

**THE EDUCATIONAL SERVICES COMMISSION
OF MORRIS COUNTY
COUNTY OF MORRIS, NEW JERSEY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
STATE OF NEW JERSEY**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017**

PREPARED BY

**THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
FINANCE OFFICE**

**THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
BOARD OF EDUCATION
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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INTRODUCTORY SECTION

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

PO BOX 1944

MORRISTOWN, NJ 07962-1944

www.escmorris.com 973-540-8844

December 6, 2017

Honorable President and
Members of the Board of Directors
Educational Services Commission of Morris County
Morristown, New Jersey

Dear Board Members:

The comprehensive annual financial report (CAFR) of the Educational Services Commission of Morris County for the fiscal year ended June 30, 2017 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of presentation, including all disclosures, rests with the management of the Commission. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in the manner designed to 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 Educational Services Commission of Morris County as of June 30, 2017, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the Commission's organizational chart and a list of principal officials. The financial section includes the basic financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The Commission is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, "Audits of State and Local Governments and Non-profit Organizations", and the State Treasury Circular Letter 15-08 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1) Reporting Entity and Its Services

The Educational Services Commission of Morris County is an independent reporting agency formed by the constituent districts of Morris County within the criteria adopted by the GASB, Statement No. 14. The Commission, its schools, and programs located throughout the County of Morris, constitute the reporting entity.

The Commission provides educational services to districts in Morris County either on a cooperative or a direct service basis. These services include: Cooperative Bid Purchasing; Coordinated Public, Special and Private School Transportation; Member District Bus Leasing; Two Special Education Schools; Child Study Team Services; Shared Business Services; Professional Support Services; Health and Environmental Safety Services; Nonpublic Services: Chapters 192/193 Handicapped and Auxiliary Services, Nursing Services, Textbook Purchase and Processing, and Computer Support Services.

2) Economic Condition and Outlook

The need to develop economies of scale and cost effective measures to control spending amid sparse resources continues to create the demand for the Commission's services and cooperative activities. Our programs and requests for additional types of programs are increasing. Budgeting estimates based on the amount of business we expect to do are increasing each year. As we continue to be receptive to the needs of the districts, we expect to increase our economic condition. A sound infrastructure will enable us to take the lead in developing new and innovative strategies for cost effective programming, which relieves districts of many administrative burdens, and redirect saved resources to needed programs to enhance the quality of education for the children in the community.

3) Major Initiatives

Park Lake School has developed a new approach to instructional and therapeutic services for our students. It is hoped that the new approach will help increase student enrollment. A face-lift to the historic facility was conducted this past year to assist in upgrading the facility.

Regional Day School has undergone upgrades to its environmental control of the climate in the building to accommodate the extensive health issues of our students. The Regional Day School is scheduled for a roof replacement being performed by the Department of Education.

4) Internal Accounting Controls

The Administration 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 is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits requires estimates and judgments by the Administration.

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

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

5) Budgetary Controls

In addition to internal accounting controls, the Commission maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by Representative Assembly of the Educational Services Commission. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

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

6) 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 ESC is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements", Note 1.

7) Debt Administration

The Commission's facility funding agreement with the Morris County Improvement Authority for the issuance of \$4.9 million in bonds to finance old debt and new construction at the Park Lake School was refinanced last year. The new refunded amount of \$2,075,000 issued realize \$76,575.94 in overall savings for the Commission, which is funded by its fees for services. The ESC had previously retired its funding agreement with the Morris County Improvement Authority for \$1.7 million in bonds to finance busses for use by member districts to meet their transportation needs.

8) Cash Management

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

9) Risk Management

The Board 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.

10) Other Information

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Ferraioli, Wielkotz, Cerullo and Cuva, P.A., was selected. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of Single Audit Act Amendments of 1996 and the related Federal Uniform Guidance and State Treasury Circular Letter 15-08 OMB. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

11) Acknowledgment

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

Respectfully submitted,



Angelo A. Vilardi
Superintendent



Catarina Bilotta
Business Administrator

**Educational Services Commission of Morris County
Morristown, New Jersey**

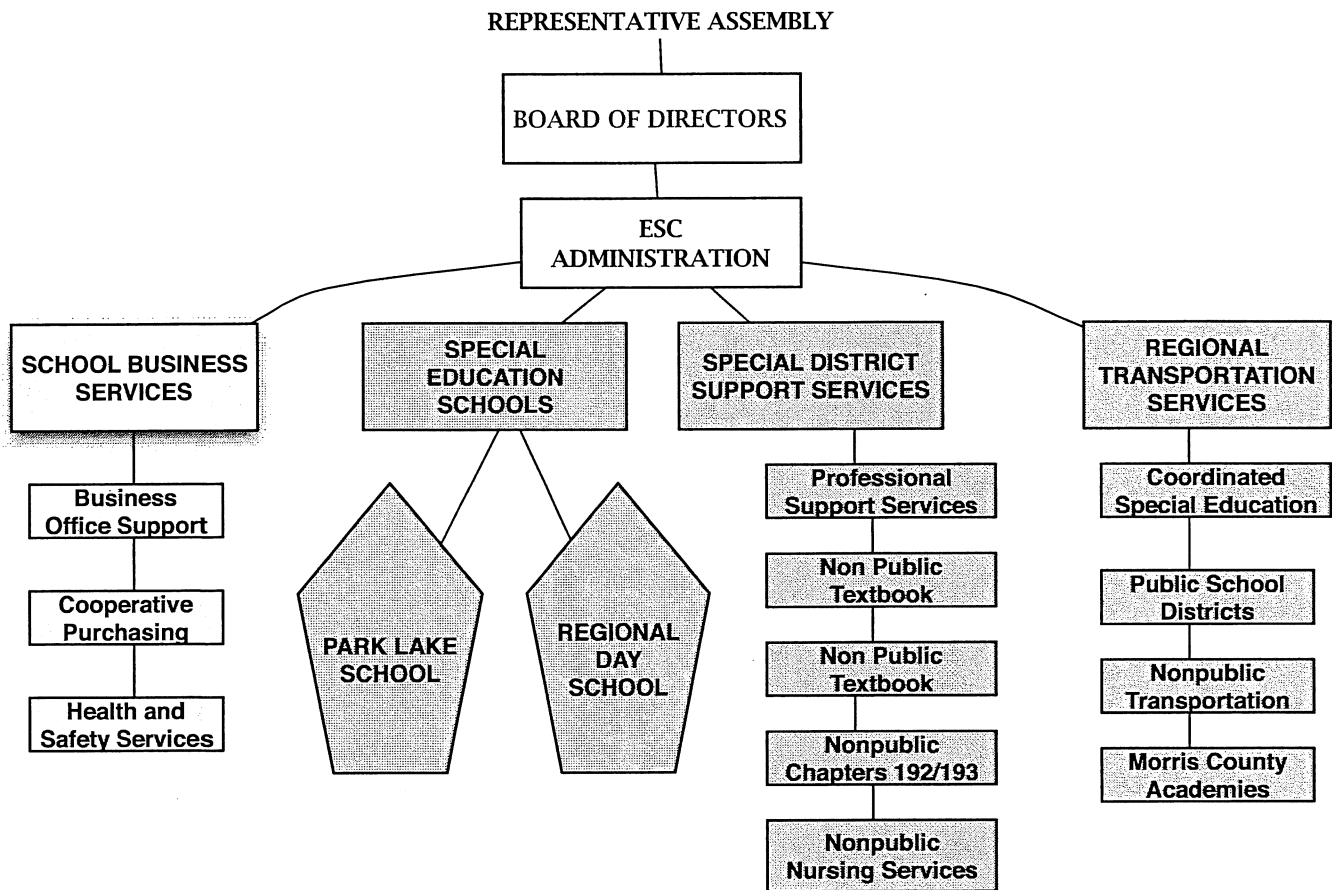
**ROSTER OF OFFICIALS
2016-2017
Board of Directors**

<u>Members</u>	<u>Term Expires</u>
Perry Kwok, President Washington Township Board of Education	2018
Irene LaFavre Boonton Town Board of Education	2018
Barry Bratner Boonton Township Board of Education	2018
Jason Karpovich Butler Borough Board of Education	2018
Richard Bruno Harding Township Board of Education	2018
Melissa Senatore Jefferson Township Board of Education	2018
Lou Nazzaro Lincoln Park Board of Education	2018
Karen Nyquist Long Hill Township Board of Education	2018
John Morella Montville Township Board of Education	2018
Michael Bertram, Vice President Morris Hill Regional Board of Education	2018
Anthony Giordano Mt. Olive Township board of Education	2018
Kenneth Wilbur Morris Plains Board of Education	2018
Terri Murphy Morris School Board of Education	2018

Administrative Officials

Angelo A. Vilardi, Superintendent
Catarina Bilotta, Business Administrator/Board Secretary
Kathryn Lucas, Director of Special Services
Marci Spadafora, Principal, Park Lake School
Elaine Goodman, Principal, Regional Day School
Francis X. Romano, Transportation Director

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY CHART OF PROGRAMS AND SERVICE



**Educational Services Commission of Morris County
Morristown, NJ**

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Architect

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Vincent M. Montanino, RMA, PSA

INDEPENDENT AUDITOR'S REPORT

Honorable President and
Members of the Board of Education
Educational Services Commission of Morris County
County of Morris, New Jersey 07420

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 Educational Services Commission of Morris County, in the County of Morris, State of New Jersey, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District'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 misstatements, 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 audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.



Honorable President and
Members of the Board of Education
Page 2.

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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Educational Services Commission of Morris County in the County of Morris, State of New Jersey, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, and Schedules related to Accounting and Reporting for Pensions identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the 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.

Honorable President and
Members of the Board of Education
Page 3.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Educational Services Commission of Morris County's basic financial statements. The introductory section, combining and individual non-major fund financial statements and 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 N.J. OMB Circular 15-08 and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the 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 N.J. OMB Circular 15-08 are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting 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 non-major fund financial statements, 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 N.J. OMB Circular 15-08 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical data section has not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



Honorable President and
Members of the Board of Education
Page 4.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2017 on our consideration of the Educational Services Commission of Morris County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Educational Services Commission of Morris County's internal control over financial reporting and compliance.



Vincent M. Montanino
Licensed Public School Accountant
No. 20CS000495

Ferraioli, Wielkottz, Cerullo & Cuva, PA

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants

Newton, New Jersey

December 5, 2017



REQUIRED SUPPLEMENTARY INFORMATION

PART I

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(UNAUDITED)

The discussion and analysis of the Educational Services Commission of Morris County's ("ESC") financial performance provides an overall review of the ESC's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the transmittal letter at the front of this report and the ESC's financial statements, which immediately follow this section.

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

Financial Highlights

- The assets of the ESC were exceeded by its liabilities at the close of the most recent fiscal year by \$(3,043,877.48) (net position) as a result of showing net pension liability of \$5,951,626.00.
- The ESC's total net position decreased \$1,995,009.71. The decrease is attributable to loss on disposal of fixed assets, the regional day school and the transportation programs.
- Governmental funds general revenues accounted for \$4,768,484.27 in revenue or 17.55 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions and capital grants accounted for \$22,409,170.81 or 82.45 percent of total revenues of \$27,177,655.08.
- The ESC had \$30,755,836.80 in expenses, which included the loss on disposal of fixed assets, related to governmental activities; and \$22,409,170.81 was offset by program specific charges for services, grants or contributions. General revenues (primarily tuition) of \$4,768,484.27 were adequate to provide for these programs.
- Among governmental funds, the General Fund had \$23,517,468.28 in revenues and \$23,360,911.87 in expenditures. The General Fund's fund balance increased \$156,556.41 from the June 30, 2016 fund balance. The Capital Projects Fund had no capital grants, and the it's fund balance remained unchanged from the June 30, 2016, and is reserved to pay debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the ESC as a whole and present a longer-term view on the ESC's finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the ESC's operation in more detail than the government-wide statements by providing information about the ESC's most financially significant funds.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities

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

These two statements report the ESC's *net position* and changes in them. You can think of the ESC's net position, the difference between assets and liabilities, as one way to measure the ESC's financial health, or *financial position*. Over time, *increases* or *decreases* in the ESC's net position are one indicator whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the ESC's property tax base, and the condition of the ESC's capital assets to assess the overall *health* of the ESC.

In the Statement of Net Position and the Statement of Activities, we divide the ESC into two kinds of activities:

- **Governmental Activities:** Most of the ESC's basic programs and services are reported here, including general administration. Local Government fees, tuition and transportation fees finance most of these activities.
- **Business-Type Activities:** These services are provided on a charge for goods or services basis to recover the cost of the goods and services provided. The ESC's food service, Regional Day School, BOSS, and transport leasing programs are each reported as a business-type activity.

Reporting the ESC's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds-not the ESC as a whole. Some funds are required to be established by State law. The ESC's two kinds of funds, governmental and proprietary, use different accounting approaches.

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

Proprietary funds: when the ESC charges customers for the full cost of the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the ESC's enterprise funds (a component of business type funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The ESC as Trustee

Reporting the ESC's Fiduciary Responsibilities

The ESC is the trustee, or *fiduciary*, for the Student Activity and Agency Funds. All of the ESC's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. We exclude these activities from the ESC's other financial statements because the ESC cannot use these assets to finance its operations. The ESC is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

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

Other Information: The combining statements referred to earlier in connection with governmental funds and enterprise funds are presented immediately following the notes to the basic financial statements.

Figure A-1 summarizes the major features of the ESC's financial statements, including the portion of the ESC's government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Major Features of the Educational Services Commission of Morris County's
Government-Wide and Fund Financial Statements
(Figure A-1)**

	Government wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire ESC (except fiduciary funds)	The activities of the ESC that are not proprietary or fiduciary, such as food service and student activities	Activities the ESC operates similar to private businesses; N/A	Instances in which the ESC is the trustee or agent for someone else's resources, such as payroll agency and student activities.
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balance	Statement of net position Statement of revenues, expenses, and changes in net position Statement of cash flows	Statement 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 resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets, deferred inflows/outflows and liabilities, both financial and capital, and short-term and long term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long- term.
Type of inflow/outflow information	All revenues and expenses during the 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 payment is due during the year or soon thereafter.	All revenues and expenses, regardless of when cash is received or paid.	All revenues and expenses during the year, regardless of when cash is received or paid.

Financial Analysis of the ESC as a Whole

The ESC’s *combined* net position changed from a year ago, *decreasing* from \$(1.05) million to \$(3.04) million. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the ESC’s governmental and business-type activities as of June 30. But since the ESC does not receive state aid, nor ad valorem taxes, the true measure of the success of the ESC operation of programs of shared services needs to be constructed using a cost efficiency business model, not available through this mandated reporting mechanism.

Table 1

Net Position

	Governmental		Business-Type		Total	
	Activities		Activities		Primary Government	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 3,608,328.65	\$ 3,435,146.11	\$ 387,698.15	\$ 850,056.25	\$ 3,996,026.80	\$ 4,285,202.36
Capital Assets Not Being Depreciated	-	3,667,182.62			-	3,667,182.62
Capital Assets, Net	<u>2,119,135.94</u>	<u>781,330.13</u>	<u>493,769.06</u>	<u>126,788.39</u>	<u>2,612,905.00</u>	<u>908,118.52</u>
Total Assets	<u>5,727,464.59</u>	<u>7,883,658.86</u>	<u>881,467.21</u>	<u>976,844.64</u>	<u>6,608,931.80</u>	<u>8,860,503.50</u>
Deferred Outflows	<u>1,758,394.00</u>	<u>736,557.00</u>	-	-	<u>1,758,394.00</u>	<u>736,557.00</u>
Long-term Debt Outstanding	1,964,198.42	2,199,302.34	-	-	1,964,198.42	2,199,302.34
Other Liabilities	<u>7,753,791.11</u>	<u>7,209,559.98</u>	<u>14,404.75</u>	<u>14,759.95</u>	<u>7,768,195.86</u>	<u>7,224,319.93</u>
Total Liabilities	<u>9,717,989.53</u>	<u>9,408,862.32</u>	<u>14,404.75</u>	<u>14,759.95</u>	<u>9,732,394.28</u>	<u>9,423,622.27</u>
Deferred Inflows	<u>1,678,809.00</u>	<u>1,222,306.00</u>			<u>1,678,809.00</u>	
Net Position:						
Net Investment in Capital Assets						
of Related Debt	264,135.94	2,373,512.75	493,769.06	126,788.39	757,905.00	2,500,301.14
Restricted	255,254.76	255,254.76	-	-	255,254.76	255,254.76
Unrestricted (deficit)	<u>(4,430,330.64)</u>	<u>(4,639,719.97)</u>	<u>373,293.40</u>	<u>835,296.30</u>	<u>(4,057,037.24)</u>	<u>(3,804,423.67)</u>
Total Net Position	<u>\$ (3,910,939.94)</u>	<u>\$ (2,010,952.46)</u>	<u>\$ 867,062.46</u>	<u>\$ 962,084.69</u>	<u>\$ (3,043,877.48)</u>	<u>\$ (1,048,867.77)</u>

- Net position of the ESC’s governmental activities decreased by 94.5 percent.
- Unrestricted net position, the part of net position that can be used to finance day-to-day operation without constraints established by debt covenants, enabling legislation, or other legal requirements – increased \$209,389.33.
- Restricted net position, those restricted mainly for capital projects was unchanged.
- The investment in capital assets, net of debt category decreased by \$2,109,376.81.

