49,200	(7,370)	41,830	19,083	22,747
Total Support Services School Administration	1,688,554	(43,402)	1,645,152	1,593,942	51,210
Central Services					
Salaries	360,681	(2,510)	358,171	360,378	(2,207)
Purchased Professional Services	6,000	600	6,600	6,589	11
Miscellaneous Purchased Services	20,500	(47)	20,453	14,168	6,285
Supplies and Materials	10,000	(53)	9,947	9,668	279
Miscellaneous Expenditures	5,000	(579)	4,421	4,412	9
Total Central Services	402,181	(2,589)	399,592	395,215	4,377
Required Maintenance for School Facilities					
Salaries	488,834	(20,402)	468,432	438,779	29,653
Cleaning, Repair & Maintenance Services	240,000	37,560	277,560	223,308	54,252
General Supplies	120,000	14,900	134,900	120,656	14,244
Other Objects	1,000	-	1,000	957	43
Total Required Maintenance for School Facilities	849,834	32,058	881,892	783,700	98,192
Custodial Services					
Salaries	846,603	18,988	865,591	821,568	44,023
Purchased Professional and Technical Services	2,000	-	2,000	1,969	31
Cleaning, Repair and Maintenance Svc.	32,000	7,916	39,916	38,088	1,828
Other Purchased Property Services	33,000	(1,411)	31,589	31,446	143
Insurance	230,000	20,492	250,492	250,491	1
Miscellaneous Purchased Services	25,000	(21,047)	3,953	2,138	1,815
General Supplies	117,000	5,523	122,523	121,407	1,116
Energy (Natural Gas)	250,000	(141,699)	108,301	87,423	20,878
Energy (Electricity)	575,000	243,628	818,628	783,601	35,027
Total Custodial Services	2,110,603	132,390	2,242,993	2,138,131	104,862
Care and Upkeep of Grounds					
Salaries	196,785	41,500	238,285	222,742	15,543
Purchased Professional and Technical Services	1,000	-	1,000	700	300
Cleaning, Repair and Maintenance Svc.	31,500	(3,900)	27,600	22,259	5,341
General Supplies	35,000	-	35,000	31,151	3,849
Other Objects	1,000	-	1,000	980	20
Total Care and Upkeep of Grounds	265,285	37,600	302,885	277,832	25,053
Security					
Salaries	156,000	(73,846)	82,154	38,250	43,904
Purchased Professional and Technical Services	2,500	9,121	11,621	11,003	618
Cleaning, Repair and Maintenance Svc.	2,000	(1,315)	685	685	-
General Supplies	1,000	3,894	4,894	4,379	515
Other Objects	500	(500)	-	-	-
Total Security	162,000	(62,646)	99,354	53,632	45,722
Student Transportation Services					
Contracted Services (Between Home and School) - Vendors	714,000	50,000	764,000	752,382	11,618
Contracted Services (Other Than Between Home and School) - Vendors	268,000	59,286	327,286	306,227	21,059
Contracted Services (Spec Ed) - Vendors	595,126	(78,557)	516,569	466,690	49,879
Contracted Services - Aid in Lieu of Payments	300,560	(30,729)	269,831	256,129	13,702
Total Student Transportation Services	1,877,686	-	1,877,686	1,781,428	96,258

WEST ESSEX REGIONAL SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final Budget to Actual
CURRENT EXPENDITURES (Continued)					
Unallocated Benefits-Employee Benefits					
Social Security Contributions	\$ 369,280	\$ -	\$ 369,280	\$ 413,424	\$ (44,144)
Other Retirement Contributions - PERS/DCRP	359,440	(17,647)	341,793	340,734	1,059
Other Retirement Contributions - Regular	15,166	-	15,166	15,166	-
Unemployment Compensation	122,777	(18,564)	104,213	19,532	84,681
Workmen's Compensation	207,223	546	207,769	207,769	-
Health Benefits	3,855,369	(116,482)	3,738,887	3,417,548	321,339
Tuition Reimbursement	42,000	35,000	77,000	50,000	27,000
Other Employee Benefits	140,000	73,320	213,320	211,645	1,675
Total Unallocated Benefits-Employee Benefits	5,111,255	(43,827)	5,067,428	4,675,818	391,610
On Behalf TPAF Pension System Contributions (Non Budgeted)					
Pension - Normal Contributions				497,024	(497,024)
Pension - NGCI Premium				43,871	(43,871)
Post Retirement Medical Benefit Contribution				886,863	(886,863)
Reimbursed TPAF Social Security Contribution (Non Budgeted)	-	-	-	1,019,341	(1,019,341)
Total On-Behalf Contributions	-	-	-	2,447,099	(2,447,099)
Total Undistributed Expenditures	18,620,414	(320,673)	18,299,741	19,393,267	(1,093,526)
Total Expenditures - Current Expenditures	33,008,059	(131,638)	32,876,421	33,439,771	(563,350)
CAPITAL OUTLAY					
Equipment					
School Sponsored & Other Instructional Programs	68,000	(2,677)	65,323	65,323	-
Undistributed Expenditures					
Instruction	30,000	92,119	122,119	38,449	83,670
Administrative Information Technology		7,833	7,833	7,833	-
Required Maintenance for School Facilities	23,000	34,316	57,316	20,911	36,405
Custodial Services	13,000	2,857	15,857	15,857	-
Care and Upkeep of Grounds	5,500	19,451	24,951	4,500	20,451
Student Transportation	15,000	1,020	16,020	16,020	-
Total Equipment	154,500	154,919	309,419	168,893	140,526
Facilities Acquisition and Construction Services					
Architectural/Engineering Services	160,500	181,995	342,495	220,976	121,519
Construction Services	1,965,000	36,246	2,001,246	727,735	1,273,511
SDA Debt Service Assessment	132,245	(48,875)	83,370	83,370	-
Total Facilities Acquis. and Const. Services	2,257,745	169,366	2,427,111	1,032,081	1,395,030
Total Capital Outlay	2,412,245	324,285	2,736,530	1,200,974	1,535,556
TRANSFER OF FUNDS TO CHARTER SCHOOLS					
Transfer of Funds to Charter School	-	35,266	35,266	35,266	-
Total Transfer of Funds to Charter School	-	35,266	35,266	35,266	-
Total Expenditures	35,420,304	227,913	35,648,217	34,676,011	972,206
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,566,201)	(227,913)	(2,794,114)	1,178,232	3,972,346

WEST ESSEX REGIONAL SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
Other Financing Sources (Uses)					
Transfers Out - Capital Projects Fund	-	(120,780)	(120,780)	\$ (120,780)	\$ -
Total Other Financing Sources (Uses)	-	(120,780)	(120,780)	(120,780)	-
Excess (Deficiency) of Revenues Over/(Under) Expenditures	\$ (2,566,201)	\$ (348,693)	\$ (2,914,894)	\$ 1,057,452	\$ 3,972,346
Fund Balances, Beginning of Year	5,430,394	-	5,430,394	5,430,394	-
Fund Balances, End of Year	\$ 2,864,193	\$ (348,693)	\$ 2,515,500	\$ 6,487,846	\$ 3,972,346
Recapitulation					
Restricted Fund Balance					
Capital Reserve				\$ 1,972,933	
Capital Reserve Designated for Subsequent Year's Expenditures				1,675,000	
Maintenance Reserve				130,000	
Committed Fund Balance					
Year End Encumbrances				490,602	
Assigned Fund Balance					
Year End Encumbrances				677,404	
Designated for Subsequent Year's Expenditures				439,829	
Unassigned Fund Balance				<u>1,102,078</u>	
				6,487,846	
Reconciliation to Governmental Funds Statements (GAAP)					
Less State Aid Revenue Not Recognized on GAAP Basis				<u>(475,236)</u>	
Fund Balance Per Governmental Funds (GAAP)				<u>\$ 6,012,610</u>	

WEST ESSEX REGIONAL SCHOOL DISTRICT
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final Budget to Actual
REVENUES					
Intergovernmental					
Local		\$ 30,052	\$ 30,052	\$ 24,950	\$ (5,102)
State		457	457		(457)
Federal	\$ 359,078	27,681	386,759	357,788	(28,971)
Total Revenues	359,078	58,190	417,268	382,738	(34,530)
EXPENDITURES					
Instruction					
Salaries of Teachers	48,194	(26,883)	21,311	21,311	-
Purchased Professional and Technical Services	23,110	-	23,110	10,898	12,212
Tuition	287,774	(5,070)	282,704	282,704	-
General Supplies	-	66,421	66,421	56,013	10,408
Textbooks	-	165	165	-	165
Total Instruction	359,078	34,633	393,711	370,926	22,785
Support Services					
Salaries of Supervisors of Instruction		2,363	2,363	2,362	1
Employee Benefits		4,512	4,512	-	4,512
Purchased Professional/Educational Services		232	232	-	232
Other Purchased Services	-	16,450	16,450	9,450	7,000
Total Support Services	-	23,557	23,557	11,812	11,745
Total Expenditures	359,078	58,190	417,268	382,738	34,530
Excess (Deficiency) of Revenues Over/(Under) Expenditures	-	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-	-
Fund Balance, End of Year	\$ -	\$ -	\$ -	\$ -	\$ -

**WEST ESSEX REGIONAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

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

	General Fund		Special Revenue Fund
Sources/inflows of resources			
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	(C-1) \$ 35,854,243		(C-2) \$ 382,738
Difference - Budget to GAAP:			
State Aid revenue recognized for budgetary purposes, not recognized for GAAP statements.(2013-2014)	(475,236)		
State Aid revenue recognized for GAAP statements, not recognized for budgetary purposes (2012-2013)	527,235		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.			
Encumbrances, June 30, 2014	<u>-</u>		<u>(3,828)</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 35,906,242</u>		<u>\$ 378,910</u>
Uses/outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	(C-1) \$ 34,676,011		(C-2) \$ 382,738
Differences - Budget to GAAP			
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for financial reporting purposes.			
Encumbrances , June 30, 2014	<u>-</u>		<u>(3,828)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 34,676,011</u>		<u>\$ 378,910</u>

SCHOOL LEVEL SCHEDULES

GENERAL FUND

NOT APPLICABLE

SPECIAL REVENUE FUND

**WEST ESSEX REGIONAL SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Title I</u>	<u>Title II A</u>	<u>Basic</u>	<u>Local</u>	<u>Total</u>
REVENUES					
Intergovernmental					
Federal	\$ 64,840	\$ 10,244	\$ 282,704		\$ 357,788
Local	-	-	-	\$ 24,950	24,950
	<u> </u>				
Total Revenues	<u>\$ 64,840</u>	<u>\$ 10,244</u>	<u>\$ 282,704</u>	<u>\$ 24,950</u>	<u>\$ 382,738</u>
EXPENDITURES					
Instruction					
Salaries of Teachers	\$ 20,517	\$ 794			\$ 21,311
Purchased Prof. and Technical Services	10,898				10,898
Tuition			\$ 282,704		282,704
General Supplies	31,063			\$ 24,950	56,013
Textbooks	-	-	-	-	-
	<u> </u>				
Total Instruction	<u>62,478</u>	<u>794</u>	<u>282,704</u>	<u>24,950</u>	<u>370,926</u>
Support Services					
Salaries of Supervisors of Instruction	2,362				2,362
Employee Benefits					-
Other Purchased Services	-	9,450	-	-	9,450
	<u> </u>				
Total Support Services	<u>2,362</u>	<u>9,450</u>	<u>-</u>	<u>-</u>	<u>11,812</u>
Total Expenditures	<u>\$ 64,840</u>	<u>\$ 10,244</u>	<u>\$ 282,704</u>	<u>\$ 24,950</u>	<u>\$ 382,738</u>

