

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Fairfield, New Jersey

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

of the

Essex Regional Educational Services Commission

Fairfield, New Jersey

For The Fiscal Year Ended June 30, 2017

Prepared by

Business Office

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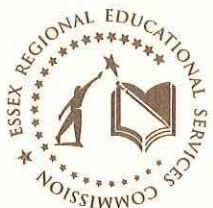
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INTRODUCTORY SECTION



ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION

SUPERINTENDENT'S OFFICE

Dr. Jacqueline A. Young Education Center

369 Passaic Avenue

Fairfield, New Jersey 07004

Tel: (973) 405-6262 x244 / Fax: (973) 405-6555

LAURIE W. NEWELL, Ph.D.

Superintendent

December 4, 2017

Honorable President and
Members of the Board of Directors
Essex Regional Educational Services Commission
Fairfield, New Jersey

The comprehensive annual financial report (CAFR) of the Essex Regional Educational Services Commission for the fiscal year ended June 30, 2017, is hereby submitted. This CAFR includes the Commission's Financial Statements prepared in accordance with Governmental Accounting Standards Board. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Directors. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the 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 begins with the Independent Auditor's Report and includes the Management's Discussion and Analysis, the Financial Statements and Notes providing an overview of the detailed budgetary information. 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 requirements of 2 CFR 200-Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (U.S. Uniform Guidance) and the State Treasury Circular Letter 15-08 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." Information related to this single audit, including the independent auditor's report on the internal control structure and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs is included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES: The Essex Regional Educational Services Commission is a public educational entity deriving its authority from New Jersey Public Law 18A:6-51 et.seq. Funding sources for the Essex Regional Educational Services Commission is generated from our school tuitions and various fee based educational services.

The Commission provides a broad range of quality educational and administrative services in a cost effective manner. These services include coordinated transportation, special education for learning disabled students, nonpublic 192/193 services, nonpublic nursing, Nonpublic No Child Left Behind (Title I), English as a second language, public school home instruction, public school child study evaluations, educational programs for drug rehabilitation centers and juvenile detention centers, cooperative purchasing, paraprofessional, migrant education, homeless education, alternative education, physical and occupational therapy, and extended school day/year.

<u>FISCAL</u> <u>YEAR</u>	<u>Average Daily Enrollment (Essex Junior Academy)</u>	
	<u>STUDENT</u> <u>ENROLLMENT</u>	<u>PERCENT</u> <u>CHANGE</u>
2016-17	45.0	10%
2015-16	40.8	-3
2014-15	42.0	3
2013-14	40.8	-8
2012-13	44.2	-3
2011-12	45.8	31
2010-11	34.9	11
2009-10	31.4	-1
2008-09	31.8	-40
2007-08	53.2	-10

<u>FISCAL</u> <u>YEAR</u>	<u>Average Daily Enrollment (Essex High School)</u>	
	<u>STUDENT</u> <u>ENROLLMENT</u>	<u>PERCENT</u> <u>CHANGE</u>
2016-17	48.1	33%
2015-16	36.2	-10
2014-15	40.0	3
2013-14	39.0	-16
2012-13	46.2	5
2011-12	44.0	2
2010-11	39.3	16
2009-10	33.8	-20
2008-09	42.5	6
2007-08	40.1	-9

<u>FISCAL</u> <u>YEAR</u>	<u>Average Daily Enrollment (Essex Campus Academy)</u>	
	<u>STUDENT</u> <u>ENROLLMENT</u>	<u>PERCENT</u> <u>CHANGE</u>
2016-17	45.6	11%
2015-16	41.1	3
2014-15	40.0	0
2013-14	40.0	10
2012-13	36.4	-21
2011-12	46.3	-14
2010-11	53.8	-36
2009-10	84.7	2
2008-09	82.8	-25
2007-08	109.8	207

2) ECONOMIC CONDITION AND OUTLOOK. The Essex Regional Educational Services Commission is experiencing a period of development and expansion, which is expected to continue. The continued reduction of financial resources for local school districts will force them to maximize their assets while they cut costs by cooperatively financing educational expenses. Educational Services Commissions are an effective solution for the financial crisis facing local educators.

3) INTERNAL ACCOUNTING CONTROLS: Management of the Commission is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Commission are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with 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 require estimates and judgments by management.

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

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 major federal and state financial assistance programs, as well as to determine that the Commission has complied with applicable laws, regulations, contracts and grants.

4) 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. Annual appropriated budgets are adopted for the general and special revenue funds. The final budget amounts as amended for the fiscal year are reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments of a line item basis. Open encumbrance at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. The Commission did not have any open encumbrances at June 30, 2017.

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

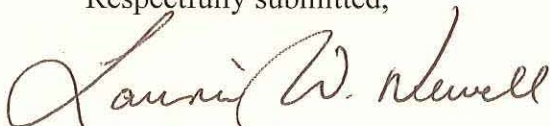
6) CASH MANAGEMENT: The investment policy of the Commission is guided in large part by state statutes as detailed in "Notes to the Financial Statements". The Commission has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Government 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.

7) 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. A schedule of insurance coverage is found in the Statistical Section of the CAFR on Exhibit J-20.

8) OTHER INFORMATION: Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Lerch, Vinci, & Higgins, LLP was appointed as auditor at the reorganization meeting. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the U.S. Uniform Guidance and State OMB Circular 15-08. The auditor's report on the basic financial statements and specific required supplemental information 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.

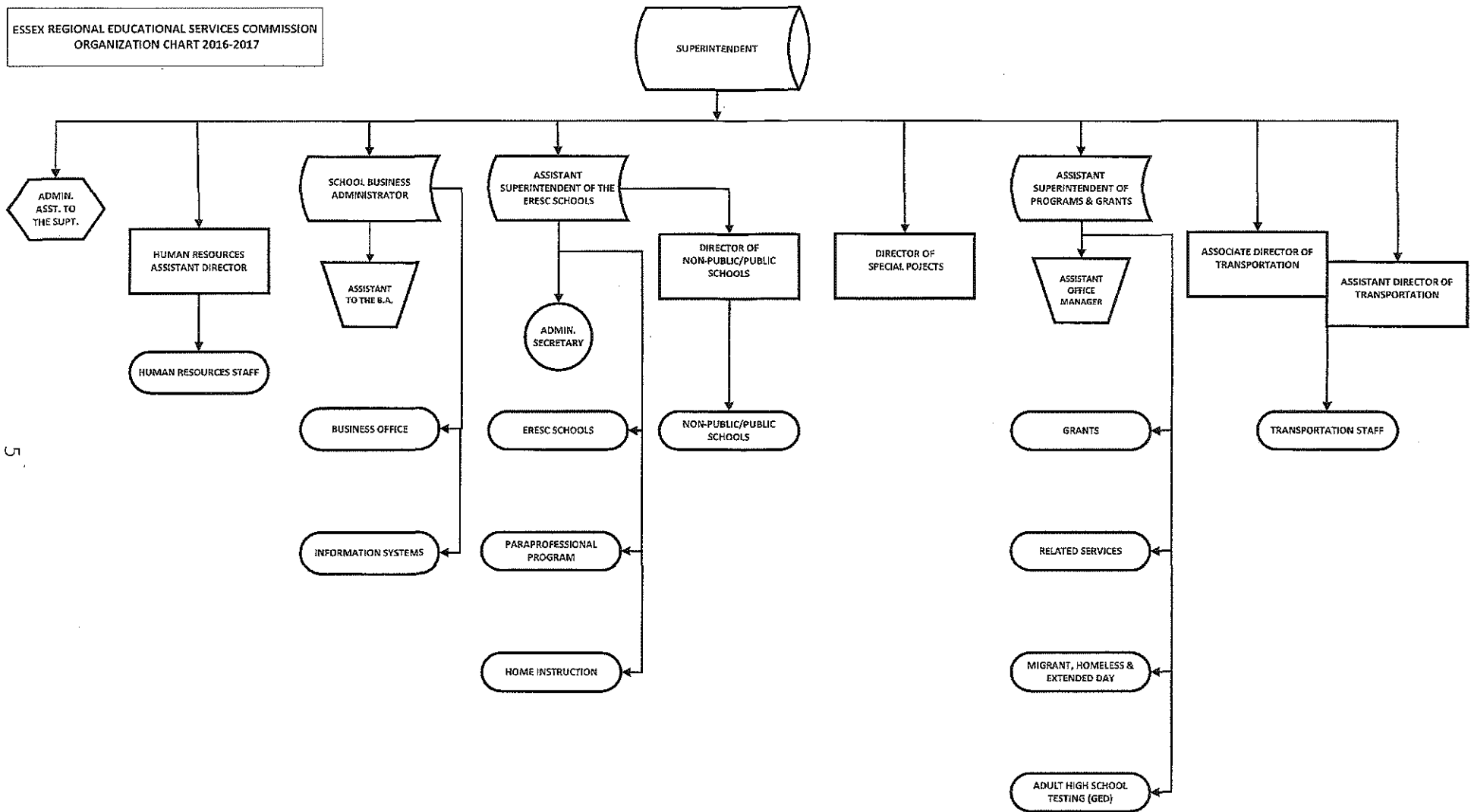
9) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Board of Directors for their concern in providing fiscal accountability to the citizens and taxpayers of the State and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated service of the Business Office staff.

Respectfully submitted,



Dr. Laurie W. Newell
Superintendent of Schools

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
ORGANIZATION CHART 2016-2017



ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION

Roster of Officials

July 1, 2016 – June 30, 2017

MEMBERS OF THE BOARD OF EDUCATION

Mr. Richard Williams, President

Ms. Eve Robinson, Vice President

Ms. Terry Tucker, Executive Committee Member

Mr. Salvatore Carnovale

Ms. Christina Mateo

Mr. John Rivera

Ms. Valerie Wilson

Ms. Maureen Jones

Mr. Ronnie Spring

Ms. Ellen Rogers

SCHOOL DISTRICT

Irvington Board of Education

Montclair Board of Education

East Orange Board of Education

Essex County Vocational

Orange Board of Education

Belleville Board of Education

Newark Board of Education

South Orange/Maplewood

Livingston Board of Education

Bloomfield Board of Education

OTHER OFFICIALS

Dr. Laurie W. Newell, Superintendent of Schools

Mr. John Ferraro, School Business Administrator

John H. Watson, Esq., Board Attorney

ESSEX REGIONAL EDUCATIONAL

SERVICES COMMISSION

Consultants and Advisors

AUDIT FIRM

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

ATTORNEY

John Watson, Jr., Esq.
63 Washington Street
Suite 200
East Orange, NJ 07017

OFFICIAL DEPOSITORY

PNC Bank
One Garrett Mountain
Woodland Park, NJ 07043

FINANCIAL SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. NICOLOSI, CPA, PSA

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Directors
Essex Regional Educational Services Commission
Fairfield, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Essex Regional Educational Services Commission 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 the Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Information

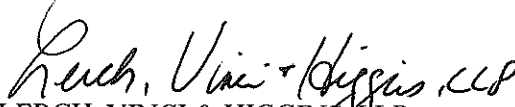
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Essex Regional Educational Services Commission's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, financial schedules, statistical section, schedule of expenditures of federal awards 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) and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Essex Regional Educational Services Commission.


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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated December 4, 2017 on our consideration of the Essex Regional 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 the effectiveness of the Essex Regional Educational Services Commission's 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 Essex Regional Educational Services Commission's internal control over financial reporting and compliance.


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


Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
December 4, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
FAIRFIELD, NEW JERSEY**

Management's Discussion and Analysis

This section of the Essex Regional Educational Services Commission's annual financial report presents our discussion and analysis of the Commission's financial performance during the fiscal year that ended on June 30, 2017. Please read it in conjunction with the transmittal letter at the front of this report and the Commission's financial statements, which immediately follows this section.

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

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2016-2017 fiscal year include the following:

- The assets and deferred outflows of resources of the Essex Regional Educational Services Commission exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$22,319,669 (net position).
- The Commission's total net position decreased \$3,355,732.
- Overall Commission revenues were \$76,143,017. General revenues accounted for \$2,033,893 or less than 3% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$74,109,124 or slightly more than 97% of total revenues.
- The Commission had \$79,391,325 in expenses for governmental activities, most of these expenses were offset by program specific charges, grants or contributions. Expenses for governmental activities exceeded revenues by \$3,339,093.
- As of the close of the current fiscal year, the Commission's governmental funds reported a combined ending fund balance of \$30,697,881, an increase of \$1,937,599 when compared to the previous year ending fund balance.
- The General Fund unassigned fund balance at June 30, 2017 was \$15,828,831 an increase of \$2,739,639 when compared with the beginning fund balance at July 1, 2016 of \$13,089,192.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the Commission:

- The first two statements are commission wide financial statements that provide both short-term and long-term information about the Commission's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Commission, reporting the Commission's operations in more detail than the commission-wide statements.

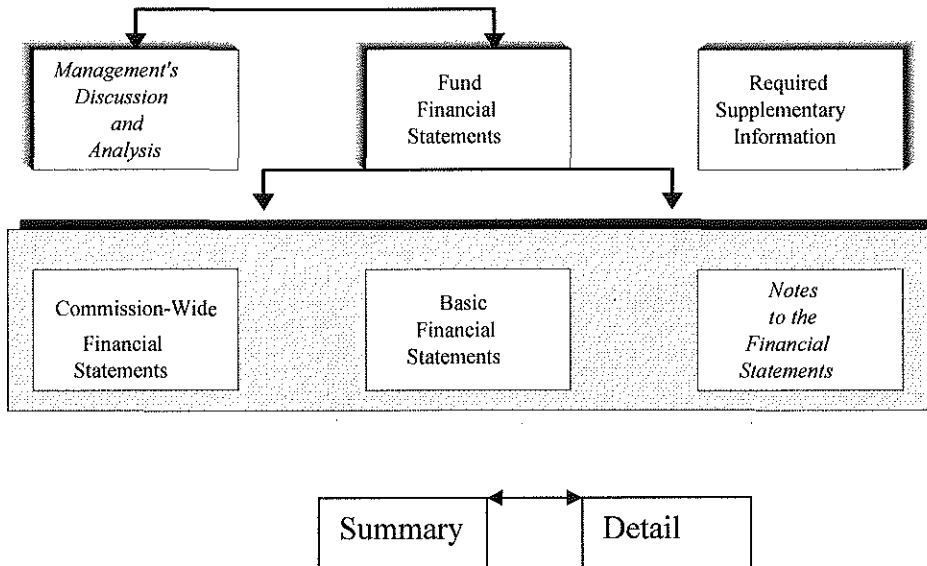
ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
FAIRFIELD, NEW JERSEY

Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

- The governmental funds statements tell how basic services were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short-term and long-term financial information about the activities the Commission operated like businesses.
- Fiduciary funds statements provide information about the financial relationships in which the Commission acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain the information in the statements and provide more detailed data. The following shows how the various parts of this annual report are arranged and related to one another.



**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
FAIRFIELD, NEW JERSEY**

Management's Discussion and Analysis

The following summarizes the major features of the Commission's financial statements, including the portion of the Commission's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Major Features of the Commission-wide and Fund Financial Statements

	Commission-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Commission (except fiduciary funds)	The activities of the Commission that are not proprietary or fiduciary, such as Regular and Special Education Instruction and Building maintenance	Activities the Commission operates similar to private businesses; Enterprise Fund	Instances in which the Commission administers resources held in trust, such as Payroll Agency and Student Activities
Required financial statements	Statements of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Net Position Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows	Statements of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources Focus
Type of asset, liability and deferred inflows information	All assets, deferred outflows, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term funds do not currently contain capital assets.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions and dedications during the year, regardless of when cash is received or paid.

Commission-Wide Financial Statements

The commission-wide statements report information about the Commission as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Commission's assets, deferred inflows/outflows of resources and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two commission-wide statements report the Commission's net position and how they have changed. Net position – the difference between the Commission's assets, deferred outflows, deferred inflows and liabilities – is one way to measure the Commission's financial health or position.

- Over time, increases or decreases in the Commission's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the Commission you need to consider additional non-financial factors such as changes in the Commission's revenue base and the condition of school buildings and other facilities utilized by the Commission.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
FAIRFIELD, NEW JERSEY**

Management's Discussion and Analysis

Commission-Wide Financial Statements (Continued)

In the commission-wide financial statements the Commission's activities are shown in two categories:

- *Governmental activities* – Most of the Commission's basic services are included here, such as regular and special education, transportation, administration and plant operations and maintenance. Tuition charges and service fee revenues finance all of these activities.
- *Business Type activities* – These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The Commission's Food Service and cooperative purchasing operations are included under this category.

Fund Financial Statements

The fund financial statements provide more detailed information about the Commission's funds – focusing on its most significant or "major" funds – not the Commission as a whole. Funds are accounting devices the Commission uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and bond covenants.
- The Commission establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues (federal and state grants and restricted contributions and service fees).

The Commission has three kinds of funds:

- *Governmental funds* – Most of the Commission's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Commission's programs. Because this information does not encompass the additional long-term focus of the commission-wide statements, we provide additional information at the bottom of the governmental funds statements that explains the relationship (or differences) between them.
- *Proprietary funds* – Services for which the Commission charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the commission-wide statements.

Enterprise Funds – This fund is established to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that costs of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges. The Commission currently has one enterprise fund, the Food Service Enterprise Fund.

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

Notes to the Financial Statements

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
FAIRFIELD, NEW JERSEY**

Management's Discussion and Analysis

Other Information

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

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

COMMISSION-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Commission, assets and deferred outflows exceeded liabilities and deferred inflows by \$22,319,669 and \$25,675,401 as of June 30, 2017 and 2016.

By far the largest portion of the Commission's net position is unrestricted and available to finance future expenses and capital acquisitions of the Commission. The other portion of net position reflects the Commission's net investment in capital assets. The Commission uses these assets to provide services to its students and other local education agencies utilizing the Commission's services.

