

**Comprehensive Annual
Financial Report**

of the

Hunterdon County Educational Services Commission

County of Hunterdon

Califon, New Jersey

For the Fiscal Year Ended June 30, 2016

Prepared by

**Hunterdon County Educational Services Commission
Business Office**

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INTRODUCTORY SECTION



Hunterdon County Educational Services Commission

Administration Office

37 Hoffmans Crossing Road

Califon, NJ 07830

Phone: 908-439-4280 Fax: 908-995-3753

Marie B. Kisch, Superintendent

Corinne Steinmetz, SBA/Board Secretary

November 22, 2016

Honorable President and
Members of the Representative Assembly/Board of Directors
Hunterdon County Educational Services Commission
37 Hoffmans Crossing Road
Califon, NJ 07830

Dear Board Members:

The Comprehensive Annual Financial Report of the Hunterdon County Educational Services Commission for the fiscal year ended June 30, 2016 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Representative Assembly/Board of Directors. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the Commission. All disclosures necessary to enable the reader to gain an understanding of the Commission's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical, and single audit. The introductory section includes this transmittal letter and a list of principal officials. The financial section includes the basic financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The Commission is required to undergo an annual single audit in conformity with the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and State of New Jersey OMB Circular 15-08 "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." 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: Hunterdon County Educational Services Commission is an independent reporting entity within the criteria adopted by Governmental Accounting Standards Board (GASB) as established by National Council on Governmental Accounting (NCGA) Statement No. 3 All funds and account groups of the Commission are included in this report. The Hunterdon County Educational Services Commission and its' schools constitute the Commission's reporting entity.

The Commission was established on July 1, 1980 to provide governance for the countywide Hunterdon County Adult Education Program. Prior to 1980, the Adult Education Program was governed by a five member Advisory Committee appointed by the three high school districts, and the County Superintendent of Schools. The Local Educational Agency responsible for the Hunterdon County Adult Education Program from its inception in 1969 and prior to the establishment of the ESC had been the North Hunterdon Regional High School District.

The Commission's membership grew from a five-member organization during 1988 to 34 members in 2003. Expansion in membership brought increased expectations for services. To meet the demand, the Commission applied to the State Board of Education for an expansion of its charter to provide services beyond Adult Education. The State Board granted that permission at its meeting on December 6, 1989. Subsequently, cooperative purchasing and cooperative transportation, special education services, staff development, grant writing, computer services, Teen Arts, alternative education, school district management, nonpublic instructional and nursing services and technology services have been added as programs provided to schools, agencies and municipalities.

2) ECONOMIC CONDITION AND OUTLOOK: The Hunterdon County Educational Services Commission has been expanding and diversifying over the years. This expansion and diversification, in addition to ongoing improvement of established programs and services, are expected to continue in order to help school districts maximize their assets, share services, and expand their educational options.

3) INTERNAL ACCOUNTING CONTROLS: Management of the Commission is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Commission are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with U.S. 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 funds from Hunterdon County school districts, the Commission also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the Commission management.

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

4) BUDGETARY CONTROLS: In addition to internal accounting controls, the Commission maintains budgetary controls. The objective of those budgetary controls is to ensure compliance with legal provisions embodied in the annual budget. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

5) ACCOUNTING SYSTEM AND REPORTS: The Commission's accounting records reflect U.S. generally accepted accounting principals, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the Commission is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements", Note 1.

6) FINANCIAL INFORMATION AT FISCAL YEAR-END: As demonstrated by the various statements and schedules included in the financial section of this report, the Commission continues meeting its responsibility for sound financial management. You should review in detail the management's discussion and analysis for the fiscal year ended June 30, 2016, for Financial Summaries.

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

8) RISK MANAGEMENT: The Commission carries various forms of insurance, including but not limited to general liability, automobile liability, workers' compensation, errors and omission, automotive comprehensive and collision, hazard and theft 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, Suplee, Clooney & Company CPAs, was selected by the Board of Directors. 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 as amended and the related Uniform Guidance and State Treasury Circular Letter 15-08. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

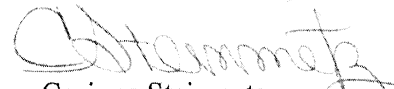
10) ACKNOWLEDGMENT: Suplee, Clooney & Company is acknowledged for its review of the Business Office operations and for financial advisory services.

Appreciation is expressed to the members of the Commission's Board of Directors for their concern for providing fiscal accountability to the districts that use the Commission's services and thereby contributing their support to the development and maintenance of our financial operation. Special appreciation is expressed to the members of the Representative Assembly/Board of Directors and Commission staff for their dedication, time, and expertise in making 2015-2016 a rewarding year.

Respectfully submitted,



Marie B. Kisch
Superintendent



Corinne Steinmetz
School Business Administrator/
Board Secretary

**HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
LEBANON, NEW JERSEY**

**ROSTER OF OFFICIALS
June 30, 2016**

<u>Members of the Commission</u>	<u>Term Expires</u>
Charles Miller, President – East Amwell Township	1/31/2017
Tom Bruhl, Vice President - Delaware Township	1/31/2017
Beth Kelly, Alexandria Township	1/31/2017
Jennifer Giordano, Bedminster	1/31/2017
Dr. Edward Keegan, Bethlehem	1/31/2017
Maria Eppolite, Bloomsbury	1/31/2017
Jason Kornegay, Califon	1/31/2017
Seth Cohen, Clinton Borough / Glen Gardner	1/31/2017
Kevin Sturges, Clinton Township	1/31/2017
William Martin, Delaware Valley Regional High School	1/31/2017
Maryrose Caulfield, Flemington / Raritan	1/31/2017
Christine Crielly, Franklin Township (Hunterdon).	1/31/2017
Pat Stanley, Franklin Township (Somerset)	1/31/2017
Teresa Pearson, Frenchtown	1/31/2017
Megan Bruton, Hampton	1/31/2017
Gus Bordi, Hackettstown	1/31/2017
Dr. Gregory Hobough, High Bridge	1/31/2017

**HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
LEBANON, NEW JERSEY**

**ROSTER OF OFFICIALS (CONTINUED)
June 30, 2016**

<u>Members of the Commission</u>	<u>Term Expires</u>
Joseph Somers, Holland Township	1/31/2017
Patrick Dugan, Hunterdon Central Regional High School	1/31/2017
Dr. Kimberly Metz, Hunterdon County Polytech	1/31/2017
Donna Herbel, Kingwood	1/31/2017
Marlene Baldinger, Lebanon Borough	1/31/2017
Jason Kornegay, Lebanon Township	1/31/2017
Teresa Kane, Milford	1/31/2017
John Melick, North Hunterdon / Voorhees Regional	1/31/2017
Cheryl Filler, Readington Township	1/31/2017
Dr. Louis Muenker, South Hunterdon Regional High School	1/31/2017
Dr. Andrew Schiller, Tewksbury	1/31/2017
Gerald Truehart, Trenton	1/31/2017
Jeff Bender, Union Township	1/31/2017
<u>Other Officials</u>	
Marie B. Kisch, Superintendent	
Corinne Steinmetz, Board Secretary/Business Administrator	

**HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
LEBANON, NEW JERSEY**

CONSULTANTS AND ADVISORS

Audit Firm

Suplee, Clooney & Co., CPA's
308 East Broad Street
Westfield, New Jersey 07090

Attorney

Comegno Law Group
521 Pleasant Valley Avenue
Moorestown, NJ 08057

Official Depository

TD Bank
87 Beaver Avenue
Clinton, NJ 08809

FINANCIAL SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

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INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Directors
Hunterdon County Educational Services Commission
County of Hunterdon
Califon, New Jersey 07830

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 Hunterdon County Educational Services Commission, County of Hunterdon, New Jersey as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

SUPLEE, CLOONEY & COMPANY

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 Commission'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 Commission'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hunterdon County Educational Services Commission, County of Hunterdon, New Jersey as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the 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 in Exhibit C-1 through C-3 and the schedules related to accounting and reporting for pensions in Exhibit L-1 through L-4 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.

SUPLEE, CLOONEY & COMPANY

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hunterdon County Educational Services Commission basic financial statements. The accompanying supplementary information schedules such as the combining and individual fund financial statements and the Schedules of Expenditures of Federal Awards and State Financial Assistance, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information schedules such as the combining and individual fund financial statements and the Schedules of Expenditures of Federal Awards and State Financial Assistance, as listed in the table of contents, as required by the State of New Jersey, Department of Education, Division of Finance 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. 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 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information, such as the introductory and statistical sections, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 5, 2016 on our consideration of the Hunterdon County Educational Services Commission 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 Hunterdon County Educational Services Commission internal control over financial reporting and compliance.


CERTIFIED PUBLIC ACCOUNTANTS


PUBLIC SCHOOL ACCOUNTANT NO. 962

November 22, 2016

REQUIRED SUPPLEMENTARY INFORMATION – PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

**HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
HUNTERDON COUNTY, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016
UNAUDITED**

The Management's Discussion and Analysis of the Hunterdon County Educational Services Commission (the "Commission") offers readers of the Commission's financial statements a narrative overview of the financial activities for the fiscal year ended June 30, 2016. The intent of this discussion is to look at the Commission's financial performance as a whole; therefore readers should also review the transmittal letter at the front of this report, along with the Commission's financial statements and notes to the financial statements to enhance their understanding of the Commission's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the Required Supplementary Information (RSI) specified in the Governmental Accounting Standards Board's (GASB) Statement Number 34, Basic Financial Statements and Management's Discussion and Analysis of State and Local Governments. Certain comparative information between the current fiscal year (2015-2016) and the prior fiscal year (2014-2015) is required to be presented in the MD&A.

Financial Highlights

In the Commission-wide Financial Statements:

- Net position of Governmental Activities decreased \$1,793,694.54.
- Net position of the Business-type Activities increased by \$260,228.02.

In the Major Fund Financial Statements:

- Governmental fund expenditures exceed revenues by \$340,767.24.
- Proprietary fund revenues exceeded expenditures by \$260,228.02.

**HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
HUNTERDON COUNTY, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016
UNAUDITED**

Overview of the Financial Statements

This Comprehensive Annual Financial Report ("CAFR") consists of three parts: Management's Discussion and Analysis (this section), The Basic Financial Statements, and Required Supplementary Information. The Basic Financial Statements include two kinds of statements that present different views of the Commission, Commission-wide Financial Statements and Fund Financial Statements.

- Commission-wide Financial Statements provide both short-term and long-term information about the Commission's overall financial status.
- Major Fund Financial Statements report the Commission's operations in more detail than the Commission-wide statements on individual parts of the Commission, the Governmental Funds, Proprietary Funds and Fiduciary Funds.
- Governmental Funds Statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- Proprietary Funds Statements offer short and long-term financial information about the activities the Commission operates like a business, which include transportation, tech services, purchasing, extraordinary services and food services.
- Fiduciary Funds Statements provide information about the financial relationships in which the Commission acts solely as a trustee or agent for the benefit of others.

The notes to financial statements are also included, which are an integral part of the financial statements. The information in the notes provides detailed data on the Commission's financial operations.

Required supplementary information further explains and supports the financial statements with a comparison of the Commission's budget for the year.

**HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
HUNTERDON COUNTY, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016
UNAUDITED**

Commission-wide Financial Statements

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

The Commission-wide Financial Statements report the Commission's net position and how it has changed. Net position, the difference between the Commission's assets and liabilities, is one way to measure the Commission's financial health or position. Over time, increases or decreases in the Commission's net position is an indicator of whether its financial position has improved or diminished. The causes of this change may be a result of many factors, some financial and some not. Non-financial factors include current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the Commission-wide Financial Statements, the Commission's activities are divided into two categories, governmental and business-type activities.

- Governmental activities - All of the Commission's programs and services are reported here including, but not limited to regular and special education instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- Business-type activities - These services are provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Commission charges fees to help it cover the costs of certain services it provided.

Fund Financial Statements

The fund financial statements provide more detailed information about the Commission's funds, focusing on major funds. Funds are accounting devices the Commission uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and by bond covenants. The Commission establishes other funds to control and manage money for particular purposes (i.e. long-term debt) or to show that it is properly using certain restricted revenues (i.e. entitlement grants).

**HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
HUNTERDON COUNTY, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016
UNAUDITED**

Fund Financial Statements (Continued)

The Commission maintains three financial funds:

- **Governmental Funds:** The Commission's activities reported in governmental funds 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 that measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Commission's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the government-wide Statement of Net Position and Statement of Activities) and governmental funds statements is reconciled in the financial statements.
- **Proprietary Funds:** Services for which the Commission charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Commission-wide financial statements. The Commission's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flow.
- **Fiduciary Funds:** The Commission is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds and the student activities funds. The Commission is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the position belong. The Commission excludes these activities from the Commission-wide financial statements because it cannot use these assets to finance its operations.

**HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
HUNTERDON COUNTY, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016
UNAUDITED**

Financial Analysis of the Commission as a Whole

Table 1 below reflects the Commission's net position as a whole for the Fiscal years 2016 and 2015.

TABLE 1
NET POSITION

	<u>FY2016</u>	<u>FY2015</u>
ASSETS		
Current & Other Assets	\$6,359,778.69	\$5,604,114.57
Capital Assets	8,783,927.94	9,117,061.89
TOTAL ASSETS	<u>15,143,706.63</u>	<u>14,721,176.46</u>
DEFERRED OUTFLOW OF RESOURCES		
Related to pensions	3,039,891.00	1,158,296.00
TOTAL DEFERRED OUTFLOWS	<u>3,039,891.00</u>	<u>1,158,296.00</u>
LIABILITIES		
Other Liabilities	1,030,661.43	814,897.96
Long-Term Liabilities	23,887,045.43	20,183,531.21
TOTAL LIABILITIES	<u>24,917,706.86</u>	<u>20,998,429.17</u>
DEFERRED INFLOW OF RESOURCES		
Related to pensions	1,407,610.00	1,489,296.00
TOTAL DEFERRED INFLOWS	<u>1,407,610.00</u>	<u>1,489,296.00</u>
NET POSITION		
Net investment in capital assets	6,058,258.71	6,329,616.07
Unrestricted (deficit)	<u>(14,199,977.94)</u>	<u>(12,937,868.78)</u>
TOTAL NET POSITION	<u><u>(\$8,141,719.23)</u></u>	<u><u>(\$6,608,252.71)</u></u>

The Commission's combined net position was (\$8,141,719.23) on June 30, 2016. The Commission's investment in capital assets is shown net of any related debt used to acquire those assets.

**HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
HUNTERDON COUNTY, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016
UNAUDITED**

Table 2 shows changes in net position for Fiscal Years 2016 and 2015.

TABLE 2
CHANGES IN NET POSITION

	<u>FY2016</u>	<u>FY2015</u>
REVENUES		
Program Revenues:		
Charges for Services	\$15,016,529.78	\$15,124,204.77
Operating Grants & Contributions	2,407,701.22	2,329,527.69
General Revenues:		
Grants & Entitlements	16,415.16	
Other	756,504.55	190,973.22
Total Revenue	18,197,150.71	17,644,705.68
EXPENSES		
Instruction	2,485,533.98	2,529,024.55
Pupils and Instructional Staff	1,345,305.78	1,267,496.28
General & School Administration, Central Services & Technology	1,159,771.25	822,155.29
Maintenance	710,054.11	721,718.68
Transportation	7,276.83	5,376.32
Special Schools	52,765.58	43,282.87
Interest on Long-Term Debt	29,711.88	49,737.65
Business Type	12,378,450.99	11,743,152.61
Total Expense	18,168,870.41	17,181,944.25
Disposal of Capital Assets (Net)	(1,561,746.82)	(99,731.19)
Change in Net Position	(1,533,466.52)	363,030.24
Net Position - July 1,	(6,608,252.71)	(6,971,282.95)
Net Position - June 30,	(\$8,141,719.23)	(\$6,608,252.71)

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Both revenues and expenses increased mainly as a result of the Commission recognizing a larger on-behalf TPAF contribution as a revenue and as an expense based upon the State's Actuarial report

**HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
HUNTERDON COUNTY, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016
UNAUDITED**

Sources of Revenue for Fiscal Year 2016

In the Commission-wide Financial Statements, the Commission's total revenue for the 2015-2016 school year was \$18,197,150.71 as reflected in Table 3 below. Charges for services accounted for 82.52 percent of the total revenue with the other 17.48 percent consisting of federal & state aid, operating grants & contributions, and miscellaneous sources. Table 3 below summarizes these revenues for Fiscal Years 2016 and 2015.

TABLE 3
DISTRICT-WIDE REVENUES

	<u>FY2016</u>		<u>FY2015</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Charges for Services	\$15,016,529.78	82.52%	\$15,124,204.77	85.72%
Operating Grants & Contributions	2,407,701.22	13.23%	2,329,527.69	13.20%
Grants & Entitlements	16,415.16	0.09%		
Other	756,504.55	4.16%	190,973.22	1.08%
	<u>\$18,197,150.71</u>	<u>100.00%</u>	<u>\$17,644,705.68</u>	<u>100.00%</u>

**HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
HUNTERDON COUNTY, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016
UNAUDITED**

Expenses for the Fiscal Year 2016

The total expenditures for the 2015-2016 fiscal year for all programs and services were \$18,168,870.41. Table 4 below summarizes these program costs.