WEST ESSEX REGIONAL SCHOOL DISTRICT
SPECIAL REVENUE FUND
STATEMENT OF PRESCHOOL EDUCATION PROGRAM AID
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOT APPLICABLE

CAPITAL PROJECTS FUND

WEST ESSEX REGIONAL SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<u>Year</u>	<u>Issue/Project Title</u>	<u>Modified Appropriation</u>	<u>Expenditures to Date</u>		<u>Prior Years Cancellations</u>	<u>Balance June 30, 2014</u>
			<u>Prior Years</u>	<u>Current Year</u>		
2005	Senior High School Renovation Project	\$ 32,477,459	\$ 32,477,459			
2005	Junior High School Renovation Project	4,378,500	3,847,230			\$ 531,270
2009	Senior High School Roof Replacement	3,895,391	3,540,988		\$ 180,047	174,356
2009	Senior High School Window Replacement	1,350,000	1,272,197		57,043	20,760
2009	Junior High School Window Replacement	1,315,000	987,930		141,935	185,135
2009	Junior High School Boiler Replacement	910,000	552,482	-	154,456	203,062
2014	Junior High School Window Replacement	201,300	-	-	-	201,300
		<u>\$ 45,999,687</u>	<u>\$ 44,150,323</u>	<u>\$ -</u>	<u>\$ 533,481</u>	<u>\$ 1,315,883</u>
Reconciliation of Fund Balance						
Project Balances, June 30, 2014						\$ 1,315,883
Less:						
Unearned Revenue - SDA State Grants						<u>(281,077)</u>
Fund Balance, June 30, 2014 (GAAP Basis)						<u>\$ 1,034,806</u>
Recapitulation of Fund Balance						
Restricted						
Capital Projects						\$ 833,506
Committed						
Year-End Encumbrances						<u>201,300</u>
Total Fund Balance - Restricted for Capital Projects						<u>\$ 1,034,806</u>

**WEST ESSEX REGIONAL SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2014**

Revenues and Other Financing Sources

Revenues:	
State Sources	
SDA Grant	\$ 80,520
Other Financing Sources	
Transfer from General Fund - Capital Reserve	<u>120,780</u>
Total Revenues and Other Financing Sources	<u>201,300</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	201,300
Fund Balance, Beginning of Year	<u>1,114,583</u>
Fund Balance - End of Year	<u>\$ 1,315,883</u>
<u>Reconciliation to GAAP Basis:</u>	
Fund Balance, June 30, 2014 - Budgetary Basis	\$ 1,315,883
Less: Unearned Revenue - State SDA Grant	<u>(281,077)</u>
Fund Balance, June 30, 2014 - GAAP Basis	<u>\$ 1,034,806</u>

**WEST ESSEX REGIONAL SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
2003 REFERENDUM
RENOVATIONS TO SENIOR HIGH SCHOOL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
State Sources - SDA Grant	\$ 7,054,705	-	\$ 7,054,705	\$ 7,054,705
Bond Proceeds	24,572,754	-	24,572,754	24,572,754
Transfer from Junior High School Project	850,000	-	850,000	850,000
	<u>32,477,459</u>	<u>-</u>	<u>32,477,459</u>	<u>32,477,459</u>
Total Revenues				
	<u>32,477,459</u>	<u>-</u>	<u>32,477,459</u>	<u>32,477,459</u>
Expenditures and Other Financing Uses				
Purchased Professional and Technical Services	3,513,640	-	3,513,640	2,970,110
Construction Services	28,920,882	-	28,920,882	27,048,441
Furniture and Equipment	42,937	-	42,937	620,000
Contingency	-	-	-	1,838,908
	<u>32,477,459</u>	<u>-</u>	<u>32,477,459</u>	<u>32,477,459</u>
Total Expenditures				
	<u>32,477,459</u>	<u>-</u>	<u>32,477,459</u>	<u>32,477,459</u>
Excess of Revenue Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Additional Project Information:

Project Number	SP#202746
Grant Date	8/29/2002
Bond Authorization Date	12/01/2002
Bonds Authorized	\$ 24,572,754
Bonds Issued	24,572,754
Original Authorized Cost	31,627,459
Additional Authorized Cost	850,000
Revised Authorized Cost	32,477,459
Percentage Increase Over Original Authorized Cost	0.00%
Percentage Completion	100.00%
Original Target Completion Date	June 2004
Revised Target Completion Date	September 2007

**WEST ESSEX REGIONAL SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
2003 REFERENDUM
RENOVATIONS TO JUNIOR HIGH SCHOOL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
State Sources - SDA Grant	\$ 1,316,254		\$ 1,316,254	\$ 1,316,254
Bond Proceeds	3,912,246	-	3,912,246	3,912,246
Transfer to Senior High School Project	(850,000)	-	(850,000)	(850,000)
	<u>4,378,500</u>	<u>-</u>	<u>4,378,500</u>	<u>4,378,500</u>
Expenditures and Other Financing Uses				
Purchased Professional and Technical Services	864,705	-	864,705	865,000
Construction Services	2,637,194	-	2,637,194	3,167,500
Furniture and Equipment	278,443	-	278,443	279,000
Contingency	66,888	-	66,888	67,000
	<u>3,847,230</u>	<u>-</u>	<u>3,847,230</u>	<u>4,378,500</u>
Excess of Revenue Over Expenditures	<u>\$ 531,270</u>	<u>\$ -</u>	<u>\$ 531,270</u>	<u>\$ -</u>

Additional Project Information:

Project Number	SP#202761
Grant Date	8/29/2002
Bond Authorization Date	12/01/2002
Bonds Authorized	\$ 3,912,246
Bonds Issued	3,912,246
Original Authorized Cost	5,475,000
Reduced Authorized Cost	(1,096,500)
Revised Authorized Cost	4,378,500
Percentage Decrease Over Original Authorized Cost	(20.03)%
Percentage Completion	100.00%
Original Target Completion Date	December 2005
Revised Target Completion Date	June 2012

**WEST ESSEX REGIONAL SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
2009 REFERENDUM
HIGH SCHOOL ROOF REPLACEMENT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
State Sources - SDA Grant	\$ 1,432,801		\$ 1,432,801	\$ 1,432,801
Bond Proceeds	<u>2,282,543</u>	<u>-</u>	<u>2,282,543</u>	<u>2,282,543</u>
 Total Revenues	 <u>3,715,344</u>	 <u>-</u>	 <u>3,715,344</u>	 <u>3,715,344</u>
 Expenditures and Other Financing Uses				
Purchased Professional and Technical Services	296,037	-	296,037	296,037
Construction Services	3,244,951	-	3,244,951	3,419,307
Furniture and Equipment	-	-	-	-
Contingency	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total Expenditures	 <u>3,540,988</u>	 <u>-</u>	 <u>3,540,988</u>	 <u>3,715,344</u>
 Excess of Revenue Over Expenditures	 <u>\$ 174,356</u>	 <u>\$ -</u>	 <u>\$ 174,356</u>	 <u>\$ -</u>

Additional Project Information:

Project Number	SP#5630-050-09-1001
Grant Date	1/15/2009
Grant Number	G5-3175
Bond Authorization Date	4/21/2009
Bonds Authorized	\$ 3,558,000
Bonds Issued	3,558,000
Original Authorized Cost	5,930,000
Reduced Authorized Cost	(2,214,656)
Revised Authorized Cost	3,715,344
 Percentage Decrease Over Original Authorized Cost	 (37.35)%
Percentage Completion	100.00%
Original Target Completion Date	September 1, 2010
Revised Target Completion Date	September 1, 2010

WEST ESSEX REGIONAL SCHOOL DISTRICT
 CAPITAL PROJECTS FUND
 SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
 AND PROJECT STATUS - BUDGETARY BASIS
 2009 REFERENDUM
 HIGH SCHOOL WINDOW REPLACEMENT
 FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
State Sources - SDA Grant	\$ 482,957		\$ 482,957	\$ 482,957
Bond Proceeds	810,000	-	810,000	810,000
Total Revenues	<u>1,292,957</u>	<u>-</u>	<u>1,292,957</u>	<u>1,292,957</u>
Expenditures and Other Financing Uses				
Purchased Professional and Technical Services	63,976	-	63,976	64,000
Construction Services	1,208,221	-	1,208,221	1,228,957
Furniture and Equipment	-	-	-	-
Contingency	-	-	-	-
Total Expenditures	<u>1,272,197</u>	<u>-</u>	<u>1,272,197</u>	<u>1,292,957</u>
Excess of Revenue Over Expenditures	<u>\$ 20,760</u>	<u>\$ -</u>	<u>\$ 20,760</u>	<u>\$ -</u>

Additional Project Information:

Project Number	SP#5630-050-09-1003
Grant Date	1/15/2009
Grant Number	G5-3176
Bond Authorization Date	4/21/2009
Bonds Authorized	\$ 810,000
Bonds Issued	810,000
Original Authorized Cost	1,350,000
Additional Authorized Cost	(57,043)
Revised Authorized Cost	1,292,957
Percentage Increase Over Original Authorized Cost	(4.23)%
Percentage Completion	100.00%
Original Target Completion Date	September 1, 2010
Revised Target Completion Date	September 1, 2010

WEST ESSEX REGIONAL SCHOOL DISTRICT
 CAPITAL PROJECTS FUND
 SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
 AND PROJECT STATUS - BUDGETARY BASIS
 2009 REFERENDUM
 JUNIOR HIGH SCHOOL WINDOW REPLACEMENT
 FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
State Sources - SDA Grant	\$ 384,065		\$ 384,065	\$ 384,065
Bond Proceeds	789,000	-	789,000	789,000
	<u>1,173,065</u>	<u>-</u>	<u>1,173,065</u>	<u>1,173,065</u>
Expenditures and Other Financing Uses				
Purchased Professional and Technical Services	67,035	-	67,035	68,000
Construction Services	920,895	-	920,895	1,105,065
Furniture and Equipment	-	-	-	-
Contingency	-	-	-	-
	<u>987,930</u>	<u>-</u>	<u>987,930</u>	<u>1,173,065</u>
Excess of Revenue Over Expenditures	<u>\$ 185,135</u>	<u>\$ -</u>	<u>\$ 185,135</u>	<u>\$ -</u>

Additional Project Information:

Project Number	SP#5630-070-09-1004
Grant Date	1/15/2009
Grant Number	G5-3178
Bond Authorization Date	4/21/2009
Bonds Authorized	\$ 789,000
Bonds Issued	789,000
Original Authorized Cost	1,315,000
Reduced Authorized Cost	(141,935)
Revised Authorized Cost	1,173,065
Percentage Decrease Over Original Authorized Cost	(10.79)%
Percentage Completion	100.00%
Original Target Completion Date	September 1, 2010
Revised Target Completion Date	September 1, 2010