**Net Position
As of June 30, 2017 and 2016**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Assets						
Current Assets	\$ 35,378,385	\$ 43,282,599	\$ 13,743	\$ 22,631	\$ 35,392,128	\$ 43,305,230
Capital Assets	<u>10,870,849</u>	<u>11,292,275</u>	<u>-</u>	<u>-</u>	<u>10,870,849</u>	<u>11,292,275</u>
Total Assets	<u>46,249,234</u>	<u>54,574,874</u>	<u>13,743</u>	<u>22,631</u>	<u>46,262,977</u>	<u>54,597,505</u>
Deferred Outflows of Resources						
Deferred Amounts on Net						
Pension Liability	<u>5,098,433</u>	<u>2,005,352</u>	<u>-</u>	<u>-</u>	<u>5,098,433</u>	<u>2,005,352</u>
Liabilities						
Long-Term Liabilities	27,127,523	22,843,839			27,127,523	22,843,839
Other Liabilities	<u>1,525,807</u>	<u>7,370,484</u>	<u>7,751</u>	<u>-</u>	<u>1,533,558</u>	<u>7,370,484</u>
Total Liabilities	<u>28,653,330</u>	<u>30,214,323</u>	<u>7,751</u>	<u>-</u>	<u>28,661,081</u>	<u>30,214,323</u>
Deferred Inflows of Resources						
Deferred Amounts on Net						
Pension Liability	<u>380,660</u>	<u>713,133</u>	<u>-</u>	<u>-</u>	<u>380,660</u>	<u>713,133</u>
Net Position						
Net Investment						
in Capital Assets	2,541,005	2,591,880			2,541,005	2,591,880
Restricted	57,960	-			57,960	-
Unrestricted	<u>19,714,712</u>	<u>23,060,890</u>	<u>5,992</u>	<u>22,631</u>	<u>19,720,704</u>	<u>23,083,521</u>
Total Net Position	<u>\$ 22,313,677</u>	<u>\$ 25,652,770</u>	<u>\$ 5,992</u>	<u>\$ 22,631</u>	<u>\$ 22,319,669</u>	<u>\$ 25,675,401</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
FAIRFIELD, NEW JERSEY**

Management's Discussion and Analysis

**Change in Net Position
For The Fiscal Years Ended June 30, 2017 and 2016**

	Governmental Activities		Business-Type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues						
Program Revenues						
Charges for Services	\$ 67,229,306	\$ 101,704,764			\$ 67,229,306	\$ 101,704,764
Operating Grants and Contributions	6,789,033	5,809,409	\$ 90,785	\$ 51,320	6,879,818	5,860,729
General Revenues						
Other	2,033,893	554,939	-	-	2,033,893	554,939
Total Revenues	<u>76,052,232</u>	<u>108,069,112</u>	<u>90,785</u>	<u>51,320</u>	<u>76,143,017</u>	<u>108,120,432</u>
Expenses						
Instruction						
Regular	5,012,806	3,871,547			5,012,806	3,871,547
Special Education	14,128,685	10,717,912			14,128,685	10,717,912
Other Instruction	4,033,579	5,739,014			4,033,579	5,739,014
Community Services	71,700				71,700	-
Support Services						
Student and Instruction Related Services	5,063,109	6,144,644			5,063,109	6,144,644
General Administrative Services	3,935,822	1,683,334			3,935,822	1,683,334
School Administrative Services	2,599,427	1,361,735			2,599,427	1,361,735
Central Services	961,956	712,869			961,956	712,869
Administrative Info. Technology	248,240	137,436			248,240	137,436
Plant Operations and Maintenance	1,574,760	1,530,426			1,574,760	1,530,426
Pupil Transportation	41,370,389	71,711,850			41,370,389	71,711,850
Interest on Long Term Debt	390,852	407,624			390,852	407,624
Cooperative Purchasing			20,750		20,750	-
Food Services	-	-	86,674	68,942	86,674	68,942
Total Expenses	<u>79,391,325</u>	<u>104,018,391</u>	<u>107,424</u>	<u>68,942</u>	<u>79,498,749</u>	<u>104,087,333</u>
Change in Net Position	(3,339,093)	4,050,721	(16,639)	(17,622)	(3,355,732)	4,033,099
Net Position, Beginning of Year	<u>25,652,770</u>	<u>21,602,049</u>	<u>22,631</u>	<u>40,253</u>	<u>25,675,401</u>	<u>21,642,302</u>
Net Position, End of Year	<u>\$ 22,313,677</u>	<u>\$ 25,652,770</u>	<u>\$ 5,992</u>	<u>\$ 22,631</u>	<u>\$ 22,319,669</u>	<u>\$ 25,675,401</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
FAIRFIELD, NEW JERSEY**

Management's Discussion and Analysis

Governmental Activities. The Commission's total governmental activities' revenues, which includes State and Federal grants, were \$76,052,232 and \$108,069,112 for the fiscal years ended June 30, 2017 and 2016, respectively. Tuition charges and local education fees of \$67,229,306 and \$101,704,764 represented 88% and 94% of the revenues for the respective years. Grants and contributions of \$6,789,033 and \$5,809,409 were realized for the fiscal years ended June 30, 2017 and 2016. In addition, miscellaneous income which includes items such as interest, prior year refunds and other miscellaneous items.

The total cost of all governmental activities programs and services were \$79,391,325 and \$104,018,391 for the fiscal years ended June 30, 2017 and 2016, respectively. The Commission's expenses are related to educating and caring for students and providing transportation and other related services to local education agencies. Instruction totaled \$23,246,770 and \$20,328,473 representing 29% and 20% of total expenses for the fiscal years ended June 30, 2017 and 2016, respectively. Support services (including pupil transportation), totaled \$55,753,703 and \$83,282,294 representing 70% and 80% of total expenditures for the fiscal years ended June 30, 2017 and 2016, respectively. Interest on long term debt totaled less than 1%.

Net Cost of Governmental Activities. The Commission's total cost of services was \$79,391,325 and \$104,018,391 for the fiscal years ended June 30, 2017 and 2016. After applying program revenues, derived from charges for services and grants and contributions of \$74,018,339 and \$107,514,173, the net revenue (expense) for fiscal years ended June 30, 2017 and 2016 were \$5,372,986 and \$3,495,782, respectively.

**Total and Net (Expense) Revenue from Governmental Activities
For the Fiscal Years Ended June 30, 2017 and 2016**

	<u>Total Cost of Services</u>		<u>Net (Cost) Income of Services</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Instruction				
Regular	\$ 5,012,806	\$ 3,871,547	\$ (283,081)	\$ (275,724)
Special Education	14,128,685	10,717,912	(9,316,082)	(5,425,304)
Other Instruction	4,033,579	5,739,014	1,273,480	(41,686)
Community Services	71,700		(71,700)	
Support Services				
Student and Instruction Related Services	5,063,109	6,144,644	9,053,489	8,386,030
General Administrative Services	3,935,822	1,683,334	(2,264,762)	(786,811)
School Administrative Services	2,599,427	1,361,735	(1,135,265)	(1,042,614)
Central Services	961,956	712,869	(961,956)	(712,869)
Administrative Info. Technology	248,240	137,436	(248,240)	(137,436)
Plant Operations and Maintenance	1,574,760	1,530,426	(1,501,476)	(1,458,120)
Pupil Transportation	41,370,389	71,711,850	473,459	5,397,940
Interest on Long Term Debt	390,852	407,624	(390,852)	(407,624)
Total	<u>\$ 79,391,325</u>	<u>\$ 104,018,391</u>	<u>\$ (5,372,986)</u>	<u>\$ 3,495,782</u>

Business-Type Activities – The Commission's total business-type activities revenues were \$90,785 and \$51,320 for the fiscal years ended June 30, 2017 and June 30, 2016. Grants and contributions accounted for 100% of total revenue for both fiscal years.

The total cost of all business-type activities programs and services were \$107,424 and \$68,942 for the fiscal years ended June 30, 2017 and 2016. The Commission's expenses are related to Food Service programs provided to all eligible students within the Commission and a new cooperative purchasing fund established in the 2016-17 school year.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
FAIRFIELD, NEW JERSEY**

Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE COMMISSION'S FUNDS

As noted earlier, the Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Commission's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Commission's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Commission's net resources available for spending at the end of the fiscal year.

The financial performance of the Commission as a whole is reflected in its governmental funds as well. As the Commission completed the school year, its governmental funds reported a combined fund balance of \$30,697,881 for the fiscal year ended June 30, 2017 compared to \$28,760,282 for the fiscal year ended June 30, 2016.

Revenues for the Commission's governmental funds were \$76,518,288 and \$105,022,565, while total expenses were \$74,580,689 and \$100,988,750 for the fiscal years ended June 30, 2017 and 2016, respectively.

General Fund - The General Fund is the chief operating fund of the Commission and includes the primary operations in providing educational services to regular students, to special needs students, as well as, basic skills, home instruction and other support services to various local education agencies. In addition, the Commission provides contracted services for pupil transportation to local education agencies.

The following schedule presents a summary of General Fund Revenues.

	Fiscal Year Ended		Amount of Increase (Decrease)	Percent Change
	June 30,			
	<u>2017</u>	<u>2016</u>		
Local Sources				
Tuition Charges	\$ 4,137,786	\$ 3,848,879	\$ 288,907	8%
Transportation Fees	44,805,695	77,827,845	(33,022,150)	-42%
Miscellaneous	14,205,558	10,321,564	3,883,994	38%
State Sources	<u>1,906,731</u>	<u>1,766,182</u>	<u>140,549</u>	8%
 Total General Fund Revenues	 <u>\$ 65,055,770</u>	 <u>\$ 93,764,470</u>	 <u>\$ (28,708,700)</u>	 -31%

Total revenues decreased \$28,708,700 or 31% from the previous year. Transportation fees decreased over \$33 million due to a reduction in transportation services provided to other local education agencies. Miscellaneous revenue increased almost \$4 million or 38% mainly attributed to an increase in fees from services provided to other local education agencies. State aid revenues increased \$140,549 due to the increase in State funding for TPAF On-Behalf pension contributions.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
FAIRFIELD, NEW JERSEY**

Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE COMMISSION'S FUNDS (Continued)

The following schedule presents a summary of General Fund Expenditures.

	Fiscal Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	<u>2017</u>	<u>2016</u>		
Instruction	\$ 13,905,602	\$ 12,149,538	\$ 1,756,064	14%
Support Services	48,410,529	76,831,117	(28,420,588)	-37%
Debt Service	<u>770,000</u>	<u>750,000</u>	<u>20,000</u>	3%
 Total Expenditures	 <u>\$ 63,086,131</u>	 <u>\$ 89,730,655</u>	 <u>\$ (26,644,524)</u>	 -30%

Total General Fund expenditures decreased \$26,644,524 or 30% from the previous year. The majority of this decrease is attributable to the decrease in the cost of transportation and others support expenditures for services provided to other local education agencies.

Special Revenue Fund - The Special Revenue Fund includes all restricted Federal, State and Local sources utilized in the operations of the Commission in providing educational services to students with special needs.

Revenues of the Special Revenue Fund were \$11,462,518 and \$11,258,095 for the fiscal years ended June 30, 2017 and 2016. Local sources accounted for the majority of Special Revenue Fund's revenue which represented 88% and 87% of the total revenues for fiscal years June 30, 2017 and June 30, 2016.

Total Special Revenue Fund revenues increased \$204,423 or 2% from the previous year.

Expenditures of the Special Revenue Fund were \$11,462,518 and \$11,258,095 for the fiscal years ended June 30, 2017 and 2016. Instructional expenditures were \$6,318,338 and \$6,163,453 or 55% and 55% and expenditures for the support services were \$5,144,180 and \$5,094,642 or 45% and 45% of total expended for the fiscal years ended June 30, 2017 and 2016.

Capital Projects Fund - The Commission transferred \$90,000 to the Capital Projects Fund during 2016-2017 to fund various capital improvements.

Enterprise Fund - The Commission uses an Enterprise Fund to report activities related to the Food Services program and the Cooperative Purchasing program implemented during the 2016-17 year. The Commission's Enterprise Fund provides the same type of information found in the Commission-wide financial statements, business-type activities, but in more detail. Factors concerning the finances of this Fund have already been addressed in the discussion of the Commission's Business-Type activities.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
FAIRFIELD, NEW JERSEY**

Management's Discussion and Analysis

GENERAL FUND BUDGETARY HIGHLIGHTS

The Commission's budget is prepared according to New Jersey Department of Education guidelines, and is based on accounting for certain transactions on the budgetary basis of accounting for revenues, expenditures and encumbrances. The most significant budgetary fund is the General Fund.

Over the course of the year, the Commission revised the annual operating budget several times. These budget amendments were due to adjusted budgets for specially funded projects, which include additional service fee revenue and both federal and state grant awards.

CAPITAL ASSETS

The Commission's investment in capital assets for its governmental activities as of June 30, 2017 and 2016 amounted to \$10,870,849 and \$11,292,275. The Commission's business-type activities capital assets were fully depreciated. The capital assets consist of land, construction in progress site and leasehold improvements, building and building improvements, computers, specialized machinery and various other types of equipment. Depreciation charges for fiscal years 2016-2017 and 2015-2016 amounted to \$453,466 and \$475,543 for governmental activities. The business-type activities capital assets were fully depreciated by July 1, 2015.

Capital Assets at June 30, 2017 and 2016
(Net of Accumulated Depreciation)

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Land	\$ 2,100,000	\$ 2,100,000
Site Improvements	33,326	2,465
Building and Building Improvements	8,451,035	8,787,968
Leasehold Improvements	105,973	113,646
Machinery and Equipment	<u>180,515</u>	<u>288,196</u>
Total Capital Assets, Net	<u>\$ 10,870,849</u>	<u>\$ 11,292,275</u>

Additional information on the Commission's capital assets is presented in the notes to the financial statements.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
FAIRFIELD, NEW JERSEY**

Management's Discussion and Analysis

LONG TERM LIABILITIES

At year end, the Commission's long-term liabilities consisted of compensated absences payable of \$403,891 and \$347,249, capital leases payable in the amount of \$8,329,844 and \$8,700,395 and net pension liability of \$18,393,788 and \$13,796,195 for the fiscal years ended June 30, 2017 and 2016.

Additional information of the Commission's long-term liabilities is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Many factors were considered by the Commission's administration during the process of developing the fiscal year 2017-2018 budget. The primary factors were the Commission's projected student population and services required to be provided to local education agencies as well as increasing transportation, salary and related benefit costs.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our member school districts, customers, and investors and creditors with a general overview of the Commission's finances and to demonstrate the Commission's accountability for the money it receives. If you have questions about this report or need additional information contact the School Business Administrator, Essex Regional Educational Services Commission, 369 Passaic Avenue, Fairfield, NJ 07052.

BASIC FINANCIAL STATEMENTS

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
STATEMENT OF NET POSITION
AS OF JUNE 30, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 10,696,306	\$ 27,614	\$ 10,723,920
Receivables, Net	24,089,464	6,879	24,096,343
Other Current Assets	571,865		571,865
Internal Balances	20,750	(20,750)	
Capital Assets			
Capital Assets Not Being Depreciated	2,100,000		2,100,000
Capital Assets Being Depreciated (Net)	<u>8,770,849</u>	<u>-</u>	<u>8,770,849</u>
Total Assets	<u>46,249,234</u>	<u>13,743</u>	<u>46,262,977</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts on Net Pension Liability	<u>5,098,433</u>	<u>-</u>	<u>5,098,433</u>
Total Deferred Outflows of Resources	<u>5,098,433</u>	<u>-</u>	<u>5,098,433</u>
Total Assets and Deferred Outflows	<u>51,347,667</u>	<u>13,743</u>	<u>51,361,410</u>
LIABILITIES			
Accounts Payable and Other Current Liabilities	983,761	7,751	991,512
Accrued Interest Payable	193,252		193,252
Unearned Revenue	348,794		348,794
Noncurrent Liabilities			
Due Within One Year	408,176		408,176
Due Beyond One Year	<u>26,719,347</u>	<u>-</u>	<u>26,719,347</u>
Total Liabilities	<u>28,653,330</u>	<u>7,751</u>	<u>28,661,081</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Amounts on Net Pension Liability	<u>380,660</u>	<u>-</u>	<u>380,660</u>
Total Deferred Inflows of Resources	<u>380,660</u>	<u>-</u>	<u>380,660</u>
Total Liabilities and Deferred Inflows	<u>29,033,990</u>	<u>7,751</u>	<u>29,041,741</u>
NET POSITION			
Net Investment in Capital Assets	2,541,005		2,541,005
Restricted	57,960		57,960
Unrestricted	<u>19,714,712</u>	<u>5,992</u>	<u>19,720,704</u>
Total Net Position	<u>\$ 22,313,677</u>	<u>\$ 5,992</u>	<u>\$ 22,319,669</u>

The accompanying Notes to the Financial Statements are an Integral Part of this Statement.

**ESSEX REGIONAL 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		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction							
Regular	\$ 5,012,806	\$ 2,787,678	\$ 1,942,047		\$ (283,081)		\$ (283,081)
Special Education	14,128,685	4,812,603			(9,316,082)		(9,316,082)
Other Instruction	4,033,579	3,543,957	1,763,102		1,273,480		1,273,480
Comm Services/Other Instruction	71,700				(71,700)		(71,700)
Support Services							
Student and Instruction Related Services	5,063,109	12,601,468	1,515,130		9,053,489		9,053,489
General Administrative Services	3,935,822	1,024,340	646,720		(2,264,762)		(2,264,762)
School Administrative Services	2,599,427	580,602	883,560		(1,135,265)		(1,135,265)
Central Services	961,956				(961,956)		(961,956)
Administrative Info. Technology	248,240				(248,240)		(248,240)
Plant Operations and Maintenance	1,574,760	34,810	38,474		(1,501,476)		(1,501,476)
Pupil Transportation	41,370,389	41,843,848			473,459		473,459
Interest on Long Term Debt	390,852	-	-	-	(390,852)	-	(390,852)
Total Governmental Activities	<u>79,391,325</u>	<u>67,229,306</u>	<u>6,789,033</u>	<u>-</u>	<u>(5,372,986)</u>	<u>-</u>	<u>(5,372,986)</u>
Business-Type Activities							
Cooperative Purchasing	20,750					\$ (20,750)	(20,750)
Food Service	86,674	-	90,785	-	-	4,111	4,111
Total Business-Type Activities	<u>107,424</u>	<u>-</u>	<u>90,785</u>	<u>-</u>	<u>-</u>	<u>(16,639)</u>	<u>(16,639)</u>
Total Primary Government	<u>\$ 79,498,749</u>	<u>\$ 67,229,306</u>	<u>\$ 6,879,818</u>	<u>\$ -</u>	<u>(5,372,986)</u>	<u>(16,639)</u>	<u>(5,389,625)</u>
General Revenues							
Indirect Cost Reimbursement and Miscellaneous					2,033,893	-	2,033,893
Total General Revenues					<u>2,033,893</u>	<u>-</u>	<u>2,033,893</u>
Change in Net Position					(3,339,093)	(16,639)	(3,355,732)
Net Position, Beginning of Year					25,652,770	22,631	25,675,401
Net Position, End of Year					<u>\$ 22,313,677</u>	<u>\$ 5,992</u>	<u>\$ 22,319,669</u>

The accompanying Notes to the Financial Statements are an Integral Part of this Statement.