TABLE 4
DISTRICT-WIDE EXPENSES

	<u>FY2016</u>		<u>FY2015</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Instruction	\$2,485,533.98	13.68%	\$2,529,024.55	14.72%
Pupils and Instructional Staff	1,345,305.78	7.40%	1,267,496.28	7.38%
General & School Administration, Central Services & Technology	1,159,771.25	6.38%	822,155.29	4.78%
Maintenance	710,054.11	3.91%	721,718.68	4.20%
Transportation	7,276.83	0.04%	5,376.32	0.03%
Special Schools	52,765.58	0.29%	43,282.87	0.25%
Interest on Long-Term Debt	29,711.88	0.16%	49,737.65	0.29%
Business Type	12,378,450.99	68.13%	11,743,152.61	68.35%
	<u>\$18,168,870.41</u>	<u>100.00%</u>	<u>\$17,181,944.25</u>	<u>100.00%</u>

The Commission's expenses are predominantly related to transportation and extraordinary services provided through business type funds.

**HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
HUNTERDON COUNTY, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016
UNAUDITED**

Governmental Activities

Table 5 presents the net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs) of Commission activities.

TABLE 5
NET COST OF SERVICE

	Total Cost of Services <u>FY2016</u>	Total Cost of Services <u>FY2015</u>	Net Cost of Services <u>FY2016</u>	Net Cost of Services <u>FY2015</u>
Instruction	\$2,485,533.98	2,529,024.55	(\$668,684.76)	(\$1,203,175.42)
Pupils and Instructional Staff	\$1,345,305.78	1,267,496.28	482,087.81	459,505.53
General & School Administration				
Central Services & Technology	\$1,159,771.25	822,155.29	874,840.46	597,262.89
Maintenance	\$710,054.11	721,718.68	710,054.11	721,718.68
Transportation	\$7,276.83	5,376.32	7,276.83	5,376.32
Special Schools	\$52,765.58	43,282.87	52,765.58	43,282.87
Interest on Long-Term Debt	\$29,711.88	49,737.65	29,711.88	49,737.65
Business Type Activities	<u>\$12,378,450.99</u>	<u>11,743,152.61</u>	<u>(743,412.50)</u>	<u>(271,788.21)</u>
	<u><u>\$18,168,870.41</u></u>	<u><u>\$17,181,944.25</u></u>	<u><u>\$744,639.41</u></u>	<u><u>401,920.31</u></u>

General Fund Budgeting Highlights

The Commission's budget is prepared according to New Jersey Statutes and is based on accounting for certain transactions on a basis of modified accrual and encumbrance accounting.

Over the course of the year, revisions were made by the Commission to the annual operating budget. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent over expenditures in specific line item accounts. In addition, the following revision is noteworthy:

- TPAF, which is the state's contribution to the pension fund, is neither a revenue item nor an expenditure item to the Commission but is required to be reflected in the financial statements.

**HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
HUNTERDON COUNTY, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016
UNAUDITED**

Capital Assets

During the fiscal year 2015-2016 the Commission's depreciation expense exceeded capital acquisitions, therefore capital assets net of depreciation decreased by \$333,134.00. Table 6 reflects the comparative balances of capital assets net of depreciation. The detail of the changes in capital assets is reflected in Note 3 to the financial statements.

TABLE 6
CAPITAL ASSETS (NET OF DEPRECIATION) AT JUNE 30,

	<u>FY2016</u>	<u>FY2015</u>
Land	\$565,599	\$868,499
Construction in Progress	482,384	
Land Improvements	599,443	667,072
Building Improvements	4,428,372	5,806,162
Machinery Equipment	2,708,129	1,775,330
	<u>\$8,783,928</u>	<u>\$9,117,062</u>
	<u>\$8,783,928</u>	<u>\$9,117,062</u>

Debt Administration

At June 30, 2016, the Commission had \$23,887,045 of outstanding long-term debt, consisting of compensated absences, capital leases and net pension liability. The Commission will continue to pay down its debt, as the obligations are due. Table 7 reflects the comparison of outstanding debt for the past two fiscal years. More information of the Commission's long-term debt is presented in Note 4 to the financial statements.

TABLE 7
LONG-TERM DEBT AT JUNE 30,

	<u>FY2016</u>	<u>FY2015</u>
Capital Leases Payable	\$6,292,286	\$4,725,725
Compensated Absences	23,122	23,952
Net Pension Liability	17,571,637	15,433,854
	<u>\$23,887,045</u>	<u>\$20,183,531</u>
	<u>\$23,887,045</u>	<u>\$20,183,531</u>

**HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
HUNTERDON COUNTY, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016
UNAUDITED**

Contacting the School Commission's Financial Management Office

This financial report is designed to provide our citizens, investors, and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have any questions about this report or need additional information, contact Ms. Marie B. Kisch, Superintendent, Hunterdon County Educational Services Commission, 37 Hoffmans Crossing Road, Califon, NJ 07830.

BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the Commission's operations. These financial statements present the financial position and operating results of all funds as of June 30, 2016.

COMMISSION-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities display information about the Commission. These statements include the financial activities of the overall Commission, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Commission.

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
ASSETS:			
Cash and cash equivalents	\$1,226,278.87	\$3,394,240.54	\$4,620,519.41
Receivables, net	459,680.03	1,059,625.61	1,519,305.64
Prepaid expenses		1,100.00	1,100.00
Interfund receivable		59,028.42	59,028.42
Restricted assets:			
Restricted cash and cash equivalents	159,825.22		159,825.22
Capital assets:			
Land	1,047,983.28		1,047,983.28
Other capital assets, net of depreciation	5,047,049.80	2,688,894.86	7,735,944.66
Total Assets	<u>7,940,817.20</u>	<u>7,202,889.43</u>	<u>15,143,706.63</u>
DEFERRED OUTFLOW OF RESOURCES:			
Related to pension	3,039,891.00		3,039,891.00
LIABILITIES:			
Accounts payable	816,102.33	99,126.75	915,229.08
Interfund payables	44,460.17	4,918.27	49,378.44
Unearned revenue	9,994.37	26,126.98	36,121.35
Accrued interest on bonds	29,932.56		29,932.56
Noncurrent liabilities:			
Due within one year:			
Capital leases payable	324,523.90	600,214.78	924,738.68
Due beyond one year:			
Compensated absences payable	23,122.33		23,122.33
Net Pension Liability	17,571,637.00		17,571,637.00
Capital leases payable	2,500,000.00	2,867,547.42	5,367,547.42
Total liabilities	<u>21,319,772.66</u>	<u>3,597,934.20</u>	<u>24,917,706.86</u>
DEFERRED INFLOW OF RESOURCES:			
Related to pension	1,407,610.00		1,407,610.00
NET POSITION:			
Net investment in capital assets	3,369,363.85	2,688,894.86	6,058,258.71
Unassigned (deficit)	<u>(15,116,038.31)</u>	<u>916,060.37</u>	<u>(14,199,977.94)</u>
Total net position	<u><u>(\$11,746,674.46)</u></u>	<u><u>\$3,604,955.23</u></u>	<u><u>(\$8,141,719.23)</u></u>

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

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Indirect Expenses Allocation	Programs Revenues		Net (Expense) Revenue and Changes in Net Position	
			Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities
Governmental activities:						
Instruction:						
Special	\$ 1,447,816.91	\$ 999,391.00	\$ 1,926,057.69	\$ 1,213,117.32	\$ 691,967.10	\$ 691,967.10
Other instruction	19,895.00	18,431.07		15,043.73	(23,282.34)	(23,282.34)
Support services:						
Student and instruction related services	990,023.70	355,282.08		863,217.98	(482,087.81)	(482,087.81)
General administrative services	81,639.84	17,670.74			(99,310.58)	(99,310.58)
School administrative services	384,701.76	366,665.92		284,930.80	(466,436.88)	(466,436.88)
Central services	123,084.79	150,719.91			(273,804.70)	(273,804.70)
Administration information technology	35,288.30				(35,288.30)	(35,288.30)
Plant operations and maintenance	412,657.85	297,396.26			(710,054.11)	(710,054.11)
Pupil transportation	7,276.83				(7,276.83)	(7,276.83)
Allocated benefits	24,492.12	(24,492.12)				
Unallocated benefits	1,989,150.31	(1,989,150.31)				
Interest on long-term debt	29,711.88				(29,711.88)	(29,711.88)
Special schools	52,765.58				(52,765.58)	(52,765.58)
Unallocated depreciation	191,914.55	(191,914.55)				
Total governmental activities	5,790,419.42		1,926,057.69	2,376,309.82	(1,488,051.91)	(1,488,051.91)
Business-type activities						
Transportation	6,998,563.07	496,932.50	8,020,633.82		525,138.25	525,138.25
Extraordinary services	4,021,131.87		4,204,915.75		183,783.88	183,783.88
Technology services	437,731.65		463,323.49		25,591.84	25,591.84
Purchasing	316,571.56		399,411.33		82,839.77	82,839.77
Miscellaneous	65,161.55				(65,161.55)	(65,161.55)
Depreciation	496,932.50		2,187.70	31,391.40	(8,779.69)	(8,779.69)
Cost of sales	42,358.79		13,080,472.09	31,391.40	743,412.50	743,412.50
Total business-type activities	12,378,450.99		15,016,529.78	2,407,701.22	743,412.50	743,412.50
Total primary government	\$ 18,168,870.41	\$	\$ 15,016,529.78	\$ 2,407,701.22	\$ (1,488,051.91)	\$ (744,639.41)
General revenues:						
Federal and state aid restricted					16,415.16	16,415.16
Miscellaneous income					756,504.55	756,504.55
Transfers					483,184.48	483,184.48
Disposal of capital asset (net)					(1,561,746.82)	(1,561,746.82)
Total general revenues and special items					(305,642.63)	(788,827.11)
Change in net position					(1,793,694.54)	(1,533,466.52)
Net Position - beginning					(9,952,979.92)	(6,608,252.71)
Net Position - ending					(11,746,674.46)	(8,141,719.23)

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

MAJOR FUND FINANCIAL STATEMENTS

The individual fund financial statements and schedules present more detailed information for the individual fund in a format that segregates information by the fund type.

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>GENERAL</u> <u>FUND</u>	<u>SPECIAL</u> <u>REVENUE</u> <u>FUND</u>	<u>TOTAL</u> <u>GOVERNMENTAL</u> <u>FUNDS</u>
ASSETS:			
Cash and cash equivalents	\$ 1,226,278.87	\$	\$ 1,226,278.87
Cash on hand with fiscal agents	159,825.22		159,825.22
Due from other funds	175,220.17		175,220.17
Receivables from other governments	<u>214,593.56</u>	<u>245,086.47</u>	<u>459,680.03</u>
 Total assets	 <u>\$ 1,775,917.82</u>	 <u>\$ 245,086.47</u>	 <u>\$ 2,021,004.29</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ 24,614.60	\$ 57,847.73	\$ 82,462.33
Interfund payables	33,026.60	186,653.74	219,680.34
Unearned revenue	<u>108,264.04</u>	<u>585.00</u>	<u>108,849.04</u>
 Total liabilities	 <u>165,905.24</u>	 <u>245,086.47</u>	 <u>410,991.71</u>
Fund balances:			
Unassigned	<u>1,610,012.58</u>		<u>1,610,012.58</u>
 Total fund balances	 <u>1,610,012.58</u>		 <u>1,610,012.58</u>
 Total liabilities and fund balances	 <u>\$ 1,775,917.82</u>	 <u>\$ 245,086.47</u>	

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

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

Total fund balances (brought forward)		\$1,610,012.58
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.		
Cost of assets	\$8,996,507.09	
Accumulated depreciation	<u>(2,901,474.01)</u>	
		6,095,033.08
Long term liabilities, including bonds payable, and other related amounts that are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Compensated absences	(23,122.33)	
Net Pension Liability	(17,571,637.00)	
Capital leases	<u>(2,725,669.23)</u>	
		(20,320,428.56)
Deferred Outflows and Inflows of resources are applicable to future periods and therefore are not reported in the funds.		
Pensions:		
Deferred Outflows		
Pension related		3,039,891.00
Deferred Inflows:		
Pension related		(1,407,610.00)
Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.		
Accounts Payable - Pension Related	(733,640.00)	
Accrued interest payable	<u>(29,932.56)</u>	
		<u>(763,572.56)</u>
Net position of governmental activities		<u><u>(\$11,746,674.46)</u></u>

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

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Local sources:				
Other local governmental units - unrestricted	\$65,825.00			\$65,825.00
Tuition	1,863,229.25			1,863,229.25
Tuition from summer school	62,828.44			62,828.44
Private contributions	6,840.70			6,840.70
Sale of property	466,500.80			466,500.80
Miscellaneous	217,338.05	\$749,046.65		966,384.70
Total revenues - local sources	2,682,562.24	749,046.65		3,431,608.89
State sources	573,517.79			573,517.79
Federal sources		357,889.54		357,889.54
Total revenues	3,256,080.03	1,106,936.19		4,363,016.22
EXPENDITURES:				
Current expense:				
Special instruction	952,941.21	494,875.70		1,447,816.91
Other Instruction	19,895.00			19,895.00
Support services:				
Student & instruction related services	394,378.37	595,645.33		990,023.70
General administrative services	81,639.84			81,639.84
School administrative services	385,531.56			385,531.56
Central services	123,084.79			123,084.79
Administration information technology	35,288.30			35,288.30
Plant operations and maintenance	442,542.65			442,542.65
Pupil transportation	7,276.83			7,276.83
Allocated benefits	24,492.12			24,492.12
Unallocated benefits	1,041,710.31			1,041,710.31
Debt Service:				
Principal			\$471,339.89	471,339.89
Interest			20,624.28	20,624.28
Capital outlay	569,831.04	16,415.16		586,246.20
Special schools	52,765.58			52,765.58
Total expenditures	4,131,377.60	1,106,936.19	491,964.17	5,730,277.96
Excess (deficiency) of revenues over (under) expenditures	(875,297.57)		(491,964.17)	(1,367,261.74)
Other financing sources (uses):				
Transfers in/(out)	(8,779.69)		491,964.17	483,184.48
Assets acquired under capital leases (non-budgeted)	543,310.02			543,310.02
Total other financing sources (uses)	534,530.33		491,964.17	1,026,494.50
Net change in fund balances	(340,767.24)			(340,767.24)
Fund balances, July 1, 2015	1,950,779.82	-0-		1,950,779.82
Fund balances, June 30, 2016	\$1,610,012.58	\$-0-	\$-0-	\$1,610,012.58

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

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Total net change in fund balances - governmental funds (from B-2)		(\$340,767.24)
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period		
Depreciation expense		(191,914.55)
Capital outlays	\$586,246.20	
Less: Capital outlays not capitalized	<u>(103,861.92)</u>	
		482,384.28
Proceeds from debt issues are a financing source in governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the statement of net position.		
Capital lease proceeds		(543,310.02)
Repayment of long-term 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 capital lease payable		605,086.61
In the statement of activities, interest on long-term debt is accrued, regardless of when due. In governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation.		
		(9,087.60)
In the statement of activities, only the gain on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from a sale increase financial resources. Thus, the change in net position will differ from the change in fund balance by the cost of the asset removed(-).		
		(1,561,746.82)
District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.		
District pension contributions	672,973.00	
Less: Pension expense	<u>(908,142.00)</u>	
		(235,169.00)
In the statement of activities, certain expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		
Increase in compensated absences		<u>829.80</u>
Change in net position of governmental activities		<u><u>(\$1,793,694.54)</u></u>

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

OTHER FUNDS

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	<u>NON-MAJOR FUND</u> <u>FOOD</u> <u>SERVICE</u>	<u>MAJOR FUND</u> <u>ENTERPRISE</u> <u>FUND</u>	<u>TOTAL</u> <u>ENTERPRISE</u>
ASSETS:			
Current assets:			
Cash and cash equivalents		\$2,084,505.29	\$2,084,505.29
Cash on hand with fiscal agents		1,309,735.25	1,309,735.25
Accounts receivable - other		1,054,707.34	1,054,707.34
Interfund receivable		59,028.42	59,028.42
Intergovernmental receivables			
State	\$53.63		53.63
Federal	4,864.64		4,864.64
Prepaid expenses		1,100.00	1,100.00
Total current assets	<u>4,918.27</u>	<u>4,509,076.30</u>	<u>4,513,994.57</u>
Noncurrent assets:			
Furniture, machinery & equipment		9,339,652.37	9,339,652.37
Less accumulated depreciation		<u>(6,650,757.51)</u>	<u>(6,650,757.51)</u>
Total noncurrent assets		<u>2,688,894.86</u>	<u>2,688,894.86</u>
Total assets	<u>4,918.27</u>	<u>7,197,971.16</u>	<u>7,202,889.43</u>
LIABILITIES:			
Current liabilities:			
Accounts payable		99,126.75	99,126.75
Interfund payable	4,918.27		4,918.27
Deferred revenue		26,126.98	26,126.98
Capital leases payable		<u>3,467,762.20</u>	<u>3,467,762.20</u>
Total current liabilities	<u>4,918.27</u>	<u>3,593,015.93</u>	<u>3,597,934.20</u>
Total liabilities	<u>4,918.27</u>	<u>3,593,015.93</u>	<u>3,597,934.20</u>
NET POSITION:			
Net investment in capital assets		2,688,894.86	2,688,894.86
Unrestricted		<u>916,060.37</u>	<u>916,060.37</u>
Total net position		<u><u>\$3,604,955.23</u></u>	<u><u>\$3,604,955.23</u></u>

