

**CAMDEN COUNTY  
EDUCATIONAL SERVICES COMMISSION**



**CLEMENTON, NEW JERSEY**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2017**

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## **INTRODUCTORY SECTION**



CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION  
225 WHITE HORSE AVENUE  
CLEMENTON, NEW JERSEY 08021  
856-784-2100  
[www.camdenesc.org](http://www.camdenesc.org)

W. Patrick Madden  
School Business Administrator/  
Board Secretary

November 13, 2017

Honorable President and Members of the  
Camden County Educational Services Commission  
County of Camden  
State of New Jersey

Dear Board of Directors:

The comprehensive annual financial report of the Camden County Educational Services Commission for the fiscal year ended June 30, 2017 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 Camden County Educational Services Commission. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Commission. All disclosures necessary to enable the reader to gain an understanding of the Commission's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical, and single audit. The introductory section includes this transmittal letter, the Commission's organizational chart and a list of principal officials. The financial section includes the financial statements and schedules, as well as the auditor's report therein. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The Commission is required to undergo an annual single audit in conformity with the provisions of the State of New Jersey Circular 15-08 OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations are included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICE: Camden County Educational Services Commission is an independent reporting entity within the criteria adopted by the GASB as established by NCGA statement No. 3. All funds of the Commission are included in this report. The Camden County Educational Services Commission and all of its programs and services constitute the Commissions reported entity.

The Commission provides specific educational services appropriate to member districts requests for private and public students in grade levels K through 12. These services include transportation, special education and non-public services. Students transported attend summer, vocational, private, and special education schools. Non-Public and special services were provided in the following areas: compensatory education, ESL, speech, child study evaluations, home instruction, supplemental instruction, occupational therapy, and physical therapy. The Commission also provides the educational program at the Camden County Juvenile Detention Center.

<u>YEAR</u>	<u>TRANSPORTATION</u>	PL 192/193 <u>NON-PUBLIC AND SPECIAL SERVICES</u>
2016-2017	12,076 students	7,074 students / 155,850 services
2015-2016	11,075 students	6,124 students / 121,758 services
2014-2015	10,582 students	6,013 students / 47,723 services

2. ECONOMIC CONDITION AND OUTLOOK: The recent history of reduced funding for public education by the state and increased restrictions on fund balance have forced school districts to find creative and more cost effective ways to meet their obligations. In response, the Camden County Educational Services Commission continues to expand and seek opportunities to assist member districts. By coordinating and providing efficient programs and services at the county-level, school districts are relieved of the associated administrative burdens and realize cost savings that reduce local property taxes. The Commission continues to form partnerships and build relationships where stakeholders routinely look to the Commission for assistance in fulfilling their mission to educate the youth of Camden County.
3. MAJOR INITIATIVES: Since its inception in 1979, coordinated transportation services and non-public school programs have dominated the Commission's activities.

On July 1, 2013 the Commission embarked on a shared services plan with the Camden City School District to coordinate all of its transportation services. The impact on revenue and operations at the Commission was significant. The revenue growth to the Commission from 2013 to 2014 for transportation grew from \$13.6 million to \$24.3 million. In the 2014-2015 school year transportation revenue grew to \$27.3 million. In the 2015-2016 school year transportation revenue grew to \$30.03 million.



This shared service agreement continues to be a main source of revenue for the Commission, with transportation revenue for the year ending June 30, 2017 of \$34.78 million, an increase of 15% over the prior year.

The Commission continually looks to improve efficiencies and processes through the use of information technologies. In order to increase productivity, limit customer service disruptions and provide for disaster recovery, the Commission analyzes and upgrades its network infrastructure on a regular basis. These upgrades are necessary to meet the growing customer demands and the added staff necessary for scaling to operational efficiency.

Future growth is important to the viability of the Commission. As such, the growth plan must include strategies to decrease exposure to revenue concentration by developing alternative service offers. In order to execute on these strategies, new service offers may be fulfilled by direct services, purchased services, or strategic partnerships. The current growth plan targets expansion in Purchased Services, expansion of the commissions Cooperative Pricing System and establishing a comprehensive Transition Program for county students.

4. INTERNAL ACCOUNTING CONTROLS: The management of the Commission is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Commission are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of state financial assistance, the Commission is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the Commission management.

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as reappropriation of fund balance in the subsequent year. Those amounts to be reappropriated are reported as assignments of fund balance on June 30, 2017.

6. ACCOUNTING SYSTEM AND REPORTS: The Commission's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standard Board (GASB). The accounting system of the Commission is organized on the basis of funds. These funds are explained in "Notes to the Financial Statements", Note 1.
7. CASH MANAGEMENT: The investment policy of the Commission is guided in large part by state statute as detailed in "Notes to Financial Statements", Note 2. The Commission has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.
8. RISK MANAGEMENT: The Commission carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.
9. INDEPENDENT AUDIT: State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Bowman & Company LLP has been selected by the Board of Directors to conduct our audit. In addition to meeting the requirements of the State of New Jersey Circular 15-08 OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, the auditor's report on the financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

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

Respectfully submitted,

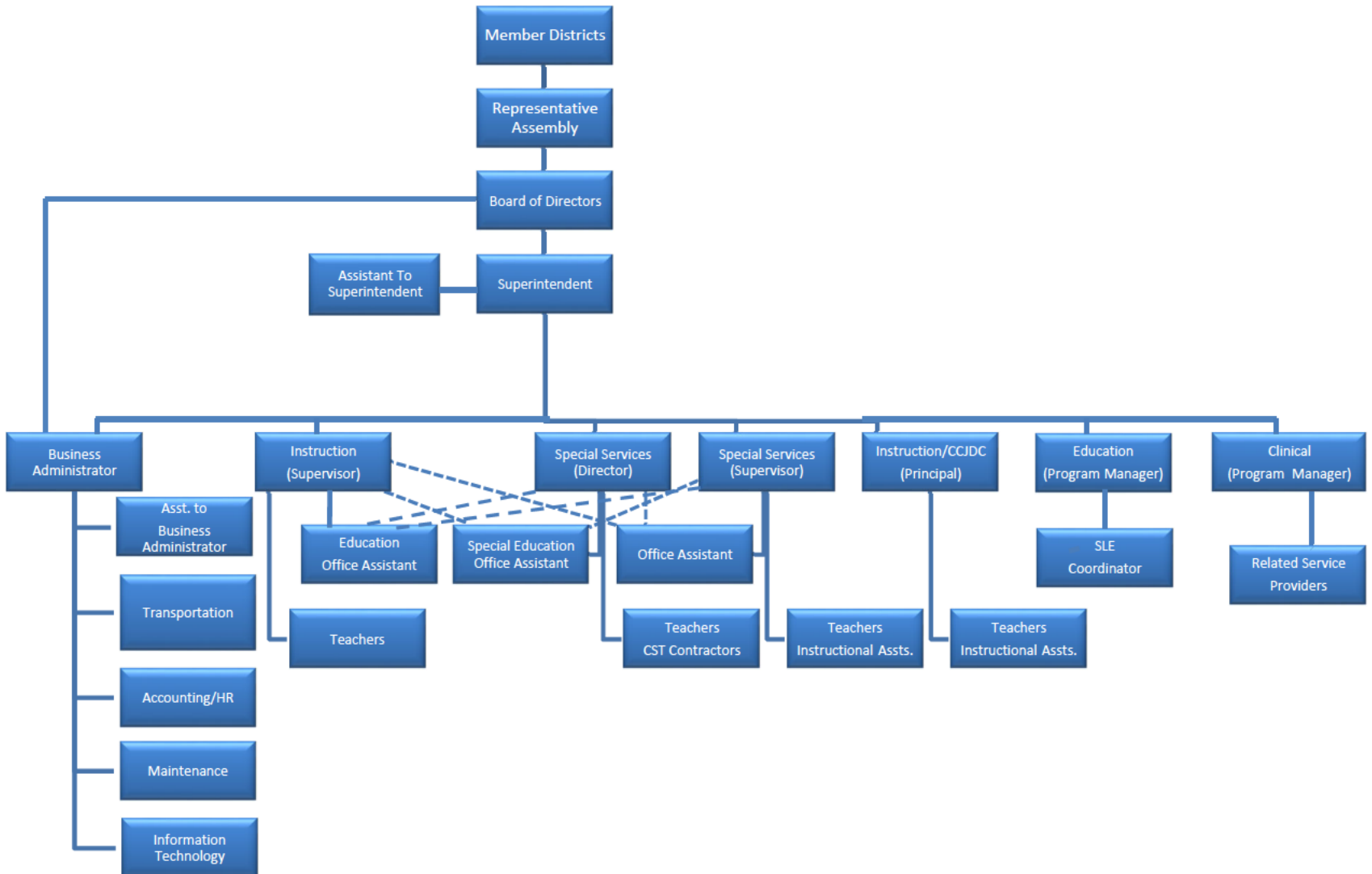


Daniel Del Vecchio  
Superintendent



W. Patrick Madden  
Business Administrator /  
Board Secretary

# Camden County Educational Services Commission Organization Chart



**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION  
CLEMENTON, NJ**

Roster of Officials

June 30, 2017

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<u>Members of the Board of Directors</u>	<u>District</u>	<u>Term Expires</u>
Joyce A. Miller	Gibbsboro	2018
Doris Walsh	Laurel Springs	2018
Jennifer Storer	Black Horse Pike Regional	2018
Kathy Judge	Cherry Hill	2018
Allison Cox	Audubon	2018
Dr. Richard Teichman	Eastern Regional	2018
Mary Ann Johnson	Gloucester Township	2018
Rebecca Ammen	Magnolia	2018
Alethia Gibbs-Smith	Lindenwold	2018
Brian Davis	Berlin Township	2018
Michelle Goshaw	Berlin Borough	2018
Christopher McKelvey	Clementon	2018
Lois Parker	Pine Hill	2018
Dr. Richard Perry	Haddonfield	2018
Charles Buchhein	Runnemede	2018
 <u>Officers</u>		
Joyce A. Miller, President		2018
Doris Walsh, Vice President		2018
Dr. Richard Teichman, Treasurer		2018
 <u>Other Officials</u>		
Daniel Del Vecchio , Superintendent		
W. Patrick Madden, Business Administrator / Board Secretary		
Robert Muccilli, Attorney		

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION  
CLEMENTON, NJ**

Consultants and Advisors

June 30, 2017

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Auditor

L. Jarred Corn, CPA, RMA, PSA  
Bowman & Company LLP  
601 White Horse Road  
Voorhees, New Jersey 08043-2493

Solicitor/Negotiator

Robert A. Muccilli  
Capehart & Scatchard  
8000 Midlantic Drive, Suite 300S  
Mt. Laurel, New Jersey 08054

Health Insurance Broker/Insurance Risk Manager

Brown and Brown Consulting Group  
24 Arnett Avenue Suite 110  
Lambertville, New Jersey 08530

Hardenbergh Insurance Group  
8000 Sagemore Drive Suite 8101  
Marlton, New Jersey 08053

Architect

Garrison Architects  
713 Creek Road  
Bellmawr, New Jersey 08031

**FINANCIAL SECTION**

## **INDEPENDENT AUDITOR'S REPORT**

The Honorable President and  
Members of the Board of Directors  
Camden County Educational Services Commission  
Clementon, New Jersey 08021

### **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 Camden County Educational Services Commission, in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2017, 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to 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 Camden County Educational Services Commission, in the County of Camden, State of New Jersey, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.



**Other Matters***Required Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Camden County Educational Services Commission's basic financial statements. The introductory section, combining statements and related major fund supporting statements and schedules, statistical section, and schedule of expenditures of federal awards are presented for purposes of additional analysis, as required by the Division of Administration and Finance, Department of Education, State of New Jersey, and are not a required part of the basic financial statements. The accompanying schedule of expenditures of state financial assistance, as required by State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2017, on our consideration of the Camden County Educational Services Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Camden County Educational Services Commission's internal control over financial reporting and compliance.

Respectfully submitted,

*BOWMAN & COMPANY LLP*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

*L. Jarred Corn*

L. Jarred Corn  
Certified Public Accountant  
Public School Accountant No. CS 00219700

Voorhees, New Jersey  
November 13, 2017

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

**INDEPENDENT AUDITOR'S REPORT**

The Honorable President and  
Members of the Board of Directors  
Camden County Educational Services Commission  
Clementon, New Jersey 08021

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Camden County Educational Services Commission, in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated November 13, 2017.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 Camden County Educational Services 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*, and audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey.

**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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey, and federal and state awarding agencies and pass-through entities, in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

*BOWMAN & COMPANY LLP*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

*L. Jarred Corn*

L. Jarred Corn  
Certified Public Accountant  
Public School Accountant No. CS 00219700

Voorhees, New Jersey  
November 13, 2017

**REQUIRED SUPPLEMENTARY INFORMATION**  
**PART I**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

## CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
(Unaudited)

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As management of the Camden County Educational Services Commission (hereafter referred to as the "Commission"), we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the Commission's financial performance as a whole; readers should also review the information furnished in our letter of transmittal, notes to the basic financial statements, and financial statements to enhance their understanding of the Commission's financial performance.

### FINANCIAL HIGHLIGHTS

- The net position of the Commission, which represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources, totaled \$7,718,319.78 at the close of the current fiscal year. Of this amount, \$15,816.19 represents net position of governmental activities and \$7,702,503.59 for business-type activities.
- The Commission's total lease purchase agreement decreased by \$161,691.55 as a result of budgeted payments in the enterprise services fund.

### USING THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT

This comprehensive annual financial report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the Commission as a whole and present a longer-term view of the Commission's finances. Fund financial statements for the governmental activities tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Commission's operations in more detail than the government-wide statements by providing information about the Commission's most significant funds.

#### Reporting the Commission as a Whole

One of the most important questions asked about the Commission's finances is, "Is the Commission as a whole better off or worse off as a result of the fiscal year's activities?" The statement of net position and the statement of activities report information about the Commission as a whole and about its activities in a way that helps answer this question. These statements include *all* assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current fiscal year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Commission's *net position* and changes in it. You can think of the Commission's net position - which represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources - as one way to measure the Commission's financial health, or *financial position*. Over time, *increases or decreases* in the Commission's net position is one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as the condition of the Commission's capital assets, to assess the *overall health* of the Commission.

In the statement of net position and the statement of activities, we divide the Commission into two kinds of activities, those being governmental activities and business-type activities. In the governmental activities, this is where all of the Commission's basic services are reported and are supported from intergovernmental revenues. The business-type activities of the Commission include enterprise funds and are supported from user fees and charges.

## CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
(Unaudited)

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### USING COMPREHENSIVE ANNUAL FINANCIAL REPORT (CONT'D)

#### Reporting the Commission's Most Significant Funds

The fund financial statements provide detailed information about the most significant funds, not the Commission as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Commission can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

*Governmental funds* - governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The Commission maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, special revenue fund, capital projects fund, and debt service fund, which are all considered to be major funds.

The Commission adopts an annual budget for its general fund, special revenue fund, and debt service fund, if required. Budgetary comparison schedules have been provided to demonstrate compliance with these budgets.

*Proprietary Funds* - The Commission maintains one type of proprietary fund; that being an enterprise fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Commission uses enterprise funds to account for its user fees and charges related to transportation services, nonpublic auxiliary and handicapped services, related services, internet connect program, etc.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the enterprise services and internet connect program, which both are considered to be major funds.

*Fiduciary Funds* - fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Commission's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

*Notes to the Financial Statements* - the notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
(Unaudited)

**THE COMMISSION AS A WHOLE**

During fiscal year 2017, the Commission's net position increased by \$425,679.70, increasing from \$7,292,640.08 in fiscal year 2016 to \$7,718,319.78 in fiscal year 2017. Our analysis that follows focuses on the net position (Table 1) and changes in net position (Table 2) of the Commission's governmental-type activities and business-type activities.

<b>TABLE 1 NET POSITION</b>								
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Government-wide Totals</u>		<u>Government-wide</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>% Change</u>
Current and Other Assets	\$ 284,248.78	\$ 1,683.72	\$ 9,288,094.14	\$ 7,741,401.09	\$ 9,572,342.92	\$ 7,743,084.81	\$ 1,829,258.11	23.6%
Capital Assets	18,238.41	26,142.79	3,745,250.80	3,809,104.62	3,763,489.21	3,835,247.41	(71,758.20)	-1.9%
Total Assets	<u>302,487.19</u>	<u>27,826.51</u>	<u>13,033,344.94</u>	<u>11,550,505.71</u>	<u>13,335,832.13</u>	<u>11,578,332.22</u>	<u>1,757,499.91</u>	<u>15.2%</u>
Deferred Outflows of Resources	-	-	2,317,783.00	1,092,624.00	2,317,783.00	1,092,624.00	1,225,159.00	112.1%
Other Liabilities	284,248.78	1,683.72	1,296,477.45	563,202.53	1,580,726.23	564,886.25	1,015,839.98	179.8%
Long-Term Liabilities Outstanding	2,422.22	3,098.89	6,352,146.90	4,756,256.00	6,354,569.12	4,759,354.89	1,595,214.23	33.5%
Total Liabilities	<u>286,671.00</u>	<u>4,782.61</u>	<u>7,648,624.35</u>	<u>5,319,458.53</u>	<u>7,935,295.35</u>	<u>5,324,241.14</u>	<u>2,611,054.21</u>	<u>49.0%</u>
Deferred Inflows of Resources	-	-	-	54,075.00	-	54,075.00	(54,075.00)	-100.0%
Net Investment in Capital Assets	18,238.41	26,142.79	2,620,124.20	2,522,286.47	2,638,362.61	2,548,429.26	89,933.35	3.5%
Unrestricted (Deficit)	(2,422.22)	(3,098.89)	5,082,379.39	4,747,309.71	5,079,957.17	4,744,210.82	335,746.35	-7.1%
Total Net Position	<u>\$ 15,816.19</u>	<u>\$ 23,043.90</u>	<u>\$ 7,702,503.59</u>	<u>\$ 7,269,596.18</u>	<u>\$ 7,718,319.78</u>	<u>\$ 7,292,640.08</u>	<u>\$ 425,679.70</u>	<u>5.8%</u>

In total, assets increased by \$1,757,499.91, deferred outflows of resources increased by \$1,225,159.00, liabilities increased by \$2,611,054.21, and deferred inflows of resources decreased by \$54,075.00. The increase in assets was primarily attributable to an increase in accounts receivable at fiscal year-end, a direct result of the positive \$425,679.70 change in net position. The net increase in deferred outflows of resources, the net increase in liabilities, and the decrease in deferred inflows of resources, were primarily attributable to the changes in the Commission's pension liabilities. See note 6 in the notes to the financial statements for further detail regarding pension related balances.

Thirty-four percent (34%), or \$2,638,362.61, of the Commission's total net position at the end of the current fiscal year reflects its net investment in capital assets (i.e., land, buildings, equipment). This component represents capital assets, net of accumulated depreciation, and net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets. The Commission uses these assets to provide educational services to students and other services to local school districts; consequently, these assets are not available for future spending. Although the Commission's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from sources since the capital assets themselves cannot be used to liquidate these liabilities.