Table 2

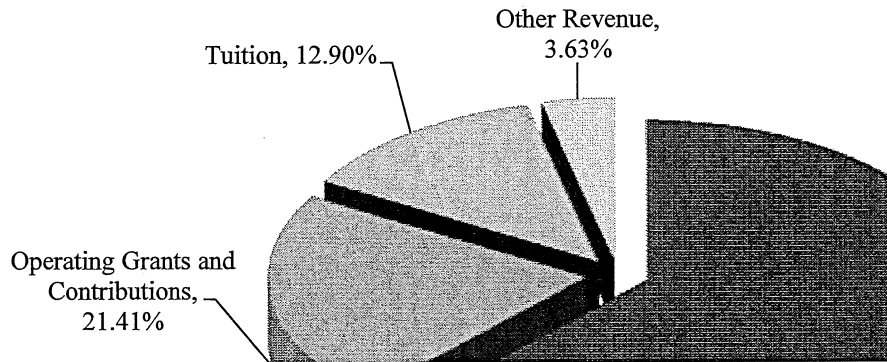
Changes in Net Position

	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>		<u>Primary Government</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<u>Revenues</u>						
Program Revenues:						
Charges for Services	\$ 17,909,886.89	\$ 17,243,076.64	\$ 4,078,361.09	\$ 4,344,031.76	\$ 21,988,247.98	\$ 21,587,108.40
Operating Grants and Contributions	6,177,478.16	4,909,427.84	-	-	6,177,478.16	4,909,427.84
Capital Contributions			386,612.24		386,612.24	
General Revenues:						
Local Government Units	1,035,193.38	933,213.68			1,035,193.38	933,213.68
Tuition	3,721,197.37	3,526,770.75			3,721,197.37	3,526,770.75
Transfers			22,361.87	21,172.78	22,361.87	21,172.78
Other General Revenues	12,093.52	798.88	-	-	12,093.52	798.88
Total Revenues:	<u>28,855,849.32</u>	<u>26,613,287.79</u>	<u>4,487,335.20</u>	<u>4,365,204.54</u>	<u>33,343,184.52</u>	<u>30,978,492.33</u>
<u>Program Expenses Including Indirect Expenses</u>						
Instruction:						
Regular	-	-			-	-
Special	4,715,502.01	4,017,729.73			4,715,502.01	4,017,729.73
Support Services:						
Student and Instruction Related Services	4,002,036.45	3,469,025.51			4,002,036.45	3,469,025.51
School Administrative Services	659,995.15	554,039.44			659,995.15	554,039.44
General & Business Administrative Services	936,870.41	734,364.65			936,870.41	734,364.65
Plant Operations and Maintenance	455,416.95	427,005.09			455,416.95	427,005.09
Pupil Transportation	17,832,214.87	17,207,719.22			17,832,214.87	17,207,719.22
Loss on Disposal of Fixed Assets	2,131,439.09	-			2,131,439.09	-
Special Item-Refinancing Debt Increase	-	135,000.00			-	135,000.00
Interest on Long-Term Debt	-	40,373.00			-	40,373.00
Transfers	22,361.87	21,172.78			22,361.87	21,172.78
Business-Type Activities:						
Food Services			51,853.48	50,479.51	51,853.48	50,479.51
Regional Day School			2,556,738.59	2,627,702.25	2,556,738.59	2,627,702.25
BOSS			378,354.81	347,634.25	378,354.81	347,634.25
Transportation Leasing	-	-	1,595,410.55	1,175,242.67	1,595,410.55	1,175,242.67
Total Expenses	<u>30,755,836.80</u>	<u>26,606,429.42</u>	<u>4,582,357.43</u>	<u>4,201,058.68</u>	<u>35,338,194.23</u>	<u>30,807,488.10</u>
Increase in Net Position	<u>(1,899,987.48)</u>	<u>6,858.37</u>	<u>(95,022.23)</u>	<u>164,145.86</u>	<u>(1,995,009.71)</u>	<u>171,004.23</u>
Net Position-Beginning 7/1	(2,010,952.46)	(2,017,810.83)	962,084.69	797,938.83	(1,048,867.77)	(1,219,872.00)
Net Position-Ending 6/30	<u>\$ (3,910,939.94)</u>	<u>\$ (2,010,952.46)</u>	<u>\$ 867,062.46</u>	<u>\$ 962,084.69</u>	<u>\$ (3,043,877.48)</u>	<u>\$ (1,048,867.77)</u>

Governmental Activities

Revenue Sources. The ESC’s total revenue for the 2016/2017 school year was \$28,855,849.32 (See Table 2). Service charges accounted for most of the ESC’s revenue, with transportation charges accounting for \$17,909,886.89 of the total, or 62.06 percent (See Figure 1). Operating grants and contributions accounted for 21.41 percent and the remainder was from other miscellaneous sources. The ESC primarily conducts its operations from the revenue it receives from its pupil transportation services. Revenues generated from enterprise funds which include the operation of the Regional Day School, and direct transportation with ESC vehicles is not included in this report.

Figure 1



The total cost of all programs and services was \$28,602,035.84. The ESC’s expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students (92.83 percent) (See Figure 2). The ESC’s administrative and maintenance activities accounted for 7.17 percent of total costs. It is important to note that depreciation of \$197,937.72 is included in expenses for the year.

Figure 2

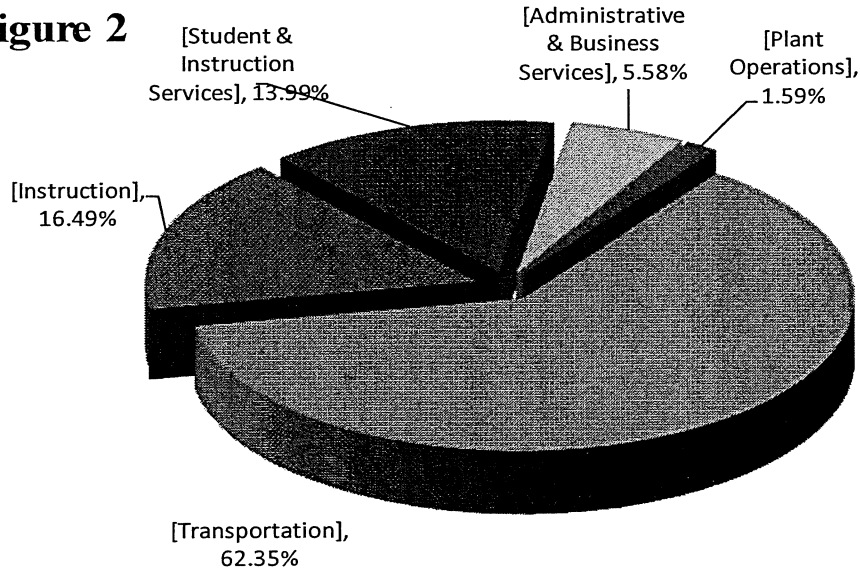


Table 3 presents the cost of the ESC’s major activities. The table also shows each activity’s net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the ESC’s taxpayers by each of these functions:

Table 3
Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2016/2017	2015/2016	2016/2017	2015/2016
Instruction	\$ 4,715,502.01	\$ 4,017,729.73	\$ (29,577.44)	\$ 432,113.57
Student and Instruction Services	4,002,036.45	3,469,025.51	2,775,887.81	2,341,082.06
Administrative and Business	1,596,865.56	1,288,404.09	1,390,615.49	1,092,535.86
Maintenance and Operations	455,416.95	427,005.09	455,416.95	427,005.09
Interest on Debt	-	40,373.00	-	40,373.00
Transportation	17,832,214.87	17,207,719.22	(77,672.02)	(35,357.42)
	<u>\$ 28,602,035.84</u>	<u>\$ 26,450,256.64</u>	<u>\$ 4,514,670.79</u>	<u>\$ 4,297,752.16</u>

- The cost of all governmental activities this year was \$28.6 million.
- The federal and state governments subsidized certain programs with grants and contributions.
- Most of the ESC’s costs, however, were financed by pupil transportation charges (\$17.9 million).
- The remainder of governmental activities funding came from charges for services, local grants and miscellaneous revenue.

THE ESC'S FUNDS

The ESC uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds: The ESC's governmental fund is comprised of the general fund, special revenue fund, and capital projects fund and is accounted for using the modified accrual basis of accounting.

The focus of the ESC's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the ESC's financing requirements. The unrestricted fund balance is divided between assigned to and unassigned balances. The ESC has assigned portions of the unrestricted fund balance to earmark resources for the payment of certain government-wide liabilities that are not recognized in the governmental funds.

General Fund: The general fund is the main operating fund of the ESC. At the end of the current fiscal year, unassigned and total fund balance was \$1,738,820.78.

As demonstrated by the various statements, the ESC maintains a sound financial position. The information below compares revenues for 2016-2017 and 2015-2016.

Table 4

<u>Revenues by Source:</u>	<u>2016-2017</u>	<u>2015-2016</u>	<u>% Change</u>
Local Government Units	\$ 1,035,193.38	\$ 933,213.68	10.93%
Tuition Charges	3,721,197.37	3,526,770.75	5.51%
Transportation Fees	17,909,886.89	17,243,076.64	3.87%
Miscellaneous	<u>12,093.52</u>	<u>798.88</u>	1413.81%
Total - Local Sources	22,678,371.16	21,703,859.95	4.49%
State Sources	3,613,751.64	3,124,513.38	15.66%
Federal Sources	<u>619,556.52</u>	<u>514,173.46</u>	20.50%
Total Revenues	<u>\$ 26,911,679.32</u>	<u>\$ 25,342,546.79</u>	6.19%

The increase in Local Government Units is mainly attributable to an increase in member participation.

The increase in Miscellaneous is the result of prior year refunds.

The increase in State Sources is a result of an increase in non public school services funding as a result of the restoration of non public technology services and the addition of non public school security services.

The increase in Federal Sources is primarily due an increase in the use of IDEA by the ESC to provide additional services to classified students attending non public school and an increase in the number of students served.

THE ESC'S FUNDS (Continued)

The information below compares expenditures for 2016-2017 and 2015-2016:

Table 5

<u>Expenditures by Function:</u>	<u>2016-2017</u>	<u>2015-2016</u>	<u>% Change</u>
Current:			
Regular Instruction	\$ -	\$ -	0.00%
Special Education	2,767,895.55	2,417,454.77	14.50%
Support Services and Undistributed Costs:			
Student and Instruction Related Services	2,922,639.31	2,587,604.60	12.95%
School Administrative Services	272,456.74	248,749.11	9.53%
General and Business Administrative Services	617,672.29	600,420.69	2.87%
Plant Operations and Maintenance	357,978.50	351,302.83	1.90%
Pupil Transportation	17,288,381.92	16,792,754.95	2.95%
Employee Benefits	2,272,866.50	2,030,879.59	11.92%
Capital Outlay	232,870.23	43,707.00	432.80%
Debt Service:			
Principal	-	175,000.00	100.00%
Interest on Long-Term Debt	-	40,373.00	100.00%
Total Expenditures	<u>\$ 26,732,761.04</u>	<u>\$ 25,288,246.54</u>	5.71%

The Special Education Instruction expenditures increased due to IEP requirements to provide additional services for students in ESC schools.

The Student and Instruction Related Services increased due to additional responsibilities assigned to teaching personnel.

Employee Benefits increased because of an increase in health care premiums.

All other fluctuations are within the normal range of plus or minus 10% and therefore further explanation is not provided.

Business-type activities

The ESC's major Enterprise Funds consist of the Food Services, BOSS, Transportation Leasing and the Regional Day School. Revenues for the Food Service Program were comprised of charges for services. Food Service expenses exceeded revenues by \$44,964.13. Charges for food service represent \$6,889.35 of revenue, this is the amount paid by patrons for daily food service and special functions. Regional Day School expenses exceeded revenues by \$208,559.52, and charges for services represent \$2,348,179.07 of revenue. BOSS revenues exceeded expenditures by \$8,289.19, and transportation leasing revenues exceeded expenditures by \$127,850.36. Charges for BOSS and transportation leasing represent \$386,644.00 and \$1,336,648.67, respectively. The ESC receives no Federal and State reimbursements for its business-type activities.

THE ESC'S FUNDS (Continued)

Business-type Activities (Continued)

The basic financial statements for the major funds are included in this report. Because the focus on business-type funds is a cost of service measurement or capital maintenance, we have included these funds in Table 6, which demonstrates return on ending assets and return on ending net position.

Table 6

	<u>Food Service</u>	<u>Regional Day School</u>	<u>BOSS</u>	<u>Transportation Leasing</u>
Total Assets	\$ 1,629.22	\$ (233,620.85)	\$ 228,066.14	\$ 885,392.70
Net Position	1,629.22	(233,620.85)	213,661.39	885,392.70
Change in Net Position	385.61	(231,547.39)	8,289.19	127,850.36
Return on Ending Total Assets	23.67%	99.11%	3.63%	14.44%
Return on Ending Net Position	23.67%	99.11%	3.88%	14.44%

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Table 7

**Capital Assets at Year-End
(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Buildings	\$4,940,000.00	\$1,750,000.00	\$ -	\$ -	\$4,940,000.00	\$1,750,000.00
Machinery and Equipment	279,035.00	375,161.00	1,937,131.88	1,410,444.88	2,216,166.88	1,785,605.88
Construction-in-Progress	-	3,667,182.62	-	-	-	3,667,182.62
Subtotal	<u>5,219,035.00</u>	<u>5,792,343.62</u>	<u>1,937,131.88</u>	<u>1,410,444.88</u>	<u>7,156,166.88</u>	<u>7,202,788.50</u>
Accumulated Depreciation	<u>(3,099,899.06)</u>	<u>(1,343,830.87)</u>	<u>(1,443,362.82)</u>	<u>(1,283,656.49)</u>	<u>(4,543,261.88)</u>	<u>(2,627,487.36)</u>
Totals	<u>\$2,119,135.94</u>	<u>\$4,448,512.75</u>	<u>\$ 493,769.06</u>	<u>\$ 126,788.39</u>	<u>\$ 2,612,905.00</u>	<u>\$ 4,575,301.14</u>

During the year the ESC had an appraisal completed for both its Governmental and Business-type Activities.

The 2017-2018 budget calls for capital outlay expenditures in the amount of \$100,000.00 to continue basic upgrades to the ESC schools detailed information about the ESC capital assets is presented in the notes to the basic financial statements.

DEBT

At year-end the ESC had total debt of \$7.9 million outstanding versus \$7.8 last year – an increase of 1.3 percent – as shown in Table 8.

Outstanding Debt, at Year-End

Table 8

	Governmental Activities	
	<u>2017</u>	<u>2016</u>
Morris County Improvement Authority Bonds	\$ 1,855,000.00	\$ 2,075,000.00
Net Pension Liability	5,951,626.00	5,611,922.00
Compensated Absences	109,198.42	124,302.34
	<u>\$ 7,915,824.42</u>	<u>\$ 7,811,224.34</u>

The ESC continued to pay down its debt as scheduled, retiring \$220,000 of its outstanding serial bonds. The ESC’s accrued Compensated Absences decreased by \$15,103.92 from 2016 due to some employees retiring. An analysis of ESC Debt is presented in the notes to the basic financial statements.

FACTORS BEARING ON THE ESC’S FUTURE

In preparing the 2016-2017 budget, the primary goal of the Board was to develop a budget that would meet the ESC’s educational priorities, provide accountability to the taxpaying community, and comply with the stringent restrictions placed on ESC budgets by the new legislation. This legislation put a “2% cap” on the local tax levy for the local participating districts. Being mindful of our district limitations, the ESC prepares its budgets with cost containment to recognize district limitations on revenues. During the preparation of the 2017-2018 budget, the ESC continued to exercise restraint in budgeting to assist districts in sharing services, which keep district costs contained within their budgetary guidelines.

Looking ahead to the development of the 2017-2018 budget, the new budget law put into effect by the State of New Jersey Department of Education will have a significant impact on the Commission and its members. The law goes beyond the capping of revenues for the budget, but it also authorizes the Executive County Superintendent to look into the budget and challenge the ESC in their expenditure decisions.