FUND FINANCIAL STATEMENTS

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 10,638,346		\$ 57,960	\$ 10,696,306
Receivables, Net				
Accounts	46,682	\$ 28,441		75,123
Receivables from Other Governments	19,339,251	4,675,090		24,014,341
Due from Other Funds	4,165,781			4,165,781
Security Deposits	<u>563,333</u>	<u>-</u>	<u>-</u>	<u>563,333</u>
Total Assets	<u>\$ 34,753,393</u>	<u>\$ 4,703,531</u>	<u>\$ 57,960</u>	<u>\$ 39,514,884</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES				
FUND BALANCE				
Liabilities				
Accounts Payable	\$ 407,470	\$ 246,015		\$ 653,485
Accrued Salaries and Wages	311,547	18,729		330,276
Due to Other Funds		4,136,499		4,136,499
Unearned Revenue	<u>46,506</u>	<u>302,288</u>	<u>-</u>	<u>348,794</u>
Total Liabilities	<u>765,523</u>	<u>4,703,531</u>	<u>-</u>	<u>5,469,054</u>
Deferred Inflows of Resources				
Unavailable Revenue - Program Fees	<u>3,347,949</u>	<u>-</u>	<u>-</u>	<u>3,347,949</u>
Total Deferred Inflows of Resources	<u>3,347,949</u>	<u>-</u>	<u>-</u>	<u>3,347,949</u>
Fund Balances				
Assigned:				
Designated for Capital Projects	2,689,970		\$ 57,960	2,747,930
Designated for Repairs and Replacements	683,475			683,475
Designated for Fairfield Building Lease	11,437,645			11,437,645
Unassigned	<u>15,828,831</u>	<u>-</u>	<u>-</u>	<u>15,828,831</u>
Total Fund Balances	<u>30,639,921</u>	<u>-</u>	<u>57,960</u>	<u>30,697,881</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 34,753,393</u>	<u>\$ 4,703,531</u>	<u>\$ 57,960</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$16,479,690 and the accumulated depreciation is \$5,608,841.	10,870,849
Unearned revenues in the funds that do not provide current financial resources are realized as revenues in the statement of activities	3,347,949
The District has financed capital assets through the issuance of long-term debt. The interest accrued at year end is:	(193,252)
Long term liabilities, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Capital Leases Payable	\$ (8,329,844)
Compensated Absences	(403,891)
Net Pension Liability	(18,393,788)
Deferred Amounts on Net Pension Liability	
Deferred Inflows	(380,660)
Deferred Outflows	<u>5,098,433</u>
	<u>(22,409,750)</u>
Net Position of Governmental Activities	<u>\$ 22,313,677</u>

The accompanying Notes to the Financial Statements are an Integral Part of this Statement.

ESSEX REGIONAL 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>Total Governmental Funds</u>
REVENUES				
Local Sources				
Tuition Charges	\$ 4,137,786			\$ 4,137,786
Transportation Fees	44,805,695			44,805,695
Miscellaneous	<u>14,205,558</u>	<u>\$ 10,119,893</u>	<u>-</u>	<u>24,325,451</u>
Total - Local Sources	63,149,039	10,119,893		73,268,932
State Sources	1,906,731	124,998		2,031,729
Federal Sources	<u>-</u>	<u>1,217,627</u>	<u>-</u>	<u>1,217,627</u>
Total Revenues	<u>65,055,770</u>	<u>11,462,518</u>	<u>-</u>	<u>76,518,288</u>
EXPENDITURES				
Current				
Instruction				
Regular Instruction	2,130,162	1,611,648		3,741,810
Special Education Instruction	11,703,740	673,111		12,376,851
Other Special Instruction		4,033,579		4,033,579
Community Service/Other Instruction	71,700			71,700
Support Services				
Student and Instruction Related Services	1,022,439	3,566,420		4,588,859
General Administrative Services	2,598,819	856,550		3,455,369
School Administrative Services	1,406,749	580,602		1,987,351
Central Services	912,902			912,902
Administrative Info. Technology	231,984			231,984
Plant Operations and Maintenance	1,079,340	40,606		1,119,946
Pupil Transportation	41,158,296	100,002		41,258,298
Capital Outlay			\$ 32,040	32,040
Debt Service				
Principal	370,551			370,551
Interest and Other Charges	<u>399,449</u>	<u>-</u>	<u>-</u>	<u>399,449</u>
Total Expenditures	<u>63,086,131</u>	<u>11,462,518</u>	<u>32,040</u>	<u>74,580,689</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,969,639</u>	<u>-</u>	<u>(32,040)</u>	<u>1,937,599</u>
OTHER FINANCING SOURCES (USES)				
Transfers In			90,000	90,000
Transfers Out	<u>(90,000)</u>	<u>-</u>	<u>-</u>	<u>(90,000)</u>
Total Other Financing Sources (Uses)	<u>(90,000)</u>	<u>-</u>	<u>90,000</u>	<u>-</u>
Net Change in Fund Balances	1,879,639	-	57,960	1,937,599
Fund Balance, Beginning of Year	<u>28,760,282</u>	<u>-</u>	<u>-</u>	<u>28,760,282</u>
Fund Balance, End of Year	<u>\$ 30,639,921</u>	<u>\$ -</u>	<u>\$ 57,960</u>	<u>\$ 30,697,881</u>

The accompanying Notes to the Financial Statements are an Integral Part of this Statement.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
WITH THE COMMISSION-WIDE STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Net Change in Fund Balances - Governmental Funds (Exhibit B-2) \$ 1,937,599

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

In the statement of activities revenues that do not provide current financial resources are not reported as revenue but are deferred in the funds.

Unearned Revenue - June 30, 2016	\$ (7,353,682)	
Unearned Revenue - June 30, 2017	<u>3,347,949</u>	(4,005,733)

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement and allocated over their estimated useful lives as annual depreciation expense.

Capital Outlay	32,040	
Depreciation Expense	<u>(453,466)</u>	(421,426)

Repayment of debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities. Forgiveness of debt is a revenue in the statement of activities and reduces long-term debt in the statement of net position but does not affect the governmental funds.

Capital Leases Principal Paid		370,551
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In the statement of activities, certain operating expenses - compensated absences and claims and judgements - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (paid):

Increase in Compensated Absences		(56,642)
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In the statement of activities, pension expenses are measured by the liability accrued during the year. In the governmental funds, however, expenditures are reported in the amount of financial resources used (paid).

Increase in Pension Expense		
Public Employees' Retirement System		(1,153,621)
Essex County Pension Fund		(18,418)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

Decrease in Accrued Interest		<u>8,597</u>
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Change in Net Position of Governmental Activities (Exhibit A-2) **\$ (3,339,093)**

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 PROPRIETARY FUNDS
 ENTERPRISE FUNDS
 STATEMENT OF NET POSITION
 AS OF JUNE 30, 2017**

	<u>Non-Major Programs</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 27,614
Intergovernmental Accounts Receivable	
Federal	6,808
State	<u>71</u>
Total Current Assets	<u>34,493</u>
Non-Current Assets	
Capital Assets	7,170
Accumulated Depreciation	<u>(7,170)</u>
Total Capital Assets, Net	<u>-</u>
Total Assets	<u>34,493</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	7,751
Due to Other Funds	<u>20,750</u>
Total Liabilities	<u>28,501</u>
NET POSITION	
Unrestricted	<u>5,992</u>
Total Net Position	<u>\$ 5,992</u>

The accompanying Notes to the Financial Statements are an Integral Part of this Statement.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 PROPRIETARY FUND
 ENTERPRISE FUNDS
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

		<u>Non-Major Programs</u>
OPERATING EXPENSES		
Purchased Services	\$	20,750
Cost of Sales - Reimbursable Programs		<u>86,674</u>
Total Operating Expenses		<u>107,424</u>
Operating (Loss)		<u>(107,424)</u>
NONOPERATING REVENUES		
State Sources		
State School Lunch Program		962
Federal Sources		
School Breakfast Program		34,716
National School Lunch Program		<u>55,107</u>
Total Nonoperating Revenues		<u>90,785</u>
Change in Net Position		(16,639)
Net Position, Beginning of Year		<u>22,631</u>
Net Position, End of Year	\$	<u><u>5,992</u></u>

The accompanying Notes to the Financial Statements are an Integral Part of this Statement.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 PROPRIETARY FUNDS
 ENTERPRISE FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Non-Major Programs</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Payments for Goods and Services	\$ (99,673)
Net Cash (Used for) Operating Activities	<u>(99,673)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Cash Received (Paid) from Interfund Activities	7,875
Cash Received from State and Federal Subsidy Reimbursements	<u>118,342</u>
Net Cash Provided By Non-Capital Financing Activities	<u>126,217</u>
Net Change in Cash and Cash Equivalents	26,544
Cash and Cash Equivalents, Beginning of Year	<u>1,070</u>
Cash and Cash Equivalents, End of Year	<u>\$ 27,614</u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:	
Operating (Loss)	\$ (107,424)
Increase in Accounts Payable	<u>7,751</u>
Net Cash (Used for) Operating Activities	<u>\$ (99,673)</u>

The accompanying Notes to the Financial Statements are an Integral Part of this Statement.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2017**

	<u>Agency Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ <u>282,800</u>
Total Assets	\$ <u>282,800</u>
LIABILITIES	
Due to Student Groups	\$ 3,335
Payroll Deductions and Withholdings	270,933
Due to Other Funds	<u>8,532</u>
Total Liabilities	\$ <u>282,800</u>

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

NOTES TO THE FINANCIAL STATEMENTS

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Essex Regional Educational Services Commission (the “Board” or the “Commission”) is an instrumentality of the State of New Jersey, established to function as an education institution. The Board consists of ten member school districts who assign an individual to serve on the Commission’s Board of Directors. The Commission is located in the County of Essex and the Board of Directors are responsible for the fiscal control of the Commission. A superintendent is appointed by the Board of Directors and is responsible for the administrative control of the Commission. Under existing statutes, the Commission’s duties and powers include, but are not limited to, the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

The Board also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the Commission are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Commission. For the Essex Regional Educational Services Commission this includes general operations, food service, and student related activities of the Commission.

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

B. New Accounting Standards

During fiscal year 2017, the District adopted the following GASB statements:

- GASB No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.
- GASB No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14. *The Financial Reporting Entity, as amended*.

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

- GASB No. 82, *Pension Issues – An Amendment of GASB Statements No.67, No.68, and No.73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pension*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, 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.

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

- GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective beginning with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.
- GASB No. 84, *Fiduciary Activities*, will be effective with the fiscal year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities of all state and local governments.
- GASB No. 85, *Omnibus 2017*, will be effective with the fiscal year ending June 30, 2018. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and other post-employment benefits (OPEB)).
- GASB No. 86, *Certain Debt Extinguishment Issues*, will be effective with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.
- GASB No. 87, *Leases*, will be effective with the fiscal year ending June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements

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

Commission-Wide Financial Statements

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

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

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

Fund Financial Statements

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

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (Continued)

The Commission reports the following major governmental funds:

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

The *special revenue fund* accounts for the proceeds of specific revenue sources legally restricted to expenditures for specified purposes. This fund accounts for federal, state and local financial programs, with the exception of grants for major capital projects and the child nutrition programs. This fund also accounts for fees earned by the Commission from local education agencies restricted for specific program and services performed by the Commission.

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

The *debt service fund* accounts for the accumulation of resources that are restricted, committed or assigned for the payment of principal and interest on long-term general obligation debt of governmental funds.

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

The *food service fund* accounts for the activities of the school cafeteria, which provides food service to students.

The *cooperative purchasing fund* accounts for the activities of the cooperative purchasing program established by the commission.

Additionally, the Commission reports the following fund type:

The *fiduciary trust fund* is used to account for resources legally held in trust for payroll related activities and student related activities. All resources of the fund, including any earnings on invested resources, may be used to support the intended purpose. There is no requirement that any portion of these resources be preserved as capital.

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

Reclassifications

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

1. Cash, Cash Equivalents and Investments

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

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Receivables

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

3. Inventories

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

4. Capital Assets

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

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

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

<u>Assets</u>	<u>Years</u>
Site Improvements	20
Buildings and Building Improvements	20-40
Leasehold Improvements	20
Office Equipment and Furniture	5-8
Vehicles and Equipment	5-10

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Commission has one item which arises only under the accrual basis of accounting that qualifies for reporting in this category. The item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the Commission-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; (4) changes in proportion and differences between employer contributions and proportionate share of contributions; and (5) contributions made subsequent to the measurement date. These amounts are deferred and amortized over future years.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

5. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Commission has two types of items, one type which arises only under a modified accrual basis of accounting, and one type which arises only under the accrual basis of accounting that qualifies for reporting in this category. Accordingly, one item, unavailable revenue, is reported only in the governmental funds balance sheet for tuition, transportation fees and miscellaneous service fees. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. At the end of the current fiscal year, the various components of unavailable revenue reported in the governmental funds as deferred inflows of resources were as follows:

General Fund

Intergovernmental Receivables:

Tuition	\$ 541,737
Transportation Fees	2,242,107
Miscellaneous Service Fees	<u>564,105</u>
 Total Unavailable Revenue	 <u>\$ 3,347,949</u>

The other item that qualifies for reporting in this category are the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the Commission-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; and (4) changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are deferred and amortized over future years.

6. Compensated Absences

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

7. Pensions

In the Commission-wide financial statements, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the retirement systems sponsored and administered by the State of New Jersey and additions to/deductions from these retirement systems' fiduciary net position have been determined on the same basis as they are reported by the retirement systems. 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.

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

7. *Pensions (Continued)*

In the governmental fund financial statements, net pension liabilities represent amounts normally expected to be liquidated with expendable available financial resources for required pension contributions that are due and payable at year end. Pension expenditures are recognized based on contractual pension contributions that are required to be made to the pension plan during the fiscal year.

8. *Long-Term Obligations*

In the Commission-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

9. *Net Position/Fund Balance*

Commission-Wide Statements

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

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

Governmental Fund Statements

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

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

Designated for Capital Projects – This designation was created to dedicate a portion of fund balance for capital improvements.

Designated for Repairs and Replacements – This designation was created to dedicate a portion of fund balance for facility required maintenance repairs and replacement costs.

Designated for Fairfield Building Lease – This designation was created to dedicate a portion of fund balance for the repayment of principal and interest on the Fairfield building lease-purchase agreement.

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

F. Revenues and Expenditures/Expenses

1. *Program Revenues*

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

2. *Tuition Revenues and Expenditures*

Tuition Revenues - Tuition charges were established by the Commission based on estimated costs.

Tuition Expenditures - Tuition charges for the fiscal years 2015-2016 and 2016-2017 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

3. *Proprietary Funds, Operating and Nonoperating Revenues and Expenses*

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

The annual budget is adopted in the spring of the preceding year for the general and special revenue funds. The Commission is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent for review and approval prior to adoption and is approved by the Board of Directors on or before March 8 of the preceding fiscal year. Prior to the adoption of the budget the Commission must notify each member of the Commission of the fees to be charged for each service and program for the ensuing school year and the method by which the Commission expenses shall be funded.

Budget adoptions and amendments are recorded in the Commission's minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Commission approved several budget transfers during 2016/2017. Also, during 2016/2017 the Commission increased the original budget of the General Fund by \$4,015,746 and the Special Revenue Fund by \$1,962,012. The increases were funded by additional program fees and grant awards.

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

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Excess Expenditures Over Appropriations

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

	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund			
Instruction			
Home Instruction			
Other Purchased Services	\$ 15,940	\$ 17,265	\$ 1,325
Special Education			
Learning/Language			
Salaries of Teachers	459,424	459,696	272
Undistributed Expenditures			
General Administration			
Legal Services	80,830	96,723	15,893
Other Purchased Professional Services	48,494	50,157	1,663
School Administration			
Salaries of Secretarial and Clerical Assistants	310,755	312,221	1,466
Required Maintenance for School Facilities			
Other Objects	13,370	15,140	1,770
Custodial Services			
Salaries	232,952	237,269	4,317
Other Objects	16,948	17,049	101
Special Revenue Fund			
Support Services			
Indirect Costs	313,189	856,550	543,361
Utilities	27,781	28,231	450

The above variances were offset with other available resources.

C. Transfers to Capital Outlay

During the 2016/2017 school year, the Commission transferred \$508,275 to the capital outlay accounts.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Cash Deposits and Investments

Cash Deposits

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

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2017, the book value of the Commission's deposits were \$11,006,720 and bank and brokerage firm balances of the Commission's deposits amounted to \$15,908,806. The Commission's deposits which are displayed on the various fund balance sheets as "cash and cash equivalents" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ <u>15,908,806</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Commission does not have a policy for custodial credit risk. As of June 30, 2017 the Commission's bank balances were not exposed to custodial credit risk.

Investments

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

As of June 30, 2017, the Commission had no outstanding investments.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

Receivables as of June 30, 2017 for the Commission’s individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Food Service</u>	<u>Total</u>
Receivables:				
Accounts	\$ 46,682	\$ 28,441		\$ 75,123
Intergovernmental				
Federal		186,244	\$ 6,808	193,052
State	136,129		71	136,200
Local	<u>19,203,122</u>	<u>4,488,846</u>	<u>-</u>	<u>23,691,968</u>
Gross Receivables	19,385,933	4,703,531	6,879	24,096,343
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 19,385,933</u>	<u>\$ 4,703,531</u>	<u>\$ 6,879</u>	<u>\$ 24,096,343</u>

C. Unearned Revenue

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

General Fund	
Summer School Tuition	\$ 20,730
Reimbursement for Subsequent Year Expense	25,776
Special Revenue Fund	
Unencumbered Grant Drawdowns	<u>302,288</u>
	<u>\$ 348,794</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

	Balance, July 1, 2016	Increases	Decreases	Balance, June 30, 2017
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,100,000			\$ 2,100,000
Construction in Progress	-	-	-	-
Total Capital Assets, Not Being Depreciated	<u>2,100,000</u>	<u>-</u>	<u>-</u>	<u>2,100,000</u>
Capital Assets, Being Depreciated:				
Site Improvements	3,652	\$ 32,040		35,692
Building and Building Improvements	12,051,198	-		12,051,198
Leasehold Improvements	154,389			154,389
Machinery and Equipment	2,138,411	-	-	2,138,411
Total Capital Assets Being Depreciated	<u>14,347,650</u>	<u>32,040</u>	<u>-</u>	<u>14,379,690</u>
Less Accumulated Depreciation For:				
Site Improvements	(1,187)	(1,179)		(2,366)
Building and Building Improvements	(3,263,230)	(336,933)		(3,600,163)
Leasehold Improvements	(40,743)	(7,673)		(48,416)
Machinery and Equipment	(1,850,215)	(107,681)	-	(1,957,896)
Total Accumulated Depreciation	<u>(5,155,375)</u>	<u>(453,466)</u>	<u>-</u>	<u>(5,608,841)</u>
Total Capital Assets, Being Depreciated, Net	<u>9,192,275</u>	<u>(421,426)</u>	<u>-</u>	<u>8,770,849</u>
Governmental Activities Capital Assets, net	<u>\$ 11,292,275</u>	<u>\$ (421,426)</u>	<u>\$ -</u>	<u>\$ 10,870,849</u>
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Machinery and Equipment	\$ 7,170	-	-	\$ 7,170
Total Capital Assets Being Depreciated	<u>7,170</u>	<u>-</u>	<u>-</u>	<u>7,170</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	(7,170)	-	-	(7,170)
Total Accumulated Depreciation	<u>(7,170)</u>	<u>-</u>	<u>-</u>	<u>(7,170)</u>
Business-Type Activities Capital Assets, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

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

Governmental Activities:

Instruction		
Regular	\$	2,392
Special		<u>10,148</u>
Total Instruction		<u>12,540</u>
Support Services		
General Administration		8,096
School Administration		1,813
Operations and Maintenance of Plant		429,193
Business and Other Support Services		<u>1,824</u>
Total Support Services		<u>440,926</u>
Total Depreciation Expense - Governmental Activities	\$	<u>453,466</u>

E. Interfund Receivables, Payables, and Transfers

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

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 4,136,499
General Fund	Cooperative Purchasing Fund	20,750
General Fund	Payroll Agency Fund	<u>8,532</u>
Total		<u>\$ 4,165,781</u>

The above balances are the result of revenues earned or other financing sources received in one fund which are due to another fund and/or expenditures paid by one fund on behalf of another fund and/or to cover cash balances which were in an overdraft position.