The final component of net position is unrestricted. This component represents resources and uses that do not meet the criteria of the aforementioned component of net position. At the end of the current fiscal year, the Commission's unrestricted net position was \$5,079,957.17. Unrestricted fund balance is decreased by the recording of long-term liabilities for lease purchase agreement, compensated absences, and net pension liability. Such long-term liabilities are funded by the Commission on a pay-as-you-go basis. See note 5 in the notes to the financial statements for further detail regarding long-term liabilities.



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**THE COMMISSION AS A WHOLE (CONT'D)**

Table 2 below illustrates the changes in net position of the Commission's governmental-type activities and business-type activities.

TABLE 2 CHANGES IN NET POSITION								
	Governmental Activities		Business-Type Activities		Government-wide Totals		Government-wide	
	2017	2016	2017	2016	2017	2016	Change	% Change
<b>REVENUES:</b>								
Program Revenues:								
Charges for Services	\$ 839,021.83	\$ 771,735.71	\$ 43,898,132.28	\$ 38,073,907.62	\$ 44,737,154.11	\$ 38,845,643.33	\$ 5,891,510.78	15.2%
Operating Grants and Contributions	664,786.17	543,850.68	2,369,257.88	1,774,741.51	3,034,044.05	2,318,592.19	715,451.86	30.9%
Capital Grants and Contributions		7,890.95				7,890.95	(7,890.95)	-100.0%
General Revenues:								
Miscellaneous		23.21	16,165.88	16,790.55	16,165.88	16,813.76	(647.88)	-3.9%
<b>Total Revenues</b>	<b>1,503,808.00</b>	<b>1,323,500.55</b>	<b>46,283,556.04</b>	<b>39,865,439.68</b>	<b>47,787,364.04</b>	<b>41,188,940.23</b>	<b>6,598,423.81</b>	<b>16.0%</b>
<b>EXPENSES:</b>								
Instruction	702,111.87	683,891.56			702,111.87	683,891.56	18,220.31	2.7%
Support Services	808,923.84	635,253.22			808,923.84	635,253.22	173,670.62	27.3%
Enterprise Funds			45,850,648.63	39,455,410.79	45,850,648.63	39,455,410.79	6,395,237.84	16.2%
<b>Total Expenses</b>	<b>1,511,035.71</b>	<b>1,319,144.78</b>	<b>45,850,648.63</b>	<b>39,455,410.79</b>	<b>47,361,684.34</b>	<b>40,774,555.57</b>	<b>6,587,128.77</b>	<b>16.2%</b>
Change in Net Position before Transfers	(7,227.71)	4,355.77	432,907.41	410,028.89	425,679.70	414,384.66	<b>\$ 11,295.04</b>	2.7%
Transfers	-	(6,511,839.73)	-	6,511,839.73	-	-		
Change in Net Position after Transfers	(7,227.71)	(6,507,483.96)	432,907.41	6,921,868.62	425,679.70	414,384.66		
Net Position, July 1	23,043.90	6,530,527.86	7,269,596.18	347,727.56	7,292,640.08	6,878,255.42		
Net Position, June 30	<b>\$ 15,816.19</b>	<b>\$ 23,043.90</b>	<b>\$ 7,702,503.59</b>	<b>\$ 7,269,596.18</b>	<b>\$ 7,718,319.78</b>	<b>\$ 7,292,640.08</b>		

During fiscal year 2017, the Commission's total revenues increased by \$6,598,423.81, increasing from \$41,188,940.23 in fiscal year 2016 to \$47,787,364.04 in fiscal year 2017. The net change in total revenues is largely attributable to the following:

- charges for services - transportation increased from fiscal year 2016 by \$4,754,794.31, or 16%
- charges for services - related services increased from fiscal year 2016 by \$499,032.44, or 45%
- charges for services - nonpublic auxiliary and handicapped services increased from fiscal year 2016 by \$361,764.42 or 8%
- tuition revenue increased from fiscal year 2016 by \$67,286.12 or 9%

Transportation charges constituted approximately seventy-three percent (73%) of total revenues for the Commission for the fiscal year 2017. In addition, nonpublic auxiliary and handicapped services constituted approximately eleven percent (11%) of total revenues for the Commission. Lastly, other charges for services, operating grants and contributions, interest and investment earnings, and miscellaneous income constituted approximately sixteen percent (16%) of total revenues for the Commission.

## CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION

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### THE COMMISSION AS A WHOLE (CONT'D)

During fiscal year 2017, the Commission's total expenses increased by \$6,587,128.77, increasing from \$40,774,555.57 in fiscal year 2016 to \$47,361,684.34 in fiscal year 2017. The net increase is largely attributable to the following:

- an increase in transportation costs for support services in the amount of \$4,486,791.88, or 15%, attributable to increase in transportation billings
- an increase in salaries in the amount of \$955,060.13, or 15%, attributable to an increase in related service billings and internet connect program billings
- on-behalf payments made by the State for T.P.A.F. pension contributions increased from fiscal year 2016 by \$568,702.07 or 32%

### THE COMMISSION'S FUNDS

#### Governmental Funds

*General fund* - The general fund is the general operating fund of the Commission and is used to account for the inflows and outflows of its financial resources. The acquisition of certain capital assets, such as equipment, is accounted for in the general fund when it is responsible for the financing of such expenditures. At the end of the current fiscal year, the general fund did not have unassigned fund balance.

During the current fiscal year, the Commission's revenue increased by \$80,053.34. The primary factor affecting the increase in revenue of the general fund is as follows:

- tuition revenues increased from fiscal year 2016 by \$67,286.12, or 9%

*Special revenue fund* - The special revenue fund is used to account for and report the proceeds of specific revenue sources, such as state or federal government grants, that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. At the end of the current fiscal year, no fund balance existed in the special revenue fund.

*Capital projects fund* - The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of major capital facilities, other than those financed by the proprietary funds. Generally, the financial resources of the capital projects fund are derived from the issuance of debt. There was no activity in the capital projects fund during the fiscal year ended June 30, 2017.

*Debt service fund* - The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. There was no activity in the debt service fund during the fiscal year ended June 30, 2017.

#### Proprietary Funds

*Enterprise services fund* - as the Commission completed the fiscal year, the Commission's total net position of the enterprise services fund was \$7,702,503.59, which was comprised of \$2,620,124.20 of net investment in capital assets and unrestricted net position in the amount of \$5,082,379.39.

During the current fiscal year, the net position of the Commission's enterprise fund increased by \$432,907.41. The increase is primarily due to the increase in charges for services.

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**

Management's Discussion and Analysis  
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(Unaudited)

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**THE COMMISSION'S FUNDS (CONT'D)**

Proprietary Funds (Cont'd)

*Internet connect program fund* - as the Commission completed the fiscal year, the fund did not have net position because the enterprise services fund transferred \$61,760.76 of equity during the fiscal year to cover the start-up costs of the program.

General Fund Budgetary Highlights

The Commission had no budget modifications during the fiscal year ended June 30, 2017.

The final budgetary basis revenue estimate was \$913,869.00, which remained unchanged from the original budgeted estimate. Total budgeted revenues realized equaled \$986,549.05, which was \$72,680.05 in excess of the budget estimate. This excess was directly attributable to the increase in the Commission's reimbursed T.P.A.F. pension contributions and reimbursed T.P.A.F. social security contributions, which totaled \$100,609.34, and \$46,917.88, respectively. In addition, the amount realized for tuition from other LEAs within the State was less than the amount anticipated by \$74,847.17.

The final budgetary basis expenditure appropriation estimate was \$913,869.00, which remained unchanged from the original budgeted estimate. Actual expenditures incurred of \$986,549.05 were over the final budget estimate by \$72,680.05, directly a result of the expenditures related to the aforementioned reimbursed T.P.A.F. pension contributions and reimbursed T.P.A.F. social security contributions, which totaled \$100,609.34, and \$46,917.88, respectively.

Special Revenue Fund Budgetary Highlights

The final budgetary basis revenue estimate was \$318,087.00, which remained unchanged from the original budgeted estimate. Likewise, this was the same for the final budgetary basis appropriation estimate.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital Assets

The Commission's net investment in capital assets for its governmental and business-type activities as of June 30, 2017 amounts to a historical cost of \$6,141,456.48, or \$3,763,489.21 net of accumulated depreciation (see Table 3). This net investment in capital assets includes land, land improvements, buildings and building improvements, machinery and equipment, and vehicles. Net capital assets decreased by \$71,758.20 in fiscal year 2017 from fiscal year 2016. The primary factors affecting the net change in net capital assets are as follows:

- current year depreciation expense was \$179,069.59
- capital asset additions in the amount of \$110,158.06 which comprised a passenger school bus with a historical cost of \$51,437.17, a camera security system with a historical cost of \$42,128.00, and other miscellaneous items with a historical cost of \$16,592.89

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
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**CAPITAL ASSET AND DEBT ADMINISTRATION (CONT'D)**

Capital Assets (Cont'd)

<b>TABLE 3 CAPITAL ASSETS AT FISCAL YEAR END (NET OF ACCUMULATED DEPRECIATION)</b>						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Government-wide Totals</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land			\$ 291,900.00	\$ 291,900.00	\$ 291,900.00	\$ 291,900.00
Land Improvements			3,977.94	10,444.24	3,977.94	10,444.24
Buildings and Building Improvements			3,219,852.91	3,337,580.40	3,219,852.91	3,337,580.40
Machinery and Equipment	\$ 18,238.41	\$ 26,142.79	136,637.76	94,367.27	154,876.17	120,510.06
Vehicles			92,882.19	74,812.71	92,882.19	74,812.71
<b>Total</b>	<u><u>\$ 18,238.41</u></u>	<u><u>\$ 26,142.79</u></u>	<u><u>\$ 3,745,250.80</u></u>	<u><u>\$ 3,809,104.62</u></u>	<u><u>\$ 3,763,489.21</u></u>	<u><u>\$ 3,835,247.41</u></u>

Additional information on the Commission's capital assets can be found in note 4.

**Debt**

*Lease Purchase Agreement.* At the end of the current fiscal year, the Commission had a lease purchase agreement outstanding in the amount of \$1,125,126.60. The annual principal payment during the fiscal year 2017 was \$161,691.55 (refer to audit exhibit I-2, schedule of lease purchase agreement payable - business-type activities, for more detail).

*Net Pension Liability.* The Commission's annual required contribution to the Public Employees' Retirement System are paid on an annual basis. For additional details on the net pension liability, see note 6 to the financial statements.

*Compensated Absences.* At the end of the current fiscal year, the liability for compensated absences was \$81,399.52. Compensated absences are those absences for which employees will be paid, such as sick leave. Additional information on compensated absences can be found in note 11 to the financial statements.

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

For the fiscal year 2017, the Commission was able to sustain its budget through transportation fees, tuition, federal and state sources, and other various revenue sources. The Commission will continue to grow and develop services based upon the needs of its member districts. Any future programs offered will be the direct result of cooperation between its member districts and the Commission.

**CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the Camden County Educational Services Commission's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Patrick Madden, Business Administrator, at the Camden County Educational Services Commission, 225 White Horse Avenue, Clementon, New Jersey 08021.

## **BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

## CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION

## Statement of Net Position

June 30, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS:</b>			
Cash and Cash Equivalents		\$ 35,176.19	\$ 35,176.19
Accounts Receivable	\$ 284,248.78	9,252,917.95	9,537,166.73
Capital Assets, net	18,238.41	3,745,250.80	3,763,489.21
Total Assets	<u>302,487.19</u>	<u>13,033,344.94</u>	<u>13,335,832.13</u>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>			
Related to Pension		<u>2,317,783.00</u>	<u>2,317,783.00</u>
<b>LIABILITIES:</b>			
Deficit in Cash and Cash Equivalents	200,341.22	1,031,629.69	1,231,970.91
Accounts Payable	83,702.20	242,335.63	326,037.83
Accrued Wages	205.36	595.75	801.11
Accrued Interest Payable		21,916.38	21,916.38
Noncurrent Liabilities:			
Due within One Year	651.38	188,653.12	189,304.50
Due beyond One Year	1,770.84	6,163,493.78	6,165,264.62
Total Liabilities	<u>286,671.00</u>	<u>7,648,624.35</u>	<u>7,935,295.35</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	18,238.41	2,620,124.20	2,638,362.61
Unrestricted (Deficit)	<u>(2,422.22)</u>	<u>5,082,379.39</u>	<u>5,079,957.17</u>
Total Net Position	<u>\$ 15,816.19</u>	<u>\$ 7,702,503.59</u>	<u>\$ 7,718,319.78</u>

The accompanying notes to financial statements are an integral part of this statement.

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
Statement of Activities  
For the Fiscal Year Ended June 30, 2017

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities:						
Instruction:						
Regular	\$ 702,111.87	\$ 839,021.83	\$ 133,259.00	\$ 270,168.96		\$ 270,168.96
Support Services:						
Student and Instruction Related Services	191,941.65		179,037.27	(12,904.38)		(12,904.38)
School Administrative Services	119,028.85			(119,028.85)		(119,028.85)
Personal Services - Employee Benefits	497,953.34		352,489.90	(145,463.44)		(145,463.44)
Total Governmental Activities	<u>1,511,035.71</u>	<u>839,021.83</u>	<u>664,786.17</u>	<u>(7,227.71)</u>	<u>-</u>	<u>(7,227.71)</u>
Business-Type Activities:						
Enterprise Services	45,575,521.87	43,684,766.28	2,369,257.88		\$ 478,502.29	478,502.29
Internet Connect Program	275,126.76	213,366.00			(61,760.76)	(61,760.76)
Total Business-Type Activities	<u>45,850,648.63</u>	<u>43,898,132.28</u>	<u>2,369,257.88</u>	<u>-</u>	<u>416,741.53</u>	<u>416,741.53</u>
Total Government	<u>\$ 47,361,684.34</u>	<u>\$ 44,737,154.11</u>	<u>\$ 3,034,044.05</u>	<u>(7,227.71)</u>	<u>416,741.53</u>	<u>409,513.82</u>
General Revenues:						
Miscellaneous					16,165.88	16,165.88
Total General Revenues				<u>-</u>	<u>16,165.88</u>	<u>16,165.88</u>
Change in Net Position				(7,227.71)	432,907.41	425,679.70
Net Position, July 1				23,043.90	7,269,596.18	7,292,640.08
Net Position, June 30				<u>\$ 15,816.19</u>	<u>\$ 7,702,503.59</u>	<u>\$ 7,718,319.78</u>

The accompanying notes to financial statements are an integral part of this statement.



**FUND FINANCIAL STATEMENTS**

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
 Governmental Funds  
 Balance Sheet  
 June 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>					
Intergovernmental Accounts Receivable:					
Federal		\$ 134,982.27			\$ 134,982.27
State	\$ 2,178.05				2,178.05
Other	147,088.46				147,088.46
	<u>147,088.46</u>	<u>134,982.27</u>	<u>-</u>	<u>-</u>	<u>284,248.78</u>
Total Assets	<u>\$ 149,266.51</u>	<u>\$ 134,982.27</u>	<u>-</u>	<u>-</u>	<u>\$ 284,248.78</u>
<b>LIABILITIES AND FUND BALANCES:</b>					
Liabilities:					
Deficit in Cash and Cash Equivalents	\$ 147,633.25	\$ 52,707.97			\$ 200,341.22
Interfund Account Payable:					
Fiduciary Funds	1,585.63	96.14			1,681.77
Intergovernmental Accounts Payable:					
Federal	1.53	14.18			15.71
Other	26.10	10,328.00			10,354.10
Accounts Payable		71,650.62			71,650.62
Accrued Wages	20.00	185.36			205.36
	<u>149,266.51</u>	<u>134,982.27</u>	<u>-</u>	<u>-</u>	<u>284,248.78</u>
Total Liabilities	<u>149,266.51</u>	<u>134,982.27</u>	<u>-</u>	<u>-</u>	<u>284,248.78</u>
Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 149,266.51</u>	<u>\$ 134,982.27</u>	<u>-</u>	<u>-</u>	

(Continued)

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**

Governmental Funds

Balance Sheet

June 30, 2017

Total  
Governmental  
Funds

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$71,484.90, and the accumulated depreciation is \$53,246.49.

\$ 18,238.41

Long-term liabilities, including compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds.

(2,422.22)

Net Position of Governmental Activities

\$ 15,816.19

The accompanying notes to financial statements are an integral part of this statement.

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
 Governmental Funds  
 Statement of Revenues, Expenditures, and Changes in Fund Balances  
 For the Fiscal Year Ended June 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>					
Tuition from Other LEAs within the State	\$ 839,021.83				\$ 839,021.83
Federal Sources		\$ 312,296.27			312,296.27
State Sources	<u>147,527.22</u>				<u>147,527.22</u>
Total Revenues	<u>986,549.05</u>	<u>312,296.27</u>	<u>-</u>	<u>-</u>	<u>1,298,845.32</u>
<b>EXPENDITURES:</b>					
<b>Current:</b>					
Regular Instruction	569,522.39	133,259.00			702,781.39
Support Services and Undistributed Costs:					
Student and Instruction Related Services	5,000.00	179,037.27			184,037.27
School Administrative Services	119,036.00				119,036.00
Personal Services - Employee Benefits	<u>292,990.66</u>				<u>292,990.66</u>
Total Expenditures	<u>986,549.05</u>	<u>312,296.27</u>	<u>-</u>	<u>-</u>	<u>1,298,845.32</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	-	-	-
Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, June 30	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**CAMDEN 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, 2017

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Governmental Funds	-
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.</p>	
Depreciation Expense	\$ (7,904.38)
<p>In the statement of activities, certain operating expenses, (e.g., compensated absences) are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). This amount is the net effect of these differences in the treatment of these items.</p>	
	<u>676.67</u>
Change in Net Position of Governmental Activities	<u><u>\$ (7,227.71)</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
 Proprietary Funds  
 Business-Type Activities - Enterprise Funds  
 Statements of Net Position  
 June 30, 2017

	<u>Enterprise Services</u>	<u>Internet Connect Program</u>
<b>ASSETS:</b>		
Current Assets:		
Cash and Cash Equivalents		\$ 35,176.19
Intergovernmental Accounts Receivable:		
State	\$ 15,123.97	
Other	9,236,293.98	1,500.00
Total Current Assets	<u>9,251,417.95</u>	<u>36,676.19</u>
Noncurrent Assets:		
Capital Assets	6,069,971.58	
Less: Accumulated Depreciation	<u>(2,324,720.78)</u>	
Total Capital Assets (Net of Accumulated Depreciation)	<u>3,745,250.80</u>	<u>-</u>
Total Noncurrent Assets	<u>3,745,250.80</u>	<u>-</u>
Total Assets	<u>12,996,668.75</u>	<u>36,676.19</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Related to Pensions	<u>2,317,783.00</u>	<u>-</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
Deficit in Cash and Cash Equivalents	1,031,629.69	
Interfund Accounts Payable:		
Fiduciary Fund	3,053.53	163.02
Intergovernmental Accounts Payable:		
Federal	45.56	
Other	160.00	
Accounts Payable	202,400.35	36,513.17
Accrued Wages	595.75	
Accrued Interest Payable	21,916.38	
Compensated Absences Payable	20,089.68	
Lease Purchase Agreement Payable	<u>168,563.44</u>	
Total Current Liabilities	<u>1,448,454.38</u>	<u>36,676.19</u>

(Continued)

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
 Proprietary Funds  
 Business-Type Activities - Enterprise Funds  
 Statements of Net Position  
 June 30, 2017

	<u>Enterprise Services</u>	<u>Internet Connect Program</u>
LIABILITIES (CONT'D):		
Noncurrent Liabilities:		
Compensated Absences Payable	\$ 58,887.62	
Lease Purchase Agreement Payable	956,563.16	
Net Pension Liability	<u>5,148,043.00</u>	
Total Noncurrent Liabilities	<u>6,163,493.78</u>	<u>-</u>
Total Liabilities	<u>7,611,948.16</u>	<u>\$ 36,676.19</u>
NET POSITION:		
Net Investment in Capital Assets	2,620,124.20	
Unrestricted	<u>5,082,379.39</u>	
Total Net Position	<u>\$ 7,702,503.59</u>	<u>-</u>

The accompanying notes to financial statements are an integral part of these statements.

