

**Comprehensive Annual  
Financial Report**

**of the**

**Union County Educational Services Commission**

**County of Union**

**Westfield, New Jersey**

**For the Fiscal Year Ended June 30, 2016**

**Prepared by**

**Union County Educational Services Commission  
Business Office**



## TABLE OF CONTENTS

<b>INTRODUCTORY SECTION</b>	<b>PAGE</b>
Letter of Transmittal	1-2
Roster of Officials	3
Consultants and Advisors	4
Organizational Chart	5
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	6-8
<b>REQUIRED SUPPLEMENTARY INFORMATION – Part I</b>	9
Management's Discussion and Analysis (Unaudited)	10-19
<b>BASIC FINANCIAL STATEMENTS</b>	20
A. District-Wide Financial Statements:	21
A-1 Statement of Net Position	22
A-2 Statement of Activities	23
B. Major Fund Financial Statements:	24
Governmental Funds:	
B-1 Balance Sheet	25-26
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balance	27
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	28
Other Funds:	29
Propriety Funds:	
B-4 Statement of Net Position	30
B-5 Statement of Revenues, Expenses, and Changes in Fund Net Position	31
B-6 Combining Statement of Cash Flows	32
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Position	33
<b>Notes to the Financial Statements</b>	34-72

**TABLE OF CONTENTS (CONTINUED)**

	<b>PAGE</b>
<b>REQUIRED SUPPLEMENTARY INFORMATION – Part II</b>	73
C. Budgetary Comparison Schedules:	74
C-1 General Fund	75-83
C-2 Special Revenue Fund	84
C-3 Budget to GAAP Reconciliation	85
<b>REQUIRED SUPPLEMENTARY INFORMATION - Part III</b>	86
L. Schedules Related to Accounting and Reporting for Pension (GASB 68)	87
L-1 Schedule of the District’s Proportionate Share of the Net Pension Liability – Public Employees Retirement System – Last Ten Years	88
L-2 Schedule of the District’s Contributions – Public Employees Retirement System – Last Ten Years	89
L-3 Schedule of the District’s Proportionate Share of the Net Pension Liability Teachers Pension and Annuity Fund – Last Ten Years	90
L-4 Schedules Related to Accounting and Reporting for Pension (GASB 68) Note to RSI III for the Fiscal Year Ended June 30, 2015	91
<b>OTHER SUPPLEMENTARY INFORMATION</b>	92
D. School Level Schedules	N/A
E. Special Revenue Fund:	93
E-1 Combining Schedule of Revenues and Expenditures Special Revenue Fund - Budgetary Basis	94-95
E-2 Demonstrably Effective Program Aid Schedule of Expenditures - Budgetary Basis	N/A
E-3 Early Childhood Program Aid Schedule of Expenditures - Budgetary Basis	N/A
E-4 Distance Learning Network Aid Schedule of Expenditures - Budgetary Basis	N/A
E-5 Instructional Supplement Aid Schedule of Expenditures - Budgetary Basis	N/A
F. Capital Projects Fund	96
F-1 Summary Schedule of Revenues, Expenditures, & Changes in Fund Balance	97
G. Proprietary Funds	N/A
Enterprise Fund:	
G-1 Combining Statement of Net Assets	N/A
G-2 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	N/A
G-3 Combining Statement of Cash Flows	N/A

## TABLE OF CONTENTS (CONTINUED)

	<b>PAGE</b>
H. Fiduciary Fund	98
H-1 Combining Statement of Fiduciary Net Assets	99
H-2 Combining Statement of Changes in Fiduciary Net Assets	N/A
H-3 Schedule of Receipts and Disbursements - Student Activity Agency Fund	100
H-4 Schedule of Receipts and Disbursements - Payroll Agency Fund	101
H-5 Schedule of Receipt and Disbursements - Other Agency Funds	N/A
I. Long-Term Debt	102
I-1 Schedule of Certificates of Participation	103
I-2 Schedule of Obligations Under Capital Leases/Lease Purchase Agreements	104
I-3 Debt Service Fund Budgetary Comparison Schedule	N/A

## STATISTICAL SECTION (UNAUDITED)

J-1 Net Assets by Component	105
J-2 Changes in Net Assets	106-107
J-3 Fund Balances – Governmental Funds	108
J-4 Changes in Fund Balances – Governmental Funds	109-110
J-5 General Fund Other Miscellaneous Revenue by Source	111
J-6 Assessed Value and Actual Value of Taxable Property	N/A
J-7 Direct and Overlapping Property Tax Rates	N/A
J-8 Principal Property Tax Payers – Current and Nine Years Ago	N/A
J-9 Property Tax Levies and Collections	N/A
J-10 Ratios of Outstanding Debt by Type	N/A
J-11 Ratio of Net Bonded Debt Outstanding	N/A
J-12 Direct and Overlapping Governmental Activities Debt	N/A
J-13 Legal Debt Margin Information	N/A
J-14 Demographic and Economic Statistics	N/A
J-15 Principal Employers - Current Year and Nine Years Ago	N/A
J-16 Full –Time Equivalent District Employees by Function/Program	N/A
J-17 Operating Statistics	N/A
J-18 School Building Information	112
J-19 Schedule of Required Maintenance	N/A
J-20 Insurance Schedule	113

## TABLE OF CONTENTS (CONTINUED)

### PAGE

### SINGLE AUDIT SECTION

K-1	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	114-115
K-2	Independent Auditor's Report on Compliance with Requirements Applicable to Major State Financial Assistance Programs and Internal Control Over Compliance in Accordance with New Jersey OMB Circular 15-08	116-118
K-3	Schedule of Expenditures of Federal Awards, Schedule A	119
K-4	Schedule of Expenditures of State Financial Assistance, Schedule B	120
K-5	Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance	121-122
K-6	Schedule of Findings and Questioned Costs	123-124
K-7	Schedule of Prior Audit Findings	125

**INTRODUCTORY SECTION**



Building Partnerships for Tomorrow

45 Cardinal Drive  
Westfield New Jersey 07090  
Phone: 908-233-9317  
Fax: 908-233-7432  
Transportation Fax: 908-518-1669

**Terry Foppert**  
Superintendent  
tfoppert@ucesc.org

**Robert A. Behot, Ed.D.**  
Business Administrator/  
Board Secretary  
rbehot@ucesc.org

**Michael J. Kowalski**  
Director of Pupil & Personnel Services  
mkowalski@ucesc.org

**William C. Schaarschmidt**  
Transportation Coordinator  
wschaarschmidt@ucesc.org

November 17, 2016

Honorable President and  
Members of the Board of Directors  
Union County Educational Services Commission  
45 Cardinal Drive  
Westfield, NJ 07090

Dear Board Members:

The comprehensive annual financial report of the Union County Educational Services Commission (UCESC) 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 Board of Directors (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the UCESC. All disclosures necessary to enable the reader to gain an understanding of the UCESC's financial activities have been included.

Union County Educational Services Commission schools set the following Professional Development Plan (PDP) goals for the 2015-2016 school year:

**Westlake School** focused on increasing student achievement by implementing the Assessment of Functional Living Skills (AFLS). Teachers learned to use this tool to evaluate and target instruction in the following domains: Basic Living Skills, Home Skills and Community Participation Skills, School Skills, Independent Living Skills and Vocational Skills. The focus on these essential skills will have a profound impact on the ability of Westlake students to live independently, to be successful in school, and to take advantage of social and recreational activities in their local communities.

**Crossroads School** continued working on a multi-year plan to incorporate strategies of Verbal Behavior into the existing Miller Method curriculum. Emphasis was placed on the use of the Verbal Behavior Milestones Assessment and Placement Program (VB-MAPP), a specialized tool used to measure the language and learning skills of children with autism and language delays. Under the guidance of the Behaviorist, staff worked in collaborative teams to analyze assessment data and develop individualized instructional plans implemented for each student.



**Hillcrest Academy South Campus** focused on building the capacity of teachers to align instruction to the Common Core State Standards in English Language Arts and Mathematics. Data from the 2014-15 PARCC assessment was used to identify specific patterns of academic deficit demonstrated by students. Teachers worked in Professional Learning Communities (PLC) groups along with colleagues from other Commission schools to develop cross-content lessons that will target these areas.

**Hillcrest Academy North Campus** explored strategies to improve student learning by increasing the integration of technology into curriculum, instruction and assessment. Surveys were used to assess the existing technology proficiency of staff. Teachers participated in a series of workshops to learn about Google Chromebooks and Google Apps for Education. Staff worked in small groups throughout the year to incorporate technology skills into lesson plans with the goal of increasing student preparedness to function in a global competitive society.

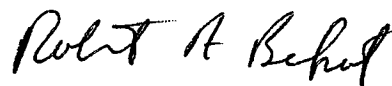
**Lamberts Mill Academy** developed a program of positive supports designed to improve the academic engagement of students with emotional and behavioral disabilities. This included a new "Learning Annex" to replace the previous model of in-school suspension. Staff reviewed incident reports and suspensions from the previous year to establish baseline data. Clinicians from Trinitas Regional Medical Center provided training in conflict resolution and verbal de-escalation strategies. Administration and staff worked throughout the year to create clear and consistent behavioral expectations, rewards and consequences to be implemented during the 2015-2016 school year.

We would like to express our appreciation to the members of the UCESC Board of Directors and Representative Assembly for their concern in providing fiscal accountability to the members of the UCESC and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our business office staff.

Respectfully submitted,



Terry Foppert  
Superintendent



Robert A. Behot, Ed.D.  
Business Administrator/Bd. Sec.

**UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
ROSTER OF OFFICIALS  
JUNE 30, 2016**

<b><u>Members of the Representative Assembly</u></b>	<b><u>District</u></b>	<b><u>Term Expires</u></b>
Ms. Helen E. Kirsch, President	Berkeley Heights	6/2017
Mr. Daniel DeMARco	Cranford	6/2017
Ms. Lorraine J. Aklonis	Clark	6/2017
Mr. Jose Rodriguez	Elizabeth	6/2017
Mr. Aaron Watkins	Garwood	6/2017
Mr. Christopher James	Hillside	6/2017
Ms. Annmarie Duda	Kenilworth	6/2017
Ms. Theresa Villani	Linden	6/2017
Ms. Cathy Jakositz	Mountainside	6/2017
Ms. Mary Misiukiewicz	New Providence	6/2017
Ms. Carletta Jeffers	Plainfield	6/2017
Ms. Deborah Bridges	Rahway	6/2017
Ms. Patricia Fabrizio	Roselle	6/2017
Mr. Sundjata Sekou	Roselle Park	6/2017
Dr. Cindy Clancy	Scotch Plains/Fanwood	6/2017
Mr. Scott Donner	Springfield	6/2017
Ms. Vanessa Primack	Summit	6/2017
Mr. David Arminio, Alternate Executive Committee	Union	6/2017
Ms. Ginny Leiz, Vice President	Westfield	6/2017
Ms. Maureen Byrne, Executive Committee	Winfield	6/2017
Mr. Peter Capodice	Union County Vo-Tech	6/2017

**Other Officials**

Mrs. Terry Foppert, Superintendent  
 Dr. Robert A. Behot, Board Secretary/Business Administrator  
 Robin McMahon, Attorney

**UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
CONSULTANTS AND ADVISORS  
JUNE 30, 2016**

**Audit Firm**

Suplee, Clooney & Company  
Certified Public Accountants  
308 East Broad Street  
Westfield, New Jersey 07090-2122

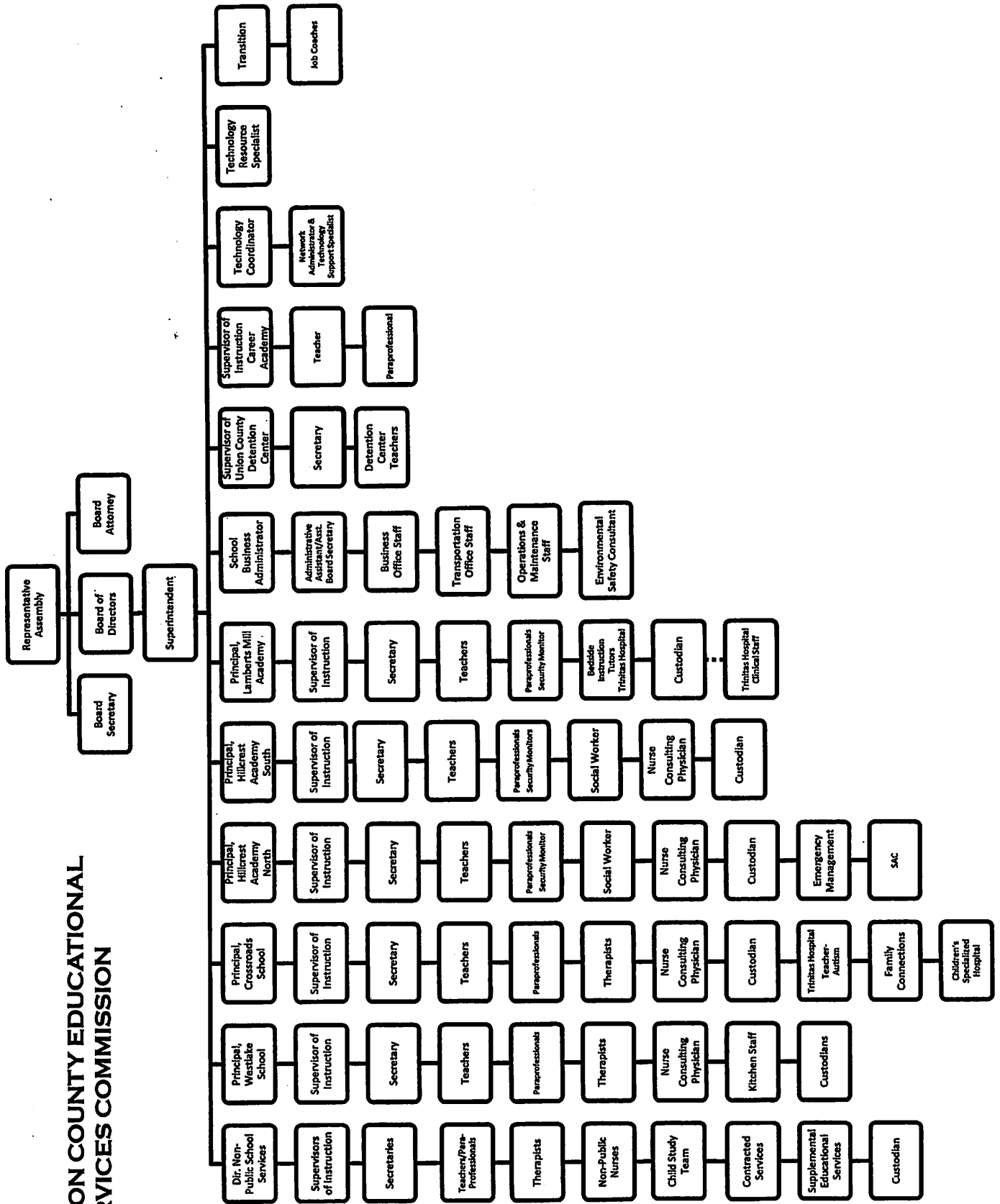
**Attorney**

Cleary, Giacobbe, Alfieri and Jacobs LLC  
5 Ravine Drive  
Matawan, New Jersey 07747

**Official Depository**

The Provident Bank  
206 South Avenue  
Fanwood, New Jersey 07023

# UNION COUNTY EDUCATIONAL SERVICES COMMISSION



**FINANCIAL SECTION**



# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

Telephone 908-789-9300

Fax 908-789-8535

E-mail [info@senco.com](mailto:info@senco.com)

## **INDEPENDENT AUDITOR'S REPORT**

Honorable President and Members  
of the Board of Education  
Union County Educational Services Commission  
County of Union  
Westfield, New Jersey 07090

### **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 Union County Educational Services Commission, County of Union, 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 and the provisions of State of New Jersey OMB Circular 15-08 "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." Those standards and provisions 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 Union County Educational Services Commission, County of Union, 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, Analysis and budgetary comparison information in Exhibit C-1 through C-3 and the pension schedules 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 Union 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, as required by New Jersey's OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid," and the State of New Jersey, Department of Education, Division of Finance, 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 New Jersey's OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid," and 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 November 17, 2016 on our consideration of the Union 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 Union County Educational Services Commission internal control over financial reporting and compliance.