**WEST ESSEX REGIONAL SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
2009 REFERENDUM
JUNIOR HIGH SCHOOL BOILER REPLACEMENT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
State Sources - SDA Grant	\$ 209,544		\$ 209,544	\$ 209,544
Bond Proceeds	546,000	-	546,000	546,000
Total Revenues	<u>755,544</u>	<u>-</u>	<u>755,544</u>	<u>755,544</u>
Expenditures and Other Financing Uses				
Purchased Professional and Technical Services	37,272	-	37,272	50,000
Construction Services	515,210		515,210	705,544
Furniture and Equipment	-		-	-
Contingency	-	-	-	-
Total Expenditures	<u>552,482</u>	<u>-</u>	<u>552,482</u>	<u>755,544</u>
Excess of Revenue Over Expenditures	<u>\$ 203,062</u>	<u>\$ -</u>	<u>\$ 203,062</u>	<u>\$ -</u>

Additional Project Information:

Project Number	SP#5630-070-09-1005
Grant Date	1/15/2009
Grant Number	G5-3179
Bond Authorization Date	4/21/2009
Bonds Authorized	\$ 546,000
Bonds Issued	546,000
Original Authorized Cost	910,000
Reduced Authorized Cost	(154,456)
Revised Authorized Cost	755,544
Percentage Decrease Over Original Authorized Cost	(16.97)%
Percentage Completion	100.00%
Original Target Completion Date	September 1, 2010
Revised Target Completion Date	September 1, 2010

WEST ESSEX REGIONAL SCHOOL DISTRICT
 CAPITAL PROJECTS FUND
 SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
 AND PROJECT STATUS - BUDGETARY BASIS
 JUNIOR HIGH SCHOOL WINDOW REPLACEMENT
 FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
State Sources - SDA Grant		\$ 80,520	\$ 80,520	\$ 80,520
Transfer from Capital Reserve	-	120,780	120,780	120,780
	-	201,300	201,300	201,300
Expenditures and Other Financing Uses				
Construction Services	\$ -	-	-	201,300
	-	-	-	201,300
Excess of Revenue Over Expenditures	\$ -	\$ 201,300	\$ 201,300	\$ -

Additional Project Information:

Project Number	SP#3750-070-14-1003
Grant Date	1/6/2014
Grant Number	G04
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	201,300
Reduced Authorized Cost	
Revised Authorized Cost	201,300
Percentage Decrease Over Original Authorized Cost	0.00%
Percentage Completion	0.00%
Original Target Completion Date	June 30, 2015
Revised Target Completion Date	June 30, 2015

PROPRIETARY FUNDS

**WEST ESSEX REGIONAL SCHOOL DISTRICT
PROPRIETARY FUND
STATEMENT OF NET POSITION
AS OF JUNE 30, 2014**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

FIDUCIARY FUNDS

AGENCY FUNDS

WEST ESSEX REGIONAL SCHOOL DISTRICT
AGENCY FUNDS
COMBINING STATEMENT OF AGENCY FUND ASSETS AND LIABILITIES
AS OF JUNE 30, 2014

	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 377,899	\$ 313,790	\$ 691,689
Total Assets	<u>\$ 377,899</u>	<u>\$ 313,790</u>	<u>\$ 691,689</u>
LIABILITIES			
Payroll Deductions Payable		\$ 160,500	\$ 160,500
Accrued Salaries and Wages		(2,952)	(2,952)
Due to Other Funds	\$ 107,132	156,242	263,374
Due to Student Groups	<u>270,767</u>	<u>-</u>	<u>270,767</u>
Total Liabilities	<u>\$ 377,899</u>	<u>\$ 313,790</u>	<u>\$ 691,689</u>

WEST ESSEX REGIONAL SCHOOL DISTRICT
 FIDUCIARY FUNDS
 NONEXPENDABLE TRUST FUND
 COMBINING STATEMENT OF CHANGES IN
 FIDUCIARY NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOT APPLICABLE

AGENCY FUNDS
 STUDENT ACTIVITY AGENCY FUND
 SCHEDULE OF RECEIPTS AND DISBURSEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Balance, July 1, <u>2013</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance, June 30, <u>2014</u>
Liabilities				
Due to Other Funds (Activity Fees)		\$ 107,132		\$ 107,132
Due to Student Groups - Activity Account	\$ 303,379	664,760	\$ 697,372	270,767
 Total Liabilities	 \$ 303,379	 \$ 771,892	 \$ 697,372	 \$ 377,899

WEST ESSEX REGIONAL SCHOOL DISTRICT
 AGENCY FUNDS
 PAYROLL AGENCY FUND
 SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Balance, July 1, <u>2013</u>	<u>Additions</u>	<u>Deductions</u>	Balance, June 30, <u>2014</u>
ASSETS				
Cash	\$ 155,211	\$ 21,160,878	\$ 21,002,299	\$ 313,790
Total Assets	<u>\$ 155,211</u>	<u>\$ 21,160,878</u>	<u>\$ 21,002,299</u>	<u>\$ 313,790</u>
LIABILITIES				
Accrued Salaries and Wages		\$ 11,982,040	\$ 11,984,992	(2,952)
Payroll Deductions Payable	\$ 152,128	9,178,838	9,170,466	\$ 160,500
Due to Other Funds	<u>3,083</u>	<u>153,159</u>	<u>-</u>	<u>156,242</u>
Total Liabilities	<u>\$ 155,211</u>	<u>\$ 21,314,037</u>	<u>\$ 21,155,458</u>	<u>\$ 313,790</u>

LONG-TERM DEBT

**WEST ESSEX REGIONAL SCHOOL DISTRICT
SCHEDULE OF SERIAL BONDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Balance, July 1, 2013</u>	<u>Retired</u>	<u>Balance June 30, 2014</u>
Serial Bonds	8/15/2009	\$ 6,537,000	8/15/2014	\$ 270,000	3.000%	6,052,000	265,000.00	\$ 5,787,000
			8/15/2015	285,000	3.000%			
			8/15/2016	290,000	3.125%			
			8/15/2017	305,000	3.250%			
			8/15/2018	310,000	3.250%			
			8/15/2019	325,000	3.500%			
			8/15/2020	340,000	3.500%			
			8/15/2021	355,000	3.500%			
			8/15/2022	370,000	3.625%			
			8/15/2023	385,000	3.750%			
			8/15/2024	400,000	3.750%			
			8/15/2025	410,000	4.000%			
			8/15/2026	425,000	4.000%			
			8/15/2027	440,000	4.000%			
			8/15/2028	440,000	4.000%			
8/15/2029	437,000	4.000%						
Refunding Bonds	7/14/2011	14,470,000	11/01/2014	1,440,000	4.000%	14,370,000	1,440,000	12,930,000
			11/01/2015	1,435,000	4.000%			
			11/01/2016	1,430,000	3.500%			
			11/01/2017	120,000	2.250%			
			11/01/2017	675,000	3.000%			
			11/01/2017	625,000	4.000%			
			11/01/2018	1,365,000	4.000%			
			11/01/2018	50,000	5.000%			
			11/01/2019	1,415,000	5.000%			
			11/01/2020	1,420,000	5.000%			
			11/01/2021	1,465,000	3.500%			
			11/01/2022	1,490,000	5.000%			
						Paid by Budget	<u>\$ 1,705,000</u>	
							<u>\$ 1,705,000</u>	

WEST ESSEX REGIONAL SCHOOL DISTRICT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES AND SALE/LEASEBACK CONTRACTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<u>Series</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Balance, July 1, 2013</u>	<u>Net Issued</u>	<u>Retired</u>	<u>Balance, June 30, 2014</u>
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NOT APPLICABLE

**WEST ESSEX REGIONAL SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
REVENUES					
Local Sources					
Property Tax Levy	\$ 2,407,198	-	\$ 2,407,198	\$ 2,407,198	-
Miscellaneous	1	-	1	1	-
Total Revenues	<u>2,407,199</u>	<u>-</u>	<u>2,407,199</u>	<u>2,407,199</u>	<u>-</u>
EXPENDITURES					
Regular Debt Service					
Interest	780,730	-	780,730	780,730	-
Principal	1,705,000	-	1,705,000	1,705,000	-
Total Expenditures	<u>2,485,730</u>	<u>-</u>	<u>2,485,730</u>	<u>2,485,730</u>	<u>-</u>
Net Change in Fund Balances	(78,531)	-	(78,531)	(78,531)	-
Fund Balance, Beginning of Year	<u>78,531</u>	<u>-</u>	<u>78,531</u>	<u>78,531</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

STATISTICAL SECTION

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

Contents

Exhibits

Financial Trends

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

J-1 to J-5

Revenue Capacity

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

J-6 to J-9

Debt Capacity

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

J-10 to J-13

Demographic and Economic Information

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

J-14 and J-15

Operating Information

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

J-16 to J-20

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

WEST ESSEX REGIONAL SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities										
Net Investment in Capital Assets	\$ 11,417,633	\$ 12,984,503	\$ 15,263,155	\$ 17,287,520	\$ 18,815,040	\$ 19,449,139	\$ 24,390,753	\$ 25,317,984	\$ 26,350,801	\$ 27,772,465
Restricted	1	1	1	1	1	400,001	668,730	2,847,261	3,667,260	3,898,713
Unrestricted	879,909	1,429,427	1,207,018	524,397	(103,637)	253,989	788,347	288,133	662,926	1,648,926
Total Governmental Activities Net Position	\$ 12,297,543	\$ 14,413,931	\$ 16,470,174	\$ 17,811,918	\$ 18,711,404	\$ 20,103,129	\$ 25,847,830	\$ 28,453,378	\$ 30,680,987	\$ 33,320,104
Business-Type Activities										
Net Investment in Capital Assets	\$ 65,785	\$ 73,131	\$ 63,458	\$ 53,785	\$ 47,940	\$ 24,050	\$ 42,605	\$ 33,447	\$ 24,289	\$ 12,596
Restricted										
Unrestricted	80,355	132,899	233,146	303,201	318,082	193,941	169,167	166,668	168,342	100,098
Total Business-Type Activities Net Position	\$ 146,140	\$ 206,030	\$ 296,604	\$ 356,986	\$ 366,022	\$ 217,991	\$ 211,772	\$ 200,115	\$ 192,631	\$ 112,694
District-Wide										
Net Investment in Capital Assets	\$ 11,483,418	\$ 13,057,634	\$ 15,326,613	\$ 17,341,305	\$ 18,862,980	\$ 19,473,189	\$ 24,433,358	\$ 25,351,431	\$ 26,375,090	\$ 27,785,061
Restricted	1	1	1	1	1	400,001	668,730	2,847,261	3,667,260	3,898,713
Unrestricted	960,264	1,562,326	1,440,164	827,598	214,445	447,930	957,514	454,801	831,268	1,749,024
Total District Net Position	\$ 12,443,683	\$ 14,619,961	\$ 16,766,778	\$ 18,168,904	\$ 19,077,426	\$ 20,321,120	\$ 26,059,602	\$ 28,653,493	\$ 30,873,618	\$ 33,432,798