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
 Proprietary Funds  
 Business-Type Activities - Enterprise Funds  
 Statements of Revenues, Expenses, and Changes in Fund Net Position  
 For the Fiscal Year Ended June 30, 2017

	<u>Enterprise Services</u>	<u>Internet Connect Program</u>
<b>OPERATING REVENUES:</b>		
Charges for Services:		
Transportation Services	\$ 34,783,730.38	
Nonpublic Auxiliary and Handicapped Services	5,145,560.08	
Related Services	1,599,048.92	
Educational Services	1,403,448.17	
Child Study Team Evaluations	515,972.14	
Home Instruction Services	91,266.00	
Transition Services	78,192.00	
Nursing Services	54,323.12	
Cooperative Purchasing Services	13,225.47	
Internet Connect Program		\$ 213,366.00
General:		
Miscellaneous	16,165.88	
Total Operating Revenues	43,700,932.16	213,366.00
<b>OPERATING EXPENSES:</b>		
Personnel Services - Salaries	6,276,063.72	58,439.52
Personnel Services - Employee Benefits	4,400,803.12	9,860.27
Purchased Professional and Technical Services	1,349,769.22	
Purchased Property Services	11,870.64	
Other Purchased Services	33,106,458.10	206,826.97
Supplies and Materials	183,961.04	
Depreciation	171,165.21	
Miscellaneous Expenditures	19,874.48	
Other Objects	1,169.84	
Total Operating Expenses	45,521,135.37	275,126.76
Operating Income (Loss)	(1,820,203.21)	(61,760.76)
<b>NONOPERATING REVENUES (EXPENSES):</b>		
State Sources:		
On-Behalf T.P.A.F. Pension Contributions - Normal Cost	1,736,615.70	
On-Behalf T.P.A.F. Pension Contributions - Post-Retirement Medical	305,340.42	
On-Behalf T.P.A.F. Pension Contributions - Long-Term Disability Insurance	1,512.93	
Reimbursed T.P.A.F. Social Security Contributions	325,788.83	
Interest Expense	(51,539.83)	
Loss on Disposal of Capital Assets	(2,846.67)	
Total Nonoperating Revenues (Expenses)	2,314,871.38	-

(Continued)



**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
 Proprietary Funds  
 Business-Type Activities - Enterprise Funds  
 Statements of Revenues, Expenses, and Changes in Fund Net Position  
 For the Fiscal Year Ended June 30, 2017

	<u>Enterprise Services</u>	<u>Internet Connect Program</u>
Income (Loss) before Transfers	\$ 494,668.17	\$ (61,760.76)
TRANSFERS:		
Equity Transfer	<u>(61,760.76)</u>	<u>61,760.76</u>
Change in Net Position	432,907.41	-
Net Position, July 1	<u>7,269,596.18</u>	<u>-</u>
Net Position, June 30	<u><u>\$ 7,702,503.59</u></u>	<u><u>-</u></u>

The accompanying notes to financial statements are an integral part of these statements.

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
 Proprietary Funds  
 Business-Type Activities - Enterprise Funds  
 Statements of Cash Flows  
 For the Fiscal Year Ended June 30, 2017

	<u>Enterprise Services</u>	<u>Internet Connect Program</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from Customers and Users	\$ 41,476,579.57	\$ 211,866.00
Payments to Suppliers	(34,748,759.71)	(170,313.80)
Payments to Employees	(6,582,537.86)	(58,439.52)
Payments for Employee Benefits	(3,872,068.03)	(9,697.25)
Net Cash Provided by (Used for) Operating Activities	<u>(3,726,786.03)</u>	<u>(26,584.57)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
State Sources	2,436,507.01	
Transfer from / (to) Governmental Activities Fund	274,475.38	
Transfer from / (to) Special Revenue Fund	45,765.58	
Transfer from / (to) Enterprise Fund	(61,760.76)	61,760.76
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>2,694,987.21</u>	<u>61,760.76</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchases of Capital Assets	(110,158.06)	
Principal Paid on Lease Purchase Debt	(161,691.55)	
Interest Paid on Lease Purchase Debt	(54,689.45)	
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(326,539.06)</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,358,337.88)	35,176.19
Cash and Cash Equivalents, July 1	326,708.19	
Cash and Cash Equivalents (Deficit), June 30	<u>\$ (1,031,629.69)</u>	<u>\$ 35,176.19</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)</b>		
by Operating Activities:		
Operating Income (Loss)	\$ (1,820,203.21)	\$ (61,760.76)
Adjustments to Reconcile Operating Income (Loss) to Net Cash		
Provided by (Used for) Operating Activities:		
Depreciation	171,165.21	
(Increase) Decrease in Interfund Accounts Receivable	(125.83)	
(Increase) Decrease in Intergovernmental Accounts Receivable	(2,224,226.76)	(1,500.00)
Increase (Decrease) in Intergovernmental Accounts Payable	2,348.70	163.02
Increase (Decrease) in Accounts Payable	(52,859.09)	36,513.17
Increase (Decrease) in Accrued Wages	(281,233.50)	
Increase (Decrease) in Compensated Absences Payable	(27,171.55)	
Increase (Decrease) in Net Pension Liability	505,520.00	
Net Cash Provided by (Used for) Operating Activities	<u>\$ (3,726,786.03)</u>	<u>\$ (26,584.57)</u>

The accompanying notes to financial statements are an integral part of these statements.

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
 Fiduciary Funds  
 Statement of Fiduciary Net Position  
 June 30, 2017

	Private-Purpose Trust Funds	Agency Funds
	<u>Flexible Benefits Trust</u>	<u>Payroll</u>
<b>ASSETS:</b>		
Cash and Cash Equivalents	\$ 16,452.05	\$ 14,240.40
Interfund Accounts Receivable:		
General Fund	1,236.75	348.88
Special Revenue Fund		96.14
Enterprise Services Fund		3,066.54
Internet Connect Program Fund		163.02
	<u>17,688.80</u>	<u>\$ 17,914.98</u>
<b>Total Assets</b>	<u>17,688.80</u>	<u>\$ 17,914.98</u>
<b>LIABILITIES:</b>		
Interfund Accounts Payable:		
Enterprise Services Fund	13.01	
Payroll Deductions and Withholdings		\$ 17,914.98
	<u>13.01</u>	<u>\$ 17,914.98</u>
<b>Total Liabilities</b>	<u>13.01</u>	<u>\$ 17,914.98</u>
<b>NET POSITION:</b>		
Held in Trust for Other Purposes	<u>\$ 17,675.79</u>	

The accompanying notes to financial statements are an integral part of this statement.

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
 Fiduciary Funds  
 Statement of Changes in Fiduciary Fund Net Position  
 For the Fiscal Year Ended June 30, 2017

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	<u>Private-Purpose Trust Funds</u>
	<u>Flexible Benefits Trust</u>
ADDITIONS:	
Contributions:	
Employee	\$ 36,209.68
Total Additions	<u>36,209.68</u>
DEDUCTIONS:	
Claims	<u>37,309.30</u>
Total Deductions	<u>37,309.30</u>
Change in Net Position	(1,099.62)
Net Position, July 1	<u>18,775.41</u>
Net Position, June 30	<u><u>\$ 17,675.79</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**

Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2017

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

The financial statements of the Camden County Educational Services Commission (the "Commission") have been prepared to conform with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of these policies.

**Description of the Financial Reporting Entity**

The Commission is a local educational agency organized pursuant to the rules and regulations of the Department of Education of the State of New Jersey. The Commission is located in the Borough of Clementon, County of Camden, State of New Jersey. The purpose of the Commission is to provide educational and administrative services and programs for local school districts located within Camden County. The Commission functions independently through a Board of Directors. The Board is comprised of fifteen members selected to a one-year term at the annual reorganization meeting of the Member Districts. The Superintendent is appointed by the Board to act as executive officer of the Commission.

The primary criterion for including activities within the Commission's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board *Codification of Governmental Accounting and Financial Reporting Standards*, is the degree of oversight responsibility maintained by the Commission. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the Commission over which the Board exercises operating control.

**Component Units**

In evaluating how to define the Commission for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and / or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Component Units (Cont'd)**

Based upon the application of these criteria, the Commission has no component units.

**Government-wide and Fund Financial Statements**

The Commission's basic financial statements consist of government-wide statements, and fund financial statements which provide a more detailed level of financial information.

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. It is the policy of the Commission to not allocate indirect expenses to functions in the statement of activities. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

In regards to the fund financial statements, the Commission segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Fund financial statements report detailed information about the Commission. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a single column. Fiduciary funds are reported by fund type.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are deemed both available and measurable. Available means when revenues are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal year. Measurable means that the amount of revenue can be determined. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Tuition, reimbursable-type grants, and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the Commission.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)**

The Commission reports the following major governmental funds:

**General Fund** - The general fund is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment 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. Accounting principles generally accepted in the United States of America, as they pertain to governmental entities, state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from tuition fees, other revenues, and appropriated fund balance. Expenditures are those which 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.

**Special Revenue Fund** - The special revenue fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

**Capital Projects Fund** - The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets, other than those financed by proprietary funds. The financial resources are derived from New Jersey Economic Development Authority grants, temporary notes, serial bonds, or from the general fund by way of transfers from capital outlay or the capital reserve account.

**Debt Service Fund** - The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

Proprietary funds are used to account for the Commission's ongoing organizations and activities, which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All items not meeting this definition are reported as nonoperating revenues and expenses.

The Commission reports the following major proprietary funds:

**Enterprise Funds**

**Enterprise Services Fund** - This fund accounts for the financial activity related to contracting with private schools to provide services under Chapters 192 and 193 of the Laws of 1977, Auxiliary Services for Non-Public Pupils. Students from various Camden County districts, as well as some districts from adjacent counties, receive one or more of the following services as needed: compensatory education, English as a second language, examination and classification, speech correction, home instruction, and supplemental instruction. In addition, this fund accounts for the financial activity related to contracting with schools for other various services, such as transportation.

**Internet Connect Program Fund** - This fund accounts for the financial activity related to providing internet services to school districts from a period of April to June 2017. This was the result of another provider going out of business and the Commission assuming the contract for the remainder of the school year in order to avoid impairment of normal operations of various school districts.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)**

Fiduciary funds are used to account for assets held by the Commission on behalf of outside related organizations or on behalf of other funds within the Commission. The fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

The Commission maintains the following fiduciary funds:

***Agency Funds*** - Agency funds are used to account for assets held by the Commission in a trustee capacity or as an agent for individuals, private organizations, other governments, and / or other funds (i.e., payroll). The Commission retains no equity interest in these funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Commission maintains one agency fund, that being for payroll.

***Private-Purpose Trust Funds*** - Private-purpose trust funds are used to account for the principal and income for all other trust arrangements that benefit individuals, private organizations, or other governments. The Commission maintains the following private-purpose trust fund:

***Flexible Benefits Trust Fund*** - Revenues consist of volunteer pre-tax employee payroll withholdings for the purpose of paying for qualified medical expenses, and interest income. Expenditures represent reimbursements to employees for qualified medical expenses.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

**Budgets / Budgetary Control**

Annual appropriated budgets are prepared in the spring of each fiscal year for the general, special revenue, and debt service funds (if necessary), and are submitted to the county office of education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23A-16.2(f)1. Transfers of appropriations may be made by resolution at any time during the fiscal year in accordance with N.J.A.C. 6A:23A-13.3.

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



**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Budgets / Budgetary Control (Cont'd)**

The budget, as detailed on exhibit C-1 and C-2 include all amendments to the adopted budget, if any.

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting, as presented in the general fund budgetary comparison schedule and the special revenue fund budgetary comparison schedule, to the GAAP basis of accounting as presented in the statement of revenues, expenditures and changes in fund balances - governmental funds. Note that the Commission does not report encumbrances outstanding at fiscal year-end as expenditures in the general fund since the general fund budget follows the modified accrual basis of accounting.

**Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to assign a portion of the applicable appropriation, is utilized for budgetary control purposes. Encumbrances are a component of fund balance 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 governmental funds, other than the special revenue fund, which have not been previously restricted, committed, or assigned, should be included within committed or assigned fund balance, as appropriate.

Open encumbrances in the special revenue fund, however, for which the Commission has received advances of grant awards, are reflected on 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.

**Cash, Cash Equivalents and Investments**

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

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

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Transportation Fees from Other LEAs Receivable**

Transportation fees from other LEAs ("local education agency") were established by the Commission based on actual costs plus an administrative fee approved by the Board of Directors.

**Tuition Receivable**

Tuition charges for the fiscal year ended June 30, 2017 were based on the number of students serviced times the state allotments awarded to the sending school district for students.

**Prepaid Expenses**

Prepaid expenses recorded on the government-wide financial statements and in the proprietary fund types represent payments made to vendors for services that will benefit periods beyond June 30, 2017. The Commission had no prepaid expenses for the fiscal year ended June 30, 2017.

In the governmental fund financial statements, however, payments for prepaid items are fully recognized as expenditures in the fiscal year of payment. No asset for the prepayment is created, and no expenditure allocation to future accounting periods is required (*non-allocation method*). This is consistent with the basic governmental concept that only expendable financial resources are reported by a specific fund.

**Short-Term Interfund Receivables / Payables**

Short-term interfund receivables / payables (internal balances) represent amounts that are owed, other than charges for goods or services rendered to / from a particular fund within the Commission, and that are due within one year. Such balances are eliminated in the statement of net position to minimize the grossing up of internal balances, thus leaving a net amount due between the governmental and business-type activities that are eliminated in the total government column. Balances with fiduciary activities are not considered to be internal balances; therefore, such balances appear on the statement of net position as accounts receivable.

**Capital Assets**

Capital assets represent the cumulative amount of capital assets owned by the Commission. Purchased capital assets are recorded as expenditures in the governmental fund financial statements and are capitalized at cost on the government-wide statement of net position and proprietary fund statement of net position. In the case of gifts or contributions, such capital assets are recorded at acquisition value at the time received.

The Commission's capitalization threshold is \$2,000.00. Other costs incurred for repairs and maintenance is expensed as incurred. All reported capital assets, except land and construction in progress, are depreciated.

Depreciation is computed using the straight-line method over the following estimated useful lives:

<b><u>Description</u></b>	<b><u>Estimated Lives</u></b>
Land Improvements	20 Years
Buildings and Building Improvements	7 - 50 Years
Machinery and Equipment	5 - 30 Years
Vehicles	8 Years

The Commission does not possess any infrastructure assets.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Deferred Outflows and Deferred Inflows of Resources**

The statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, reported after total assets, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reported after total liabilities, represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

Transactions are classified as deferred outflows of resources and deferred inflows of resources only when specifically prescribed by the Governmental Accounting Standards Board (GASB) standards. The Commission is required to report the following as deferred outflows of resources and deferred inflows of resources:

**Defined Benefit Pension Plans** - The difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the Commission's proportion of expenses and liabilities to the pension as a whole, differences between the Commission's pension contribution and its proportionate share of contributions, and the Commission's pension contributions subsequent to the pension valuation measurement date.

**Unearned Revenue**

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and is recorded as a liability until the revenue is both measurable and the Commission is eligible to realize the revenue.

**Accrued Salaries and Wages**

The Commission has accrued wages of \$801.11 recorded as a result of hours worked during the last week of the fiscal year that were paid subsequent to June 30, 2017.

**Compensated Absences**

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

The Commission uses the vesting method to calculate the compensated absences amount. The entire compensated absence liability, including the employer's share of applicable taxes, is reported on the government-wide financial statements. The portion related to employees in the proprietary funds is recorded at the fund level. The current portion is the amount estimated to be used in the following fiscal year. Expenditures are recognized in the governmental funds as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner, and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Long-term debt is recognized as a liability on the governmental fund financial statements when due.

**Pensions**

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 Teachers' Pension and Annuity Fund ("TPAF") and the Public Employees' Retirement System ("PERS"), and additions to/deductions from TPAF's and PERS's fiduciary net position have been determined on the same basis as they are reported by the plans. 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.

**Net Position**

Net position represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified into the following three components:

***Net Investment in Capital Assets*** - This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets.

***Restricted*** - 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.

***Unrestricted*** - Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

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

**Fund Balance**

The Commission reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the Commission is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The Commission's classifications, and policies for determining such classifications, are as follows:

***Nonspendable*** - The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Fund Balance (Cont'd)**

**Restricted** - The restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources either by being (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

**Committed** - The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Commission's highest level of decision-making authority, which, for the Commission, is the Board of Directors. Such formal action consists of an affirmative vote by the Board of Directors, memorialized by the adoption of a resolution. Once committed, amounts cannot be used for any other purpose unless the Board of Directors removes, or changes, the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

**Assigned** - The assigned fund balance classification includes amounts that are constrained by the Commission's *intent* to be used for specific purposes, but are neither restricted nor committed. *Intent* is expressed by either the Board of Directors or by the business administrator, to which the Board of Directors has delegated the authority to assign amounts to be used for specific purposes. Such authority of the business administrator is established by way of a formal job description for the position and standard operating procedures, approved by the Board of Directors.

**Unassigned** - The unassigned fund balance classification 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 is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, it is the policy of the Commission to spend restricted fund balances first. Moreover, when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, it is the policy of the Commission to spend fund balances, if appropriate, in the following order: committed, assigned, then unassigned.

**Interfund Activity**

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures / expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources / uses in governmental funds and after non-operating revenues / expenses in proprietary funds. Reimbursements from funds responsible for particular expenditures / expenses to the funds that initially paid for them are not presented on the financial statements.

**Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Impact of Recently Issued Accounting Principles****Recently Issued and Adopted Accounting Pronouncements**

The Commission implemented the following GASB Statements for the fiscal year ended June 30, 2017:

Statement No. 80, *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The adoption of this Statement had no impact on the basic financial statements of the Commission.

Statement No. 82, *Pension Issues and amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The adoption of this Statement did not have a significant impact on the basic financial statements of the Commission.

**Note 2: CASH AND CASH EQUIVALENTS**

**Custodial Credit Risk Related to Deposits** - Custodial credit risk is the risk that, in the event of a bank failure, the Commission's deposits might not be recovered. Although the Commission does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Commission in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled agency funds such as salary withholdings or funds that may pass to the Commission relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized.