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

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>NON-MAJOR FUND</u>	<u>MAJOR FUND</u>	
	<u>FOOD</u>	<u>ENTERPRISE</u>	<u>TOTAL</u>
	<u>SERVICE</u>	<u>FUND</u>	<u>ENTERPRISE</u>
OPERATING REVENUES:			
Charges for services:			
Transportation		\$8,020,633.82	\$8,020,633.82
Extraordinary services		4,204,915.75	4,204,915.75
Technology services		463,323.49	463,323.49
Purchasing		399,411.33	399,411.33
Sales	\$2,187.70		2,187.70
	<u>2,187.70</u>	<u>13,088,284.39</u>	<u>13,090,472.09</u>
Total operating revenues			
OPERATING EXPENSES:			
Transportation		6,998,563.07	6,998,563.07
Extraordinary services		4,021,131.87	4,021,131.87
Technology services		437,731.65	437,731.65
Purchasing		316,571.56	316,571.56
Miscellaneous		65,161.55	65,161.55
Depreciation		496,932.50	496,932.50
Cost of sales	42,358.79		42,358.79
	<u>42,358.79</u>	<u>12,336,092.20</u>	<u>12,378,450.99</u>
Total operating expenses			
Operating income/(loss)	<u>(40,171.09)</u>	<u>752,192.19</u>	<u>712,021.10</u>
NONOPERATING REVENUES (EXPENSES):			
State Sources:			
State School Lunch Program	346.85		346.85
Federal Sources:			
National School Lunch Program	19,001.28		19,001.28
National School Breakfast Program	12,043.27		12,043.27
Transfer in/out	8,779.69	(491,964.17)	(483,184.48)
	<u>40,171.09</u>	<u>(491,964.17)</u>	<u>(451,793.08)</u>
Total nonoperating revenues			
Income/(loss) before contributions and transfers		<u>260,228.02</u>	<u>260,228.02</u>
Total net position - beginning		<u>3,344,727.21</u>	<u>3,344,727.21</u>
Total net position - ending		<u>\$3,604,955.23</u>	<u>\$3,604,955.23</u>

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

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>NON-MAJOR FUND</u> FOOD SERVICE	<u>MAJOR FUND</u> ENTERPRISE FUND	<u>TOTAL</u> ENTERPRISE
Cash flows from operating activities:			
Receipts from customers	\$2,198.85	\$13,642,379.70	\$13,644,578.55
Payments to suppliers	(42,968.56)	(11,839,486.70)	(11,882,455.26)
Net cash provided by (used for) operating activities)	(40,769.71)	1,802,893.00	1,762,123.29
Cash flows from noncapital financing activities:			
State sources	347.23		347.23
Federal sources	29,692.76		29,692.76
Interfund activity	1,950.03	(42,756.32)	(40,806.29)
Operating subsidies and transfers to other funds	8,779.69	(491,964.17)	(483,184.48)
Net cash provided by noncapital financing activities	40,769.71	(534,720.49)	(493,950.78)
Cash flows from financing activities:			
Repayment of capital lease principal		(476,091.37)	(476,091.37)
Net cash provided by (used for) financing activities		(476,091.37)	(476,091.37)
Net increase in cash and cash equivalents		792,081.14	792,081.14
Cash and cash equivalents, July 1, 2015		1,292,424.15	1,292,424.15
Cash and cash equivalents, June 30, 2016		\$2,084,505.29	\$2,084,505.29
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	(\$40,171.09)	\$752,192.19	\$712,021.10
Adjustments to reconciling operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation		496,932.50	496,932.50
Change in assets and liabilities:			
(Increase)/decrease in accounts receivable - other	11.15	531,927.13	531,938.28
(Increase) decrease in prepaid expenses		(1,100.00)	(1,100.00)
Increase (decrease) in accounts payable	(609.77)	(2,291.31)	(2,901.08)
Increase (decrease) in deferred revenue		25,232.49	25,232.49
	(598.62)	1,050,700.81	1,050,102.19
Net cash provided by (used for) operating activities	(\$40,769.71)	\$1,802,893.00	\$1,762,123.29

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

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>AGENCY FUNDS</u>
ASSETS:	
Cash and cash equivalents	<u>\$413,826.75</u>
Total Assets	<u><u>\$413,826.75</u></u>
LIABILITIES:	
Interfund payable	\$9,649.98
Summer payroll	301,192.02
Payroll deductions and withholdings	<u>102,984.75</u>
Total Liabilities	<u><u>\$413,826.75</u></u>

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

Hunterdon County Education Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Hunterdon County Educational Services Commission (the Commission) have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Commission's accounting policies are described below.

Reporting Entity

The Hunterdon County Educational Services Commission is an independent public body organized under the Education Laws of the State of New Jersey. Each member Commission annually elects a representative to sit on the Commissions Representative Assembly. Annually, the Representative Assembly elects not fewer than 15 of its members to sit on the Commission's Board of Directors. The Commission's Board of Directors is responsible for the fiscal control of the Commission. A Superintendent is appointed by the Commission and is responsible for the administrative control of the Commission.

The primary criterion for including activities within the Commission's reporting entity, are set forth in Statement No. 39 of the Governmental Accounting Standards Board entitled "*Determining Whether Certain Organizations are Component Units*" (GASB 39) as codified in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards.

Organizations that are legally separate, tax-exempt entities and that meet *all* of the following criteria should be discretely presented as component units. These criteria are:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government.
2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources of the organization.
3. The economic resources received or held by an *individual organization* that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The combined financial statements include all funds of the Commission over which the Board exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the Commission is not includable in any other reporting entity on the basis of such criteria.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

The Commission's basic financial statements consist of Commission-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Commission-Wide Statements: The Statement of Net Position and the Statement of Activities display information about the Commission as a whole. These statements include the financial activities of the overall Commission, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish generally between the governmental and business-type activity of the Commission. Governmental activities generally are financed through intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Net Position presents the financial condition of the governmental and business-type activity of the Commission at fiscal year end. The Statement of Activities presents a comparison between direct expenses and program revenues for the business-type activity of the Commission and for each function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirement of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the Commission.

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

Hunterdon County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Types

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

As required by the New Jersey State Department of Education, the Commission includes budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expense by commission resolution.

Special Revenue Fund - The special revenue fund is used to account for the proceeds of specific revenue sources from State and Federal Government (other than those for major capital projects, debt service or proprietary funds) and local appropriations that are restricted or committed to expenditures for specified purposes.

Capital Projects Fund - Capital project funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Debt Service Fund - Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Fund

Enterprise Fund - The enterprise fund accounts for all revenues and expenses pertaining to the Commission's program operations for transportation, extraordinary services, computer services, cooperative purchasing and food service. These funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Fiduciary Fund Types

Agency Funds – The agency funds are used to account for assets held by the Commission on behalf of others and are custodial in nature. The agency funds included in this category are as follows:

Payroll and Summer Payroll Accounts (Agency) - These are agency funds used to account for the assets that the Commission holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting – Measurement Focus

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

Commission-Wide, Proprietary, and Fiduciary Fund Financial Statements

The Commission-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transactions can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All governmental and business type activities and enterprise funds of the Commission follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23-2.2(f)1. All budget amendments and transfers must be approved by Commission resolution. Budget amendments during the year ended June 30, 2016 totaled \$54,540.46, representing the balance of June 30, 2015 general fund encumbrances and the appropriation of additional unanticipated revenues.

All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year. The capital projects fund presents the remaining project appropriations compared to current year expenditures.

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

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

Hunterdon County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrance Accounting

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 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.

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

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

Interfunds

Interfund receivables and payables arise from transactions between particular funds and are considered short term in duration. The Interfund transactions are recorded by all funds affected in the period in which the transactions are executed and are part of the Commission's available spendable resources.

Inventories and Prepaid Expenses

Inventories of materials and supplies held for consumption in the governmental funds are recorded as expenditures at the time of purchase and year end balances are not reported in the financial statements.

Prepaid expenses, which benefit future period other than those recorded in the enterprise fund, are recorded as an expenditure in the year of purchase.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

The Commission has an established formal system of accounting for its capital assets. Capital Assets used for governmental purposes, which include land, buildings and improvements and furniture and equipment, are only reported in the commission-wide financial statements. The Commission generally defines capital assets as assets with an initial cost of \$2,000.00 or more and an estimated useful life in excess of one year. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

In fiscal year 2016, the Commission implemented GASB 72. The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. These improvements are based in part on the concepts and definitions established in Concepts Statement No. 6, Measurement of Elements of Financial Statements, and other relevant literature.

Capital assets are depreciated in the Commission-wide statements using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
School Buildings	50
Building Improvements	20
Electrical/Plumbing	30
Vehicles	8
Office and Computer Equipment	5-10
Instructional Equipment	10
Grounds Equipment	15

Hunterdon County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

The Commission accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences." A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

Commission employees are granted varying amounts of vacation and sick leave in accordance with the Commission's personnel policy. The Commission's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement all accrued time lapses unless otherwise specified in accordance with the Commission's agreements with the various employee unions.

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

Accrued Salaries and Wages

Certain Commission employees, who provide service to the Commission over the ten month academic year, have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but not distributed amounts be retained in a separate bank account. As of June 30, 2016, the amount earned by these employees but not yet distributed was \$301,192.02.

Unearned Revenue

Unearned revenue in the special revenue and capital projects funds represents funds which have been received but not yet earned. A corresponding accounts receivable has also been established for any open encumbrances at year end which is allowable under generally accepted accounting principles.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the Commission-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Long term debt is recognized as a liability on the fund financial statements when due.

Net Position

GASB 63 provides guidance for reporting net position in the statement of financial position and related disclosures. Net Position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Commission or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Commission's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance

Under GASB 54, in the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation. The Commission reports the Capital Reserve, Emergency Reserve, Maintenance Reserve and Excess Surplus as Restricted Fund Balance.

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Education, the Commission's highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Education. The Commission reports amounts Designated for Subsequent Year's Expenditures as Committed Fund Balance.

Assigned – includes amounts that the Commission intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the Commission's policy, amounts may be assigned by the Business Administrator. The Commission reports Year End Encumbrances as Assigned Fund Balance.

Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. The Commission reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned:

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Commission considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the Commission considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed. The General Fund is the only fund that will report a negative unassigned fund balance. For all other governmental funds the amount of a residual deficit would be classified as unassigned.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues – Exchange and Non-Exchange Transactions

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

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

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: interest, and tuition.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the Commission, these revenues are program revenues in the Enterprise Funds. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allocation of Indirect Expenses

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

Extraordinary and Special Items

Extraordinary items are transactions or events that are unusual in nature and infrequent of occurrence. Special items are transactions or events that are within control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

Management Estimates

The preparation of financial statements in conformity with GAAP requires management to make assumptions that affect the amounts reported as revenue and expenditures/expenses during the reporting period. These estimates may differ from actual results.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting and Financial Reporting for Pensions

In the Commission-Wide Financial Statements for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Commission's proportionate share of the New Jersey Public Employees Retirement System ("PERS") and the Teachers' Pension and Annuity Fund ("TPAF") and the additions to/deductions from these retirement systems' fiduciary net position have been determined on the same basis as they were reported by PERS and TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

In the Governmental Fund Financial Statements the year end net pension liability is not required to be reflected. Pension related revenues and expenditures are reflected based on amounts that are normally expected to be liquidated with available financial resources for required pension contributions. Expenditures for PERS are recognized based upon billings made by the State of New Jersey due April 1st of each fiscal year. TPAF contributions are paid on the Commission's behalf by the State of New Jersey. The governmental fund financial statements reflects both a revenue and expenses for this pension contribution.

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. Currently, the Commission has only one item that qualifies for reporting in this category, deferred amounts from deferred amounts related to pensions.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Commission has one item that qualify in this category, deferred amounts related to pension.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Commission considers petty cash, change funds, cash in banks, deposits in the government money market account, and short-term investments with original maturities of three months or less as cash and cash equivalents. Investments are stated at cost, which approximates market.

Deposits

New Jersey statutes permit the deposit of public funds in public depositories which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. Each depository participating in the GUDPA system must pledge collateral equal to 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of 75% of its capital funds. No collateral is required for amounts covered by FDIC insurance. The collateral which may be pledged to support these deposits includes obligations of the State and federal governments, insured securities and other collateral approved by the Department. When the capital position of the depository deteriorates or the depository takes an unusually large amount of public deposits, the Department of Banking and Insurance requires additional collateral to be pledged. Under (GUDPA), if a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of the deposits to the governmental unit.

The Hunterdon County Educational Services Commission had the following cash and cash equivalents at June 30, 2016:

<u>Fund Type</u>	<u>Bank Balance</u>	<u>Reconciling Items</u>		<u>Reconciled Balance</u>
		<u>Additions</u>	<u>Deletions</u>	
Governmental	\$737,642.07	\$1,056,121.60	\$567,484.80	\$1,226,278.87
Proprietary	2,084,505.29			2,084,505.29
Fiduciary	545,574.09	4,381.21	136,128.55	413,826.75
	<u>\$3,367,721.45</u>	<u>\$1,060,502.81</u>	<u>\$703,613.35</u>	<u>\$3,724,610.91</u>

Hunterdon County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Commission does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of June 30, 2016, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash on balance in the bank, \$474,293.68 was covered by Federal Depository Insurance and \$2,893,427.77 was covered by NJGUDPA.

Investments

The purchase of investments by the Commission is strictly limited by the express authority of the N.J.S.A. 18A:20-37 Education, Administration of Commissions. Permitted investments include any of the following type of securities:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
2. Government money market mutual funds which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a-1 et seq., and operated in accordance with 17 C.F.R. § 270.2a-7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 18A:20-37. These funds are also required to be rated by a nationally recognized statistical rating organization.
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor.
4. Bonds or other obligations of the Local Unit or bonds or other obligations of Commissions of which the Local Unit is a part or within which the Commission is located.
5. Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Investment of the Department of Treasury for investment by Commissions.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments (Continued)

6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 18A:20-37. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization.
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C. 52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is not more than 30 days;
 - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C. 17:19-41); and;
 - e. a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2016, the Commission had no investments. Based upon the limitations set forth by New Jersey Statutes 40A:5-15.1 and existing investment practices, the Commission is generally not exposed to credit risks and interest rate risks for its investments, nor is it exposed to foreign currency risk for its deposits and investments.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 3: CHANGE IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 868,499.00	\$	\$ 302,900.00	\$ 565,599.00
Construction in Progress		482,384.28		482,384.28
	<hr/>	<hr/>	<hr/>	<hr/>
Total Capital assets not being depreciated	868,499.00	482,384.28	302,900.00	1,047,983.28
	<hr/>	<hr/>	<hr/>	<hr/>
Land Improvements	1,352,572.00			1,352,572.00
Building and Building Improvements	7,851,450.31		1,591,314.00	6,260,136.31
Machinery and Equipment	335,815.50			335,815.50
	<hr/>	<hr/>	<hr/>	<hr/>
Totals as historical cost	9,539,837.81		1,591,314.00	7,948,523.81
	<hr/>	<hr/>	<hr/>	<hr/>
Total Gross assets (Memo only)	\$ 10,408,336.81	\$ 482,384.28	\$ 1,894,214.00	\$ 8,996,507.09
	<hr/>	<hr/>	<hr/>	<hr/>
Less: Accumulated Depreciation for:				
Land Improvements	\$ (685,500.31)	\$ (67,628.60)	\$	\$ (753,128.91)
Building and Building Improvements	(2,045,288.68)	(118,942.58)	(332,467.18)	(1,831,764.08)
Furniture and Equipment	(311,237.65)	(5,343.37)		(316,581.02)
	<hr/>	<hr/>	<hr/>	<hr/>
Total depreciation	(3,042,026.64)	(191,914.55)	(332,467.18)	(2,901,474.01)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Capital assets being depreciated net of accumulated depreciation	6,497,811.17	(191,914.55)	1,258,846.82	5,047,049.80
	<hr/>	<hr/>	<hr/>	<hr/>
Governmental activities capital assets, net	\$ 7,366,310.17	\$ 290,469.73	\$ 1,561,746.82	\$ 6,095,033.08
	<hr/>	<hr/>	<hr/>	<hr/>
Business-type activities:				
Equipment	\$ 8,173,782.73	\$ 1,435,075.64	\$ 269,206.00	\$ 9,339,652.37
	<hr/>	<hr/>	<hr/>	<hr/>
Less: Accumulated Depreciation	(6,423,031.01)	(496,932.50)	(269,206.00)	(6,650,757.51)
	<hr/>	<hr/>	<hr/>	<hr/>
Proprietary fund capital assets, net	\$ 1,750,751.72	\$ 938,143.14	\$	\$ 2,688,894.86
	<hr/>	<hr/>	<hr/>	<hr/>

Hunterdon County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 3: CHANGE IN CAPITAL ASSETS

Depreciation Expense was charged to governmental expenses as follows:

Instruction:	
Special	\$ (109,391.29)
Support Services:	
Student and Instruction Related Services	(26,868.04)
General Administrative Services	(17,272.31)
School Administrative Services	(17,272.31)
Plant Operations and Maintenance	<u>(21,110.60)</u>
	\$ <u><u>(191,914.55)</u></u>

Hunterdon County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 4: LONG-TERM LIABILITIES

The Commission has entered into various leases for the purchase of real property and vehicles. The leases for the West Amwell location and the newly acquired Hoffman's Crossing property are recorded in the governmental fund. Leases pertaining to vehicles purchased as part of the transportation program are recorded in the proprietary fund.