Source: District financial statements

WEST ESSEX REGIONAL SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 11,064,512	\$ 11,403,194	\$ 12,463,416	\$ 13,234,960	\$ 12,251,493	\$ 12,979,956	\$ 13,639,725	\$ 14,254,374	\$ 15,319,829	\$ 15,059,639
Special Education	2,816,055	3,374,453	3,713,674	4,619,720	5,210,393	4,944,372	4,614,351	5,291,950	5,376,409	5,244,537
Other Instruction	145,265	122,262	119,476	115,385	49,460	39,674	33,961	58,892	48,195	130,856
School Sponsored Activities And Athletics	1,215,538	1,413,002	1,461,029	1,521,978	1,525,939	1,589,966	1,649,919	1,667,883	1,640,057	1,600,776
Support Services:										
Student & Instruction Related Services	3,458,429	3,483,066	3,820,076	3,809,712	3,514,237	3,715,740	3,852,337	3,848,598	4,090,642	3,954,056
General Administrative Services	1,465,489	843,569	1,297,506	1,016,751	858,745	691,266	913,994	952,905	945,428	773,663
School Administrative Services	1,302,671	1,162,973	1,296,691	1,435,789	1,800,938	1,819,095	1,608,671	1,964,673	2,169,472	2,260,028
Central and Other Support Services		553,249	541,917	584,498	743,597	652,801	549,639	584,917	552,372	566,228
Plant Operations And Maintenance	2,561,430	2,840,689	3,105,953	3,450,036	4,333,145	3,855,280	3,592,306	3,598,805	3,655,757	3,979,360
Pupil Transportation	1,773,216	1,759,709	2,019,717	2,198,035	2,423,669	2,369,440	1,772,268	1,823,129	1,839,796	1,792,279
Interest On Long-Term Debt	1,002,375	1,045,209	945,610	892,860	874,887	1,068,923	1,010,252	665,601	761,455	691,812
Total Governmental Activities Expenses	26,804,980	28,001,375	30,785,065	32,879,724	33,586,503	33,726,513	33,237,423	34,711,727	36,399,412	36,053,234
Business-Type Activities:										
Food Service	549,169	481,591	494,000	560,853	550,230	632,181	683,937	695,121	750,776	794,468
Total Business-Type Activities Expense	549,169	481,591	494,000	560,853	550,230	632,181	683,937	695,121	750,776	794,468
Total District Expenses	\$ 27,354,149	\$ 28,482,966	\$ 31,279,065	\$ 33,440,577	\$ 34,136,733	\$ 34,358,694	\$ 33,921,360	\$ 35,406,848	\$ 37,150,188	\$ 36,847,702
Program Revenues										
Governmental Activities:										
Charges For Services:										
Instruction (Tuition)	174,700	152,890	116,528	46,944	20,635	67,175	145,971	168,593	77,076	102,010
Operating Grants And Contributions	1,981,685	3,375,349	4,345,302	4,428,984	3,810,271	4,601,827	3,135,488	3,903,058	4,782,073	4,329,234
Capital Grants And Contributions	2,821,882	210,765	765,770	509,127	706,619	4,500	3,262,003	19,205	-	-
Total Governmental Activities Program Revenues	4,978,267	3,739,004	5,227,600	4,985,055	4,537,525	4,673,502	6,543,462	4,090,856	4,859,149	4,431,244
Business-Type Activities:										
Charges For Services:										
Food Service	563,516	541,481	584,574	621,235	559,266	497,411	635,113	726,069	743,292	727,484
Operating Grants And Contributions	-	-	-	-	-	-	-	-	-	-
Total Business Type Activities Program Revenues	563,516	541,481	584,574	621,235	559,266	497,411	635,113	726,069	743,292	727,484
Total District Program Revenues	\$ 5,541,783	\$ 4,280,485	\$ 5,812,174	\$ 5,606,290	\$ 5,096,791	\$ 5,170,913	\$ 7,178,575	\$ 4,816,925	\$ 5,602,441	\$ 5,158,728

WEST ESSEX REGIONAL SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net (Expense)/Revenue										
Governmental Activities	\$ (21,826,713)	\$ (24,262,371)	\$ (25,557,465)	\$ (27,894,669)	\$ (29,048,978)	\$ (29,053,011)	\$ (26,693,961)	\$ (30,620,871)	\$ (31,540,263)	\$ (31,621,990)
Business-Type Activities	14,347	59,890	90,574	60,382	9,036	(134,770)	(48,824)	30,948	(7,484)	(66,984)
Total District-Wide Net Expense	\$ (21,812,366)	\$ (24,202,481)	\$ (25,466,891)	\$ (27,834,287)	\$ (29,039,942)	\$ (29,187,781)	\$ (26,742,785)	\$ (30,589,923)	\$ (31,547,747)	\$ (31,688,974)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied For General Purposes	\$ 22,132,665	\$ 23,173,440	\$ 24,254,219	\$ 26,009,320	\$ 27,347,610	\$ 28,163,781	\$ 30,787,000	\$ 30,284,468	\$ 30,890,157	\$ 31,507,960
Property Taxes Levied For Debt Service	2,368,138	2,366,500	2,322,750	2,279,000	2,234,375	2,188,875	1,090,680	2,546,355	2,507,679	2,407,198
State Aid - Unrestricted	1,591,449	306,414	361,432	406,264	14,852	-	-	-	-	-
Miscellaneous Income	321,804	532,405	675,307	372,946	351,627	206,279	359,117	395,596	370,036	345,949
Loss on Disposal of Capital Assets	-	-	-	(1,900)	-	-	-	-	-	-
Total Governmental Activities	26,414,056	26,378,759	27,613,708	29,065,630	29,948,464	30,558,935	32,236,797	33,226,419	33,767,872	34,261,107
Business-Type Activities:										
Investment Earnings	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Total Business-Type Activities	-	-	-	-	-	-	-	-	-	-
Total District-Wide	\$ 26,414,056	\$ 26,378,759	\$ 27,613,708	\$ 29,065,630	\$ 29,948,464	\$ 30,558,935	\$ 32,236,797	\$ 33,226,419	\$ 33,767,872	\$ 34,261,107
Change in Net Position										
Governmental Activities	\$ 4,587,343	\$ 2,116,388	\$ 2,056,243	\$ 1,170,961	\$ 899,486	\$ 1,505,924	\$ 5,542,836	\$ 2,605,548	\$ 2,227,609	\$ 2,639,117
Business-Type Activities	14,347	59,890	90,574	60,382	9,036	(134,770)	(48,824)	30,948	(7,484)	(66,984)
Total District	\$ 4,601,690	\$ 2,176,278	\$ 2,146,817	\$ 1,231,343	\$ 908,522	\$ 1,371,154	\$ 5,494,012	\$ 2,636,496	\$ 2,220,125	\$ 2,572,133

Source: District financial statements

**WEST ESSEX REGIONAL SCHOOL DISTRICT
FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Unaudited)
(modified accrual basis of accounting)**

	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Reserved	\$ 931,250	\$ 1,443,149	\$ 1,182,293	\$ 27,001	\$ 415,426	\$ 1,141,261				
Unreserved	521,603	499,952	492,733	1,335,627	261,838	324,835				
Restricted							\$ 668,729	\$ 2,768,729	\$ 3,588,729	\$ 3,777,933
Committed							98,123		161,670	490,602
Assigned							716,497	385,557	531,760	1,117,233
Unassigned	-	-	-	-	-	-	700,917	619,125	621,000	626,842
Total General Fund	\$ 1,452,853	\$ 1,943,101	\$ 1,675,026	\$ 1,362,628	\$ 677,264	\$ 1,466,096	\$ 2,184,266	\$ 3,773,411	\$ 4,903,159	\$ 6,012,610
All Other Governmental Funds										
Reserved			\$ 1,833,234	\$ 482,539	\$ 2,627,000	\$ 2,126,854				
Unreserved	10,957,555	9,885,488	4,571,483	4,268,036	(1,226,743)	212,827				
Restricted							\$ 1,041,648	\$ 1,112,216	\$ 914,026	\$ 1,034,806
Committed										
Assigned										
Unassigned	-	-	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	\$ 10,957,555	\$ 9,885,488	\$ 6,404,717	\$ 4,750,575	\$ 1,400,257	\$ 2,339,681	\$ 1,041,648	\$ 1,112,216	\$ 914,026	\$ 1,034,806

Source: District financial statements

WEST ESSEX REGIONAL SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Unaudited)
(modified accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Property Tax Levy	\$ 24,500,803	\$ 25,539,940	\$ 26,576,969	\$ 28,288,320	\$ 29,581,985	\$ 30,352,656	\$ 31,877,680	\$ 32,830,823	\$ 33,397,836	\$ 33,915,158
Tuition	174,700	152,890	116,528	46,944	20,635	67,175	145,971	168,593	77,076	102,010
Miscellaneous	416,165	532,405	680,307	372,946	351,627	207,879	359,117	427,395	400,230	370,871
State Sources	3,266,598	3,380,672	4,397,615	4,491,433	4,192,380	4,084,854	5,961,262	3,456,344	4,429,723	3,950,324
Federal Sources	306,536	301,091	304,119	343,814	339,362	519,873	436,229	434,120	322,156	353,988
Total Revenue	28,664,802	29,906,998	32,075,538	33,543,457	34,485,989	35,232,437	38,780,259	37,317,275	38,627,021	38,692,351
Expenditures										
Instruction										
Regular Instruction	10,829,879	11,268,864	12,289,086	12,992,305	12,019,960	12,648,777	13,099,598	13,537,087	14,632,909	14,329,700
Special Education Instruction	2,773,055	3,347,002	3,677,783	4,569,763	5,162,725	4,876,189	4,505,230	5,129,066	5,220,165	5,089,627
Other Instruction	143,265	120,791	117,663	112,860	47,051	36,228	34,033	58,888	48,264	127,465
School Sponsored Activities and Athletics	1,191,538	1,398,047	1,443,004	1,496,889	1,501,999	1,555,723	1,600,028	1,600,030	1,574,858	1,537,986
Support Services:										
Student and Inst. Related Services	3,393,429	3,441,448	3,767,954	3,737,161	3,445,011	3,616,721	3,713,399	3,672,145	3,921,624	3,769,634
General Administrative Services	676,550	839,213	1,291,578	1,008,500	850,872	680,005	861,798	757,690	900,256	751,062
School Administrative Services	1,282,671	1,149,910	1,279,456	1,411,800	1,778,048	1,786,354	1,549,120	1,869,652	2,078,786	2,152,073
Central and Other Support Services	703,848	546,504	533,546	572,846	732,480	636,899	529,614	557,774	526,331	540,137
Plant Operations And Maintenance	2,527,430	2,818,601	3,079,715	3,413,517	3,648,300	3,155,439	3,515,583	3,493,524	3,554,853	3,839,438
Pupil Transportation	1,773,629	1,759,394	2,019,717	2,198,035	2,423,669	2,369,440	1,768,021	1,816,080	1,832,747	1,781,428
Capital Outlay	19,856,159	1,114,053	3,662,992	2,708,359	3,015,490	6,118,034	4,740,163	697,802	818,459	1,136,371
Debt Service:										
Principal	1,643,655	1,665,610	1,698,906	1,632,633	1,754,138	1,669,127	2,443,129	1,720,000	1,665,000	1,705,000
Interest and Other Charges	1,077,466	1,019,380	962,984	905,329	853,257	892,245	1,161,859	1,791,216	842,680	780,730
Total Expenditures	47,872,574	30,488,817	35,824,384	36,759,997	37,233,000	40,041,181	39,521,575	36,700,954	37,616,932	37,540,651
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	(19,207,772)	(581,819)	(3,748,846)	(3,216,540)	(2,747,011)	(4,808,744)	(741,316)	616,321	1,010,089	1,151,700