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Receivables, Payables, and Transfers (Continued)

Interfund Transfers

	<u>Transfer In:</u>
	Capital
	Projects
	<u>Fund</u>
Transfer Out:	
General Fund	\$ <u>90,000</u>

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

F. Leases

Operating Leases

The Commission leases buildings and office equipment under noncancelable operating leases. Lease payments for the fiscal year ended June 30, 2017 were \$455,396. The future minimum lease payments for these operating leases are as follows:

<u>Fiscal</u> <u>Year Ending June 30</u>	<u>Amount</u>
2018	\$ 468,169
2019	476,560
2020	485,119
2021	493,848
2022	<u>458,681</u>
Total	<u>\$ 2,382,377</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

F. Leases (Continued)

Capital Leases

The Commission is leasing a building acquisition for a term of 25 years. The Commission will own the building upon payment of the final lease installation in fiscal year 2031.

The capital assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Land	\$ 2,100,000
Building and Building Improvements	<u>10,400,000</u>
Total	<u>\$ 12,500,000</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017 were as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2018	\$ 790,000
2019	800,000
2020	810,000
2021	821,605
2022	821,605
2023-2027	4,108,020
2028-2031	<u>3,286,415</u>
Total Minimum Lease Payments	11,437,645
Less: Amount Representing Interest	<u>(3,107,801)</u>
Present Value of Minimum Lease Payments	<u>\$ 8,329,844</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

G. Other Long-Term Liabilities

Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2017, was as follows:

	Balance, <u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, <u>June 30, 2017</u>	Due Within <u>One Year</u>
Governmental activities:					
Capital Leases	\$ 8,700,395		\$ 370,551	\$ 8,329,844	\$ 408,176
Compensated Absences	347,249	\$ 56,642	-	403,891	
Net Pension Liability - Essex County		27,147	3,410	23,737	
Net Pension Liability - PERS	<u>13,796,195</u>	<u>5,124,878</u>	<u>551,022</u>	<u>18,370,051</u>	<u>-</u>
Governmental Activity Long-Term Liabilities	<u>\$ 22,843,839</u>	<u>\$ 5,208,667</u>	<u>\$ 924,983</u>	<u>\$ 27,127,523</u>	<u>\$ 408,176</u>

For the governmental activities, the liabilities for compensated absences, capital leases and net pension liability are generally liquidated by the general fund.

H. Deficit Fund Equity

The Cooperative Purchasing Enterprise Fund has a cumulative deficit in net position of \$20,750 as of June 30, 2017. The Commission expects to eliminate this deficit through normal operations in the 2017/2018 fiscal year. If the deficit is not eliminated, the Commission will provide for the deficit in the subsequent year's budget.

NOTE 4 OTHER INFORMATION

A. Risk Management

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

B. Contingent Liabilities

The Commission is a party defendant in some lawsuits, none of a kind unusual for a school Commission of its size and scope of operation. In the opinion of the Commission's Attorney the potential claims against the Commission not covered by insurance policies would not materially affect the financial condition of the Commission.

Federal and State Awards – The Commission participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Commission may be required to reimburse the grantor government. As of June 30, 2017, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Commission believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Commission.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans

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

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

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

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

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

Other Pension Funds

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

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

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

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

Basis of Accounting

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

Investment Valuation

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

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

Funding Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the aggregate funded ratio for the State administered TPAF and local PERS retirement systems, is 28 percent with an unfunded actuarial accrued liability of \$108.6 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded TPAF system is 22.33 percent and \$79.0 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS is 40.14 percent and \$29.6 billion, respectively.

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

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

Actuarial Methods and Assumptions

In the July 1, 2015 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (a) an investment rate of return for the retirement systems of 7.65 percent and (b) projected salary increases applied through the year 2026 of 1.65-5.15 percent based on age for the PERS and varying percentages based on experience for TPAF.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 7.06% for PERS, 7.06% for TPAF and 5.50% for DCRP of the employee's annual compensation.

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 *Accounting for Pensions by State and Local Government Employees*, for the fiscal year ended June 30, 2017 for TPAF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Commission. PERS employer contributions are made annually by the Commission to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the fiscal years ended June 30, 2017, 2016 and 2015 the Commission was required to contribute for PERS and DCRP and the State of New Jersey was required to contribute for TPAF, respectively for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Fiscal Year Ended June 30,	<u>PERS</u>	On-Behalf <u>TPAF</u>	<u>DCRP</u>
2017	\$551,022	\$ 719,272	\$ 209,401
2016	528,378	576,901	191,895
2015	496,554	440,485	150,386

In addition for fiscal year 2016/2017 the Commission contributed \$1,554 for PERS and the State contributed \$1,061 for TPAF for Long Term Disability Insurance Premium (LTDD).

The PERS contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure. The on-behalf TPAF contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 24. The DCRP contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure, as well as, the Commission-wide financial statements (accrual basis) as an expense.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Commission \$587,081 during the fiscal year ended June 30, 2017 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been recognized in the Commission-wide financial statements (accrual basis) and the governmental fund financial statements (modified accrual basis) as a revenue and expense/expenditure in accordance with GASB No. 24.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS)

At June 30, 2017, the Commission reported in the statement of net position (accrual basis) a liability of \$18,370,051 for its proportionate share of the PERS 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 that date. The Commission's proportionate share 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 governmental entities, actuarially determined. At June 30, 2016, the Commission's proportionate share was .06203 percent, which was an increase of .00057 percent from its proportionate share measured as of June 30, 2015 of .06146 percent.

For the fiscal year ended June 30, 2017, the Commission recognized in the Commission-wide statement of activities (accrual basis) pension expense of \$1,704,643 for PERS. At June 30, 2017, the Commission reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 341,627	
Changes of Assumptions	3,805,293	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	700,467	
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	<u>245,727</u>	<u>\$ 380,660</u>
Total	<u>\$ 5,093,114</u>	<u>\$ 380,660</u>

At June 30, 2017, the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

Fiscal Year Ending <u>June 30,</u>	<u>Total</u>
2018	\$ 1,043,018
2019	1,043,018
2020	1,211,035
2021	1,064,150
2022	351,233
Thereafter	<u>-</u>
	<u>\$ 4,712,454</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The Commission's total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	3.08%
Salary Increases:	
Through 2026	1.65-4.15% Based on Age
Thereafter	2.65-5.15% Based on Age
Investment Rate of Return	7.65%
Mortality Rate Table	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate

The discount rate used to measure the total pension liabilities of the PERS plan was as 3.98% (measurement data June 30, 2016).

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

The following table represents the crossover period, if applicable, for the PERS defined benefit plan:

Period of Projected Benefit Payments for which the Following Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2034
Municipal Bond Rate *	From July 1, 2034 and Thereafter

* The municipal bond return rate used is 2.85% as of the measurement date of June 30, 2016. The source is 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.

Sensitivity of Net Pension Liability

The following presents the Commission's proportionate share of the PERS net pension liability calculated using the discount rate of 3.98%, as well as what the Commission's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.98 percent) or 1-percentage-point higher (4.98 percent) than the current rate:

	1% Decrease <u>(2.98%)</u>	Current Discount Rate <u>(3.98%)</u>	1% Increase <u>(4.98%)</u>
Commission's Proportionate Share of the PERS Net Pension Liability	<u>\$ 22,510,353</u>	<u>\$ 18,370,051</u>	<u>\$ 14,951,872</u>

The sensitivity analysis was based on the proportionate share of the Commission's net pension liability at June 30, 2016. A sensitivity analysis specific to the Commission's net pension liability was not provided by the pension system.

Pension Plan Fiduciary Net Position

Detailed information about the PERS pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Teachers Pension and Annuity Fund (TPAF)

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the Commission is not required to recognize a net pension liability for TPAF. The State of New Jersey is the only entity that has a legal obligation to make employer contributions to TPAF on behalf of the Commission. Accordingly, the Commission's proportionate share percentage determined under Statement No. 68 is zero percent and the State's proportionate share is 100% of the net pension liability attributable to the Commission for TPAF. Therefore, in addition, the Commission does not recognize any portion of the TPAF collective deferred outflows of resources and deferred inflows of resources.

For the fiscal year ended June 30, 2017, the Commission recognized in the Commission-wide statement of activities (accrual basis) pension expense of \$4,258,949 for TPAF. This amount has been included in the Commission-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 24.

At June 30, 2017 the State's proportionate share of the net pension liability attributable to the Commission is \$56,683,140. The nonemployer allocation percentages are based on the ratio of the State's contributions made as an employer and nonemployer towards the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the year ended June 30, 2016. At June 30, 2016, the state's share of the net pension liability attributable to the Commission was .07206 percent, which was a decrease of .00709 percent from its proportionate share measured as of June 30, 2015 of .07915 percent.

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.65%

Assumptions for mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational bases based on a 60-year average of Social Security data from 1953 to 2013.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Teachers Pension and Annuity Fund (TPAF) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Cash	5.00%	0.39%
US Government Bonds	1.50%	1.28%
US Credit Bonds	13.00%	2.76%
US Mortgages	2.00%	2.38%
US Inflation-Indexed Bonds	1.50%	1.41%
US High Yield Bonds	2.00%	4.70%
US Equity Market	26.00%	5.14%
Foreign-Developed Equity	13.25%	5.91%
Emerging Markets Equity	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	0.50%	2.87%
Hedge Funds - MultiStrategy	5.00%	3.70%
Hedge Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Teachers Pension and Annuity Fund (TPAF) (Continued)

Discount Rate

The discount rate used to measure the total pension liabilities of the TPAF plan was 3.22% (measurement date June 30, 2016)

The following table represents the crossover period, if applicable, for the TPAF defined benefit plan:

Period of Projected Benefit	
Payments for which the Following	
Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2029
Municipal Bond Rate *	From July 1, 2029 and Thereafter

* The municipal bond return rate used is 2.85% as of the measurement date of June 30, 2016. The source is 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.

Sensitivity of Net Pension Liability

The following presents the State's proportionate share of the TPAF net pension liability attributable to the Commission calculated using the discount rate of 3.22%, as well as what the State's proportionate share of the TPAF net pension liability attributable to the Commission that would be if it were calculated using a discount rate that is 1-percentage-point lower (2.22 percent) or 1-percentage-point higher (4.22 percent) than the current rate:

	1% Decrease <u>(2.22%)</u>	Current Discount Rate <u>(3.22%)</u>	1% Increase <u>(4.22%)</u>
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the Commission	\$ 67,692,336	\$ 56,683,140	\$ 47,692,710

The sensitivity analysis was based on the State's proportionate share of the net pension liability attributable to the Commission at June 30, 2016. A sensitivity analysis specific to the State's proportionate share of the net pension liability attributable to the Commission at June 30, 2016 was not provided by the pension system.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the TPAF pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

Board of Education Employees' Pension Fund of Essex County (ECPF)

Plan Description

The Board of Education Employees' Pension Fund of Essex County (the "Plan"), is a multiple-employer contributory defined benefit pension plan that provides pension and life insurance benefits to employees of the Boards of Education within Essex County employed before July 1, 1981, except temporary employees and employees eligible for coverage under any New Jersey State administered pension plan created under prior New Jersey laws. The ECPF became effective April 16, 1929. The Plan provides for retirement, service, and non-service connected death and disability benefits for its members. The Plan is governed by New Jersey Statutes under Title 18A, and is administered by a Board of Trustees for the plan who is also responsible for the management and investment of Plan assets. The Board of Trustees consists of one active and five retirees elected Plan members.

Pursuant to New Jersey Public Law enacted in 1980, members were given the option to transfer their membership in the plan to the PERS. Approximately 2,775 members, 58% of the membership, elected to transfer to PERS effective July 1, 1981. The Plan is closed to new entrants.

Benefits Provided

Regular service retirement benefits are determined as $1/45^{\text{th}}$ of the highest 3 year average salary multiplied by the member's years of credited service. A member may elect early retirement benefits if they are under age 60 and have at least 25 years of credited services. The Plan also offers a special veterans benefits, disability and deferred benefits. Group life insurance benefits and death benefits are available to be paid to beneficiaries if elected by the member.

For more complete information about the Plan agreement and vesting and benefit provisions, participants are referred to the pamphlet, *A Summary of Benefits*. Copies of this pamphlet are available from the Pension Fund Administration Office.

Contributions

Contributions are made by the members at 3%, the maximum contribution rate required by statute, of their annual compensation. Contributions made by the Boards are determined annually based upon actuarial valuations. The Boards are required to reimburse the Plan for administrative expenses and cost of living increases associated with its retirees. Plan provisions and contribution requirements are established by New Jersey state statute assets. District contributions to the Plan amounted to \$3,410 for fiscal year 2017.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Board of Education Employees' Pension Fund of Essex County (ECPF) (Continued)

At June 30, 2017, the Commission reported in the statement of net position (accrual basis) a liability of \$23,737 for its proportionate share of the ECPF 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 that date. The Commission's proportionate share of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating school Commissions, actuarially determined. At June 30, 2016, the Commission's proportionate share was .06557 percent, which was an increase of .0078 percent from its proportionate share measured as of June 30, 2015 of .05777.

For the year ended June 30, 2017, the Commission recognized in the Commission wide statement of activities (accrual basis) a pension expense of \$21,828 for ECPF. At June 30, 2017, the Commission reported deferred outflows of resources related to ECPF from the following sources:

	<u>Deferred Outflows of Resources</u>
Net Difference Between Projected and Actual On Pension Plan Investments	\$ 5,319

At June 30, 2017, the amounts reported as deferred outflows of resources related to ECPF pension will be recognized as pension expense as follows:

Year Ended <u>June 30,</u>		
2018	\$	1,064
2019		1,064
2020		1,064
2021		1,064
2022		<u>1,063</u>
	\$	<u>5,319</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Board of Education Employees' Pension Fund of Essex County (ECPF) (Continued)

Actuarial Assumptions

The Commission's total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Salary Increases	4.50%
Investment Rate of Return	6.50%, net of pension plan investment expense, including inflation
Cost-of-living adjustments	2.00%

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

Long-Term Rate of Return

The long-term expected rate of return on pension plan investments 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 investments expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
U.S. Large Cap Equity	50.00%	6.75%
U.S. Small Cap Equity	10.00%	6.75%
U.S. Fixed Income	40.00%	1.75%

Discount Rate

The discount rate used to measure the total pension liability of the ECPF was 6.50% (measurement date June 30, 2016).

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Board of Education Employees' Pension Fund of Essex County (ECPF) (Continued)

Sensitivity of Net Pension Liability

The following presents the Commission's proportionate share of the ECPF net pension liability calculated using the discount rate of 6.50% as well as what the Commission's proportionate share of the ECPF net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5 percent) or 1-percentage-point higher (7.5 percent) than the current rate:

	Decrease (5.5%)	Discount Rate (6.5%)	Increase (7.5%)
District's Proportionate Share of the Net Pension Liability	<u>\$ 29,812</u>	<u>\$ 23,737</u>	<u>\$ 15,798</u>

Pension Plan Fiduciary Net Position

Detailed information about the ECPF pension plan's fiduciary net position is available in the separately issued financial report for the Board of Education Employees' Pension Fund of Essex County.

D. Post-Retirement Medical Benefits

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

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, and the PRM of the PERS are combined and reported as a Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF-Local are combined and reported as Health Benefits Program Fund –Local Government classified as a cost-sharing multiple-employer plan in the State's CAFR. The post-retirement benefit programs had a total of 584 state and local participating employers and contributing entities for Fiscal Year 2016.

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

D. Post-Retirement Medical Benefits (Continued)

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

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

Basis of Accounting

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

Significant Legislation

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

Investment Valuation

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

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the State had a \$84.3 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$25.9 billion for state active and retired members and \$41.6 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

D. Post-Retirement Medical Benefits (Continued)

Funded Status and Funding Progress (Continued)

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

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

Actuarial Methods and Assumptions

In the July 1, 2015, OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

Post-Retirement Medical Benefits Contributions

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2016, there were 110,512, retirees receiving post-retirement medical benefits and the State contributed \$1.37 billion on their behalf. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program (ABP) who retired 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 SEHBP. That report may be obtained from the Treasury website at: <http://www.nj.gov/treasury/pensions/pdf/financial/2015divisioncombined.pdf>.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

D. Post-Retirement Medical Benefits (Continued)

Post-Retirement Medical Benefits Contributions (Continued)

The State sets the contribution rate based on a pay as you go basis and not on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the fiscal years ended June 30, 2017, 2016 and 2015 were \$599,317, \$686,930 and \$699,270 respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

E. Subsequent Events

On June 21, 2017 the Commission approved the refinancing of the 2006 lease purchase for the building and property located at 369 Passaic Avenue in Fairfield, New Jersey and the financing of improvements and acquisition of 331-333 Fairfield Road in Fairfield New Jersey. The refinancing, dated July 12, 2017, of 369 Passaic Avenue was for a principal amount of \$10,034,501 which included funds to renovate the existing structure for additional classroom space. As of the date of the audit, the Commission has not closed on the acquisition and financing of 331-333 Fairfield Road.