CONTACTING THE ESC’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the ESC’s finances and to show the ESC’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School Business Official, Catarina Bilotta, by mail: Box 1944, Morristown, NJ 07962-1944, or by phone: 973-540-8844, Extension 24, or by email: bcatarina@escmorris.com.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Statement of Net Position
June 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 403,440.55	\$ 134,740.19	\$ 538,180.74
Receivables, Net	2,949,633.34	251,328.74	3,200,962.08
Inventory		1,629.22	1,629.22
Restricted Assets:			
Cash and Cash Equivalents	255,254.76	-	255,254.76
Capital Assets, Net	<u>2,119,135.94</u>	<u>493,769.06</u>	<u>2,612,905.00</u>
Total Assets	<u>5,727,464.59</u>	<u>881,467.21</u>	<u>6,608,931.80</u>
DEFERRED OUTFLOWS			
Pension Deferred Outflows	<u>1,758,394.00</u>		<u>1,758,394.00</u>
LIABILITIES			
Accounts Payable	1,798,093.30	-	1,798,093.30
Amount Due Other Governmental Units	4,071.81	14,404.75	18,476.56
Noncurrent Liabilities:			
Due Within One Year	215,000.00	-	215,000.00
Due Beyond One Year	<u>7,700,824.42</u>	<u>-</u>	<u>7,700,824.42</u>
Total Liabilities	<u>9,717,989.53</u>	<u>14,404.75</u>	<u>9,732,394.28</u>
DEFERRED INFLOWS			
Pension Deferred Inflows	<u>1,678,809.00</u>		<u>1,678,809.00</u>
NET POSITION			
Net Investment in Capital Assets	264,135.94	493,769.06	757,905.00
Restricted For:			
Debt Service	255,254.76	-	255,254.76
Unrestricted	<u>(4,430,330.64)</u>	<u>373,293.40</u>	<u>(4,057,037.24)</u>
Total Net Position	<u>\$ (3,910,939.94)</u>	<u>\$ 867,062.46</u>	<u>\$ (3,043,877.48)</u>

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

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**
Statement of Activities

For the Year Ended June 30, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special Education	4,715,502.01	-	4,745,079.45	-	29,577.44	-	29,577.44
Support Services:							
Student and Instruction Related Services	4,002,036.45	-	1,226,148.64	-	(2,775,887.81)	-	(2,775,887.81)
School Administrative Services	659,995.15	-	101,614.66	-	(558,380.49)	-	(558,380.49)
General and Business Administrative Services	936,870.41	-	104,635.41	-	(832,235.00)	-	(832,235.00)
Plant Operations and Maintenance	455,416.95	-	-	-	(455,416.95)	-	(455,416.95)
Pupil Transportation	17,832,214.87	17,909,886.89	-	-	77,672.02	-	77,672.02
Interest on long-term debt	-	-	-	-	-	-	-
Total Governmental Activities	<u>28,602,035.84</u>	<u>17,909,886.89</u>	<u>6,177,478.16</u>	<u>-</u>	<u>(4,514,670.79)</u>	<u>-</u>	<u>(4,514,670.79)</u>
Business-type Activities:							
Food Service	51,853.48	6,889.35	-	-	(44,964.13)	-	(44,964.13)
Regional Day School	2,556,738.59	2,348,179.07	-	-	(208,559.52)	-	(208,559.52)
BOSS	378,354.81	386,644.00	-	-	8,289.19	-	8,289.19
Transportation Leasing	1,595,410.55	1,336,648.67	-	386,612.24	127,850.36	-	127,850.36
Total Business-type Activities	<u>4,582,357.43</u>	<u>4,078,361.09</u>	<u>-</u>	<u>386,612.24</u>	<u>(117,384.10)</u>	<u>-</u>	<u>(117,384.10)</u>
Total Primary Government	<u>\$ 33,184,393.27</u>	<u>\$ 21,988,247.98</u>	<u>\$ 6,177,478.16</u>	<u>\$ 386,612.24</u>	<u>\$ (4,514,670.79)</u>	<u>\$ (117,384.10)</u>	<u>\$ (4,632,054.89)</u>
General Revenues:							
Local Government Units					1,035,193.38	-	1,035,193.38
Tuition (Other Than Special Schools)					3,721,197.37	-	3,721,197.37
Miscellaneous Income					12,093.52	-	12,093.52
Loss on Disposal of Fixed Assets					(2,131,439.09)	-	(2,131,439.09)
Transfers					(22,361.87)	22,361.87	-
Total General Revenues, Special Items, Extraordinary Items and Transfers					<u>2,614,683.31</u>	<u>22,361.87</u>	<u>2,637,045.18</u>
Change in Net Position					<u>(1,899,987.48)</u>	<u>(95,022.23)</u>	<u>(1,995,009.71)</u>
Net Position—Beginning					<u>(2,010,952.46)</u>	<u>962,084.69</u>	<u>(1,048,867.77)</u>
Net Position—Ending					<u>\$ (3,910,939.94)</u>	<u>\$ 867,062.46</u>	<u>\$ (3,043,877.48)</u>

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

FUND FINANCIAL STATEMENTS

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Balance Sheet
Governmental Funds
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	\$ 403,434.34		\$ 6.21	\$ 403,440.55
Interfunds Receivable	416,831.18			416,831.18
Receivables from Other Governments	184,141.62	416,824.97		600,966.59
Tuition Receivable	161,008.10			161,008.10
Transportation Fees Receivable	2,187,658.65	-		2,187,658.65
Restricted Cash and Cash Equivalents	-	-	255,254.76	255,254.76
Total Assets	<u>\$ 3,353,073.89</u>	<u>\$ 416,824.97</u>	<u>\$ 255,260.97</u>	<u>\$ 4,025,159.83</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 1,610,181.30	\$ -	\$ -	\$ 1,610,181.30
Interfunds Payable	-	416,824.97	6.21	416,831.18
Amount Due Other Governmental Units	4,071.81	-	-	4,071.81
Total Liabilities	<u>1,614,253.11</u>	<u>416,824.97</u>	<u>6.21</u>	<u>2,031,084.29</u>
Fund Balances:				
Reserved for:				
Debt Service			255,254.76	255,254.76
Unreserved, Reported in:				
General Fund	1,738,820.78	-	-	1,738,820.78
Total Fund Balances	<u>1,738,820.78</u>	<u>-</u>	<u>255,254.76</u>	<u>1,994,075.54</u>
Total Liabilities and Fund Balances	<u>\$ 3,353,073.89</u>	<u>\$ 416,824.97</u>	<u>\$ 255,260.97</u>	

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

Accounts payable for subsequent pension payment is not a payable in the funds. (187,912.00)

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$5,219,035.00 and the accumulated depreciation is \$3,099,899.06. 2,119,135.94

Deferred Outflows related to pension contributions subsequent to the Net Pension Liability measurement date and other deferred items are not current financial resources and therefore are not reported in the fund statements. 1,758,394.00

Deferred Inflows related to pension actuarial gains from experience and differences in actual returns and assumed returns and other deferred items are not reported as liabilities in the fund statements. (1,678,809.00)

Long-term liabilities, including bonds payable and net pension liability are not due and payable in the current period and therefore are not reported as liabilities in the funds. (7,915,824.42)

Net position of governmental activities \$ (3,910,939.94)

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

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Statement of Revenues, Expenditures, And Changes in Fund Balances
Governmental Funds
For the 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:				
Local Government Units	\$ 1,035,193.38	\$ -	\$ -	\$ 1,035,193.38
Tuition Charges	3,721,197.37			3,721,197.37
Transportation Fees	17,909,886.89			17,909,886.89
Miscellaneous	<u>12,093.52</u>	<u>-</u>	<u>-</u>	<u>12,093.52</u>
Total - Local sources	22,678,371.16	-	-	22,678,371.16
State Sources	839,097.12	2,774,654.52		3,613,751.64
Federal Sources	<u>-</u>	<u>619,556.52</u>	<u>-</u>	<u>619,556.52</u>
Total Revenues	<u>23,517,468.28</u>	<u>3,394,211.04</u>	<u>-</u>	<u>26,911,679.32</u>
EXPENDITURES				
Current:				
Special Education Instruction	1,518,603.24	1,249,292.31		2,767,895.55
Support Services and Undistributed Costs:				
Student and Instruction Related Services	933,703.09	1,988,936.22		2,922,639.31
School Administrative Services	272,456.74			272,456.74
General and Business Administrative Services	617,672.29			617,672.29
Plant Operations and Maintenance	357,978.50			357,978.50
Pupil Transportation	17,288,381.92			17,288,381.92
Unallocated Benefits	2,116,883.99	155,982.51		2,272,866.50
Capital Outlay	<u>232,870.23</u>	<u>-</u>	<u>-</u>	<u>232,870.23</u>
Total Expenditures	<u>23,338,550.00</u>	<u>3,394,211.04</u>	<u>-</u>	<u>26,732,761.04</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>178,918.28</u>	<u>-</u>	<u>-</u>	<u>178,918.28</u>
OTHER FINANCING SOURCES AND (USES)				
Transfers (Out)	<u>(22,361.87)</u>	<u>-</u>	<u>-</u>	<u>(22,361.87)</u>
Total Other Financing Sources and (Uses)	<u>(22,361.87)</u>	<u>-</u>	<u>-</u>	<u>(22,361.87)</u>
Net Change in Fund Balances	156,556.41	-	-	156,556.41
Fund Balance—July 1	<u>1,582,264.37</u>	<u>-</u>	<u>255,254.76</u>	<u>1,837,519.13</u>
Fund Balance—June 30	<u>\$ 1,738,820.78</u>	<u>\$ -</u>	<u>\$ 255,254.76</u>	<u>\$ 1,994,075.54</u>

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

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2017**

Total net change in fund balances - governmental funds (from B-2) **\$ 156,556.41**

Amounts reported for governmental activities in the statement of activities (A-2) are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.

Depreciation Expense	\$ (197,937.72)	
Capital Outlays	<u>-</u>	(197,937.72)

Pension contributions are reported in governmental funds as expenditures when made. However, per GASB No. 68 they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

District Pension Contributions	178,523.00	
Less: Pension Expense	<u>(140,794.00)</u>	
(Increase) in Pension Expense		37,729.00

Per GASB No. 68 Non-employer contributing entities are required to record an increase in revenue and expense for On-behalf TPAF pension payments paid by the State of New Jersey on the Statement of Activities that are in excess of those amounts reported in the fund financial statements.

Increase in On-behalf State Aid TPAF Pension	1,595,274.00	
Increase in On-behalf TPAF Pension Expense	<u>(1,595,274.00)</u>	

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities. 220,000.00

In the statement of activities, only the gain on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from a sale increase financial resources. Thus, the change in net assets will differ from the change in fund balance by the cost of the asset removed. (-) (2,131,439.09)

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations and unused sick pay) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition in the reconciliation (+). 15,103.92

Change in net position of governmental activities **\$ (1,899,987.48)**

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

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Statement of Net Position
Proprietary Funds
June 30, 2017

	Business-type Activities - Enterprise Funds					<u>Totals</u>
	<u>Regional Day</u>		<u>Food</u>	<u>BOSS</u>	<u>Transportation</u>	
	<u>Food</u>	<u>Operating</u>	<u>Service</u>		<u>Leasing</u>	
	<u>Service</u>		<u>ESC</u>			
ASSETS						
Current Assets:						
Cash and Cash Equivalents	\$ -	\$(265,889.70)	\$ -	\$ 225,066.14	\$ 175,563.75	\$ 134,740.19
Accounts Receivable	-	32,268.85	-	3,000.00	216,059.89	251,328.74
Inventories	<u>743.53</u>	<u>-</u>	<u>885.69</u>	<u>-</u>	<u>-</u>	<u>1,629.22</u>
Total Current Assets	<u>743.53</u>	<u>(233,620.85)</u>	<u>885.69</u>	<u>228,066.14</u>	<u>391,623.64</u>	<u>387,698.15</u>
Noncurrent Assets:						
Furniture, Machinery and Equipment		6,436.46	5,772.00		1,924,923.42	1,937,131.88
Less Accumulated Depreciation	-	<u>(6,436.46)</u>	<u>(5,772.00)</u>	-	<u>(1,431,154.36)</u>	<u>(1,443,362.82)</u>
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>493,769.06</u>	<u>493,769.06</u>
Total Assets	<u>743.53</u>	<u>(233,620.85)</u>	<u>885.69</u>	<u>228,066.14</u>	<u>885,392.70</u>	<u>881,467.21</u>
LIABILITIES						
Current Liabilities:						
Amount Due Other Governmental Units	-	-	-	14,404.75	-	14,404.75
Total Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,404.75</u>	<u>-</u>	<u>14,404.75</u>
NET POSITION						
Net Investment in Capital Assets					493,769.06	493,769.06
Unrestricted	<u>743.53</u>	<u>(233,620.85)</u>	<u>885.69</u>	<u>213,661.39</u>	<u>391,623.64</u>	<u>373,293.40</u>
Total Net Position	<u>\$ 743.53</u>	<u>\$ (233,620.85)</u>	<u>\$ 885.69</u>	<u>\$ 213,661.39</u>	<u>\$ 885,392.70</u>	<u>\$ 867,062.46</u>

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

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds					<u>Totals</u>
	Regional Day		Food Service	Transportation		
	Food Service	Operating	ESC	BOSS	Leasing	
Operating Revenues:						
Charges for Services:						
Daily Sales - Non-reimbursable Programs	\$ 1,300.85	\$ -	\$ 5,588.50	\$ -	\$ -	\$ 6,889.35
Program Fees	-	2,348,179.07	-	386,644.00	1,336,648.67	4,071,471.74
Total Operating Revenues	<u>1,300.85</u>	<u>2,348,179.07</u>	<u>5,588.50</u>	<u>386,644.00</u>	<u>1,336,648.67</u>	<u>4,078,361.09</u>
Operating Expenses:						
Cost of Sales	7,998.39	-	11,578.34	-	-	19,576.73
Salaries	8,647.53	1,517,273.47	8,647.54	54,371.29	676,563.57	2,265,503.40
Employee Benefits	1,220.50	580,081.40	1,220.50	-	266,869.68	849,392.08
Purchased Property Service	5,000.00	189,960.44	5,000.00	108,949.27	27,989.00	37,989.00
Other Purchased Professional Services		78,111.35			4,662.00	303,571.71
Cleaning, Repair and Maintenance Services					84,464.60	162,575.95
Rentals					132,399.51	132,399.51
Other Purchased Services	1,144.62	75,523.87	1,144.62	215,034.25	8,060.70	300,908.06
Utilities		81,345.46			6,177.09	87,522.55
General Supplies		25,412.23			172,111.39	197,523.62
Miscellaneous Expenditures	125.00	9,030.37	126.44	-	56,406.68	65,688.49
Depreciation	-	-	-	-	159,706.33	159,706.33
Total Operating Expenses	<u>24,136.04</u>	<u>2,556,738.59</u>	<u>27,717.44</u>	<u>378,354.81</u>	<u>1,595,410.55</u>	<u>4,582,357.43</u>
Operating Income (Loss)	<u>(22,835.19)</u>	<u>(208,559.52)</u>	<u>(22,128.94)</u>	<u>8,289.19</u>	<u>(258,761.88)</u>	<u>(503,996.34)</u>
Capital Contributions						
Transfers In (Out)	22,987.87	(22,987.87)	22,361.87	-	386,612.24	386,612.24
Change in Net Position	152.68	(231,547.39)	232.93	8,289.19	127,850.36	(95,022.23)
Total Net Position—Beginning	590.85	(2,073.46)	652.76	205,372.20	757,542.34	962,084.69
Total Net Position—Ending	<u>\$ 743.53</u>	<u>\$ (233,620.85)</u>	<u>\$ 885.69</u>	<u>\$ 213,661.39</u>	<u>\$ 885,392.70</u>	<u>\$ 867,062.46</u>

Note: The Commission plans on covering the Deficit in the Regional Day School operations by either raising rates or a transfer from the General Fund.

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

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
 Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds					
	Regional Day		Food Service	Transportation		
	Food Service	Operating	ESC	BOSS	Leasing	
					Totals	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts From Customers	\$ 1,300.85	\$ 2,382,379.76	\$ 5,588.50	\$ 383,644.00	\$ 1,264,396.43	\$ 4,037,309.54
Payments To Employees	(8,647.53)	(1,517,273.47)	(8,647.54)	(54,371.29)	(676,563.57)	(2,265,503.40)
Payments For Employee Benefits	(1,220.50)	(580,081.40)	(1,220.50)	-	(266,869.68)	(849,392.08)
Payments To Suppliers	(14,420.69)	(459,383.72)	(18,082.33)	(323,983.52)	(492,270.97)	(1,308,141.23)
Net Cash Provided By (Used For) Operating Activities	(22,987.87)	(174,358.83)	(22,361.87)	5,289.19	(171,307.79)	(385,727.17)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Operating Subsidies and Transfers To/From Other Funds	22,987.87	(22,987.87)	22,361.87			22,361.87
Net Cash Provided By (Used For) Non-capital Financing Activities	22,987.87	(22,987.87)	22,361.87			22,361.87
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchases of Capital Assets					(526,687.00)	(526,687.00)
Lease Purchase Principle					386,612.24	386,612.24
Net Cash (Used For) Capital and Related Financing Activities					(140,074.76)	(140,074.76)
Net Increase/(Decrease) in Cash and Cash Equivalents	-	(197,346.70)	-	5,289.19	(311,382.55)	(503,440.06)
Balances—Beginning of Year	-	(68,543.00)	-	219,776.95	486,946.30	638,180.25
Balances—End of Year	-	\$ (265,889.70)	-	\$ 225,066.14	\$ 175,563.75	\$ 134,740.19
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:						
Operating Income (Loss)	\$ (22,835.19)	\$ (208,559.52)	\$ (22,128.94)	\$ 8,289.19	\$ (258,761.88)	\$ (503,996.34)
Adjustments To Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:						
Depreciation and Net Amortization		-	-	-	159,706.33	159,706.33
(Increase) Decrease in Accounts Receivable	-	34,555.89	-	(3,000.00)	(72,252.24)	(40,696.35)
(Increase) Decrease in Inventories	(152.68)	-	(232.93)	-	-	(385.61)
Increase (Decrease) in Accounts Payable	-	(355.20)	-	-	-	(355.20)
Total Adjustments	(152.68)	34,200.69	(232.93)	(3,000.00)	87,454.09	118,269.17
Net Cash Provided By (Used For) Operating Activities	\$ (22,987.87)	\$ (174,358.83)	\$ (22,361.87)	\$ 5,289.19	\$ (171,307.79)	\$ (385,727.17)

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

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	<u>Agency Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ <u>936.42</u>
Total Assets	\$ <u><u>936.42</u></u>
LIABILITIES	
Payable to Student Groups	\$ 936.42
Payroll Deductions and Withholdings	<u>-</u>
Total Liabilities	\$ <u><u>936.42</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

**The Educational Services Commission of Morris County
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2017**

NOTE 1. DESCRIPTION OF THE COMMISSION AND REPORTING ENTITY

The Board of Education (“Board”) of the Educational Services Commission of Morris County (“Commission”) is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of appointed officials and is responsible for the fiscal control of the Commission. A superintendent is appointed by the Board and is responsible for the administrative control of the Commission. Under existing statutes, the Board’s duties and powers include, but are not limited to, the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

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

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, “Defining the Financial Reporting Entity” establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significance) should be included in the financial reporting entity. The combined financial statements include all funds of the Commission over which the Board exercises operating control. The operations of the Commission include a special education and alternative school located in Morristown. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the Commission is not includable in any other reporting entity on the basis of such criteria.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Educational Services Commission of Morris County (Commission) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the board’s accounting policies are described below.

**Educational Services Commission of Morris County
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation

The Commission's basic financial statements consist of District-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

District-wide Financial Statements

The statement of net position and the statement of activities display information about the Commission as a whole. These statements include the financial activities of the Commission, except for the fiduciary funds. The statements distinguish between those activities of the Commission that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the Commission at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the governmental activities and for the business-type activities of the Commission. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Commission, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Commission.