  
CERTIFIED PUBLIC ACCOUNTANTS

  
PUBLIC SCHOOL ACCOUNTANT NO. 948

November 17, 2016



**REQUIRED SUPPLEMENTARY INFORMATION – Part I**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
WESTFIELD, NEW JERSEY**

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

The Management's Discussion and Analysis of the Union 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.

Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements-Management's Discussion and Analysis-for the State and Local Governments* issued in June 1999. 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**

- Revenue from governmental activities accounted for \$53,937,331.14 or 99 percent of total Commission revenue. The other 1 percent of revenue was generated by the business type activities.
- Total assets of governmental activities increased by \$1,428,664.48 as cash and cash equivalents increased \$1,015,417.12, receivables increased \$693,693.46, net investment in capital assets increased by \$217,107.00.
- Total net position of the governmental activities of the Commission increased by \$1,418,220.39.
- Governmental fund revenues and other financing sources exceeded by expenditures and other financing uses by \$1,636,602.74.

**UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
WESTFIELD, 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.
- 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 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. Exhibit A-1 reflects how the various parts of this annual report are arranged and related to one another.

**UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
WESTFIELD, 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 they have changed. Net position, the difference between the Commission's assets and liabilities, is one way to measure the Commission's financial health or position. Over time, increases or decreases in the Commission's net position are an indicator of whether its financial position 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. The food service activities are reported as business activities.

**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).

**UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
WESTFIELD, 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 payroll deductions. The Commission is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The Commission excludes these activities from the Commission-wide financial statements because it cannot use these assets to finance its operations.

**UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
WESTFIELD, NEW JERSEY**

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

**Financial Analysis of the Commission as a Whole**

The Commission's combined net position has increased from the 2014-2015 fiscal year. The net position from governmental activities increased \$1,428,664.48. Net position from business-type activities decreased \$10,444.09. . Exhibit A-1 below reflects the Commission's net position as a whole. Exhibit A-2 reflects the changes in net position from operating results.

**Table 1  
Condensed Statement of Net Position**

	2016	2015
<b>Assets</b>		
Current and Other Assets	\$17,688,559.31	\$15,977,805.85
Capital Assets	<u>7,773,126.28</u>	<u>8,061,019.28</u>
 Total Assets	 <u>25,461,685.59</u>	 <u>24,038,825.13</u>
<b>Deferred Outflows of Resources</b>		
Related to Pensions	<u>2,375,342.00</u>	<u>1,260,515.00</u>
<b>Liabilities</b>		
Long-Term Liabilities	14,539,145.21	13,189,639.64
Other Liabilities	<u>1,637,628.69</u>	<u>1,535,367.19</u>
 Total Liabilities	 <u>16,176,773.90</u>	 <u>14,725,006.83</u>
<b>Deferred Inflows of Resources</b>		
Related to Pensions	<u>242,670.00</u>	<u>574,970.00</u>
<b>Net Position</b>		
Net Investment in Capital Assets	4,683,126.28	4,466,019.28
Restricted	497,359.34	661,723.89
Unrestricted	<u>6,237,098.07</u>	<u>4,871,620.13</u>
 <b>Total Net Position</b>	 <u><u>\$11,417,583.69</u></u>	 <u><u>\$9,999,363.30</u></u>

**UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
WESTFIELD, NEW JERSEY**

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

**Table 2**

**Changes in Net Position from Operating Results**

	2016	2015
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$24,673,658.11	\$23,153,591.36
Operating Grants and Contributions	10,199,430.00	9,207,024.78
General Revenues:		
Tuition	18,620,571.64	17,712,696.48
Other	658,004.54	625,981.28
	<u>54,151,664.29</u>	<u>50,699,293.90</u>
<b>Total Revenues</b>		
	<u>54,151,664.29</u>	<u>50,699,293.90</u>
<b>Program Expenses</b>		
Instruction	16,783,084.25	15,593,405.31
Support Services:		
Pupils and Instructional Staff		
General and School Administration and Business Operations and Maintenance	9,571,464.53	9,166,294.17
Pupil Transportation	24,804,258.03	23,255,261.59
Business Type Activities	224,777.24	224,245.02
Special Schools	917,368.98	880,600.91
Other	432,490.88	449,374.63
	<u>52,733,443.91</u>	<u>49,569,181.63</u>
<b>Total Expenses</b>		
	<u>52,733,443.91</u>	<u>49,569,181.63</u>
<b>Change in Net Position</b>	<u>\$1,418,220.38</u>	<u>\$1,130,112.27</u>

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services.



**UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
WESTFIELD, NEW JERSEY**

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

**Table 3**

**Net Cost of Services**

Table 3 shows the total cost of services and the net cost of services. The total costs include compensating absences, unallocated benefits, and depreciation and is reduced by grants and specific state aid. In accordance with GASB Statement 34, a comparison to fiscal year 2015 is presented.

	<u>Total Cost of Services 2016</u>	<u>Total Cost of Services 2015</u>	<u>Net Cost of Services 2016</u>	<u>Net Cost of Services 2015</u>
Instruction	\$16,783,084.25	\$15,593,405.32	\$10,460,569.75	\$9,980,676.39
Support Services:				
Pupils and Instructional Staff				
General and School Administration and Business and Maintenance	9,571,464.53	9,166,294.17	6,319,636.93	6,064,186.27
Pupil Transportation	24,804,258.03	23,255,261.59	(137,457.09)	(106,027.20)
Business Type Activities	224,777.24	224,245.02	10,444.09	21,935.65
Special Schools	917,368.98	880,600.91	719,588.60	722,095.00
Other	432,490.88	449,374.63	432,490.87	449,374.63
<b>Total Expenses</b>	<u>\$52,733,443.91</u>	<u>\$49,569,181.64</u>	<u>\$17,805,273.15</u>	<u>\$17,132,240.74</u>

**Governmental Activities**

Tuition and transportation are the foundation for the Commission's revenue for governmental activities during fiscal year 2016.

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student.

Pupils and instructional staff include the activities involved with assisting the staff with the content and process of teaching students.

General administration, school administration and business include expenses with administrative and financial supervision of the Commission.

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

Pupil transportation includes activities involved with the conveyance of students to and from various schools through parts of Northern and Central New Jersey as well as to and from school activities as provided by state law.

Interest and fiscal charges involve the transactions associated with the payment of interest and other related charges to debt of the Commission.

**UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
WESTFIELD, NEW JERSEY**

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

**The School District's Funds**

All governmental funds (i.e., general fund, special revenue fund and capital projects fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$51,171,983.14 and expenditures were \$49,535,380.40.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management, which required significant budget adjustments to contend with state aid reductions. The following schedules, which do not include the Capital Project Fund's activity, present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2016, and the amount and percentage of increase or decrease in relation to prior year revenues.

<u>Revenues</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase(Decrease) from FY 2015</u>	<u>Percent Increase (Decrease)</u>
Tuition	\$18,620,571.64	36.39%	\$907,875.16	5.13%
Transportation	24,645,044.56	48.16%	1,521,514.64	6.58%
Local educational	4,914,516.00	9.60%	21,603.00	0.44%
Miscellaneous	674,080.09	1.32%	35,769.16	5.60%
State Sources	<u>2,317,135.40</u>	<u>4.53%</u>	<u>301,911.55</u>	<u>14.98%</u>
Total	<u>\$51,171,347.69</u>	<u>100.00%</u>	<u>\$2,788,673.51</u>	<u>5.76%</u>

The following schedule represents a summary of general fund, special revenue fund, and debt service fund expenditures for the fiscal year ended June 30, 2016, and the percentage of increases and decreases in relation to prior year amounts.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase(Decrease) from FY 2015</u>	<u>Percent Increase (Decrease)</u>
Current:				
Instruction	\$10,039,735.00	20.27%	\$276,201.00	2.68%
Support Services	38,960,137.40	78.65%	1,957,273.55	4.78%
Capital Outlay	<u>535,508.00</u>	<u>1.08%</u>	<u>117,558.00</u>	<u>18.00%</u>
Total	<u>\$49,535,380.40</u>	<u>100.00%</u>	<u>\$2,351,032.55</u>	<u>4.98%</u>

**UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
WESTFIELD, NEW JERSEY**

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

**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. The most significant budgeted fund is the General Fund.

Over the course of the year, the Commission revised the annual operating budget several times. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent over expenditures in specific line item accounts due to the fluctuation in student enrollment.

**Capital Assets**

During the fiscal year 2015-2016 the Commission purchased several capital assets. Table 4 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 4  
Capital Assets (Net of Depreciation)**

	2016	2015
<b>Governmental Activities Capital Assets, Net:</b>		
Land	\$773,250.00	\$773,250.00
Site Improvements	14,988.10	27,164.10
Building and Building Improvements	6,562,300.98	6,848,861.81
Machinery and Equipment	<u>420,314.67</u>	<u>408,215.49</u>
Total Governmental Activities Capital Assets, Net	<u>\$7,770,853.75</u>	<u>\$8,057,491.40</u>
<b>Business Type Activities Capital Assets, Net:</b>		
Machinery and Equipment	<u>2,272.53</u>	<u>3,527.88</u>
Total Business Type Activities Capital Assets, Net:	<u>2,272.53</u>	<u>3,527.88</u>
<b>Total Capital Assets, Net</b>	<u><u>\$7,773,126.28</u></u>	<u><u>\$8,061,019.28</u></u>

**Contacting the Commission's Financial Management**

This financial report is designed to provide UCESC member schools, Commission Board members, Board of Directors, and the general public with an overview of the Union County Educational Services Commission's business activities for the fiscal year. To contact the business office, call or write to Dr, Robert A. Behot, Business Administrator, Union County Educational Services Commission, 45 Cardinal Drive, Westfield, NJ 07090 or (908)-233-9317.

## **BASIC FINANCIAL STATEMENTS**

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

## **DISTRICT-WIDE FINANCIAL STATEMENTS**

The statement of net position and the statement of activities display information about the District. These statements include the financial activities of the overall district, except for fiduciary activities. Eliminations have been made minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the District.

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

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$12,874,179.89		\$12,874,179.89
Receivables, net	4,740,742.16	\$68,225.44	4,808,967.60
Inventory		5,411.82	5,411.82
Capital assets:			
Land	773,250.00		773,250.00
Other capital assets, net	6,997,603.75	2,272.53	6,999,876.28
Total assets	<u>25,385,775.80</u>	<u>75,909.79</u>	<u>25,461,685.59</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Related to pensions	2,375,342.00		2,375,342.00
<b>LIABILITIES</b>			
Cash Deficit		7,223.49	7,223.49
Accounts payable	925,027.63		925,027.63
Interfunds payable	24,455.05	7,159.00	31,614.05
Unearned revenue	143,750.06	1,974.29	145,724.35
Accrued interest payable	8,039.17		8,039.17
Net pension liability	11,485,732.00		11,485,732.00
Noncurrent liabilities:			
Due within one year	520,000.00		520,000.00
Due beyond one year	3,053,413.21		3,053,413.21
Total liabilities	<u>16,160,417.12</u>	<u>16,356.78</u>	<u>16,176,773.90</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Related to pensions	242,670.00		242,670.00
<b>NET POSITION:</b>			
Net investment in capital assets	4,680,853.75	2,272.53	4,683,126.28
Restricted for:			
Capital projects fund	497,359.34		497,359.34
Unrestricted	6,179,817.59	57,280.48	6,237,098.07
Total net position	<u>\$11,358,030.68</u>	<u>\$59,553.01</u>	<u>\$11,417,583.69</u>

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

UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
STATEMENT OF ACTIVITIES  
JUNE 30, 2016

FUNCTIONS/PROGRAMS	EXPENSES	INDIRECT EXPENSE ALLOCATION	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
			CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental Activities:							
Instruction:							
Regular	\$ 10,043,262.88	\$ 6,635,293.63	\$	\$ 6,217,986.76	\$ (10,460,569.75)	\$	\$ (10,460,569.75)
Vocational		104,527.74		49,445.09	(55,082.65)		(55,082.65)
Support services:							
Student and instruction related services	3,656,171.00	1,252,131.05		2,559,596.29	(2,348,705.76)		(2,348,705.76)
General administrative services	741,096.00	365,472.09		148,335.28	(958,232.81)		(958,232.81)
School administrative services	760,779.00	636,639.64		296,670.56	(1,100,748.08)		(1,100,748.08)
Central services	521,318.00	312,294.54		148,335.28	(685,277.26)		(685,277.26)
Plant operations and maintenance	1,114,473.00	211,090.21		98,890.19	(1,226,673.02)		(1,226,673.02)
Student transportation services	24,173,307.00	630,951.03	24,645,044.56	296,670.56	137,457.09		137,457.09
Unallocated Benefits	10,484,579.97	(10,484,579.97)					
Special Schools	499,258.00	418,110.98		197,780.38	(719,588.60)		(719,588.60)
Interest on long term debt	133,754.04				(133,754.04)		(133,754.04)
Unallocated depreciation	380,667.77	(81,930.94)			(298,736.83)		(298,736.83)
Total governmental activities	52,508,666.66		24,645,044.56	10,013,710.40	(17,849,911.70)		(17,849,911.71)
Business-type activities:							
Food service	224,777.24		28,613.55	185,719.60		(10,444.09)	(10,444.09)
Total business-type activities	224,777.24		28,613.55	185,719.60		(10,444.09)	(10,444.09)
Total primary government	\$ 52,733,443.90	\$	\$ 24,673,658.11	\$ 10,199,430.00	\$ (17,849,911.70)	\$	\$ (17,860,355.80)
General Revenues:							
Tuition							
Miscellaneous income							
Total general revenues and transfers	\$ 18,620,571.64				\$ 18,620,571.64	\$	\$ 18,620,571.64
Change in net position							
Net Position-beginning							
Net Position-ending	\$ 99,929,366.20				\$ 69,997.10		\$ 9,999,363.30
	\$ 11,358,030.68				\$ 59,553.01		\$ 11,417,583.68

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 fund type.