On August 24, 2017 the Commission approved the execution of an agreement of sale for the purchase of property known as 23 Fairfield Place, West Caldwell, New Jersey for a purchase price of \$2,187,948. As of the date of the audit, the Commission has not closed on the property.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final To Actual
REVENUES					
Local Sources					
Tuition	\$ 4,789,594	\$ 192,800	\$ 4,982,394	\$ 4,137,786	\$ (844,608)
Transportation Fees	43,000,000	1,418,884	44,418,884	44,805,695	386,811
Miscellaneous	11,426,335	1,439,798	12,866,133	14,205,558	1,339,425
Total Local Sources	<u>59,215,929</u>	<u>3,051,482</u>	<u>62,267,411</u>	<u>63,149,039</u>	<u>881,628</u>
State Sources					
On-Behalf TPAF (Non-Budget)					
Pension Contribution				694,122	694,122
NCGI Premium				25,150	25,150
LTDI				1,061	1,061
Post Retirement Medical Benefits				599,317	599,317
Social Security Contributions (Non-Budget)	-	-	-	587,081	587,081
Total State Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,906,731</u>	<u>1,906,731</u>
Total Revenues	<u>59,215,929</u>	<u>3,051,482</u>	<u>62,267,411</u>	<u>65,055,770</u>	<u>2,788,359</u>
CURRENT EXPENDITURES					
Instruction - Regular Programs					
Salaries of Teachers:					
Grades 9 - 12	773,843	(89,783)	684,060	616,435	67,625
Home Instruction:					
Salaries of Teachers	554,815	140,364	695,179	695,151	28
Purchased Professional - Educational Services	10,000	(10,000)			-
Other Purchased Services	2,500	13,440	15,940	17,265	(1,325)
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction		8,750	8,750	8,750	
General Supplies		3,268	3,268	3,268	-
Other Objects	-	44	44	44	-
Total Instruction Regular Programs	<u>1,341,158</u>	<u>66,083</u>	<u>1,407,241</u>	<u>1,340,913</u>	<u>66,328</u>
Special Education					
Learning/Language Disabilities					
Salaries of Teachers	447,464	11,960	459,424	459,696	(272)
Other Salaries for Instruction	150,767	81,870	232,637	232,637	-
General Supplies		4,043	4,043	4,043	-
Other Objects	-	1,512	1,512	1,512	-
Total Learning/Language Disabilities	<u>598,231</u>	<u>99,385</u>	<u>697,616</u>	<u>697,888</u>	<u>(272)</u>
Behavioral Disabilities					
Salaries of Teachers	308,121	160,437	468,558	412,120	56,438
Other Salaries for Instruction	6,481,812	1,726,517	8,208,329	8,200,990	7,339
General Supplies	3,000	4,415	7,415	7,314	101
Textbooks	1,000	(1,000)			-
Other Objects	5,900	5,592	11,492	11,492	-
Total Behavioral Disabilities	<u>6,799,833</u>	<u>1,895,961</u>	<u>8,695,794</u>	<u>8,631,916</u>	<u>63,878</u>
Total Special Education	<u>7,398,064</u>	<u>1,995,346</u>	<u>9,393,410</u>	<u>9,329,804</u>	<u>63,606</u>
Community Services Programs/Operations					
Purchased Professional-Educational Services	-	71,700	71,700	71,700	-
Total Community Services Programs/Operations	<u>-</u>	<u>71,700</u>	<u>71,700</u>	<u>71,700</u>	<u>-</u>
Total Instruction	<u>8,739,222</u>	<u>2,133,129</u>	<u>10,872,351</u>	<u>10,742,417</u>	<u>129,934</u>

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final To Actual
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures					
Instruction					
Tuition to County Voc. School District-Special	\$ 30,000	\$ (817)	\$ 29,183	\$ 29,183	-
Total Undistributed Expenditures - Instruction	30,000	(817)	29,183	29,183	-
Health Services					
Salaries of Teachers	92,249	(4,837)	87,412	87,412	-
General Supplies	-	748	748	748	-
Total Health Services	92,249	(4,089)	88,160	88,160	-
Other Supp. Serv. - Speech, OT, PT & Related Services					
Salaries	47,000	(28,572)	18,428	18,426	\$ 2
Purchased Professional-Educational Services	37,000	(1,361)	35,639	35,639	-
Total Other Supp. Serv. - Speech, OT, PT & Related Serv.	84,000	(29,933)	54,067	54,065	2
Child Study Teams					
Salaries of Other Professional Staff	437,979	(46,263)	391,716	391,716	-
Purchased Professional-Educational Services	63,450	86,312	149,762	149,562	200
Total Child Study Teams	501,429	40,049	541,478	541,278	200
Improvement of Inst. Serv.					
Purchased Professional-Educational Services	12,500	4,911	17,411	17,411	-
Total Improvement of Inst. Serv.	12,500	4,911	17,411	17,411	-
Instructional Staff Training Services					
Purchased Professional - Educational Services	15,500	(7,400)	8,100	8,100	-
Total Instructional Staff Training Services	15,500	(7,400)	8,100	8,100	-
Support Services General Administration					
Salaries	741,543	167,551	909,094	909,052	42
Legal Services	60,000	20,830	80,830	96,723	(15,893)
Audit Fees	35,000	15,755	50,755	50,755	-
Other Purchased Professional Services	95,000	(46,506)	48,494	50,157	(1,663)
Communications/Telephone	33,300	4,955	38,255	38,058	197
BOE Other Purchased Services	-	1,565	1,565	1,565	-
Misc. Purchased Services	5,300	165	5,465	5,465	-
General Supplies	7,200	3,232	10,432	10,432	-
BOE In-House Training/Meeting Supplies	4,000	(4,000)	-	-	-
Miscellaneous Expenditures	2,333,458	(1,190,599)	1,142,859	1,073,143	69,716
BOE Membership Dues and Fees	11,000	(11,000)	-	-	-
Total Support Services General Administration	3,325,801	(1,038,052)	2,287,749	2,235,350	52,399
Support Services School Administration					
Salaries of Principals and Assistant Principals	481,703	92,677	574,380	510,638	63,742
Salaries of Other Professional Staff	107,103	(12,861)	94,242	94,242	-
Salaries of Secretarial and Clerical Assistants	333,247	(22,492)	310,755	312,221	(1,466)
Purchased Prof. and Tech. Services	10,000	(1,026)	8,974	8,974	-
Other Purchased Services	19,879	1,091	20,970	20,970	-
Supplies and Materials	2,200	5,843	8,043	8,043	-
Other Objects	11,500	14,005	25,505	25,500	5
Total Support Services School Administration	965,632	77,237	1,042,869	980,588	62,281

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final To Actual
CURRENT EXPENDITURES (Continued)					
Central Services					
Salaries	\$ 483,086	\$ (45,586)	\$ 437,500	\$ 437,382	\$ 118
Purchased Professional Services	144,516	137,689	282,205	281,088	1,117
Purchased Technical Services	49,000	(49,000)			-
Miscellaneous Purchased Services	31,200	9,656	40,856	38,368	2,488
Supplies and Materials	11,000	14,808	25,808	25,708	100
Interest on Lease Purchase Agreements	399,949	35,411	435,360	434,998	362
Miscellaneous Expenditures	27,183	(27,183)	-	-	-
Total Central Services	<u>1,145,934</u>	<u>75,795</u>	<u>1,221,729</u>	<u>1,217,544</u>	<u>4,185</u>
Admin. Info. Tech.					
Salaries	178,865	(28,330)	150,535	150,535	-
Purchased Professional Services	-	37,616	37,616	37,616	-
Supplies and Materials	-	11,203	11,203	11,203	-
Total Undistributed Expenditures-Admin. Info. Technology	<u>178,865</u>	<u>20,489</u>	<u>199,354</u>	<u>199,354</u>	<u>-</u>
Required Maintenance for School Facilities					
Cleaning, Repair and Maintenance Services	18,500	28,443	46,943	46,943	-
General Supplies	8,000	(3,322)	4,678	4,678	-
Other Objects	6,500	6,870	13,370	15,140	(1,770)
Total Required Maintenance for School Facilities	<u>33,000</u>	<u>31,991</u>	<u>64,991</u>	<u>66,761</u>	<u>(1,770)</u>
Custodial Services					
Salaries	213,773	19,179	232,952	237,269	(4,317)
Purchased Prof. and Tech. Services	-	40,198	40,198	26,838	13,360
Cleaning, Repair and Maintenance Services	8,640	13,060	21,700	21,700	-
Rental of Land & Bldg. Oth. Than Lease Pur Agreement	491,534	6,146	497,680	456,863	40,817
Insurance	43,800	(1,955)	41,845	41,845	-
Miscellaneous Purchased Services	1,500	(842)	658	85	573
General Supplies	15,000	(4,717)	10,283	9,735	548
Energy (Heat and Electricity)	159,300	1,046	160,346	144,460	15,886
Other Objects	1,760	15,188	16,948	17,049	(101)
Total Custodial Services	<u>935,307</u>	<u>87,303</u>	<u>1,022,610</u>	<u>955,844</u>	<u>66,766</u>
Student Transportation Services					
Salaries for Pupil Trans (Bet Home & Sch)-Sp Ed.	1,048,321	42,734	1,091,055	1,038,026	53,029
Contr Serv(Special Education)-Vendors	39,802,597	1,942,879	41,745,476	39,895,268	1,850,208
Total Student Transportation Services	<u>40,850,918</u>	<u>1,985,613</u>	<u>42,836,531</u>	<u>40,933,294</u>	<u>1,903,237</u>
Unallocated Employee Benefits					
Social Security Contributions	717,621	192,222	909,843	872,746	37,097
Other Retirement Contributions - PERS	572,078	64,324	636,402	627,838	8,564
Unemployment Compensation	72,788	64,301	137,089	126,339	10,750
Workers Compensation	273,747	(153,317)	120,430	120,430	-
Health Benefits	1,025,974	(35,779)	990,195	951,516	38,679
Tuition Reimbursements	6,500	(506)	5,994	4,994	1,000
Total Unallocated Employee Benefits	<u>2,668,708</u>	<u>131,245</u>	<u>2,799,953</u>	<u>2,703,863</u>	<u>96,090</u>
On-Behalf TPAF (Non-Budget)					
Pension Contribution	-	-	-	694,122	(694,122)
NCGI Premium	-	-	-	25,150	(25,150)
LTDI	-	-	-	1,061	(1,061)
Post Retirement Medical Benefits	-	-	-	599,317	(599,317)
Social Security Contributions (Non-Budget)	-	-	-	587,081	(587,081)
Total TPAF Pension and Social Security Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,906,731</u>	<u>(1,906,731)</u>

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final To Actual
CURRENT EXPENDITURES (Continued)					
Total Undistributed Expenditures	\$ 50,839,843	\$ 1,374,342	\$ 52,214,185	\$ 51,937,526	\$ 276,659
Total Current Expenditures	59,579,065	3,507,471	63,086,536	62,679,943	406,593
CAPITAL OUTLAY					
Facilities Acquisition and Constr. Services					
Construction Services		8,275	8,275	5,305	2,970
Lease Purchase Agreements - Principal	370,551	-	370,551	370,551	-
Buildings Other than Lease Purch. Agreements	-	500,000	500,000	-	500,000
Total Facilities Acquisition and Constr. Services	370,551	508,275	878,826	375,856	502,970
Total Expenditures - Capital Outlay	370,551	508,275	878,826	375,856	502,970
SPECIAL SCHOOLS					
Summer School- Instruction					
Salaries of Teachers	20,500	(8,500)	12,000	11,784	216
Total Summer School- Instruction	20,500	(8,500)	12,000	11,784	216
Summer School- Support Services					
Salaries of Teachers	-	8,700	8,700	8,570	130
Purchase Professional and Technical Services	10,347	(2,297)	8,050	8,050	-
Personal Services - Employee Benefits	1,866	2,059	3,925	1,928	1,997
Other Objects	3,600	38	3,638	-	3,638
Total Summer School- Support Services	15,813	8,500	24,313	18,548	5,765
Total Expenditures - Special Schools	36,313	-	36,313	30,332	5,981
Total Expenditures - General Fund	59,985,929	4,015,746	64,001,675	63,086,131	915,544
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(770,000)	(964,264)	(1,734,264)	1,969,639	3,703,903
Other Financing Sources (Uses)					
Transfer Out - Capital Projects Fund	-	-	-	(90,000)	(90,000)
Total Other Financing Sources (Uses)	-	-	-	(90,000)	(90,000)
Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(770,000)	(964,264)	(1,734,264)	1,879,639	3,613,903
Fund Balance, Beginning of Year	28,760,282	-	28,760,282	28,760,282	-
Fund Balance, End of Year	\$ 27,990,282	\$ (964,264)	\$ 27,026,018	\$ 30,639,921	\$ 3,613,903
Recapitulation of Fund Balance					
Assigned Fund Balance					
Designated for Capital Projects				\$ 2,689,970	
Designated for Repairs and Replacements				683,475	
Designated for Fairfield Building Lease				11,437,645	
Unassigned Fund Balance				15,828,831	
Fund Balance (Budgetary Basis/GAAP Basis)				\$ 30,639,921	

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Local Sources	\$ 9,591,935	\$ 1,079,291	\$ 10,671,226	\$ 10,119,893	\$ (551,333)
State	124,998	-	124,998	124,998	-
Federal	967,804	882,721	1,850,525	1,217,627	(632,898)
Total Revenues	<u>10,684,737</u>	<u>1,962,012</u>	<u>12,646,749</u>	<u>11,462,518</u>	<u>(1,184,231)</u>
EXPENDITURES					
Instruction					
Salaries of Teachers	4,358,970	401,663	4,760,633	4,273,250	487,383
Other Salaries for Instruction	574,335	296,753	871,088	832,364	38,724
Purchased Professional and Technical Services	13,700	27,448	41,148	39,804	1,344
Other Purchased Services	5,907	10,178	16,085	4,890	11,195
General Supplies	197,631	163,454	361,085	286,273	74,812
Other Objects	5,300	2,324	7,624	3,125	4,499
Total Instruction	<u>5,155,843</u>	<u>901,820</u>	<u>6,057,663</u>	<u>5,439,706</u>	<u>617,957</u>
Support Services					
Salaries of Supervisors of Instruction	361,026	68,739	429,765	429,705	60
Salaries of Principals/Program Directors	199,474	77,602	277,076	243,880	33,196
Salaries of Other Professional Staff	276,498	147,649	424,147	284,913	139,234
Salaries of Secretaries and Clerical Assistants	154,176	122,099	276,275	251,926	24,349
Other Salaries	719,940	187,133	907,073	822,979	84,094
Purchased Professional-Educational Services	1,289,788	27,783	1,317,571	1,206,891	110,680
Other Purchased Professional Services	22,750	10,130	32,880	14,871	18,009
Purchased Technical Services	16,000	(4,023)	11,977	11,719	258
Cleaning, Repairs and Maintenance	15,000	11,974	26,974	26,974	-
Rentals	63,100	24,900	88,000	77,554	10,446
Indirect Costs	514,941	(201,752)	313,189	856,550	(543,361)
Travel	24,997	9,806	34,803	18,239	16,564
Purchased Property Services	48,250	(21,640)	26,610	26,610	-
Other Purchased Services	45,590	69,780	115,370	104,624	10,746
Supplies and Materials	199,905	79,835	279,740	209,556	70,184
Telephone	9,440	9,072	18,512	16,528	1,984
Utilities	33,500	(5,719)	27,781	28,231	(450)
Other Objects	61,948	3,203	65,151	51,030	14,121
Total Support Services	<u>4,056,323</u>	<u>616,571</u>	<u>4,672,894</u>	<u>4,682,780</u>	<u>(9,886)</u>
Transportation Salaries	20,000	9,372	29,372	29,372	-
Contracted Services - Transportation	61,326	39,838	101,164	65,607	35,557
Total Transportation	<u>81,326</u>	<u>49,210</u>	<u>130,536</u>	<u>94,979</u>	<u>35,557</u>
Personal Services - Employee Benefits	<u>1,380,245</u>	<u>386,259</u>	<u>1,766,504</u>	<u>1,225,986</u>	<u>540,518</u>
Facilities Acquisition and Construction Services					
Instructional Equipment		5,520	5,520	5,435	85
Construction Services	11,000	2,632	13,632	13,632	-
Total Facilities Acq. and Construction	<u>11,000</u>	<u>8,152</u>	<u>19,152</u>	<u>19,067</u>	<u>85</u>
Total Expenditures	<u>10,684,737</u>	<u>1,962,012</u>	<u>12,646,749</u>	<u>11,462,518</u>	<u>1,184,231</u>
Excess of Revenue over Expenditures	-	-	-	-	-
Fund Balances, Beginning of Year	-	-	-	-	-
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual revenue amounts (budgetary basis)	\$ 65,055,770	\$ 11,462,518
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 65,055,770</u>	<u>\$ 11,462,518</u>
Uses/Outflows of Resources		
Actual expenditure amounts (budgetary basis)	\$ 63,086,131	\$ 11,462,518
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 63,086,131</u>	<u>\$ 11,462,518</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART III

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

**PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Last Four Fiscal Years ***

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Commission's Proportion of the Net Position Liability (Asset)	0.06203%	0.06146%	0.06023%	0.06396%
Commission's Proportionate Share of the Net Pension Liability (Asset)	\$ 18,370,051	\$ 13,796,195	\$ 11,277,307	\$ 12,224,394
Commission's Covered-Employee Payroll	\$ 4,074,250	\$ 4,080,778	\$ 4,036,385	\$ 4,098,734
Commission's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	450.88%	338.08%	279.39%	298.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	40.14%	47.93%	52.08%	48.72%

* The amounts presented for each fiscal year were determined as of the previous fiscal year end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the Commission will only present information for those years for which information is available.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE COMMISSION'S CONTRIBUTIONS**

**PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Last Four Fiscal Years**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 551,022	\$ 528,378	\$ 496,554	\$ 481,940
Contributions in Relation to the Contractually Required Contributions	<u>551,022</u>	<u>528,378</u>	<u>496,554</u>	<u>481,940</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commission's Covered- Employee Payroll	\$ 4,074,250	\$ 4,080,778	\$ 4,036,385	\$ 4,098,734
Contributions as a Percentage of Covered-Employee Payroll	13.52%	12.95%	12.30%	11.76%

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the Commission will only present information for those years for which information is available.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

**TEACHERS' PENSION AND ANNUITY FUND
Last Four Fiscal Years ***

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Commission's Proportion of the Net Position Liability (Asset)	0.00%	0.00%	0.00%	0.00%
Commission's Proportionate Share of the Net Pension Liability (Asset)	\$ -	\$ -	\$ -	\$ -
State's Proportionate Share of the Net Pension Liability (Asset) Associated With the Commission	<u>56,683,140</u>	<u>51,495,835</u>	<u>42,303,700</u>	<u>42,289,363</u>
Total	<u>\$ 56,683,140</u>	<u>\$ 51,495,835</u>	<u>\$ 42,303,700</u>	<u>\$ 42,289,363</u>
Commission's Covered-Employee Payroll	\$ 5,975,010	\$ 6,692,070	\$ 7,355,503	\$ 7,705,990
Commission's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	0	0	0	0
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	22.33%	28.71%	33.64%	33.76%

* The amounts presented for each fiscal year were determined as of the previous fiscal year end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the Commission will only present information for those years for which information is available.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Board of Education Employees' Pension Fund of Essex County

Last Two Fiscal Years*

	<u>2017</u>	<u>2016</u>
Contractually Required Contribution	\$ 3,410	\$ 3,381
Contributions in Relation to the Contractually Required Contributio	<u>(3,410)</u>	<u>(3,381)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Commission's Covered Employee Payroll	\$ -	\$ -
Contributions as a Percentage of Covered Employee Payroll	0%	0%

Note : This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2016.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF COMMISSION'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND SCHEDULE OF COMMISSION CONTRIBUTIONS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Change of Benefit Terms: None.

Change of Assumptions: Assumptions used in calculating the net pension liability and statutorily required employer contribution are presented in Note 4.