Fund Financial Statements

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

**Educational Services Commission of Morris County
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the Commission are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Commission's governmental funds:

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

As required by the New Jersey State Department of Education, the Commission includes budgeted Capital Outlay in this fund. Accounting principles generally accepted in the United States of America as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, District taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources are derived from sale of bonds, lease purchases and other revenues.

**Educational Services Commission of Morris County
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPRIETARY FUNDS

The focus of Proprietary Fund measurement is upon determination of net income, changes in net position, financial position and cash flows. The accounting principles generally accepted in the United States of America applicable are those similar to businesses in the private sector. Proprietary funds are classified as enterprise or internal service; the Commission has no internal service funds. The following is a description of the Proprietary Funds of the Commission:

Enterprise Funds - The Enterprise Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the Board is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the Commission has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Commission's Enterprise Funds are comprised of the Food Service Fund, Regional Day School, BOSS and Transportation Leasing operations.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Food Service Fund:
Equipment 12 Years

Transportation Leasing:
Vehicles 12 Years

In its accounting and financial reporting, the Commission follows the pronouncements of the GASB and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The Commission's business-type activities and enterprise funds have elected not to apply the standards issued by the FASB after November 30, 1989.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements, however, interfund services provided and used are not eliminated in the process of consolidation.

**Educational Services Commission of Morris County
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPRIETARY FUNDS (continued)

Enterprise Funds –(continued)

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

Proprietary funds distinguish operating revenue and expenses from non-operating 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 Commission enterprise funds are charges for daily sales of food, special functions and miscellaneous receipts. Operating expenses for proprietary funds include the cost of sales, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Fund - Fiduciary Fund reporting focuses on net position and changes in net position. The Fiduciary Funds are used to account for assets held by the Board on behalf of individuals, private organizations, other governments and/or other funds. Fiduciary Funds include the Student Activities Fund, Payroll and Payroll Agency Fund.

B. Measurement Focus

District-wide Financial Statements

The District-wide statements (i.e., the statement of net position and the statement of activities) are prepared using the economic resources measurements focus and the accrual basis of accounting. All assets and liabilities associated with the operation of the Commission are included on the statement of net position, except for fiduciary funds.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the

**Educational Services Commission of Morris County
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements (continued)

governmental activities of the District-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the District-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Commission finances and meets the cash flow needs of its proprietary activities.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The District-wide financial statements and the financial statements of the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

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

Nonexchange transactions, in which the Board receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Board must provide local resources to be used for a specified purpose, and expenditure

**Educational Services Commission of Morris County
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues - Exchange and Non-exchange Transactions (continued)

requirements, in which the resources are provided to the Board on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized. Under GAAP, in accordance with GASB No. 33, Accounting and Financial Reporting for Nonexchange Transactions, the last state aid payment is not considered revenue to the school district if the state has not recorded the corresponding expenditure, even though state law dictates recording the revenue.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: ad valorem property taxes, tuition, unrestricted grants and interest.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

The measurement of focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

D. Budgets/Budgetary Control

Annual appropriated budgets are adopted in the spring of the preceding year for the general, and special revenue funds. The budgets are submitted to the county superintendent's office for approval. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23-2(g)1. Transfers of appropriations may be made by Board resolution at any time during the fiscal year.

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.

**Educational Services Commission of Morris County
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets/Budgetary Control (continued)

Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

E. Encumbrances

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 reservations of fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

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

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

F. Cash, Cash Equivalents and Investments

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

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

**Educational Services Commission of Morris County
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Cash, Cash Equivalents and Investments (continued)

Additionally, the Commission has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

G. Tuition Revenues/Receivable

Tuition charges were established by the Board of Education based on estimated costs. The charges are not subject to adjustment when the final costs have been determined.

H. Tuition Payable

The Commission has no Tuitions Payable.

I. Inventories

On District-wide financial statements, inventories are presented at cost, which approximates market on a first-in, first-out basis and are expensed when used.

On fund financial statements inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. Inventories of proprietary funds consist of food and goods held for resale, as well as supplies, and are expensed when used.

Educational Services Commission of Morris County
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

K. Short-Term Interfund Receivables/Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund” receivables/payables. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

L. Capital Assets

General capital assets are those assets not specifically related to activities reported in the enterprise fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the district -wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the enterprise fund are reported both in the business-type activity column of the District-wide statement of net position and in the fund.

All capital assets acquired or constructed during the year are recorded at actual cost. Donated fixed assets are valued at their estimated fair market value on the date received. The capital assets acquired or constructed prior to June 30, 1993 are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Donated capital assets are valued at their estimated fair market value on the date received. The Commission maintains a capitalization threshold of \$2,000.00. The Board does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities</u> <u>Estimated Lives</u>	<u>Business-Type Activity</u> <u>Estimated Lives</u>
Sites and Improvements	20 years	N/A
Building and Improvements	7-50 years	N/A
Furniture, Equipment and Vehicles	5-20 years	5-20 years

Educational Services Commission of Morris County
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Compensated Absences

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

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

N. Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Unearned revenue in the special revenue fund represents cash that has been received but not yet earned. See Note 2(E) regarding the special revenue fund.

O. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the District-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgements, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds, long-term obligations, and capital leases that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

**Educational Services Commission of Morris County
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Accounting and Financial Reporting for Pensions

In fiscal year 2015, the Commission implemented GASB 68. This Statement amends GASB Statement No. 27. It improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirement of Statement No. 27, *Accounting for Pension by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

The Commission has also implemented GASB Statement 71, Pension Transition for Contributions made Subsequent to the Measurement Date-an amendment to GASB No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported. Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows

**Educational Services Commission of Morris County
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Accounting and Financial Reporting for Pensions (continued)

of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

Q. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the Commission has only one item that qualifies for reporting in this category, which is deferred amounts related to pensions.

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

R. Fund Balances:

Fund balance is divided into five classifications based primarily on the extent to which the Commission is bound to observe constraints imposed upon the resources in the governmental funds. The classifications are as follows:

- **Nonspendable** fund balance includes amounts that are not in a spendable form (inventory, for example) or are required to be maintained intact (the principal of an endowment fund, for example).

Educational Services Commission of Morris County
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

R. Fund Balances: (continued)

- **Restricted** fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers (for example, grant providers), constitutionally, or through enabling legislation (that is, legislation that creates a new revenue source and restricts its use). Effectively, restrictions may be changed or lifted only with the consent of resource providers.
- **Committed** fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the Board's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.
- **Assigned** fund balance comprises amounts *intended* to be used by the Board for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.
- **Unassigned** fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. If another governmental fund has a fund balance deficit, then it will be reported as a negative amount in the unassigned classification in that fund. Positive unassigned amounts will be reported only in the general fund.

S. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Board or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**Educational Services Commission of Morris County
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

T. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Commission, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

U. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year.

V. Allocation of Indirect Expenses

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

W. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reports, amounts and disclosures. Accordingly, actual results could differ from those estimates.

X. Recent Accounting Pronouncements:

The Government Accounting Standards Board issued GASB Statement No. 72, Fair Value Measurement and Application. This Statement is effective for fiscal years beginning after June 15, 2015. This Statement addresses accounting and financial reporting issues related to fair value

Educational Services Commission of Morris County
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

X. Recent Accounting Pronouncements: (continued)

measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement also provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Commission had no transactions of this type for the year ended June 30, 2017.

The Government Accounting Standards Board issued GASB Statement 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*. This Statement is effective for fiscal years beginning after June 15, 2015 – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for financial statements for fiscal years beginning after June 15, 2016. The Commission is currently reviewing what effect, if any, this Statement might have on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement applies to OPEB plans and basically parallels GASB Statement 67 and replaces GASB Statement 43 and is effective for fiscal years beginning after June 15, 2016. The Commission is currently reviewing what effect, if any, this Statement might have on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement applies to government employers who provided OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45. The Statement is effective for fiscal years beginning after June 15, 2017. The Commission is currently reviewing what effect, if any, this Statement might have on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. The Commission is currently reviewing what effect, if any, this Statement might have on future financial statements.

Educational Services Commission of Morris County
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

X. Recent Accounting Pronouncements:(continued)

The Government Accounting Standards Board issued GASB Statement No. 77, Tax Abatement Disclosures, which improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The Commission believes this Statement will have no impact on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, which establishes the criteria for identifying the applicable pension plans and addresses measurement and recognition for pension liabilities, expense and expenditures; note disclosures of descriptive information about the plan, benefit terms, and contributions items; and required supplementary information presenting required contribution amounts for the past 10 fiscal years. The Commission is currently reviewing what effect this Statement might have on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 79, Certain External Investment Pools and Pool Participation, which permits qualifying external investment pools to measure pool investments at amortized cost for financial reporting purposes. The Commission is currently reviewing what effect this Statement might have on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 80, Blending Requirements for Certain Component Units, which provides clarity about how certain component units incorporated as not-for-profit corporations should be presented in the financial statements of the primary state or local government. The Commission does not believe this Statement will have any effect on future financial statements.

In March 2016, the Government Accounting Standards Board issued GASB Statement No. 81, Irrevocable Split-Interest Agreements. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Commission does not believe this Statement will have any effect on future financial statements.

In March 2016, the Government Accounting Standards Board issued GASB Statement 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 Statement No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not*

Educational Services Commission of Morris County
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

X. Recent Accounting Pronouncements:(continued)

Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. This Statement is effective for reporting periods beginning after June 15, 2016. 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.

In November 2016, the Government Accounting Standards Board issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflows of resources for asset retirement obligations (AROs). The Commission does not believe this Statement will have any effect on future financial statements.

In January 2017, the Government Accounting Standards Board issued GASB Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify component units and postemployment benefit arrangements that are fiduciary activities. The Commission is currently evaluating the effects, if any, this Statement may have on future financial statements.

In March 2017, the Government Accounting Standards Board issued GASB Statement No. 85, *Omnibus 2017*, which addresses practice issues that have been identified during the implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues relating to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The Commission is currently reviewing what effect, if any, this Statement might have on future financial statements.

In May 2017, the Governmental Accounting Standards Board issued GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which improves 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. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The Commission is currently reviewing what effect, if any, this Statement might have on future financial statements.

**Educational Services Commission of Morris County
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2017**

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash

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 District's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 18A:20-37 that are treated as cash equivalents. As of June 30, 2017, \$-0- of the Commission's bank balance of \$1,344,609.66 was exposed to custodial credit risk.

Investments

Investment Rate Risk

The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 18A:20-37 limits the length of time for most investment to 397 days.

Credit Risk

New Jersey Statutes 18A:20-37 limits school district investments to those specified in the Statutes. The type of allowance investments are Bonds of the United States of America, bonds or other obligations of the school districts or bonds or other obligations of the local unit or units within which the school district is located; obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk

The Commission places no limit on the amount they may invest in any one issuer.

**Educational Services Commission of Morris County
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2017**

NOTE 4. RECEIVABLES

Receivables at June 30, 2017 consisted of accounts and intergovernmental. All receivables are considered collectible in full. A summary of the principal items of receivables follows:

	Governmental Fund Financial <u>Activities</u>	Enterprise <u>Fund</u>	District Wide Financial <u>Statements</u>
Transportation	\$2,187,658.65	\$216,059.89	\$2,403,718.54
Interfunds	6.21		0.00
Other Governments	600,966.59	3,000.00	603,966.59
Tuition	<u>161,008.10</u>	<u>32,268.85</u>	<u>193,276.95</u>
Gross Receivables	<u>\$2,949,639.55</u>	<u>\$251,328.74</u>	<u>\$3,200,962.08</u>
Less Allowance for Uncollectables	_____ -	_____ -	_____ -
Total Receivables Net	<u>\$2,949,639.55</u>	<u>\$251,328.74</u>	<u>\$3,200,962.08</u>

NOTE 5. INTERFUND BALANCES AND ACTIVITY

Balances due to/from other funds at June 30, 2017 consist of the following:

Due to General Fund from Capital Projects Fund is for interest earnings.

It is anticipated that all interfunds will be liquidated within the fiscal year.

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Educational Services Commission of Morris County
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2017

NOTE 6. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirement</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Construction in Progress	\$3,667,182.62	\$ -	\$(3,667,182.62)	\$ -
Total Capital Assets Not Being Depreciated	<u>3,667,1182.62</u>	<u>-</u>	<u>\$(3,667,182.62)</u>	<u>-</u>
Buildings and Improvements	1,750,000.00	-	3,190,000.00	4,940,000.00
Machinery and Equipment	<u>375,161.00</u>	<u>0.00</u>	<u>(96,126.00)</u>	<u>279,035.00</u>
Totals at Historical Cost	<u>2,125,161.00</u>	<u>0.00</u>	<u>3,093,874.00</u>	<u>5,219,035.00</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(847,500.00)	(182,600.00)	(1,835,000.00)	(2,865,100.00)
Machinery and Equipment	<u>(496,330.87)</u>	<u>(15,337.72)</u>	<u>276,869.53</u>	<u>(234,799.06)</u>
Total Accumulated Depreciation	<u>(1,343,830.87)</u>	<u>(197,937.72)</u>	(1) <u>(1,558,130.47)</u>	<u>(3,099,899.06)</u>
Net Capital Assets Being Depreciated	<u>781,330.13</u>	<u>(197,937.72)</u>	<u>1,535,743.53</u>	<u>2,119,135.94</u>
Governmental Activities Capital Assets, Net	<u>\$4,448,512.75</u>	<u>\$(197,937.72)</u>	<u>\$(2,131,439.09)</u>	<u>\$2,119,135.94</u>
Business - Type Activities:				
Equipment	\$1,410,444.88	\$526,687.00	\$ -	\$1,937,131.88
Less Accumulated Depreciation	<u>(1,283,656.49)</u>	<u>(159,706.33)</u>	<u>-</u>	<u>(1,443,362.82)</u>
Business - Type Activities Capital Assets, Net	<u>\$ 126,788.39</u>	<u>\$366,980.67</u>	<u>\$ -</u>	<u>\$ 493,769.06</u>

(1) Depreciation expense was charged to governmental functions as follows:

Special Education	\$ 49,484.43
General and Business Administrative Services	<u>148,453.29</u>
	<u>\$197,937.72</u>

**Educational Services Commission of Morris County
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2017**

NOTE 7. LONG-TERM OBLIGATION ACTIVITY

Changes in long-term obligations for the fiscal year ended June 30, 2017 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>		<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:						
Other Liabilities:						
Compensated Absences Morris County Improvement	\$ 124,302.34	\$ 3,817.06	\$ (18,920.98)		\$ 109,198.42	\$ -
Authority Bonds	2,075,000.00		(220,000.00)		1,855,000.00	215,000.00
Net Pension Liability	<u>5,611,922.00</u>	<u>339,704.00</u>	<u>-</u>		<u>5,951,626.00</u>	<u>-</u>
Total Other Liabilities	<u>7,811,224.34</u>	<u>343,521.06</u>	<u>(238,920.98)</u>	(1)	<u>7,915,824.42</u>	<u>215,000.00</u>
Governmental Activities						
Long - term Liabilities	<u>\$ 7,811,224.34</u>	<u>\$ 343,521.06</u>	<u>\$(238,920.98)</u>		<u>\$ 7,915,824.42</u>	<u>\$ 215,000.00</u>

(1) Paid by General Fund

**Educational Services Commission of Morris County
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2017**

NOTE 7. LONG-TERM OBLIGATION ACTIVITY (continued)

A. Bonds Payable:

The Board issued General Obligation Bonds to provide funds for the acquisition and construction of major capital facilities and other capital assets.

Bonds are authorized in accordance with State Law by the voters of the District through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the District are General Obligation Bonds.

Outstanding Bonds Payable at June 30, 2017 consisted of the following:

<u>Description</u>	<u>Interest Rate</u>	<u>Due Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Morris County ESC Project (Refunding)	2.09%	10/1/16	10/1/24	\$2,075,000.00	\$1,855,000.00

Principal and interest due on Serial Bonds Outstanding is as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 215,000.00	\$ 36,522.75	\$ 251,522.75
2019	220,000.00	31,977.00	251,977.00
2020	225,000.00	27,326.75	252,326.75
2021	230,000.00	22,572.00	252,572.00
2022	235,000.00	17,712.75	252,712.75
2023	240,000.00	12,749.00	252,749.00
2024	240,000.00	7,733.00	247,733.00
2025	250,000.00	2,612.50	252,612.50
	<u>\$1,855,000.00</u>	<u>\$ 159,205.75</u>	<u>\$2,014,205.75</u>

Educational Services Commission of Morris County
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2017

NOTE 8. PENSION PLANS

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

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

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

**Educational Services Commission of Morris County
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2017**

NOTE 8. PENSION PLANS: (continued)

The following represents the membership tiers for TPAF:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

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

Benefits Provided

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

**Educational Services Commission of Morris County
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2017**

NOTE 8. PENSION PLANS: (continued)

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Defined Contribution Retirement Program

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or PFRS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

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 DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

Educational Services Commission of Morris County
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2017

NOTE 8. PENSION PLANS: (continued)

Contributions Requirements Fund Based Statements

The Commission's contribution to PERS AND DCRP, equal to the required contributions for each year as reported in the fund based statements, were as follows:

<u>Year Ending</u>	<u>PERS</u>	<u>DCRP</u>
6/30/17	\$178,523.00	\$38,746.34
6/30/16	214,930.00	29,554.25
6/30/15	215,591.00	29,643.05

The State of New Jersey contribution to TPAF (paid on-behalf of the District) for normal and post retirement benefits have been included in the fund-based statements as revenues and expenditures in accordance with GASB 24, paragraphs 7 through 13, as follows:

<u>Year Ending</u>	<u>Pension Contributions</u>	<u>Post-Retirement Medical Contributions</u>	<u>NCGI Premium</u>	<u>LTDI Contribution</u>
6/30/17	\$336,697.00	\$290,710.00	\$12,199.00	\$ 0.00
6/30/16	250,854.00	313,576.00	12,496.00	-
6/30/15	166,071.00	282,604.00	11,948.00	-

In addition, the post-retirement medical benefits are included in the district-wide financial statements.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$199,491.12 during the 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 included in the fund-based statements as revenues and expenditures in accordance with GASB 24, paragraphs 7 through 13.