UNION 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>CAPITAL</u> <u>PROJECTS</u> <u>FUND</u>	<u>TOTAL</u> <u>GOVERNMENTAL</u> <u>FUNDS</u>
ASSETS AND OTHER DEBITS:				
Assets:				
Cash and cash equivalents	\$12,383,979.55		\$490,200.34	\$12,874,179.89
Accounts receivable:				
Local agency fees		\$1,053,616.96		1,053,616.96
Transportation fees - other lea's	2,211,839.52			2,211,839.52
Tuition fees - other lea's	1,410,492.70			1,410,492.70
State	30,485.33			30,485.33
Other	34,307.65			34,307.65
Interfund	<u>760,777.65</u>		<u>7,159.00</u>	<u>767,936.65</u>
Total assets	<u>16,831,882.40</u>	<u>1,053,616.96</u>	<u>497,359.34</u>	<u>18,382,858.70</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	327,508.14	151,822.49		479,330.63
Unearned revenue		143,750.06		143,750.06
Interfunds payable	<u>34,347.29</u>	<u>758,044.41</u>		<u>792,391.70</u>
Total liabilities	<u>361,855.43</u>	<u>1,053,616.96</u>		<u>1,415,472.39</u>
Fund balances:				
Restricted for:				
Capital projects fund			497,359.34	497,359.34
Assigned for year-end encumbrances	116.00			116.00
Unassigned	<u>16,469,910.97</u>			<u>16,469,910.97</u>
Total fund balances	<u>16,470,026.97</u>		<u>497,359.34</u>	<u>16,967,386.31</u>
Total liabilities and fund balances	<u>\$16,831,882.40</u>	<u>\$1,053,616.96</u>	<u>\$497,359.34</u>	

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

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

Total Fund Balances (Brought Forward)		\$16,967,386.31
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	\$15,751,085.12	
Accumulated Depreciation	<u>(7,980,231.37)</u>	7,770,853.75
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.		
Net Pension Liability	(11,485,732.00)	
Compensated Absences	(483,413.21)	
Bonds Payable	<u>(3,090,000.00)</u>	(15,059,145.21)
Deferred Outflows and Inflows of resources are applicable to future periods and therefore are not reported in the funds.		
Pensions:		
Deferred Outflows		2,375,342.00
Deferred Inflows:		
Pension related		(242,670.00)
Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.		
Accounts Payable - Pension Related	(445,697.00)	
Accrued Interest Payable	<u>(8,039.17)</u>	<u>(453,736.17)</u>
Net Position of Governmental Activities		<u><u>\$11,358,030.68</u></u>

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

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

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>				
Local sources:				
Tuition	\$18,620,571.64			\$18,620,571.64
Transportation fees from other lea's	24,645,044.56			24,645,044.56
Local educational agency sources		\$4,914,516.00		4,914,516.00
Miscellaneous	657,369.09	16,711.00	\$635.45	674,715.54
Total revenues-local sources	43,922,985.29	4,931,227.00	635.45	48,854,847.74
State sources	2,179,161.40	137,974.00		2,317,135.40
Total revenues	46,102,146.69	5,069,201.00	635.45	51,171,983.14
<b>EXPENDITURES:</b>				
Current expense:				
Instruction:				
Regular instruction	7,514,180.00	2,525,555.00		10,039,735.00
Vocational instruction				
Support services:				
Tuition	502.00			502.00
Student and instruction related services	1,908,273.00	1,747,396.00		3,655,669.00
General administrative services	741,096.00			741,096.00
School administrative services	760,779.00			760,779.00
Central services	656,957.00			656,957.00
Plant operations and maintenance	1,181,523.00			1,181,523.00
Student transportation services	24,173,307.00			24,173,307.00
Employee benefits	6,494,796.40	796,250.00		7,291,046.40
Capital outlay-lease purchase principal	437,950.00			437,950.00
Capital outlay	97,558.00			97,558.00
Special schools	499,258.00			499,258.00
Total expenditures	44,466,179.40	5,069,201.00		49,535,380.40
Excess (deficiency) of revenues over (under) expenditures	1,635,967.29		635.45	1,636,602.74
Net change in fund balances	1,635,967.29		635.45	1,636,602.74
Fund balances, July 1,	14,834,059.68	-0-	496,723.89	15,330,783.57
Fund balances, June 30,	\$16,470,026.97	-0-	\$497,359.34	\$16,967,386.31

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

UNION 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)		\$1,636,602.74
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the period.		
Depreciation expense	(\$380,667.77)	
Capital outlays	97,558.00	
Less: Capital outlays not capitalized	<u>(3,527.88)</u>	
		(286,637.65)
Repayment of bond principal 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.		
		505,000.00
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 a increase in the reconciliation.		
		1,884.96
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	439,890.00	
Less: Pension expense	<u>(836,270.00)</u>	
		(396,380.00)
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 (+).		
		<u>(31,805.57)</u>
Change in net position of governmental activities		<u><u>\$1,428,664.48</u></u>

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

**OTHER FUNDS**

UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
PROPRIETARY FUND  
STATEMENT OF NET POSITION  
AS OF JUNE 30, 2016

	<u>FOOD SERVICE FUND</u> <u>NON-MAJOR</u> <u>TOTAL</u>
ASSETS:	
Current assets:	
Accounts receivable:	
State	\$415.68
Federal	33,462.47
Interfunds	34,347.29
Inventories	5,411.82
	5,411.82
Total current assets	73,637.26
Noncurrent assets:	
Furniture, machinery & equipment	5,772.90
Less accumulated depreciation	(3,500.37)
	(3,500.37)
Total noncurrent assets	2,272.53
TOTAL ASSETS	75,909.79
LIABILITIES:	
Current liabilities:	
Cash deficit	7,223.49
Unearned revenue	1,974.29
Interfunds	7,159.00
	7,159.00
Total current liabilities	16,356.78
NET POSITION:	
Net investment in capital assets	2,272.53
Unrestricted	57,280.48
	57,280.48
TOTAL NET POSITION	\$59,553.01

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

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

	<u>FOOD SERVICE FUND NON-MAJOR TOTAL</u>
OPERATING REVENUES:	
Local sources:	
Daily sales-reimbursable programs	\$24,305.30
Daily sales-non reimbursable programs:	4,136.10
Miscellaneous	172.15
	<hr/>
Total operating revenue	28,613.55
	<hr/>
OPERATING EXPENSES:	
Salaries and benefits	64,708.54
Cost of sales-reimbursable	115,093.75
Cost of sales-non-reimbursable	2,613.99
General supplies	18,101.26
Management fee	16,000.00
Depreciation	1,255.35
Miscellaneous	7,004.35
	<hr/>
Total operating expenses	224,777.24
	<hr/>
Operating (loss)	(196,163.69)
	<hr/>
Nonoperating revenues:	
State sources:	
State school lunch program	2,146.52
Federal sources:	
National school lunch program	112,028.26
National school breakfast program	59,408.68
National food distribution commodities	12,099.58
Interest	36.56
	<hr/>
Total nonoperating revenues	185,719.60
	<hr/>
Income before contributions and transfers	(10,444.09)
	<hr/>
Change in net position	(10,444.09)
	<hr/>
Net position - July 1	69,997.10
	<hr/>
Net position - June 30	\$59,553.01
	<hr/> <hr/>

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

UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
PROPRIETARY FUND  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>FOOD SERVICE FUND NON-MAJOR TOTAL</u>
Cash flows from operating activities:	
Receipts from customers	\$29,773.25
Payments to employees	(64,708.54)
Payments to suppliers	(163,823.23)
	<hr/>
Net cash provided (used) by operating activities	(198,758.52)
	<hr/>
Cash flows from noncapital financing activities:	
State sources	2,127.02
Federal sources	168,455.43
Other subsidies and transfers to other funds	16,365.82
	<hr/>
Net cash provided by noncapital financing activities	186,948.27
	<hr/>
Cash Flows from Investing Activities:	
Interest on investments and deposits	36.56
	<hr/>
Net cash provided (used) by investing activities	36.56
	<hr/>
Net (decrease) in cash and cash equivalents	(11,773.69)
Cash and cash equivalents, July 1	4,550.20
	<hr/>
Cash and cash equivalents, June 30	(\$7,223.49)
	<hr/> <hr/>
Operating (loss)	(\$196,163.69)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:	
Depreciation	1,255.35
Federal commodities	12,099.58
Change in assets and liabilities:	
(Increase) Decrease in inventory	(1,642.88)
Increase (Decrease) in unearned revenue	1,413.93
Increase (Decrease) in accounts payable	(15,720.81)
	<hr/>
Net cash (used) by operating activities	(\$198,758.52)
	<hr/> <hr/>

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



UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
FIDUCIARY FUND  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2016

	AGENCY FUNDS
ASSETS:	
Cash	\$614,769.81
Total assets	\$614,769.81
LIABILITIES:	
Liabilities:	
Payroll deductions & withholdings	\$236,716.06
Accrued salaries	355,042.71
Interfund payable	2,733.24
Payable to student groups	20,277.80
Total liabilities	\$614,769.81

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

**Union County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Union County Educational Services Commission (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 Union County Educational Services Commission is an instrumentality of the State of New Jersey, established to function as an educational institution in one or more counties for the purpose of carrying on programs of education, research and development, and providing to public school commissions administrative services as may be authorized pursuant to the rules of the State Board of Education. The Commission consists of representatives of the membership commissions and is responsible for the fiscal control of the commission. A superintendent is appointed by the Board of Directors of 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.

**Union County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The combined financial statements include all funds of the Commission over which the Board exercises operating control. The operations of the Commission include two elementary schools, and three high schools. 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.

**Basis of Presentation, Basis of Accounting**

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.

**Basis of Presentation**

*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 taxes, 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, including all taxes, 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.

**Union County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*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 public Commission financial reporting models.

**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 acquisition of facilities and/or equipment which are classified in the Capital Outlay sub-fund.

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, Commission transportation and tuition fees and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution, subject to approval from the County Superintendent of Schools.

**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.

**Union County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Projects Fund** - The capital projects fund is used to account for and report all financial resources that are restricted, committed or assigned to expenditures for capital outlays including the acquisition or construction of major capital facilities or other capital assets.

**Proprietary Fund**

**Enterprise Fund** - The enterprise fund accounts for all revenues and expenses pertaining to the cafeteria operation. The enterprise fund is 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 Student Activities Funds (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.

**Basis of Accounting - Measurement Focus**

Basis of accounting determines when transactions are recorded in the financial records and reported in 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. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

**Union County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting - Measurement Focus**

*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. 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.

**Budgets/Budgetary Control**

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budgets are submitted to the county superintendent of schools' office and are approved by the Board of School Estimates. 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. 6:20-2A.2(m)1. All budget amendments and transfers must be approved by School Board resolution. 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.

**Union County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets/Budgetary Control**

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the legally mandated recognition of deferred state aid payments for budgetary purposes only and 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.

**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 expendable resources.

**Union County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Tuition and Transportation Fees**

Tuition is based on estimates made by the Commission. Transportation fees are based on actual costs incurred plus an administrative fee.

**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.

Inventories of food and/or supplies in the food service fund are recorded at cost on a first-in, first-out basis or, in the case of Food Distribution Commodities, at stated value which approximates market.

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

**Capital Assets**

The Commission has established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994 are recorded at actual cost. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Donated fixed assets are valued at their acquisition value on the date received. The cost of normal repairs and maintenance are not capitalized. Interest is not capitalized on Capital Assets.

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.

All reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method and the half-year convention over the following estimated useful lives:



**Union County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets**

<b><u>Asset Class</u></b>	<b><u>Estimated Useful Lives</u></b>
School Buildings	50
Building Improvements	20
Electrical/Plumbing	30
Vehicles	6-8
Office and Computer Equipment	5-20
Instructional Equipment	5-20
Grounds Equipment	5-15
Food Service Equipment	7-20

**Accrued Salaries and Wages**

Certain Commission employees who provide services 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 undisbursed, amounts be retained in a separate bank account. As of June 30, 2016, the amounts earned by these employees, but not disbursed, was \$355,042.71.

**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 policies. Upon termination, employees are paid for accrued vacation. The Commission's policy permits employees to accumulate unused sick leave and carry forward the full amount of subsequent years. Upon retirement employees shall be paid by the Commission for the unused sick leave in accordance with the Commission's agreements with the various employee unions.

**Union County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Compensated Absences (Continued)**

The liability for compensated absences was accrued using the termination payment method, whereby the liability is calculated based on the amount of sick leave and vacation days that are expected to become eligible for payment upon termination. The Commission estimates its accrued compensated absences liability based on the accumulated sick and vacation days at the balance sheet date by those employees who are currently eligible to receive termination payments.

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 governmental fund level and Commission-wide presentations.

**Unearned Revenue**

Unearned revenue in the general, 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.

**Union County Educational Services Commission**  
**Notes to the Financial Statements**  
**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. Bonds are recognized as a liability on the fund financial statements when due.

**Net Position**

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.

**Fund Balance Restrictions**

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.

**Union County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Balance Restrictions (Continued)**

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 - is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance

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.

**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.

**Union County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenues - Exchange and Non-Exchange Transactions (Continued)**

Non-exchange transactions, in which the Commission receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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 non-exchange 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: property taxes available as an advance, interest, and tuition.

**Proprietary Funds Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Commission enterprise fund are charges to customers for sales of food service and charges for the summer enrichment program. Operating expenses for enterprise funds include the cost of sales and services, administrative expense and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**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 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 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.

**Union County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**Accounting and Financial Reporting for Pensions**

In the district-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 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 net pension liabilities 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 1<sup>st</sup> of each fiscal year. TPAF contributions are paid on the District's behalf by the State of New Jersey. The governmental fund financial statements reflect both a revenue and expense for this pension contribution.

**Union County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 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 qualifies in this category deferred amounts related to pension.

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS**

The Commission considers petty cash, change funds, cash in banks, certificates of deposits, and short term investments with original maturities of three months or less as cash and cash equivalents. Investments are stated at fair value.

**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.

**Union County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

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 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	\$11,300,308.04	\$3,618,472.19	\$2,044,600.34	\$12,874,179.89
Proprietary	29,004.62	556.40	36,784.51	(7,223.49)
Fiduciary	<u>683,501.96</u>	<u>0.00</u>	<u>68,732.15</u>	<u>614,769.81</u>
	<u>\$12,012,814.62</u>	<u>\$3,619,028.59</u>	<u>\$2,150,117.00</u>	<u>\$13,481,726.21</u>

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, \$1,000,000.00 was covered by Federal Depository Insurance and \$10,498,256.59 was covered under the provisions of NJGUDPA, \$17,198.69 was on deposit with the New Jersey Cash Management Fund and \$497,359.34 was on deposit in government money market mutual funds, which are considered a cash equivalent. These funds are not insured by either FDIC or GUDPA, but are collateralized by the underlying governmental securities.



**Union County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

**Investments**

The purchases of investments by the Commission are strictly limited by the express authority of the N.J.S.A. 18A:20-37 Education, Administration of School Boards. 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 School Boards;
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.

**Union County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

**Investments (Continued)**

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 \$17,198.69 on deposit with the New Jersey Cash Management Fund. Based upon the limitations set forth by New Jersey Statutes 40A:5-15.1 and existing investment practices of the Investment Council of the New Jersey Cash Management Fund, the Commission is generally not exposed to credit risks, custodial credit risks, concentration of credit risks and interest rate risks for its investments nor is it exposed to foreign currency risk for its deposits and investments.