WEST ESSEX REGIONAL SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Unaudited)
(modified accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Other Financing Sources (Uses)										
Proceeds from Leases				\$ 1,250,000			161,453			
Proceeds from Bonds						\$ 6,537,000	-	\$ 14,470,000	-	-
Proceeds from Refunding Bonds								1,458,392	-	-
Premium on Bonds								(14,885,000)	-	-
Payment to Refunded Bonds Escrow Agent									-	-
Transfers In	\$ 279,953	\$ 346,992	\$ 369,503	107,564	\$ 47,839	263,293	1,138,728			120,780
Transfers Out	(279,953)	(346,992)	(369,503)	(107,564)	(47,839)	(263,293)	(1,138,728)	-	-	(120,780)
Total Other Financing Sources (Uses)	-	-	-	1,250,000	-	6,537,000	161,453	1,043,392	-	-
Net Change in Fund Balances	<u>\$ (19,207,772)</u>	<u>\$ (581,819)</u>	<u>\$ (3,748,846)</u>	<u>\$ (1,966,540)</u>	<u>\$ (2,747,011)</u>	<u>\$ 1,728,256</u>	<u>\$ (579,863)</u>	<u>\$ 1,659,713</u>	<u>\$ 1,010,089</u>	<u>\$ 1,151,700</u>
Debt Service as a Percentage of										
Noncapital Expenditures	9.71%	9.14%	8.28%	7.45%	7.62%	7.55%	10.36%	9.75%	6.81%	6.83%

* Noncapital expenditures are total expenditures less capital outlay.

Source: District financial statements

WEST ESSEX REGIONAL SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
(Unaudited)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Fund										
Tuition	\$ 174,700	\$ 152,890	\$ 116,528	\$ 46,944	\$ 20,635	\$ 67,175	\$ 145,971	\$ 168,593	\$ 77,076	\$ 102,010
Rentals/Facility Use	770	200	1,600	9,600	72,125	34,582	52,091	58,431	67,601	95,195
Interest	30,841	62,554	123,700	90,726	78,696	71,081	6,449	6,765	9,770	12,174
Donations/Teen Center		2,874								
Request for Proposal Fees			5,950	3,300						
Athletic Game Receipts	8,084	7,642	9,840	12,499	14,474	12,471	15,414	9,185	19,195	28,075
Student Fines	18,627	5,379	6,460							
Prior Year Refunds and Reimbursements	71,236	85,283	41,225	122,914	89,537	55,927	40,295	65,654		12,181
Sale of School Property			1,000							
Energy Rebate			114,429	12,132			82,060	36,161	58,636	31,772
E-Rate				12,213	27,862	20,515	3,726	35,984	23,158	15,332
Workers Compensation Refund								91,520	49,438	
Vending Machines	6,623	20,617								
Student Activity Fees							94,341	91,896	104,585	107,132
Miscellaneous	31	864	1,600	1,998	21,094	9,682	64,741	-	37,653	44,087
	<u>31</u>	<u>864</u>	<u>1,600</u>	<u>1,998</u>	<u>21,094</u>	<u>9,682</u>	<u>64,741</u>	<u>-</u>	<u>37,653</u>	<u>44,087</u>
Total Miscellaneous	\$ <u>310,912</u>	\$ <u>338,303</u>	\$ <u>422,332</u>	\$ <u>312,326</u>	\$ <u>324,423</u>	\$ <u>271,433</u>	\$ <u>505,088</u>	\$ <u>564,189</u>	\$ <u>447,112</u>	\$ <u>447,958</u>

Source: School District's Financial Statements

WEST ESSEX REGIONAL SCHOOL DISTRICT
 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN YEARS
 (Unaudited)

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate
ESSEX FELLS												
2005	\$ 7,903,700	\$ 778,885,700			\$ 22,030,600			\$ 808,820,000	\$ 295,363	\$ 809,115,363	\$ 809,115,363	\$ 0.310
2006	9,322,600	780,328,500			22,047,400			811,698,500	295,363	811,993,863	811,994,213	0.320
2007	9,147,000	783,758,100			22,047,400			814,952,500	295,363	815,247,863	909,637,586	0.330
2008	9,147,000	788,387,000			22,047,400			819,581,400	247,614	819,829,014	915,224,261	0.376
2009	7,145,600	785,894,700			22,047,400			815,087,700	331,433	815,419,133	866,846,814	0.348
2010	6,463,200	735,974,800			25,143,800			767,581,800	336,248	767,918,048	829,476,548	0.367
2011	6,463,200	736,848,900			25,143,800			768,455,900	327,163	768,783,063	806,128,748	0.367
2012								762,944,100	293,033	763,237,133	757,461,483	0.393
2013								761,202,300	288,400	761,490,700	745,211,103	0.429
2014										NOT AVAILABLE		
FAIRFIELD												
2005	25,041,300	628,088,400	\$ 434,600	\$ 64,500	414,582,700	\$ 470,085,300		1,538,296,800	6,661,200	1,544,958,000	2,240,563,334	0.660
2006	26,889,000	636,472,300	434,600	46,600	425,368,300	461,083,000	\$ 11,701,000	1,561,994,800	6,031,200	1,568,026,000	2,393,676,899	0.670
2007	20,315,800	650,134,500	434,600	46,600	418,904,900	479,097,500	11,701,000	1,580,634,900	5,278,100	1,585,913,000	2,935,460,557	0.740
2008	23,548,300	656,158,400	241,600	46,600	397,923,400	476,087,700	11,701,000	1,565,707,000	5,617,500	1,571,324,500	3,033,568,912	0.780
2009	44,949,900	1,317,292,700	492,900	47,500	777,919,000	946,905,400	16,500,000	3,104,107,400	10,901,740	3,115,009,148	3,109,397,060	0.309
2010	50,823,000	1,317,526,000	492,900	47,500	775,320,000	938,752,800	16,500,000	3,099,462,200	10,901,748	3,110,363,948	3,125,008,280	0.313
2011	48,359,400	1,320,103,100	501,300	47,500	774,727,000	918,689,900	15,000,000	3,077,428,200	10,130,737	3,087,558,937	3,004,475,056	0.468
2012								2,677,182,100	10,025,440	2,687,207,540	2,962,755,685	0.525
2013								2,646,524,400	7,898,040	2,654,422,440	2,783,791,725	0.529
2014										NOT AVAILABLE		

N/A - Not Available

Source: County Abstract of Ratables

WEST ESSEX REGIONAL SCHOOL DISTRICT
 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN YEARS
 (Unaudited)

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate
<u>NORTH CALDWELL</u>												
2005	\$ 4,201,100	\$ 346,397,640	\$ 94,900	\$ 4,000	\$ 5,797,600	\$ 739,600		\$ 357,234,840	\$ 177,552	\$ 357,412,392	\$ 1,358,798,628	\$ 1.860
2006	6,786,400	352,882,076	94,900	4,000	5,677,800	739,600		366,184,776	151,567	366,336,343	1,552,533,185	1.720
2007	9,677,700	354,687,700	94,900	4,000	5,563,900	739,600		370,767,800	149,800	370,917,600	1,672,593,459	1.730
2008	60,873,600	1,723,979,600	624,200	4,000	32,327,600	2,916,300		1,820,725,300	713,300	1,821,438,600	1,764,573,995	0.370
2009	52,622,000	1,723,500,900	624,200	4,000	32,127,000	2,916,300		1,811,794,400	781,000	1,812,575,400	1,808,237,504	0.396
2010	36,736,800	1,568,711,600	642,900	4,000	29,817,300	2,916,300		1,638,828,900	761,600	1,639,590,500	1,767,502,544	0.446
2011	31,687,700	1,517,159,000	474,200	4,000	27,941,000	2,916,300		1,580,182,200	568,100	1,580,750,300	1,705,642,135	0.475
2012	27,965,000	1,477,834,400	424,000	4,000	25,749,200	2,916,300		1,534,892,900	572,300	1,535,465,200	1,629,143,891	0.475
2013								1,539,433,900	618,900	1,540,052,800	1,603,705,860	0.496
2014	24,013,300	1,511,273,300	228,500	5,700	23,217,700	2,697,500		1,561,436,000	528,800	1,561,964,800	1,627,465,417	0.501
<u>ROSELAND</u>												
2005	3,827,800	120,485,141		3,500	118,630,900	12,819,900	\$ 7,616,900	263,384,141	346,387	263,730,528	1,384,130,905	2.340
2006	2,937,700	124,367,441		3,500	106,823,800	13,241,600	7,616,900	254,990,941	248,124	255,239,065	1,740,006,935	2.630
2007	1,714,600	128,712,141		3,500	108,117,400	13,509,200	7,616,900	259,673,741	223,805	259,897,546	1,985,595,895	2.840
2008	1,670,300	131,740,741		3,500	87,252,700	12,437,700	7,616,900	239,721,841	228,176	239,650,017	1,848,524,833	3.167
2009	1,545,600	131,487,941		3,500	84,649,300	12,191,000	7,316,900	237,194,241	216,557	237,410,798	2,015,579,267	3.194
2010	21,591,600	987,424,646		4,600	666,755,200	85,871,000	53,906,200	1,815,553,246	1,913,146	1,817,466,392	1,980,725,360	0.432
2011	20,823,300	984,274,052		6,400	659,768,900	85,545,200	53,906,200	1,804,324,052	1,741,868	1,806,065,920	1,806,358,981	0.448
2012								1,713,019,652	1,612,156	1,714,631,808	1,876,699,561	0.497
2013								1,686,679,652	1,807,900	1,688,487,552	1,790,276,314	0.532
2014										NOT AVAILABLE		