**Educational Services Commission of Morris County
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2017**

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE DISTRICT-WIDE STATEMENTS PER - GASB NO. 68

Public Employees Retirement System (PERS)

At June 30, 2017, the District had a liability of \$5,951,626.00 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 District's proportion of the net pension liability was based on a projection of the District'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 District's proportion was 0.0200952180 percent, which was a decrease of 0.0049044440 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$140,794.00. At June 30, 2017, deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 110,682.00	\$ -
Changes of assumptions	1,232,859.00	
Net difference between projected and actual earnings on pension plan investments	226,941.00	
Changes in proportion and differences between the District's contributions and proportionate share of contributions	0.00	1,678,809.00
District contributions subsequent to the measurement date	<u>187,912.00</u>	<u>0.00</u>
Total	<u>\$1,758,394.00</u>	<u>\$1,678,809.00</u>

**Educational Services Commission of Morris County
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2017**

NOTE 8. PENSION PLANS (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE DISTRICT-WIDE STATEMENTS PER - GASB NO. 68, (continued)

The \$187,912.00 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2017, the plan measurement date is June 30, 2016) will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$353,580
2018	353,580
2019	409,634
2020	344,152
2021	109,536

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.57, 5.72 and 6.44 years for 2016, 2015 and 2014 amounts, respectively.

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE DISTRICT-WIDE STATEMENTS PER - GASB NO. 68, (continued)

Additional Information

Local Group Collective balances at June 30, 2016 and June 30, 2015 are as follows:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Collective deferred outflows of resources	\$ 8,685,338,380	\$ 3,578,755,666
Collective deferred inflows of resources	870,133,595	993,410,455
Collective net pension liability	29,617,131,759	22,447,996,119
District s Proportion	0.0200952128%	0.02499965680%

**Educational Services Commission of Morris County
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2017**

NOTE 8. PENSION PLANS: (continued)

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 rolled forward to June 30, 2016. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	3.08 Percent
Salary Increases:	
Through 2016	1.65-4.15 Percent (based on age)
Thereafter	2.65-5.15 Percent (based on age)
Investment Rate of Return	7.65 Percent

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE DISTRICT-
WIDE STATEMENTS PER - GASB NO. 68, (continued)**

Mortality Rates

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plans actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

**Educational Services Commission of Morris County
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2017**

NOTE 8. PENSION PLANS: (continued)

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE DISTRICT-
WIDE STATEMENTS PER - GASB NO. 68, (continued)**

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS'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>
Cash	5.00%	.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 U.S. Equities	26.00%	8.53%
Developed Foreign Markets	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Returns	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	<u>5.25%</u>	5.63%
	<u>100.00%</u>	

**Educational Services Commission of Morris County
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2017**

NOTE 8. PENSION PLANS: (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE DISTRICT-WIDE STATEMENTS PER - GASB NO. 68, (continued)

Discount Rate

The discount rate used to measure the total pension liability was 3.98% and 4.90% as of June 30, 2016 and 2015, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% and 3.80% as of June 30, 2016 and 2015, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the collective net pension liability of the participating employers as of June 30, 2016, respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1- percentage-point higher than the current rate:

	<u>June 30, 2016</u>		
	<u>At Current</u>	<u>At Current</u>	<u>1%</u>
	<u>Discount Rate</u>	<u>Discount Rate</u>	<u>Increase</u>
	<u>3.98%</u>	<u>3.98%</u>	<u>4.98%</u>
District's proportionate share of the pension liability	\$7,293,023	\$5,951,626	\$4,844,186

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The financial report may be accessed at www.state.nj.us/treasury/pensions.

**Educational Services Commission of Morris County
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2017**

NOTE 8. PENSION PLANS: (continued)

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE DISTRICT-
WIDE STATEMENTS PER - GASB NO. 68, (continued)**

Teachers Pensions and Annuity Fund (TPAF)

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

The portion of the TPAF Net Pension Liability that was associated with the District recognized at June 30, 2017 was as follows:

Net Pension Liability:

District's proportionate share	\$ -0-
State's proportionate share associated with the District	<u>\$25,875,312</u>
	<u>\$25,875,312</u>

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016. The net pension liability associated with the District was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2016, the proportion of the TPAF net pension liability associated with the District was 0.0328924709%.

For the year ended June 30, 2017, the District recognized on-behalf pension expense and revenue of \$1,944,170.00 for contributions provided by the State in the District-Wide Financial Statements.

**Educational Services Commission of Morris County
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2017**

NOTE 8. PENSION PLANS: (continued)

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE DISTRICT-
WIDE STATEMENTS PER - GASB NO. 68, (continued)**

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

Teachers Pensions and Annuity Fund (TPAF) (continued)

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

Mortality Rates

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

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.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2016 are summarized in the following table:

**Educational Services Commission of Morris County
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2017**

NOTE 8. PENSION PLANS: (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE DISTRICT-WIDE STATEMENTS PER - GASB NO. 68, (continued)

Teachers Pensions and Annuity Fund (TPAF) (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>3.75%</u>	3.49%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 3.22% and 4.13% as of June 30, 2016 and 2015, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% and 3.80% as of June 30, 2016 and 2015, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 30% of the actuary determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2029. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2026, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Educational Services Commission of Morris County
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2017**

NOTE 8. PENSION PLANS: (continued)

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE DISTRICT-WIDE
STATEMENTS PER - GASB NO. 68, (continued)**

Teachers Pensions and Annuity Fund (TPAF) (continued)

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

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

NOTE 9. POST-RETIREMENT BENEFITS:

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Teachers' Pension and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 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 in accordance with P.L. 1994 Chapter 62. Funding of post-retirement medical premiums changed from a prefunding 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 Chapter 126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$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/financial1/2016divisioncombined.pdf>

**Educational Services Commission of Morris County
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2017**

NOTE 10. DEFERRED COMPENSATION

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

Metlife	The Equitable
Lincoln Financial Group	AIH Valic

NOTE 11. RISK MANAGEMENT

The Commission is a member of the Educational Services Commission of Morris County Workers' Compensation Insurance Fund of New Jersey ("Fund"). The Fund is an insured and self-administered workers' compensation liability pool. The Commission pays an annual assessment to the Fund and should it be determined that payments received by the Fund are deficient, additional assessments may be levied. Additionally, the Fund maintains a contract of excess insurance with a commercial reinsurer to secure the payment of statutory workers' compensation benefits. The Commission continues to carry commercial insurance coverage for all other risks of loss.

NOTE 14. INVENTORY

Inventory on the Food Service Fund at June 30, 2017 consisted of the following:

Food	\$1,068.33
Supplies	<u>560.89</u>
	<u>\$1,629.22</u>

The United States Department of Agriculture (USDA) commodity portion of the Food Service Fund inventory consists of food donated by USDA. It is valued at estimated market prices by USDA. The amount of unused commodities at year end is reported on Schedule A as unearned revenue.

**Educational Services Commission of Morris County
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2017**

NOTE 17. CONTINGENT LIABILITIES

Litigation - The Board's attorney is unaware of any potential claims against the Commission that would materially affect the financial condition of the Commission.

NOTE 18: SUBSEQUENT EVENT

The District has evaluated subsequent events through December 5, 2017, the date which the financial statements were available to be issued and no other items were noted for disclosure.

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULE

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Other Local Government Units	\$ 1,115,401.00	\$ (52,117.42)	\$ 1,063,283.58	\$ 1,035,193.38	\$ (28,090.20)
Tuition	3,708,843.00	12,354.37	3,721,197.37	3,721,197.37	-
Transportation Fees	17,838,884.00	70,270.86	17,909,154.85	17,909,886.89	732.03
Miscellaneous	10,000.00	(32.21)	9,967.79	12,093.52	2,125.73
Total - Local Sources	22,673,128.00	30,475.60	22,703,603.60	22,678,371.16	(25,232.44)
State Sources:					
TPAF PRM (On-Behalf - Non-Budgeted)	-	-	-	348,896.00	348,896.00
TPAF Pension (On-Behalf - Non-Budgeted)	-	-	-	290,710.00	290,710.00
TPAF Social Security (Reimbursed - Non-Budgeted)	-	-	-	199,491.12	199,491.12
Total State Sources	-	-	-	839,097.12	839,097.12
Total Revenues	22,673,128.00	30,475.60	22,703,603.60	23,517,468.28	813,864.68
EXPENDITURES:					
Current Expense:					
SPECIAL EDUCATION - INSTRUCTION					
Multiple Disabilities:					
Salaries of Teachers	212-100-101 780,258.00	(66,966.84)	713,291.16	713,291.16	-
Other Salaries for Instruction	212-100-105 64,220.00	(28,472.00)	35,748.00	35,748.00	-
Other Salaries for Instruction	212-100-106 495,346.00	108,805.25	604,151.25	604,151.25	-
Other Salaries for Instruction	212-100-110 2,000.00	(2,000.00)	-	-	-
Purchased Professional-Educational Services	212-100-320 220,000.00	(71,927.50)	148,072.50	148,072.50	-
General Supplies	212-100-610 17,099.00	(10,452.75)	6,646.25	6,646.25	-
Other Objects	212-100-800 7,320.00	(625.92)	6,694.08	6,694.08	-
Total Multiple Disabilities	1,586,243.00	(71,639.76)	1,514,603.24	1,514,603.24	-
Preschool Disabilities - Full-Time:					
Other Salaries for Instruction	216-100-106 -	4,389.00	4,389.00	4,000.00	389.00
Total Preschool Disabilities - Full-Time	-	4,389.00	4,389.00	4,000.00	389.00
TOTAL SPECIAL EDUCATION - INSTRUCTION	1,586,243.00	(67,250.76)	1,518,992.24	1,518,603.24	389.00
Total Instruction	1,586,243.00	(67,250.76)	1,518,992.24	1,518,603.24	389.00
Undist. Expend. - Health Services					
Salaries	000-213-100 50,600.00	(16,080.00)	34,520.00	34,520.00	-
Purchased Professional and Technical Services	000-213-300 51,100.00	45,029.00	96,129.00	96,096.00	33.00
Supplies and Materials	000-213-600 1,665.00	17.55	1,682.55	1,682.55	-
Total Undistributed Expenditures - Health Services	103,365.00	28,966.55	132,331.55	132,298.55	33.00
Undist. Expend. - Other Supp. Serv. Students - Related Serv.					
Salaries of Other Professional Staff	000-216-100 318,962.00	125,344.63	444,306.63	333,888.54	110,418.09
Purchased Professional - Educational Services	000-216-339 74,540.00	(34,937.50)	39,602.50	39,602.50	-
Total Undist. Expend. - Other Supp. Serv. Students - Related Serv.	393,502.00	90,407.13	483,909.13	373,491.04	110,418.09
Undist. Expend. - Other Supp. Serv. Students-Special					
Salaries of Other Professional Staff	000-219-104 135,889.00	(87,767.61)	48,121.39	42,670.39	5,451.00
Salaries of Secretarial and Clerical Assistants	000-219-106 19,645.00	(19,645.00)	-	-	-
Salaries of Physical Therapists	000-219-109 41,267.00	(34,422.23)	6,844.77	-	6,844.77
Purchased Professional - Educational Services	000-219-320 22,000.00	73,833.75	95,833.75	95,833.75	-
Other Purchased Prof. and Tech. Services	000-219-339 212,708.00	47,483.85	260,191.85	240,694.61	19,497.24
Misc. Pur. Serv. (400-500 series) Other Than Residential Costs	000-219-592 1,400.00	276.03	1,676.03	1,676.03	-
Supplies and Materials	000-219-600 23,827.00	10,958.53	34,785.53	32,806.45	1,979.08
Other Objects	000-219-800 28,851.00	(13,139.62)	15,711.38	14,232.27	1,479.11
Total Undist. Expend. - Other Supp. Serv. Students-Spl.	485,587.00	(22,422.30)	463,164.70	427,913.50	35,251.20

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Supp. Serv. - General Admin.					
Salaries	000-230-100 \$ 101,939.00	\$ (18,949.71)	\$ 82,989.29	\$ 82,721.81	\$ 267.48
BOE Other Purchased Services	000-230-330 12,835.00	785.00	13,620.00	13,620.00	-
Legal Services	000-230-331 7,000.00	(4,733.13)	2,266.87	2,266.87	-
Audit Fees	000-230-332 19,500.00	200.00	19,700.00	19,700.00	-
Other Purchased Professional Services	000-230-339 5,035.00	(3,750.00)	1,285.00	-	1,285.00
Purchased Technical Services	000-230-340 3,972.00	27,065.50	31,037.50	30,941.25	96.25
Communications/Telephone	000-230-530 58,831.00	3,150.59	61,981.59	61,700.93	280.66
Other Purchased Services (400-500 series)	000-230-590 129,919.00	(12,248.55)	117,670.45	117,034.89	635.56
Supplies and Materials	000-230-600 23,822.00	(7,308.00)	16,514.00	13,545.20	2,968.80
Miscellaneous Expenditures	000-230-890 40,140.00	(4,080.12)	36,059.88	33,601.83	2,458.05
BOE Membership Dues and Fees	000-230-895 3,100.00	(672.00)	2,428.00	2,428.00	-
Total Undist. Expend. - Supp. Serv. - General Admin.	406,093.00	(20,540.42)	385,552.58	377,560.78	7,991.80
Undist. Expend. - Support Serv. - School Admin.					
Salaries of Supervisors of Instruction	000-240-102 36,360.00	11,898.75	48,258.75	48,258.75	-
Salaries of Principals/Assistant Principals	000-240-103 95,000.00	3,142.00	98,142.00	94,618.37	3,523.63
Salaries of Other Professional Staff	000-240-104 73,900.00	(30,400.00)	43,500.00	923.68	42,576.32
Salaries of Secretarial and Clerical Assistants	000-240-106 83,863.00	(4,400.00)	79,463.00	76,180.69	3,282.31
Purchased Professional and Technical Services	000-240-300 8,145.00	23,495.23	31,640.23	31,640.23	-
Other Purchased Services (400-500 series)	000-240-500 10,300.00	115.64	10,415.64	9,214.84	1,200.80
Supplies and Materials	000-240-600 7,920.00	(926.37)	6,993.63	6,993.63	-
Other Objects	000-240-800 5,535.00	(908.45)	4,626.55	4,626.55	-
Total Undist. Expend. - Support Serv. - School Admin.	321,023.00	2,016.80	323,039.80	272,456.74	50,583.06
Undist. Expend. - Central Services					
Salaries	000-251-100 200,670.00	(28,361.09)	172,308.91	171,444.06	864.85
Purchased Professional and Technical Services	000-251-300 10,550.00	11,683.95	22,233.95	22,233.95	-
Supplies and Materials	000-251-600 7,000.00	16,714.38	23,714.38	-	23,714.38
Interest for Lease Purchase Agreements	000-251-832 41,068.00	0.50	41,068.50	41,068.50	-
Miscellaneous Expenditures	000-251-890 2,800.00	(600.00)	2,200.00	2,200.00	-
BOE Member Dues and Fees	000-251-895 2,515.00	650.00	3,165.00	3,165.00	-
Total Undist. Expend. - Central Services	264,603.00	87.74	264,690.74	240,111.51	24,579.23
Undist. Expend. - Admin. Information Technology					
Salaries	000-252-100 27,540.00	(27,540.00)	-	-	-
Total Undist. Expend. - Admin. Information Technology	27,540.00	(27,540.00)	-	-	-
Undist. Expend. - Required Maint. for Sch. Facil.					
Cleaning, Repair and Maintenance Services	000-261-420 80,500.00	(14,175.11)	66,324.89	66,324.89	-
Total Undist. Expend. - Required Maint. for Sch. Facil.	80,500.00	(14,175.11)	66,324.89	66,324.89	-
Undist. Expend. - Oth. Oper. & Maint. of Plant					
Salaries	000-262-100 56,647.00	2,323.92	58,970.92	58,970.92	-
Purchased Professional and Technical Services	000-262-300 1,500.00	(1,500.00)	-	-	-
Cleaning, Repair and Maintenance Services	000-262-420 63,690.00	(43,770.09)	19,919.91	19,919.91	-
Rental of Land & Buildings Other than Lease Purchase Agreements	000-262-441 119,066.00	(6,513.99)	112,552.01	112,314.27	237.74
General Supplies	000-262-610 13,300.00	(2,382.55)	10,917.45	10,917.45	-
Energy (Natural Gas)	000-262-621 44,000.00	(17,179.63)	26,820.37	26,820.37	-
Energy (Electricity)	000-262-622 50,000.00	(6,617.85)	43,382.15	43,382.15	-
Other Objects	000-262-800 900.00	917.34	1,817.34	1,817.34	-
Total Undist. Expend. - Other Oper. & Maint. Of Plant	349,103.00	(74,722.85)	274,380.15	274,142.41	237.74
Care and Upkeep of Grounds					
Cleaning, Repair and Maintenance Services	000-263-420 18,230.00	(718.80)	17,511.20	17,511.20	-
Total Care and Upkeep of Grounds	18,230.00	(718.80)	17,511.20	17,511.20	-
Undist. Expend. - Student Transportation Serv.					
Salaries for Pupil Trans. (Other than Between Home & School)	000-270-162 243,580.00	28,583.84	272,163.84	272,163.84	-
Other Purchased Professional and Technical Services	000-270-390 32,205.00	(17,119.74)	15,085.26	14,516.01	569.25
Cleaning, Repair and Maintenance Services	000-270-420 20,000.00	(14,996.71)	5,003.29	-	5,003.29
Contracted Services (Between Home and School) - Vendors	000-270-511 4,886,245.00	448,921.90	5,335,166.90	5,114,519.24	220,647.66
Contracted Services (Special Education Students) - Vendors	000-270-514 12,250,685.00	(378,427.04)	11,872,257.96	11,864,580.08	7,677.88
Miscellaneous Purchased Services - Transportation	000-270-593 250.00	(250.00)	-	-	-
Supplies and Materials	000-270-600 14,792.00	-	14,792.00	11,778.35	3,013.65
Miscellaneous Expenditures	000-270-890 13,000.00	503.97	13,503.97	10,824.40	2,679.57
Total Undist. Expend. - Student Transportation Serv.	17,460,757.00	67,216.22	17,527,973.22	17,288,381.92	239,591.30