The following is a summary of changes in liabilities that effect other long-term obligations for the year ended June 30, 2016:

Governmental Fund:

	Capital Leases		
	West Amwell/ Tewksbury	Hoffman's Crossing	<u>Sub-Total</u>
Balance June 30, 2015	\$ 929,610.51	\$	\$ 929,610.51
Additions	929,610.51	2,500,000.00	2,500,000.00
Deletions	605,086.61	2,500,000.00	3,429,610.51
Balance June 30, 2016	\$ 324,523.90	\$ 2,500,000.00	\$ 2,824,523.90
Amounts due within one year	\$ 324,523.90	\$	\$ 324,523.90

Proprietary Fund:

	School Bus Leases	<u>Sub-Total</u>
Balance June 30, 2015	\$ 1,296,114.57	\$ 1,296,114.57
Additions	2,647,739.00	2,647,739.00
Deletions	476,091.37	3,943,853.57
Balance June 30, 2016	\$ 3,467,762.20	\$ 3,467,762.20
Amounts due within one year	\$ 600,214.78	

Hunterdon County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 4: LONG-TERM LIABILITIES (CONTINUED)

	Net Pension <u>Liability</u>	Compensated Absences <u>Payable</u>	<u>Total</u>
Balance June 30, 2015	\$ 15,433,854.00	\$ 23,952.13	\$ 15,457,806.13
Additions	<u>2,137,783.00</u>		<u>2,137,783.00</u>
	17,571,637.00	23,952.13	17,595,589.13
Reductions		<u>829.80</u>	<u>829.80</u>
Balance June 30, 2016	<u>\$ 17,571,637.00</u>	<u>\$ 23,122.33</u>	<u>\$ 17,594,759.33</u>
Amounts due within one Year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Capital Leases

The annual requirements to amortize all debt outstanding as of June 30, 2016, with interest payments on issued debt, are as follows:

Fiscal Year Ended <u>June 30,</u>	<u>Governmental Fund</u>		<u>Proprietary Fund</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2017	\$ 324,523.90	\$ 64,898.74	\$ 600,214.78	\$ 64,107.74	\$ 1,053,745.16
2018	90,772.80	59,543.99	701,948.29	52,778.56	905,043.64
2019	204,709.24	55,727.82	692,343.98	38,041.08	990,822.12
2020	209,575.10	50,861.97	519,572.18	26,036.01	806,045.26
2021	214,556.61	45,880.45	340,671.88	17,221.04	618,329.98
2022	219,656.54	40,780.52	236,227.37	11,521.91	508,186.34
2023	224,877.69	35,559.38	376,783.72	3,916.28	641,137.07
2024	230,222.94	30,214.13			260,437.07
2025	235,695.25	24,741.82			260,437.07
2026	241,297.63	19,139.44			260,437.07
2027	247,033.18	13,403.90			260,437.08
2028	252,905.05	7,532.02			260,437.07
2029	128,697.97	1,520.57			130,218.54
	<u>\$ 2,824,523.90</u>	<u>\$ 449,804.75</u>	<u>\$ 3,467,762.20</u>	<u>\$ 213,622.62</u>	<u>\$ 6,955,713.47</u>

Hunterdon County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 5: PENSION PLANS

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

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

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

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

Hunterdon County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 5: PENSION PLANS (CONTINUED)

Significant Legislation

Effective June 28, 2011, P.L. 2011, c. 78 enacted certain changes in the operations and benefit provisions of the TPAF and the PERS systems.

Pension Plan Design Changes

Effective June 28, 2011, P.L. 2011, c. 78, new members of TPAF and PERS, hired on or after June 28, 2011, will need 30 years of creditable service and have attained the age of 65 for receipt of the early retirement benefit without a reduction of 1/4 of 1% for each month that the member is under age 65. New members will be eligible for a service retirement benefit at age 65.

Funding Changes

Under the new legislation, the methodology for calculating the unfunded accrued liability payment portion of the employer's annual pension contribution to the PERS, and TPAF. The unfunded actuarial accrued liability (UAAL) will be amortized for each plan over an open-ended 30 year period and paid in level dollars. Beginning with the July 1, 2019 actuarial valuation (July 1, 2018 for PFRS), the UAAL will be amortized over a closed 30 year period until the remaining period reaches 20, when the amortization period will revert to an open-ended 20 year period.

COLA Suspension

The payment of automatic cost-of-living adjustment to current and future retirees and beneficiaries are suspended until reactivated as permitted by this law.

Vesting and Benefit Provisions The vesting and benefit provisions of PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after ten years of service, except for post-retirement healthcare benefits that vest after 25 years of service.

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

Hunterdon County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 5: PENSION PLANS (CONTINUED)

Contribution Requirements The contribution policy is set by N.J.S.A. 43:15A and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation.

Effective June 28, 2011, P.L. 2011, c. 78 provides for increases in the employee contribution rates: from 5.5% to 6.5% plus an additional 1% phased-in over 7 years beginning in the first year, meaning after 12 months, after the law's effective date for TPAF and PERS.

Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Commission is a non-contributing employer of TPAF (*i.e.* the State of new Jersey makes the employer contribution on behalf of public school districts).

<u>Three-Year Trend Information for PERS</u>			
<u>Year</u> <u>June 30,</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2016	\$672,973.00	100.00%	\$672,973.00
2015	\$679,572.00	100.00%	\$679,572.00
2014	\$721,222.00	100.00%	\$721,222.00

<u>Three-Year Trend Information for TPAF (Paid on-behalf of the District)</u>			
<u>Year</u> <u>June 30,</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2016	\$185,412.00	100.00%	\$185,412.00
2015	\$125,757.00	100.00%	\$125,757.00
2014	\$98,440.00	100.00%	\$98,440.00

Also, in accordance with N.J.S.A. 18A:66-66, during the years ended June 30, 2016, 2015 and 2014, the State of New Jersey reimbursed the Commission \$167,332.79, \$169,429.36 and \$175,237.15 respectively for the employer's share of social security contributions for TPAF members, as calculated on their base salaries.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68

Public Employees Retirement System (PERS)

At June 30, 2016, the Commission reported a liability of \$17,571,637.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. The Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the Commission's proportion was 0.0782770856 percent, which was a decrease of 0.0041566710 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Commission recognized pension expense of \$908,121.00. At June 30, 2016, the Commission reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Differences between expected and actual experience		\$419,198.00
Changes of assumptions		1,887,053.00
Net difference between projected and actual earnings on pension plan investments	\$282,518.00	
Changes in proportion and differences between District contributions and proportionate share of contributions	1,125,092.00	
District contributions subsequent to the measurement date		733,640.00
	<u>\$1,407,610.00</u>	<u>\$3,039,891.00</u>

Hunterdon County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(Continued)

Public Employees Retirement System (PERS) (Continued)

The \$733,640.00 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2016, the plan measurement date is June 30, 2015) will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended <u>June 30</u>	<u>Amount</u>
2016	\$125,443.00
2017	\$125,443.00
2018	\$125,443.00
2019	\$355,387.00
2020	\$166,925.00

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which rolled forward to June 30, 2015. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	3.01 Percent
Salary Increases	
2012-2021	2.15-4.40 Percent (based on age)
Thereafter	3.15-5.40 Percent (based on age)
Investment Rate of Return	7.90 Percent

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Mortality Rates

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback one year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback one year for females) are used to value disabled retirees.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Markets	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Returns	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%
	<u>100.00%</u>	

Hunterdon County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 4.90% and 5.39% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate.

The following presents the collective net pension liability of the participating employers as of June 30, 2015 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1-percentage-point higher than the current rate:

	June 30, 2015		
	1%	At Current	1%
	Decrease	Discount Rate	Increase
	<u>3.90%</u>	<u>4.90%</u>	<u>5.90%</u>
District's proportionate share of the pension liability	21,839,395.00	17,571,637.00	13,993,580.00

Hunterdon County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Pension Plan Fiduciary Net Position.

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>.

Teachers Pensions and Annuity Fund (TPAF)

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer.

The portion of the TPAF Net Pension Liability that was associated with the Commission recognized at June 30, 2016 was as follows:

Net Pension Liability:	
Districts proportionate share	-0-
State's proportionate share associated with the District	<u>\$14,701,889</u>
	<u><u>\$14,701,889</u></u>

Hunterdon County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Teachers Pensions and Annuity Fund (TPAF) (continued)

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The net pension liability associated with the Commission was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the proportion of the TPAF net pension liability associated with the Commission was .0232609113% which was an decrease of .0000085423 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2015, the Commission recognized on-behalf pension expense and revenue of \$897,693.00 for contributions provided by the State.

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2014. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.50%
Salary increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.90%

Hunterdon County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Teachers Pensions and Annuity Fund (TPAF) (continued)

Mortality Rates

Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class. The ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2015 are summarized in the following table:

Hunterdon County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Teachers Pensions and Annuity Fund (TPAF) (continued)

Actuarial Assumptions (Continued)

Long-Term Expected Rate of Return (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Cash	5.00%	0.53%
US Government Bonds	1.75%	1.39%
US Credit Bonds	13.50%	2.72%
US Mortgages	2.10%	2.54%
US Inflation-Indexed Bonds	1.50%	1.47%
High Yield Bonds	2.00%	4.57%
US Equities Markets	27.25%	5.63%
Foreign-Developed Equity	12.00%	6.22%
Emerging Market Equities	6.40%	8.46%
Private Real Estate Property	4.25%	3.97%
Timber	1.00%	4.09%
Farmlands	1.00%	4.61%
Private Equity	9.25%	9.15%
Commodities	1.00%	3.50%
Hedge Funds - Multi Strategy	4.00%	4.59%
Hedge Funds - Equity Hedge	4.00%	5.68%
Hedge Funds - Distressed	4.00%	4.30%
	<u>100.00%</u>	

Hunterdon County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Teachers Pensions and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 4.13% and 4.68% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

Because the Commission's proportionate share of the net pension liability is zero, consideration of potential changes in the discount rate is not applicable to the Commission.

Pension Plan Fiduciary Net Position.

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Teachers Public and Annuity Fund (TPAF). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 7: OTHER POST-RETIREMENT BENEFITS

For eligible retired employees, the School Commission participates in the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 *et seq.*, to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2015 there were 107,314 retirees eligible for post-retirement medical benefits and the State contributed \$1.25 billion on their behalf. The cost of these benefits is funded through contributions by the state in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The state is also responsible for the cost attributable to P.L. 1992 c. 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The state paid \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 7: OTHER POST-RETIREMENT BENEFITS (CONTINUED)

The State will set the contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the Commission for the years ended June 30, 2016, 2015 and 2014 were \$220,773.00, \$199,640 and \$161,404, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the Commission was not determined or made available by the State of New Jersey.

NOTE 8: LITIGATION

The Commission's attorney's letter advises that there is no litigation, pending litigation, claims, contingent liabilities, unasserted claims or assessments or statutory violations which involve the Commission and which might materially affect the Commission's financial position.

NOTE 9: CONTINGENCIES

The Commission receives financial assistance from the State of New Jersey and the U.S. Government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. The State and Federal grants received and expended in the 2015-2016 fiscal year were subject to the U.S. OMB Uniform Guidance and New Jersey OMB Circular 15-08 which mandates that grant revenues and expenditures be audited in conjunction with the Commission's annual audit if expenditures for federal or state programs exceed \$750,000. Findings and questioned costs, if any, relative to federal and state financial assistance programs are discussed in the Single Audit Section, Schedule of Findings and Questioned Costs. In addition, all grants and cost reimbursements are subject to financial and compliance audits by the grantors. The Commission's management does not believe any such audit would result in material amounts of disallowed costs.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 10: RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance - The Commission maintains coverage through the New Jersey School Boards Association Insurance Group for property, liability, and student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

NOTE 11: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2016:

<u>FUND</u>	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
General Fund	\$ 175,220.17	\$ 33,026.60
Special Revenue Fund		186,653.74
Proprietary Fund	59,028.42	4,918.27
Agency		9,649.98
	\$ 234,248.59	\$ 234,248.59
	\$ 234,248.59	\$ 234,248.59

All balances resulted from the time lag between the dates that short-term loans were disbursed and payments between funds were made.

NOTE 12: FUND BALANCE APPROPRIATED

General Fund – The \$1,610,012.58 in General Fund Balance at June 30, 2016 is unassigned.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 13: DEFERRED COMPENSATION

The Commission offers its employees a choice of the deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457. The plans permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death, or unforeseeable emergency. Since the Commission does not have any property or rights to the plan assets and no fiduciary relationship exists between the Commission and the deferred compensation plan, the plan assets are not included in the Commission's financial statements as of June 30, 2016.

NOTE 14: SUBSEQUENT EVENTS

The Commission has evaluated material subsequent events occurring after the financial statement date through November 22, 2016 which is the date the financial statements were available to be issued. The Commission has determined that there are no material subsequent events needed to be disclosed.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

BUDGETARY COMPARISON SCHEDULES

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016

	BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
REVENUES					
Local sources:					
Other local governmental units - unrestricted				65,825.00	65,825.00
Tuition from other LEAs within the state	3,164,154.00	33,846.00	3,198,000.00	1,863,229.25	(1,334,770.75)
Tuition from summer school	85,000.00	60,000.00	145,000.00	62,828.44	(82,171.56)
Unrestricted Miscellaneous Revenues	44,250.00	107,750.00	152,000.00	217,338.05	65,338.05
Private contributions		35,000.00	35,000.00	6,840.70	(28,159.30)
Sale of property				466,500.80	466,500.80
Total Revenues-Local Sources	3,293,404.00	236,596.00	3,530,000.00	2,682,562.24	(847,437.76)
State Sources:					
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				167,332.79	167,332.79
On-Behalf TPAF Post Retirement Medical (Non-Budgeted)				220,773.00	220,773.00
On-Behalf TPAF - Non-contributory Insurance (non-budgeted)				8,798.00	8,798.00
On-Behalf TPAF Pension Contributions (Non-Budgeted)				176,614.00	176,614.00
Total - State Sources				573,517.79	573,517.79
Total Revenues	3,293,404.00	236,596.00	3,530,000.00	3,256,080.03	(273,919.97)
EXPENDITURES					
CURRENT EXPENSE:					
Special Education - Instruction:					
Behavioral Disabilities:					
Salaries of Teachers	248,125.00	(966.20)	248,125.00	239,370.08	8,754.92
Other Salaries for Instruction	27,673.00		26,706.80	16,795.03	9,911.77
General Supplies	600.00	(207.83)	392.17	343.45	48.72
Total Behavioral Disabilities	276,398.00	(1,174.03)	275,223.97	256,508.56	18,715.41
Multiple Disabilities:					
Salaries of Teachers	534,921.00		534,921.00	477,961.83	56,959.17
Other Salaries for Instruction	239,805.00	(14,728.10)	225,076.90	215,445.85	9,631.05
General Supplies	2,000.00	252.77	2,252.77	2,252.77	
Textbooks	10,000.00	(5,576.59)	4,423.41	772.20	3,651.21
Total Multiple Disabilities	786,726.00	(20,051.92)	766,674.08	696,432.65	70,241.43
Total Special Education - Instruction	1,063,124.00	(21,225.95)	1,041,898.05	952,941.21	88,956.84
Other Instructional Programs - Instruction:					
Salaries	34,390.00		34,390.00	19,895.00	14,495.00
Supplies and Materials	500.00		500.00		500.00
Total Other Instructional Programs - Instruction	34,890.00		34,890.00	19,895.00	14,995.00

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016

	<u>BUDGET</u>	<u>BUDGET TRANSFERS/ AMENDMENTS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FINAL TO ACTUAL</u>
Undistributed Expenditures - Health Services:					
Salaries	\$ 110,325.00	(1,559.96)	\$ 108,765.04	\$ 93,561.70	\$ 15,203.34
Total Undistributed Expenditures - Health Services	<u>110,325.00</u>	<u>(1,559.96)</u>	<u>108,765.04</u>	<u>93,561.70</u>	<u>15,203.34</u>
Undistributed Expend. - Speech, OT, PT and Related Services:					
Salaries	11,190.00	15,436.97	26,626.97	25,436.97	1,190.00
Total Undistributed Expend. - Speech, OT, PT and Related Services	<u>11,190.00</u>	<u>15,436.97</u>	<u>26,626.97</u>	<u>25,436.97</u>	<u>1,190.00</u>
Undistributed Expenditures - Guidance:					
Salaries of Other Professional Staff	58,188.00	(1,153.04)	57,034.96	52,531.20	4,503.76
Total Undistributed Expenditures - Guidance	<u>58,188.00</u>	<u>(1,153.04)</u>	<u>57,034.96</u>	<u>52,531.20</u>	<u>4,503.76</u>
Undistributed Expenditures - Child Study Teams:					
Salaries of Other Professional Staff	154,053.00	26,498.40	180,551.40	178,941.40	1,610.00
Total Undistributed Expenditures - Child Study Teams	<u>154,053.00</u>	<u>26,498.40</u>	<u>180,551.40</u>	<u>178,941.40</u>	<u>1,610.00</u>
Undistributed Expenditures - Improvement of Instr. Serv.:					
Salaries of Supervisors of Instruction		3,335.00	3,335.00	3,335.00	
Total Undistributed Expenditures - Improvement of Instr. Serv.		<u>3,335.00</u>	<u>3,335.00</u>	<u>3,335.00</u>	
Undistributed Expend. - Educational Media Serv./School Library:					
Purchased Professional and Technical Services	35,000.00	3,768.10	38,768.10	38,768.10	
Total Undistributed Expend. - Educational Media Serv./School Library	<u>35,000.00</u>	<u>3,768.10</u>	<u>38,768.10</u>	<u>38,768.10</u>	
Undistributed Expend. - Instructional Staff Training Services:					
Purchased Professional - Educational Services	2,000.00	3,404.00	5,404.00	1,804.00	3,600.00
Total Undistributed Expend. - Instructional Staff Training Services	<u>2,000.00</u>	<u>3,404.00</u>	<u>5,404.00</u>	<u>1,804.00</u>	<u>3,600.00</u>