N/A - Not Available

Source: County Abstract of Ratables

**WEST ESSEX REGIONAL SCHOOL DISTRICT
PROPERTY TAX RATES
PER \$100 OF ASSESSED VALUATION
LAST TEN YEARS
(Unaudited)**

<u>Calendar Year</u>	<u>Total</u>	<u>West Essex Regional School District</u>	<u>Local School District</u>	<u>Municipality</u>	<u>County</u>
ESSEX FELLS					
2005	\$ 1.400	\$ 0.310	\$ 0.380	\$ 0.300	\$ 0.410
2006	1.470	0.320	0.400	0.310	0.440
2007	1.490	0.330	0.420	0.320	0.420
2008	1.617	0.376	0.454	0.350	0.437
2009	1.606	0.348	0.475	0.370	0.413
2010	1.721	0.367	0.525	0.391	0.438
2011	1.775	0.367	0.538	0.412	0.458
2012	1.833	0.393	0.551	0.428	0.461
2013	1.912	0.429	0.560	0.443	0.480
2014	N/A	N/A	N/A	N/A	N/A
FAIRFIELD					
2005	\$ 2.440	\$ 0.660	\$ 0.530	\$ 0.550	\$ 0.700
2006	2.520	0.670	0.540	0.580	0.730
2007	2.640	0.740	0.570	0.610	0.720
2008	2.790	0.780	0.590	0.670	0.750
2009	1.459	0.309	0.409	0.354	0.387
2010	1.556	0.313	0.438	0.396	0.409
2011	1.627	0.468	0.321	0.416	0.422
2012	1.886	0.525	0.372	0.503	0.486
2013	1.937	0.529	0.384	0.512	0.512
2014	N/A	N/A	N/A	N/A	N/A

Source: Municipal Tax Collectors

N/A - Not Available

WEST ESSEX REGIONAL SCHOOL DISTRICT
PROPERTY TAX RATES
PER \$100 OF ASSESSED VALUATION
LAST TEN YEARS
(Unaudited)

<u>Calendar Year</u>	<u>Total</u>	<u>West Essex Regional School District</u>	<u>Local School District</u>	<u>Municipality</u>	<u>County</u>
NORTH CALDWELL					
2005	\$ 7.220	\$ 1.860	\$ 2.390	\$ 1.150	\$ 1.820
2006	7.250	1.720	2.490	1.180	1.860
2007	7.360	1.730	2.630	1.220	1.780
2008	1.600	0.370	0.580	0.270	0.380
2009	1.674	0.396	0.591	0.300	0.387
2010	1.925	0.446	0.679	0.343	0.457
2011	2.036	0.475	0.724	0.363	0.474
2012	2.112	0.475	0.762	0.381	0.494
2013	2.166	0.496	0.775	0.381	0.514
2014	2.208	0.501	0.778	0.384	0.545
ROSELAND					
2005	10.130	2.340	2.150	3.120	2.520
2006	10.410	2.630	2.430	3.120	2.230
2007	11.430	2.840	2.470	3.120	3.000
2008	12.083	3.167	2.687	3.209	3.020
2009	12.821	3.194	3.009	3.402	3.216
2010	1.833	0.432	0.407	0.558	0.436
2011	1.873	0.448	0.414	0.580	0.431
2012	2.037	0.497	0.444	0.586	0.510
2013	2.042	0.532	0.455	0.602	0.453
2014	N/A	N/A	N/A	N/A	N/A

N/A - Not Available

Source: Municipal Tax Collectors

WEST ESSEX REGIONAL SCHOOL DISTRICT
 PRINCIPAL PROPERTY TAXPAYERS,
 CURRENT YEAR AND NINE YEARS AGO
 (Unaudited)

Taxpayer	2014		2005	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value

ESSEX FELLS

INFORMATION NOT AVAILABLE

FAIRFIELD

INFORMATION NOT AVAILABLE

Note: GASB requires that the principal property taxpayers from nine years prior to the current year be presented.

Source: Municipal Tax Assessor

WEST ESSEX REGIONAL SCHOOL DISTRICT
 PRINCIPAL PROPERTY TAXPAYERS,
 CURRENT YEAR AND NINE YEARS AGO
 (Unaudited)

Taxpayer	2014		2005	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value

NORTH CALDWELL

INFORMATION NOT AVAILABLE

ROSELAND

INFORMATION NOT AVAILABLE

Note: GASB requires that the principal property taxpayers from nine years prior to the current year be presented.

Source: Municipal Tax Assessor

**WEST ESSEX REGIONAL SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2005	\$ 24,500,803	\$ 24,500,803	100.00%	
2006	25,539,940	25,539,940	100.00%	
2007	26,576,969	26,576,969	100.00%	
2008	28,288,320	28,288,320	100.00%	
2009	29,581,985	29,581,985	100.00%	
2010	30,352,656	30,352,656	100.00%	
2011	31,877,680	31,685,577	99.40%	\$ 192,103
2012	32,830,823	32,830,823	100.00%	
2013	33,397,836	33,397,836	100.00%	
2014	33,915,158	33,323,280	98.25%	591,878

Source: District Financial Records

WEST ESSEX REGIONAL SCHOOL DISTRICT
 RATIOS OF OUTSTANDING DEBT BY TYPE
 LAST TEN FISCAL YEARS
 (Unaudited)

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities	Total District	Population	Per Capita
	General Obligation Bonds	Certificates of Participation	Capital Leases	Sale/Leaseback Contracts	Capital Leases			
2005	\$ 26,085,000		\$ 1,052,090			\$ 27,137,090	22,192	\$ 1,223
2006	24,685,000		786,480			25,471,480	21,977	1,159
2007	23,285,000		487,574			23,772,574	21,823	1,089
2008	21,885,000		1,204,941	\$ 300,000		23,389,941	21,875	1,069
2009	20,485,000		950,000	200,803		21,635,803	22,003	983
2010	25,622,000		779,625	102,051		26,503,676	21,584	1,228
2011	24,222,000					24,222,000	21,615	1,121
2012	22,087,000					22,087,000	21,906	1,008
2013	20,422,000					20,422,000	21,984	929
2014	18,717,000					18,717,000	21,984 (E)	851

Source: District records

(E) - Estimates

WEST ESSEX REGIONAL SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2005	\$ 26,085,000		\$ 26,085,000	0.88%	\$ 1,175
2006	24,685,000		24,685,000	0.82%	1,123
2007	23,285,000		23,285,000	0.77%	1,067
2008	21,885,000		21,885,000	0.49%	1,000
2009	20,485,000		20,485,000	0.34%	931
2010	25,622,000		25,622,000	0.35%	1,164
2011	24,222,000		24,222,000	0.33%	1,121
2012	22,087,000		22,087,000	0.31%	1,008
2013	20,422,000		20,422,000	0.29%	929
2014	18,717,000		18,717,000	N/A	851

Source: District records

N/A - Not Available

**WEST ESSEX REGIONAL SCHOOL DISTRICT
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
FOR THE YEAR ENDED DECEMBER 31, 2013
(Unaudited)**

Total Direct Debt of West Essex Regional School District as of June 30, 2014		\$ 18,717,000
Total Overlapping Debt of School District		
Borough of Essex Fells (A)	\$ 4,997,466	
Township of Fairfield (A)	10,527,990	
Borough of North Caldwell (A)	6,324,072	
Borough of Roseland (A)	13,488,402	
County of Essex (B)	27,224,561	
Essex County Utilities Authority (B)	<u>6,145,483</u>	
		<u>68,707,974</u>
 Total Direct and Overlapping Debt		 <u>\$ 87,424,974</u>

(A) Municipalities' debt includes both municipal and local school district's debt.

(B) The debt for this entity was apportioned by dividing the Municipality's 2013 equalized value by the total 2013 equalized value for Essex County and Essex County Utilities Authority.

Source:

- (1) 2013 Annual Debt Statements - Borough of Essex Fells, Township of Fairfield, Borough of North Caldwell and Borough of Roseland
- (2) Essex County 2013 Annual Debt Statement
- (3) Essex County Utilities Authority

WEST ESSEX REGIONAL SCHOOL DISTRICT
 LEGAL DEBT MARGIN INFORMATION
 LAST TEN FISCAL YEARS

Legal Debt Margin Calculation for Fiscal Year 2014

	Equalized valuation basis
	2011 \$ 7,321,468,278
	2012 6,929,185,879
	2013 6,715,967,981
	<u>\$ 20,966,622,138</u>
Average equalized valuation of taxable Property	\$ 6,988,874,046
Debt Limit 3.5% of average equalization value	244,610,592
Total Net Debt Applicable to Limit	<u>18,717,000</u>
Legal debt margin	<u>\$ 225,893,592</u>

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Debt Limit	\$ 185,082,023	\$ 207,843,041	\$ 223,151,659	\$ 242,438,250	\$ 265,880,775	\$ 269,902,819	\$ 266,285,573	\$ 260,818,888	\$ 252,130,498	\$ 244,610,592
Total Net Debt Applicable to Limit	<u>26,085,000</u>	<u>24,685,000</u>	<u>23,285,000</u>	<u>21,885,000</u>	<u>27,022,000</u>	<u>25,622,000</u>	<u>24,222,000</u>	<u>22,087,000</u>	<u>20,422,000</u>	<u>18,717,000</u>
Legal Debt Margin	<u>\$ 158,997,023</u>	<u>\$ 183,158,041</u>	<u>\$ 199,866,659</u>	<u>\$ 220,553,250</u>	<u>\$ 238,858,775</u>	<u>\$ 244,280,819</u>	<u>\$ 242,063,573</u>	<u>\$ 238,731,888</u>	<u>\$ 231,708,498</u>	<u>\$ 225,893,592</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	14.09%	11.88%	10.43%	9.03%	10.16%	9.49%	9.10%	8.47%	8.10%	7.65%

Source: Equalized valuation bases were obtained from the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation

**WEST ESSEX REGIONAL SCHOOL DISTRICT
DEMOGRAPHIC STATISTICS
LAST TEN YEARS
(Unaudited)**

<u>Year Ended December 31,</u>	<u>Unemployment Rate</u>	<u>Per Capita Income</u> (1)	<u>School District Population</u>
ESSEX FELLS			
2005	1.2	\$ 43,986	2,069
2006	2.5	47,627	2,032
2007	2.2	49,978	2,006
2008	2.7	51,039	2,094
2009	5.5	49,634	2,135
2010	5.6	51,448	2,113
2011	5.3	53,538	2,116
2012	5.5	54,879	2,185
2013	2.4	N/A	2,119
2014	N/A	N/A	2,119 (E)
FAIRFIELD			
2005	3.1	\$ 43,986	7,628
2006	3.3	47,627	7,558
2007	2.9	49,978	7,481
2008	3.6	51,039	7,442
2009	7.2	49,634	7,447
2010	7.3	51,448	7,467
2011	6.9	53,538	7,478
2012	7.2	54,879	7,497
2013	5.1	N/A	7,509
2014	N/A	N/A	7,509 (E)

(1) Per Capita Income for Essex County

N/A - Not Available

(E) - Estimate

**WEST ESSEX REGIONAL SCHOOL DISTRICT
DEMOGRAPHIC STATISTICS
LAST TEN YEARS
(Unaudited)**

<u>Year Ended December 31,</u>	<u>Unemployment Rate</u>	<u>Per Capita Income</u> (1)	<u>School District Population</u>
NORTH CALDWELL			
2005	2.8	\$ 43,986	7,182
2006	3.0	47,627	7,091
2007	2.7	49,978	7,034
2008	3.3	51,039	7,020
2009	6.6	49,634	7,071
2010	6.7	51,448	6,184
2011	6.4	53,538	6,193
2012	6.6	54,879	6,340
2013	3.1	N/A	6,557
2014	N/A	N/A	6,557 (E)
ROSELAND			
2005	3.3	\$ 43,986	5,313
2006	3.4	47,627	5,296
2007	3.1	49,978	5,302
2008	3.8	51,039	5,319
2009	7.6	49,634	5,350
2010	7.7	51,448	5,820
2011	7.3	53,538	5,828
2012	7.5	54,879	5,884
2013	2.9	N/A	5,799
2014	N/A	N/A	5,799 (E)