SCHOOL LEVEL SCHEDULES

(General Fund)

NOT APPLICABLE

SPECIAL REVENUE FUND

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Migrant Education CY 2017	Migrant Education CY 2016	McKinney Homeless Education Current	McKinney Homeless Education Comp	Migrant Education Summer	Total Brought Forward (Ex. E-1a)	Total Brought Forward (Ex. E-1b)	Totals
REVENUES								
Local Sources						\$ 7,784,531	\$ 2,335,362	\$ 10,119,893
State Sources						124,998		124,998
Federal Sources	\$ 143,793	\$ 325,058	\$ 136,731	\$ 54,041	\$ 62,263	-	495,741	1,217,627
Total Revenues	\$ 143,793	\$ 325,058	\$ 136,731	\$ 54,041	\$ 62,263	\$ 7,909,529	\$ 2,831,103	\$ 11,462,518
EXPENDITURES								
Instruction:								
Salaries of Teachers	\$ 22,868	\$ 95,716	\$ 39,162	\$ 21,694		\$ 2,730,026	\$ 1,363,784	\$ 4,273,250
Other Salaries for Instruction	1,993	10,769	14,691			504,967	299,944	832,364
Purchased Prof. and Technical Services				129		36,291	3,384	39,804
Other Purchased Services	2,174	2,438				278		4,890
General Supplies		14,874	78			257,820	13,501	286,273
Other Objects	201	-	100	-	-	2,120	704	3,125
Total Instruction	27,236	123,797	54,031	21,823	-	3,531,502	1,681,317	5,439,706
Support Services								
Salaries of Supervisors of Instruction			8,200	8,000		413,505		429,705
Salaries of Principals/Program Directors	15,500		7,790			15,700	204,890	243,880
Salaries of Other Professional Staff	1,214	9,587	14,307				259,805	284,913
Salaries of Secretaries and Clerical Assistants	5,098	13,662	11,000	3,318		157,163	61,685	251,926
Other Salaries	57,660	62,797	6,100	11,220		685,202		822,979
Transportation Salaries			6,743			22,629		29,372
Personal Services - Employee Benefits	30,913	33,333	24,084	3,166		714,443	420,047	1,225,986
Purchased Professional-Educational Services						1,206,891		1,206,891
Other Purchased Professional Services		14,871						14,871
Purchased Technical Services						11,719		11,719
Cleaning, Repairs and Maintenance						21,178	5,796	26,974
Rentals		12,000				65,554		77,554
Contracted Services - Transportation	2,870	28,581	1,742	5,281		27,133		65,607
Indirect Costs						702,550	154,000	856,550
Travel	736	9,407	410			7,686		18,239
Purchased Property Services						13,610	13,000	26,610
Other Purchased Services	2,545	4,992	1,910	468	\$ 62,263	32,446		104,624
Supplies and Materials		5,478	414	765		196,458	6,441	209,556
Telephone						10,555	5,973	16,528
Utilities						28,231		28,231
Other Objects	21	6,553	-	-	-	31,742	12,714	51,030
Total Support Services	116,557	201,261	82,700	32,218	62,263	4,364,395	1,144,351	6,003,745
Facilities Acquisition and Construction								
Instructional Equipment							5,435	5,435
Construction Services						13,632		13,632
Total Facilities Acquisition						13,632	5,435	19,067
Total Expenditures	\$ 143,793	\$ 325,058	\$ 136,731	\$ 54,041	\$ 62,263	\$ 7,909,529	\$ 2,831,103	\$ 11,462,518

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Extended Day Program</u>	<u>IDEA - B Services</u>	<u>Non Public Security Services</u>	<u>Non Public Technology Services</u>	<u>Chapter 192/193 Services</u>	<u>Title I Services</u>	<u>Non Public Nursing Services</u>	<u>Total Carried Forward</u>
REVENUES								
Local Sources		\$ 939,876	\$ 13,166	\$ 94,168	\$ 4,844,149	\$ 554,152	\$ 1,339,020	\$ 7,784,531
State Sources	\$ 124,998	-	-	-	-	-	-	124,998
Federal Sources	-	-	-	-	-	-	-	-
Total Revenues	\$ 124,998	\$ 939,876	\$ 13,166	\$ 94,168	\$ 4,844,149	\$ 554,152	\$ 1,339,020	\$ 7,909,529
EXPENDITURES								
Instruction:								
Salaries of Teachers		\$ 48,100			\$ 2,564,629	\$ 117,297		\$ 2,730,026
Other Salaries for Instruction	\$ 24,067	480,900						504,967
Purchased Prof. and Technical Services					9,173	27,118		36,291
Other Purchased Services						278		278
General Supplies		53,638			5,175	199,007		257,820
Other Objects	2,120	-	-	-	-	-	-	2,120
Total Instruction	26,187	582,638	-	-	2,578,977	343,700	-	3,531,502
Support Services								
Salaries of Supervisors of Instruction					311,478	90,587	\$ 11,440	413,505
Salaries of Program Directors	15,700							15,700
Salaries of Other Professional Staff								-
Salaries of Secretaries and Clerical Assistants	7,813				149,350			157,163
Other Salaries					18,425		666,777	685,202
Transportation Salaries	22,629							22,629
Personal Services - Employee Benefits	4,962	80,661			426,582	50,015	152,223	714,443
Purchased Professional-Educational Services		225,783			881,615		99,493	1,206,891
Other Purchased Professional Services								-
Purchased Technical Services					10,320		1,399	11,719
Cleaning, Repairs and Maintenance					21,178			21,178
Rentals	16,000				34,554	15,000		65,554
Contracted Services - Transportation	27,133							27,133
Indirect Costs		50,794			275,395	49,032	327,329	702,550
Travel					7,686			7,686
Purchased Property Services					13,610			13,610
Other Purchased Services					31,187	1,259		32,446
Supplies and Materials	1,212		\$ 13,166	\$ 94,168	7,553		80,359	196,458
Telephone					10,555			10,555
Utilities					28,231			28,231
Other Objects	3,362	-	-	-	23,821	4,559	-	31,742
Total Support Services	98,811	357,238	13,166	94,168	2,251,540	210,452	1,339,020	4,364,395
Facilities Acquisition and Construction								
Construction Services	-	-	-	-	13,632	-	-	13,632
Total Facilities Acquisition	-	-	-	-	13,632	-	-	13,632
Total Expenditures	\$ 124,998	\$ 939,876	\$ 13,166	\$ 94,168	\$ 4,844,149	\$ 554,152	\$ 1,339,020	\$ 7,909,529

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Union Detention Center	Union Detention Center Title I Services	Essex Detention Center	Essex Detention Center Title I	Safety Grant	Total Carried Forward
REVENUES						
Local Sources	\$ 464,187	\$ 155,639	\$ 1,709,740		\$ 5,796	\$ 2,335,362
State Sources						-
Federal Sources	-	-	-	\$ 495,741	-	495,741
Total Revenues	<u>\$ 464,187</u>	<u>\$ 155,639</u>	<u>\$ 1,709,740</u>	<u>\$ 495,741</u>	<u>\$ 5,796</u>	<u>\$ 2,831,103</u>
EXPENDITURES						
Instruction:						
Salaries of Teachers	\$ 227,099	\$ 121,779	\$ 752,171	\$ 262,735		\$ 1,363,784
Other Salaries for Instruction	33,352		266,592			299,944
Purchased Prof. and Technical Services	1,342		2,042			3,384
General Supplies	6,928		6,573			13,501
Other Objects	-	-	704	-	-	704
Total Instruction	<u>268,721</u>	<u>121,779</u>	<u>1,028,082</u>	<u>262,735</u>	<u>-</u>	<u>1,681,317</u>
Support Services						
Salaries of Program Directors	82,385		122,505			204,890
Salaries of Other Professional Staff			166,752	93,053		259,805
Salaries of Secretaries and Clerical Assistants	31,357		30,328			61,685
Personal Services - Employee Benefits	33,253	33,860	212,981	139,953		420,047
Cleaning, Repairs and Maintenance					\$ 5,796	5,796
Indirect Costs	40,000		114,000			154,000
Purchased Property Services			13,000			13,000
Supplies and Materials	762		5,679			6,441
Telephone	504		5,469			5,973
Other Objects	1,770	-	10,944	-	-	12,714
Total Support Services	<u>190,031</u>	<u>33,860</u>	<u>681,658</u>	<u>233,006</u>	<u>5,796</u>	<u>1,144,351</u>
Facilities Acquisition and Construction						
Instructional Equipment	5,435	-	-	-	-	5,435
Total Facilities Acquisition	<u>5,435</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,435</u>
Total Expenditures	<u>\$ 464,187</u>	<u>\$ 155,639</u>	<u>\$ 1,709,740</u>	<u>\$ 495,741</u>	<u>\$ 5,796</u>	<u>\$ 2,831,103</u>

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SPECIAL REVENUE FUND
SCHEDULE OF PRESCHOOL EDUCATION AID EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOT APPLICABLE

CAPITAL PROJECTS FUND

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>Issue/Project Title</u>	<u>Appropriation</u>	<u>Transfers</u>	<u>Expenditures Current Year</u>	<u>Project Balance June 30, 2017</u>
Various Capital Improvements	\$ 90,000	\$ -	\$ 32,040	\$ 57,960
	<u>\$ 90,000</u>	<u>\$ -</u>	<u>\$ 32,040</u>	<u>\$ 57,960</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Revenues and Other Financing Sources

Other Financing Sources	
Transfer from General Fund	\$ <u>90,000</u>
 Total Revenues and Other Financing Sources	 <u>90,000</u>

Expenditures and Other Financing Uses

Expenditures:	
Capital Outlay	
Facilities Acquisition and Construction	
Construction Services	<u>32,040</u>
 Total Expenditures	 <u>32,040</u>

Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	57,960
 Fund Balance, Beginning of Year	 <u>-</u>
 Fund Balance, End of Year	 <u>\$ 57,960</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
VARIOUS CAPITAL IMPROVEMENTS
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Local Sources - Transfer from Reserve For Capital Projects	-	\$ 90,000	\$ 90,000	\$ 90,000
Total Revenues and Other Financing Sources	-	90,000	90,000	90,000
Expenditures and Other Financing Uses				
Purchased Professional and Technical Services			-	50,000
Construction Services	-	32,040	32,040	40,000
Total Expenditures and Other Financing Uses	-	32,040	32,040	90,000
Excess (Deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ -	\$ 57,960	\$ 57,960	\$ -
Additional Project Information:				
Original Authorized Cost		\$ 40,000		
Additional Authorized Cost		\$ 50,000		
Revised Authorized Cost		\$ 90,000		
Percentage Increase Over Original Authorized Cost		125%		
Percentage Completion		36%		
Original Target Completion Date		June 30, 2018		
Revised Target Completion Date		June 30, 2018		

PROPRIETARY FUND

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2017

	<u>Non-Major Enterprise Funds</u>		
	<u>Food Service</u>	<u>Cooperative Purchasing</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 27,614		\$ 27,614
Intergovernmental Accounts Receivable			
Federal	6,808		6,808
State	71	-	71
	<u>34,493</u>	<u>-</u>	<u>34,493</u>
Total Current Assets			
Non-Current Assets			
Capital Assets	7,170		7,170
Accumulated Depreciation	(7,170)	-	(7,170)
	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Assets, Net			
Total Assets	<u>34,493</u>	<u>-</u>	<u>34,493</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	7,751		7,751
Due to Other Funds	-	\$ 20,750	20,750
	<u>7,751</u>	<u>20,750</u>	<u>28,501</u>
Total Liabilities			
NET POSITION			
Unrestricted	<u>26,742</u>	<u>(20,750)</u>	<u>5,992</u>
Total Net Position	<u>\$ 26,742</u>	<u>\$ (20,750)</u>	<u>\$ 5,992</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Non-Major Enterprise Funds</u>		
	<u>Food Service</u>	<u>Cooperative Purchasing</u>	<u>Total</u>
OPERATING EXPENSES			
Purchased Services		\$ 20,750	\$ 20,750
Cost of Sales - Reimbursable Programs	\$ 86,674	-	86,674
Total Operating Expenses	86,674	20,750	107,424
Operating (Loss)	(86,674)	(20,750)	(107,424)
NONOPERATING REVENUES			
State Sources			
State School Lunch Program	962		962
Federal Sources			
School Breakfast Program	34,716		34,716
National School Lunch Program	55,107	-	55,107
Total Nonoperating Revenues	90,785	-	90,785
Income (Loss) Before Transfers	4,111	(20,750)	(16,639)
Transfer In - General Fund	-	-	-
Change in Net Position	4,111	(20,750)	(16,639)
Net Position, Beginning of Year	22,631	-	22,631
Net Position, End of Year	\$ 26,742	\$ (20,750)	\$ 5,992

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Non-Major Enterprise Funds</u>		
	<u>Food Service</u>	<u>Cooperative Purchasing</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Payments for Goods and Services	\$ (78,923)	\$ (20,750)	\$ (99,673)
Net Cash (Used for) Operating Activities	<u>(78,923)</u>	<u>(20,750)</u>	<u>(99,673)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Cash Received (Paid) from Interfund Activities	(12,875)	20,750	7,875
Cash Received from State and Federal Subsidy Reimbursements	<u>118,342</u>	<u>-</u>	<u>118,342</u>
Net Cash Provided By Non-Capital Financing Activities	<u>105,467</u>	<u>20,750</u>	<u>126,217</u>
Net Change in Cash and Cash Equivalents	26,544	-	26,544
Cash and Cash Equivalents, Beginning of Year	<u>1,070</u>	<u>-</u>	<u>1,070</u>
Cash and Cash Equivalents, End of Year	<u>\$ 27,614</u>	<u>\$ -</u>	<u>\$ 27,614</u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:			
Operating (Loss)	\$ (86,674)	\$ (20,750)	\$ (107,424)
Increase in Accounts Payable	<u>7,751</u>	<u>-</u>	<u>7,751</u>
Net Cash (Used for) Operating Activities	<u>\$ (78,923)</u>	<u>\$ (20,750)</u>	<u>\$ (99,673)</u>

FIDUCIARY FUNDS

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
FIDUCIARY FUNDS
COMBINING STATEMENT OF AGENCY ASSETS AND LIABILITIES
AS OF JUNE 30, 2017**

	<u>Student Activity</u>	<u>Payroll Agency Funds</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 3,335	\$ 279,465	\$ 282,800
Total Assets	<u>\$ 3,335</u>	<u>\$ 279,465</u>	<u>\$ 282,800</u>
LIABILITIES			
Due to Student Groups	\$ 3,335		\$ 3,335
Payroll Deductions and Withholdings		\$ 270,933	270,933
Due to Other Funds	<u>-</u>	<u>8,532</u>	<u>8,532</u>
Total Liabilities	<u>\$ 3,335</u>	<u>\$ 279,465</u>	<u>\$ 282,800</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

**STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Balance</u> <u>July 1, 2016</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disburse-</u> <u>ments</u>	<u>Balance</u> <u>June 30, 2017</u>
Essex Junior Academy	\$ 569	\$ 726	\$ 244	\$ 1,051
Essex High School	495			495
Essex Campus Academy	<u>470</u>	<u>6,613</u>	<u>5,294</u>	<u>1,789</u>
	<u>\$ 1,534</u>	<u>\$ 7,339</u>	<u>\$ 5,538</u>	<u>\$ 3,335</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Balance, July 1, <u>2016</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance, June 30, <u>2017</u>
ASSETS				
Cash and Cash Equivalents	\$ 194,459	\$ 39,278,729	\$ 39,193,723	\$ 279,465
Total Assets	<u>\$ 194,459</u>	<u>\$ 39,278,729</u>	<u>\$ 39,193,723</u>	<u>\$ 279,465</u>
LIABILITIES				
Payroll Deductions and Withholdings	\$ 181,344	\$ 24,239,757	\$ 24,150,168	\$ 270,933
Accrued Salaries and Wages	8,115	15,038,799	15,046,914	-
Due to Other Funds	<u>5,000</u>	<u>3,780</u>	<u>248</u>	<u>8,532</u>
Total Liabilities	<u>\$ 194,459</u>	<u>\$ 39,282,336</u>	<u>\$ 39,197,330</u>	<u>\$ 279,465</u>

LONG-TERM DEBT

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 LONG-TERM DEBT
 SCHEDULE OF SERIAL BONDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOT APPLICABLE

SCHEDULE OF CAPITAL LEASES PAYABLE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>Issue</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Balance, July 1, 2016</u>	<u>Paid</u>	<u>Balance, June 30, 2017</u>
Fairfield Building	4.64%	\$ 12,500,000	\$ <u>8,700,395</u>	\$ <u>370,551</u>	\$ <u>8,329,844</u>
			\$ <u>8,700,395</u>	\$ <u>370,551</u>	\$ <u>8,329,844</u>

DEBT SERVICE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOT APPLICABLE

STATISTICAL SECTION

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

Contents

Exhibits

Financial Trends

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

J-1 to J-5

Revenue Capacity

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

J-6 to J-9

Debt Capacity

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

J-10 to J-13

Demographic and Economic Information

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

J-14 and J-15

Operating Information

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

J-16 to J-20

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

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014 (Restated)	2015	2016	2017
Governmental Activities										
Net Investment in Capital Assets	\$ 2,697,515	\$ 2,805,918	\$ 3,392,027	\$ 3,411,282	\$ 3,123,390	\$ 2,976,864	\$ 2,831,476	\$ 2,756,573	\$ 2,591,880	\$ 2,541,005
Restricted	230,000	2,119,098	1,815,535	1,761,854	1,697,005	1,414,198	88,212	36,052	-	57,960
Unrestricted	<u>25,751,791</u>	<u>24,254,803</u>	<u>25,031,661</u>	<u>25,777,639</u>	<u>26,373,107</u>	<u>26,679,257</u>	<u>17,995,299</u>	<u>18,809,424</u>	<u>23,060,890</u>	<u>19,714,712</u>
Total Governmental Activities Net Position	\$ 28,679,306	\$ 29,179,819	\$ 30,239,223	\$ 30,950,775	\$ 31,193,502	\$ 31,070,319	\$ 20,914,987	\$ 21,602,049	\$ 25,652,770	\$ 22,313,677
Business-Type Activities										
Investment in Capital Assets				\$ 5,736	\$ 4,302	\$ 2,868	\$ 1,434			
Unrestricted	\$ 6,026	\$ 6,026	\$ 6,026	<u>7,371</u>	<u>14,807</u>	<u>18,842</u>	<u>25,163</u>	\$ 40,253	\$ 22,631	\$ 5,992
Total Business-Type Activities Net Position	\$ 6,026	\$ 6,026	\$ 6,026	\$ 13,107	\$ 19,109	\$ 21,710	\$ 26,597	\$ 40,253	\$ 22,631	\$ 5,992
Commission-Wide										
Net Investment in Capital Assets	\$ 2,697,515	\$ 2,805,918	\$ 3,392,027	\$ 3,417,018	\$ 3,127,692	\$ 2,979,732	\$ 2,832,910	\$ 2,756,573	\$ 2,591,880	\$ 2,541,005
Restricted	230,000	2,119,098	1,815,535	1,761,854	1,697,005	1,414,198	88,212	36,052	-	57,960
Unrestricted	<u>25,757,817</u>	<u>24,260,829</u>	<u>25,037,687</u>	<u>25,785,010</u>	<u>26,387,914</u>	<u>26,698,099</u>	<u>18,020,462</u>	<u>18,849,677</u>	<u>23,083,521</u>	<u>19,720,704</u>
Total Commission Net Position	\$ 28,685,332	\$ 29,185,845	\$ 30,245,249	\$ 30,963,882	\$ 31,212,611	\$ 31,092,029	\$ 20,941,584	\$ 21,642,302	\$ 25,675,401	\$ 22,319,669