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016

	<u>BUDGET</u>	<u>BUDGET TRANSFERS/ AMENDMENTS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FINAL TO ACTUAL</u>
Undistributed Expend.-Support Services-General Administration:					
Legal Services	\$ 11,000.00	\$ 11,143.70	\$ 22,143.70	\$ 16,750.37	\$ 5,393.33
Audit Fees	10,887.00	(778.00)	10,109.00	10,109.00	
Other Purchased Professional Services	6,500.00		6,500.00	5,172.00	1,328.00
Communications/Telephone	20,170.00	(2,358.06)	17,811.94	9,710.86	8,101.08
BOE Other Purch Serv	700.00	(123.09)	576.91	513.00	63.91
Misc. Purchased Services (400-500 Series, O/T 530 and 585)	5,700.00	(598.44)	5,101.56	2,511.53	2,590.03
BOE In-house Training/Meeting Supplies	2,000.00		2,000.00	658.08	1,341.92
Miscellaneous Expenditures	16,640.00	22,882.43	39,522.43	36,215.00	3,307.43
Total Undistributed Expend.-Support Services-General Administration	73,597.00	30,168.54	103,765.54	81,639.84	22,125.70
Undistributed Expend.-Support Services - School Administration:					
Salaries of Principals/Assistant Principals	305,902.00	306.47	306,208.47	295,871.96	10,336.51
Salaries of Secretarial and Clerical Assistants	84,038.00	1,391.10	85,429.10	80,760.60	4,668.50
Supplies and Materials	8,100.00	1,164.58	9,264.58	8,899.00	365.58
Total Undistributed Expend.-Support Services - School Administration	398,040.00	2,862.15	400,902.15	385,531.56	15,370.59
Undistributed Expend. - Central Services					
Salaries	55,645.27	88,749.37	144,394.64	113,988.45	30,406.19
Purchased Professional Services	1,000.00	3,662.00	4,662.00	4,362.00	300.00
Supplies and Materials	5,500.00		5,500.00	4,734.34	765.66
Total Undistributed Expend. - Central Services	62,145.27	92,411.37	154,556.64	123,084.79	31,471.85
Undistributed Expend. - Admin. Info. Technology:					
Other Purchased Services (400-500 Series)	22,000.00		22,000.00	20,253.30	1,746.70
Supplies and Materials	10,000.00	5,035.00	15,035.00	15,035.00	
Total Undistributed Expend. - Admin. Info. Technology	32,000.00	5,035.00	37,035.00	35,288.30	1,746.70
Undistributed Expend.-Required Maintenance for School Facilities:					
Salaries	278,385.63	20,894.94	299,280.57	238,576.08	60,704.49
General Supplies	48,000.00	(1,564.91)	46,435.09	29,426.79	17,008.30
Total Undistributed Expend.-Required Maintenance for School Facilities	326,385.63	19,330.03	345,715.66	268,002.87	77,712.79

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016

	<u>BUDGET</u>	<u>BUDGET TRANSFERS/ AMENDMENTS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FINAL TO ACTUAL</u>
Undistributed Expend. - Custodial Services:					
Cleaning, Repair and Maintenance Services	\$ 165,400.00	\$ (35,354.45)	\$ 130,045.55	\$ 59,657.50	\$ 70,388.05
Rental of Land and Bldg. Other Than Lease Purch. Agreement	10,000.00		10,000.00	8,000.00	2,000.00
Insurance	26,515.00	61.73	26,576.73	26,576.73	
Energy (Natural Gas)	3,500.00	1,578.29	5,078.29	3,100.26	1,978.03
Energy (Electricity)	104,000.00	7,714.44	111,714.44	77,205.29	34,509.15
Total Undistributed Expend. - Custodial Services:	<u>309,415.00</u>	<u>(25,999.99)</u>	<u>283,415.01</u>	<u>174,539.78</u>	<u>108,875.23</u>
Total Undistributed Expend. - Oper. and Maintenance of Plant Serv.	<u>635,800.63</u>	<u>(6,669.96)</u>	<u>629,130.67</u>	<u>442,542.65</u>	<u>186,588.02</u>
Undistributed Expend. - Student Transportation Services:					
Cleaning, Repair and Maintenance Services	1,300.00	3,352.43	3,352.43	2,705.10	647.33
Contracted Services (other than between home and school) - Vendors	1,300.00	(150.00)	1,150.00	85.00	1,065.00
Contracted Services - Special Ed. Students - ESC & CTSA	500.00	4,000.00	5,300.00	4,120.00	1,180.00
General Supplies	500.00		500.00	366.73	133.27
Total Undistributed Expend. - Student Transportation Services	<u>3,100.00</u>	<u>7,202.43</u>	<u>10,302.43</u>	<u>7,276.83</u>	<u>3,025.60</u>
Allocated Benefits:					
Special Programs - Instruction:					
Tuition Reimbursement	8,000.00		8,000.00	7,656.00	344.00
Total Special Programs - Instruction	<u>8,000.00</u>		<u>8,000.00</u>	<u>7,656.00</u>	<u>344.00</u>
Support Services - Central Services:					
Other Retirement Contributions - Regular	14,040.00	(1,927.00)	12,113.00	12,113.00	
Health Benefits	20,000.00	(3,852.73)	16,147.27	4,723.12	11,424.15
Tuition Reimbursement	4,800.00		4,800.00		4,800.00
Total Support Services - Central Services	<u>38,840.00</u>	<u>(5,779.73)</u>	<u>33,060.27</u>	<u>16,836.12</u>	<u>16,224.15</u>
Total Allocated Benefits	<u>46,840.00</u>	<u>(5,779.73)</u>	<u>41,060.27</u>	<u>24,492.12</u>	<u>16,568.15</u>

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016

	<u>BUDGET</u>	<u>BUDGET TRANSFERS/ AMENDMENTS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FINAL TO ACTUAL</u>
Unallocated Benefits:					
Social Security Contributions - Other	\$ 59,370.00	983.47	\$ 60,353.47	\$ 53,804.36	6,549.11
Other Retirement Contributions - PERS	69,420.00	(8,799.00)	60,621.00	59,894.00	727.00
Other Retirement Contributions - Regular	3,600.00	3,144.07	6,744.07	2,900.34	3,843.73
Unemployment Compensation	13,000.00	(983.47)	12,016.53	11,035.19	981.34
Workmen's Compensation	26,750.00	(7,918.46)	18,831.54	18,128.96	702.58
Health Benefits	350,700.00	(26,342.54)	324,357.46	322,429.67	1,927.79
Total Unallocated Benefits	<u>522,840.00</u>	<u>(39,915.93)</u>	<u>482,924.07</u>	<u>468,192.52</u>	<u>14,731.55</u>
Total Personal Services - Employee	<u>569,680.00</u>	<u>(45,695.66)</u>	<u>523,984.34</u>	<u>492,684.64</u>	<u>31,299.70</u>
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				167,332.79	(167,332.79)
On-Behalf TPAF Post Retirement Medical (Non-Budgeted)				220,773.00	(220,773.00)
On-Behalf TPAF - Non-contributory Insurance (non-budgeted)				8,798.00	(8,798.00)
On-Behalf TPAF Pension Contributions (Non-Budgeted)				176,614.00	(176,614.00)
TOTAL UNDISTRIBUTED EXPENDITURES	<u>2,145,118.90</u>	<u>135,043.34</u>	<u>2,280,162.24</u>	<u>2,535,944.77</u>	<u>(255,782.53)</u>
TOTAL GENERAL CURRENT EXPENSE	<u>3,243,132.90</u>	<u>113,817.39</u>	<u>3,356,950.29</u>	<u>3,508,780.98</u>	<u>(151,830.69)</u>
CAPITAL OUTLAY:					
EQUIPMENT:					
Undist. Expend. - Required Maintenance for School Facilities			6,000.00		6,000.00
TOTAL EQUIPMENT			<u>6,000.00</u>		<u>6,000.00</u>
Facilities Acquisition and Construction Services:					
Construction Services			59,400.00	26,521.02	32,878.98
			<u>59,400.00</u>	<u>26,521.02</u>	<u>32,878.98</u>
Assets acquired under capital leases (non-budgeted)				543,310.02	(543,310.02)
TOTAL CAPITAL OUTLAY		<u>65,400.00</u>	<u>65,400.00</u>	<u>569,831.04</u>	<u>(504,431.04)</u>

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016

	<u>BUDGET</u>	<u>BUDGET TRANSFERS/ AMENDMENTS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FINAL TO ACTUAL</u>
SPECIAL SCHOOLS:					
Summer School - Instruction	\$ 50,520.00	2,088.34	\$ 52,608.34	\$ 52,458.73	\$ 149.61
Salaries of Teachers	594.00	(93.09)	500.91	306.85	194.06
General Supplies					
Total Summer School - Instruction	<u>51,114.00</u>	<u>1,995.25</u>	<u>53,109.25</u>	<u>52,765.58</u>	<u>343.67</u>
TOTAL SPECIAL SCHOOLS	<u>51,114.00</u>	<u>1,995.25</u>	<u>53,109.25</u>	<u>52,765.58</u>	<u>343.67</u>
TOTAL EXPENDITURES	<u>3,294,246.90</u>	<u>181,212.64</u>	<u>3,475,459.54</u>	<u>4,131,377.60</u>	<u>(655,918.06)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(842.90)</u>	<u>55,383.36</u>	<u>54,540.46</u>	<u>(875,297.57)</u>	<u>(929,838.03)</u>
Other Financing Sources (Use)					
Assets acquired under capital leases (non-budgeted)				543,310.02	543,310.02
Transfer to Other Funds				(8,779.69)	(8,779.69)
Total Other Financing Sources				<u>534,530.33</u>	<u>534,530.33</u>
Excess/Deficit of Revenues and Other Financing Sources Over Expenditures and Other Expenditures and Other Financing Sources	<u>(842.90)</u>	<u>55,383.36</u>	<u>54,540.46</u>	<u>(340,767.24)</u>	<u>(395,307.70)</u>
Fund Balances, July 1,	<u>1,950,779.82</u>		<u>1,950,779.82</u>	<u>1,950,779.82</u>	
Fund Balances, June 30,	<u>\$ 1,949,936.92</u>	<u>\$ 55,383.36</u>	<u>\$ 2,005,320.28</u>	<u>\$ 1,610,012.58</u>	<u>\$ (395,307.70)</u>
Recapitulation:					
Assigned Fund Balance:			\$	<u>1,610,012.58</u>	
Year-end Encumbrances				<u>1,610,012.58</u>	
Unassigned Fund Balance					
Fund Balance per Governmental Funds (GAAP)			\$	<u>1,610,012.58</u>	

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
REVENUES:					
Federal Aid	\$ 500,000.00	\$ (141,370.62)	\$ 358,629.38	\$ 357,889.54	\$ (739.84)
Local Sources	963,105.00	90,098.75	1,053,203.75	746,948.96	(306,254.79)
Total Revenues	1,463,105.00	(51,271.87)	1,411,833.13	1,104,838.50	(306,994.63)
EXPENDITURES:					
Instruction:					
Salaries	661,800.00	(74,436.77)	587,363.23	441,673.76	145,689.47
Purchased Professional and Technical Services	6,000.00	(1,136.50)	4,863.50	4,863.50	
General Supplies	22,200.00	(5,159.81)	17,040.19	14,052.35	2,987.84
Textbooks	42,809.00	(3,925.00)	38,884.00	33,802.25	5,081.75
Total Instruction	732,809.00	(84,658.08)	648,150.92	494,391.86	153,759.06
Support Services:					
Salaries	231,942.00	75,238.02	307,180.02	215,577.87	91,602.15
Personal Services - Employee Benefits	128,039.00	(3,613.05)	124,425.95	110,508.42	13,917.53
Purchased Professional and Technical Services	1,050.00	(250.00)	800.00	800.00	
Other Purchased Services - Educational Services	264,700.00	(82,580.48)	182,119.52	151,757.99	30,361.53
Supplies and Materials	73,540.00	4,911.10	78,451.10	75,870.61	2,580.49
Energy	25,050.00	27,310.80	52,360.80	40,222.50	12,138.30
Miscellaneous Expenditures	5,500.00	(4,500.00)	1,000.00	1,000.00	
	475.00	(285.18)	189.82	94.09	95.73
Total Support Services	730,296.00	16,231.21	746,527.21	594,031.48	152,495.73
Facilities Acquisition and Construction Services:					
Noninstructional Equipment		17,155.00	17,155.00	16,415.16	739.84
Total Facilities Acquisition and Construction Services		17,155.00	17,155.00	16,415.16	739.84
Total Expenditures	1,463,105.00	(51,271.87)	1,411,833.13	1,104,838.50	306,994.63
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	\$	\$	\$	\$	\$

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
BUDGET TO GAAP RECONCILIATION
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Note A - Explanation of difference between budgetary inflows and outflows and GAAP Revenues and Expenditures

	GENERAL FUND	SPECIAL REVENUE FUND
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$3,256,080.03	\$1,104,838.50
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	N/A	2,097.69
The last State aid payment of the current year is recognized as revenue for budgetary purposes and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expense (GASB 33)	N/A	N/A
The last State aid payment of the prior year is recognized as revenue under GAAP when the State recognizes the related expense (GASB 33). (This revenue was recognized during the previous fiscal year for budgetary purposes.)	N/A	N/A
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$3,256,080.03</u>	<u>\$1,106,936.19</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule.	\$4,131,377.60	\$1,104,838.50
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	N/A	2,097.69
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$4,131,377.60</u>	<u>\$1,106,936.19</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART III

SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR PENSION (GASB 68)

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS

Measurement Date Ending June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered-Employee Payroll	District's Proportion Share of the Net Pension Liability (Asset) as a percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a percentage of the total Pension Liability
2013	0.0859614542%	\$ 16,428,942	4,996,423.00	328.81%	48.72%
2014	0.0824337566%	15,433,854	5,141,339.00	300.19%	52.08%
2015	0.0782770856%	17,571,637	5,313,482.00	330.70%	47.92%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS

Fiscal Year Ending June 30,	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2014	\$ 679,572	\$ 679,572	\$ -0-	5,141,339.00	13.22%
2015	672,973	672,973	-0-	5,313,482.00	12.67%
2016	733,640	733,640	-0-	5,386,268.00	13.62%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS PENSION AND ANNUITY FUND
LAST TEN YEARS

Measurement Date Ending June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered-Employee Payroll	District's Proportion Share of the Net Pension Liability (Asset) as a percentage of it's Covered-Employee Payroll	Plan Fiduciary Net Position as a percentage of the total Pension Liability
2013	0.0245420249%	\$ -0-	\$ 2,340,025.00	-0-	33.76%
2014	0.0232694536%	-0-	2,317,665.00	-0-	33.76%
2015	0.0232609113%	-0-	2,285,317.00	-0-	33.64%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR PENSION (GASB 68)
NOTE TO RSI III
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

n benefit terms: None

n assumptions: The discount rate changed from 5.39% to 4.90% as of June 30, 2015.

TEACHERS PENSION AND ANNUITY FUND (TPAF)

n benefit terms: None

n assumptions: The discount rate changed from 4.68% to 4.13% as of June 30, 2015.