**Union County Educational Services Commission**  
**Notes to the Financial Statements**  
**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/ Transfers</u>	<u>Retirements/ Transfers</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
Capital Assets not being depreciated				
Sites	\$773,250.00			\$773,250.00
Total Capital Assets not being depreciated	\$773,250.00			\$773,250.00
Capital Assets being depreciated				
Site Improvements	243,520.00			243,520.00
Building & Building Improvements	11,510,897.00			11,510,897.00
Machinery & Equipment	3,143,156.00	\$94,030.12	(\$13,768.00)	3,223,418.12
Total Capital Assets being depreciated	14,897,573.00	94,030.12	(13,768.00)	14,977,835.12
Totals at historical cost	15,670,823.00	94,030.12	(13,768.00)	15,751,085.12
Total Gross assets (Memo only)	15,670,823.00	94,030.12	(13,768.00)	15,751,085.12
Less: Accumulated Depreciation for:				
Site Improvements	(216,355.90)	(286,560.83)		(502,916.73)
Building & Building Improvements	(4,662,035.19)	(12,176.00)		(4,674,211.19)
Machinery & Equipment	(2,734,940.51)	(81,930.94)	13,768.00	(2,803,103.45)
Total depreciation	(7,613,331.60)	(380,667.77)	13,768.00	(7,980,231.37)
Total capital assets being depreciated net of accumulated depreciation	8,057,491.40	(286,637.65)		7,770,853.75
Governmental activities capital assets, net	\$8,057,491.40	(\$286,637.65)		\$7,770,853.75
<u>Business-type activities:</u>				
Equipment	\$5,772.90			\$5,772.90
Less: Accumulated Depreciation	(2,245.02)	(1,255.35)		(3,500.37)
Proprietary fund capital assets, net	\$3,527.88	(\$1,255.35)		\$2,272.53

**Union County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 3:     CHANGE IN CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to governmental expenses as follows:

Regular Instruction	\$65,544.75
General administration	16,386.19
Direct Expense of various functions	<u>298,736.83</u>
	<u><u>\$380,667.77</u></u>

**NOTE 4:     LONG-TERM LIABILITIES**

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

	<u>Net Pension Liability</u>	<u>Compensated Absences Payable</u>	<u>Capital Lease/ Lease Purchase Agreements</u>	<u>Total</u>
Balance June 30, 2015	\$9,648,032.00	\$451,607.64	\$3,595,000.00	\$13,694,639.64
Additions	<u>1,837,700.00</u>	<u>31,805.57</u>	<u>                    </u>	<u>1,869,505.57</u>
	11,485,732.00	483,413.21	3,595,000.00	15,564,145.21
Deletions	<u>                    </u>	<u>                    </u>	<u>505,000.00</u>	<u>505,000.00</u>
Balance June 30, 2016	<u><u>\$11,485,732.00</u></u>	<u><u>\$483,413.21</u></u>	<u><u>\$3,090,000.00</u></u>	<u><u>\$15,059,145.21</u></u>
Amounts due within one year	<u><u>                    </u></u>	<u><u>                    </u></u>	<u><u>\$520,000.00</u></u>	<u><u>\$520,000.00</u></u>

**Union County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 4: LONG-TERM LIABILITIES (CONTINUED)**

**Capital Leases/Lease Purchase Agreements Payable:**

The Commission has financed the acquisition of land, buildings, and improvements through two lease purchase agreements. The following is a schedule of the future minimum lease payments under these leases, and the present value of the net minimum lease payments at June 30, 2016:

<u>Fiscal Year</u>	<u>Amount</u>
2017	\$637,978.76
2018	634,548.76
2019	645,331.26
2020	644,913.76
2021	398,718.76
2022	<u>547,968.76</u>
Total Minimum Lease Payments	\$3,509,460.06
Less: Amounts Representing Interest	<u>419,460.06</u>
Present Value of Minimum Lease Payments	<u>\$3,090,000.00</u>

**Union County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 5: PENSION PLANS**

**Description of Plans** All required employees of the Commission are covered by the Public Employees' Retirement System, the Teachers' Pension and Annuity Fund or the Defined Contribution Retirement Program 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 each system will be assumed by the State of New Jersey should the system terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for each of the above systems. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625 or on line at [www.state.nj.us/treasury/pensions](http://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 elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one year of membership.

**Union County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 5: PENSION PLANS**

**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.

**Union County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 5: PENSION PLANS (CONTINUED)**

**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.

**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 Commissions).

<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	\$439,890.00	100.00%	\$439,890.00
2015	\$424,815.00	100.00%	\$424,815.00
2014	\$364,136.00	100.00%	\$364,136.00

During the fiscal years ended June 30, 2016, 2015 and 2014, the State of New Jersey contributed \$676,243.00, \$454,178.00 and \$347,841.00 respectively to the TPAF pension system on behalf of the Commission.



**Union County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 5: PENSION PLANS (CONTINUED)**

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 \$623,903.40, \$616,410.85 and \$669,260.76 respectively for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the basic financial statements, and the combining and individual fund statements and schedules as a revenue and expenditure in accordance with GASB 68.

**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 \$11,485,732.00 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 the 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 member's, actuarially determined. At June 30, 2015, the Commission's proportion was 0.0511659564 percent, which was a decrease of 0.0003651489 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Commission recognized pension expense of \$836,256.00 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		\$274,009.00
Changes of assumptions		1,233,476.00
Net difference between projected and actual earnings on pension plan investments	\$184,668.00	
Changes in proportion and differences between Commission contributions and proportionate share of contributions	58,002.00	422,160.00
Commission's contributions subsequent to the measurement date		445,697.00
	<u>\$242,670.00</u>	<u>\$2,375,342.00</u>

**Union County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

**Public Employees Retirement System (PERS) (Continued)**

The \$445,697.00 reported as deferred outflows of resources related to pensions resulting from Commission 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	\$323,752.00
2017	\$323,752.00
2018	\$323,752.00
2019	\$467,494.00
2020	\$248,225.00

**Union County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

**Public Employees Retirement System (PERS) (Continued)**

**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	3.04 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.

**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.

**Union County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

**Public Employees Retirement System (PERS) (Continued)**

**Actuarial Assumptions (Continued)**

**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%
	100.00%	

**Union County Educational Services Commission**  
**Notes to the Financial Statements**  
**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% Decrease <u>3.90%</u>	At Current Discount Rate <u>4.90%</u>	1% Increase <u>5.90%</u>
Commission's proportionate share of the pension liability	\$14,275,359.00	\$11,485,732.00	\$9,146,928.00

**Union County Educational Services Commission**  
**Notes to the Financial Statements**  
**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 Commission	\$56,916,701
	\$56,916,701

**Union County Educational Services Commission**  
**Notes to the Financial Statements**  
**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 .0900519867%, which was an increase of .0005731383 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Commission recognized on-behalf pension expense and revenue of \$3,475,277.00 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%

**Union County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

**Teachers Pensions and Annuity Fund (TPAF) (Continued)**

**Actuarial Assumptions (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:



**Union County Educational Services Commission**  
**Notes to the Financial Statements**  
**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>	

**Union County Educational Services Commission**  
**Notes to the Financial Statements**  
**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>.

**Union County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 7: OTHER POST-RETIREMENT BENEFITS**

For eligible retired employees, the 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.

**Union County Educational Services Commission**  
**Notes to the Financial Statements**  
**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 \$845,329.00 \$772,882.00 and \$677,920.00, 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, based upon the opinions of the Commission attorney and special counsel for construction advised that with the exception of litigation arising out of the high school construction project, there is no litigation, pending claims, contingent liabilities, unasserted claims or assessments or statutory violations which involve the Commission and which might materially affect the Commission's financial position. The litigation regarding the high school construction project is ongoing; therefore any estimate of the Commission's monetary exposure, if any, cannot presently be determined.

**NOTE 9: INVENTORY**

Inventory in the Food Service Fund at June 30, 2016 consisted of the following:

Food and Supplies	<u>\$5,411.82</u>
-------------------	-------------------

The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Act Amendment of 1996) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of non-operating revenue in the financial statements.

**Union County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 10: 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 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.

**NOTE 11: 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 commercial coverage covering each of those risks of loss. The administration believes such coverage is sufficient to preclude any significant uninsured losses to the Commission. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**New Jersey Unemployment Compensation Insurance**

The Commission has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributory Method". Under this plan, the Commission is required to calculate and pay the amount required on a quarterly basis based upon rates as determined by the New Jersey Department of Labor.

**Union County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 12: COMPENSATED ABSENCES**

Commission employees earn a full years allowance of sick leave effective July 1<sup>st</sup> of each school year. Twelve days leave is granted for ten month employees and fourteen days leave for twelve month employees. Upon retirement for service and age, or disability from TPAF or PERS, an employee is entitled to receive payment for accumulated sick days as follows:

All certified employees represented by the Westlake Education Association (teachers) will be compensated for unused sick leave at \$50 per day for the first 100 days and \$55 per day for the next 100 days in school year 2015-2016 for a maximum of 200 days. All employees who are employed for the purpose of aiding teachers with instructional/clerical tasks or behavior management (paraprofessionals) will be compensated for unused sick leave at \$33 per day for the first 100 days and \$36 per day for the next 100 days in the school year 2015-2016 for a maximum of 200 days. No payment to either teachers or paraprofessionals will be made unless the employee has completed a minimum of ten years of service.

Principals and Directors who have ten years or more of service will be compensated for unused sick days at \$70 per day for a maximum of 175 days. Twelve month employees are entitled to carry over no more than ten vacation days to be used in subsequent years.

Twelve month supervisory and administrative personnel are entitled to carry over no more than five vacation days to be used in subsequent years.

The Superintendent of schools, upon retirement, shall be compensated for accumulated sick days in excess of one hundred at 50% of the per diem rate of his final salary and all unused vacation days at the per diem rate of his final salary. Throughout this employment contract, the Superintendent's per diem rate shall be calculated as 1/240<sup>th</sup> of his then current annual salary.

The liability for vested compensated absences of the governmental fund types is recorded in the general long-term debt account group. The current portion of the compensated absence balance is not considered material to the applicable fund total liabilities, and is therefore not shown separately for the long-term liability balance of compensated absences.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2016 no liability existed for compensated absences in the proprietary fund types.

For additional descriptive information see Note 1, Summary of Significant Accounting Policies.

**Union County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 13: DEFERRED COMPENSATION**

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

Vanguard  
AIG Valic  
Lincoln Investments

**NOTE 14: FOUNDATION**

Since this Foundation operates under an independent Board of Trustees and independent management, the financial statement of the Foundation are not included in the accompanying financial statements. As of June 30, 2016, the Commission estimated that the Foundation had net position of approximately \$205,325.00. Revenue and support received by the Foundation, and not reflected in the financial statements of the Commission, aggregated approximately \$13,871.00 to June 30, 2016.

**NOTE 15: INTERFUNDS RECEIVABLE AND PAYABLE**

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	\$ 760,777.65	\$ 34,347.29
Special Revenue Fund		758,044.41
Capital Projects Fund	7,159.00	
Proprietary Fund	34,347.29	7,159.00
Fiduciary Fund		2,733.24
	<u>\$ 802,283.94</u>	<u>\$ 802,283.94</u>

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

**Union County Educational Services Commission**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 16: OPERATING LEASES**

The Commission had a one year lease that expired on June 30, 2016 with the Township of Clark for use of the Oliver B. Resch Gymnasium. Total rent expense for this lease for the fiscal year ended June 30, 2016 was \$15,912.00. The Commission has agreed to extend the lease for the period of July 1, 2016 to June 30, 2017 at a cost of \$17,040.00. The Commission had a one year lease that expired June 30, 2016 with AM School Associates to rent building space. Total rent expense for this lease for the fiscal year ended June 30, 2016 was \$180,472.40. The Commission has agreed to extend the lease with AM School Associates for the period of July 1, 2016 to June 30, 2017 at a cost of \$181,209.00. The Commission has entered into a five year lease to rent copiers. Future minimum lease payments are as follows for the copiers:

<u>Fiscal Year</u>	<u>Amount</u>
2017	\$22,644.36
2018	22,644.36
2019	22,644.36
2020	22,644.36
2021	<u>7,548.12</u>
Total	<u>\$98,125.56</u>

**NOTE 17: FUND BALANCE APPROPRIATED**

**General Fund** – Of the \$16,470,026.97 General Fund fund balance at June 30, 2016, \$116.00 is restricted for encumbrances and \$16,469,910.97 is unassigned.

**NOTE 18: SUBSEQUENT EVENTS**

The Commission has evaluated subsequent events occurring after the financial statement date through November 17, 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**

UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
GENERAL FUND  
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEARS ENDED JUNE 30, 2016

	ORIGINAL BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
<b>REVENUES</b>					
Local sources:					
Tuition	\$19,378,521.00		\$19,378,521.00	\$18,620,571.64	(\$757,949.36)
Transportation fees from other LEA's	23,363,100.00		23,363,100.00	24,645,044.56	1,281,944.56
Miscellaneous	284,907.00		284,907.00	587,369.09	302,462.09
Total-local sources	43,026,528.00		43,026,528.00	43,852,985.29	826,457.29
Intermediate sources:					
Restricted sources				70,000.00	70,000.00
Total-intermediate sources				70,000.00	70,000.00
State sources:					
On-behalf TPAF pension (non-budgeted)				676,243.00	676,243.00
On-behalf TPAF non-contributory insurance (non-budgeted)				33,686.00	33,686.00
On-behalf TPAF post retirement medical (non-budgeted)				845,329.00	845,329.00
Reimbursed TPAF social security contributions (non-budgeted)				623,903.40	623,903.40
Total - state sources				2,179,161.40	2,179,161.40
Total revenues	43,026,528.00		43,026,528.00	46,102,146.69	3,075,618.69

UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
GENERAL FUND  
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEARS ENDED JUNE 30, 2016

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS AND AMENDMENTS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE/ (UNFAVORABLE)</u>
EXPENDITURES					
CURRENT EXPENSE:					
Instruction - regular programs:					
Salaries of teachers:	\$5,144,933.00	\$65,932.00	\$5,210,865.00	\$4,906,843.00	\$304,022.00
Grades 9-12					
Regular programs - home instruction:	692,014.00	\$105,000.00	797,014.00	775,914.00	21,100.00
Salaries of teachers					
Regular programs - undistributed instruction:	1,819,042.00	(30,170.00)	1,788,872.00	1,632,844.00	156,028.00
Other salaries for instruction	44,650.00	875.00	45,525.00	14,293.00	31,232.00
Purchased technical services	245,559.27	10,134.73	255,694.00	174,858.00	80,836.00
General supplies	7,610.00	(1,000.00)	6,610.00	539.00	6,071.00
Textbooks	17,500.00		17,500.00	8,889.00	8,611.00
Other objects	7,971,308.27	150,771.73	8,122,080.00	7,514,180.00	607,900.00
Total regular programs					
Total - instruction	7,971,308.27	150,771.73	8,122,080.00	7,514,180.00	607,900.00

UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
GENERAL FUND  
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEARS ENDED JUNE 30, 2016

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS AND AMENDMENTS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE/ (UNFAVORABLE)</u>
Undistributed Expenditures:					
Instruction:					
Tuition - other	\$158,559.00		\$158,559.00	\$502.00	\$158,057.00
Total undist. expenditures - instruction	158,559.00		158,559.00	502.00	158,057.00
Health services:					
Salaries	441,872.00	(\$34,823.00)	407,049.00	362,246.00	44,803.00
Purchased professional and technical services	438,364.00	(62,405.00)	375,959.00	292,782.00	83,177.00
Supplies and materials	10,975.00		10,975.00	7,212.00	3,763.00
Total health services	891,211.00	(97,228.00)	793,983.00	662,240.00	131,743.00
Other support services - students - special services:					
Salaries of other professional staff	274,366.00	61,870.00	336,236.00	311,746.00	24,490.00
Purchased professional - educational services	200,000.00		200,000.00	135,218.00	64,782.00
Total other support services - students - special services	474,366.00	61,870.00	536,236.00	446,964.00	89,272.00

UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
GENERAL FUND  
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEARS ENDED JUNE 30, 2016

	ORIGINAL BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
Improvement of instruction services/ other support services-instructional staff:					
Salaries of supervisors of instruction	\$635,467.00	\$3,799.00	\$639,266.00	\$604,006.00	\$35,260.00
Salaries of secr. and clerical assist.	37,130.00	6,405.00	43,535.00	43,372.00	163.00
Other purch. services (400-500 series)	5,500.00	(3,000.00)	2,500.00	1,603.00	897.00
Supplies and materials	3,000.00	(2,701.00)	299.00	299.00	
Other objects	500.00	(500.00)			
Total improvement of instruction services/ other support services-instructional staff	<u>681,597.00</u>	<u>4,003.00</u>	<u>685,600.00</u>	<u>649,280.00</u>	<u>36,320.00</u>
Educational media services/school library:					
Salaries of technology coordinators	201,900.00	(45,150.00)	156,750.00	143,992.00	12,758.00
Supplies and materials	7,040.00		7,040.00	5,797.00	1,243.00
Total educational media services/school library	<u>208,940.00</u>	<u>(45,150.00)</u>	<u>163,790.00</u>	<u>149,789.00</u>	<u>14,001.00</u>
Support services general administration:					
Salaries	450,000.00	12,000.00	462,000.00	376,292.00	85,708.00
Legal services	54,000.00		54,000.00	36,235.00	17,765.00
Audit fees	28,850.00		28,850.00	28,850.00	
Other purchased professional services	83,793.00	2,440.00	84,037.00	36,809.00	47,228.00
Communications/telephone	94,490.00	(1,305.00)	93,185.00	62,641.00	30,544.00
Other purchased services (400-500 series)	186,790.00	(13,235.00)	173,555.00	141,974.00	31,581.00
Supplies and materials	19,760.00		19,760.00	18,150.00	1,610.00
Miscellaneous expenditures	47,810.00		47,810.00	40,145.00	7,665.00
Total support services general administration	<u>965,493.00</u>	<u>(2,296.00)</u>	<u>963,197.00</u>	<u>741,096.00</u>	<u>222,101.00</u>

UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
GENERAL FUND  
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEARS ENDED JUNE 30, 2016

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS AND AMENDMENTS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE/ (UNFAVORABLE)</u>
Support services school administration:					
Salaries of principals/asst. principals	\$535,014.00	\$9,713.00	\$544,727.00	\$541,312.00	\$3,415.00
Salaries of secretarial and clerical assistants	194,650.00		194,650.00	180,327.00	14,323.00
Other purchased services (400-500 series)	8,220.00	8,220.00	8,220.00	3,220.00	5,000.00
Supplies and materials	26,197.00	4,756.00	30,953.00	28,294.00	2,659.00
Other objects	27,435.00		27,435.00	7,626.00	19,809.00
<b>Total support services school administration</b>	<b>791,516.00</b>	<b>14,469.00</b>	<b>805,985.00</b>	<b>760,779.00</b>	<b>45,206.00</b>
Central services:					
Salaries	426,200.00		426,200.00	372,711.00	53,489.00
Purchased professional services	11,220.00	7,000.00	18,220.00	10,398.00	7,822.00
Purchased technical services	115,000.00		115,000.00	114,425.00	575.00
Misc. purchased services (400-500 series)	3,120.00		3,120.00	504.00	2,616.00
Supplies and materials	17,970.00		17,970.00	15,806.00	2,164.00
Interest on lease purchase agreements	135,643.00		135,643.00	135,639.00	4.00
Board office misc. dues and fees	9,000.00		9,000.00	7,474.00	1,526.00
<b>Total central services</b>	<b>718,153.00</b>	<b>7,000.00</b>	<b>725,153.00</b>	<b>656,957.00</b>	<b>68,196.00</b>
Other operation and maint. of plant:					
Salaries	322,870.00		322,870.00	248,586.00	74,284.00
Cleaning, repair and maint. services	400,348.00	262,700.00	663,048.00	432,116.00	230,932.00
Rental of land & building other than lease pur agrmt	197,880.00		197,880.00	196,384.00	1,496.00
General supplies	55,460.00	3,000.00	58,460.00	53,003.00	5,457.00
Energy (natural gas)	96,055.00		96,055.00	43,792.00	52,263.00
Energy (electricity)	277,086.00		277,086.00	207,642.00	69,444.00
<b>Total other operation and maint. of plant</b>	<b>1,349,699.00</b>	<b>265,700.00</b>	<b>1,615,399.00</b>	<b>1,181,523.00</b>	<b>433,876.00</b>

UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
GENERAL FUND  
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEARS ENDED JUNE 30, 2016

	ORIGINAL BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
Student transportation services:					
Sal. for pupil trans. (bet. home & sch) - sp. Ed.	\$380,000.00	\$10,000.00	\$390,000.00	\$354,810.00	\$35,190.00
Sal. for pupil trans. (other than bet. home & sch) - vendors	328,950.00		328,950.00	323,792.00	5,158.00
Cleaning, repair, & maint. services	100,415.00	65,000.00	165,415.00	161,620.00	3,795.00
Contr. serv. (bet. home & sch) - vendors	22,083,765.00	2,170,000.00	24,253,765.00	23,300,480.00	953,285.00
Contracted services (between home & school) - vendors	12,040.00		12,040.00	249.00	11,791.00
Supplies and materials	6,080.00		6,080.00	4,591.00	1,489.00
Transportation supplies	66,100.00		66,100.00	27,765.00	38,335.00
Other objects	100.00		100.00		100.00
Total student transportation services	<u>22,977,450.00</u>	<u>2,245,000.00</u>	<u>25,222,450.00</u>	<u>24,173,307.00</u>	<u>1,049,143.00</u>
Unallocated benefits - employee benefits:					
Social security contributions	341,203.00	36,054.00	377,257.00	335,753.00	41,504.00
Other retirement contributions - regular	525,667.00	(20,843.00)	504,824.00	444,587.00	60,237.00
Unemployment compensation	48,683.00	219.00	48,902.00	46,744.00	2,158.00
Workmen's compensation	165,976.00	(17,271.00)	148,705.00	133,111.00	15,594.00
Health benefits	3,662,683.00	21,590.00	3,684,273.00	3,355,440.00	328,833.00
Total unallocated benefits - employee benefits:	<u>4,744,212.00</u>	<u>19,749.00</u>	<u>4,763,961.00</u>	<u>4,315,635.00</u>	<u>448,326.00</u>



UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
GENERAL FUND  
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEARS ENDED JUNE 30, 2016

	ORIGINAL BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
On-behalf TPAF pension (non-budgeted)				\$676,243.00	(\$676,243.00)
On-behalf TPAF non-contributory insurance (non-budgeted)				33,686.00	(33,686.00)
On-behalf TPAF post retirement medical (non-budgeted)				845,329.00	(845,329.00)
Reimbursed TPAF social security contributions (non-budgeted)				623,903.40	(623,903.40)
				2,179,161.40	(2,179,161.40)
Total undistributed expenditures	\$33,961,196.00	\$2,473,117.00	\$36,434,313.00	35,917,233.40	517,079.60
TOTAL EXPENDITURES - CURRENT EXPENSE	41,932,504.27	2,623,888.73	44,556,393.00	43,431,413.40	1,124,979.60
CAPITAL OUTLAY:					
Equipment:					
Undistributed expenditures - instruction	165,000.00		165,000.00	71,138.00	93,862.00
School Buses- Special	29,337.00		29,337.00	26,420.00	2,917.00
Total equipment	194,337.00		194,337.00	97,558.00	96,779.00
Facilities acquisition and construction svcs.:					
Lease purchase agreements - principal	436,203.00	1,750.00	437,953.00	437,950.00	3.00
Total facilities acquisition and const. serv.	436,203.00	1,750.00	437,953.00	437,950.00	3.00
TOTAL CAPITAL OUTLAY	630,540.00	1,750.00	632,290.00	535,508.00	96,782.00
SPECIAL SCHOOLS					
Summer school - instruction:					
Salaries of teachers	211,293.00		211,293.00	201,495.00	9,798.00
Other salaries for instruction+B346	151,160.00	(578.00)	150,582.00	128,875.00	21,707.00
General supplies	50,622.00	(32,837.00)	17,785.00	4,520.00	13,265.00
Total summer school - instruction	413,075.00	(33,415.00)	379,660.00	334,890.00	44,770.00

UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
GENERAL FUND  
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEARS ENDED JUNE 30, 2016

	ORIGINAL BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
(Continued from prior page)					
Summer school - support services:					
Salaries	\$85,080.00	\$765.00	\$85,845.00	\$76,722.00	\$9,123.00
Personal services - employee benefits	38,933.00		38,933.00	38,933.00	
Purchased professional and technical services	47,258.00	33,090.00	80,348.00	41,405.00	38,943.00
Other purchased services (400-500 series)	25,400.00	(440.00)	24,960.00	7,308.00	17,652.00
Total summer school - support services	196,671.00	33,415.00	230,086.00	164,368.00	65,718.00
TOTAL SPECIAL SCHOOLS	609,746.00		609,746.00	499,258.00	110,488.00
TOTAL EXPENDITURES	43,172,790.27	2,625,638.73	45,798,429.00	44,466,179.40	1,332,249.60
Excess (deficiency) of revenues over (under) expenditures	(146,262.27)	(2,625,638.73)	(2,771,901.00)	1,635,967.29	1,743,369.09
Other financing sources(uses)		(20,000.00)	(20,000.00)		(20,000.00)
Transfer of funds - enterprise fund		(20,000.00)	(20,000.00)		(20,000.00)
Total other financing sources		(20,000.00)	(20,000.00)		(20,000.00)

UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
GENERAL FUND  
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEARS ENDED JUNE 30, 2016

	ORIGINAL BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
Excess of revenues and other financing sources over expenditures and other financing sources	(\$146,262.27)	(\$2,645,638.73)	(\$2,791,901.00)	\$1,635,967.29	\$1,723,369.09
Fund balances, July 1	14,834,059.68	_____	14,834,059.68	14,834,059.68	_____
Fund balances, June 30	<u>\$14,687,797.41</u>	<u>(\$2,645,638.73)</u>	<u>\$12,042,158.68</u>	<u>\$16,470,026.97</u>	<u>\$1,723,369.09</u>
Recapitulation:					
Reserve for encumbrances				\$116.00	
Unassigned fund balance				16,469,910.97	
Reconciliation to governmental funds statements (GAAP):				16,470,026.97	
Fund balance per governmental funds (GAAP)				<u>\$16,470,026.97</u>	

UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
 BUDGETARY COMPARISON SCHEDULE  
 SPECIAL REVENUE FUND  
 FOR FISCAL YEARS ENDED JUNE 30, 2016

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
<b>REVENUES:</b>					
Local education agency sources	\$5,540,371.00	\$437,150.00	\$5,977,521.00	\$4,914,516.00	(\$1,063,005.00)
Other sources		16,711.00	16,711.00	16,711.00	
State sources	137,974.00		137,974.00	137,974.00	
<b>Total revenues</b>	<b>\$5,678,345.00</b>	<b>\$453,861.00</b>	<b>\$6,132,206.00</b>	<b>\$5,069,201.00</b>	<b>(\$1,063,005.00)</b>
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of teachers	\$1,827,500.00	\$189,837.00	\$2,017,337.00	\$1,821,553.00	\$195,784.00
Other salaries for instruction	184,766.00	(3,873.00)	180,893.00	108,837.00	72,056.00
Other purchased services	14,234.00	(14,234.00)			
Supplies	305,000.00	42,286.00	347,286.00	218,895.00	128,391.00
Textbooks	307,930.00		307,930.00	252,728.00	55,202.00
Other objects		158,500.00	158,500.00	123,542.00	34,958.00
<b>Total instruction</b>	<b>2,639,430.00</b>	<b>372,516.00</b>	<b>3,011,946.00</b>	<b>2,525,555.00</b>	<b>486,391.00</b>
Support services:					
Salaries of supervisor's of instruction	203,805.00	(30,000.00)	173,805.00	171,453.00	2,352.00
Salaries of other professional staff	463,194.00	(3,387.00)	459,807.00	405,861.00	53,946.00
Salaries of secretarial and clerical assistants	82,930.00	5,000.00	87,930.00	85,580.00	2,350.00
Other salaries for instruction	38,600.00		38,600.00	27,563.00	11,037.00
Purchased professional educational services	678,000.00	70,902.00	748,902.00	502,471.00	246,431.00
Other purchased professional services	51,698.00	55,736.00	107,434.00	107,434.00	
Personal services - employee benefits	971,849.00	25,606.00	997,455.00	796,250.00	201,205.00
Rentals	67,050.00		67,050.00	67,050.00	
Other purchased services	145,600.00	(77,033.00)	68,567.00	31,504.00	37,063.00
Supplies and materials	82,500.00	11,199.00	93,699.00	75,119.00	18,580.00
Indirect costs - administrative fees	250,689.00	8,322.00	259,011.00	259,011.00	
Other objects	3,000.00	15,000.00	18,000.00	14,350.00	3,650.00
<b>Total support services</b>	<b>3,038,915.00</b>	<b>81,345.00</b>	<b>3,120,260.00</b>	<b>2,543,646.00</b>	<b>576,614.00</b>
Facilities acquisition & construction services:					
Instructional equipment					
<b>Total expenditures</b>	<b>\$5,678,345.00</b>	<b>\$453,861.00</b>	<b>\$6,132,206.00</b>	<b>\$5,069,201.00</b>	<b>\$1,063,005.00</b>

UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
BUDGETARY COMPARISON SCHEDULE  
BUDGET TO GAAP RECONCILIATION  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>
<b>Sources/inflows of resources</b>		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$46,102,146.69	\$5,069,201.00
Difference - budget to GAAP Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and related revenue is recognized.	-0-	-0-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$46,102,146.69</u>	<u>\$5,069,201.00</u>
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules	\$44,466,179.40	\$5,069,201.00
Difference - budget to GAAP 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 purposes	-0-	-0-
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$44,466,179.40</u>	<u>\$5,069,201.00</u>

**REQUIRED SUPPLEMENTARY INFORMATION - PART III**

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

Union 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 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	0.0483272556%	\$ 9,236,299	\$ 3,479,367.00	265.46%	48.72%
2014	0.0515311053%	9,648,032	3,312,707.00	291.24%	52.08%
2015	0.0511659564%	11,485,732	3,423,912.00	335.46%	47.92%

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



Union 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	\$ 364,136	\$ 364,136	\$ -0-	3,312,707.00	10.99%
2015	424,815	424,815	-0-	3,423,912.00	12.41%
2016	439,890	439,890	-0-	3,088,201.00	14.24%

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

Union 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 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	0.0927846028%	\$ -0-	\$ 8,870,701.00	-0-	33.76%
2014	0.0894788484%	-0-	8,921,587.00	-0-	33.64%
2015	0.0900519867%	-0-	8,367,792.00	-0-	28.71%