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
UNALLOCATED BENEFITS					
Social Security Contributions	000-291-220 \$ 118,161.00	\$ 62,158.96	\$ 180,319.96	\$ 147,173.73	\$ 33,146.23
Other Retirement Contributions - Regular	000-291-241 124,011.00	3,329.02	127,340.02	127,310.57	29.45
Unemployment Compensation	000-291-250 13,200.00	2,130.47	15,330.47	11,287.52	4,042.95
Workmen's Compensation	000-291-260 82,560.00	(27,633.00)	54,927.00	54,927.00	-
Health Benefits	000-291-270 892,106.00	27,869.09	919,975.09	917,239.06	2,736.03
Tuition Reimbursement	000-291-280 19,111.00	737.99	19,848.99	19,848.99	-
TOTAL UNALLOCATED BENEFITS	<u>1,249,149.00</u>	<u>68,592.53</u>	<u>1,317,741.53</u>	<u>1,277,786.87</u>	<u>39,954.66</u>
On-behalf TPAF PRM Contributions (non-budgeted)				348,896.00	(348,896.00)
On-behalf TPAF Pension Contributions (non-budgeted)		-		290,710.00	(290,710.00)
Reimbursed TPAF Social Security Contributions (non-budgeted)	-	-	-	199,491.12	(199,491.12)
TOTAL ON-BEHALF CONTRIBUTIONS	<u>-</u>	<u>-</u>	<u>-</u>	<u>839,097.12</u>	<u>(839,097.12)</u>
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS	<u>1,249,149.00</u>	<u>68,592.53</u>	<u>1,317,741.53</u>	<u>2,116,883.99</u>	<u>(799,142.46)</u>
TOTAL UNDISTRIBUTED EXPENDITURES	<u>21,159,452.00</u>	<u>97,167.49</u>	<u>21,256,619.49</u>	<u>21,587,076.53</u>	<u>(330,457.04)</u>
TOTAL GENERAL CURRENT EXPENSE	<u>22,745,695.00</u>	<u>29,916.73</u>	<u>22,775,611.73</u>	<u>23,105,679.77</u>	<u>(330,068.04)</u>
CAPITAL OUTLAY					
Facilities Acquisition and Construction Services					
Lease Purchase Agreements - Principal	000-400-721 220,000.00	-	220,000.00	220,000.00	-
Other Objects	000-400-800 -	13,197.00	13,197.00	12,870.23	326.77
Total Facilities Acquisition and Construction Services	<u>220,000.00</u>	<u>13,197.00</u>	<u>233,197.00</u>	<u>232,870.23</u>	<u>326.77</u>
TOTAL CAPITAL OUTLAY	<u>220,000.00</u>	<u>13,197.00</u>	<u>233,197.00</u>	<u>232,870.23</u>	<u>326.77</u>
TOTAL EXPENDITURES	<u>22,965,695.00</u>	<u>43,113.73</u>	<u>23,008,808.73</u>	<u>23,338,550.00</u>	<u>(329,741.27)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(292,567.00)</u>	<u>(12,638.13)</u>	<u>(305,205.13)</u>	<u>178,918.28</u>	<u>484,123.41</u>
Other Financing Sources/(Uses):					
Operating Transfer Out:					
Transfer to Food Service Fund	<u>(26,000.00)</u>	<u>3,638.13</u>	<u>(22,361.87)</u>	<u>(22,361.87)</u>	<u>-</u>
Total Other Financing Sources/(Uses):	<u>(26,000.00)</u>	<u>3,638.13</u>	<u>(22,361.87)</u>	<u>(22,361.87)</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	<u>(318,567.00)</u>	<u>(9,000.00)</u>	<u>(327,567.00)</u>	<u>156,556.41</u>	<u>484,123.41</u>
Fund Balance, July 1	<u>1,582,264.37</u>	<u>-</u>	<u>1,582,264.37</u>	<u>1,582,264.37</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 1,263,697.37</u>	<u>\$ (9,000.00)</u>	<u>\$ 1,254,697.37</u>	<u>\$ 1,738,820.78</u>	<u>\$ 484,123.41</u>

BOARD OF EDUCATION
 THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
 Budgetary Comparison Schedule
 Special Revenue Fund
 For the Fiscal Year Ended June 30, 2017

	Original <u>Budget</u>	Budget <u>Transfers</u>	Final <u>Budget</u>	<u>Actual</u>	Variance <u>Final to Actual</u>
REVENUES:					
State Sources	\$ 2,039,791.00	\$ 734,863.52	\$ 2,774,654.52	\$ 2,774,654.52	\$ -
Federal Sources	781,253.00	(161,696.48)	619,556.52	619,556.52	-
Total Revenues	<u>2,821,044.00</u>	<u>573,167.04</u>	<u>3,394,211.04</u>	<u>3,394,211.04</u>	<u>-</u>
EXPENDITURES:					
Instruction					
Personal Services - Salaries	902,488.00	150,403.76	1,052,891.76	1,052,891.76	-
Textbooks	224,292.00	(27,891.45)	196,400.55	196,400.55	-
Total Instruction	<u>1,126,780.00</u>	<u>122,512.31</u>	<u>1,249,292.31</u>	<u>1,249,292.31</u>	<u>-</u>
Support Services					
Personal Services - Salaries	905,112.00	153,885.62	1,058,997.62	1,058,997.62	-
Personal Services - Employee Benefits	145,983.00	9,999.51	155,982.51	155,982.51	-
Purchased Professional and Technical Services	191,662.00	156,121.63	347,783.63	347,783.63	-
Other Purchased Services (400-500 series)	1,000.00	(720.63)	279.37	279.37	-
Travel	2,030.00	(1,484.44)	545.56	545.56	-
Supplies & Materials	448,477.00	132,853.04	581,330.04	581,330.04	-
Total Support Services	<u>1,694,264.00</u>	<u>450,654.73</u>	<u>2,144,918.73</u>	<u>2,144,918.73</u>	<u>-</u>
Total Expenditures	<u>2,821,044.00</u>	<u>573,167.04</u>	<u>3,394,211.04</u>	<u>3,394,211.04</u>	<u>-</u>
Total Outflows	<u>\$ 2,821,044.00</u>	<u>\$ 573,167.04</u>	<u>\$ 3,394,211.04</u>	<u>\$ 3,394,211.04</u>	<u>\$ -</u>

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BOARD OF EDUCATION
 THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
 Required Supplementary Information
 Budgetary Comparison Schedule
 Note to RSI
 For the Fiscal Year Ended

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

	<u>Exhibit</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources			
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1,C-2]	\$ 21,660,355.76	\$ 3,394,211.04
Difference - budget to GAAP:			
The last State aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expense in accordance with GASB 33.		-	
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		-	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2]	<u>\$ 21,660,355.76</u>	<u>\$ 3,394,211.04</u>
Uses/outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1,C-2]	\$ 21,660,355.76	\$ 3,394,211.04
Differences - budget to GAAP			
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.			-
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.	\$ -		
Net transfers (outflows) to general fund		-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2]	<u>\$ 21,660,355.76</u>	<u>\$ 3,394,211.04</u>

**REQUIRED SUPPLEMENTARY INFORMATION
PART III**

THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Schedules of Required Supplementary Information
Schedule of District's Proportionate Share of Net Pension Liability - PERS
*Last 10 Fiscal Years**

Fiscal Year Ending June30,	District's Proportion Share of the Net Pension Liability (Asset)	District's Proportion Share of the Net Pension Liability (Asset)	District's Covered Payrol -PERS Employee's	District's Proportion Share of the Net Pension Liability (Asset) as a perecentage of its Covered Payroll	Plan Fiduciary Net Position as a percentage of the total Pension Liability
2015	0.0261517191%	\$ 4,896,317	\$ 1,400,231	349.68%	47.92%
2016	0.0249996568%	5,611,922	1,300,552	431.50%	52.07%
2017	0.0200952128%	5,951,626	1,302,476	456.95%	59.86%

* GASB requires that ten years of information be presented. However, since fiscal year 2015 was the first year of GASB 68 implementation ten years is not presented. Each year thereafter, an additional year will be included until ten years of data is presented.

THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Schedules of Required Supplementary Information
Schedule of District's Contributions - PERS
*Last 10 Fiscal Years**

Fiscal Year Ending June30,	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	District's PERS Covered- Employee Payroll	Contributions as a Percentage of PERS Covered- Employee Payroll
2015	\$ 215,591	\$ 215,591	\$ -	\$1,400,231	15.40%
2016	214,930	214,930	\$ -	1,300,552	16.53%
2017	178,523	178,523		1,302,476	13.71%

* GASB requires that ten years of information be presented. However, since fiscal year 2015 was the first year of GASB 68 implementation ten years is not presented. Each year thereafter, an additional year will be included until ten years of data is presented.

THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Schedules of Required Supplementary Information
Schedule of District's Proportionate Share of Net Pension Liability - TPAF
Last 10 Fiscal Years*

Fiscal Year Ending June30,	District's Proportion Share of the Net Pension Liability (Asset)	District's Proportion Share of the Net Pension Liability (Asset)	State's Proportionate Share of the Net Pension Liability Associated with the District (Asset)	District's Covered Payrol -TPAF Employee's	District's Proportion Share of the Net Pension Liability (Asset) as a perecentage of its Covered Payroll	Plan Fiduciary Net Position as a percentage of the total Pension Liability
2015	0.0385944861%	\$ -	\$ 20,627,497	\$ 3,166,724	0.00%	33.64%
2016	0.0329276634%	\$ -	20,811,689	2,980,111	0.00%	28.71%
2017	0.0328924709%	\$ -	25,875,312	2,890,550	0.00%	22.33%

* GASB requires that ten years of information be presented. However, since fiscal year 2015 was the first year of GASB 68 implementation ten years is not presented. Each year thereafter, an additional year will be included until ten years of data is presented.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PART III**

THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Note to Required Schedules of Supplementary Information - Part III
For the fiscal year ended June 30, 2017

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Change in benefit terms

None

Change in assumptions

The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. There was a change in the municipal bond index rate from the prior measurement date (3.80%) to the current measurement date (2.85%), resulting in a change in the discount rate from 4.90% to 3.98%. This change in the discount rate is considered to be a change in actuarial assumptions under GASBS No. 68.

TEACHERS PENSION AND ANNUITY FUND (TPAF)

Change in benefit terms

Change in assumptions

The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. There was a change in the municipal bond index rate from the prior measurement date (3.80%) to the current measurement date (3.22%), resulting in a change in the discount rate from 4.13% to 3.22%. This change in the discount rate is considered to be a change in actuarial assumptions under GASBS No. 68.

OTHER SUPPLEMENTARY INFORMATION

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2017

		<u>Total</u>	<u>State Aid</u>	<u>Federal Aid</u>
REVENUES				
State Sources		\$ 2,774,654.52	\$ 2,774,654.52	\$ -
Federal Sources		<u>619,556.52</u>	<u>-</u>	<u>619,556.52</u>
Total Revenues		<u>3,394,211.04</u>	<u>2,774,654.52</u>	<u>619,556.52</u>
EXPENDITURES:				
Instruction:				
Personal Services - Salaries	100-100	1,052,891.76	606,619.38	446,272.38
Textbooks	100-640	<u>196,400.55</u>	<u>196,400.55</u>	<u>-</u>
Total Instruction		<u>1,249,292.31</u>	<u>803,019.93</u>	<u>446,272.38</u>
Support Services:				
Personal Services - Salaries	200-100	1,058,997.62	1,058,997.62	-
Personal Services - Employee Benefits	200-200	155,982.51	155,982.51	
Purchased Professional and Technical Services	200-300	347,783.63	279,246.39	68,537.24
Other Purchased Services (400-500 series)	200-500	279.37	279.37	
Travel	200-580	545.56	545.56	
Supplies and Materials	200-600	<u>581,330.04</u>	<u>476,583.14</u>	<u>104,746.90</u>
Total Support Services		<u>2,144,918.73</u>	<u>1,971,634.59</u>	<u>173,284.14</u>
Total Expenditures		<u>\$ 3,394,211.04</u>	<u>\$ 2,774,654.52</u>	<u>\$ 619,556.52</u>

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
 Special Revenue Fund
 Combining Schedule of State Program Revenues and Expenditures - Budgetary Basis
 For the Fiscal Year Ended June 30, 2017

	N.J. Nonpublic Security Aid	N.J. Nonpublic Textbook Aid	N.J. Nonpublic Auxiliary Services	N.J. Nonpublic Handicapped Services	N.J. Nonpublic Technology Initiative	N.J. Nonpublic Nursing Services
REVENUES						
State Sources	\$ 263,199.31	\$ 196,400.55	\$ 374,072.07	\$ 1,044,918.59	\$ 174,174.00	\$ 721,890.00
Total State Revenues	<u>263,199.31</u>	<u>196,400.55</u>	<u>374,072.07</u>	<u>1,044,918.59</u>	<u>174,174.00</u>	<u>721,890.00</u>
EXPENDITURES:						
Instruction:						
100-100 Personal Services - Salaries	-	-	219,588.40	387,030.98		
100-640 Textbooks	-	196,400.55	-	-		
Total Instruction	<u>-</u>	<u>196,400.55</u>	<u>219,588.40</u>	<u>387,030.98</u>		
Support Services:						
200-100 Personal Services - Salaries	-		123,132.56	336,353.91	8,708.70	590,802.45
200-200 Personal Services - Employee Benefits	-		26,555.52	52,885.97		76,541.02
200-300 Purchased Professional and Technical Services	-		4,795.59	267,822.80		6,628.00
200-500 Other Purchased Services (400-500 series)	-		-	279.37		
200-580 Travel	-		-	545.56		
200-600 Supplies & Materials	263,199.31		-	-	165,465.30	47,918.53
Total Support Services	<u>263,199.31</u>	<u>-</u>	<u>154,483.67</u>	<u>657,887.61</u>	<u>174,174.00</u>	<u>721,890.00</u>
Total Expenditures	<u>\$ 263,199.31</u>	<u>\$ 196,400.55</u>	<u>\$ 374,072.07</u>	<u>\$ 1,044,918.59</u>	<u>\$ 174,174.00</u>	<u>\$ 721,890.00</u>

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Special Revenue Fund
Combining Schedule of Federal Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2017

		<u>Total</u>	<u>I.D.E.A. Part B Basic</u>
REVENUES			
Federal Sources		<u>\$ 619,556.52</u>	<u>\$619,556.52</u>
Total Federal Revenues		<u>619,556.52</u>	<u>619,556.52</u>
EXPENDITURES:			
Instruction:			
Personal Services - Salaries	100-100	<u>446,272.38</u>	<u>446,272.38</u>
Total Instruction		<u>446,272.38</u>	<u>446,272.38</u>
Support Services:			
Purchased Professional and Technical Services	200-300	68,537.24	68,537.24
Supplies and Materials	200-600	<u>104,746.90</u>	<u>104,746.90</u>
Total Support Services		<u>173,284.14</u>	<u>173,284.14</u>
Total Expenditures		<u>\$ 619,556.52</u>	<u>\$ 619,556.52</u>

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Student Activity Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2017

<u>Schools</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2017</u>
Park Lake	\$ 483.89	\$ -	\$ -	\$483.89
Regional Day	<u>452.53</u>	<u>-</u>	<u>-</u>	<u>452.53</u>
	<u>\$ 936.42</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$936.42</u>

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Payroll Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2017

	<u>Balance</u> <u>June 30, 2016</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2017</u>
Payroll Deductions and Withholdings	\$ -	\$ 3,168,146.62	\$ 3,168,146.62	\$ -
Net Salaries and Wages	<u>-</u>	<u>4,544,434.32</u>	<u>4,544,434.32</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 7,712,580.94</u>	<u>\$ 7,712,580.94</u>	<u>\$ -</u>

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
 Long - Term Debt
 Schedule of MCIA Bonds
 For the Fiscal Year Ended June 30, 2017

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities of Bonds Outstanding June 30, 2017</u>			<u>Retired Current Year</u>	<u>Balance June 30, 2016</u>	<u>Balance June 30, 2017</u>
			<u>Date</u>	<u>Amount</u>	<u>Interest Rate</u>			
COP'S Refunding and Various Improvements to Commission's School Buildings	3/31/2004	\$ 4,940,000.00	10/1/2017	\$ 215,000.00	2.090%	\$ 220,000.00	\$ 2,075,000.00	\$ 1,855,000.00
			10/1/2018	220,000.00	2.090%			
			10/1/2019	225,000.00	2.090%			
			10/1/2020	230,000.00	2.090%			
			10/1/2021	235,000.00	2.090%			
			10/1/2022	240,000.00	2.090%			
			10/1/2023	240,000.00	2.090%			
			10/1/2024	250,000.00	2.090%			
							<u>\$ 2,075,000.00</u>	<u>\$ 1,855,000.00</u>

STATISTICAL SECTION

OUTLINE OF NJ DOE STATISTICAL TABLES SECTION (GASB 44)