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND DETAIL STATEMENTS

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	ADULT BASIC EDUCATION	R.E.A.P. GRANT	NSLP EQUIPMENT	ADULT BASIC EDUCATION	NONPUBLIC TECHNOLOGY	NONPUBLIC NURSING
Revenues:						
Federal Aid	\$330,800.00	\$10,674.38	16,415.16	\$35,085.01	\$15,930.91	\$55,625.36
Local Sources						
Total Revenues	330,800.00	10,674.38	16,415.16	35,085.01	15,930.91	55,625.36
Expenditures:						
Instruction:						
Salaries	175,481.73			5,219.84		800.00
Purchased Professional and Technical Services	4,063.50					
General Supplies	859.98	10,674.38				
Textbooks						
Total Instruction	180,405.21	10,674.38		5,219.84		800.00
Support Services:						
Salaries	7,648.12			11,924.02	885.30	37,579.19
Personal Services - Employee Benefits	12,374.74			2,356.14		8,483.53
Purchased Professional - Educational Services	129,412.99					
Other Purchased Services (400-500 Series)	958.94			15,585.01	15,045.61	84.07
Supplies and Materials						8,674.30
Miscellaneous Expenditures						4.27
Total Support Services	150,394.79			29,865.17	15,930.91	54,825.36
Facilities Acquisition and Construction Services:						
Noninstructional Equipment			16,415.16			
Total Facilities Acquisition and Construction Services			16,415.16			
Total Expenditures	\$330,800.00	\$10,674.38	\$16,415.16	\$35,085.01	\$15,930.91	\$55,625.36
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)						

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	G.A.F.S.	T.A.N.F.	NONPUBLIC TEXTBOOKS	LITERACY 4NJ	LEARNING LINK	NONPUBLIC CH192/193	TOTAL
Revenues:							
Federal Aid	\$164,761.00	\$311,030.74	\$33,802.25	\$5,752.50	\$49,183.00	\$75,778.19	\$357,889.54
Local Sources	164,761.00	311,030.74	33,802.25	5,752.50	49,183.00	75,778.19	746,948.96
Total Revenues							1,104,838.50
Expenditures:							
Instruction:							
Salaries	89,247.55	108,830.70			38,358.76	24,535.18	441,673.76
Purchased Professional and Technical Services							4,863.50
General Supplies	839.12	616.51			648.96	413.40	14,052.35
Textbooks			33,802.25				33,802.25
Total Instruction	90,086.67	109,447.21	33,802.25		39,007.72	24,948.58	494,391.86
Support Services:							
Salaries	44,665.09	92,689.31		5,602.23		14,584.61	215,577.87
Personal Services - Employee Benefits	27,603.17	46,981.30		150.27	7,955.22	4,604.05	110,508.42
Purchased Professional - Educational Services		300.00				22,045.00	151,757.99
Other Purchased Services (400-500 Series)	2,320.52	61,028.90			2,220.06	9,258.12	75,870.61
Supplies and Materials		584.02				333.56	40,222.50
Miscellaneous Expenditures	85.55					4.27	94.09
Total Support Services	74,674.33	201,583.53		5,752.50	10,175.28	50,829.61	594,031.48
Facilities Acquisition and Construction Services:							
Noninstructional Equipment							16,415.16
Total Facilities Acquisition and Construction Services							16,415.16
Total Expenditures	\$164,761.00	\$311,030.74	\$33,802.25	\$5,752.50	\$49,183.00	\$75,778.19	\$1,104,838.50
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)							

CAPITAL PROJECTS FUND DETAIL STATEMENTS – N/A

PROPRIETARY FUND DETAIL STATEMENTS

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

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUNDS - ENTERPRISE FUNDS
JUNE 30, 2016

	<u>NON-MAJOR FUND</u> <u>FOOD</u> <u>SERVICE</u>	<u>MAJOR FUND</u> <u>ENTERPRISE</u> <u>FUND</u>	<u>TOTAL</u>
ASSETS:			
Current assets:			
Cash and cash equivalents		\$2,084,505.29	\$2,084,505.29
Cash on hand with fiscal agents		1,309,735.25	1,309,735.25
Accounts receivable - other		1,054,707.34	1,054,707.34
Interfund Receivable		59,028.42	59,028.42
Intergovernmental Receivables:			
State	\$53.63		53.63
Federal	4,864.64		4,864.64
Prepaid Expenses		1,100.00	1,100.00
Total current assets	<u>4,918.27</u>	<u>4,509,076.30</u>	<u>4,513,994.57</u>
Noncurrent assets:			
Furniture, machinery and equipment		9,339,652.37	9,339,652.37
Less accumulated depreciation		<u>(6,650,757.51)</u>	<u>(6,650,757.51)</u>
Total noncurrent assets		<u>2,688,894.86</u>	<u>2,688,894.86</u>
Total assets	<u>4,918.27</u>	<u>7,197,971.16</u>	<u>7,202,889.43</u>
LIABILITIES:			
Current liabilities:			
Accounts payable		99,126.75	99,126.75
Interfund payable	4,918.27		4,918.27
Unearned revenue		26,126.98	26,126.98
Capital leases payable		<u>3,467,762.20</u>	<u>3,467,762.20</u>
Total current liabilities	<u>4,918.27</u>	<u>3,593,015.93</u>	<u>3,597,934.20</u>
Total liabilities	<u>4,918.27</u>	<u>3,593,015.93</u>	<u>3,597,934.20</u>
NET POSITION:			
Net investment in capital assets		2,688,894.86	2,688,894.86
Unrestricted		<u>916,060.37</u>	<u>916,060.37</u>
Total net position		<u><u>\$3,604,955.23</u></u>	<u><u>\$3,604,955.23</u></u>

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS - ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>NON-MAJOR FUND</u> <u>FOOD</u> <u>SERVICE</u>	<u>MAJOR FUND</u> <u>ENTERPRISE</u> <u>FUND</u>	<u>TOTAL</u>
OPERATING REVENUES:			
Charges for services:			
Transportation		\$8,020,633.82	\$8,020,633.82
Extraordinary services		4,204,915.75	4,204,915.75
Technology services		463,323.49	463,323.49
Purchasing		399,411.33	399,411.33
Sales	\$2,187.70		2,187.70
Total operating revenues	<u>2,187.70</u>	<u>13,088,284.39</u>	<u>13,090,472.09</u>
OPERATING EXPENSES:			
Transportation		6,998,563.07	6,998,563.07
Extraordinary services		4,021,131.87	4,021,131.87
Technology services		437,731.65	437,731.65
Purchasing		316,571.56	316,571.56
Miscellaneous		65,161.55	65,161.55
Depreciation		496,932.50	496,932.50
Cost of sales	42,358.79		42,358.79
Total operating expenses	<u>42,358.79</u>	<u>12,336,092.20</u>	<u>12,378,450.99</u>
Operating income (loss)	<u>(40,171.09)</u>	<u>752,192.19</u>	<u>712,021.10</u>
NONOPERATING REVENUES (EXPENSES):			
State Sources:			
State School Lunch Program	346.85		346.85
Federal Sources:			
National School Lunch Program	19,001.28		19,001.28
National School Breakfast Program	12,043.27		12,043.27
Transfer in/out	8,779.69	(491,964.17)	(483,184.48)
Total nonoperating revenues	<u>40,171.09</u>	<u>(491,964.17)</u>	<u>(451,793.08)</u>
Net income		<u>260,228.02</u>	<u>260,228.02</u>
Income before contributions and transfers		<u>260,228.02</u>	<u>260,228.02</u>
Total net position - July 1, 2015		<u>3,344,727.21</u>	<u>3,344,727.21</u>
Total net position - June 30, 2016		<u><u>\$3,604,955.23</u></u>	<u><u>\$3,604,955.23</u></u>

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>NON-MAJOR FUND</u> <u>FOOD</u> <u>SERVICE</u>	<u>MAJOR FUND</u> <u>ENTERPRISE</u> <u>FUND</u>	<u>TOTAL</u>
Cash flows from operating activities:			
Receipts from customers	\$2,198.85	\$13,642,379.70	\$13,644,578.55
Payments to suppliers	(42,968.56)	(11,839,486.70)	(11,882,455.26)
Net cash provided by (used for) operating activities	<u>(40,769.71)</u>	<u>1,802,893.00</u>	<u>1,762,123.29</u>
Cash flows from noncapital financing activities:			
State sources	347.23		347.23
Federal sources	29,692.76		29,692.76
Interfund activity	1,950.03	(42,756.32)	(40,806.29)
Operating subsidies and transfers to other funds	8,779.69	(491,964.17)	(483,184.48)
Net cash provided by noncapital financing activities:	<u>40,769.71</u>	<u>(534,720.49)</u>	<u>(493,950.78)</u>
Cash flows from financing activities:			
Repayment of capital lease principal		(476,091.37)	(476,091.37)
Net cash provided by (used for) financing activities		<u>(476,091.37)</u>	<u>(476,091.37)</u>
Net increase in cash and cash equivalents		792,081.14	792,081.14
Cash and cash equivalents, July 1, 2015		<u>1,292,424.15</u>	<u>1,292,424.15</u>
Cash and cash equivalents, June 30, 2016		<u>\$2,084,505.29</u>	<u>\$2,084,505.29</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	(\$40,171.09)	\$752,192.19	\$712,021.10
Adjustments to reconciling operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation		496,932.50	496,932.50
Change in assets and liabilities:			
(Increase)/decrease in accounts receivable - other	11.15	531,927.13	531,938.28
(Increase) decrease in prepaid expenses		(1,100.00)	(1,100.00)
Increase (decrease) in accounts payable	(609.77)	(2,291.31)	(2,901.08)
Increase (decrease) in deferred revenue		25,232.49	25,232.49
	<u>(598.62)</u>	<u>1,050,700.81</u>	<u>1,050,102.19</u>
Net cash provided by (used for) operating activities	<u>(\$40,769.71)</u>	<u>\$1,802,893.00</u>	<u>\$1,762,123.29</u>

FIDUCIARY FUND DETAIL STATEMENTS

Fiduciary Funds are used to account for funds received by the Commission for a specific purpose:

Agency Funds are used to account for assets held by the Commission as an agent for another party:

Payroll Fund: This agency fund is used to account for the payroll transactions of the school Commission.

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
COMBINING STATEMENT OF FIDUCIARY NET POSITION
TRUST AND AGENCY FUNDS
JUNE 30, 2016

	<u>PAYROLL</u> <u>AGENCY</u>	<u>TOTALS</u>
ASSETS:		
Cash and cash equivalents	\$413,826.75	\$413,826.75
Total assets	<u>\$413,826.75</u>	<u>\$413,826.75</u>
LIABILITIES:		
Interfunds payable	\$9,649.98	\$9,649.98
Summer payroll	301,192.02	301,192.02
Payroll deductions and withholdings	<u>102,984.75</u>	<u>102,984.75</u>
Total liabilities	<u>\$413,826.75</u>	<u>\$413,826.75</u>

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
PAYROLL AGENCY FUNDS
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	BALANCE JULY 1, 2015	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2016
ASSETS:				
Cash and cash equivalents	\$514,240.76	\$11,883,672.07	\$11,984,086.08	\$413,826.75
Total assets	<u>\$514,240.76</u>	<u>\$11,883,672.07</u>	<u>\$11,984,086.08</u>	<u>\$413,826.75</u>
LIABILITIES:				
Payroll deductions and withholdings	\$216,440.72	\$4,446,852.56	\$4,560,308.53	\$102,984.75
Net payroll		7,159,705.85	7,159,705.85	
Summer payroll	287,921.54	277,105.20	263,834.72	301,192.02
Interfunds payable	9,878.50	8.46	236.98	9,649.98
Total liabilities	<u>\$514,240.76</u>	<u>\$11,883,672.07</u>	<u>\$11,984,086.08</u>	<u>\$413,826.75</u>

LONG-TERM LIABILITIES SCHEDULES

The long-term liabilities schedules are used to reflect the outstanding principal balances of the long-term liabilities of the Commission. This includes obligations under serial bonds and capital leases.

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
 SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
 AS OF JUNE 30, 2016

SERIES	DATE OF LEASE	TERM OF LEASE	AMOUNT OF ORIGINAL LEASE		INTEREST RATE PAYABLE	AMOUNT OUTSTANDING JUNE 30, 2015	DECREASE	AMOUNT OUTSTANDING JUNE 30, 2016
			PRINCIPAL	INTEREST				
Ground lease secured by West Amwell/Tewksbury Properties	12/28/06	11 Years	\$4,660,000.00	\$1,265,717.20	3.250%	\$929,610.51	\$605,086.61	\$324,523.90
Purchase of Hoffman's Crossing Property and Related Improvements	04/21/15	13 Years	2,500,000.00	489,807.75	2.363%	2,500,000.00		2,500,000.00
						<u>\$3,429,610.51</u>	<u>\$605,086.61</u>	<u>\$2,824,523.90</u>
							\$471,339.89	
							133,746.72	
							<u>\$605,086.61</u>	

Paid by budget
 Paid from sale of Sawmill property

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	2016		VARIANCE
	ORIGINAL BUDGET	BUDGET TRANSFER	FINAL BUDGET
			ACTUAL
			FINAL TO ACTUAL
EXPENDITURES:			
Regular debt service:			
Interest for Comm. Approved- lease purch.	\$48,875.00		\$20,624.28
Principal -Comm. Approved- lease purch.	550,000.00		471,339.89
Total regular debt service-expenditures	598,875.00		491,964.17
Excess (deficiency) of revenues over (under) expenditures	(598,875.00)		(491,964.17)
Other financing sources:			
Transfers in/(out)	\$598,875.00		\$491,964.17
Fund balance, July 1			
Fund balance, June 30			(106,910.83)

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STATISTICAL SECTION (UNAUDITED)

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
STATISTICAL SECTION

<u>Contents</u>	<u>Page</u>
Financial Trends:	
These schedules contain trend information to help the reader understand how the district'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 district's most significant local revenue source, the property tax.	N/A
Debt Capacity:	
These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.	N/A
Demographic and Economic Information:	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	N/A
Operating Information:	
These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	J-16 to J-20

Sources

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

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
NET POSITION BY COMPONENT
UNAUDITED

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental activities										
Net investment in capital assets	\$3,369,363.85	\$4,578,864.35	\$4,267,169.50	\$3,974,833.35	\$3,604,519.75	\$3,337,696.69	\$3,029,365.65	\$2,839,084.79	\$2,652,426.35	\$1,782,331.64
Restricted	(15,116,038.31)	(14,531,844.27)	2,149,108.98	1,788,370.16	1,054,613.95	1,063,533.58	889,199.19	370,871.32	1,434,529.13	203,388.45
Unrestricted (Deficit)	916,060.37	\$9,952,979.92)	\$6,416,278.48	\$5,763,203.51	\$4,659,133.70	\$4,401,230.27	\$3,918,564.84	\$3,209,956.11	\$4,086,955.48	\$1,046,672.68
Total governmental activities net position	\$3,604,955.23	\$3,344,727.21	\$3,041,380.57	\$2,638,669.77	\$2,224,188.14	\$1,536,746.57	\$1,929,524.05	\$1,776,097.24	\$1,197,028.10	\$668,471.46
Business-type activities										
Net investment in capital assets	\$2,688,894.86	\$1,750,751.72	\$1,313,926.42	\$892,261.65	\$1,117,617.82	1,239,671.69	\$1,929,524.05	\$1,776,097.24	\$1,197,028.10	668,471.46
Unrestricted	916,060.37	1,593,975.49	1,727,454.15	1,746,428.12	1,106,570.32	\$297,074.88	\$1,929,524.05	\$1,776,097.24	\$1,197,028.10	\$668,471.46
Total business-type activities net position	\$3,604,955.23	\$3,344,727.21	\$3,041,380.57	\$2,638,669.77	\$2,224,188.14	\$1,536,746.57	\$1,929,524.05	\$1,776,097.24	\$1,197,028.10	\$668,471.46
District-wide										
Net investment in capital assets	\$6,058,258.71	\$6,329,616.07	\$5,581,095.92	\$4,867,095.00	\$4,722,137.57	\$4,577,368.38	\$3,029,365.65	\$2,839,084.79	\$2,652,426.35	\$1,782,331.64
Restricted	(14,199,977.94)	(12,937,868.78)	3,876,563.13	3,534,798.28	2,161,184.27	1,360,608.46	2,818,723.24	2,146,968.56	2,631,557.23	203,388.45
Unrestricted (Deficit)	\$8,141,719.23)	\$6,608,252.71)	\$9,457,659.05	\$8,401,893.28	\$6,883,321.84	\$5,937,976.84	\$5,849,088.89	\$4,986,053.35	\$5,283,983.58	\$1,715,144.14
Total district net position	\$3,604,955.23	\$3,344,727.21	\$3,041,380.57	\$2,638,669.77	\$2,224,188.14	\$1,536,746.57	\$1,929,524.05	\$1,776,097.24	\$1,197,028.10	\$668,471.46

Source: CAFR Schedule A-1

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
CHANGES IN NET POSITION
UNAUDITED