As of June 30, 2017, the Commission's bank balances of \$2,886,206.94 were exposed to custodial credit risk as follows:

Insured by FDIC and GUDPA	\$ 2,886,206.94
Uninsured and Uncollateralized	<u>-</u>
Total	<u>\$ 2,886,206.94</u>

**Note 3: ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2017 consisted of reimbursements and intergovernmental awards / grants as well as charges for transportation, tuition, nonpublic auxiliary and handicapped service, and other various services. All receivables are considered collectible in full due to the stable condition of federal and state programs and the regulated budgetary control of governmental entities in New Jersey.

Accounts receivable as of fiscal year end for the Commission's individual major and fiduciary funds, in the aggregate, are as follows:

<u>Description</u>	<u>Governmental Funds</u>			<u>Proprietary Funds</u>			<u>Total</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Activities</u>	<u>Enterprise Service Fund</u>	<u>Internet Connect Program Fund</u>	<u>Total Business-Type Activities</u>	
Federal Awards		\$ 134,982.27	\$ 134,982.27				\$ 134,982.27
State Awards	\$ 2,178.05		2,178.05	\$ 15,123.97		\$ 15,123.97	17,302.02
Intergovernmental	147,088.46		147,088.46	9,236,293.98	\$ 1,500.00	9,237,793.98	9,384,882.44
	<u>\$ 149,266.51</u>	<u>\$ 134,982.27</u>	<u>\$ 284,248.78</u>	<u>\$ 9,251,417.95</u>	<u>\$ 1,500.00</u>	<u>\$ 9,252,917.95</u>	<u>\$ 9,537,166.73</u>

**Note 4: CAPITAL ASSETS**

Capital asset activity for governmental activities for the fiscal year ended June 30, 2017 is as follows:

	<u>Balance July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2017</u>
<b>Governmental Activities:</b>				
Capital Assets, being Depreciated:				
Machinery and Equipment	\$ 71,484.90			\$ 71,484.90
Total Capital Assets, being Depreciated	71,484.90	-	-	71,484.90
Total Capital Assets, Cost	71,484.90	-	-	71,484.90
Less Accumulated Depreciation for:				
Machinery and Equipment	(45,342.11)	\$ (7,904.38)		(53,246.49)
Total Accumulated Depreciation	(45,342.11)	(7,904.38)	-	(53,246.49)
Total Capital Assets, being Depreciated, Net	26,142.79	(7,904.38)	-	18,238.41
Governmental Activities Capital Assets, Net	<u>\$ 26,142.79</u>	<u>\$ (7,904.38)</u>	<u>-</u>	<u>\$ 18,238.41</u>

**Note 4: CAPITAL ASSETS (CONT'D)**

Capital asset activity for business-type activities for the fiscal year ended June 30, 2017 is as follows:

	<u>Balance July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2017</u>
<b>Business-Type Activities:</b>				
Capital Assets, not being Depreciated:				
Land	\$ 291,900.00			\$ 291,900.00
Total Capital Assets, not being Depreciated	291,900.00	-	-	291,900.00
Capital Assets, being Depreciated:				
Land Improvements	129,326.00			129,326.00
Buildings and Building Improvements	4,735,319.08		\$ (3,500.00)	4,731,819.08
Machinery and Equipment	211,196.44	\$ 58,720.89		269,917.33
Vehicles	595,572.00	51,437.17		647,009.17
Total Capital Assets, being Depreciated	5,671,413.52	110,158.06	(3,500.00)	5,778,071.58
Total Capital Assets, Cost	5,963,313.52	110,158.06	(3,500.00)	6,069,971.58
Less Accumulated Depreciation for:				
Land Improvements	(118,881.76)	(6,466.30)		(125,348.06)
Buildings and Building Improvements	(1,397,738.68)	(114,880.82)	653.33	(1,511,966.17)
Machinery and Equipment	(116,829.17)	(16,450.40)		(133,279.57)
Vehicles	(520,759.29)	(33,367.69)		(554,126.98)
Total Accumulated Depreciation	(2,154,208.90)	(171,165.21)	653.33	(2,324,720.78)
Total Capital Assets, being Depreciated, Net	3,517,204.62	(61,007.15)	(2,846.67)	3,453,350.80
Business-Type Activities Capital Assets, Net	<u>\$ 3,809,104.62</u>	<u>\$ (61,007.15)</u>	<u>\$ (2,846.67)</u>	<u>\$ 3,745,250.80</u>

Depreciation expense for governmental activities for the fiscal year ended June 30, 2017 that was charged to functions / programs (student and instruction related services) was \$7,904.38.

Depreciation expense for business-type actives for the fiscal year ended June 30, 2017 that was charged to the enterprise services fund was \$171,165.21.

**Note 5: LONG-TERM LIABILITIES**

During the fiscal year ended June 30, 2017, the following changes occurred in long-term obligations for governmental activities:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2017</u>	<u>Due within One Year</u>
<b>Governmental Activities:</b>					
Other Liabilities:					
Compensated Absences	\$ 3,098.89	\$ 1,565.06	\$ (2,241.73)	\$ 2,422.22	\$ 651.38
Governmental Activities Long-Term Liabilities	<u>\$ 3,098.89</u>	<u>\$ 1,565.06</u>	<u>\$ (2,241.73)</u>	<u>\$ 2,422.22</u>	<u>\$ 651.38</u>

Compensated absences are liquidated by the general fund.





**Note 6: PENSION PLANS**

A substantial number of the Commission's employees participate in one of the following defined benefit pension plans: the Teachers' Pension and Annuity Fund ("TPAF") and the Public Employees' Retirement System ("PERS"), which are administered by the New Jersey Division of Pensions and Benefits (the "Division"). In addition, several Commission employees participate in the Defined Contribution Retirement Program, which is a defined contribution pension plan. This plan is administered by Prudential Financial for the Division. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey  
Division of Pensions and Benefits  
P.O. Box 295  
Trenton, New Jersey 08625-0295  
<http://www.nj.gov/treasury/pensions>

**General Information about the Pension Plans****Plan Descriptions**

**Teachers' Pension and Annuity Fund** - The Teachers' Pension and Annuity Fund is a cost-sharing multiple-employer defined benefit pension plan, with a special funding situation, which was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66. The State of New Jersey (the "State") is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF's designated purpose is to provide retirement benefits, death, disability and medical benefits to certain qualified members. Membership in the TPAF is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, who have titles that are unclassified, professional and certified. The TPAF's Board of Trustees is primarily responsible for the administration of the TPAF.

**Public Employees' Retirement System** - The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the Commission, provided the employee is not required to be a member of another state-administered retirement system or other state pensions fund or local jurisdiction's pension fund. The PERS's Board of Trustees is primarily responsible for the administration of the PERS.

**Defined Contribution Retirement Program** - The Defined Contribution Retirement Program is a multiple-employer defined contribution pension fund established on July 1, 2007 under the provisions of Chapter 92, P.L. 2007, and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.). The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 401(a) et seq., and is a "governmental plan" within the meaning of IRC § 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in TPAF or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees enrolled in New Jersey State Police Retirement System (SPRS) or the Police and Firemen's Retirement System (PFRS) after May 21, 2010, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in TPAF or PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000.00 annually; and employees otherwise eligible to enroll in TPAF or PERS after May 21, 2010 who do not work the minimum number of hours per week required for tiers 4 or 5 enrollment, but who earn salary of at least \$5,000.00 annually.

**Note 6: PENSION PLANS (CONT'D)****General Information about the Pension Plans (Cont'd)****Vesting and Benefit Provisions**

**Teachers' Pension and Annuity Fund** - The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. 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.

The following represents the membership tiers for TPAF:

**Tier Definition**

- 1 Members who were enrolled prior to July 1, 2007
- 2 Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
- 3 Members who were eligible to enroll on or after November 2, 2008 and prior to May 21, 2010
- 4 Members who were eligible to enroll after May 21, 2010 and prior to June 28, 2011
- 5 Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit, and tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

**Public Employees' Retirement System** - The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. The PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the PERS.

The membership tiers for PERS are the same as previously noted for TPAF.

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

**Defined Contribution Retirement Program** - Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan.

**Note 6: PENSION PLANS (CONT'D)****General Information about the Pension Plans (Cont'd)****Vesting and Benefit Provisions (Cont'd)**

**Defined Contribution Retirement Program (Cont'd)** - A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and nonforfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and nonforfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

**Contributions**

**Teachers' Pension and Annuity Fund** - The contribution policy is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.20% in State fiscal year 2017. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The State's contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2016, the State's pension contribution was less than the actuarial determined amount.

Under current statute, all employer contributions are made by the State of New Jersey on-behalf of the Commission and all other related non-contributing employers. No normal or accrued liability contribution by the Commission has been required over several preceding fiscal years. These on-behalf contributions by the State of New Jersey are considered a special funding situation, under the definition of GASB 68, *Accounting and Financial Reporting for Pensions*.

The Commission's contractually required contribution rate for the fiscal year ended June 30, 2017 was 5.70% of the Commission's covered payroll, of which 0.00% of payroll was required from the Commission and 100.00% of payroll was required from the State of New Jersey. The Commission was not required to make any contributions to the pension plan during the fiscal year ended June 30, 2017 because of the 100.00% special funding situation with the State of New Jersey.

Based on the most recent TPAF measurement date of June 30, 2016, the State's contractually required contribution, on-behalf of the Commission, to the pension plan for the fiscal year ended June 30, 2017 was \$269,188.00, and was paid by April 1, 2017. Commission employee contributions to the pension plan during the fiscal year ended June 30, 2017 were \$348,311.90.

**Public Employees' Retirement System** - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over seven years beginning in July 2012. The member contribution rate was 7.20% in State fiscal year 2017. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) increased from 8.5% of base salary to 10%. Employers' contribution amounts are based on an actuarially determined rate. The Commission's contribution amounts are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

**Note 6: PENSION PLANS (CONT'D)****General Information About the Pension Plans (Cont'd)****Contributions (Cont'd)**

**Public Employees' Retirement System (Cont'd)** - The Commission's contractually required contribution rate for the fiscal year ended June 30, 2017 was 13.22% of the Commission's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2016, the Commission's contractually required contribution to the pension plan for the fiscal year ended June 30, 2017 was \$154,419.00, and was paid by April 1, 2017. Commission employee contributions to the pension plan during the fiscal year ended June 30, 2017 were \$100,251.10.

**Defined Contribution Retirement Program** - The contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the Commission contributes 3% of the employees' base salary, for each pay period, to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

For the fiscal year ended June 30, 2017, employee contributions totaled \$22,315.00, and the Commission recognized pension expense, which equaled the required contributions, of \$12,172.08. There were no forfeitures during the fiscal year.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

**Teachers' Pension and Annuity Fund** - At June 30, 2017, the Commission was not required to report a liability for its proportionate share of the net pension liability because of a 100% special funding situation by the State of New Jersey.

The State's proportionate share of net pension liability, attributable to the Commission is as follows:

Commission's Proportionate Share of Net Pension Liability	\$ -
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the Commission	<u>26,589,742.00</u>
	<u>\$ 26,589,742.00</u>

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016. For the June 30, 2016 measurement date, 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 employers and the State of New Jersey, actuarially determined. At June 30, 2016, the Commission proportion was 0.00% due to the 100% special funding situation with the State of New Jersey. For the June 30, 2016 measurement date, the State's proportionate share of the TPAF net pension liability associated with the Commission was 0.0338006486%, which was a decrease of 0.0039820320% from its proportion measured as of June 30, 2015.

**Note 6: PENSION PLANS (CONT'D)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

**Teachers' Pension and Annuity Fund (Cont'd)** - For the fiscal year ended June 30, 2017, the Commission recognized \$1,997,849.00 in pension expense and revenue, in the government-wide financial statements, for the State of New Jersey on-behalf TPAF pension contributions. This pension expense and revenue was based on the pension plans June 30, 2016 measurement date.

**Public Employees' Retirement System** - At June 30, 2017, the Commission reported a liability of \$5,148,043.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016. 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 employers, actuarially determined. For the June 30, 2016 measurement date, the Commission's proportion was 0.173819769%, which was an increase of .0023993975% from its proportion measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the Commission recognized pension expense of \$685,077.00, in the government-wide financial statements. This pension expense was based on the pension plans June 30, 2016 measurement date.

At June 30, 2017, the Commission reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between Expected and Actual Experience	\$ 95,738.00	\$ -
Changes of Assumptions	1,066,400.00	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	196,300.00	-
Changes in Proportion and Differences between Commission Contributions and Proportionate Share of Contributions	779,780.00	-
Commission Contributions Subsequent to the Measurement Date	179,565.00	-
	<u>\$ 2,317,783.00</u>	<u>\$ -</u>

\$179,565.00 included in deferred outflows of resources, will be included as a reduction of the net pension liability in the fiscal year ending June 30, 2018.

**Note 6: PENSION PLANS (CONT'D)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

**Public Employees' Retirement System (Cont'd)** - Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30.</b>		
2018	\$	499,421
2019		499,421
2020		547,907
2021		447,950
2022		143,519
		<u>\$ 2,138,218.00</u>

The amortization of the above other deferred outflows of resources and deferred inflows of resources related to pensions will be over the following number of years:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
Changes in Proportion and Differences between Commission Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57

**Note 6: PENSION PLANS (CONT'D)****Actuarial Assumptions**

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	<b><u>TPAF</u></b>	<b><u>PERS</u></b>
Inflation	2.50%	3.08%
Salary Increases:		
2012-2021	Varies Based on Experience	
Through 2026		1.65% - 4.15% Based on Age
Thereafter	Varies Based on Experience	2.65% - 5.15% Based on Age
Investment Rate of Return	7.65%	7.65%
Mortality Rate Table	RP-2000	RP-2000
Period of Actuarial Experience		
Study upon which Actuarial		
Assumptions were Based	July 1, 2012 - June 30, 2015	July 1, 2011 - June 30, 2014

For TPAF, pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

For PERS, pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. Mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

For TPAF and PERS, in accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) 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.



**Note 6: PENSION PLANS (CONT'D)****Actuarial Assumptions (Cont'd)**

Best estimates of arithmetic rates of return for each major asset class included in TPAF's and PERS's target asset allocation as of June 30, 2016 are summarized in the following tables:

<u>Asset Class</u>	<u>TPAF</u>		<u>Asset Class</u>	<u>PERS</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>		<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.39%	Cash	5.00%	0.87%
U.S. Government Bonds	1.50%	1.28%	U.S. Treasuries	1.50%	1.74%
U.S. Credit Bonds	13.00%	2.76%	Investment Grade Credit	8.00%	1.79%
U.S. Mortgages	2.00%	2.38%	Mortgages	2.00%	1.67%
U.S. Inflation-Indexed Bonds	1.50%	1.41%	High Yield Bonds	2.00%	4.56%
U.S. High Yield Bonds	2.00%	4.70%	Inflation-Indexed Bonds	1.50%	3.44%
U.S. Equity Market	26.00%	5.14%	Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	5.91%	Developed Foreign Equities	13.25%	6.83%
Emerging Markets Equity	6.50%	8.16%	Emerging Market Equities	6.50%	9.95%
Private Real Estate Property	5.25%	3.64%	Private Equity	9.00%	12.40%
Timber	1.00%	3.86%	Hedge Funds / Absolute Return	12.50%	4.68%
Farmland	1.00%	4.39%	Real Estate (Property)	2.00%	6.91%
Private Equity	9.00%	8.97%	Commodities	0.50%	5.45%
Commodities	0.50%	2.87%	Global Debt ex U.S.	5.00%	-0.25%
Hedge Funds - MultiStrategy	5.00%	3.70%	REIT	5.25%	5.63%
Hedge Funds - Equity Hedge	3.75%	4.72%			
Hedge Funds - Distressed	3.75%	3.49%			
	<u>100.00%</u>			<u>100.00%</u>	

**Discount Rate** - The discount rates used to measure the total pension liability at June 30, 2016 were 3.22% and 3.98% for TPAF and PERS, respectively. For TPAF and PERS, the respective single blended discount rates were based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, 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 rates for TPAF and PERS 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 contribution rate in the most recent fiscal year. 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 2029 for TPAF and 2034 for PERS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2029 for TPAF and 2034 for PERS, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Note 6: PENSION PLANS (CONT'D)****Sensitivity of Commission's Proportionate Share of Net Pension Liability to Changes in the Discount Rate**

**Teachers' Pension and Annuity Fund (TPAF)** - As previously mentioned, TPAF, has a special funding situation where the State pays 100% of the Commission's annual required contribution. As such, the proportionate share of the net pension liability as of June 30, 2016, the pension plans measurement date, attributable to the Commission is \$0, and the State of New Jersey's proportionate share of the net pension liability, attributable to the Commission, using a discount rate of 3.22%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

	<b>TPAF</b>		
	<b>1% Decrease (<u>2.22%</u>)</b>	<b>Current Discount Rate (<u>3.22%</u>)</b>	<b>1% Increase (<u>4.22%</u>)</b>
Commission's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -
State of New Jersey's Proportionate Share of Net Pension Liability associated with the Commission	<u>31,754,094.00</u>	<u>26,589,742.00</u>	<u>22,372,382.00</u>
	<u>\$ 31,754,094.00</u>	<u>\$ 26,589,742.00</u>	<u>\$ 22,372,382.00</u>

**Public Employees' Retirement System (PERS)** - The following presents the Commission's proportionate share of the net pension liability at June 30, 2016, the plans measurement date, calculated using a discount rate of 3.98%, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	<b>PERS</b>		
	<b>1% Decrease (<u>2.98%</u>)</b>	<b>Current Discount Rate (<u>3.98%</u>)</b>	<b>1% Increase (<u>4.98%</u>)</b>
Commission's Proportionate Share of the Net Pension Liability	<u>\$ 6,308,326.00</u>	<u>\$ 5,148,043.00</u>	<u>\$ 4,190,129.00</u>

**Pension Plan Fiduciary Net Position**

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 respective fiduciary net position of the TPAF and PERS and additions to/deductions from TPAF and PERS's respective fiduciary net position have been determined on the same basis as they are reported by TPAF and PERS. Accordingly, 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. For additional information about TPAF and PERS, please refer to the plan's Comprehensive Annual Financial Report (CAFR) which can be found at [www.nj.gov/treasury/pensions](http://www.nj.gov/treasury/pensions).

**Note 7: SCHOOL EMPLOYEES HEALTH BENEFITS PROGRAM**

P.L. 1987, c.384 of 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 postemployment medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of postemployment medical benefits for retired State employees and retired educational employees. As of June 30, 2016, there were 110,512 retirees receiving postemployment medical benefits, and the State contributed \$1.37 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 retire from a board of education or county college with 25 years of service. The State paid \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in fiscal year 2016.

The School Employees Health Benefits Program ("SEHBP") Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et. Seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. 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 SEHBP. That report may be obtained from the Treasury website at:

<http://www.nj.gov/treasury/pensions/pdf/financial/2015divisioncombined.pdf>

**Note 8: ON-BEHALF PAYMENTS**

For the fiscal year ended June 30, 2017, the Commission has recognized as revenues and expenditures on-behalf payments made by the State for normal costs and post-retirement medical costs related to TPAF, in the fund financial statements. The amounts recognized as revenues and expenditures in the fund financial statements for normal costs, non-contributory insurance, post-retirement medical costs, and long-term disability insurance were \$52,843.05, \$1,914.64, \$45,625.58, and \$226.07, respectively in the general fund and \$1,723,802.34, \$12,813.36, \$305,340.42, and \$1,512.93, respectively in the enterprise services fund.