Exhibit

Financial Trends Information/Schedules

J-1	Net Position by Component
J-2	Changes in Net Position
J-3	Fund Balances-Governmental Funds
J-4	Changes in Fund Balances. Governmental Funds
J-5	General Fund Other Local Revenue by Source

Revenue Capacity Information

J-6	Assessed Value and Estimated Actual Value of Taxable Property
J-7	Direct and Overlapping Property Tax Rates
J-8	Principal Property Taxpayers (Current year and nine years ago)
J-9	Property Tax Levies and Collections

Debt Capacity Information

J-10	Ratios or Outstanding Debt by Type
J-11	Ratios of General Bonded Debt Outstanding
J-12	Direct and Overlapping Governmental Activities Debt
J-13	Legal Debt Margin Information

Demographic and Economic Information

J-14	Demographic and Economic Statistics
J-15	Principal Employers, Current and Nine Years Ago

Operating Information

J-16	Full-time Equivalent District Employees by Function/Program
J-17	Operating Statistics
J-18	School Building Information
J-19	Schedule of Allowable Maintenance Expenditures by School
J-20	Insurance Schedule

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**Net Assets/Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
Unaudited**

	Fiscal Year Ending June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental Activities										
Net Investment in Capital Assets	\$ 264,135.94	\$ 2,373,512.75	\$ 2,363,213.78	\$ 2,266,621.81	\$ 2,175,029.84	\$ 2,093,437.87	\$ 1,993,345.90	\$ 1,914,753.93	\$ 1,660,825.99	\$ 1,352,943.82
Restricted	255,254.76	255,254.76	295,627.76	524,636.15	524,636.15	524,636.15	524,636.15	524,594.25	572,904.08	582,712.63
Unrestricted	(4,430,330.64)	(4,639,719.97)	(4,676,641.37)	1,087,623.10	1,095,502.23	1,256,042.20	2,457,735.59	2,452,852.27	2,659,789.14	2,399,281.08
Total Governmental Activities Net Assets/Position	\$ (3,910,939.94)	\$ (2,010,952.46)	\$ (2,017,799.83)	\$ 3,878,881.06	\$ 3,795,168.22	\$ 3,874,116.22	\$ 4,975,717.64	\$ 4,892,200.45	\$ 4,893,519.21	\$ 4,334,937.53
Business-Type Activities										
Net Investment in Capital Assets	\$ 493,769.06	\$ 126,786.39	\$ 253,576.78	\$ 380,365.18	\$ 507,153.58	\$ 353,340.86	\$ 119,910.52	\$ (25,104.40)	\$ (160,119.32)	\$ (280,134.24)
Restricted	-	-	-	6,977.79	6,977.79	144,360.12	198,640.08	198,640.08	198,640.08	196,281.90
Unrestricted	373,293.40	835,296.30	544,362.05	318,634.68	217,901.42	272,015.95	(587,220.32)	(431,254.40)	2,633.55	191,765.16
Total Business-Type Activities Net Assets/Position	\$ 867,062.46	\$ 962,084.69	\$ 797,938.83	\$ 705,977.65	\$ 732,032.79	\$ 769,716.93	\$ (268,669.72)	\$ (257,718.72)	\$ 41,154.31	\$ 107,912.82
District-Wide										
Net Investment in Capital Assets	\$ 757,905.00	\$ 2,500,301.14	\$ 2,616,790.56	\$ 2,646,986.99	\$ 2,682,183.42	\$ 2,446,778.73	\$ 2,113,256.42	\$ 1,889,649.53	\$ 1,500,706.67	\$ 1,072,809.58
Restricted	255,254.76	255,254.76	295,627.76	531,613.94	531,613.94	668,996.27	723,276.23	723,234.33	771,544.16	778,994.53
Unrestricted	(4,057,037.24)	(3,804,423.67)	(4,132,279.32)	1,406,257.78	1,313,403.65	1,528,058.15	1,870,515.27	2,021,597.87	2,662,422.89	2,591,046.24
Total District Net Assets/Position	\$ (3,043,877.48)	\$ (1,048,867.77)	\$ (1,219,861.00)	\$ 4,584,858.71	\$ 4,527,201.01	\$ 4,643,833.15	\$ 4,707,047.92	\$ 4,634,481.73	\$ 4,934,673.52	\$ 4,442,850.35

Source: District Records

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

Changes in Net Assets/Position
Last Ten Fiscal Years
(accrual basis of accounting)
Unaudited

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 4,715,502.01	\$ 4,017,729.73	\$ 3,036,153.67	\$ 1,556.26	\$ 2,516,031.95	\$ 2,760,659.75	\$ 132,481.14	\$ 236,376.15	\$ 260,068.67	\$ 251,524.18
Special Education							2,665,112.47	2,853,623.74	2,877,609.81	2,958,997.37
Support Services:										
Tuition								3,280.00	3,180.00	8,130.00
Student and Instruction Related Services	4,002,036.45	3,469,025.51	2,992,881.45	2,708,870.73	2,823,886.74	2,589,574.31	2,709,253.22	3,143,185.20	3,034,704.38	2,639,126.82
School Administrative Services	659,995.15	554,039.44	357,765.84	385,061.34	346,290.21	362,730.23	341,136.00	469,846.53	466,047.33	518,722.74
General and Business Administrative Services	936,870.41	734,384.65	784,178.56	781,389.23	899,183.71	952,783.38	1,007,247.57	909,266.78	1,206,346.59	1,191,497.63
Plant Operations and Maintenance	455,416.95	427,005.09	394,660.08	424,484.29	409,459.82	402,539.88	430,991.15	408,094.64	548,215.73	551,338.91
Pupil Transportation	17,832,214.87	17,207,719.22	16,770,316.18	16,538,088.59	16,149,219.46	14,725,657.29	14,828,152.38	15,264,024.10	15,530,007.65	16,472,428.07
Interest on Long-Term Debt		40,373.00	59,008.39							
Total Governmental Activities Expenses	28,602,035.84	26,450,256.64	24,394,964.17	23,359,290.52	23,144,071.89	21,793,944.84	22,114,373.93	23,287,697.14	23,926,180.16	24,591,765.72
Business-Type Activities:										
Food Service	51,853.48	50,479.51	50,544.36	58,598.34	53,418.39	74,643.25	82,665.11	79,537.77	84,463.16	75,326.79
Regional Day School	2,556,738.59	2,627,702.25	2,940,372.78	3,469,956.29	3,376,679.80	3,629,846.85	3,993,499.72	4,491,832.83	4,747,032.29	4,624,511.40
Cornerstone College							27,761.36	92,109.97	54,226.22	
BOSS	378,354.81	347,634.25	414,421.27	445,516.19	283,356.50	412,905.53	510,137.00	591,593.87	211,900.89	
Transportation Leasing	1,595,410.55	1,175,242.67	1,084,348.09	974,397.91	771,703.21	1,078,816.41	1,053,232.29	1,006,335.03	911,456.39	1,050,454.01
Total Business-Type Activities Expense	4,582,357.43	4,201,056.68	4,489,686.50	4,948,468.73	4,485,157.90	5,196,212.04	5,667,285.48	6,261,409.47	6,009,078.95	5,750,292.20
Total District-Wide Expenses	33,184,393.27	30,651,315.32	28,884,650.67	28,307,759.25	27,629,229.79	26,990,156.88	27,781,669.41	29,549,106.61	29,935,259.11	30,342,057.92
Program Revenues										
Governmental Activities:										
Charges for Services:										
Pupil Transportation	17,909,886.89	17,243,076.64	17,106,950.34	16,912,765.80	16,417,352.03	15,025,163.57	15,058,641.34	15,564,270.83	15,908,866.56	15,332,647.89
Operating Grants and Contributions	6,177,478.16	4,909,427.84	3,268,607.11	2,678,782.26	2,741,817.89	2,686,079.16	2,466,732.31	2,634,010.01	2,848,874.98	2,912,443.56
Total Governmental Activities Program Revenues	24,087,365.05	22,152,504.48	20,375,557.45	19,591,548.06	19,159,169.92	17,711,242.73	17,525,373.65	18,198,280.84	18,757,741.54	18,245,091.45

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

Changes in Net Assets/Position
Last Ten Fiscal Years
(accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Business-Type Activities:										
Charges for Services	\$ 6,889.35	\$ 7,387.44	\$ 8,797.60	\$ 8,593.00	\$ 8,636.05	\$ 9,968.78	\$ 11,212.01	\$ 13,672.43	\$ 14,274.78	\$ 15,077.87
Food Service	2,348,179.07	2,749,848.19	2,858,253.72	3,557,990.41	3,401,407.54	3,674,720.68	4,131,243.13	4,357,419.31	4,803,766.61	4,739,277.75
Regional Day School								88,814.94	70,205.57	
Comerstone College								644,986.25	223,009.95	
BOSS	386,644.00	351,497.00	431,377.00	399,601.75	339,563.00	470,393.00	562,409.75	644,986.25	788,938.98	1,135,094.68
Transportation Leasing	1,336,648.67	1,235,299.13	1,264,281.72	931,373.78	673,560.25	1,001,800.64	929,207.18	836,456.26		
Child Care										
Operating Grants and Contributions										
Food Service										
Regional Day School	386,612.24	4,344,031.76	4,562,710.04	4,897,558.94	4,423,166.84	5,156,883.10	5,634,072.07	5,941,349.19	5,900,195.89	5,889,450.30
Capital Grants and Contributions	4,464,973.33	26,496,536.24	24,938,267.49	24,469,107.00	23,582,336.76	22,868,125.83	23,159,445.72	24,139,630.03	24,657,937.43	24,134,541.75
Total Business-Type Activities Program Revenues										
Total District-Wide Program Revenues										
Net (Expense)/Revenue	(4,514,670.79)	(4,297,752.16)	(4,019,406.72)	(3,767,742.46)	(3,984,901.97)	(4,082,702.11)	(4,589,000.28)	(5,089,416.30)	(5,168,438.62)	(6,346,674.27)
Governmental Activities	(117,384.10)	142,973.08	73,023.54	(50,909.79)	(61,991.06)	(39,328.94)	(63,223.41)	(320,060.28)	(108,883.06)	139,158.10
Business-Type Activities	(4,632,054.89)	(4,154,779.08)	(3,946,383.18)	(3,818,652.25)	(4,046,893.03)	(4,122,031.05)	(4,622,223.69)	(5,409,476.58)	(5,277,321.68)	(6,207,516.17)
General Revenues and Other Changes in Net Assets/Position										
Governmental Activities:										
Local Government Units	1,035,193.38	933,213.68	1,045,638.11	988,592.78	1,154,185.29	922,205.45	1,089,389.46	1,254,146.80	1,558,022.31	1,174,292.67
Tuition (other than special schools)	3,721,197.37	3,526,770.75	3,203,599.43	2,789,773.59	2,716,638.23	3,088,317.40	3,563,163.80	3,883,481.23	4,103,350.94	4,239,114.23
Investment Earnings			6.21	2.02	2.01	7.42	61.26	23.75	13,728.23	86,458.68
Miscellaneous Income	12,093.52	798.88	51,418.72	87,941.56	59,435.36	43,813.99	42,148.57	19,601.35	73,341.80	25,200.98
Loss on Disposal of Fixed Assets	(2,131,439.09)									
Refunding Debt Increase	(22,361.87)	(21,172.78)	(18,937.64)	(24,854.65)	(24,306.92)	(1,073,243.57)	(22,245.62)	(21,181.73)	(21,422.97)	(18,248.83)
Transfers	2,614,683.31	4,304,610.53	4,281,724.83	3,851,455.30	3,905,953.97	2,981,100.69	4,672,517.47	5,136,071.40	5,127,020.31	5,506,817.73
Total Governmental Activities										
Business-Type Activities:										
Investment Earnings						3.27	26.79	5.52	5,624.54	8,983.75
Miscellaneous Income										109,870.65
Transfers	22,361.87	21,172.78	18,937.64	24,854.65	24,306.92	1,077,712.32	22,245.62	21,181.73	21,422.97	18,248.83
Total Business-Type Activities	22,361.87	21,172.78	18,937.64	24,854.65	24,306.92	1,077,715.59	22,272.41	21,187.25	27,047.51	137,103.23
Total District-Wide General Revenues	2,637,045.18	4,325,783.31	4,300,662.47	3,876,309.95	3,930,260.89	4,058,816.28	4,694,789.88	5,157,258.65	5,754,067.82	5,643,920.96
Change in Net Assets/Position	(1,899,987.48)	6,856.37	262,318.11	83,712.84	(78,948.00)	(1,101,601.42)	83,517.19	46,655.10	558,581.69	(639,856.54)
Governmental Activities	(95,022.23)	164,145.86	91,961.18	(26,055.14)	(37,684.14)	1,038,386.65	(10,951.00)	(296,873.03)	(91,835.55)	276,261.33
Business-Type Activities	\$ (1,995,009.71)	\$ 171,004.23	\$ 354,279.29	\$ 57,657.70	\$ (116,632.14)	\$ (63,214.77)	\$ 72,566.19	\$ (252,217.93)	\$ 476,746.14	\$ (563,595.21)

Source: District Records

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**Fund Balances - Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)
Unaudited**

	Fiscal Year Ending June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserved	1,738,820.78	1,582,264.37	1,508,763.90	1,269,561.40	1,269,559.38	1,456,485.13	2,663,538.68	2,620,375.77	2,819,255.11	2,548,303.82
Unreserved	\$ 1,738,820.78	\$ 1,582,264.37	\$ 1,508,763.90	\$ 1,269,561.40	\$ 1,269,559.38	\$ 1,456,485.13	\$ 2,663,538.68	\$ 2,620,375.77	\$ 2,819,255.11	\$ 2,548,303.82
Total General Fund	\$ 1,738,820.78	\$ 1,582,264.37	\$ 1,508,763.90	\$ 1,269,561.40	\$ 1,269,559.38	\$ 1,456,485.13	\$ 2,663,538.68	\$ 2,620,375.77	\$ 2,819,255.11	\$ 2,548,303.82
All Other Governmental Funds	\$ 255,254.76	\$ 255,254.76	\$ 295,627.76	\$ 524,636.15	\$ 524,636.15	\$ 524,636.15	\$ 524,636.15	\$ 524,594.25	\$ 572,568.11	\$ 569,583.46
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved, Reported In:	-	-	-	-	-	-	-	-	-	-
Special Revenue Fund	-	-	-	-	-	-	-	-	335.97	379.17
Capital Projects Fund	-	-	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	\$ 255,254.76	\$ 255,254.76	\$ 295,627.76	\$ 524,636.15	\$ 524,636.15	\$ 524,636.15	\$ 524,636.15	\$ 524,594.25	\$ 572,904.08	\$ 569,962.63
Total Fund Balances	\$ 1,994,075.54	\$ 1,837,519.13	\$ 1,804,391.66	\$ 1,794,197.55	\$ 1,794,195.53	\$ 1,981,121.28	\$ 3,188,174.83	\$ 3,144,970.02	\$ 3,392,159.19	\$ 3,131,016.45

Source: District Records

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Changes in Fund Balances - Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues										
Local Government Units	\$ 1,035,193.38	\$ 933,213.68	\$ 1,045,638.11	\$ 998,592.78	\$ 1,154,185.29	\$ 922,205.45	\$ 1,089,389.46	\$ 1,254,146.80	\$ 1,558,022.31	\$ 1,174,292.67
Tuition Charges	3,721,197.37	3,528,770.75	3,203,699.43	2,789,773.59	2,716,638.23	3,088,517.40	3,563,163.80	3,883,481.23	4,103,360.94	4,239,114.23
Transportation Fees	17,909,886.89	17,243,076.64	17,106,950.34	16,912,765.60	16,417,352.03	15,025,163.57	15,058,641.34	15,564,270.83	15,908,866.56	15,332,647.89
Interest Earnings	-	-	6.21	2.02	2.01	7.42	61.26	23.75	13,728.23	86,458.68
Miscellaneous	12,093.52	798.88	51,418.72	87,941.56	59,435.36	43,813.99	42,148.57	19,601.35	73,341.80	25,200.98
State Sources	3,613,751.64	3,124,513.38	2,949,628.43	2,431,014.34	2,547,760.87	2,334,318.68	2,218,857.27	2,372,828.50	2,658,452.39	2,783,499.56
Federal Sources	619,556.52	514,173.46	318,978.68	247,767.92	194,057.02	351,760.48	247,875.04	281,181.51	190,422.59	128,944.00
Total Revenues	26,911,679.32	25,342,546.79	24,676,219.92	23,467,858.01	23,089,430.81	21,765,586.99	22,220,136.74	23,355,533.97	24,506,184.82	23,770,158.01
Expenditures										
Instruction										
Regular Instruction	-	-	-	1,556.26	-	-	132,481.14	236,376.15	260,088.67	251,524.18
Special Education Instruction	2,767,895.55	2,417,454.77	2,209,934.94	1,622,540.91	1,455,492.67	1,682,186.10	1,639,176.62	1,734,515.78	1,879,866.92	1,903,608.59
Other Instruction	-	-	-	-	-	-	-	-	-	-
Support Services:										
Tuition										
Student and Instruction Related Services	2,922,639.31	2,587,604.60	2,535,354.01	2,212,809.83	2,330,152.10	2,076,493.15	2,188,266.52	2,549,322.75	2,547,162.02	2,163,447.07
School Administrative Services	272,456.74	248,749.11	221,231.68	222,333.01	152,406.44	165,795.04	210,607.91	269,988.20	288,014.24	315,925.86
General and Business										
Administrative Services	617,672.29	600,420.69	604,532.45	617,638.25	719,654.55	725,346.02	799,650.21	672,791.57	983,205.49	948,664.65
Plant Operations and Maintenance	357,978.50	351,302.83	368,985.31	393,571.66	373,348.04	375,381.56	379,235.45	376,628.21	521,116.87	522,180.63
Pupil Transportation	17,288,381.92	16,792,754.95	16,626,575.32	16,373,584.74	15,958,299.78	14,676,610.17	14,670,959.06	15,202,140.67	15,475,861.92	16,419,769.08
Employee Benefits	2,272,866.50	2,030,879.59	1,851,466.07	1,833,966.68	2,107,696.06	2,024,084.93	1,982,309.40	2,161,188.25	1,883,832.78	1,996,953.55
Debt Service	-	40,373.00	229,008.39	-	-	-	-	-	-	-
Capital Outlay	232,870.23	218,707.00	-	185,000.00	155,000.00	173,500.00	152,000.00	327,335.97	381,290.20	496,491.79
Total Expenditures	26,732,761.04	25,288,246.54	24,647,068.17	23,443,001.34	23,252,049.64	21,899,396.97	22,154,686.31	23,533,567.55	24,223,619.11	25,028,695.40
Excess (Deficiency) of Revenues Over (Under) Expenditures	178,918.28	54,300.25	29,131.75	24,856.67	(162,618.83)	(133,809.98)	65,450.43	(178,033.58)	282,565.71	(1,258,537.39)