(1) Per Capita Income for Essex County

N/A - Not Available

(E) - Estimate

WEST ESSEX REGIONAL SCHOOL DISTRICT
 PRINCIPAL EMPLOYERS,
 CURRENT YEAR AND NINE YEARS AGO
 (Unaudited)

<u>Employer</u>	<u>2014</u>		<u>2005</u>	
	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>

INFORMATION IS NOT AVAILABLE

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

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Instruction	131	134	141	147	141	143	143	146	146	146
Support Services:										
Student and Instruction Related Services	42	36	33	33	38	36	36	36	36	36
General Administration	2	2	2	2	1	2	2	2	2	2
School Administrative Services	17	16	11	17	9	8	8	9	9	9
Central and Other Support Services	6	5	6	6	7	8	8	8	8	8
Plant Operations And Maintenance	29	27	32	26	27	27	27	27	26	26
Total	<u>227</u>	<u>220</u>	<u>225</u>	<u>231</u>	<u>223</u>	<u>224</u>	<u>224</u>	<u>228</u>	<u>227</u>	<u>227</u>

Source: District Personnel Records

WEST ESSEX REGIONAL SCHOOL DISTRICT
 OPERATING STATISTICS
 LAST TEN FISCAL YEARS
 (Unaudited)

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Pupil/Teacher Ratio			Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
					Teaching Staff	Junior High School	Senior High School				
2005	1,543	\$ 25,295,294	\$ 16,394	3.09%	163.0	1:11	1:10	1,543	1,462	2.39%	94.75%
2006	1,561	26,689,774	17,098	4.30%	N/A	N/A	N/A	1,561	N/A	1.17%	N/A
2007	1,615	29,499,502	18,266	6.83%	150.0	1:13	1:8	1,597	1,530	2.31%	95.80%
2008	1,604	31,513,676	19,647	7.56%	147.0	1:8	1:13	1,604	1,566	0.44%	97.63%
2009	1,633	31,610,115	19,357	-1.48%	146.0	1:11	1:18	1,633	1,583	1.81%	96.94%
2010	1,591	31,361,775	19,712	1.83%	143.0	1:12	1:12	1,561	1,498	-4.41%	95.96%
2011	1,589	31,176,424	19,620	-0.47%	143.0	1:11	1:11	1,589	1,522	1.79%	95.78%
2012	1,615	32,491,936	20,119	2.54%	146.0	1:11	1:11	1,615	1,573	1.64%	97.40%
2013	1,617	34,290,793	21,206	5.41%	146.0	1:11	1:11	1,618	1,550	0.17%	95.82%
2014	1,650	33,918,550	20,557	-3.06%	142.4	1:11	1:11	1,646	1,579	1.75%	95.93%

N/A - Not Available

Sources: District records

WEST ESSEX REGIONAL SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST FISCAL YEAR
(Unaudited)

INFORMATION NOT AVAILABLE

WEST ESSEX REGIONAL SCHOOL DISTRICT
 GENERAL FUND
 SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
 LAST TEN YEARS
 (Unaudited)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>School Facilities</u>										
Senior High School	\$ 97,761	\$ 103,750	\$ 71,685	\$ 105,794	\$ 95,732	\$ 35,367	\$ 141,776	\$ 83,489	\$ 181,645	\$ 465,521
Junior High School	<u>15,726</u>	<u>40,805</u>	<u>22,637</u>	<u>66,060</u>	<u>48,828</u>	<u>27,830</u>	<u>63,160</u>	<u>60,724</u>	<u>88,824</u>	<u>318,179</u>
Total	<u>\$ 113,487</u>	<u>\$ 144,555</u>	<u>\$ 94,322</u>	<u>\$ 171,854</u>	<u>\$ 144,560</u>	<u>\$ 63,197</u>	<u>\$ 204,936</u>	<u>\$ 144,213</u>	<u>\$ 270,469</u>	<u>\$ 783,700</u>

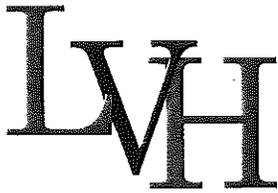
Source: School District's Financial Statements

WEST ESSEX REGIONAL SCHOOL DISTRICT
SCHEDULE OF INSURANCE
JUNE 30, 2014
(Unaudited)

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - Graphic Arts		
Property - Blanket and Building Contents	\$ 85,340,365	\$ 1,000
Comprehensive General Liability	\$5,000,000 Occurrence/ \$5,000,000 Aggregate	
Comprehensive Automobile Liability	\$ 5,000,000	
Comprehensive Crime Coverage:		
Public Employee Blanket Bond - Form P	100,000	
Form C - Inside	50,000	
Form C - Outside	50,000	
Form B - Forgery	100,000	
Inland Marine:	4,313,520	
Data Processing Equipment		250
Audio Visual		250
Musical Instruments		250
Band and Sports Uniforms		250
Boiler and Machinery:		
Property Damage	Included	250
Umbrella Liability - Utica Mutual:		
Umbrella Policy	\$ 15,000,000	10,000
School Board Legal Liability - Utica Mutual	\$1,000,000/ 1,000,000	2,500
Employee Benefits Liability	\$5,000,000/ 5,000,000	1,000
Blanket Dishonesty Bond including Faithful Performance	100,000 each person 400,000 per loss	1,000 1,000
Public Officials Bonds - Utica		
School Board Administrator	100,000	
Treasurer of School Monies	250,000	

Source: School District's records

SINGLE AUDIT



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-1

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
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CINDY JANACEK, CPA, RMA
LORI T. MANUKIAN, CPA, PSA
MARK SACO, CPA

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

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
West Essex Regional School District
North Caldwell, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the West Essex Regional School District as of and for the fiscal year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the West Essex Regional School District's basic financial statements and have issued our report thereon dated October 22, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2014-001 and 2014-002 that we consider to be significant deficiencies in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the West Essex Regional School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey and which is described in the accompanying schedule of findings and questioned costs as items 2014-001 and 2014-002.

We also noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the West Essex Regional School District in a separate report entitled, "Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance" dated October 22, 2014.

West Essex Regional School District's Responses to Findings

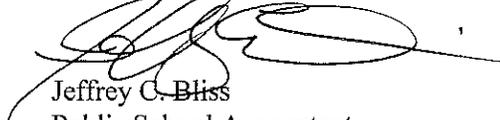
The West Essex Regional School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The West Essex Regional School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

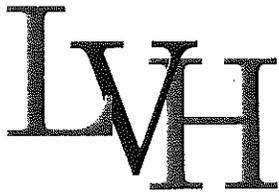
Lerch, Vinci & Higgins, LLP

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



Jeffrey C. Bliss
 Public School Accountant
 PSA Number CS00932

Fair Lawn, New Jersey
 October 22, 2014



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-2

DIETER P. LERCH, CPA, RMA, PSA
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**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY NEW JERSEY
OMB CIRCULAR 04-04**

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
West Essex Regional School District
North Caldwell, New Jersey

Report on Compliance for Each Major State Program

We have audited the West Essex Regional School District's compliance with the types of compliance requirements described in the New Jersey OMB Circular 04-04 State Aid/ Grant Compliance Supplement that could have a direct and material effect on each of West Essex Regional School District's major state programs for the fiscal year ended June 30, 2014. The West Essex Regional School District's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the West Essex Regional School District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards and Circulars require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the West Essex Regional School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the West Essex Regional School District's compliance.

Opinion on Each Major State Program

In our opinion, the West Essex Regional School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with New Jersey OMB Circular 04-04 and which are described in the accompanying schedule of findings and questioned costs as items 2014-003 and 2014-004. Our opinion on each major state program is not modified with respect to these matters.

The West Essex Regional School District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The West Essex Regional School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the West Essex Regional School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the West Essex Regional School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the West Essex Regional School District's internal control over compliance.

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

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

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

Report on Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 04-04

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the West Essex Regional School District, as of and for the fiscal year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements. We issued our report thereon dated October 22, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 04-04 is presented for purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

Lerch, Vinci & Higgins, LLP

LERCH, VINCI & HIGGINS, LLP

Certified Public Accountants

Public School Accountants



Jeffrey C. Bliss

Public School Accountant

PSA Number CS00932

Fair Lawn, New Jersey
October 22, 2014

WEST ESSEX REGIONAL SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Federal/Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	June 30, 2013				Cash Received	Carryover/ (Walkover) Amount Def. Rev.	Carryover/ (Walkover) Amount A/R	Budgetary Expenditures	Adjustment (A)	June 30, 2014			Memo GAAP Receivable
					Accounts Receivable	Unearned Revenue	Due to Grantor	Accounts Receivable						Unearned Revenue	Due to Grantor		
U.S. Department of Education Passed-through State Department of Education																	
Special Revenue Fund																	
Title I	84.010A	NCLB-5630-13	9/01/12-8/31/13	\$ 54,655	\$ (54,655)	\$ 39,644		\$ 15,761	\$ (38,894)	\$ 38,894	\$ 650	\$ (100)					
Title I	84.010A	NCLB-5630-14	7/1/13-6/30/14	47,267				53,204	38,894	(38,894)	64,190		\$ (32,957)	\$ 21,971		\$ (10,986)	
Title II A	84.367A	NCLB-5630-13	9/01/12-8/31/13	16,649	(16,649)	1,369		16,649			1,369						
Title II A	84.367A	NCLB-5630-14	7/1/13-6/30/14	15,875				11,573			8,875		(4,302)	7,000			
IDEA Basic	84.027	IDEA-5630-13	7/1/13-6/30/14	282,704	-	-	-	\$ 115,857	-	-	282,704	-	(166,847)	-	-	(166,847)	
Total Special Revenue Fund					(71,304)	41,013	-	-	213,044	-	-	357,788	(100)	(204,106)	28,971	-	(177,833)
Total U.S. Department of Education					\$ (71,304)	\$ 41,013	\$ -	\$ -	\$ 213,044	\$ -	\$ -	\$ 357,788	\$ (100)	\$ (204,106)	\$ 28,971	\$ -	\$ (177,833)

See Accompanying Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance

(A) - To adjust invalid grant balance at 6/30/14

Note: This schedule was not subject to an audit in accordance with OMB-A-133.