**Note 9: 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.

**Joint Insurance Pool** - The Commission is a member of and maintains insurance coverage for property, liability, student accident, and surety bonds through the New Jersey School Boards Association Insurance Group ("NJSBAIG"). The NJSBAIG provides its members with the following coverage:

General Liability  
Boiler & Machinery  
Errors & Omissions  
Worker's Compensation  
Umbrella Liability  
Automobile Liability  
Public Official Bonds  
Property Damage  
Crime

**Note 9: RISK MANAGEMENT (CONT'D)**

**Joint Insurance Pool (Cont'd)** - Contributions to the NJSBAIG are determined by the NJSBAIG Board of Trustees, based on actuarial assumptions determined by an actuary. The Commission is jointly and personally liable for claims insured by the NJSBAIG and its members during the period of its membership, including liability for supplemental assessments, if necessary. The NJSBAIG's Board of Trustees may authorize refunds to its members in any fund year for which contributions exceed the amount necessary to fund all obligations for that year.

The NJSBAIG provides the Commission with the coverage as identified in the statistic section of this Comprehensive Annual Financial Report, specifically exhibit J-20.

The NJSBAIG publishes its own financial report for the fiscal year ended June 30, 2017, which can be obtained at [www.njsbaig.org](http://www.njsbaig.org).

**Note 10: DEFERRED COMPENSATION**

The Commission offers its employees a choice of four deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the entity listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death, or unforeseeable emergency. The plan administrator is The Omni Financial Group.

**Note 11: COMPENSATED ABSENCES**

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

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

The liability for vested compensated absences is recorded within those funds as the benefits accrue to employees. At June 30, 2017, the liability for compensated absences in the governmental activities and business-type activities was \$2,422.22 and \$78,977.30 respectively.

**Note 12: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of June 30, 2017 is as follows:

<b>Fund</b>	<b><u>Interfunds Receivable</u></b>	<b><u>Interfunds Payable</u></b>
General		\$ 1,585.63
Special Revenue		96.14
Enterprise Services		3,053.53
Internet Connect Program		163.02
Fiduciary	<u>\$ 4,911.33</u>	<u>13.01</u>
	<u>\$ 4,911.33</u>	<u>\$ 4,911.33</u>

**Note 12: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONT'D)**

The interfund receivables and payables above predominately resulted from payments made by certain funds on behalf of other funds. During the fiscal year 2018, the Commission expects to liquidate such interfunds, depending upon the availability of cash flow.

During the fiscal year ended June 30, 2017, the Commission began operations of the internet connect program. Such program operated at a loss and as a result, the enterprise services fund transferred \$61,760.76 to the internet connect program enterprise fund to cover the start-up costs.

**Note 13: CONTINGENCIES**

**Grantor Agencies** - Amounts received or receivable from grantor agencies could be subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Commission expects such amount, if any, to be immaterial.

**Note 14: CONCENTRATIONS**

The Commission depends on financial resources flowing from, or associated with, both the federal government and the State of New Jersey. As a result of this dependency, the Commission is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations.

**REQUIRED SUPPLEMENTARY INFORMATION  
PART II**

**BUDGETARY COMPARISON SCHEDULES**

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
 Required Supplementary Information - Part II  
 General Fund  
 Budgetary Comparison Schedule  
 For the Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Modifications / Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
Local Sources:					
Tuition from Other LEAs within the State	\$ 913,869.00		\$ 913,869.00	\$ 839,021.83	\$ (74,847.17)
<b>Total - Local Sources</b>	<b>913,869.00</b>	<b>-</b>	<b>913,869.00</b>	<b>839,021.83</b>	<b>(74,847.17)</b>
State Sources:					
On-Behalf T.P.A.F. Pension Contributions - Normal Cost (non-budgeted)				54,757.69	54,757.69
On-Behalf T.P.A.F. Pension Contributions - Post-Retirement Medical (non-budgeted)				45,625.58	45,625.58
On-Behalf T.P.A.F. Pension Contributions - Long-Term Disability Insurance (non-budgeted)				226.07	226.07
Reimbursed T.P.A.F. Social Security Contributions (non-budgeted)				46,917.88	46,917.88
<b>Total - State Sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>147,527.22</b>	<b>147,527.22</b>
<b>Total Revenues</b>	<b>913,869.00</b>	<b>-</b>	<b>913,869.00</b>	<b>986,549.05</b>	<b>72,680.05</b>
<b>EXPENDITURES:</b>					
Current Expense:					
Regular Programs - Instruction:					
Grades 9-12 - Salaries of Teachers	593,067.00	\$ (375.00)	592,692.00	569,522.39	23,169.61
Regular Programs - Undistributed Instruction:					
General Supplies	1,000.00		1,000.00		1,000.00
<b>Total Regular Programs - Instruction</b>	<b>594,067.00</b>	<b>(375.00)</b>	<b>593,692.00</b>	<b>569,522.39</b>	<b>24,169.61</b>
<b>Total Instruction</b>	<b>594,067.00</b>	<b>(375.00)</b>	<b>593,692.00</b>	<b>569,522.39</b>	<b>24,169.61</b>
Undistributed Expenditures - Improvement of Instruction Services:					
Salaries of Supervisors of Instruction	5,000.00		5,000.00	5,000.00	
<b>Total Undistributed Expenditures - Improvement of Instruction Services</b>	<b>5,000.00</b>	<b>-</b>	<b>5,000.00</b>	<b>5,000.00</b>	<b>-</b>

(Continued)

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
 Required Supplementary Information - Part II  
 General Fund  
 Budgetary Comparison Schedule  
 For the Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Modifications / Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES (CONT'D):					
Current Expense (Cont'd):					
Undistributed Expenditures - Instructional Staff Training Services:					
Purchased Professional - Educational Services	\$ 1,500.00		\$ 1,500.00		\$ 1,500.00
Other Objects	1,000.00		1,000.00		1,000.00
<b>Total Undistributed Expenditures - Instructional Staff Training Services</b>	<b>2,500.00</b>	<b>-</b>	<b>2,500.00</b>	<b>-</b>	<b>2,500.00</b>
Undistributed Expenditures - Support Services - General Administration:					
Salaries	5,000.00		5,000.00		5,000.00
<b>Total Undistributed Expenditures - Support Services - General Administration</b>	<b>5,000.00</b>	<b>-</b>	<b>5,000.00</b>	<b>-</b>	<b>5,000.00</b>
Undistributed Expenditures - Support Services - School Administration:					
Salaries of Principals / Assistant Principals	95,472.00	\$ 3,744.00	99,216.00	\$ 99,216.00	
Other Purchased Services (400-500 Series)	1,000.00		1,000.00		1,000.00
Other Objects	1,000.00		1,000.00	820.00	180.00
<b>Total Undistributed Expenditures - Support Services - School Administration</b>	<b>97,472.00</b>	<b>3,744.00</b>	<b>101,216.00</b>	<b>100,036.00</b>	<b>1,180.00</b>
Undistributed Expenditures - Central Services:					
Salaries	19,000.00		19,000.00	19,000.00	
<b>Total Undistributed Expenditures - Central Services</b>	<b>19,000.00</b>	<b>-</b>	<b>19,000.00</b>	<b>19,000.00</b>	<b>-</b>
Unallocated Benefits - Employee Benefits:					
Social Security Contributions	1,230.00		1,230.00	882.10	347.90
Unemployment Compensation	2,200.00		2,200.00	1,959.92	240.08
Workmen's Compensation	7,400.00	375.00	7,775.00	7,771.08	3.92
Health Benefits	180,000.00	(9,744.00)	170,256.00	128,900.65	41,355.35
Other Employee Benefits		6,000.00	6,000.00	5,949.69	50.31
<b>Total Unallocated Benefits - Employee Benefits</b>	<b>190,830.00</b>	<b>(3,369.00)</b>	<b>187,461.00</b>	<b>145,463.44</b>	<b>41,997.56</b>

(Continued)



**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
 Required Supplementary Information - Part II  
 General Fund  
 Budgetary Comparison Schedule  
 For the Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Modifications / Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES (CONT'D):					
Current Expense (Cont'd):					
On-behalf Contributions:					
On-Behalf T.P.A.F. Pension Contributions - Normal Cost (non-budgeted)				\$ 54,757.69	\$ (54,757.69)
On-Behalf T.P.A.F. Pension Contributions - Post-Retirement Medical (non-budgeted)				45,625.58	(45,625.58)
On-Behalf T.P.A.F. Pension Contributions - Long-Term Disability Insurance (non-budgeted)				226.07	(226.07)
Reimbursed T.P.A.F. Social Security Contributions (non-budgeted)				46,917.88	(46,917.88)
Total On-behalf Contributions	-	-	-	147,527.22	(147,527.22)
Total Personal Services - Employee Benefits	\$ 190,830.00	\$ (3,369.00)	\$ 187,461.00	292,990.66	(105,529.66)
Total Undistributed Expenditures	319,802.00	375.00	320,177.00	417,026.66	(96,849.66)
Total General Current Expense	913,869.00	-	913,869.00	986,549.05	(72,680.05)
Total Expenditures	913,869.00	-	913,869.00	986,549.05	(72,680.05)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-
Fund Balances, July 1	-	-	-	-	-
Fund Balances, June 30	-	-	-	-	-

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**

Required Supplementary Information - Part II  
 Special Revenue Fund  
 Budgetary Comparison Schedule  
 For the Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers / Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
Federal Sources:					
Title I, Part D	\$ 205,111.00		\$ 205,111.00	\$ 199,320.27	\$ (5,790.73)
McKinney Vento Ed for Homeless Children	112,976.00		112,976.00	112,976.00	
Total - Federal Sources	<u>318,087.00</u>	<u>-</u>	<u>318,087.00</u>	<u>312,296.27</u>	<u>(5,790.73)</u>
Total Revenues	<u>318,087.00</u>	<u>-</u>	<u>318,087.00</u>	<u>312,296.27</u>	<u>(5,790.73)</u>
<b>EXPENDITURES:</b>					
Instruction:					
Salaries	112,846.00	\$ (8,422.72)	104,423.28	104,237.37	185.91
Purchased Professional and Technical Services	19,025.00	1,409.00	20,434.00	17,259.00	3,175.00
Supplies and Materials	6,137.00	(0.37)	6,136.63	6,136.63	
General Supplies	5,000.00	991.00	5,991.00	5,626.00	365.00
Total Instruction	<u>143,008.00</u>	<u>(6,023.09)</u>	<u>136,984.91</u>	<u>133,259.00</u>	<u>3,725.91</u>
Support Services:					
Salaries	30,300.00	13,643.82	43,943.82	43,943.25	0.57
Personnel Services - Employee Benefits	58,650.00	(7,312.50)	51,337.50	50,011.40	1,326.10
Purchased Professional and Technical Services	66,801.00	(1,296.82)	65,504.18	65,504.18	
Other Purchased Services (400-500 series)	18,700.00	1,103.20	19,803.20	19,065.05	738.15
Travel	376.00	(9.17)	366.83	366.83	
Supplies and Materials	252.00	(105.44)	146.56	146.56	
Total Support Services	<u>175,079.00</u>	<u>6,023.09</u>	<u>181,102.09</u>	<u>179,037.27</u>	<u>2,064.82</u>
Total Expenditures	<u>318,087.00</u>	<u>-</u>	<u>318,087.00</u>	<u>312,296.27</u>	<u>5,790.73</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**

Required Supplementary Information - Part II  
 Budgetary Comparison Schedule  
 Notes to Required Supplementary Information  
 For the Fiscal Year Ended June 30, 2017

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources / Inflows of Resources:		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule (C-series)	<u>\$ 986,549.05</u>	<u>\$ 312,296.27</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	<u><u>\$ 986,549.05</u></u>	<u><u>\$ 312,296.27</u></u>
Uses / Outflows of Resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule (C-series)	<u>\$ 986,549.05</u>	<u>\$ 312,296.27</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	<u><u>\$ 986,549.05</u></u>	<u><u>\$ 312,296.27</u></u>

**REQUIRED SUPPLEMENTARY INFORMATION  
PART III**

**SCHEDULES RELATED TO ACCOUNTING  
AND REPORTING FOR PENSIONS**

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
 Required Supplementary Information - Part III  
 Schedule of the Commission's Proportionate Share of the Net Pension Liability  
 Public Employees' Retirement System (PERS)  
 Last Four Plan Years

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	<u>Measurement Date Ended June 30,</u>			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Commission's Proportion of the Net Pension Liability	0.0173819769%	0.0149825794%	0.0131602254%	0.0115869100%
Commission's Proportionate Share of the Net Pension Liability	\$ 5,148,043.00	\$ 3,363,289.00	\$ 2,463,954.00	\$ 2,214,489.00
Commission's Covered Payroll (Plan Measurement Period)	\$ 1,261,080.00	\$ 1,043,760.00	\$ 997,496.00	\$ 850,940.00
Commission's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	408.22%	322.23%	247.01%	260.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	40.14%	47.93%	52.08%	48.72%

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*This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.*

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**

Required Supplementary Information - Part III  
 Schedule of the Commission's Contributions  
 Public Employees' Retirement System (PERS)  
 Last Four Fiscal Years

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	<u>Fiscal Year Ended June 30,</u>			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 179,565.00	\$ 154,419.00	\$ 128,810.00	\$ 108,491.00
Contributions in relation to the Contractually Required Contribution	<u>(179,565.00)</u>	<u>(154,419.00)</u>	<u>(128,810.00)</u>	<u>(108,491.00)</u>
Contribution Deficiency (Excess)	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Commission's Covered Payroll (Fiscal Year)	\$ 1,358,113.00	\$ 1,206,054.00	\$ 1,057,840.00	\$ 890,883.00
Contributions as a Percentage of Commission's Covered Payroll	13.22%	12.80%	12.18%	12.18%

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*This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.*

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
 Required Supplementary Information - Part III  
 Schedule of the Commission's Proportionate Share of the Net Pension Liability  
 Teachers' Pension and Annuity Fund (TPAF)  
 Last Four Plan Years

	<u>Measurement Date Ended June 30,</u>			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Commission's Proportion of the Net Pension Liability	0.00%	0.00%	0.00%	0.00%
State's Proportion of the Net Pension Liability associated with the Commission	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Commission's Proportionate Share of the Net Pension Liability	-	-	-	-
State's Proportionate Share of the Net Pension Liability associated with the Commission	<u>\$ 26,589,742.00</u>	<u>\$ 23,880,268.00</u>	<u>\$ 22,090,905.00</u>	<u>\$ 21,355,215.00</u>
	<u>\$ 26,589,742.00</u>	<u>\$ 23,880,268.00</u>	<u>\$ 22,090,905.00</u>	<u>\$ 21,355,215.00</u>
Commission's Covered Payroll (Plan Measurement Period)	\$ 4,351,668.00	\$ 3,790,488.00	\$ 4,252,724.00	\$ 4,661,040.00
Commission's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%
State's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	611.02%	630.01%	519.45%	458.16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	22.33%	28.71%	33.64%	33.76%

*This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.*

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
Required Supplementary Information - Part III  
Schedule of Commission's Contributions  
Teachers' Pension and Annuity Fund (TPAF)  
Last Ten Fiscal Years

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This schedule is not applicable. The Commission is not required to make any contributions towards TPAF.

There is a special funding situation where the State of New Jersey pays 100% of the required contributions.



**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**

Required Supplementary Information - Part III  
Notes to Required Supplementary Information  
For the Fiscal Year Ended June 30, 2017

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Public Employees' Retirement System (PERS)

*Changes in Benefit Terms* - None

*Changes in Assumptions* - For 2016, the discount rate changed to 3.98%, the long-term expected rate of return changed to 7.65%, demographic assumptions were revised in accordance with the results of the July 1, 2011 - June 30, 2014 experience study and the mortality improvement scale incorporated the plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 4.90%. In addition, the social security wage base was set at \$118,500 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$265,000 for 2015, increasing 3.00% per annum, compounded annually. For 2014, the discount rate was 5.39%.

Teachers' Pension and Annuity Fund (TPAF)

*Changes in Benefit Terms* - None

*Changes in Assumptions* - For 2016, the discount rate changed to 3.22% and the long-term expected rate of return changed to 7.65%. Further, the demographic assumptions were revised to reflect those recommended on the basis of the July 1, 2012 - June 30, 2015 experience study. For 2015, the discount rate changed to 4.13%. For 2014, the discount rate was at 4.68%.

**OTHER SUPPLEMENTARY INFORMATION**

**SPECIAL REVENUE FUND**

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
Special Revenue Fund  
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis  
For the Fiscal Year Ended June 30, 2017

	<u>No Child Left Behind (N.C.L.B.)</u>		
	Title I, Part D, Prevention and Intervention <u>Programs for Children</u>	McKinney Vento Ed for Homeless <u>Children</u>	<u>Total</u>
<b>REVENUES:</b>			
Federal Sources	\$ 199,320.27	\$ 112,976.00	\$ 312,296.27
Total Revenues	<u>199,320.27</u>	<u>112,976.00</u>	<u>312,296.27</u>
<b>EXPENDITURES:</b>			
Instruction:			
Salaries	104,237.37		104,237.37
Purchased Professional and Technical Services	7,870.00	9,389.00	17,259.00
Supplies and Materials		6,136.63	6,136.63
General Supplies	5,626.00		5,626.00
Total Instruction	<u>117,733.37</u>	<u>15,525.63</u>	<u>133,259.00</u>
Support Services:			
Salaries	28,643.25	15,300.00	43,943.25
Personnel Services - Employee Benefits	48,581.60	1,429.80	50,011.40
Purchased Professional and Technical Services		65,504.18	65,504.18
Other Purchased Services (400-500 series)	4,362.05	14,703.00	19,065.05
Travel		366.83	366.83
Supplies and Materials		146.56	146.56
Total Support Services	<u>81,586.90</u>	<u>97,450.37</u>	<u>179,037.27</u>
Total Expenditures	<u>199,320.27</u>	<u>112,976.00</u>	<u>312,296.27</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>

**PROPRIETARY FUNDS**

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
 Proprietary Funds  
 Business-Type Activities - Enterprise Funds  
 Combining Statement of Net Position  
 June 30, 2017