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

Union County Educational Services Commission  
Notes to the Required Supplementary Information  
For the Fiscal Year Ended June 30, 2016

**Public Employees Retirement System**

Change in benefit terms: None

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

**Teacher Pension and Annuity Fund**

Change in benefit terms: None

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

**OTHER SUPPLEMENTARY INFORMATION**

## **SPECIAL REVENUE FUND DETAIL STATEMENTS**

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

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

	<u>TITLE I</u>	<u>UCESC FOUNDATION</u>	<u>NON-PUBLIC TECHNOLOGY</u>	<u>NON-PUBLIC NURSING SERVICES</u>	<u>NON-PUBLIC TEXTBOOKS</u>	<u>IDEA PART B PROGRAM</u>
<b>REVENUES:</b>						
Local education agency sources	\$198,312.00	\$13,872.00	\$175,482.00	\$408,592.00	\$252,728.00	\$1,145,706.00
Other sources						
State sources						
<b>Total revenues</b>	<b>\$198,312.00</b>	<b>\$13,872.00</b>	<b>\$175,482.00</b>	<b>\$408,592.00</b>	<b>\$252,728.00</b>	<b>\$1,145,706.00</b>
<b>EXPENDITURES:</b>						
Instruction:						
Salaries of teachers	\$159,472.00					\$608,986.00
Other salaries for instruction			\$166,869.00			108,837.00
Supplies					\$252,728.00	37,787.00
Textbooks						
Other objects						
<b>Total instruction</b>	<b>159,472.00</b>		<b>166,869.00</b>		<b>252,728.00</b>	<b>755,610.00</b>
Support services:						
Salaries of supervisor's of instruction				\$301,585.00		77,612.00
Salaries of other professional staff						234,578.00
Salaries of secretarial and clerical assistants						14,234.00
Other salaries for instruction						63,672.00
Purchased professional educational services						
Other purchased professional services				56,342.00		
Personal services - employee benefits						
Rentals	30,518.00					
Other purchased services						
Supplies and materials				11,983.00		
Indirect costs - administrative fees	8,322.00		8,613.00	16,888.00		
Miscellaneous expenditures		\$13,872.00		21,794.00		
<b>Total support services</b>	<b>38,840.00</b>	<b>13,872.00</b>	<b>8,613.00</b>	<b>408,592.00</b>		<b>390,096.00</b>
<b>Total expenditures</b>	<b>\$198,312.00</b>	<b>\$13,872.00</b>	<b>\$175,482.00</b>	<b>\$408,592.00</b>	<b>\$252,728.00</b>	<b>\$1,145,706.00</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$-0-	\$-0-	\$-0-	\$-0-	\$-0-	\$-0-

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

	<u>NON-PUBLIC CHAPTER 192</u>	<u>NON-PUBLIC CHAPTER 193</u>	<u>HOME INSTRUCTION</u>	<u>NON-PUBLIC SECURITY AID</u>	<u>UC ALCOHOL</u>	<u>DYFS DAY TREATMENT PROGRAM</u>	<u>TOTAL</u>
<b>REVENUES:</b>							
Local education agency sources	\$1,348,168.00	\$1,237,658.00	\$24,328.00	\$123,542.00	\$2,839.00	\$137,974.00	\$4,914,516.00
Other sources							16,711.00
State sources							137,974.00
<b>Total revenues</b>	<b>\$1,348,168.00</b>	<b>\$1,237,658.00</b>	<b>\$24,328.00</b>	<b>\$123,542.00</b>	<b>\$2,839.00</b>	<b>\$137,974.00</b>	<b>\$5,069,201.00</b>
<b>EXPENDITURES:</b>							
Instruction:							
Salaries of teachers	\$672,166.00	\$358,061.00	\$22,868.00				1,821,553.00
Other salaries for instruction					\$2,839.00		108,837.00
Supplies		11,400.00					218,895.00
Textbooks				123,542.00			252,728.00
Other objects							123,542.00
<b>Total instruction</b>	<b>672,166.00</b>	<b>369,461.00</b>	<b>22,868.00</b>	<b>123,542.00</b>	<b>2,839.00</b>		<b>2,525,555.00</b>
Support services:							
Salaries of supervisor's of instruction	77,153.00	94,300.00					171,453.00
Salaries of other professional staff	42,854.00	42,726.00				104,276.00	405,861.00
Salaries of secretarial and clerical assistants	27,563.00						85,580.00
Other salaries for instruction		391,161.00				33,698.00	27,563.00
Purchased professional educational services	54,771.00	52,663.00					502,471.00
Other purchased professional services	329,516.00	145,296.00					107,434.00
Personnel services - employee benefits	47,946.00	19,104.00					796,250.00
Rentals	2,485.00	2,802.00					67,050.00
Other purchased services	12,824.00	45,407.00					31,504.00
Supplies and materials	80,890.00	74,260.00	1,460.00				75,119.00
Indirect costs - administrative fees		478.00					259,011.00
Miscellaneous expenditures							14,350.00
<b>Total support services</b>	<b>676,002.00</b>	<b>868,197.00</b>	<b>1,460.00</b>			<b>137,974.00</b>	<b>2,543,646.00</b>
<b>Total expenditures</b>	<b>\$1,348,168.00</b>	<b>\$1,237,658.00</b>	<b>\$24,328.00</b>	<b>\$123,542.00</b>	<b>\$2,839.00</b>	<b>\$137,974.00</b>	<b>\$5,069,201.00</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>\$-0-</b>	<b>\$-0-</b>	<b>\$-0-</b>	<b>\$-0-</b>	<b>\$-0-</b>	<b>\$-0-</b>	<b>\$-0-</b>

## **CAPITAL PROJECTS FUND DETAIL STATEMENTS**

The capital projects fund is used to account for the acquisition and construction of major capital facilities and equipment purchases other than those financed by proprietary funds.



UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

REVENUES AND OTHER FINANCING SOURCES:	
Interest earned	<u>\$635.45</u>
Total revenues and other financing sources	<u>635.45</u>
Excess (deficiency) of revenues over (under) expenditures	635.45
Fund balance - July 1	<u>496,723.89</u>
Fund balance - June 30	<u><u>\$497,359.34</u></u>

## FIDUCIARY FUND DETAIL STATEMENTS

Fiduciary funds are used to account for assets when the Commission is functioning either as a trustee or as an agent for another party.

**Student Activity Fund:** This agency fund is used to account for student funds held at the schools.

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

UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
FIDUCIARY FUND  
COMBINING STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2016

	<u>PAYROLL AGENCY</u>	<u>STUDENT ACTIVITY</u>	<u>TOTAL AGENCY</u>
ASSETS:			
Cash and cash equivalents	<u>\$594,492.01</u>	<u>\$20,277.80</u>	<u>\$614,769.81</u>
Total assets	<u><u>594,492.01</u></u>	<u><u>20,277.80</u></u>	<u><u>614,769.81</u></u>
LIABILITIES:			
Liabilities:			
Payroll deductions payable	236,716.06		236,716.06
Accrued salaries	355,042.71		355,042.71
Interfund payable	2,733.24		2,733.24
Payable to student groups		<u>20,277.80</u>	<u>20,277.80</u>
Total liabilities	<u><u>\$594,492.01</u></u>	<u><u>\$20,277.80</u></u>	<u><u>\$614,769.81</u></u>

UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
STUDENT ACTIVITY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>BALANCE</u> <u>JUNE 30, 2015</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2016</u>
WESTLAKE/WESTFIELD	\$20,198.36	\$14,606.10	\$19,634.27	\$15,170.19
LAMBERTS MILL ACADEMY	1,540.49	2,882.06	2,212.28	2,210.27
CROSSROADS SCHOOL	1,839.69	3,665.90	3,068.40	2,437.19
HILLCREST ACADEMY SOUTH	(0.00)	266.00	266.00	(0.00)
HILLCREST ACADEMY NORTH	500.00	803.80	843.65	460.15
	<u>\$24,078.54</u>	<u>\$22,223.86</u>	<u>\$26,024.60</u>	<u>\$20,277.80</u>

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

	<u>BALANCE</u> <u>JUNE 30, 2015</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2016</u>
<b>ASSETS:</b>				
Cash and cash equivalents	\$601,074.15	\$12,518,937.12	\$12,525,519.26	\$594,492.01
Total assets	<u>\$601,074.15</u>	<u>\$12,518,937.12</u>	<u>\$12,525,519.26</u>	<u>\$594,492.01</u>
<b>LIABILITIES:</b>				
Payroll deductions payable	\$216,791.78	\$12,163,894.41	\$12,143,970.13	\$236,716.06
Accrued salaries	381,549.13	355,042.71	381,549.13	355,042.71
Interfund payable	2,733.24			2,733.24
Total liabilities	<u>\$601,074.15</u>	<u>\$12,518,937.12</u>	<u>\$12,525,519.26</u>	<u>\$594,492.01</u>

## **LONG-TERM LIABILITIES SCHEDULES**

The Long-Term schedules are used to reflect the outstanding principal balances of the long-term liabilities of the Commission. This may include obligations under Capital Leases and Certificates of Participation

UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
LONG-TERM LIABILITIES  
SCHEDULE OF CERTIFICATES OF PARTICIPATION  
JUNE 30, 2016

ISSUE	DATE OF ISSUE	AMOUNT OF ISSUE	MATURITIES		RATE OF INTEREST	BALANCE JULY 1, 2015	RETIRED	BALANCE JUNE 30, 2016
			DATE	AMOUNT				
Refinance of purchase and renovation of Lamberts Mill Road School	2006	\$4,465,000.00	6/15/2017	\$300,000.00	4.200%	\$2,465,000.00	\$290,000.00	\$2,175,000.00
			6/15/2018	315,000.00	4.250%			
			6/15/2019	330,000.00	4.300%			
			6/15/2020	345,000.00	4.300%			
			6/15/2021	360,000.00	4.375%			
6/15/2022	525,000.00	4.375%						
Refinance of purchase and renovation of Cardinal Drive Property and Building	2012	1,725,000.00	3/1/2017	220,000.00	2.650%	1,130,000.00	215,000.00	915,000.00
			3/1/2018	220,000.00	2.650%			
			3/1/2019	235,000.00	2.650%			
			3/1/2020	240,000.00	2.650%			
						<u>\$3,595,000.00</u>	<u>\$505,000.00</u>	<u>\$3,090,000.00</u>

UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
LONG-TERM DEBT  
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES/LEASE PURCHASE AGREEMENTS  
JUNE 30, 2016

<u>DESCRIPTION</u>	<u>INTEREST</u> <u>RATE PAYABLE</u>	<u>AMOUNT OF</u> <u>ORIGINAL</u> <u>ISSUE</u>	<u>AMOUNT</u> <u>OUTSTANDING</u> <u>JUNE 30, 2015</u>	<u>RETIRED</u> <u>CURRENT YEAR</u>	<u>AMOUNT</u> <u>OUTSTANDING</u> <u>JUNE 30, 2016</u>
2006 - 1997 Refinance	4.1 to 4.373%	\$4,465,000.00	\$2,465,000.00	\$290,000.00	\$2,175,000.00
2012 - Cardinal Drive Refinance	2.650%	1,725,000.00	1,130,000.00	215,000.00	915,000.00
			<u>\$3,595,000.00</u>	<u>\$505,000.00</u>	<u>\$3,090,000.00</u>



**STATISTICAL SECTION  
(UNAUDITED)**



UNION 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 Commission's financial performance and well being have changed over time.	J-1 to J-4
Revenue Capacity:	
These schedules contain information to help the reader assess the Commission's most significant local revenue source, the property tax.	J-5
Debt Capacity:	
These schedules present information to help the reader assess the affordability of the Commission's current levels of outstanding debt and the Commission'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 Commission'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 Commission's financial report relates to the services the Commission provides and the activities it performs.	J-18 and J-20

Sources

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

UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
NET POSITION BY COMPONENT  
UNAUDITED

	2016	2015	2014	2,013.00	2012	2011	2010	2009	2008	2007
<b>Governmental activities</b>										
Net investment in capital assets	\$ 4,680,853.75	\$ 4,462,491.40	\$ 4,253,442.63	\$ 4,190,159.92	\$ 3,931,675.03	\$ 2,934,242.75	\$ 3,716,994.35	\$ 3,612,992.34	\$ 2,476,886.58	\$ 5,298,801.00
Restricted	497,359.34	661,723.89	587,192.13	847,279.48	846,950.42	1,282,315.28	982,865.83	844,288.45	833,889.73	800,503.00
Unrestricted	6,179,817.59	4,805,150.91	13,071,062.30	13,100,557.33	12,744,866.51	13,120,956.09	13,425,469.50	13,766,348.02	13,122,196.40	12,755,456.00
Total governmental activities net position	\$ 11,358,030.68	\$ 9,929,366.20	\$ 17,911,717.06	\$ 18,137,996.73	\$ 17,523,491.96	\$ 17,337,514.12	\$ 18,125,329.68	\$ 18,223,628.81	\$ 16,432,972.71	\$ 18,854,760.00
<b>Business-type activities</b>										
Net investment in capital assets	\$ 2,272.53	\$ 3,527.88	\$ 3,912.74	\$ 4,297.60	\$ 4,682.46	\$ 5,067.32	\$ 5,452.18	\$	\$	\$
Unrestricted	57,280.48	66,469.22	58,020.01	49,182.37	54,195.64	51,963.35	65,750.89	35,971.25	7,876.86	20,789.00
Total business-type activities net position	\$ 59,553.01	\$ 69,997.10	\$ 61,932.75	\$ 53,479.97	\$ 58,878.10	\$ 57,030.67	\$ 71,203.07	\$ 35,971.25	\$ 7,876.86	\$ 20,789.00
<b>Commission-wide</b>										
Net investment in capital assets	\$ 4,683,126.28	\$ 4,466,019.28	\$ 4,257,355.37	\$ 4,194,457.52	\$ 3,936,357.49	\$ 2,939,310.07	\$ 3,716,994.35	\$ 3,612,992.34	\$ 2,476,886.58	\$ 5,298,801.00
Restricted	497,359.34	661,723.89	587,192.13	847,279.48	846,950.42	1,282,315.28	982,865.83	844,288.45	833,889.73	800,503.00
Unrestricted	6,237,098.07	4,871,620.13	13,129,102.31	13,149,739.70	12,799,062.15	13,172,919.44	13,491,220.39	13,802,319.27	13,130,073.26	12,776,245.00
Total Commission net position	\$ 11,417,563.69	\$ 9,999,363.30	\$ 17,973,649.81	\$ 18,191,476.70	\$ 17,582,370.06	\$ 17,394,544.79	\$ 18,191,080.57	\$ 18,259,600.06	\$ 16,440,849.57	\$ 18,875,549.00

Sources: CAFR Schedule A-1

UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
CHANGES IN NET POSITION  
UNAUDITED