Source: Commission's financial statements

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 CHANGES IN NET POSITION
 LAST TEN FISCAL YEARS
 (Unaudited)
 (accrual basis of accounting)

	Fiscal Year Ended June 30.									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 3,738,088	\$ 3,882,148	\$ 4,088,268	\$ 4,098,815	\$ 3,631,613	\$ 4,122,477	\$ 3,480,682	\$ 4,470,116	\$ 3,871,547	\$ 5,012,806
Special Education	4,200,043	3,545,921	3,835,227	2,910,254	8,530,077	9,136,576	9,773,594	10,245,503	10,717,912	14,128,685
Other Instruction	7,027,823	6,796,615	7,436,822	6,760,567	6,321,903	4,875,645	5,099,113	5,331,868	5,739,014	4,033,579
Community Services/Other Instruction										71,700
Support Services:										
Student & Instruction Related Services	7,346,768	7,583,760	7,884,319	12,979,070	7,860,385	6,420,782	6,234,603	6,322,752	6,144,644	5,063,109
General Administrative Services	830,519	835,610	718,073	774,117	683,125	934,794	2,276,788	1,784,255	1,683,334	3,935,822
School Administrative Services	1,017,907	1,013,099	1,068,755	1,054,926	1,136,124	1,255,294	1,207,752	1,171,115	1,361,735	2,599,427
Central Services	802,040	644,228	798,615	900,040	770,527	782,318	725,075	727,272	712,869	961,956
Administrative Info. Technology	120,382	129,664	133,380	159,899	234,833	194,258	151,218	132,698	137,436	248,240
Plant Operations And Maintenance	1,541,027	1,497,997	1,491,935	1,595,476	1,642,414	1,690,455	1,487,824	1,488,500	1,530,426	1,574,760
Pupil Transportation	41,421,483	40,495,522	39,939,543	38,457,959	42,106,886	43,751,326	43,201,600	55,971,127	71,711,850	41,370,389
Interest On Long-Term Debt	492,546	489,389	479,404	472,165	461,169	384,009	436,410	422,747	407,624	390,852
Total Governmental Activities Expenses	68,538,626	66,913,953	67,874,341	70,163,288	73,379,056	73,547,934	74,074,659	88,067,953	104,018,391	79,391,325
Business-Type Activities										
Cooperative Purchasing										20,750
Food Service	70,588	64,551	62,433	71,978	78,552	68,163	94,109	87,471	68,942	86,674
Total Business-Type Activities Expense	70,588	64,551	62,433	71,978	78,552	68,163	94,109	87,471	68,942	107,424
Total District Expenses	\$ 68,609,214	\$ 66,978,504	\$ 67,936,774	\$ 70,235,266	\$ 73,457,608	\$ 73,616,097	\$ 74,168,768	\$ 88,155,424	\$ 104,087,333	\$ 79,498,749
Program Revenues										
Governmental Activities:										
Charges For Services:										
Instruction (Regular)	\$ 3,647,413	\$ 3,847,060	\$ 4,519,577	\$ 3,472,176	\$ 3,053,560	\$ 2,783,443	\$ 2,201,921	\$ 2,493,540	\$ 2,449,612	\$ 2,787,678
Special Education	7,514,537	6,155,795	6,323,649	6,021,136	5,972,108	5,530,256	5,656,240	5,009,749	4,906,330	4,812,603
Other Instruction	5,362,818	5,377,201	6,922,642	5,948,585	5,612,115	4,630,818	4,846,085	4,299,240	3,501,992	3,543,957
Student and Instruction Related Services	7,803,937	8,028,872	7,637,326	12,763,421	12,621,977	11,611,081	12,465,347	13,243,687	13,062,651	12,601,468
General Administrative Services	154,183	149,460	169,870	577,577	434,196	262,489	1,764,771	1,110,950	636,931	1,024,340
School Administrative Services										580,602
Central Services				475,278	298,455	106,842				
Administration Info. Technology				84,437	90,960	26,609				
Plant Operations and Maintenance								13,866	37,458	34,810
Pupil Transportation	42,277,892	41,396,747	41,189,384	39,447,997	43,475,789	45,303,697	45,293,817	56,991,948	77,109,790	41,843,848
Interest on Long-Term Debt			54,000							
Operating Grants And Contributions	2,651,295	2,211,435	2,005,024	2,034,702	2,210,734	2,659,389	2,299,589	4,654,659	5,809,409	6,789,033
Total Governmental Activities Program Revenues	69,412,075	67,166,570	68,821,472	70,825,309	73,769,894	72,914,624	74,527,770	87,817,639	107,514,173	74,018,339

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Business-Type Activities:										
Charges For Services										
Food Service	\$ 3,377	\$ 1,600	\$ 351	\$ 322						
Operating Grants And Contributions	65,297	55,864	55,410	67,036	\$ 82,873	\$ 70,764	\$ 98,996	\$ 101,127	\$ 51,320	\$ 90,785
Capital Grants and Contributions	-	-	-	7,170	-	-	-	-	-	-
Total Business Type Activities Program Revenues	68,674	57,464	55,761	74,528	82,873	70,764	98,996	101,127	51,320	90,785
Total District Program Revenues	\$ 69,480,749	\$ 67,224,034	\$ 68,877,233	\$ 70,899,837	\$ 73,852,767	\$ 72,985,388	\$ 74,626,766	\$ 87,918,766	\$ 107,565,493	\$ 74,109,124
Net (Expense)/Revenue										
Governmental Activities	\$ 873,449	\$ 252,617	\$ 947,131	\$ 662,021	\$ 390,838	\$ (633,310)	\$ 453,111	\$ (250,314)	\$ 3,495,782	\$ (5,372,986)
Business-Type Activities	(1,914)	(7,087)	(6,672)	2,550	4,321	2,601	4,887	13,656	(17,622)	(16,639)
Total District-Wide Net Expense	\$ 871,535	\$ 245,530	\$ 940,459	\$ 664,571	\$ 395,159	\$ (630,709)	\$ 457,998	\$ (236,658)	\$ 3,478,160	\$ (5,389,625)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Miscellaneous Income	421,588	291,900	169,372	54,062	117,164	510,127	1,615,851	937,376	554,939	2,033,893
Loss on Disposal of Capital Assets	(120,208)	(36,917)	(50,427)							
Transfers	-	(7,087)	(6,672)	(4,531)	(1,681)	-	-	-	-	-
Total Governmental Activities	301,380	247,896	112,273	49,531	115,483	510,127	1,615,851	937,376	554,939	2,033,893
Business-Type Activities:										
Transfers	-	7,087	6,672	4,531	1,681	-	-	-	-	-
Total Business-Type Activities	-	7,087	6,672	4,531	1,681	-	-	-	-	-
Total Commission-Wide	\$ 301,380	\$ 254,983	\$ 118,945	\$ 54,062	\$ 117,164	\$ 510,127	\$ 1,615,851	\$ 937,376	\$ 554,939	\$ 2,033,893
Change in Net Position										
Governmental Activities	\$ 1,174,829	\$ 500,513	\$ 1,059,404	\$ 711,552	\$ 506,321	\$ (123,183)	\$ 2,068,962	\$ 687,062	\$ 4,050,721	\$ (3,339,093)
Business-Type Activities	(1,914)	-	-	7,081	6,002	2,601	4,887	13,656	(17,622)	(16,639)
Total Commission	\$ 1,172,915	\$ 500,513	\$ 1,059,404	\$ 718,633	\$ 512,323	\$ (120,582)	\$ 2,073,849	\$ 700,718	\$ 4,033,099	\$ (3,355,732)

Source: Commission's financial statements

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Unaudited)
(modified accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 230,000	\$ 2,000,000								
Unreserved	26,207,140	23,992,189	\$ 25,032,511							
Assigned				\$ 5,012,173	\$ 4,533,122	\$ 16,441,121	\$ 17,134,018	\$ 16,385,038	\$ 15,671,090	\$ 14,811,090
Unassigned	-	-	-	19,972,123	20,443,335	7,611,329	7,610,158	8,282,043	13,089,192	15,828,831
Total General Fund	<u>\$ 26,437,140</u>	<u>\$ 25,992,189</u>	<u>\$ 25,032,511</u>	<u>\$ 24,984,296</u>	<u>\$ 24,976,457</u>	<u>\$ 24,052,450</u>	<u>\$ 24,744,176</u>	<u>\$ 24,667,081</u>	<u>\$ 28,760,282</u>	<u>\$ 30,639,921</u>
All Other Governmental Funds										
Unreserved		\$ 119,098	\$ 1,815,535							
Restricted	-	-	-	\$ 1,761,854	\$ 1,697,005	\$ 1,414,198	\$ 88,212	\$ 36,052	\$ -	\$ 57,960
Total All Other Governmental Funds	<u>\$ -</u>	<u>\$ 119,098</u>	<u>\$ 1,815,535</u>	<u>\$ 1,761,854</u>	<u>\$ 1,697,005</u>	<u>\$ 1,414,198</u>	<u>\$ 88,212</u>	<u>\$ 36,052</u>	<u>\$ -</u>	<u>\$ 57,960</u>

Source: Commission's financial statements

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Unaudited)
(modified accrual basis of accounting)

	Fiscal Year Ended June 30									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Tuition Charges	\$ 5,578,707	\$ 4,119,640	\$ 4,689,320	\$ 4,505,166	\$ 4,767,441	\$ 4,733,809	\$ 3,867,628	\$ 4,679,444	\$ 3,848,879	\$ 4,137,786
Transportation Fees	44,022,551	41,206,038	41,143,289	39,522,391	42,790,390	44,296,463	43,808,107	54,508,463	77,827,845	44,805,695
Miscellaneous	20,357,069	20,413,386	22,489,071	25,043,753	24,218,331	20,531,007	23,266,126	24,109,079	20,142,315	24,325,451
State Sources	1,853,167	1,426,093	1,426,946	1,400,857	1,620,817	1,915,432	1,592,682	1,811,978	1,881,895	2,031,729
Federal Sources	798,128	785,342	570,036	633,845	589,917	743,957	706,907	1,006,830	1,321,631	1,217,627
Total Revenue	72,609,622	67,950,499	70,318,662	71,106,012	73,986,896	72,220,668	73,241,450	86,115,794	105,022,565	76,518,288
Expenditures										
Instruction										
Regular Instruction	3,745,121	3,881,257	4,086,428	4,101,707	3,633,314	4,124,419	3,456,189	3,259,296	3,223,866	3,741,810
Special Education Instruction	4,182,027	3,504,060	3,782,426	2,866,453	8,479,605	9,107,491	9,713,583	10,136,081	10,264,996	12,376,851
Other Instruction	7,045,758	6,801,189	7,440,226	6,760,567	6,330,597	4,875,645	5,099,113	5,331,868	4,824,129	4,033,579
Community Services										71,700
Support Services										
Student and Inst. Related Services	7,359,159	7,585,888	7,886,846	12,997,008	7,878,960	6,423,908	6,226,591	6,003,875	5,696,875	4,588,859
General Administration	1,794,103	1,786,575	1,761,518	1,730,966	1,328,410	928,168	2,268,945	1,743,482	1,472,773	3,455,369
School Administrative Services	985,591	979,828	1,044,182	1,034,202	1,121,016	1,240,552	1,189,158	1,050,228	1,159,525	1,987,351
Central Services	803,585	644,573	798,926	901,066	770,824	780,663	722,882	727,501	700,842	912,902
Admin. Information Technology	120,726	129,744	133,450	160,140	235,181	194,422	150,829	133,282	134,202	231,984
Plant Operations And Maintenance	1,179,055	1,146,913	1,094,485	1,165,627	1,209,822	1,201,781	1,049,769	1,057,239	1,080,251	1,119,946
Pupil Transportation	41,424,404	40,496,196	39,940,116	38,459,828	42,108,609	43,752,176	43,199,016	55,975,710	71,681,291	41,258,298
Capital Outlay	384,541	446,795	970,380	355,966	241,718	153,257	79,635	96,487		32,940
Debt Service										
Principal	141,695	145,332	152,016	193,345	252,965	255,073	277,160	300,286	334,613	370,551
Interest and Other Charges	494,552	490,915	484,232	476,502	466,882	389,927	442,840	429,714	415,387	399,449
Total Expenditures	69,580,317	68,039,265	69,575,231	71,203,377	74,057,903	73,427,482	73,875,710	86,245,049	100,988,750	74,580,689
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,029,305	(8,766)	743,431	(97,365)	(71,007)	(1,206,814)	(634,260)	(129,255)	4,033,815	1,937,599
Other Financing Sources (Uses)										
Insurance Recovery									23,334	
Capital Leases (Non-Budgeted)										
Transfers In		230,000	2,000,000	(4,531)	(1,681)		1,562,898	18,980	36,052	90,000
Transfers Out		(237,087)	(2,006,672)	(4,531)	(1,681)		(1,562,898)	(18,980)	(36,052)	(90,000)
Total Other Financing Sources (Uses)	-	(7,087)	(6,672)	(4,531)	(1,681)	-	-	-	23,334	-
Net Change in Fund Balances	\$ 3,029,305	\$ (95,853)	\$ 736,759	\$ (101,896)	\$ (72,688)	\$ (1,206,814)	\$ (634,260)	\$ (129,255)	\$ 4,057,149	\$ 1,937,599
Debt Service as a Percentage of Noncapital Expenditures	0.92%	0.94%	0.93%	0.95%	0.98%	0.88%	0.98%	0.85%	0.74%	1.03%

* Noncapital expenditures are total expenditures less Capital Outlay.

Source: Commission's financial statements

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
GENERAL FUND OTHER LOCAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(Unaudited)**

Fiscal Year Ended June 30	Local Education Agency Fees	Indirect Cost Fees	Interest	Miscellaneous	Total
2008	\$ 3,813,695	\$ 991,991	\$ 376,654	\$ 44,934	\$ 5,227,274
2009	3,969,280	965,132	163,678	28,222	5,126,312
2010	4,244,377	1,055,997	132,867	8,725	5,441,966
2011	9,471,705	968,497	22,608	31,454	10,494,264
2012	10,414,271	654,016	17,007	117,164	11,202,458
2013	8,958,318	228,221	26,577	483,550	9,696,666
2014	9,655,402	1,597,052	7,012	11,788	11,271,254
2015	11,688,846	937,376			12,626,222
2016	9,766,625	469,212	2,757	82,970	10,321,564
2017	12,177,461	1,865,118		162,979	14,205,558

Source: Commission's financial statements

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN YEARS
(Unaudited)**

NOT APPLICABLE

**DRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
(Unaudited)**

NOT APPLICABLE

**PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)**

NOT APPLICABLE

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS
(Unaudited)**

NOT APPLICABLE

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended June 30,	<u>Governmental Activities</u>		Total Commission	County Population	Per Capita
	General Obligation Bonds	Capital Leases			
2008	\$	10,619,227	\$ 10,619,227	767,075	\$ 14
2009		10,473,895	10,473,895	769,644	14
2010		10,313,837	10,313,837	784,664	13
2011		10,120,492	10,120,492	786,958	13
2012		9,867,527	9,867,527	787,579	13
2013		9,612,454	9,612,454	789,953	12
2014		9,335,294	9,335,294	793,443	12
2015		9,035,008	9,035,008	795,039	11
2016		8,700,395	8,700,395	796,914	11
2017		8,329,844	8,329,844	796,914 (E)	10

Source: Commission records

(E) - Estimate

EXHIBIT J-11

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(Unaudited)**

NOT APPLICABLE

EXHIBIT J-12

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES BONDED DEBT
LAST TEN FISCAL YEARS
(Unaudited)**

NOT APPLICABLE

EXHIBIT J-13

**LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)**

NOT APPLICABLE

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
DEMOGRAPHIC STATISTICS - COUNTY OF ESSEX
LAST TEN YEARS
(Unaudited)**

<u>Year Ended December 31,</u>	<u>Unemployment Rate</u>	<u>Per Capita Income</u>	<u>County Population</u>
2008	6.0%	\$ 52,603	767,075
2009	10.5%	51,448	769,644
2010	11.0%	51,870	784,664
2011	10.8%	54,342	786,958
2012	10.8%	54,833	787,579
2013	10.8%	55,386	789,953
2014	9.5%	57,674	793,443
2015	7.9%	60,030	795,039
2016	6.7%	60,030 (E)	796,914
2017	6.0%	60,030 (E)	796,914 (E)

Note: Information represents County of Essex demographics

Source: New Jersey Department of Work Force Development

E = Estimate

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
PRINCIPAL EMPLOYERS,
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)**

NOT APPLICABLE

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

<u>Function/Program</u>	<u>Fiscal Year Ended June 30,</u>									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Instruction	160	160	150	150	140	140	145	142	393	482
Support Services:										
Student and Instruction Related Services	69	106	106	324	280	290	292	298	10	38
General Administration	6	5	5	5	5	5	5	5	8	11
School Administrative Services	14	11	10	10	10	10	10	9	12	10
Central and Other Support Services	20	18	17	17	16	17	18	18	6	39
Plant Operations And Maintenance	8	7	7	6	6	6	6	6	4	3
Pupil Transportation	16	17	17	13	15	15	15	17	17	15
Total	<u>293</u>	<u>324</u>	<u>312</u>	<u>525</u>	<u>472</u>	<u>483</u>	<u>491</u>	<u>495</u>	<u>450</u>	<u>598</u>

Source: Commission's Personnel Records

Note - Beginning in FY 2016, the Commission's FTE's were calculated based on the function as detailed in the State Chart of Accounts.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
OPERATING STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)**

Fiscal Year Ended June 30,	Enrollment	Operating Expenditures	Pupil/Teacher Ratio			Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
			Teaching Staff	Elementary/ Middle School	High School				
2008	203.1	\$ 68,639,529	24	6.6:1	6.9:1	203.1	125.4	-4.78%	62
2009	157.1	66,956,223	24	5.2:1	6.0:1	157.1	103.8	-17.22%	66
2010	122.0	67,968,603	17	8.7:1	6.3:1	122.0	89.4	-13.87%	60
2011	128.0	70,177,564	19	7.0:1	6.6:1	128.0	90.0	0.67%	70
2012	135.0	73,096,338	17	11.0:1	7.1:1	135.0	104.1	15.67%	76
2013	126.8	72,629,225	20	7.5:1	6.2:1	126.8	96.9	-6.92%	76
2014	120.0	73,076,075	20	6.8:1	5.6:1	120.0	106.5	9.91%	90
2015	122.0	85,418,562	20	7.0:1	5.7:1	122.0	105.0	-1.41%	85
2016	118.0	100,238,750	N/A	N/A	N/A	118.0	93.3	-11.14%	79
2017	138.7	73,778,649	N/A	N/A	N/A	138.7	99.5	6.65%	72

Sources: Commission's records

N/A - Not Available

Note - Commission's operating expenditures represent cost for services rendered to other local education agencies as well as Commission students. The cost per pupil is not representative of cost associated with students included in the Commission's enrollment. Therefore, cost per pupil has not been calculated

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>District Building</u>										
<u>Dr. Jacqueline A. Young Education Center</u>										
Square Feet	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000
Capacity (students)										
Enrollment										
<u>Essex Campus Academy</u>										
Square Feet	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Capacity (students)	125	125	125	125	125	125	125	125	125	125
Enrollment	110	83	52	52	46	36	40	40	41	45
<u>Essex Junior Academy</u>										
Square Feet	33,276	32,276	33,276	33,276	33,276	38,000	38,000	38,000	38,000	19,000
Capacity (students)	192	192	192	192	192	220	220	220	220	110
Enrollment	53	32	35	35	46	44	41	42	41	48
<u>Essex High School</u>										
Square Feet	6,260	6,260	7,580	7,580	7,580	7,580	7,580	7,580	7,580	19,000
Capacity (students)	48	36	48	48	48	48	48	48	48	110
Enrollment	40	42	35	35	44	46	39	40	36	45
Number of Schools at June 30, 2017										
Elementary/Middle School	1	1	1	1	1	1	1	1	1	1
Senior High School	2	2	2	2	2	2	2	2	2	2

Source: Commission's Records

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
(Unaudited)

NOT APPLICABLE

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF INSURANCE
JUNE 30, 2017
(Unaudited)

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy		
Property	\$ 450,000	\$ 1,000
Extra Expense	50,000,000	1,000
Valuable Papers	10,000,000	1,000
EDP	250,000	1,000
Equipment Breakdown	100,000,000	1,000
Crime and Bonds		
Faithful Performance	500,000	1,000
Forgery and Alteration	500,000	1,000
Money and Securities	100,000	500
Money Orders/Counterfeit	100,000	500
Computer Fraud	500,000	1,000
General Liability	31,000,000	N/A
Bodily Injury and Property Damage	31,000,000	N/A

Note: Unless otherwise noted all Insurance Policies are with the New Jersey Schools Insurance Fund

Source: Commission's records

SINGLE AUDIT SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-1

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Directors
Essex Regional Educational Services Commission
Fairfield, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Essex Regional Educational Services Commission as of and for the fiscal year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Essex Regional Educational Services Commission's basic financial statements and have issued our report thereon dated December 4, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Essex Regional 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 Essex Regional Educational Services Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Essex Regional 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Essex Regional 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey and which are described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002.