	<u>Enterprise Services</u>	<u>Internet Connect Program</u>	<u>Total</u>
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents		\$ 35,176.19	\$ 35,176.19
Intergovernmental Accounts Receivable:			
State	\$ 15,123.97		15,123.97
Other	9,236,293.98	1,500.00	9,237,793.98
<b>Total Current Assets</b>	<b>9,251,417.95</b>	<b>36,676.19</b>	<b>9,288,094.14</b>
Noncurrent Assets:			
Capital Assets	6,069,971.58		6,069,971.58
Less: Accumulated Depreciation	(2,324,720.78)		(2,324,720.78)
<b>Total Capital Assets (Net of Accumulated Depreciation)</b>	<b>3,745,250.80</b>	<b>-</b>	<b>3,745,250.80</b>
<b>Total Noncurrent Assets</b>	<b>3,745,250.80</b>	<b>-</b>	<b>3,745,250.80</b>
<b>Total Assets</b>	<b>12,996,668.75</b>	<b>36,676.19</b>	<b>13,033,344.94</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Related to Pensions	2,317,783.00	-	2,317,783.00
<b>LIABILITIES:</b>			
Current Liabilities:			
Deficit in Cash and Cash Equivalents	1,031,629.69		1,031,629.69
Interfund Accounts Payable:			
Fiduciary Fund	3,053.53	163.02	3,216.55
Intergovernmental Accounts Payable:			
Federal	45.56		45.56
Other	160.00		160.00
Accounts Payable	202,400.35	36,513.17	238,913.52
Accrued Wages	595.75		595.75
Accrued Interest Payable	21,916.38		21,916.38
Compensated Absences Payable	20,089.68		20,089.68
Lease Purchase Agreement Payable	168,563.44		168,563.44
<b>Total Current Liabilities</b>	<b>1,448,454.38</b>	<b>36,676.19</b>	<b>1,485,130.57</b>
Noncurrent Liabilities:			
Compensated Absences Payable	58,887.62		58,887.62
Lease Purchase Agreement Payable	956,563.16		956,563.16
Net Pension Liability	5,148,043.00		5,148,043.00
<b>Total Noncurrent Liabilities</b>	<b>6,163,493.78</b>	<b>-</b>	<b>6,163,493.78</b>
<b>Total Liabilities</b>	<b>7,611,948.16</b>	<b>36,676.19</b>	<b>7,648,624.35</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	2,620,124.20		2,620,124.20
Unrestricted	5,082,379.39		5,082,379.39
<b>Total Net Position</b>	<b>\$ 7,702,503.59</b>	<b>-</b>	<b>\$ 7,702,503.59</b>

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
Proprietary Funds  
Business-Type Activities - Enterprise Funds  
Combining Statement of Revenues, Expenses and Changes in Fund Net Position  
For the Fiscal Year Ended June 30, 2017

	Enterprise <u>Services</u>	Internet Connect <u>Program</u>	<u>Total</u>
<b>OPERATING REVENUES:</b>			
Charges for Services:			
Transportation Services	\$ 34,783,730.38		\$ 34,783,730.38
Nonpublic Auxiliary and Handicapped Services	5,145,560.08		5,145,560.08
Related Services	1,599,048.92		1,599,048.92
Educational Services	1,403,448.17		1,403,448.17
Child Study Team Evaluations	515,972.14		515,972.14
Home Instruction Services	91,266.00		91,266.00
Transition Services	78,192.00		78,192.00
Nursing Services	54,323.12		54,323.12
Cooperative Purchasing Services	13,225.47		13,225.47
Internet Connect Program		\$ 213,366.00	213,366.00
General:			
Miscellaneous	16,165.88		16,165.88
<b>Total Operating Revenues</b>	<b>43,700,932.16</b>	<b>213,366.00</b>	<b>43,914,298.16</b>
<b>OPERATING EXPENSES:</b>			
Personnel Services - Salaries	6,276,063.72	58,439.52	6,334,503.24
Personnel Services - Employee Benefits	4,400,803.12	9,860.27	4,410,663.39
Purchased Professional and Technical Services	1,349,769.22		1,349,769.22
Purchased Property Services	11,870.64		11,870.64
Other Purchased Services	33,106,458.10	206,826.97	33,313,285.07
Supplies and Materials	183,961.04		183,961.04
Depreciation	171,165.21		171,165.21
Miscellaneous Expenditures	19,874.48		19,874.48
Other Objects	1,169.84		1,169.84
<b>Total Operating Expenses</b>	<b>45,521,135.37</b>	<b>275,126.76</b>	<b>45,796,262.13</b>
<b>Operating Income (Loss)</b>	<b>(1,820,203.21)</b>	<b>(61,760.76)</b>	<b>(1,881,963.97)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
State Sources:			
On-Behalf T.P.A.F. Pension Contributions - Normal Cost	1,736,615.70		1,736,615.70
On-Behalf T.P.A.F. Pension Contributions - Post-Retirement Medical	305,340.42		305,340.42
On-Behalf T.P.A.F. Pension Contributions - Long-Term Disability Insurance	1,512.93		1,512.93
Reimbursed T.P.A.F. Social Security Contributions	325,788.83		325,788.83
Interest Expense	(51,539.83)		(51,539.83)
Loss on Disposal of Capital Assets	(2,846.67)		(2,846.67)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>2,314,871.38</b>	<b>-</b>	<b>2,314,871.38</b>
<b>Income (Loss) before Transfers</b>	<b>494,668.17</b>	<b>(61,760.76)</b>	<b>432,907.41</b>
<b>TRANSFERS:</b>			
Equity Transfer	(61,760.76)	61,760.76	-
<b>Change in Net Position</b>	<b>432,907.41</b>	<b>-</b>	<b>432,907.41</b>
<b>Net Position, July 1</b>	<b>7,269,596.18</b>	<b>-</b>	<b>7,269,596.18</b>
<b>Net Position, June 30</b>	<b>\$ 7,702,503.59</b>	<b>-</b>	<b>\$ 7,702,503.59</b>

## CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION

Proprietary Funds  
 Business-Type Activities - Enterprise Funds  
 Combining Statement of Cash Flows  
 For the Fiscal Year Ended June 30, 2017

	Enterprise Services	Internet Connect Program	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from Customers and Users	\$ 41,476,579.57	\$ 211,866.00	\$ 41,688,445.57
Payments to Suppliers	(34,748,759.71)	(170,313.80)	(34,919,073.51)
Payments to Employees	(6,582,537.86)	(58,439.52)	(6,640,977.38)
Payments for Employee Benefits	(3,872,068.03)	(9,697.25)	(3,881,765.28)
Net Cash Provided by (Used for) Operating Activities	<u>(3,726,786.03)</u>	<u>(26,584.57)</u>	<u>(3,753,370.60)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
State Sources	2,436,507.01		2,436,507.01
Transfer from / (to) Governmental Activities Fund	274,475.38		274,475.38
Transfer from / (to) Special Revenue Fund	45,765.58		45,765.58
Transfer from / (to) Enterprise Fund	(61,760.76)	61,760.76	
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>2,694,987.21</u>	<u>61,760.76</u>	<u>2,756,747.97</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Purchases of Capital Assets	(110,158.06)		(110,158.06)
Principal Paid on Lease Purchase Debt	(161,691.55)		(161,691.55)
Interest Paid on Lease Purchase Debt	(54,689.45)		(54,689.45)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(326,539.06)</u>	<u>-</u>	<u>(326,539.06)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,358,337.88)	35,176.19	(1,323,161.69)
Cash and Cash Equivalents, July 1	326,708.19	-	326,708.19
Cash and Cash Equivalents (Deficit), June 30	<u>\$ (1,031,629.69)</u>	<u>\$ 35,176.19</u>	<u>\$ (996,453.50)</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	\$ (1,820,203.21)	\$ (61,760.76)	\$ (1,881,963.97)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation	171,165.21		171,165.21
(Increase) Decrease in Interfund Accounts Receivable	(125.83)		(125.83)
(Increase) Decrease in Intergovernmental Accounts Receivable	(2,224,226.76)	(1,500.00)	(2,225,726.76)
Increase (Decrease) in Intergovernmental Accounts Payable	2,348.70	163.02	2,511.72
Increase (Decrease) in Accounts Payable	(52,859.09)	36,513.17	(16,345.92)
Increase (Decrease) in Accrued Wages	(281,233.50)		(281,233.50)
Increase (Decrease) in Compensated Absences Payable	(27,171.55)		(27,171.55)
Increase (Decrease) in Net Pension Liability	505,520.00		505,520.00
Net Cash Provided by (Used for) Operating Activities	<u>\$ (3,726,786.03)</u>	<u>\$ (26,584.57)</u>	<u>\$ (3,753,370.60)</u>



## **FIDUCIARY FUNDS**

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
 Fiduciary Funds  
 Combining Statement of Fiduciary Net Position  
 June 30, 2017

	Private-Purpose Trust Funds	Agency Funds	
	Flexible Benefits Trust	Payroll	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 16,452.05	\$ 14,240.40	\$ 30,692.45
Interfund Accounts Receivable:			
General Fund	1,236.75	348.88	1,585.63
Special Revenue Fund		96.14	96.14
Enterprise Services Fund		3,066.54	3,066.54
Internet Connect Program Fund		163.02	163.02
<b>Total Assets</b>	<u>17,688.80</u>	<u>\$ 17,914.98</u>	<u>35,603.78</u>
<b>LIABILITIES:</b>			
Interfund Accounts Payable:			
Enterprise Services Fund	13.01		13.01
Payroll Deductions and Withholdings		\$ 17,914.98	17,914.98
<b>Total Liabilities</b>	<u>13.01</u>	<u>\$ 17,914.98</u>	<u>17,927.99</u>
<b>NET POSITION:</b>			
Held in Trust for Other Purposes	<u>17,675.79</u>		<u>17,675.79</u>
<b>Total Net Position</b>	<u>\$ 17,675.79</u>		<u>\$ 17,675.79</u>

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
Fiduciary Funds  
Statement of Changes in Fiduciary Net Position  
For the Fiscal Year Ended June 30, 2017

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	<u>Private-Purpose Trust Funds</u>
	<u>Flexible Benefits Trust</u>
ADDITIONS:	
Contributions:	
Employee	\$ 36,209.68
Total Additions	<u>36,209.68</u>
DEDUCTIONS:	
Claims	<u>37,309.30</u>
Total Deductions	<u>37,309.30</u>
Change in Net Position	(1,099.62)
Net Position, July 1	<u>18,775.41</u>
Net Position, June 30	<u><u>\$ 17,675.79</u></u>

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
 Fiduciary Funds  
 Payroll and Agency Fund Schedule of Receipts and Disbursements  
 For the Fiscal Year Ended June 30, 2017

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 895.05	\$ 8,170,770.13	\$ 8,157,424.78	\$ 14,240.40
Total Assets	<u>\$ 895.05</u>	<u>\$ 8,170,770.13</u>	<u>\$ 8,157,424.78</u>	<u>\$ 14,240.40</u>
<b>LIABILITIES:</b>				
Interfund Accounts Payable:				
Enterprise Services Fund	\$ 10.29	\$ 913,234.19	\$ 913,120.04	\$ 124.44
Accrued Salaries and Wages		4,496,110.85	4,496,110.85	
Payroll Deductions and Withholdings	884.76	2,761,425.09	2,748,193.89	14,115.96
Total Liabilities	<u>\$ 895.05</u>	<u>\$ 8,170,770.13</u>	<u>\$ 8,157,424.78</u>	<u>\$ 14,240.40</u>

**LONG-TERM DEBT**

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
 Schedule of Lease Purchase Agreement Payable - Business-Type Activities  
 Enterprise Services Fund  
 For the Fiscal Year Ended June 30, 2017

<u>Description</u>	<u>Date of Lease</u>	Term of Lease (in Years)	<u>Amount of Original Issue</u>		<u>Interest Rate Payable</u>	<u>Amount Outstanding June 30, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amount Outstanding June 30, 2017</u>
			<u>Principal</u>	<u>Interest</u>					
Additions and renovations to administration building	7/26/06, 01/09/08	17	\$ 3,745,000.00	\$ 952,975.50	4.25%	<u>\$ 1,286,818.15</u>	<u>-</u>	<u>\$ 161,691.55</u>	<u>\$ 1,125,126.60</u>

## **STATISTICAL SECTION**

## **Financial Trends Information**

Financial trends information is intended to assist the user in understanding and assessing how the Commission's financial position has changed over time. Please refer to the following exhibits for a historical view of the Commission's financial performance.



**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
 Net Position by Component  
 Last Ten Fiscal Years (Accrual Basis of Accounting)  
*Unaudited*

	Fiscal Year Ended June 30,									
	2017*	2016*	2015*	2014*	2013	2012	2011	2010	2009	2008
Governmental Activities:										
Net Investment in Capital Assets	\$ 18,238.41	\$ 26,142.79	\$ 469,125.31	\$ 397,581.69	\$ 389,722.38	\$ 2,603,278.00	\$ 2,785,438.00	\$ 2,703,789.00	\$ 2,090,627.00	\$ 1,622,010.00
Restricted							500,215.00	253,553.00		
Unrestricted (Deficit)	(2,422.22)	(3,098.89)	6,061,402.55	3,256,317.72	4,459,505.46	3,525,498.00	3,135,599.00	3,570,751.00	3,930,852.00	4,341,591.00
Total Governmental Activities Net Position	\$ 15,816.19	\$ 23,043.90	\$ 6,530,527.86	\$ 3,653,899.41	\$ 4,849,227.84	\$ 6,128,776.00	\$ 6,421,252.00	\$ 6,528,093.00	\$ 6,021,479.00	\$ 5,963,601.00
Business-Type Activities:										
Net Investment in Capital Assets	\$ 2,620,124.20	\$ 2,522,286.47	\$ 2,088,840.67	\$ 2,137,512.36	\$ 2,178,741.70					
Unrestricted	5,082,379.39	4,747,309.71	(1,741,113.11)	299,635.81	30,820.88			\$ 221.00		
Total Business-Type Activities Net Position	\$ 7,702,503.59	\$ 7,269,596.18	\$ 347,727.56	\$ 2,437,148.17	\$ 2,209,562.58	-	-	\$ 221.00	-	-
Government-Wide:										
Net Investment in Capital Assets	\$ 2,638,362.61	\$ 2,548,429.26	\$ 2,557,965.98	\$ 2,535,094.05	\$ 2,568,464.08	\$ 2,603,278.00	\$ 2,785,438.00	\$ 2,703,789.00	\$ 2,090,627.00	\$ 1,622,010.00
Restricted							500,215.00	253,553.00		
Unrestricted	5,079,957.17	4,744,210.82	4,320,289.44	3,555,953.53	4,490,326.34	3,525,498.00	3,135,599.00	3,570,972.00	3,930,852.00	4,341,591.00
Total Government-Wide Net Position	\$ 7,718,319.78	\$ 7,292,640.08	\$ 6,878,255.42	\$ 6,091,047.58	\$ 7,058,790.42	\$ 6,128,776.00	\$ 6,421,252.00	\$ 6,528,314.00	\$ 6,021,479.00	\$ 5,963,601.00

\* Amounts for the years 2017, 2016, 2015 and 2014 include the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*.

Source: Comprehensive Annual Financial Report Exhibit A-1.

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
 Changes in Net Position  
 Last Ten Fiscal Years (Accrual Basis of Accounting)  
*Unaudited*

	Fiscal Year Ended June 30,									
	2017*	2016*	2015*	2014	2013	2012	2011	2010	2009	2008
<b>Expenses:</b>										
<b>Governmental Activities:</b>										
<b>Instruction:</b>										
Regular	\$ 702,111.87	\$ 683,891.56	\$ 624,284.15	\$ 565,086.54	\$ 576,488.31	\$ 634,222.00	\$ 691,160.00	\$ 573,908.00	\$ 494,191.00	\$ 541,291.00
Special Education				483,290.52	540,410.57	2,924,007.00	3,181,824.00	3,935,100.00	3,625,756.00	3,867,869.00
Other Special Instruction				143,308.31	246,477.05					
Other Instruction						215,476.00	166,280.00	168,993.00	117,841.00	75,793.00
<b>Support Services:</b>										
Student and Instruction Related Services	191,941.65	195,624.27	161,533.58	874,964.62	855,566.01	2,320,104.00	2,042,536.00	2,629,061.00	2,237,534.00	1,426,280.00
Other Administrative Services			25,795.72	119,785.26	120,133.41					
School Administrative Services	119,028.85	15,512.68	14,461.57	117,543.15	108,746.29					
General and Business Administrative Services						625,758.00	497,354.00	162,420.00	154,695.00	239,261.00
Plant Operations and Maintenance			11,914.34	31,303.41	28,295.06			63,439.00	39,214.00	21,307.00
Pupil Transportation			26,455,193.96	23,342,917.74	13,096,409.04	12,095,310.00	12,868,072.00	13,457,865.00	14,082,532.00	14,010,887.00
Business and Other Support Services								1,492,740.00	1,387,390.00	
Personal Services - Employee Benefits	497,953.34	424,116.27	396,614.84	1,297,696.73	1,396,576.74	1,751,525.00	1,647,895.00	610,389.00	581,923.00	1,962,965.00
Loss on Disposal of Capital Assets				1,903.81	493.69					
Interest on Long-term Debt			12,941.23	14,177.91	22,650.52			123,722.00	130,100.00	
Unallocated Depreciation and Amortization						79,836.00	3,610.00	28,537.00	62,169.00	120,982.00
<b>Total Governmental Activities Expenses</b>	<u>1,511,035.71</u>	<u>1,319,144.78</u>	<u>27,702,739.39</u>	<u>26,991,978.00</u>	<u>16,992,246.69</u>	<u>20,659,761.00</u>	<u>21,105,029.00</u>	<u>23,246,174.00</u>	<u>22,913,345.00</u>	<u>22,266,635.00</u>
<b>Business-Type Activities:</b>										
Enterprise Services	45,575,521.87	39,455,410.79	7,817,347.26	454,720.10	4,248,762.19			3,954.00	3,357.00	
Internet Connect Program	275,126.76									
<b>Total Business-Type Activities Expense</b>	<u>45,850,648.63</u>	<u>39,455,410.79</u>	<u>7,817,347.26</u>	<u>454,720.10</u>	<u>4,248,762.19</u>	<u>-</u>	<u>-</u>	<u>3,954.00</u>	<u>3,357.00</u>	<u>-</u>
<b>Total Government-Wide Expenses</b>	<u>\$ 47,361,684.34</u>	<u>\$ 40,774,555.57</u>	<u>\$ 35,520,086.65</u>	<u>\$ 27,446,698.10</u>	<u>\$ 21,241,008.88</u>	<u>\$ 20,659,761.00</u>	<u>\$ 21,105,029.00</u>	<u>\$ 23,250,128.00</u>	<u>\$ 22,916,702.00</u>	<u>\$ 22,266,635.00</u>
<b>Program Revenues:</b>										
<b>Governmental Activities:</b>										
Charges for Services	\$ 839,021.83	\$ 771,735.71	\$ 28,009,807.28	\$ 27,093,827.47	\$ 16,589,062.73	\$ 14,391,114.00	\$ 14,448,155.00	\$ 15,247,367.00	\$ 14,447,642.00	\$ 14,295,150.00
Operating Grants and Contributions	664,786.17	543,850.68	316,788.86	891,337.23	997,132.37	5,953,818.00	6,356,322.00	7,883,357.00	7,402,363.00	7,632,583.00
Capital Grants and Contributions		7,890.95	20,411.95	6,510.00	8,089.00			421,121.00	154,107.00	973,089.00
<b>Total Governmental Activities Program Revenues</b>	<u>1,503,808.00</u>	<u>1,323,477.34</u>	<u>28,347,008.09</u>	<u>27,991,674.70</u>	<u>17,594,284.10</u>	<u>20,344,932.00</u>	<u>20,804,477.00</u>	<u>23,551,845.00</u>	<u>22,004,112.00</u>	<u>22,900,822.00</u>
<b>Business-Type Activities:</b>										
Charges for services:										
Enterprise Services	43,684,766.28	38,073,907.62	7,288,236.96	4,682,305.69	4,238,192.05			2,133.00	1,363.00	
Internet Connect Program	213,366.00									
Operating Grants and Contributions:										
Enterprise Services	2,369,257.88	1,774,741.51	647,481.35					2,042.00	1,994.00	
<b>Total Business-Type Activities Program Revenues</b>	<u>46,267,390.16</u>	<u>39,848,649.13</u>	<u>7,935,718.31</u>	<u>4,682,305.69</u>	<u>4,238,192.05</u>	<u>-</u>	<u>-</u>	<u>4,175.00</u>	<u>3,357.00</u>	<u>-</u>
<b>Total Government-Wide Program Revenues</b>	<u>\$ 47,771,198.16</u>	<u>\$ 41,172,126.47</u>	<u>\$ 36,282,726.40</u>	<u>\$ 32,673,980.39</u>	<u>\$ 21,832,476.15</u>	<u>\$ 20,344,932.00</u>	<u>\$ 20,804,477.00</u>	<u>\$ 23,556,020.00</u>	<u>\$ 22,007,469.00</u>	<u>\$ 22,900,822.00</u>
<b>Net (Expense) / Revenue:</b>										
Governmental Activities	\$ (7,227.71)	\$ 4,332.56	\$ 644,268.70	\$ 999,696.70	\$ 602,037.41	\$ (314,829.00)	\$ (300,552.00)	\$ 305,671.00	\$ (909,233.00)	\$ 634,187.00
Business-Type Activities	416,741.53	393,238.34	118,371.05	4,227,585.59	(10,570.14)			221.00		
<b>Total Government-Wide Net Expense</b>	<u>\$ 409,513.82</u>	<u>\$ 397,570.90</u>	<u>\$ 762,639.75</u>	<u>\$ 5,227,282.29</u>	<u>\$ 591,467.27</u>	<u>\$ (314,829.00)</u>	<u>\$ (300,552.00)</u>	<u>\$ 305,892.00</u>	<u>\$ (909,233.00)</u>	<u>\$ 634,187.00</u>
<b>General Revenues and Other Changes in Net Position:</b>										
<b>Governmental Activities:</b>										
Interest and Investment Earnings - Unrestricted			\$ 5,290.48	\$ 15,201.56	\$ 20,248.38	\$ 34,224.00	\$ 34,780.00	\$ 18,128.00	\$ 35,585.00	\$ 140,905.00
Miscellaneous		\$ 23.21	12,580.27	4,262.31	260,799.51	79,555.00	201,550.00	226,775.00	949,760.00	879,908.00
Gain (Loss) on Disposal of Capital Assets						(91,426.00)	(42,860.00)	(43,960.00)	(18,214.00)	(18,436.00)
Transfers		(6,511,839.73)			(2,162,632.78)					
<b>Total Governmental Activities</b>	<u>-</u>	<u>(6,511,816.52)</u>	<u>17,870.75</u>	<u>19,463.87</u>	<u>(1,881,584.89)</u>	<u>22,353.00</u>	<u>193,470.00</u>	<u>200,943.00</u>	<u>967,131.00</u>	<u>1,002,377.00</u>