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
EXPENSES										
Governmental activities										
Instruction										
Special education	\$2,447,207.91	\$2,466,159.39	\$2,392,207.34	\$2,215,974.74	\$2,077,693.49	\$2,190,323.48	\$2,162,381.14	\$3,321,194.07	\$3,654,742.02	3,826,819.37
Other instruction	38,326.07	62,865.16	48,301.69	40,609.43	12,986.64	25,195.53	27,870.16			
Support services:										
Student and instruction related services	1,345,305.78	1,267,496.28	1,494,473.70	1,313,318.38	1,413,260.28	1,657,071.25	1,639,850.34	1,692,103.65	1,557,342.89	1,514,338.75
General administrative services	99,310.58	67,773.69	74,245.28	76,270.97	83,972.82	75,420.43	70,316.66	364,500.88	519,000.29	632,646.65
School administrative services	751,367.68	704,918.38	548,620.25	498,630.49	529,897.54	531,462.38	511,955.14	594,872.17	594,716.86	556,846.30
Central services	273,804.70	35,905.87	101,055.47	131,096.62	155,702.16	228,733.11	203,475.42	204,475.42	264,032.01	164,377.81
Administration information technology	35,288.30	13,557.35	21,694.00	15,604.00	15,004.00	14,710.00	14,144.00	34,914.36	35,571.35	63,481.00
Plant operations and maintenance	710,054.11	721,718.68	562,737.67	506,958.29	472,387.00	508,383.64	500,797.31	648,156.96	813,890.61	910,773.37
Student transportation services	7,276.83	5,376.32	2,098.31	3,305.78	1,400.63	11,994.89	621,833.36	709,604.69	719,744.73	5,675.32
Interest on long-term debt	29,711.88	49,737.65	52,758.43	64,082.75	130,848.66	152,796.83	173,701.70			589,125.72
Miscellaneous	52,765.58	43,282.87	47,802.35	56,022.98	51,658.19	64,399.69	69,294.50	83,277.17	71,796.30	88,422.56
Total governmental activities expenses	5,790,419.42	5,438,791.64	5,345,994.48	4,922,074.43	4,944,811.41	5,460,481.22	5,981,422.37	7,652,099.37	8,230,837.06	8,352,506.85
Business-type activities:										
Trips										
Transportation	7,495,495.57	7,127,238.69	7,142,786.80	8,220,131.93	9,727,185.70	10,433,176.01	11,178,516.91	11,560,623.22	12,321,892.44	12,613,759.38
Extraordinary services	4,021,131.87	3,867,441.82	3,205,216.72	2,618,587.65	2,268,228.62	538,119.59	519,944.03	340,624.50	640,967.12	344,367.40
Adult education								116,921.96	159,688.77	176,097.49
Computer services	437,731.65	428,038.07	500,820.84	416,735.60	544,318.41	569,132.19	932,493.93	1,294,178.51	985,373.33	1,472,246.05
Food service	42,358.79	51,450.67	58,583.87	58,751.07	55,468.76	10,457.95	11,557.61	12,585.46	24,051.46	27,935.58
Miscellaneous						50,751.44	25,146.13	184,415.00	45,000.00	34,667.00
Purchasing	316,571.56	233,892.27	148,725.37	133,086.87	128,507.93	144,986.50	144,197.64	146,032.68	155,685.04	151,430.33
Total business-type activities expense	12,313,289.44	11,708,061.52	11,056,133.60	11,447,293.12	12,723,709.42	11,746,633.68	12,811,856.25	13,655,381.33	14,332,648.16	14,820,503.23
Total district expenses	\$18,103,708.86	\$17,146,853.16	\$16,402,128.08	\$16,369,367.55	\$17,668,520.83	\$17,207,114.90	\$18,793,278.62	\$21,307,480.70	\$22,563,485.22	\$23,173,010.08
PROGRAM REVENUES										
Governmental activities:										
Charges for services	\$1,926,057.69	\$2,475,867.60	\$3,099,001.41	\$3,231,214.48	\$2,623,073.57	\$3,351,265.05	\$4,159,760.35	\$4,159,343.37	\$4,534,919.12	\$5,018,754.38
Operating grants and contributions	2,376,309.82	2,289,215.52	2,252,735.76	2,097,790.38	1,928,067.12	1,958,505.77	1,852,978.29	1,958,882.72	1,943,268.64	1,762,746.98
Total governmental activities program revenues	4,302,367.51	4,765,083.12	\$5,351,737.17	5,329,004.86	4,551,130.69	5,309,770.82	6,012,738.64	6,118,226.09	6,478,187.76	6,781,501.36

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
CHANGES IN NET POSITION
UNAUDITED

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Charges for services:										
Trips										
Transportation	\$8,020,633.82	\$7,977,123.70	\$7,594,170.45	\$8,931,942.89	\$10,943,193.72	\$10,766,341.96	\$12,035,153.96	\$12,563,720.66	\$12,448,814.80	\$12,666,197.04
Extraordinary services	4,204,915.75	4,023,966.58	3,569,957.72	2,755,650.00	2,384,734.93	622,111.11	721,060.94	551,970.78	795,494.38	372,082.15
Adult education								84,311.04	130,742.40	177,606.80
Computer services	463,323.49	403,743.59	602,931.71	451,780.22	541,364.88	433,151.74	617,786.09	1,315,146.87	1,211,928.25	1,663,310.04
Miscellaneous	33,579.10	45,259.65	52,471.03	63,565.56	49,714.33	16,213.41	16,775.05	145,940.04	105,357.74	110,471.52
Food service	399,411.33	238,555.82	181,790.57	53,021.98	78,960.42	110,675.63	155,521.13	152,514.42	157,595.69	183,661.27
Purchasing	13,121,863.49	12,688,649.34	12,001,321.48	12,389,976.49	13,997,968.28	11,948,493.85	13,546,297.17	14,813,603.81	14,849,933.26	15,173,328.82
Total business type activities program revenues	\$17,424,231.00	\$17,453,732.46	\$17,353,058.65	\$17,719,981.35	\$18,549,098.97	\$17,258,264.67	\$19,559,035.81	\$20,931,829.90	\$21,328,121.02	\$21,954,830.18
Total district program revenues										
NET (EXPENSE)/REVENUE										
Governmental activities	(1,488,051.91)	(673,708.52)	5,742.69	406,930.43	(393,680.72)	(150,710.40)	31,316.27	(1,533,873.28)	(1,752,649.30)	(1,571,005.49)
Business-type activities	808,574.05	980,587.82	945,187.88	942,683.37	1,274,258.86	201,860.17	734,440.92	1,158,222.48	517,285.10	352,825.59
Total district-wide net expense	(\$679,477.86)	\$306,879.30	\$950,930.57	\$1,349,613.80	\$880,578.14	\$51,149.77	\$765,757.19	(\$375,650.80)	(\$1,235,364.20)	(\$1,218,179.90)
GENERAL REVENUES AND OTHER CHANGES										
IN NET POSITION										
Governmental activities:										
Transfer in (out)	483,184.48	\$542,418.90	\$542,497.08	\$528,181.74	\$586,817.29	\$582,113.77	\$581,014.11	579,153.34	(24,051.46)	\$272,844.42
Gain on refinancing of capital leases	16,415.16	-	-	-	-	-	-	-	-	-
Federal and state aid restricted	(\$1,561,746.82)	-	-	-	-	-	-	-	-	-
Disposal of capital assets w/costs	756,504.55	190,973.22	104,835.20	55,774.77	58,350.18	51,262.07	50,405.14	77,720.57	(4,290,167.30)	(331,612.50)
Miscellaneous income	(305,642.63)	733,392.12	647,332.28	697,139.39	645,167.47	633,375.84	631,419.25	656,873.91	2,807,212.01	1,313,683.89
Total governmental activities	(83,400.32)	1,066,683.42	1,304,664.56	1,383,135.90	1,348,492.92	1,369,637.98	1,363,849.60	1,413,921.79	2,582,853.25	1,293,844.71
Business-type activities:										
Transfers in (out)	(483,184.48)	(542,418.90)	(542,497.08)	(528,181.74)	(586,817.29)	(582,113.77)	(581,014.11)	(579,153.34)	24,051.46	(239,838.42)
Miscellaneous income	(65,161.55)	(99,731.19)	(99,731.19)	(99,731.19)	(99,731.19)	(99,731.19)	(99,731.19)	(99,731.19)	(12,779.92)	325,444.14
Disposal of capital assets	(548,346.03)	(677,241.19)	(542,497.08)	(528,181.74)	(586,817.29)	(582,113.77)	(581,014.11)	(579,153.34)	11,271.54	(19,094.56)
Total business-type activities	(\$1,196,876.06)	(\$1,319,390.28)	(\$1,284,725.35)	(\$1,256,204.77)	(\$1,271,375.77)	(\$1,264,038.73)	(\$1,261,769.41)	(\$1,257,037.87)	(\$1,196,876.06)	(\$1,173,528.54)
Total district-wide	(\$1,196,876.06)	(\$1,196,876.06)	(\$1,196,876.06)	(\$1,196,876.06)	(\$1,196,876.06)	(\$1,196,876.06)	(\$1,196,876.06)	(\$1,196,876.06)	(\$1,196,876.06)	(\$1,196,876.06)
CHANGE IN NET POSITION										
Governmental activities	(\$1,793,694.54)	\$59,683.60	\$653,074.97	\$1,104,069.82	\$251,486.75	\$482,665.44	\$662,735.52	(\$876,999.37)	\$1,054,562.71	(\$257,321.60)
Business-type activities	260,228.02	303,346.64	402,690.80	414,501.63	687,441.57	(392,777.48)	153,426.81	579,069.14	528,556.64	333,731.03
Total district	(\$1,533,466.52)	\$363,030.24	\$1,055,765.77	\$1,518,571.45	\$938,928.32	\$89,887.96	\$816,162.33	(\$297,930.23)	\$1,583,119.35	\$76,409.43

Source: CAFR Schedule A-2

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
FUND BALANCES - GOVERNMENTAL FUNDS
UNAUDITED

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General fund										
Unassigned	\$1,610,012.58	\$1,949,936.92	\$2,160,789.86	\$1,804,047.36	\$1,122,921.63	\$1,139,006.03	\$968,416.51	\$520,501.05	\$1,596,161.58	\$1,278,718.56
Unreserved										
Total general fund	<u>\$1,610,012.58</u>	<u>\$1,949,936.92</u>	<u>\$2,160,789.86</u>	<u>\$1,804,047.36</u>	<u>\$1,122,921.63</u>	<u>\$1,139,006.03</u>	<u>\$968,416.51</u>	<u>\$520,501.05</u>	<u>\$1,596,161.58</u>	<u>\$1,278,718.56</u>
All other governmental funds										
Reserved										
Unreserved, reported in:										
Capital projects fund										
Total all other governmental funds										\$203,388.45
										<u>\$203,388.45</u>

Source: CAFR Schedule B-1

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
UNAUDITED

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues										
Tuition charges	1,926,057.69	\$2,475,867.60	\$3,099,001.41	\$3,231,214.48	\$2,623,073.57	\$3,351,265.05	\$4,159,560.35	\$3,410,503.37	\$4,534,919.12	\$5,018,754.38
Transportation fees from other LEA's							200.00	748,840.00		
Miscellaneous	1,505,551.20	1,131,875.86	1,271,534.16	1,254,150.02	1,241,036.59	1,210,682.01	1,123,847.29	1,166,370.07	2,083,962.11	547,954.83
State sources	573,517.79	494,826.36	555,257.02	533,978.94	392,205.68	349,003.59	361,413.84	402,242.32	521,434.23	1,136,947.55
Federal sources	357,889.54	310,028.52	530,779.78	385,436.19	353,185.03	450,082.24	418,122.30	467,990.30	459,303.07	450,296.57
Total revenue	4,363,016.22	4,412,598.34	5,456,572.37	5,384,779.63	4,609,480.87	5,361,032.89	6,063,143.78	6,195,946.66	7,599,618.53	7,153,953.33
Expenditures										
Instruction										
Regular Instruction	1,447,816.91	1,574,782.55	1,852,457.07	1,641,481.70	1,562,322.36	1,643,982.80	1,568,440.58	2,388,154.82	2,629,367.09	2,673,063.51
Special education instruction	19,895.00	34,390.00	31,195.00	23,905.00	6,240.00	14,690.00	16,518.45			
Other instruction										
Support Services:										
Student & instruction related services	990,023.70	966,977.22	1,311,547.27	1,102,114.73	1,181,548.38	1,397,926.37	1,390,622.55	1,472,552.04	1,294,235.61	1,230,827.29
General administrative services	81,639.84	50,102.95	52,901.32	55,113.15	63,034.31	53,156.17	48,271.71	231,633.24	301,263.87	446,434.83
School Administrative services	385,531.56	369,365.39	387,658.42	345,198.68	352,569.87	361,726.47	349,882.42	445,742.17	430,371.45	376,326.35
Central services	123,084.79	15,534.74	53,146.24	60,577.21	74,955.89	115,665.24	87,518.84	198,808.01	344,230.99	169,178.67
Administration Information Technology	35,288.30	13,557.35	21,694.00	15,604.00	15,004.00	14,710.00	14,144.00	21,573.36	35,571.35	63,481.00
Plant operations and maintenance	442,542.65	526,878.76	457,412.21	391,535.54	374,523.93	452,813.50	415,316.39	477,791.22	688,452.49	687,712.23
Student transportation services	7,276.83	5,376.32	2,098.31	3,305.78	1,400.63	11,984.89	589,963.09	721,726.75	1,536,860.99	1,745,896.33
Employee benefits	1,066,202.43	957,443.21	860,243.86	987,841.04	936,553.28	1,006,930.29	1,053,688.18	1,423,494.61	29,880.50	29,880.50
Capital outlay	586,246.20	1,916,461.31	15,560.98	5,225.00		42,000.00				
Special Schools	52,765.58	43,282.87	47,802.35	56,022.98	51,658.19	64,399.69	69,294.50	83,277.17	71,796.30	88,422.57
Debt service:										
Principal	471,339.89	508,036.35	491,855.17	454,909.73	456,135.40	434,452.84	413,800.96	394,130.79	586,244.03	393,435.79
Interest and other charges	20,624.28	40,573.57	56,754.75	79,001.10	136,436.32	158,118.88	178,770.76			348,145.00
Total expenditures	5,730,277.96	7,022,862.59	5,642,326.95	5,231,835.64	5,212,382.56	5,772,557.14	6,196,242.43	7,850,760.53	8,600,120.92	8,252,744.07
Excess (Deficiency) of revenues over (under) expenditures	(1,367,261.74)	(2,610,264.25)	(185,754.58)	152,943.99	(602,901.69)	(411,524.25)	(133,098.65)	(1,654,813.87)	(1,000,502.39)	(1,098,790.74)
Other Financing sources (uses)										
Transfers in (out)	483,184.48	542,418.90	542,497.08	528,181.74	586,817.29	582,113.77	581,014.11	579,153.34	(24,051.46)	272,844.42
Capital leases (non-budgeted)	543,310.02								1,138,608.42	1,000,000.00
Proceeds from sale of property - net										(1,635,436.65)
Proceeds from refinancing - net										(362,582.23)
Total other financing sources (uses)	1,026,494.50	542,418.90	542,497.08	528,181.74	586,817.29	582,113.77	581,014.11	579,153.34	1,114,556.96	(362,582.23)
Net change in fund balances	(\$340,767.24)	(\$2,067,845.35)	\$356,742.50	\$681,125.73	(\$16,084.40)	\$170,589.52	\$447,915.46	(\$1,075,660.53)	\$114,054.57	(\$1,461,382.97)
Debt service as a percentage of noncapital expenditures	9.56%	10.74%	9.75%	10.22%	11.37%	10.34%	9.56%	5.02%	6.58%	9.02%

Source: CAFR Schedule B-2

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
UNAUDITED

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Rental</u>	<u>Contributions</u>	<u>Sale of</u> <u>Property</u>	<u>Interest On</u> <u>Investments</u>	<u>Miscellaneous</u>	<u>Total</u>
2016	\$6,840.70	\$79,400.00	\$468,106.60	\$2,862.42	\$133,469.83	\$690,679.55
2015	35,000.00	21,151.02		2,879.99	131,942.21	190,973.22
2014	25,000.00			4,813.11	75,022.09	104,835.20
2013	34,254.20			3,013.36	18,507.21	55,774.77
2012	15,000.00			2,350.55	40,999.63	58,350.18
2011	29,635.59			12,572.36	9,054.12	51,262.07
2010	42,792.70			6,054.42	1,558.02	50,405.14
2009				16,422.91	61,297.66	77,720.57
2008	42,422.04			18,477.52	131,149.16	192,048.72
2007	77,567.63			35,201.43	131,472.75	244,241.81

Source: District Records

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
 FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
 UNAUDITED

Function/program	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Instruction:										
Regular	4	4	3	3.5	3.5	3	3	8	10	7
Special education	13.3	16.3	20	19	20.5	24	22	38	36	70
Other special education	3.5	3.5	3.5	4	5.5	5	5	7	7	6
Support services:										
Health services	2	2	2	2	2	2	2	3	5	4
Student and instruction related services	0.5	0.5	0.5	0.5	1	2	2	2	7	23
General administrative services	3.00	3.00	3.00	3.25	3	3	4	4	6	9
School administrative services	4.7	5	5	5	5	6	6	7	9	9
Plant operations and maintenance	5	5	5.5	5	5.5	5	5	8	10	16
Total	36.0	39.0	42.5	42.3	46.0	50	48	77	90	144

Source: District Personnel Records

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
OPERATING STATISTICS
UNAUDITED

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures (a)</u>	<u>Cost Per Pupil</u>	<u>% Change</u>	<u>Teaching Staff (b)</u>	<u>Pupil/Teacher Ratio</u>	<u>Average Daily Enrollment (c)</u>	<u>Average Daily Attendance (c)</u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2016	54	\$4,679,966.73	\$86,666.05	57.82%	12	4.50	54	43	-20.59%	79.63%
2015	83	4,557,791.36	54,913.15	12.46%	12	6.92	68	61	-20.00%	89.71%
2014	104	5,078,156.05	48,828.42	-0.11%	12	8.67	85	75	-2.30%	88.24%
2013	96	4,692,699.81	48,882.29	12.16%	15	6.40	87	76	8.75%	87.36%
2012	106	4,619,810.84	43,583.12	-9.24%	15	7.07	80	74	-18.78%	92.50%
2011	107	5,137,985.42	48,018.56	-6.60%	15	7.13	99	92	-4.37%	92.89%
2010	109	5,603,670.71	51,409.82	-26.23%	18	6.06	103	93	14.44%	90.29%
2009	107	7,456,629.74	69,688.13	-12.39%	22	4.86	90	85	-16.67%	94.44%
2008	101	8,033,876.89	79,543.34	18.35%	23	4.39	108	100	-1.82%	92.59%
2007	110	7,392,860.21	67,207.82	-5.90%	27	4.07	110	101	#REF!	91.82%

Sources: District records

Note: Enrollment based on annual October district count.