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>EXPENSES</b>										
Governmental activities										
Instruction:										
Regular	\$ 16,678,566.51	\$ 15,477,454.09	\$ 14,624,522.84	\$ 14,492,867.40	\$ 13,435,683.62	\$ 13,404,993.33	\$ 13,763,841.36	\$ 12,660,264.12	\$ 11,905,465.23	\$ 9,705,412.00
Vocational	104,527.74	113,951.23	174,898.62	188,568.32	174,617.50	195,684.50	187,512.39	325,155.89	417,246.03	339,402.00
Nonpublic school programs										2,323,471.00
Support Services:										
Student & instruction related services	4,908,302.05	4,772,660.91	4,594,237.18	4,666,443.51	4,495,653.91	4,527,564.43	4,651,154.85	4,815,580.34	4,861,533.90	4,170,829.00
School administrative services	1,397,418.64	1,312,665.35	1,174,274.42	1,095,768.12	1,091,457.58	1,368,788.74	1,234,189.37	1,266,687.49	1,314,690.32	793,768.00
General administrative services	1,106,568.09	1,058,066.49	874,615.73	883,827.07	1,016,030.02	780,115.47	729,309.11	714,339.08	680,067.10	1,871,746.00
Plant operations and maintenance	1,325,563.21	1,209,082.22	1,134,719.27	1,263,244.54	1,059,219.59	1,040,848.50	1,046,351.45	1,086,492.15	1,427,577.20	1,454,153.00
Pupil transportation	24,804,258.03	23,255,261.59	21,756,688.20	20,621,894.34	19,446,933.60	17,532,976.52	20,135,543.88	22,057,377.72	22,670,075.03	22,175,190.00
Other support services	833,612.54	813,819.20	714,375.12	660,887.43	848,358.10	841,873.73	844,893.50	737,099.72	737,099.72	632,441.00
Special Schools	917,368.98	880,600.91	634,991.85	615,673.96	557,834.00	533,956.00	581,262.17	386,914.87	339,410.80	262,118.00
Amortization of bond issuance costs				29,906.73	29,906.73	29,906.73	29,906.73	29,907.00	29,907.00	29,907.00
Interest on long-term debt	133,754.04	150,637.80	408,540.07	181,004.61	298,736.81	298,736.86	297,822.63	297,822.63	354,368.73	363,260.00
Unallocated depreciation	298,736.83	298,736.83	(111,069.26)	298,736.83	298,736.81	40,575,444.81	43,502,701.64	44,368,940.52	44,737,441.06	231,825.00
Total governmental activities expenses	52,508,666.66	49,344,936.62	45,980,794.04	44,998,922.86	42,454,431.46	40,575,444.81	43,502,701.64	44,368,940.52	44,737,441.06	44,353,522.00
Business-type activities:										
Food Service	224,777.24	224,245.02	184,488.79	172,185.68	159,909.51	175,345.71	161,134.97	152,994.16	171,935.35	150,462.00
Total business-type activities expense	224,777.24	224,245.02	184,488.79	172,185.68	159,909.51	175,345.71	161,134.97	152,994.16	171,935.35	150,462.00
Total Commission expenses	\$ 52,733,443.90	\$ 49,569,181.64	\$ 46,165,282.83	\$ 45,171,108.54	\$ 42,614,340.97	\$ 40,750,790.52	\$ 43,663,836.61	\$ 44,521,934.68	\$ 44,909,376.41	\$ 44,503,984.00
<b>PROGRAM REVENUES</b>										
Governmental activities:										
Charges for Services:										
Instruction (tuition)	\$ 18,620,571.64	\$ 17,712,696.48	\$ 16,595,656.55	\$ 16,527,275.28	\$ 15,221,068.31	\$ 14,219,326.23	\$ 14,498,674.45	\$ 13,797,815.85	\$ 13,191,879.69	\$ 13,331,693.00
Pupil transportation	24,645,044.56	23,123,529.92	21,777,847.65	20,646,150.56	19,382,151.32	17,318,550.50	20,492,128.95	22,233,934.39	22,774,224.97	22,493,392.00
Operating grants and contributions	10,013,710.40	9,034,776.85	7,124,760.76	7,892,567.39	7,508,842.02	7,697,035.07	7,957,181.26	8,218,073.64	8,643,297.09	8,325,695.00
Total governmental activities program revenues	53,279,326.60	49,871,003.25	45,498,264.96	45,055,993.23	42,112,061.65	39,234,911.80	42,947,984.66	44,249,823.88	44,609,401.75	44,150,780.00
Business-type activities:										
Charges for services:										
Food Service	28,613.55	30,061.44	32,399.52	23,001.02	18,938.62	18,747.35	14,725.69	16,836.75	17,346.68	16,170.00
Operating grants and contributions	185,719.60	172,247.93	160,542.05	143,768.56	141,591.78	137,818.36	167,375.53	148,767.54	140,276.20	126,537.00
Total business type activities program revenues	214,333.15	202,309.37	192,941.57	166,769.58	160,530.40	156,565.71	182,101.22	165,604.29	157,622.88	142,707.00
Total Commission program revenues	\$ 53,493,659.75	\$ 50,073,312.62	\$ 45,691,206.53	\$ 45,222,762.81	\$ 42,272,592.05	\$ 39,391,477.51	\$ 43,130,085.88	\$ 44,415,428.17	\$ 44,767,024.63	\$ 44,293,487.00
<b>NET (EXPENSE)REVENUE</b>										
Governmental activities	\$ 770,659.94	\$ 526,066.63	\$ (482,529.08)	\$ 57,070.37	\$ (342,369.81)	\$ (1,340,533.01)	\$ (564,716.98)	\$ (119,116.64)	\$ (128,039.31)	\$ (202,742.00)
Business-type activities	(10,444.09)	(21,935.65)	8,452.78	(5,416.10)	620.89	(18,780.00)	20,966.25	12,610.13	(14,312.47)	(7,755.00)
Total Commission-wide net expense	\$ 760,215.85	\$ 504,130.98	\$ (474,076.30)	\$ 51,654.27	\$ (341,748.92)	\$ (1,359,313.01)	\$ (533,750.73)	\$ (106,506.51)	\$ (142,351.78)	\$ (210,497.00)

UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
CHANGES IN NET POSITION  
UNAUDITED

	2016	2015	2014	2,013.00	2,012.00	2011	2010	2009	2008	2007
<b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION</b>										
Governmental activities:										
Investment earnings	\$ 658,004.54	\$ 598,171.93	\$ 666,055.50	\$ 49,175.44	\$ 56,642.18	\$ 96,986.45	\$ 91,548.18	\$ 204,972.53	\$ 374,476.98	\$ 373,922.00
Miscellaneous income		27,809.35		508,258.96	471,705.47	455,731.00	377,869.67	423,408.15	366,793.16	402,838.00
Cancellation of accounts payable		(30,000.00)					(13,000.00)	(13,000.00)		
Transfers		595,981.28		557,434.40	528,347.65	552,717.45	456,417.85	615,380.68	741,270.14	776,760.00
<b>Total governmental activities</b>	<u>\$ 658,004.54</u>	<u>\$ 595,981.28</u>	<u>\$ 666,055.50</u>	<u>\$ 557,434.40</u>	<u>\$ 528,347.65</u>	<u>\$ 552,717.45</u>	<u>\$ 456,417.85</u>	<u>\$ 615,380.68</u>	<u>\$ 741,270.14</u>	<u>\$ 776,760.00</u>
Business-type activities:										
Miscellaneous income		30,000.00		17.97	1,226.54	4,607.60	1,265.57	2,484.26	1,402.33	
Transfers		30,000.00		17.97	1,226.54	4,607.60	14,265.57	15,484.26	1,402.33	
<b>Total business-type activities</b>		<u>\$ 625,981.28</u>	<u>\$ 666,055.50</u>	<u>\$ 557,452.37</u>	<u>\$ 529,574.19</u>	<u>\$ 557,325.05</u>	<u>\$ 470,683.42</u>	<u>\$ 630,864.94</u>	<u>\$ 742,672.47</u>	<u>\$ 776,760.00</u>
<b>Total Commission-wide</b>	<u>\$ 1,428,664.48</u>	<u>\$ 1,122,047.91</u>	<u>\$ 1,332,111.00</u>	<u>\$ 1,114,886.77</u>	<u>\$ 1,057,921.84</u>	<u>\$ 1,110,042.50</u>	<u>\$ 927,101.27</u>	<u>\$ 1,246,245.62</u>	<u>\$ 1,483,942.61</u>	<u>\$ 1,553,520.00</u>
<b>CHANGE IN NET POSITION</b>										
Governmental activities	\$ (10,444.09)	\$ 8,064.35	\$ 8,452.78	\$ (5,398.13)	\$ (4,189.56)	\$ 5,228.49	\$ (4,514.43)	\$ 36,450.51	\$ 14,012.46	\$ (14,312.47)
Business-type activities	\$ 1,418,220.39	\$ 1,130,112.26	\$ 191,979.20	\$ 609,106.64	\$ 581,228.46	\$ 215,576.13	\$ (888,629.59)	\$ 97,114.21	\$ 636,165.96	\$ 559,705.53
<b>Total Commission</b>	<u>\$ 1,407,776.30</u>	<u>\$ 1,138,176.61</u>	<u>\$ 200,431.98</u>	<u>\$ 603,708.51</u>	<u>\$ 577,038.90</u>	<u>\$ 220,804.62</u>	<u>\$ (893,143.82)</u>	<u>\$ 133,564.72</u>	<u>\$ 650,178.42</u>	<u>\$ 545,393.03</u>

Source: CAFR Schedule A-2

UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
 FUND BALANCES - GOVERNMENTAL FUNDS  
 UNAUDITED

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Fund										
Reserved	\$ 116.00	\$ 166,262.27	\$ 117,053.58	\$ 42,701.63	\$ 56,031.63	\$ 496,360.83	\$ 228,956.31	\$ 184,835.34	\$	\$
Assigned		14,667,797.41	13,521,072.18	13,318,909.59	12,978,885.38	12,287,057.67				
Unassigned	16,469,910.97						13,436,832.46	13,606,980.69	13,074,136.10	12,782,771.00
Unreserved							13,665,788.77	13,791,816.03	13,074,136.10	12,782,771.00
Total general fund	\$ 16,470,026.97	\$ 14,834,059.68	\$ 13,638,125.76	\$ 13,361,611.22	\$ 13,034,917.01	\$ 12,783,418.50	\$ 13,665,788.77	\$ 13,791,816.03	\$ 13,074,136.10	\$ 12,782,771.00
All Other Governmental Funds										
Unreserved, reported in:										
Capital projects fund	\$ 497,359.34	\$ 496,723.89	\$ 496,522.13	\$ 847,279.48	\$ 846,950.42	\$ 435,624.00	\$ 845,811.83	\$ 844,288.45	\$ 833,889.73	\$ 800,503.00
Restricted	\$ 497,359.34	\$ 496,723.89	\$ 496,522.13	\$ 847,279.48	\$ 846,950.42	\$ 435,624.00	\$ 845,811.83	\$ 844,288.45	\$ 833,889.73	\$ 800,503.00

Source: CAFR Schedule B-1

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

	2016	2015	2014	2013	2012
<b>Revenues</b>					
Commission charges	\$ 4,914,516.00	\$ 4,892,913.00	\$ 5,308,290.00	\$ 5,754,697.00	\$ 5,792,202.00
Tuition	18,620,571.64	17,712,696.48	16,595,656.55	16,527,275.28	15,221,068.31
Transportation fees from other lea's	24,645,044.56	23,123,529.92	21,777,847.65	20,646,150.56	19,382,151.32
Miscellaneous	674,715.54	638,310.93	676,108.50	605,425.40	560,945.65
State sources	2,317,135.40	2,015,223.85	1,806,417.76	2,079,879.39	1,684,042.02
<b>Total revenue</b>	<b>51,171,983.14</b>	<b>48,382,674.18</b>	<b>46,164,320.46</b>	<b>45,613,427.63</b>	<b>42,640,409.30</b>
<b>Expenditures</b>					
Instruction					
Regular instruction	10,039,735.00	9,737,654.00	10,367,254.71	10,264,689.00	9,746,035.00
Vocational education		25,880.00	109,649.00	124,250.00	121,324.00
Nonpublic school programs					
Undistributed					
Tuition	502.00	16.00			
Student & instruction related services	3,655,669.00	3,677,426.00	3,758,502.00	3,954,298.00	3,916,129.20
General administrative services	741,096.00	771,745.00	678,263.00	679,670.00	567,667.00
School administrative services	760,779.00	769,536.00	835,040.00	748,961.00	822,148.00
Central services	656,957.00	696,201.00	684,650.00	664,507.00	678,458.00
Plant operations and maintenance	1,181,523.00	1,096,550.00	1,075,545.00	1,079,570.00	985,376.00
Student transportation services	24,173,307.00	22,716,530.00	21,362,366.00	20,235,249.00	19,040,822.00
Unallocated employee benefits	7,291,046.40	6,754,543.85	6,524,961.76	6,431,832.12	5,793,001.67
Principal payment on lease	437,950.00	417,950.00	400,000.00	368,160.00	384,044.00
Capital outlay	97,558.00		3,089.00	40,834.00	9,696.80
Special schools	499,258.00	520,316.00	439,243.00	422,719.00	323,950.00
<b>Total expenditures</b>	<b>49,535,380.40</b>	<b>47,184,347.85</b>	<b>46,238,563.47</b>	<b>45,014,739.12</b>	<b>42,388,651.67</b>
Excess (Deficiency) of revenues over (under) expenditures	1,636,602.74	1,198,326.33	(74,243.01)	598,688.51	251,757.63
<b>Other Financing sources (uses)</b>					
Proceeds from borrowing					
Capital leases (non-budgeted)					
Transfers in					
Transfers out		(30,000.00)		(271,665.02)	
Cancellation of accounts payable		27,809.35			
<b>Total other financing sources (uses)</b>		<b>(2,190.65)</b>		<b>(271,665.02)</b>	
<b>Net change in fund balances</b>	<b>\$ 1,636,602.74</b>	<b>\$ 1,196,135.68</b>	<b>\$ (74,243.01)</b>	<b>\$ 327,023.49</b>	<b>\$ 251,757.63</b>
Debt service as a percentage of noncapital expenditures	0.89%	0.89%	0.87%	0.82%	0.91%