(Continued)

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
 Changes in Net Position  
 Last Ten Fiscal Years (Accrual Basis of Accounting)  
*Unaudited*

	Fiscal Year Ended June 30,									
	2017*	2016*	2015*	2014	2013	2012	2011	2010	2009	2008
General Revenues and Other Changes in Net Position (Cont'd):										
Business-Type Activities:										
Miscellaneous Transfers	\$ 16,165.88	\$ 16,790.55 6,511,839.73	\$ 6,697.34		\$ 9,253.00 2,210,879.72					
Total Business-Type Activities	<u>16,165.88</u>	<u>6,528,630.28</u>	<u>6,697.34</u>	<u>-</u>	<u>2,220,132.72</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Government-Wide	<u>\$ 16,165.88</u>	<u>\$ 16,813.76</u>	<u>\$ 24,568.09</u>	<u>\$ 19,463.87</u>	<u>\$ 338,547.83</u>	<u>\$ 22,353.00</u>	<u>\$ 193,470.00</u>	<u>\$ 200,943.00</u>	<u>\$ 967,131.00</u>	<u>\$ 1,002,377.00</u>
Change in Net Position:										
Governmental Activities	\$ (7,227.71)	\$ (6,507,483.96)	\$ 662,139.45	\$ 1,019,160.57	\$ (1,279,547.48)	\$ (292,476.00)	\$ (107,082.00)	\$ 506,614.00	\$ 57,898.00	\$ 1,636,564.00
Business-Type Activities	<u>432,907.41</u>	<u>6,921,868.62</u>	<u>125,068.39</u>	<u>4,227,585.59</u>	<u>2,209,562.58</u>			<u>221.00</u>		
Total Government-Wide	<u>\$ 425,679.70</u>	<u>\$ 414,384.66</u>	<u>\$ 787,207.84</u>	<u>\$ 5,246,746.16</u>	<u>\$ 930,015.10</u>	<u>\$ (292,476.00)</u>	<u>\$ (107,082.00)</u>	<u>\$ 506,835.00</u>	<u>\$ 57,898.00</u>	<u>\$ 1,636,564.00</u>

\* Amounts for the year 2015, 2016 and 2017 include the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*.

Source: *Comprehensive Annual Financial Report Exhibit A-2*.

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
Fund Balances, Governmental Funds  
Last Ten Fiscal Years (Modified Accrual Basis of Accounting)  
*Unaudited*

	Fiscal Year Ended June 30,									
	<u>2017</u>	<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>
General Fund:										
Assigned							\$ 500,215.00	\$ 253,553.00		\$ 29,377.00
Unassigned			\$ 6,073,573.05	\$ 5,490,535.25	\$ 4,476,440.33	\$ 3,665,190.55	3,305,665.00	3,731,043.00	\$ 4,064,381.00	3,780,786.00
Total General Fund	-	-	<u>\$ 6,073,573.05</u>	<u>\$ 5,490,535.25</u>	<u>\$ 4,476,440.33</u>	<u>\$ 3,665,190.55</u>	<u>\$ 3,805,880.00</u>	<u>\$ 3,984,596.00</u>	<u>\$ 4,064,381.00</u>	<u>\$ 3,810,163.00</u>
All Other Governmental Funds:										
Restricted										\$ 660,977.00
Total All Other Governmental Funds	-	-	-	-	-	-	-	-	-	<u>\$ 660,977.00</u>

Source: Comprehensive Annual Financial Report Exhibit B-1.

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
 Changes in Fund Balances, Governmental Funds  
 Last Ten Fiscal Years (Modified Accrual Basis of Accounting)  
*Unaudited*

	Fiscal Year Ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Revenues:</b>										
Tuition Charges	\$ 839,021.83	\$ 771,735.71	\$ 702,781.22	\$ 617,247.45	\$ 577,172.05	\$ 622,078.00	\$ 691,533.00	\$ 1,065,568.00	\$ 1,200,144.00	\$ 1,197,489.00
Transportation Fees from Other LEAs			27,307,026.06	24,375,975.42	13,632,988.21	12,337,473.00	13,135,955.00	13,775,967.00	14,447,642.00	14,295,150.00
Interest Earnings						34,224.00	34,780.00	18,128.00	35,585.00	140,905.00
Special Education Services						2,053,641.00	1,312,200.00	1,471,400.00		
Unrestricted Miscellaneous Revenues		23.21	17,870.75	2,120,068.47	2,554,894.35	79,555.00	201,771.00	226,775.00	949,760.00	879,908.00
Federal Sources	312,296.27	238,882.24	214,875.24	180,527.00	153,315.95	233,311.00	208,690.00	228,004.00	159,874.00	117,480.00
State Sources	147,527.22	134,736.79	126,916.13	717,320.23	848,589.42	5,200,971.00	5,456,099.00	6,658,209.00	6,247,430.00	6,883,981.00
Local Sources					3,316.00					
<b>Total Revenue</b>	<b>1,298,845.32</b>	<b>1,145,377.95</b>	<b>28,369,469.40</b>	<b>28,011,138.57</b>	<b>17,770,275.98</b>	<b>20,561,253.00</b>	<b>21,041,028.00</b>	<b>23,444,051.00</b>	<b>23,040,435.00</b>	<b>23,514,913.00</b>
<b>Expenditures:</b>										
<b>Current:</b>										
<b>Instruction:</b>										
Regular Instruction	702,781.39	683,401.75	611,035.70	549,969.43	560,068.59	530,461.00	691,160.00	573,908.00	494,191.00	541,291.00
Special Education Instruction				484,102.21	545,690.55	3,084,745.00	3,343,367.00	3,798,566.00	3,556,141.00	3,661,184.00
Other Special Instruction				142,598.63	246,477.05					
Other Instruction						215,476.00	166,260.00	168,993.00	117,841.00	75,793.00
<b>Support Services and Undistributed Costs:</b>										
Student and Instruction Related Services	184,037.27	188,526.19	165,790.33	872,351.65	856,661.29	2,320,104.00	2,042,536.00	2,472,623.00	2,087,474.00	1,426,280.00
Other Administrative Services			16,732.31	109,140.26	86,934.98					
School Administrative Services	119,036.00	16,000.00	57,737.77	161,693.54	153,541.48	561,748.00	431,950.00	162,420.00	141,147.00	202,113.00
Plant Operations and Maintenance			35.43	20,004.71	16,022.78	13,523.00	23,424.00	56,973.00	39,214.00	21,307.00
Pupil Transportation			26,454,665.97	23,342,653.99	13,096,333.68	12,094,367.00	12,868,072.00	13,358,255.00	14,000,198.00	13,981,168.00
Personal Services - Employee Benefits	292,990.66	249,535.85	401,205.40	1,297,696.73	1,396,576.74	1,751,525.00	1,647,895.00	2,103,129.00	1,969,313.00	1,962,965.00
Capital Outlay		7,890.95	79,228.69	16,832.50	48,966.00	129,993.00	5,080.00	548,809.00	761,515.00	731,340.00
<b>Debt Service:</b>										
Principal								156,438.00	150,060.00	451,500.00
Interest and Other Charges								123,722.00	130,100.00	
<b>Total Expenditures</b>	<b>1,298,845.32</b>	<b>1,145,354.74</b>	<b>27,786,431.60</b>	<b>26,997,043.65</b>	<b>17,007,273.14</b>	<b>20,701,942.00</b>	<b>21,219,744.00</b>	<b>23,523,836.00</b>	<b>23,447,194.00</b>	<b>23,054,941.00</b>
<b>Excess (Deficiency) of Revenues</b>										
Over (Under) Expenditures	-	23.21	583,037.80	1,014,094.92	763,002.84	(140,689.00)	(178,716.00)	(79,785.00)	(406,759.00)	459,972.00
<b>Other Financing Sources (Uses):</b>										
Transfers In					48,246.94					
Transfers Outs		(6,073,596.26)								
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(6,073,596.26)</b>	<b>-</b>	<b>-</b>	<b>48,246.94</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>\$ (6,073,573.05)</b>	<b>\$ 583,037.80</b>	<b>\$ 1,014,094.92</b>	<b>\$ 811,249.78</b>	<b>\$ (140,689.00)</b>	<b>\$ (178,716.00)</b>	<b>\$ (79,785.00)</b>	<b>\$ (406,759.00)</b>	<b>\$ 459,972.00</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.2%</b>	<b>1.2%</b>	<b>2.0%</b>

Source: Comprehensive Annual Financial Report Exhibit B-2.

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
 General Fund - Unrestricted Miscellaneous Revenues by Source  
 Last Ten Fiscal Years (Modified Accrual Basis of Accounting)  
*Unaudited*

	<u>2017</u>	<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>
Interest on Investments			\$ 5,290.48	\$ 15,201.56	\$ 20,248.38	\$ 34,224.00	\$ 34,780.00	\$ 18,128.00	\$ 35,585.00	\$ 140,905.00
Miscellaneous	\$	23.21	9,715.97	4,262.31	10,947.96	76,004.00	201,771.00	6,250.00	3,963.00	52,761.00
Educational Services <sup>(1)</sup>				1,272,654.49	1,606,791.82	2,053,641.00	1,312,200.00	1,691,925.00	945,797.00	846,700.00
Home Instruction Services <sup>(1)</sup>				75,009.60	77,557.08					
Child Study Team Evaluations <sup>(1)</sup>				216,837.08	94,266.25					
Business Services <sup>(1)</sup>					15,402.38					
Nursing Services <sup>(1)</sup>				83,214.00	114,167.25					
Related Services <sup>(1)</sup>				383,688.00	419,074.23					
Technology Coordinator <sup>(1)</sup>				64,913.43	45,412.46					
Cooperative Purchasing Agreement <sup>(1)</sup>				4,288.00	6,231.00					
Refund of Prior Year's Expenditures			2,864.30		144,795.54					
Tuition						622,078.00	691,533.00	1,065,568.00	1,200,144.00	1,197,489.00
	<u>-</u>	<u>\$ 23.21</u>	<u>\$ 17,870.75</u>	<u>\$ 2,120,068.47</u>	<u>\$ 2,554,894.35</u>	<u>\$ 2,785,947.00</u>	<u>\$ 2,240,284.00</u>	<u>\$ 2,781,871.00</u>	<u>\$ 2,185,489.00</u>	<u>\$ 2,237,855.00</u>

Source: Commission records.

<sup>(1)</sup>Beginning with fiscal year 2015, the charges for these services have been recorded in the enterprise fund.

## **Revenue Capacity Information**

Revenue capacity information is intended to assist users in understanding and assessing the factors affecting the Commission's ability to generate revenues. Please refer to the following exhibits for a historical view of these factors and how they relate to the Commission's ability to generate revenues.

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
 Schedule of Charges for Services by Source  
 Last Ten Fiscal Years (Accrual Basis of Accounting)  
*Unaudited*

	Fiscal Year Ended June 30									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Governmental Activities:</b>										
Tuition Charges <sup>(1)</sup>	\$ 839,021.83	\$ 771,735.71	\$ 702,781.22	\$ 617,247.45	\$ 577,172.05					
Transportation Fees from Other LEAs <sup>(5)</sup>			27,307,026.06	24,375,975.42	13,632,988.21	\$ 12,337,473.00	\$ 13,135,955.00	\$ 13,775,967.00	\$ 14,447,642.00	\$ 14,295,150.00
Educational Services <sup>(4)</sup>				1,272,654.49	1,606,791.82					
Home Instruction Services <sup>(4)</sup>				75,009.60	77,557.08					
Child Study Team Evaluations <sup>(4)</sup>				216,837.08	94,266.25					
Business Services <sup>(4)</sup>					15,402.38					
Nursing Services <sup>(4)</sup>				83,214.00	114,167.25					
Related Services <sup>(4)</sup>				383,688.00	419,074.23					
Technology Coordinator <sup>(4)</sup>				64,913.43	45,412.46					
Cooperative Purchasing Agreement <sup>(4)</sup>				4,288.00	6,231.00					
Other <sup>(2)</sup>						2,053,641.00	1,312,200.00	1,471,400.00		
<b>Total Governmental Activities</b>	<b>839,021.83</b>	<b>771,735.71</b>	<b>28,009,807.28</b>	<b>27,093,827.47</b>	<b>16,589,062.73</b>	<b>14,391,114.00</b>	<b>14,448,155.00</b>	<b>15,247,367.00</b>	<b>14,447,642.00</b>	<b>14,295,150.00</b>
<b>Business-Type Activities:</b>										
Transportation Services <sup>(5)</sup>	34,783,730.38	30,028,936.07								
Nonpublic Auxiliary and Handicapped Services <sup>(3)</sup>	5,145,560.08	4,783,795.66	5,029,538.69	4,682,305.69	4,238,192.05					
Educational Services <sup>(4)</sup>	1,403,448.17	1,324,372.47	1,391,738.80							
Child Study Team Evaluations <sup>(4)</sup>	515,972.14	594,186.43	384,591.96							
Related Services <sup>(4)</sup>	1,599,048.92	1,100,016.48	359,434.61							
Home Instruction Services <sup>(4)</sup>	91,266.00	146,002.50	98,632.50							
Transition Services	78,192.00									
Nursing Services <sup>(4)</sup>	54,323.12	21,799.82	22,759.40							
Cooperative Purchasing Agreement <sup>(4)</sup>	13,225.47		1,541.00							
McKinney-Vento Services		74,798.19								
Internet Connect Program	213,366.00									
Other								2,133.00	1,363.00	
<b>Total Business-Type Activities</b>	<b>43,898,132.28</b>	<b>38,073,907.62</b>	<b>7,288,236.96</b>	<b>4,682,305.69</b>	<b>4,238,192.05</b>	<b>-</b>	<b>-</b>	<b>2,133.00</b>	<b>1,363.00</b>	<b>-</b>
<b>Total Government-Wide Charges for Services</b>	<b>\$ 44,737,154.11</b>	<b>\$ 38,845,643.33</b>	<b>\$ 35,298,044.24</b>	<b>\$ 31,776,133.16</b>	<b>\$ 20,827,254.78</b>	<b>\$ 14,391,114.00</b>	<b>\$ 14,448,155.00</b>	<b>\$ 15,249,500.00</b>	<b>\$ 14,449,005.00</b>	<b>\$ 14,295,150.00</b>

Source: Commission records.

<sup>(1)</sup> Beginning with fiscal year 2013, tuition charges have been classified as charges for services.

<sup>(2)</sup> Beginning with fiscal year 2013, the other charges have been detailed by source.

<sup>(3)</sup> Beginning with fiscal year 2013, the charges for the nonpublic auxiliary and handicapped services have been recorded in the business-type activities.

<sup>(4)</sup> Beginning with fiscal year 2015, the charges for these services have been recorded in the business-type activities.

<sup>(5)</sup> Beginning with fiscal year 2016, the charges for these services have been recorded in the business-type activities.



## **Debt Capacity Information**

Debt capacity information is intended to assist users in understanding and assessing the Commission's debt burden and its ability to issue additional debt. Please refer to the following exhibits for a historical view of the Commission's outstanding debt and its debt capacity.

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years  
*Unaudited*

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Fiscal Year Ended <u>June 30.</u>	<u>Lease Purchase Agreement Payable</u>			Percentage of Personal Income <sup>(2)</sup>	<u>Per Capita</u> <sup>(3)</sup>
	Governmental <u>Activities</u> <sup>(1)</sup>	Business-Type <u>Activities</u> <sup>(1)</sup>	Total <u>Commission</u>		
2017		\$ 1,125,126.60	\$ 1,125,126.60	*	*
2016			1,286,818.15	*	\$ 2.52
2015	\$ 288,383.59	1,153,534.37	1,441,917.96	0.01%	2.82
2014	318,138.95	1,272,555.80	1,590,694.75	0.01%	3.11
2013	346,681.26	1,386,725.04	1,733,406.30	0.01%	3.39
2012	374,059.98	1,496,239.89	1,870,299.87	0.01%	3.65
2011	1,998,555.00		1,998,555.00	0.01%	3.89
2010	2,279,685.00		2,279,685.00	0.01%	4.44
2009	2,911,114.00		2,911,114.00	0.01%	5.62
2008	3,061,174.00		3,061,174.00	0.01%	5.91

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*Sources:*

<sup>(1)</sup> *Commission records.*

<sup>(2)</sup> *Personal income has been estimated based upon the municipal population and per capita.*

<sup>(3)</sup> *Per Capita calculation based upon population information provided by the New Jersey Department of Labor and Workforce Development.*

*\* information not available.*

## **Demographic and Economic Information**

Demographic and economic information is intended (1) to assist users in understanding the socioeconomic environment within which the Commission operates and (2) to provide information that facilitates comparisons of financial statement information over time and among entities. Please refer to the following exhibits for a historical view of the demographic and economic statistics and factors prevalent in the location in which the Commission operates.