(a) Operating expenditures equal total expenditures less debt service and capital outlay.

(b) Teaching staff includes only full-time equivalents of certificated staff.

(c) Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
 SCHOOL BUILDING INFORMATION
 UNAUDITED

District/Building	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
JFS CAMPUS (1994) - Sandhill School									20,774	20,774
Square Feet - Sandhill School									120	120
Capacity (Students)									3,200	3,200
Square Feet - Tin Building									50	50
Capacity (Students)									0	0
Enrollment										
SOLD JFS CAMPUS DECEMBER 2007										
West Amwell (1995)										
Square Feet*	46,220	46,220	46,220	46,220	46,220	46,220	46,220	46,220	46,220	46,220
Capacity (Students)	130	130	130	130	130	130	130	130	130	130
Enrollment	55	68	68	68	68	83	83	94	94	94
Tewksbury (2004)										
Square Feet	28,166	28,166	28,166	28,166	28,166	28,166	28,166	28,166	28,166	28,166
Capacity (Students)	200	200	200	200	200	200	200	200	200	200
Enrollment	0	38	38	38	38	20	20	48	48	48
Hoffmans Crossing Road (2015)										
Square Feet	12,385	12,385								
Capacity (Students)	100	100								
Enrollment (Opening September 2015)	18	0								

Number of Schools at June 30, 2016

- Elementary = 2
- Middle School = 0
- Intermediate = 0

Source: District records

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

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
 SCHEDULE OF REQUIRED MAINTENANCE
 UNAUDITED

Undistributed expenditures - Required maintenance for school facilities - 11-000-261-XXX

School Facilities * Project #(s)	Total	Other	JFS Campus	West Amwell Campus	Tewksbury Campus	Hoffmans Campus
2016	291,898.00			175,748.00	292.00	115,858.00
2015	262,792.00			136,521.00	99,588.00	26,683.00
2014	221,669.03			141,686.62	79,982.41	
2013	210,690.38			134,834.71	75,855.67	
2012	208,167.00			140,818.00	67,349.00	
2011	222,411.90			159,477.25	62,934.65	
2010	284,897.34			212,965.00	71,932.34	
2009	351,750.00			240,750.00	111,000.00	
2008	411,714.00		\$14,614.00	238,320.00	158,780.00	
2007	462,302.39	\$2,500.00	28,319.59	225,939.30	205,543.50	
Total School Facilities	\$2,928,292.04	\$2,500.00	\$42,933.59	\$1,807,059.88	\$933,257.57	\$142,541.00

* - School facilities as defined under EFCFA.
 (N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: District records

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
INSURANCE SCHEDULE
JUNE 30, 2016
UNAUDITED

COVERAGE

Article I - Property

Blanket Real and Personal Property		\$350,000,000 per occurrence
Blanket Extra Expense		\$50,000,000
Blanket Valuable Papers and Records		\$10,000,000
Demolition and Increased Cost of Construction		\$10,000,000 per occurrence
Loss of Rents		Not Covered
Loss of Business Income/Tuition		\$3,500,000
Limited Builders' Risk		\$5,000,000
EDP		\$400,000
Equipment Breakdown		\$100,000,000
Fire Department Service Charge		\$10,000
Arson Reward		\$10,000
Pollutant Cleanup and Removal		\$250,000
Fine Arts		Not Covered
Sublimits:	Special Flood Hazard Area Flood Zones	\$15,000,000 per occurrence/NJSBAIG annual aggregate
Accounts Receivable		\$250,000 per occurrence
All Other Flood Zones		\$50,000,000 per occurrence/NJSBAIG annual aggregate
Earthquake		\$50,000,000 per occurrence/NJSBAIG annual aggregate
Terrorism		\$1,000,000 per occurrence/NJSBAIG annual aggregate
Deductibles:	Real & Personal	\$5,000 per occurrence
	Extra Expense	\$5,000 per occurrence
	Valuable Papers	\$5,000 per occurrence
Special Flood Hazard Area Deductibles:		\$500,000 per building
		\$500,000 per building contents
All Other Flood Zones Flood Deductible:		\$10,000 per member/per occurrence

Article II - Electronic Data Processing

Blanket Hardware/Software		\$400,000 per occurrence
Blanket Extra Expense		Included
Coverage Extensions Transit		\$25,000
	Loss of Income	\$10,000
	Terrorism	Included in Property
Deductibles		\$1,000 per occurrence
Special Flood Hazard Area Flood Deductible		\$500,000 per occurrence
All Other Flood Zones Flood Deductible		\$10,000 per building contents

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
INSURANCE SCHEDULE
JUNE 30, 2016
UNAUDITED

COVERAGE

Article III - Boiler & Machinery

Combined Single Limit per Accident for Property Damage and Business Income	\$100,000,000
Sublimits:	
Property Damage	Included
Off Premises Property Damage	\$100,000
Business Income	Included
Extra Expense	\$10,000,000
Service Interruption	\$10,000,000
Perishable Goods	\$500,000
Data Restoration	\$100,000
Contingent Business Income	\$100,000
Demolition	\$1,000,000
Ordinance or Law	\$1,000,000
Expediting Expenses	\$500,000
Hazardous Substances	\$500,000
Newly Acquired Locations (120 days notice)	\$250,000
Terrorism	Included
Deductibles:	
	\$5,000 per Accident for Property Damage
	12 Hours per Accident for Business Interruption/Extra Expense
	Service Interruption Waiting Period 24 hours

Article IV - Crime

	Limits	Deductibles per Occurrence
Insuring Agreement 1 - Public Employee Dishonesty with Faithful Performance	\$1,000,000	\$1,000
Insuring Agreement 2 - Theft, Disappearance and Destruction - Loss of Money & Securities On or Off Premises	\$50,000	\$500
Insuring Agreement 3 - Theft, Disappearance and Destruction - Money Orders & Counterfeit Paper Currency	\$50,000	\$500
Insuring Agreement 4 - Forgery or Alteration	\$1,000,000	\$1,000
Insuring Agreement 5 - Computer Fraud	\$1,000,000	\$1,000
Public Officials Bond: Board Secretary/Business Administrator	\$200,000	\$1,000

Article V - Comprehensive General Liability

Bodily Injury and Property Damage	\$16,000,000 Combined Single Limit for Bodily Injury & Property Damage
Bodily Injury from Products and Completed Operations	\$16,000,000 annual aggregate
Sexual Abuse	\$16,000,000 per occurrence \$17,000,000 annual NJSBAIG aggregate
Personal Injury and Advertising Injury	\$16,000,000 per occurrence/ annual aggregate
Employee Benefits Liability	\$16,000,000 per occurrence/ annual aggregate
Employee Benefits Liability Deductible	\$1,000 each claim
Premises Medical Payments	\$10,000 each accident \$5,000 limit per person
Terrorism	\$1,000,000 per occurrence/ annual NJSBAIG aggregate

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
INSURANCE SCHEDULE
JUNE 30, 2016
UNAUDITED

COVERAGE

Article VI - Automobile

Liability		
Symbol 1 Any Auto		
Combined Single Limit for Bodily Injury and Property Damage		\$16,000,000 per accident
Symbol 6 Uninsured/Underinsured Motorists - Private Passenger Auto		\$1,000,000 per accident
Symbol 6 Uninsured/Underinsured Motorists - All Other Vehicles		\$15,000 Bodily Injury Per Person
		\$30,000 Bodily Injury Per Accident
		\$5,000 Property Damage Per Accident
Symbol 5 Personal Injury Protection (including pedestrians)		\$250,000
Medical Payments		\$10,000 Private passenger vehicles
		\$5,000 all other vehicles
Terrorism		\$1,000,000 per occurrence/ NJSBAIG annual aggregate
Physical Damage (Scheduled vehicles only)		
Symbol 7	Comprehensive	\$1,000 deductible
	Collision	\$1,000 deductible
	Hired Car Physical Damage \$75,000 Limit	\$1,000 deductible
	Replacement Cost	Not covered
Garage Keepers		Included

SINGLE AUDIT SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

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

Honorable President and Members
of the Board of Directors
Hunterdon County Educational Services Commission
County of Hunterdon
Califon, New Jersey 07830

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hunterdon County Educational Services Commission (the "Commission") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Commission's financial statements, and have issued our report thereon dated November 22, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's 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 Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Commission'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.

SUPLEE, CLOONEY & COMPANY


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

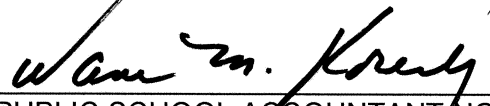
Compliance and Other Matters

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

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 Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


CERTIFIED PUBLIC ACCOUNTANTS


PUBLIC SCHOOL ACCOUNTANT NO. 962

November 22, 2016

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

FEDERAL GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL FAIN NUMBER	GRANT OR STATE PROJECT NUMBER	AWARD AMOUNT	GRANT PERIOD		BALANCE AT JUNE 30, 2015	CASH RECEIVED	BUDGETARY EXPENDITURES	ADJUSTMENTS	REPAYMENT OF PRIOR YEAR BALANCES	JUNE 30, 2016	
					FROM	TO						(ACCOUNTS RECEIVABLE)	UNEARNED REVENUE
Special Revenue Funds:													
U.S. Department of Education													
Rural Education Achievement Program	84-358A	S358B150030	S358A156166	\$ 20,000.00	07/01/15	09/30/16	\$	\$ 1,622.48	\$ (9,051.90)		\$	\$	\$ (9,051.90)
Rural Education Achievement Program	84-358A	S358B150030	S358A146166	20,000.00	07/01/14	09/30/15			(1,622.48)				
U.S. Department of Agriculture													
Passed-through State Department of Agriculture				17,155.00	06/15/15	02/01/16		16,415.16	(16,415.16)				
FY 2014 NSLP Equipment Assistance	10.579	15151NJ354N6103	01902305										
Passed-through New Jersey Department of Labor and Workforce Development:													
Adult Basic Education (W.L.A)	84.002	V002A150031	15-100-034-5062-028-H040	294,900.00	07/01/14	06/30/15	(43,484.00)	43,484.00					
Adult Basic Education (W.L.A)	84.002	V002A150031	16-100-034-5062-028-H040	330,800.00	07/01/15	06/30/16		275,972.00	(330,800.00)			(54,828.00)	
Total U.S. Department of Education				\$			\$ (43,484.00)	\$ 337,493.64	\$ (357,889.54)	\$	\$	\$ (63,879.90)	\$
Enterprise Funds:													
U.S. Department of Agriculture													
Passed-through State Department of Education:													
Child Nutrition Cluster:													
National School Breakfast Program	10.553	16161NJ304N1099	N/A	15,086.59	07/01/14	06/30/15	\$ (1,386.88)	\$ 1,386.88	\$	\$	\$	\$	\$
National School Breakfast Program	10.553	16161NJ304N1099	N/A	12,043.27	07/01/15	06/30/16		10,067.13	(12,043.27)			(1,976.14)	
National School Lunch Program	10.555	16161NJ304N1099	N/A	24,737.62	07/01/14	06/30/15	(2,125.97)	2,125.97					
National School Lunch Program	10.555	16161NJ304N1099	N/A	19,001.28	07/01/15	06/30/16		16,112.78	(19,001.28)			(2,888.50)	
Total U.S. Department of Agriculture				\$			\$ (3,512.85)	\$ 29,692.76	\$ (31,044.55)	\$	\$	\$ (4,864.64)	\$
Total Federal Financial Assistance				\$			\$ (46,996.85)	\$ 367,186.40	\$ (388,934.09)	\$	\$	\$ (68,744.54)	\$

See accompanying notes to schedules of financial assistance.

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

STATE GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	PROGRAM/ AWARD AMOUNT	GRANT PERIOD		UNEARNED REVENUE/ (ACCOUNTS RECEIVABLE)		DUE TO GRANTOR	CASH RECEIVED	BUDGETARY EXPENDITURES	ADJUSTMENTS/ REPAYMENT OF PRIOR YEAR BALANCES	BALANCE AT JUNE 30, 2016		CUMULATIVE TOTAL EXPENDITURES
			FROM	TO	(ACCOUNTS RECEIVABLE)	REVENUE					(ACCOUNTS RECEIVABLE)	REVENUE	
BALANCE AT JUNE 30, 2015													
State Department of Education General Funds:													
Reimbursed TPAF Social Security Contributions	15-495-034-5095-003	\$ 169,429.36	07/01/14	06/30/15	\$ (8,183.79)	\$ 8,183.79	\$	\$	\$	\$	\$	\$	\$
Reimbursed TPAF Social Security Contributions	16-495-034-5095-003	167,332.79	07/01/15	06/30/16		159,510.62	167,332.79	(167,332.79)			(7,822.17)		(167,332.79)
On-Behalf TPAF Pension Contribution	16-495-034-5094-002	176,614.00	07/01/15	06/30/16		176,614.00	(176,614.00)						(176,614.00)
On-Behalf TPAF Non-contributory Insurance	16-495-034-5094-004	8,798.00	07/01/15	06/30/16		8,798.00	(8,798.00)						(8,798.00)
On-Behalf TPAF Post-Retirement Medical	16-195-034-5094-001	220,773.00	07/01/15	06/30/16		220,773.00	(220,773.00)						(220,773.00)
					(8,183.79)	573,879.41	(573,517.79)				(7,822.17)		(573,517.79)
Enterprise Fund:													
State School Lunch Program	16-100-010-3350-023	346.86	07/01/15	06/30/16	\$	293.23	(346.86)				(53.63)		(346.86)
State School Lunch Program	15-100-010-3350-023	487.96	07/01/14	06/30/15	(54.01)	54.01							
					(54.01)	347.24	(346.86)				(53.63)		(346.86)
					(8,237.80)	574,226.65	(573,864.65)				(7,875.80)		(573,864.65)
Total State Financial Assistance Subject to Single Audit													
General Fund:													
On-Behalf TPAF Pension Contribution	16-495-034-5094-002	176,614.00	07/01/15	06/30/16		(176,614.00)	176,614.00						176,614.00
On-Behalf TPAF Non-contributory Insurance	16-495-034-5094-004	8,798.00	07/01/15	06/30/16		(8,798.00)	8,798.00						8,798.00
On-Behalf TPAF Post-Retirement Medical	16-195-034-5094-001	220,773.00	07/01/15	06/30/16		(220,773.00)	220,773.00						220,773.00
					(8,237.80)	168,041.65	(167,679.65)				(7,875.80)		(167,679.65)

See accompanying notes to schedules of financial assistance.

Hunterdon County Educational Services Commission
Notes to the Schedules of Expenditures of Federal Awards
and State Financial Assistance
Year Ended June 30, 2016

NOTE 1: GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state activity of the Hunterdon County Educational Services Commission. The Commission is defined in Note 1 to the Commission's basic financial statements. All federal and state awards received directly from the federal and state 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 of expenditures of federal awards and state financial assistance are presented on the budgetary basis of accounting with the exceptions of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 of the Commission's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The Commission has elected not to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The General fund is presented in the accompanying schedules on the modified accrual basis. 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 revenue, whereas GAAP basis does not.

Hunterdon County Educational Services Commission
Notes to the Schedules of Expenditures of Federal Awards
and State Financial Assistance
Year Ended June 30, 2016

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is - \$-0- for the general fund and \$2,097.69 for the special revenue fund. See the notes to the required supplementary information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Federal awards and state financial assistance revenues are reported in the Commission's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$573,517.79	\$573,517.79
Special Revenue Fund	\$357,889.54		357,889.54
Food Service Fund	<u>31,044.55</u>	<u>346.85</u>	<u>31,391.40</u>
Total Awards and Financial Assistance	<u>\$388,934.09</u>	<u>\$573,864.64</u>	<u>\$962,798.73</u>

NOTE 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5: OTHER

The amount reported as TPAF pension contributions represents the amount paid by the state on behalf of the commission for the year ended June 30, 2016. TPAF Social Security contributions represent the amount reimbursed by the state for the employer's share of Social Security contributions for TPAF members for the year ended June 30, 2016.

Hunterdon County Educational Services Commission
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

Section I – Summary of Auditor’s Results

Financial Statements

- | | | |
|-----|--|------------|
| (1) | Type of Auditor’s Report Issued: | Unmodified |
| (2) | Internal Control Over Financial Reporting: | |
| | (a) Material weakness identified? | No |
| | (b) Significant deficiencies identified that are not considered to be material weaknesses? | No |
| (3) | Noncompliance material to basic financial statements noted? | No |

Federal Program(s) – Not Applicable

State Program(s) – Not Applicable

Section II – Financial Statement Audit – Reported Findings Under Government Auditing Standards

Internal Control Findings

None Reported

Compliance Findings

None Reported

Section III – Findings and Questioned Costs Relative to Major Federal and State Programs

Federal Programs – None Reported

State Programs – None Reported

Hunterdon County Educational Services Commission

Schedule of Prior Year Audit Findings

Not Applicable