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

Changes in Fund Balances - Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)
Unaudited

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Other Financing Sources (Uses)										
Transfers In	\$ -	\$ -	\$ 6.21	\$ 2.02	\$ 2.01	\$ 7.42	\$ 19.36	\$ 21.04	\$ 1,412.55	\$ 9,122.34
Transfers Out	(22,361.87)	(21,172.78)	(18,943.85)	(24,856.87)	(24,308.93)	(1,073,250.99)	(22,264.98)	(21,202.77)	(22,835.52)	(27,374.17)
Total Other Financing Sources (Uses)	(22,361.87)	(21,172.78)	(18,937.64)	(24,854.65)	(24,306.92)	(1,073,243.57)	(22,245.62)	(21,181.73)	(21,422.97)	(18,248.83)
Net Change in Fund Balances	\$ 156,556.41	\$ 33,127.47	\$ 10,194.11	\$ 2.02	\$ (186,925.76)	\$ (1,207,053.55)	\$ 43,204.81	\$ (199,215.31)	\$ 261,142.74	\$ (1,276,786.22)
Debt Service as a Percentage of Noncapital Expenditures	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: District Records

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**General Fund - Other Local Revenue by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
Unaudited**

<u>Fiscal Year Ended June 30,</u>	<u>Total</u>	<u>Interest</u>	<u>Refunds/Other</u>
2008	\$ 85,141.59	\$ 59,940.61	\$ 25,200.98
2009	87,070.03	13,728.23	73,341.80
2010	19,625.10	23.75	19,601.35
2011	42,148.57	-	42,148.57
2012	43,821.41	7.42	43,813.99
2013	59,437.37	2.01	59,435.36
2014	87,943.58	2.02	87,941.56
2015	51,424.93	6.21	51,418.72
2016	798.88		798.88
2017	12,093.52		12,093.52

Source: District Records

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**Assessed Value and Estimated Actual Value of Taxable Property,
Last Ten Fiscal Years
Unaudited**

NOT APPLICABLE

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years**
(rate per \$100 of assessed value)
Unaudited

NOT APPLICABLE

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**Principal Property Taxpayers
Current Year and Nine Years Ago
Unaudited**

NOT APPLICABLE

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**Property Tax Levies and Collections
Last Ten Fiscal Years
Unaudited**

NOT APPLICABLE

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
Unaudited**

NOT APPLICABLE

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years
Unaudited**

NOT APPLICABLE

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**Direct and Overlapping Governmental Activities Debt
As of December 31, 2016
Unaudited**

NOT APPLICABLE

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**Legal Debt Margin Information
Last Ten Fiscal Years
Unaudited**

NOT APPLICABLE

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**Demographic and Economic Statistics
Last Ten Fiscal Years
Unaudited**

MORRIS COUNTY

<u>Year</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2007	\$ 72,172	3.0%
2008	74,210	4.0%
2009	71,361	7.0%
2010	74,473	7.4%
2011	77,213	7.1%
2012	80,013	7.3%
2013	80,783	6.3%
2014	83,876	4.9%
2015	86,582	4.2%
2016	Not Available	3.9%

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**Principal Employers
Current Year and Nine Years Ago
Unaudited**

NOT APPLICABLE

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**
**Full-time Equivalent District Employees by Function/Program
Last Ten Fiscal Years
Unaudited**

<u>Function/Program</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	4	4	4	4	0	0	0	0	0	0
Regular	86	85	85	62	57	57	55	50	50	56
Special Education										
Support Services:										
Student and Instruction Related Services	5	5	5	4	4	4	5	5	5	4
School Administrative Services	5	4	4	4	4	4	4	4	4	4
General and Business Administrative Services	5	4	4	4	4	4	4	4	4	4
Plant Operations and Maintenance	2	2	2	2	2	2	2	2	2	2
Pupil Transportation	12	11	11	11	10	13	14	14	15	15
Total	<u>119</u>	<u>115</u>	<u>115</u>	<u>91</u>	<u>81</u>	<u>84</u>	<u>84</u>	<u>79</u>	<u>80</u>	<u>85</u>

Source: District Personnel Records

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

Operating Statistics
Last Ten Fiscal Years
Unaudited

Fiscal Year	Enrollment	Park Lake School Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil/Teacher Ratio	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
2008	142.1	8,334,341.60	58,651.24	9.85%	99	1.4	142.1	129.2	1.86%	90.92%
2009	135.7	8,758,006.40	64,539.47	10.04%	99	1.4	135.7	123.4	-4.50%	90.94%
2010	120.8	8,349,993.64	69,122.46	7.10%	99	1.2	120.8	111.9	-10.98%	92.63%
2011	112.0	7,123,760.30	63,605.00	-7.98%	67	1.7	112.0	102.9	-7.28%	91.88%
2012	95.0	6,737,385.80	70,919.85	11.50%	57	1.7	95.3	86.6	-14.91%	90.87%
2013	83.1	6,204,864.91	74,667.45	5.28%	57	1.5	83.1	74.4	-12.80%	89.53%
2014	80.5	6,157,839.74	76,494.90	2.45%	55	1.5	80.5	72.3	-3.13%	89.81%
2015	78.5	5,915,560.36	75,357.46	-1.49%	55	1.4	78.5	73.0	-2.48%	92.99%
2016	73.3	6,103,331.71	83,265.10	10.49%	55	1.3	73.3	67.7	-6.62%	92.36%
2017	69.2	6,273,388.39	90,616.62	8.83%	60	1.2	69.2	62.9	-5.59%	90.88%

Source: District Records

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**School Building Information
Last Ten Fiscal Years
Unaudited**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>Commission Buildings</u>										
<u>Park Lake School</u>										
Square Feet	14,190	14,190	14,190	14,190	14,190	14,190	14,190	14,190	14,190	14,190
Capacity (students)	110	110	110	110	110	110	110	110	110	110
Enrollment	71	67	61	55	47	39	36.5	36.5	42.0	44.0
<u>Regional Day School</u>										
Square Feet	21,590	21,590	21,590	21,590	21,590	21,590	21,590	21,590	21,590	21,590
Capacity (students)	100	100	100	100	100	100	100	100	100	100
Enrollment	71	69	60	56	49	44	44	44	31	25

Number of Schools at June 30, 2017
Special Education School = 2

Source: District Facilities Office

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**General Fund
Schedule of Required Maintenance for School Facilities
Last Ten Fiscal Years
Unaudited**

NOT APPLICABLE

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**Insurance Schedule
As of June 30, 2017
Unaudited**

A) Property Policy

On File	- Blanket, Buildings, Contents
\$ 5,000,000	- Business Interruption/Extra Expense
Sub-Limits:	
\$ 5,000,000	- Earthquake (Annual Aggregate)
	- Flood Categories:
\$ 5,000,000	Flood Zone A - \$500,000 Deductible
\$ 2,000,000	Flood Zone B - \$100,000 Deductible
\$ 5,000,000	Flood Zone C - \$50,000 Deductible
\$ 250,000	- Debris Removal
\$ 25,000	- Fire Department Service Charge
\$ 100,000	- Pollutants Clean Up and Removal

B) Boilers & Machinery Policy:

\$ 50,000,000	Blanket
---------------	---------

C) Inland Marine Floater

\$ 5,000,000	- Valuable Papers
\$ 2,500,000	- Electronic Data Processing Equipment
\$ 250,000	- Contractor's Equipment
\$ 100,000	- School Property Coverage
\$ 250,000	- Miscellaneous

D) Liability

\$ 1,000,000	- Automobile
\$ 1,000,000 /\$2,000,000	- General
\$ 1,000,000	- Employee Benefit
\$ 10,000,000	- Umbrella
\$ 50,000,000	- Excess

E) Crime

\$ 500,000	- Blanket Employee Dishonesty
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F) School Board Legal Liability

\$ 1,000,000	
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Source: District records.

SINGLE AUDIT SECTION

Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

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

Honorable President and
Members of the Board of Education
Educational Services Commission of Morris County
County of Morris
Morris Plains, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund and the aggregate remaining fund information of the Educational Services Commission of Morris County, in the County of Morris, New Jersey, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 5, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Educational Services Commission of Morris County'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 Educational Services Commission of Morris County's internal control. Accordingly, we do not express an opinion on the effectiveness of the Educational Services Commission of Morris County'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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



Vincent M. Montanino
Licensed Public School Accountant
No. 20CS000495

Ferraioli, Wielkotz, Cerullo & Cuva, P.A.
FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants

Newton, New Jersey

December 5, 2017



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND NEW JERSEY'S OMB CIRCULAR 15-08

Honorable President and
Members of the Board of Education
Educational Services Commission of Morris County
County of Morris
Morris Plains, New Jersey

Report on Compliance for Each Major State Program

We have audited the Educational Services Commission of Morris County in the County of Morris, New Jersey, compliance with the types of compliance requirements described in the New Jersey State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the Educational Services Commission of Morris County's major state programs for the year ended June 30, 2017. The Educational Services Commission of Morris County's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Educational Services Commission of Morris County's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and 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 N.J. OMB Circular 15-08.



Those statutes, the Uniform Guidance and N.J. OMB 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Educational Services Commission of Morris County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

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

Report on Internal Control Over Compliance

Management of the Educational Services Commission of Morris County 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 Educational Services Commission of Morris County's internal control over compliance with the type 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 state program and to test and report on internal control over compliance in accordance with 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 Educational Services Commission of Morris County's internal control over compliance.

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

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

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



Vincent M. Montanino
Licensed Public School Accountant
No. 20CS000495

Ferraioli, Wielkocz, Cerullo & Cuva, P.A.
FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants

Newton, New Jersey

December 5, 2017



**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**Schedule of Expenditures of Federal Awards, Schedule A
For the Fiscal Year Ended June 30, 2017**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal or CFDA Number</u>	<u>Federal FAIN Number</u>	<u>Grant or State Project Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Balance July 1, 2016</u>	<u>Adjustments</u>	<u>Cash Received</u>	<u>Total Budgetary Expenditures</u>	<u>Repayment of Prior Years' Balances</u>	<u>Accounts Receivable</u>	<u>Balance June 30, 2017</u>	<u>Deferred Revenue</u>	<u>Due to Grantor</u>
U.S. Department of Education Passed - Through State Department of Education: I.D.E.A. Part B, Basic	84.027A	H027A160100	N/A	7/1/16-6/30/17	\$ 619,556.52	\$ -	\$ -	\$ 619,556.52	\$ (619,556.52)	\$ -	\$ -	\$ -	\$ -	\$ -
Total U.S. Department of Education								619,556.52	(619,556.52)					
Total Federal Financial Assistance					\$ -	\$ -	\$ -	\$ 619,556.52	\$ (619,556.52)	\$ -	\$ -	\$ -	\$ -	\$ -

The accompanying Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance are an integral part of this statement.

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Schedule of Expenditures of State Financial Assistance, Schedule B
For the Fiscal Year Ended June 30, 2017

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance July 1, 2016	Adjustments	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Intergovernmental Accounts Receivable	Deferred Revenue	Due to Grantor	Budgetary Receivables	Cumulative Total Expenditures	MEMO	
														Balance June 30, 2017	
State Department of Education:															
General Funds:															
Reimbursed TPAF Social Security Contribution	17-495-034-5094-003	7/1/16-6/30/17	\$ 199,491.12	\$ -	\$ -	\$ 189,452.75	\$ (199,491.12)	\$ -	\$ (10,038.37)	\$ -	\$ -	\$ -	\$ 199,491.12		
On-Behalf TPAF PRM Contributions	17-495-034-5094-001	7/1/16-6/30/17	348,896.00	-	-	348,896.00	(348,896.00)	-	-	-	-	-	348,896.00		
On-Behalf TPAF Pension Contributions	17-495-034-5094-002	7/1/16-6/30/17	290,710.00	-	-	290,710.00	(290,710.00)	-	-	-	-	-	290,710.00		
Total General Funds						<u>829,058.75</u>	<u>(839,097.12)</u>		<u>(10,038.37)</u>				<u>839,097.12</u>		
Special Revenue Funds:															
New Jersey Nonpublic Aid:															
Textbook Aid	17-100-034-5120-064	7/1/16-6/30/17	196,400.55	-	-	196,400.55	(196,400.55)	-	-	-	-	-	196,400.55		
Auxiliary Services:															
Compensatory Education	17-100-034-5120-067	7/1/16-6/30/17	340,045.08	-	-	340,045.08	(340,045.08)	-	-	-	-	-	340,045.08		
English as a Second Language	17-100-034-5120-067	7/1/16-6/30/17	29,231.40	-	-	29,231.40	(29,231.40)	-	-	-	-	-	29,231.40		
Home Instruction	17-100-034-5120-067	7/1/16-6/30/17	4,795.59	-	-	4,795.59	(4,795.59)	-	-	-	-	-	4,795.59		
Handicapped Services:															
Examination and Classification	17-100-034-5120-066	7/1/16-6/30/17	488,180.29	-	-	488,180.29	(488,180.29)	-	-	-	-	-	488,180.29		
Corrective Speech	17-100-034-5120-066	7/1/16-6/30/17	211,156.42	-	-	211,156.42	(211,156.42)	-	-	-	-	-	211,156.42		
Supplementary Instruction	17-100-034-5120-066	7/1/16-6/30/17	345,581.88	-	-	345,581.88	(345,581.88)	-	-	-	-	-	345,581.88		
Technology Initiative	17-100-034-5120-373	7/1/16-6/30/17	174,174.00	-	-	174,174.00	(174,174.00)	-	-	-	-	-	174,174.00		
Security Aid	17-100-034-5120-509	7/1/16-6/30/17	263,199.31	-	-	263,199.31	(263,199.31)	-	-	-	-	-	263,199.31		
Nursing Services	17-100-034-5120-070	7/1/16-6/30/17	721,890.00	-	-	721,890.00	(721,890.00)	-	-	-	-	-	721,890.00		
Total Special Revenue Funds						<u>2,774,654.52</u>	<u>(2,774,654.52)</u>						<u>2,774,654.52</u>		
Total All Funds						<u>\$ 3,603,713.27</u>	<u>\$ (3,613,751.64)</u>		<u>\$ (10,038.37)</u>				<u>\$ 3,613,751.64</u>		

Less On-Behalf TPAF Contributions:															
On-Behalf TPAF PRM Contributions	17-495-034-5094-001	7/1/16-6/30/17	348,896.00				(348,896.00)								
On-Behalf TPAF Pension Contributions	17-495-034-5094-002	7/1/16-6/30/17	290,710.00				(290,710.00)								
Total for State Financial Assistance - Major Program Determination							<u>(639,606.00)</u>						<u>(639,606.00)</u>		
							<u>(2,974,145.64)</u>						<u>(2,974,145.64)</u>		

The accompanying Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance are an integral part of this statement.

NOTE 1. GENERAL

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance include the activity of all Federal and State Award programs of the Educational Services Commission of Morris County Board of Education. The Board of Education is defined in Note 1 to the Board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the Schedule of Expenditures of Federal Awards and State Financial Assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of Federal Awards and State Financial Assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Notes 2 (C) and 2(D) to the Board's basic financial statements. The information in this schedule 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* (Uniform Guidance) and N.J. OMB Circular 15-08. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO GENERAL-PURPOSE FINANCIAL STATEMENTS

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

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

NOTE 3. RELATIONSHIP TO GENERAL-PURPOSE FINANCIAL STATEMENTS

(continued)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$0.00 for the general fund and \$0.00 for the special revenue fund. See Note for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds.

Additionally, as discussed further in Note 6, the State of New Jersey makes contributions on-behalf of the District for TPAF post-retirement medical and pension contributions. The total amount of these contributions during 2017 fiscal year was \$639,606.00.

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 839,097.12	\$ 839,097.12
Special Revenue Fund	<u>\$619,556.52</u>	<u>2,774,654.52</u>	<u>3,394,211.04</u>
Total Awards and Financial Assistance	<u>\$619,556.52</u>	<u>\$3,613,751.64</u>	<u>\$4,233,308.16</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively.

The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the District for the year ended June 30, 2017. The amount reported as TPAF Social Security Contributions represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2017.

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

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

NOTE 7. INDIRECT COST RATE

The Educational Services Commission of Morris County has elected not to use the 10 percent de minimis Indirect Cost Rate as allowed under the Uniform Guidance.

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- 1) Material weakness(es) identified? yes X no
- 2) Significant deficiencies identified? yes X none reported

Noncompliance material to financial statements noted?

 yes X no

Federal Awards

Not Applicable

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

Section II - Schedule of Financial Statement Findings

NONE

Section III - Federal Awards and State Financial Assistance Findings and Questioned Costs

No matters were reported.

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

Status of Prior Year Findings

There were no prior audit findings.