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
Demographic and Economic Statistics  
Last Ten Fiscal Years  
*Unaudited*

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Fiscal Year Ended <u>June 30,</u>	<u>Population</u> <sup>(1)</sup>	<u>Personal Income</u> <sup>(2)</sup>	<u>Per Capita Personal Income</u> <sup>(3)</sup>	<u>Unemployment Rate</u> <sup>(4)</sup>
2016	510,150	*	*	6.2%
2015	510,923	\$ 24,567,221,532.00	\$ 48,084.00	8.8%
2014	510,967	23,957,198,762.00	46,886.00	10.3%
2013	511,922	23,075,907,994.00	45,077.00	9.0%
2012	512,993	22,952,332,806.00	44,742.00	17.3%
2011	513,185	22,639,156,275.00	44,115.00	17.1%
2010	513,594	21,567,352,842.00	41,993.00	17.4%
2009	517,879	21,564,999,439.00	41,641.00	16.6%
2008	517,739	21,420,415,647.00	41,373.00	10.9%
2007	517,559	20,705,465,354.00	40,006.00	8.3%

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*Sources:*

<sup>(1)</sup> *Annual Estimates of the Resident Population for Municipalities in New Jersey, by County: July 1, 2007 to July 1, 2016.*

<sup>(2)</sup> *Personal income has been estimated based upon the municipal population and per capita personal income.*

<sup>(3)</sup> *Regional Economic Information System, Bureau of Economic Analysis, November 2016.*

<sup>(4)</sup> *New Jersey Department of Labor and Workforce Development, Office of Research and Information, Local Area Unemployment Statistics - April 5, 2017.*

\* *information not available.*

## **Operating Information**

Operating information is intended to provide contextual information about the Commission's operations and resources to assist readers in using financial statement information to understand and assess the Commission's economic condition. Please refer to the following exhibits for a historical view of the factors and statistics pertinent to the Commission's operations.

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
 Full-Time Equivalent Commission Employees by Function/Program  
 Last Ten Fiscal Years  
*Unaudited*

Function / Program	Fiscal Year Ended June 30,									
	<u>2017</u>	<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>
Instruction:										
Other Instruction	12	13	16	14	14	17	15	17	12	13
Nonpublic school programs	61	62	59	66	67	81	77	82	87	86
Support Services:										
Student and Instruction Related Services	57	48	30	30	27	15	31	32	25	26
School Administrative Services	7	5	5	4	5	5	5	6	6	6
General and Business Administrative Services	1	1	1	1	1	1	1	1	1	1
Plant Operations and Maintenance	1	1				1	1	1	1	1
Pupil Transportation	10	9	9	1	1	1	1	1	1	1
Business and Other Support Services	9	8	7	11	7	10	9	10	9	9
Total	<u>158</u>	<u>147</u>	<u>127</u>	<u>127</u>	<u>122</u>	<u>131</u>	<u>140</u>	<u>150</u>	<u>142</u>	<u>143</u>

Source: Commission records.

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
 School Building Information  
 Last Ten Fiscal Years  
*Unaudited*

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	Fiscal Year Ended June 30,									
	<u>2017</u>	<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>
Other:										
Central Administration (1997)										
Square Feet	16,788	16,788	16,788	16,788	16,788	16,788	16,788	16,788	16,788	16,788
Functional Capacity (students)	-	-	-	-	-	-	-	-	-	-
Enrollment	-	-	-	-	-	-	-	-	-	-
Number of Schools at June 30, 2017										
Elementary = 0										
Middle School = 0										
Senior High School = 0										
Other = 1										

Note: Year of original construction is shown in parentheses. Enrollment is based on the annual October Commission count. Function Capacity is based on the F.E.S. Formula utilizing New Jersey Department of Education guidelines.

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Source: Commission records.

## CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION

Insurance Schedule

June 30, 2017

Unaudited

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	<u>Coverage</u>	<u>Deductible</u>
Insurance Package Policy <sup>(1)</sup>		
Property	\$ 5,158,300.00	\$ 1,000.00
Environmental Package	1,000,000.00	100,000.00
Beazley Breach Response Services	1,000,000.00	Various
Extra Expense	50,000,000.00	1,000.00
Valuable Papers	10,000,000.00	1,000.00
Electronic Data Processing	300,000.00	1,000.00
Equipment Breakdown	100,000,000.00	1,000.00
General Liability	16,000,000.00	
Automobile Liability	16,000,000.00	
Crisis Management	1,000,000.00	Various
Limited Builders Risk	10,000,000.00	1,000.00
Crime & Bonds:		
Faithful Performance	25,000.00	500.00
Forgery and Alteration	25,000.00	500.00
Money and Securities	5,000.00	500.00
Money Orders / Counterfeit	5,000.00	500.00
Computer Fraud	250,000.00	1,000.00
Board Secretary	250,000.00	1,000.00
Errors and Omissions <sup>(1)</sup>	6,000,000.00	10,000.00
Excess Errors and Omissions <sup>(1)</sup>	100,000.00/300,000.00	10,000.00

<sup>(1)</sup> New Jersey School Boards Associates Insurance Group

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Source: Commission records.



**SINGLE AUDIT SECTION**

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE STATE OF NEW JERSEY CIRCULAR 15-08-OMB**

**INDEPENDENT AUDITOR'S REPORT**

The Honorable President and  
Members of the Board of Directors  
Camden County Educational Services Commission  
Clementon, New Jersey 08021

**Report on Compliance for Major State Program**

We have audited the Camden County Educational Services Commission's, in the County of Camden, State of New Jersey, compliance with the types of compliance requirements described in the *New Jersey State Grant Compliance Supplement* that could have a direct and material effect on the Commission's major state program for the fiscal year ended June 30, 2017. The Commission's major state program is 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 state statutes, regulations, and the terms and conditions of its state award applicable to its state program.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the Commission's major state program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey; and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, and State of New Jersey Circular 15-08-OMB, 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 Camden County Educational Services Commission's, in the County of Camden, State of New Jersey, compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Major State Program**

In our opinion, the Camden County Educational Services Commission, in the County of Camden, State of New Jersey, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the fiscal year ended June 30, 2017.

### Report on Internal Control Over Compliance

Management of the Camden County Educational Services Commission, in the County of Camden, State of New Jersey, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commission's internal control over compliance with the types of requirements that could have a direct and material effect on the major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major state program and to test and report on internal control over compliance in accordance with the State of New Jersey Circular 15-08-OMB, 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 Commission's internal control over compliance.

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

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

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

Respectfully submitted,

*BOWMAN & COMPANY LLP*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

*L. Jarred Corn*

L. Jarred Corn  
Certified Public Accountant  
Public School Accountant No. CS 00219700

Voorhees, New Jersey  
November 13, 2017

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
 Schedule of Expenditures of Federal Awards, Schedule A  
 For the Fiscal Year Ended June 30, 2017

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal CFDA Number	Federal FAIN Number	Pass-Through Entity Identifying Number	Program or Award Amount	<u>Grant Period</u> From To	
Special Revenue Fund:						
U.S. Department of Education:						
Passed-through State Department of Education:						
N.C.L.B.:						
Title I, Part D, Prevention and Intervention Programs for Children	84.010	S010A150030	NCLB0178016	\$ 250,323.00	07/01/15	06/30/16
Title I, Part D, Prevention and Intervention Programs for Children	84.010	S010A160030	NCLB0178017	205,111.00	07/01/16	06/30/17
Total Title I, Part D, Prevention and Intervention Programs for Children						
Education for Homeless Children and Youth: McKinney Vento Ed for Homeless Children	84.196	S196A160031	100-034-5064-088	112,976.00	07/01/16	06/30/17
Total Education for Homeless Children and Youth						
Total Special Revenue Fund						
Total Federal Financial Assistance						

<sup>(a)</sup> see note 5 to the schedules of expenditures of federal awards and state financial assistance.

This schedule of expenditures of federal awards is included as other supplementary information only. A federal single audit in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) was not required as total federal expenditures did not equal or exceed \$750,000.00.

The accompanying notes to financial statements and notes to the schedules of expenditures of federal awards and state financial assistance are an integral part of this schedule.

Balance June 30, 2016	Cash Received	Budgetary Expenditures			Passed- Through to Subrecipients	Adjustments <sup>(a)</sup>	Repayment of Prior Years' Balances	Balance June 30, 2017		
		Pass-Through Funds	Direct Funds	Total Budgetary Expenditures				(Accounts Receivable)	Unearned Revenue	Due to Grantor
\$ (45,868.24)	\$ 45,869.00					\$ (0.76)				
	154,108.00	\$ (199,320.27)		\$ (199,320.27)				\$ (45,212.27)		
(45,868.24)	199,977.00	(199,320.27)	-	(199,320.27)	-	(0.76)	-	(45,212.27)	-	-
	23,206.00	(112,976.00)		(112,976.00)				(89,770.00)		
-	23,206.00	(112,976.00)	-	(112,976.00)	-	-	-	(89,770.00)	-	-
(45,868.24)	223,183.00	(312,296.27)	-	(312,296.27)	-	(0.76)	-	(134,982.27)	-	-
<u>\$ (45,868.24)</u>	<u>\$ 223,183.00</u>	<u>\$ (312,296.27)</u>	<u>-</u>	<u>\$ (312,296.27)</u>	<u>-</u>	<u>\$ (0.76)</u>	<u>-</u>	<u>\$ (134,982.27)</u>	<u>-</u>	<u>-</u>

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
Schedule of Expenditures of State Financial Assistance, Schedule B  
For the Fiscal Year Ended June 30, 2017

State Grantor / Program or Cluster Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance June 30, 2016	
			From	To	Unearned Revenue / (Accounts Receivable)	Due to Grantor
General Fund:						
New Jersey Department of Education:						
Current Expense:						
Reimbursed TPAF Social Security Contributions	495-034-5094-003	\$ 45,808.54	07/01/15	06/30/16	\$ (2,201.63)	
Reimbursed TPAF Social Security Contributions	495-034-5094-003	46,917.88	07/01/16	06/30/17		
Total Reimbursed TPAF Social Security Contributions					(2,201.63)	-
Total General Fund					(2,201.63)	-
Enterprise Services Fund:						
New Jersey Department of Education:						
Current Expense:						
Reimbursed TPAF Social Security Contributions	495-034-5094-003	261,453.36	07/01/15	06/30/16	(12,565.86)	
Reimbursed TPAF Social Security Contributions	495-034-5094-003	325,788.83	07/01/16	06/30/17		
Total Reimbursed TPAF Social Security Contributions					(12,565.86)	-
Total Enterprise Services Fund					(12,565.86)	-
Total State Financial Assistance subject to Major Program Determination for State Single Audit					(14,767.49)	-
State Financial Assistance not subject to Calculation for Major Program Determination for State Single Audit:						
General Fund (Non-Cash Assistance):						
New Jersey Department of the Treasury:						
On-behalf Contributions:						
T P A F. Post-Retirement Medical	495-034-5094-001	45,625.58	07/01/16	06/30/17		
Teacher's Pension and Annuity Fund	495-034-5094-002	52,843.05	07/01/16	06/30/17		
T.P.A.F. Non-contributory Insurance	495-034-5094-004	1,914.64	07/01/16	06/30/17		
T.P.A.F. Long-term Disability Insurance	495-034-5094-004	226.07	07/01/16	06/30/17		
Total General Fund On-behalf Contributions					-	-
Total General Fund (Non-Cash Assistance)					-	-
Enterprise Services Fund (Non-Cash Assistance):						
New Jersey Department of the Treasury:						
On-behalf Contributions:						
T P A F. Post-Retirement Medical	495-034-5094-001	305,340.42	07/01/16	06/30/17		
Teacher's Pension and Annuity Fund	495-034-5094-002	1,723,802.34	07/01/16	06/30/17		
T.P.A.F. Non-contributory Insurance	495-034-5094-004	12,813.36	07/01/16	06/30/17		
T.P.A.F. Long-term Disability Insurance	495-034-5094-004	1,512.93	07/01/16	06/30/17		
Total Enterprise Services Fund On-behalf Contributions					-	-
Total Enterprise Services Fund (Non-Cash Assistance)					-	-
Total State Non-Cash Assistance					-	-
Total State Financial Assistance					\$ (14,767.49)	-

The accompanying notes to financial statements and notes to the schedules of expenditures of federal awards and state financial assistance are an integral part of this schedule.

Cash Received	Total Budgetary Expenditures	Passed- Through to Subrecipients	Repayment of Prior Years' Balances	Balance June 30, 2017			(Memo Only)	
				(Accounts Receivable)	Unearned Revenue	Due to Grantor	Budgetary Receivable June 30 2017	Cumulative Total Expenditures
\$ 2,201.63								
44,739.83	\$ (46,917.88)			\$ (2,178 05)				\$ (46,917 88)
46,941.46	(46,917.88)	-	-	(2,178 05)	-	-	-	(46,917 88)
46,941.46	(46,917.88)	-	-	(2,178 05)	-	-	-	(46,917 88)
12,565.86								
310,664.86	(325,788.83)			(15,123 97)				(325,788 83)
323,230.72	(325,788.83)	-	-	(15,123 97)	-	-	-	(325,788 83)
323,230.72	(325,788.83)	-	-	(15,123 97)	-	-	-	(325,788 83)
370,172.18	(372,706.71)	-	-	(17,302 02)	-	-	-	(372,706.71)
45,625.58	(45,625.58)							(45,625 58)
52,843.05	(52,843.05)							(52,843 05)
1,914.64	(1,914.64)							(1,914.64)
226.07	(226.07)							(226 07)
100,609.34	(100,609.34)	-	-	-	-	-	-	(100,609 34)
100,609.34	(100,609.34)	-	-	-	-	-	-	(100,609 34)
305,340.42	(305,340.42)							(305,340.42)
1,723,802.34	(1,723,802.34)							(1,723,802 34)
12,813.36	(12,813.36)							(12,813 36)
1,512.93	(1,512.93)							(1,512.93)
2,043,469.05	(2,043,469.05)	-	-	-	-	-	-	(2,043,469 05)
2,043,469.05	(2,043,469.05)	-	-	-	-	-	-	(2,043,469 05)
2,144,078.39	(2,144,078.39)	-	-	-	-	-	-	(2,144,078 39)
<u>\$ 2,514,250.57</u>	<u>\$ (2,516,785.10)</u>	<u>-</u>	<u>-</u>	<u>\$ (17,302 02)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ (2,516,785.10)</u>

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance  
For the Fiscal Year Ended June 30, 2017

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**Note 1: BASIS OF PRESENTATION**

The accompanying schedules of expenditures of federal awards and state financial assistance (“the schedules”) include federal and state award activity of the Camden County Educational Services Commission (hereafter referred to as the “Commission”). The Commission is defined in note 1 to the Commission’s basic financial statements. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, are included on the schedules. Because these schedules present only a selected portion of the operations of the Commission, it is not intended to and does not present the financial position and changes in operations of the Commission.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedules are presented using the budgetary basis of accounting, with the following exception: programs recorded in the enterprise fund are presented using the accrual basis of accounting. These bases of accounting are described in note 1 to the Commission’s basic financial statements. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

**Note 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

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

The general fund is presented in the accompanying schedules on the modified accrual basis. The special revenue fund is presented in the accompanying schedules on the budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

Net adjustments to reconcile expenditures from the budgetary basis to the GAAP basis for the general fund and special revenue fund were not needed for the fiscal year ended June 30, 2017. See exhibit C-3, notes to required supplementary information, for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds.



**Note 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONT'D)**

Awards and financial assistance expenditures reported in the Commission's basic financial statements on a GAAP basis are presented as follows:

<u>Fund</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 147,527.22	\$ 147,527.22
Special Revenue Fund	\$ 312,296.27		312,296.27
Enterprise Fund		<u>2,369,257.88</u>	<u>2,369,257.88</u>
Total Awards and Financial Assistance	<u>\$ 312,296.27</u>	<u>\$ 2,516,785.10</u>	<u>\$ 2,829,081.37</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: ADJUSTMENTS**

The amount reported in the column entitled "adjustments" on the schedule of expenditures of federal awards represents a favorable rounding adjustment in the amount of \$.76 resulting on the collection of an accounts receivable balance during the fiscal year ended June 30, 2017.

**Note 6: REIMBURSED AND ON-BEHALF PAYMENTS**

During the fiscal year ended June 30, 2017, the Commission was the recipient of federal and state assistance that represented either a reimbursement to the Commission or payments made on-behalf of the Commission. TPAF Social Security Contributions represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year. Lastly, the Commission has recognized as revenues and expenditures on-behalf payments made by the State for normal costs, non-contributory insurance, post-retirement medical costs, and long term disability insurance related to TPAF members.

**Note 7: MAJOR PROGRAMS**

Major programs are identified in the *Summary of Auditor's Results* section of the *Schedule of Findings and Questioned Costs*.

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
 Schedule of Findings and Questioned Costs  
 For the Fiscal Year Ended June 30, 2017

**Section 1- Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued \_\_\_\_\_ unmodified \_\_\_\_\_

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes X no

Significant deficiency(ies) identified? \_\_\_\_\_ yes X none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes X no

**Federal Awards**

*(A Federal Single Audit was not required for the fiscal year ended June 30, 2017.)*

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ yes \_\_\_\_\_ no

Significant deficiency(ies) identified? \_\_\_\_\_ yes \_\_\_\_\_ none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 516 of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)? \_\_\_\_\_ yes \_\_\_\_\_ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>FAIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Dollar threshold used to determine Type A programs \$ \_\_\_\_\_

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

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2017

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**Section 1- Summary of Auditor's Results (Cont'd)**

**State Financial Assistance**

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ yes  no

Significant deficiency(ies) identified? \_\_\_\_\_ yes  none reported

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

Any audit findings disclosed that are required to be reported in accordance with New Jersey Circular 15-08-OMB? \_\_\_\_\_ yes  no

Identification of major programs:

**GMIS Number(s)**

**Name of State Program**

495-034-5094-003 \_\_\_\_\_

Reimbursed TPAF Social Security Contributions \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Dollar threshold used to determine Type A programs \_\_\_\_\_ not applicable

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

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2017

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***Section 2- Schedule of Financial Statement Findings***

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey.

None.

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2017

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***Section 3- Schedule of Federal Award Findings and Questioned Costs***

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major Federal programs, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

A Federal single audit was not required for the fiscal year ended June 30, 2017.

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2017

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***Section 4- Schedule of State Financial Assistance Findings and Questioned Costs***

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major State programs, as required by State of New Jersey Circular 15-08-OMB.

None.

**CAMDEN COUNTY EDUCATIONAL SERVICES COMMISSION**  
Summary Schedule of Prior Year Audit Findings  
and Questioned Costs as Prepared by Management

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This section identifies the status of prior year findings related to the financial statements and federal awards and state financial assistance that are required to be reported in accordance with *Government Auditing Standards*, Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and State of New Jersey Circular 15-08-OMB.

**FINANCIAL STATEMENT FINDINGS**

None.

**FEDERAL AWARDS**

A Federal single audit was not required for the fiscal year ended June 30, 2016.

**STATE FINANCIAL ASSISTANCE PROGRAMS**

None.