Source: CAFR Schedule B-2



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

	2011	2010	2009	2008	2007
<b>Revenues</b>					
Commission charges	6,308,395.00	6,631,797.00	6,816,308.32	6,784,935.00	6,514,713.00
Tuition	14,219,326.23	14,498,674.45	13,797,815.85	13,191,879.69	13,331,693.00
Transportation fees from other leas	17,318,550.50	20,492,128.95	22,233,934.39	22,774,224.97	22,493,392.00
Miscellaneous	634,880.45	509,379.85	674,675.00	787,042.14	841,641.00
State sources	1,306,477.07	1,285,422.26	1,355,471.00	1,812,590.09	1,746,101.00
Federal sources					
<b>Total revenue</b>	<b>39,787,629.25</b>	<b>43,417,402.51</b>	<b>44,878,204.56</b>	<b>45,350,671.89</b>	<b>44,927,540.00</b>
<b>Expenditures</b>					
Instruction					
Regular instruction	9,941,533.80	10,571,299.83	9,574,973.59	8,822,753.88	6,454,703.00
Vocational education	141,286.00	137,922.00	234,090.00	266,481.03	245,620.00
Nonpublic school programs					2,234,534.00
Undistributed					
Tuition					
Student & instruction related services					
General administrative services	3,965,500.00	3,930,872.00	4,269,185.02	4,258,473.90	3,398,404.00
School administrative services	569,963.00	594,303.00	546,346.00	555,722.10	1,069,467.00
Central services	895,227.00	869,194.00	856,891.00	862,395.32	982,903.00
Administrative information technology	683,147.00	690,428.00	593,784.00	622,442.75	632,441.00
Plant operations and maintenance					
Student transportation services	970,982.00	988,518.00	982,245.00	1,327,068.20	1,736,212.00
Unallocated employee benefits	17,172,553.00	19,802,771.00	21,765,851.00	22,343,299.40	21,964,604.00
Principal payment on lease	5,392,607.07	5,105,739.26	4,553,294.30	393,971.33	387,736.00
Capital outlay	309,540.00	289,540.00	341,528.00	238,900.19	262,118.00
Special schools	253,366.20	120,229.30	123,089.00	5,025,498.61	4,844,205.00
Interest & other charges	373,415.00	428,090.00	295,849.00	308,913.35	208,979.00
<b>Total expenditures</b>	<b>40,669,120.07</b>	<b>43,528,906.39</b>	<b>44,137,125.91</b>	<b>45,025,920.06</b>	<b>44,421,926.00</b>
Excess (Deficiency) of revenues over (under) expenditures	(881,490.82)	(111,503.88)	741,078.65	324,751.83	505,614.00
<b>Other Financing sources (uses)</b>					
Proceeds from borrowing					
Capital leases (non-budgeted)					
Transfers in					
Transfers out		(13,000.00)	(13,000.00)		
Repayment under bond refinancing					
<b>Total other financing sources (uses)</b>		<b>(13,000.00)</b>	<b>(13,000.00)</b>		
<b>Net change in fund balances</b>	<b>(881,490.82) \$</b>	<b>(124,503.88) \$</b>	<b>728,078.65 \$</b>	<b>324,751.83 \$</b>	<b>505,614.00</b>
Debt service as a percentage of noncapital expenditures	0.77%	0.67%	0.78%	0.70%	0.47%

Source: CAFR Schedule B-2

UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
GENERAL FUND OTHER MISCELLANEOUS REVENUE BY SOURCE  
UNAUDITED

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>County</u> <u>Support</u>	<u>Commission</u> <u>Charges</u>	<u>Insurance</u> <u>Dividend/</u> <u>Refund</u>	<u>Refund Prior</u> <u>Year</u> <u>Expenditures</u>	<u>Membership</u> <u>Fees</u>	<u>Miscellaneous</u>	<u>Total</u>
2016	\$ 70,000.00	\$ 95,518.68	\$	\$	19,111.73	472,738.68	657,369.09
2015	70,000.00	85,448.42			17,895.00	424,626.75	665,844.05
2014	70,000.00	154,833.90			17,661.20	423,348.95	557,105.34
2013	70,000.00	147,826.74			17,473.70	321,804.90	528,088.51
2012	70,000.00	145,192.61			34,457.91	278,437.99	481,184.00
2011	70,000.00	118,938.45				292,245.55	417,831.67
2010	70,000.00	114,213.05			24,912.70	208,705.92	469,702.47
2009	70,000.00	159,659.95			13,071.20	226,971.32	412,565.16
2008	70,000.00	137,751.30			13,102.40	191,711.46	456,838.00
2007	70,000.00	255,852.00	9,846.00	68,980.00	17,748.00	34,412.00	484,769.00

Source: Commission Records

UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
SCHOOL BUILDING INFORMATION  
UNAUDITED

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>Commission Building</u>										
<u>Elementary</u>										
Crossroad (2001)	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000
Square Feet	66	66	66	66	66	66	66	66	66	66
Capacity (students)	50	48	45	51	50	46	51	55	49	50
Enrollment										
<u>Westlake (1997)</u>										
Square Feet	25,650	25,650	25,650	25,650	25,650	25,650	25,650	25,650	25,650	38,666
Capacity (students)	225	225	225	225	225	225	225	225	225	252
Enrollment	69	74	78	73	75	77	81	84	86	88
<u>High School</u>										
Lamberts Mill Academy(Beadleston) (1997)	17,670	17,670	17,670	17,670	17,670	17,670	17,670	17,670	17,670	19,334
Square Feet	72	72	72	72	72	72	72	72	72	72
Capacity (students)	56	56	54	48	61	58	64	53	65	52
Enrollment										
Hillcrest Academy - South (2005)	13,680	13,680	13,680	13,680	13,680	13,680	13,680	13,680	13,680	13,680
Square Feet	108	96	160	160	160	160	160	160	160	160
Capacity (students)	106	84	80	59	72	80	80	80	80	54
Enrollment										
Hillcrest Academy - North (Building is Leased)	10,200	10,200	10,200	10,200	10,200	10,200	10,200	10,200	10,200	10,200
Square Feet	96	90	100	100	100	100	100	100	100	100
Capacity (students)	92	83	79	69	69	75	75	75	75	75
Enrollment										

Number of Schools at June 30, 2016

- Elementary = 2
- Middle School = 0
- Senior High School = 3
- Other = 0

Source: Commission 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 Commission count.

UNION COUNTY EDUCATIONAL SERVICES COMMISSION  
INSURANCE SCHEDULE  
JUNE 30, 2015  
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
General Insurance		
Diploma Joint Insurance		
Blanket real and personal property	\$25,308,785.00	\$5,000.00
Electronic Data Processing	Included in Limit	5,000.00
Automobile	5,000,000.00	1,000.00
General Liability	5,000,000.00	
Umbrella - Diploma Joint Insurance fund	5,000,000.00	
Excess Liability		
Firemens Fund CAP	50,000,000.00	
Educators Legal Liability		
Diploma Joint Insurance fund	5,000,000.00	5,000.00
Officials Bonds-		
CSN Continental Casualty Co.		
Board Secretary/Business Administrator	320,000.00	
Public Officials Bond:- Crime Policy		
Diploma Joint Insurance fund		
Per Person	500,000.00	1,000.00
Per Loss	500,000.00	1,000.00
Public Employee Dishonesty Bond		
Workmens Compensation		
Diploma Joint Insurance fund	NJ Statutory	
Hospital Professional Liability-		
Princeton Insurance Company:		
Per Occurrence	2,000,000.00	5,000.00
Aggregate	4,000,000.00	
Employee Dishonesty	400,000.00	

Source: Commission records.

**SINGLE AUDIT SECTION**



**SUPLEE, CLOONEY & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS

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

Telephone 908-789-9300

Fax 908-789-8535

E-mail info@scnco.com

**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 Education  
Union County Educational Services Commission  
County of Union  
Westfield, New Jersey 07090

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 Union 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 17, 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 Union County Educational Services Commission 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*. However we noted an instance of noncompliance that we have reported to the Board of Education of the Union County Educational Services Commission in a separate Auditor's Management Report on Administrative Findings – Financial and Compliance dated November 17, 2016.

## ***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. 948

November 17, 2016



**SUPLEE, CLOONEY & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS

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

Telephone 908-789-9300

Fax 908-789-8535

E-mail [info@senco.com](mailto:info@senco.com)

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO MAJOR  
STATE FINANCIAL ASSISTANCE PROGRAMS AND  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH NEW JERSEY OMB CIRCULAR 15-08**

Honorable President and Members  
of the Board of Education  
Union County Educational Services Commission  
County of Union  
Westfield, New Jersey 07090

***Report on Compliance for Each Major State Program***

We have audited the Union County Educational Services Commission compliance with the types of compliance requirements described in the New Jersey *OMB State Grant Compliance Supplement* that could have a direct and material effect on each of the Union County Educational Services Commission major state programs for the year ended June 30, 2016. The Commission's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Union County Educational Services Commission major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and New Jersey *OMB 15-08*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Union County Educational Services Commission compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.



## SUPLEE, CLOONEY & COMPANY

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

### ***Opinion on Each Major State Program***

In our opinion, the Union County Educational Services Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2016.

### ***Report on Internal Control Over Compliance***

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

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

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

**SUPLEE, CLOONEY & COMPANY**

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

  
\_\_\_\_\_  
CERTIFIED PUBLIC ACCOUNTANTS

November 17, 2016

  
\_\_\_\_\_  
PUBLIC SCHOOL ACCOUNTANT NO. 93

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

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT OR STATE PROJECT NUMBER	FEDERAL AWARD I.D. NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE AT JUNE 30, 2015	CASH RECEIPTS	BUDGETARY EXPENDITURES	SUBRECIPIENT BUDGETARY EXPENDITURES	(ACCOUNTS RECEIVABLE)	BALANCE AT JUNE 30, 2016	DUE TO GRANTOR
Enterprise Funds												
U.S. Department of Agriculture												
Passed-Through State Department of Education:												
Child Nutrition Cluster												
National School Lunch Program	10.555	N/A	16161NJ.1N1099	7/1/15 - 6/30/16	\$112,028.26		\$90,219.18					
National School Lunch Program	10.555	N/A	16161NJ.1N1099	7/1/14 - 6/30/15	106,808.76	(\$19,967.09)	19,967.09	(\$112,028.26)		(\$21,809.08)		
National Food Distribution Program	10.555	N/A	16161NJ.1N1099	7/1/15 - 6/30/16	12,353.81		12,353.81				\$814.59	
National Food Distribution Program	10.555	N/A	16161NJ.1N1099	7/1/14 - 6/30/15	\$1,164.21	560.36		(11,539.22)				
National School Breakfast Program	10.553	N/A	16161NJ.1N1099	7/1/15 - 6/30/16	59,408.68		47,755.29	(560.36)		(\$11,653.39)		
National School Breakfast Program	10.553	N/A	16161NJ.1N1099	7/1/14 - 6/30/15	53,815.88	(10,513.87)	10,513.87	(59,408.68)				
Total Child Nutrition Cluster						(29,920.60)	180,809.24	(183,536.52)		(33,462.47)	814.59	
Total U.S. Department of Agriculture						(29,920.60)	180,809.24	(183,536.52)		(33,462.47)	814.59	
Total Expenditures of Federal Awards						(\$29,920.60)	\$180,809.24	(\$183,536.52)		(\$33,462.47)	\$814.59	

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

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

STATE GRANT/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE AT JUNE 30, 2015	CARRYOVER AMOUNT	CASH RECEIPTS	BUDGETARY EXPENDITURES	ADJUSTMENT/ REPAYMENT OF PRIOR YEARS BALANCES	BALANCE AT JUNE 30, 2016		MEMO	
									(ACCOUNTS RECEIVABLE)	UNEARNED REVENUE	DUE TO GRANTOR	BUDGETARY RECEIVABLE
State Department of Education General Funds:												
On-behalf TPAF pension	16-495-034-5094-002	7/1/15- 6/30/16	\$676,243.00			\$676,243.00	(\$676,243.00)					
On-behalf TPAF non-contributory insurance	16-495-034-5094-004	7/1/15- 6/30/16	33,686.00			33,686.00	(33,686.00)					
On-behalf TPAF post retirement medical	16-495-034-5094-001	7/1/15- 6/30/16	845,329.00			845,329.00	(845,329.00)					
Reimbursed TPAF social security contributions	16-495-034-5095-003	7/1/15- 6/30/16	623,903.40			593,418.07	(623,903.40)					\$623,903.40
Reimbursed TPAF social security contributions	15-495-034-5095-003	7/1/14- 6/30/15	616,410.85	(\$29,603.14)		29,603.14						616,410.85
Total General Funds				(29,603.14)		2,178,279.21	(2,179,161.40)		(30,485.33)			1,240,314.25
Special Revenue Fund:												
Passed Through State Department of Children & Families DYFS Day Treatment	10CCXM	7/1/15- 6/30/16	137,974.00			137,974.00	(137,974.00)					137,974.00
Total Special Revenue Fund						137,974.00	(137,974.00)					137,974.00
Enterprise Fund:												
National School Lunch Program (state share)	16-100-010-3360-067	7/1/15- 6/30/16	2,146.52	(396.18)		1,730.84	(2,146.52)		(415.68)			2,146.52
National School Lunch Program (state share)	15-100-010-3360-067	7/1/14- 6/30/15	2,139.07	(396.18)		396.18						
Total Enterprise Fund				(396.18)		2,127.02	(2,146.52)		(415.68)			2,146.52
Total Expenditures of State Financial Assistance Subject to OMB 15-08				(\$29,999.32)		\$2,318,380.23	(\$2,319,281.92)		(\$30,901.01)			\$1,380,434.77
Less: On-Behalf amounts not utilized for determination of Major Programs:												
On-behalf TPAF pension		7/1/15- 6/30/16	\$676,243.00			676,243.00	(676,243.00)					
On-behalf TPAF non-contributory insurance		7/1/15- 6/30/16	33,686.00			33,686.00	(33,686.00)					
On-behalf TPAF post retirement medical		7/1/15- 6/30/16	845,329.00			845,329.00	(845,329.00)					
Total State Financial Assistance Subject to Single Audit						\$763,122.23	(\$764,023.92)					

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

**Union 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 Union 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 District'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 District 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 with the exception of the revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes, that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payment in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas GAAP basis does not. The special revenue fund also recognizes the last state aid payment in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

**Union 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)**

There is no adjustment to reconcile from the budgetary basis to the GAAP basis. 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		\$2,179,161.34	\$2,179,161.34
Special Revenue Fund		137,974.00	137,974.00
Food Service Fund	<u>\$183,536.52</u>	<u>2,146.52</u>	<u>185,683.04</u>
Total Awards & Financial Assistance	<u><u>\$183,536.52</u></u>	<u><u>\$2,319,281.86</u></u>	<u><u>\$2,502,818.38</u></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**

Revenues and expenditures reported in the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF pension contributions represents the amount paid by the state on behalf of the district 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.

**Union 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)**

- |  |   |                |                         |  |                     |  |
|--|---|----------------|-------------------------|--|---------------------|--|
| (1)                                      | Internal Control Over Major State Programs:   |                |                         |  |                     |  |
|  | (a) Material weakness identified?   | No             |                         |  |                     |  |
|  | (a) Significant deficiencies identified that are not considered to be material weaknesses?  | No             |                         |  |                     |  |
| (2)                                      | Type of Auditor’s Report issued on compliance for major state program(s)?   | Unmodified     |                         |  |                     |  |
| (3)                                      | Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 15-08?   | No             |                         |  |                     |  |
| (4)                                      | Identification of Major State Program(s):   |                |                         |  |                     |  |
|  | <table border="0" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;"><u>Program</u></td> <td style="text-align: center;"><u>Grant<br/>Number</u></td> </tr> <tr> <td style="text-align: center;">Reimbursed TPAF<br/>Social Security Cont.</td> <td style="text-align: center;">16-495-034-5095-002</td> </tr> </table> | <u>Program</u> | <u>Grant<br/>Number</u> | Reimbursed TPAF<br>Social Security Cont. | 16-495-034-5095-002 |  |
| <u>Program</u>                           | <u>Grant<br/>Number</u>   |                |                         |  |                     |  |
| Reimbursed TPAF<br>Social Security Cont. | 16-495-034-5095-002   |                |                         |  |                     |  |
| (5)                                      | Program Threshold Determination:<br>Type A State Program Threshold > \$750,000.00<br>Type B State Program Threshold <= \$750,000.00   |                |                         |  |                     |  |
| (6)                                      | Auditee qualified as a low-risk auditee?  | Yes            |                         |  |                     |  |

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

**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 – Not Applicable

State Programs – None Reported



**Union County Educational Services Commission**

**Schedule of Prior Year Audit Findings**

Not Applicable