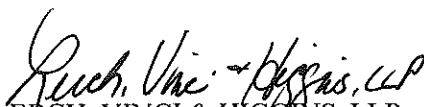
We also noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Essex Regional Educational Services Commission in a separate report entitled, "Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance" dated December 4, 2017.


Essex Regional Educational Services Commission's Responses to Findings

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

Purpose of this Report

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


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


Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
December 4, 2017



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-2

DIETER P. LERCH, CPA, RMA, PSA
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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE
U.S. UNIFORM GUIDANCE AND SCHEDULE OF EXPENDITURES OF STATE FINANCIAL
ASSISTANCE AS REQUIRED BY NEW JERSEY OMB CIRCULAR 15-08**

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Directors
Essex Regional Educational Services Commission
Fairfield, New Jersey

Report on Compliance for Each Major Federal and State Program

We have audited the Essex Regional Educational Services Commission's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement and the New Jersey OMB Circular 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the Essex Regional Educational Services Commission's major federal and state programs for the fiscal year ended June 30, 2017. The Essex Regional Educational Services Commission's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal and state statutes, regulations, and the terms and conditions of its federal awards and state financial assistance applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Essex Regional Educational Services Commission's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, U.S. Uniform Guidance and New Jersey Circular 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 federal or state program occurred. An audit includes examining, on a test basis, evidence about the Essex Regional Educational Services Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

In our opinion, the Essex Regional Educational Services Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the U.S. Uniform Guidance and New Jersey OMB Circular 15-08 which is described in the accompanying schedule of findings and questioned costs as item 2017-003. Our opinion on each major federal and state program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

Report on Schedule of Expenditures of Federal Awards Required by the U.S. Uniform Guidance and Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 15-08

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Essex Regional Educational Services Commission 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. We issued our report thereon dated December 4, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards as required by the U.S. Uniform Guidance and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.


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


Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
December 4, 2017

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	FAIN Number	Grant Period	Award Amount	Balance July 1, 2016		Carryover Amount	Cash Received	Budgetary Expenditures	Adjustment	Balance June 30, 2017			Memo GAAP Receivable
					(Accounts Receivable)	Unearned Revenue					(Accounts Receivable)	Unearned Revenue	Due to LEA	
U.S. Department of Education Passed Through State Department of Education														
<u>Special Revenue Fund:</u>														
Migrant Education	84.011A	S011A150030	1/1/16-12/31/16	\$ 518,391	\$ (480,387)	\$ 362,257		\$ 442,703	\$ 325,058		\$ (37,684)	\$ 37,199		\$ (485)
Migrant Education	84.011A	S011A160030	1/1/17-12/31/17	672,462					143,793		(672,462)	528,669		(143,793)
Migrant Education	84.011A		1/1/15-12/31/15	518,391		5,082						5,082		
Migrant Education -Summer	84.011A	S011A150030	7/1/16-8/31/17	62,263	-	-	-	62,263	62,263	-	-	-	-	-
Total Migrant Education					(480,387)	367,339	-	504,966	531,114	-	(710,146)	570,950	-	(144,278)
Homeless Children and Youth Ed.	84.196	S196A160031	9/1/16-8/31/17	139,415				126,543	136,751		(12,872)	2,684		(10,188)
Homeless Children and Youth Ed.	84.196	S196A160031	7/1/16-6/30/17	54,391				22,263	54,041		(32,128)	350		(31,778)
Homeless Children and Youth Ed.	84.196	S196A150031	9/1/15-8/31/16	139,415	(86,382)			86,382						-
Homeless Children and Youth Ed.	84.196		9/1/14-9/30/15	335,393	-	13,107	-	-	-	-	-	13,107	-	-
Total Homeless Children and Youth					(86,382)	13,107	-	235,188	190,772	-	(45,000)	16,141	-	(41,966)
Title I	84.013	S013A160030	7/1/16-6/30/17	518,202	-	-	-	514,896	495,741	-	(3,306)	22,461	-	-
Total Special Revenue Fund					(566,769)	380,446	-	1,255,050	1,217,627	-	(758,452)	609,552	-	(186,244)
U.S. Department of Education Passed Through State Department of Education														
<u>Enterprise Fund:</u>														
National School Lunch Program	10.555	1616NJ304N1099	7/1/15-6/30/16	30,810	(20,639)			20,639						-
National School Lunch Program	10.555	171NJ304N1099	7/1/16-6/30/17	55,107				50,927	55,107		(4,180)			(4,180)
National School Breakfast Program	10.553	1616NJ304N1099	7/1/15-6/30/16	19,884	(13,373)			13,373						-
National School Breakfast Program	10.553	171NJ304N1099	7/1/16-6/30/17	34,716	-	-	-	32,088	34,716	-	(2,628)	-	-	(2,628)
Total Enterprise Fund					(34,012)	-	-	117,027	89,823	-	(6,808)	-	-	(6,808)
Total Federal Financial Awards					\$ (600,781)	\$ 380,446	\$ -	\$ 1,372,077	\$ 1,307,450	\$ -	\$ (765,260)	\$ 609,552	\$ -	\$ (193,052)

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Grant or State Project Number	Grant Period	Award Amount	Balance July 1, 2016	Carryover Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Year Balances	Balance June 30, 2017			MEMO			
									(Accts. Receivable)	Unearned Revenue	Due to LEA	GAAP Receivable	Cumulative Total Expenditures		
State Department of Education															
General Fund:															
TPAF On-Behalf															
Pension Contribution	17-495-034-5094-002	7/1/16-6/30/17	\$ 694,122			\$ 694,122	\$ 694,122							\$ 694,122	
NCGI Premium	17-495-034-5094-004	7/1/16-6/30/17	25,150			25,150	25,150							25,150	
LTDI Insurance	17-495-034-5094-004	7/1/16-6/30/17	1,061			1,061	1,061							1,061	
Post Retirement Medical	17-495-034-5094-001	7/1/16-6/30/17	599,317	-	-	599,317	599,317	-	-	-	-	-	-	599,317	
Total On-Behalf TPAF Pension				-	-	1,319,650	1,319,650	-	-	-	-	-	-	1,319,650	
Reimbursed TPAF Social Security Contr.	17-495-034-5094-003	7/1/16-6/30/17	587,081			450,952	587,081		\$ (136,129)				\$ (136,129)	587,081	
Reimbursed TPAF Social Security Contr.	16-495-034-5095-003	7/1/15-6/30/16	502,351	\$ (45,059)	-	45,059	-	-	-	-	-	-	-	-	
Total General Fund				(45,059)	-	1,815,661	1,906,731	-	(136,129)	-	-	-	(136,129)	1,906,731	
Special Revenue Fund:															
State Division of Youth and Family Serv.															
Extended Day Care	17AJGM	7/1/16-6/30/17	124,997			124,997	124,997							124,997	
Extended Day Care	16AJGM	7/1/15-6/30/16	124,997	9,284	-	-	1	-	-	\$ 9,283	-	-	-	1	
Total Special Revenue Fund				9,284	-	124,997	124,998	-	-	9,283	-	-	-	124,998	
Enterprise Fund:															
State School Lunch Program															
State Share	17-100-034-5120-122	7/1/16-6/30/17	962			891	962			(71)			(71)	962	
State Share	16-100-034-5120-122	7/1/15-6/30/16	612	(424)	-	424	-	-	-	-	-	-	-	-	
Total Enterprise Fund				(424)	-	1,315	962	-	(71)	-	-	-	(71)	962	
Total State Financial Assistance Subject to Single Audit Determination				(36,199)	-	1,941,973	2,032,691	-	(136,200)	9,283	-	-	(136,200)	2,032,691	
General Fund															
TPAF Pension Contributions															
Normal Contributions						(694,122)	(694,122)							(694,122)	
NCGI Premium						(25,150)	(25,150)							(25,150)	
LTDI Insurance						(1,061)	(1,061)							(1,061)	
Post Retirement Medical						(599,317)	(599,317)							(599,317)	
Total State Assistance Subject to Major Program Determination				\$ (36,199)	\$ -	\$ 622,323	\$ 713,041	\$ -	\$ (136,200)	\$ 9,283	\$ -	\$ -	\$ (136,200)	\$ 713,041	

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 GENERAL

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

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are prepared and presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Notes 1(C) to the Commission's financial statements. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (U.S. Uniform Guidance) and New Jersey OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Therefore, some amounts presented in these schedules may differ from the amounts presented in, or used in the preparation of, the financial statements.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

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

There were no required adjustments to reconcile from the budgetary basis to the GAAP basis. Awards and financial assistance revenues are reported in the Board's financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 1,906,731	\$ 1,906,731
Special Revenue Fund	\$ 1,217,627	124,998	1,342,625
Food Service Fund	<u>89,823</u>	<u>962</u>	<u>90,785</u>
Total Financial Assistance	<u>\$ 1,307,450</u>	<u>\$ 2,032,691</u>	<u>\$ 3,340,141</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5 OTHER INFORMATION

TPAF Social Security contributions in the amount of \$587,081 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2017. The amount reported as TPAF Pension System Contributions in the amount of \$719,272, TPAF Post-Retirement Medical Benefits Contributions in the amount of \$599,317 and TPAF Long-Term Disability Insurance in the amount of \$1,061 represents the amount paid by the State on behalf of the Commission for the fiscal year ended June 30, 2017.

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

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

NOTE 7 DE MINIMIS INDIRECT COST RATE

The District has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Part I – Summary of Auditor’s Results

Financial Statement Section

Type of auditors' report issued Unmodified

Internal control over financial reporting:

1) Material weakness(es) identified: _____ yes X no

2) Significant deficiency(ies) identified? X yes _____ none reported

Noncompliance material to the basic financial statements noted? X yes _____ no

Federal Awards Section

Internal Control over major programs:

1) Material weakness(es) identified: _____ yes X no

2) Significant deficiency(ies) identified? X 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 2 CFR 200 section .516(a) of Uniform Guidance X yes _____ no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>FAIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.013</u>	<u>S013A160030</u>	<u>Title I Part D</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes _____ no

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Part I – Summary of Auditor’s Results

State Awards Section

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes no

Internal Control over major programs:

(1) Material weaknesses identified? yes X no

(2) Significant deficiencies identified that are not considered to be material weaknesses? yes X 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 NJ OMB Circular Letter 15-08? yes X no

Identification of major state programs:

<u>State Grant/Project Number</u>	<u>Name of State Program</u>
495-034-5094-003	TPAF Social Security Contribution

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Part 2 – Schedule of Financial Statement Findings

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

Finding 2017-001:

Our audit of the Commission's financial accounting records revealed the following:

- a) The Commission's year end accounts payable was overstated by over \$2.1 million in the General Fund, \$230 thousand in the Special Revenue Fund and \$50 thousand in the Capital Projects Fund.
- b) Revenues and appropriations recorded in the Commission's budgetary accounting system were not in agreement with amounts billed for certain Special Revenue Fund services (192-193 IDEA, Title I).
- c) Indirect costs and administrative fees were not allocated and charged to the Commission's programs.

Criteria or Specific Requirement:

Internal Controls Over Financial Reporting
New Jersey State Statutes and Administrative Code

Condition:

- a) Amounts recorded as accounts payable at June 30, 2017 were primarily residual balances on open purchase orders which were not cancelled prior to year end. An audit adjustment was made to cancel the invalid purchase orders in the Commission's records.
- b) Revenue and appropriation accounts in the Special Revenue Fund were not in agreement with amounts billed for services.
- c) Administrative and indirect costs were not charged to the Commission's programs. An audit adjustment was made to record costs to Special Revenue Fund programs.

Context:

The Commission's liabilities were overstated and certain revenue and expense accounts were over (under) stated at June 30, 2017.

Effect:

Accounts payable were overstated resulting in the understatement of fund balance. Revenue and expense accounts were over (under) stated.

Cause:

Unknown.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Part 2 – Schedule of Financial Statement Findings

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

Finding 2017-001: (Continued)

Recommendation:

- Internal control procedures be reviewed and enhanced to ensure that all liabilities are properly reported in the Commission's year end financial reports.
- The Commission reconcile its Special Revenue Fund service fee billings with program related expenditures. Furthermore, the budgetary accounting records be adjusted in a timely manner.
- The Commission review its written cost allocation plan for the allocation of central and general administrative costs and take appropriate action to ensure that these costs are recorded in the budgetary accounting system on a monthly or quarterly basis.

Views of Responsible Officials and Planned Corrective Action Plan:

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Part 2 – Schedule of Financial Statement Findings

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

Finding 2017-002:

Our audit of the Commission's board secretary report and appropriation reports revealed:

1. The original budget for certain line items in the General and Special Revenue Funds were not in agreement with the approved state budget document.
2. The Commission's financial reports reflected additional appropriations of revenues from fees and from fund balance, however the budget amendments were not always submitted to the Board for their approval.
3. Several budgetary line items were overexpended at June 30, 2017.
4. The Commission's Board Secretary's report did not include certain balance sheet accounts or budget line items that were added to the Commission's financial reports during the year.

Criteria or Specific Requirement:

New Jersey State Statutes and Administrative Code

Condition:

- a) The original budget for certain accounts were not in agreement with the approved state budget document. Audit adjustments were made to properly reflect the General Fund original budget by line item.
- b) Certain additional appropriations were not authorized by Board resolution.
- c) Several budgetary line items were overexpended.
- d) The Board Secretary's report did not include certain balance sheet accounts or budgetary line item accounts.

Context:

The original budget for certain accounts were not in agreement with the approved state budget document.

Resolutions authorizing the additional appropriation of revenue were not presented to the Board for approval. In certain instances, transfers were not made to offset deficits in the budgetary line items.

The Board Secretary's report was missing certain accounts and did not total accurately.

Effect:

The Commission had sufficient appropriation balances in other budgetary line accounts to adequately fund the budget expenditures.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Part 2 – Schedule of Financial Statement Findings

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

Finding 2017-002: (Continued)

Cause:

Unknown.

Recommendation:

- The original budget for the General and Special Revenue Fund be reviewed to ensure that it is in agreement with the approved state budget document.
- Internal control procedures be reviewed and enhanced to ensure that budget transfers are made prior to the overexpenditure of budgetary line items.
- Additional appropriations of revenue be submitted to the Board for their approval.
- The Board Secretary's report be reviewed monthly to ensure that all accounts and budgetary line items are appropriately reported.

Views of Responsible Officials and Planned Corrective Action Plan:

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

CURRENT YEAR FEDERAL AWARDS

Finding 2017-003:

Our audit of federal grant awards revealed the following:

- Expenditures reported on the various federal grant reports were not in agreement with the Commission's budgetary accounting records.
- Time and activity reports were not maintained for employees charged to a federal grant from February 16 to June 30, 2017.
- Employees charged to federal programs were not detailed by name, salary and percentage of salary charged to the grant program in the Commission's official minutes.

Information on the Federal Program:

84.013

Title I

Criteria or Specific Requirement:

Uniform Guidance

Conditions:

- The Commission's budgetary accounting reports were not in agreement with the grant reports.
- Time and activity reports were not maintained for employees charged to federal programs for the period February 16 to June 30, 2017.
- The Commission's official minutes did not contain the required salary resolutions for employees charged to federal programs.

Questioned Costs:

Unknown.

Context:

See Conditions.

Effects:

Grant expenditures may be over(under) stated.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

CURRENT YEAR FEDERAL AWARDS

Finding 2017-003: (Continued)

Cause:

Unknown.

Recommendation:

- Grant financial reports be reconciled to the Commission's budgetary accounting records prior to their submission.
- Time and activity reports be completed for all employees charged to the Title I grant.
- All employees charged to a federal grant program be included by name and pro-rata salary on a resolution approved by the Board.

Views of Responsible Officials and Planned Corrective Action Plan:

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

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

CURRENT YEAR STATE AWARDS

THERE ARE NONE.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

STATUS OF PRIOR YEAR FINDINGS

Finding 2016-001:

Our audit of the Commission's financial accounting records revealed the following:

- a) The Commission's cash balance in the year end financial reports reflected a cash overdraft in excess of three million.
- b) The Commission's year end accounts payable was overstated by over \$2.5 million in the General Fund \$86,492 in the Special Revenue Fund and \$27,058 in the Food Service Enterprise Fund.
- c) The TPAF FICA reimbursement for Federally Funded Programs was not accrued in the Commission's financial reports as of June 30, 2017.

Current Status:

Corrective action was taken on a) and c). Also see Finding 2017-001.

Finding 2016-002:

The Commission's financial reports reflected additional appropriations of revenues from fees, however, the additional appropriations were not always authorized by a Board resolution. In addition, several budgetary line items were overexpended at June 30, 2017.

Current Status:

See Finding 2017-002.

Finding 2016-003:

Our audit of federal grant awards revealed the following:

- Expenditures reported on the various federal grant reports were not in agreement with the Commission's budgetary accounting records.
- Time and activity reports were not maintained for employees charged to a federal grant.
- Employees charged to federal programs were not detailed by name, salary and percentage of salary charged to the grant program in the Commission's official minutes.

Current Status:

See Finding 2017-003.