WEST ESSEX REGIONAL SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURE OF STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	June 30, 2013				Cash Received	Budgetary Expenditures	Refund of Prior Years' Balances	June 30, 2014			MEMO	
				Accounts Receivable	Unearned Revenue	Due to Grantor	Adjustments				Accounts Receivable	Unearned Revenue	Due to Grantor	GAAP Receivable	Cumulative Total Expenditures
General Fund															
State Department of Education															
Security Aid	13-495-034-5120-084	7/1/12-6/30/13	\$ 24,171	\$ (2,132)			\$ 2,132							\$ 24,171	
Security Aid	14-495-034-5120-084	7/1/13-6/30/14	25,666				23,413	\$ 25,666		\$ (2,253)				25,666	
Transportation Aid	13-495-034-5120-014	7/1/12-6/30/13	153,375	(13,547)			13,547							153,375	
Transportation Aid	14-495-034-5120-014	7/1/13-6/30/14	158,980				145,028	158,980		(13,952)				158,980	
Additional Adjustment Aid	14-495-034-5120-085	7/1/13-6/30/14	1				1	1						1	
Special Education Aid	13-495-034-5120-089	7/1/12-6/30/13	818,396	(72,194)			72,194							818,396	
Special Education Aid	14-495-034-5120-089	7/1/13-6/30/14	811,495				740,276	811,495		(71,219)				811,495	
Extraordinary Aid	13-100-034-5120-473	7/1/12-6/30/13	439,362	(439,362)			439,362							439,362	
Extraordinary Aid	14-100-034-5120-473	7/1/13-6/30/14	387,812				387,812	387,812		(387,812)				387,812	
Additional Non-Public Transportation Aid	N/A	7/1/12-6/30/13	73,776	(73,776)			73,776							73,776	
Additional Non-Public Transportation Aid	N/A	7/1/13-6/30/14	67,272					67,272		(67,272)			(67,272)	67,272	
TPAF Pension Contribution															
Pension - Normal Contribution	14-495-034-5095-007	7/1/13-6/30/14	497,024				497,024	497,024						497,024	
Pension - NGCI Premium	14-495-034-5095-006	7/1/13-6/30/14	43,871				43,871	43,871						43,871	
Post Ret. Medical	14-495-034-5095-001	7/1/13-6/30/14	886,863				886,863	886,863						886,863	
Reimbursed TPAF Social Security Contr.	13-495-034-5095-002	7/1/12-6/30/13	997,251	(50,478)			50,478							997,251	
Reimbursed TPAF Social Security Contr.	14-495-034-5095-002	7/1/13-6/30/13	1,019,341				968,768	1,019,341		(50,573)			(50,573)	1,019,341	
Pension - Benefit Contribution															
Total General Fund			(651,489)	-	-	-	3,956,733	3,898,325	-	(593,081)	-	-	(117,845)	6,404,656	
Special Revenue Fund															
New Jersey Nonpublic Aid:															
Textbook Aid	13-100-034-5120-064	7/1/12-6/30/13	53		\$ 3					\$ 3					
Textbook Aid	14-100-034-5120-064	7/1/13-6/30/14	165				165							\$ 165	
Technology Initiative Aid	14-100-034-5120-373	7/1/13-6/30/14	60				60							60	
Nursing Services	14-100-034-5120-070	7/1/13-6/30/14	232				232							232	
Total Special Revenue Fund			-	-	3	-	457	-	3	-	-	-	-	457	-
Capital Projects Fund															
Schools Development Authority															
Senior High School Impr.	SP#202746	07/1/02-6/30/06	7,054,705	(317,462)			317,462							7,054,705	
Junior High School Impr.	SP#202761	07/1/02-6/30/06	1,316,254	(1,152,165)	200,557					(1,152,165)	200,557		(1,152,165)	1,362,197	
West Essex Middle School Window Replacement	SP-3750-070-14-1003	N/A	80,520							(80,520)	80,520		(80,520)		
			(1,469,627)	200,557	-	-	317,462	-	-	(1,232,685)	281,077	-	(1,232,685)	8,416,902	
Total			\$ (2,121,116)	\$ 200,557	\$ 3	\$ -	\$ 4,274,652	\$ 3,898,325	\$ 3	\$ (1,825,766)	\$ 281,077	\$ 457	\$ (1,350,530)	\$ 14,821,538	
Less On-Behalf TPAF Pension and Annuity Aid															
Pension - Normal Contribution	14-495-034-5095-007	7/1/13-6/30/14	497,024				497,024	497,024						\$ 497,024	
Pension - NGCI Premium	14-495-034-5095-006	7/1/13-6/30/14	43,871				43,871	43,871						43,871	
Post Ret. Medical	14-495-034-5095-001	7/1/13-6/30/14	886,863				886,863	886,863						886,863	
			-	-	-	-	1,427,758	1,427,758	-	-	-	-	-	1,427,758	
Total for State Financial Assistance Determination			\$ (2,121,116)	\$ 200,557	\$ 3	\$ -	\$ 2,846,894	\$ 2,470,567	\$ 3	\$ (1,825,766)	\$ 281,077	\$ 457	\$ (1,350,530)	\$ 13,393,800	

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**WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 GENERAL

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

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are prepared and presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Notes 1(C) to the Board's financial statements. The information in these schedules is presented in accordance with requirements of U.S. OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations" and New Jersey OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Therefore, some amounts presented in these schedules may differ from the amounts presented in, or used in the preparation of, the financial statements.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is an increase of \$51,999 for the general fund and a decrease of \$3,828 for the special revenue fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 3,950,324	\$ 3,950,324
Special Revenue Fund	\$ 353,988	-	353,988
Total Financial Assistance	<u>\$ 353,988</u>	<u>\$ 3,950,324</u>	<u>\$ 4,304,312</u>

**WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5 OTHER INFORMATION

TPAF Social Security contributions in the amount of \$1,019,341 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2014. The amount reported as TPAF Pension System Contributions in the amount of \$540,895 and TPAF Post-Retirement Medical Benefits Contributions in the amount of \$886,863 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2014.

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

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

WEST ESSEX REGIONAL SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Part I – Summary of Auditor's Results

Financial Statement Section

Type of auditors' report issued on financial statements Unmodified

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? X yes none reported

Noncompliance material to basic financial statements noted? X yes no

Federal Awards Section

NOT APPLICABLE

**WEST ESSEX REGIONAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Part I – Summary of Auditor’s Results

State Awards Section

Internal Control over major programs:

(1) Material weakness(es) identified?

_____ yes X no

(2) Significant deficiencies identified that are not considered to be material weakness(es)?

_____ yes X no

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with N.J. Circular Letter 04-04?

 X yes _____ no

Identification of major state programs:

GMIS Number(s)	Name of State Program
495-034-5120-084	Security Aid
495-034-5120-085	Additional Adjustment Aid
495-034-5120-089	Special Education Aid
100-034-5120-473	Extraordinary Aid
495-034-5095-002	TPAF Social Security Contributions

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

_____ yes X no

WEST ESSEX REGIONAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Part 2 – Schedule of Financial Statement Findings

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

Finding 2014-001:

Our audit of year end encumbrances revealed encumbrances in the General Fund in the amount of \$130,815 were deemed to be invalid. In addition, encumbrances in the amount of \$23,929 in the Special Revenue Fund and \$63,978 in the General Fund were reclassified to accounts payable.

Criteria or specific requirement:

GAAP Technical Systems Manual

Condition:

- Certain purchase orders for which goods were received or services rendered prior to June 30 were classified as year end encumbrances rather than accounts payable.
- Certain purchase orders were not valid commitments.

Questioned Costs:

None.

Context:

General Fund accounts payable in the amount of \$63,978 were misclassified as year end encumbrances. Also, there were invalid encumbrances recorded in the General Fund in the amount of \$130,815. Special Revenue accounts payable in the amount of \$23,929 were misclassified as year end encumbrances.

Effect:

Accounts Payable and Reserved for Encumbrances were not accurately reported in the District's year-end financial records. Audit adjustments were made to ensure accurate reporting in this CAFR.

Cause:

Unknown.

Recommendation:

Outstanding purchase orders be reviewed at year end to determine their validity and if deemed valid, be properly classified as an accounts payable or encumbrance.

Views of Responsible Officials and Planned Corrective Action:

Management has reviewed this finding and has indicated corrective action will be taken.

**WEST ESSEX REGIONAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Part 2 – Schedule of Financial Statement Findings

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

Finding 2014-002:

Our audit revealed fees collected for student participation in extra-curricular/athletics were deposited in the Student Activity Fund and not transferred to General Fund. The activity fees are required to be recorded as a revenue in the General Fund.

Criteria or specific requirement:

GAAP Technical Systems Manual.

Condition:

Fees collected for student participation in extra-curricular/athletics were deposited in the Student Activity Fund and not transferred to General Fund.

Questioned Costs:

None.

Context:

Fees collected for student participation in extra-curricular/athletics in the amount of \$107,132 were deposited in the Student Activity Fund and were not transferred to General Fund.

Effect:

Revenues were not accurately reported in the District's year end financial records. Audit adjustment was made to ensure accurate reporting in the CAFR.

Cause:

Unknown.

Recommendation:

All student participation activity fees be properly accounted for as revenue in the General Fund.

Views of Responsible Officials and Planned Corrective Action:

Management has reviewed this finding and has indicated corrective action will be taken.

WEST ESSEX REGIONAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

CURRENT YEAR FEDERAL AWARDS

Not applicable.

**WEST ESSEX REGIONAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

CURRENT YEAR STATE AWARDS

Finding 2014-003

Our audit of employee health benefit contributions revealed that not all withholdings were transferred to General Fund in a timely manner.

State program information:

Security Aid	495-034-5120-084
Adjustment Aid	495-034-5120-085
Special Education Aid	495-034-5120-089

Criteria or specific requirement:

State Grant Compliance Supplement – State Aid – Public

Condition:

Employee health benefit contributions revealed that not all withholdings were transferred to the General Fund in a timely manner.

Questioned Costs:

None.

Context:

As of June 30, 2014, \$153,159 of employee health benefit contributions had not been transferred to General Fund.

Effect:

Noncompliance with State Grant Compliance Supplement – State Aid – Public

Cause:

See condition.

Recommendation:

Employee health benefit contributions be transferred to General Fund and recorded as an offset to health benefit expenditures in a timely manner.

Views of Responsible Officials and Planned Corrective Action:

Management has reviewed this finding and has indicated it will review and revise its procedures to ensure corrective action is taken.

**WEST ESSEX REGIONAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

CURRENT YEAR STATE AWARDS

Finding 2014-004

Our audit of the District's travel expense procedures revealed that certain accountability post travel reports were not maintained with the payment packet.

State program information:

Security Aid	495-034-5120-084
Adjustment Aid	495-034-5120-085
Special Education Aid	495-034-5120-089

Criteria or specific requirement:

State Grant Compliance Supplement – State Aid – Public

Condition:

Post travel reports were not obtained in accordance with State travel expense guidelines.

Questioned Costs:

None.

Context:

Three (3) out of seven (7) travel expense reimbursements received did not have a post travel report on file with the payment packet.

Effect:

Certain travel expense procedures were not in compliance with State travel expense guidelines.

Cause:

Unknown.

Recommendation:

Post travel reports be properly obtained and filed with travel expense voucher documentation.

Views of Responsible Officials and Planned Corrective Action:

Management has reviewed this finding and has indicated it will review and revise its procedures to ensure corrective action is taken.

**WEST ESSEX REGIONAL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND
QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

STATUS OF PRIOR YEAR FINDINGS

Finding 2013-001

A review of the Extraordinary Aid application indicated that the per pupil cost used for in-district students did not have adequate supporting documentation.

Current Status

Corrective action was taken.