

**WEST ESSEX REGIONAL  
SCHOOL DISTRICT**

**West Essex Regional School District  
North Caldwell, New Jersey**

**Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2017**

**Comprehensive Annual  
Financial Report**

**of the**

**West Essex Regional  
School District**

**North Caldwell, New Jersey**

**For the Fiscal Year Ended June 30, 2017**

**Prepared by**

**West Essex Regional  
School District**

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INTRODUCTORY SECTION  
(UNAUDITED)

# WEST ESSEX REGIONAL SCHOOL DISTRICT

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## Board of Education

West Greenbrook Road  
North Caldwell, New Jersey 07006  
(973) 228-1200 Fax (973) 228-0559  
[www.westex.org](http://www.westex.org)

September 22, 2017

The Honorable President and Members of  
the Board of Education  
West Essex Regional School District  
West Greenbrook Road  
North Caldwell, New Jersey 07006

Dear Board Members:

The comprehensive annual financial report of the West Essex Regional School District (the "District") for the fiscal year ended June 30, 2017, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the Independent Auditors' Report, the management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES: The West Essex Regional School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board ("GASB") in codification section 2100. All funds of the District are included in this report. The West Essex Regional School District and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels 7 through 12. These include regular, vocational, as well as special education services for handicapped youngsters. The District completed the 2016-2017 fiscal year with an enrollment of 1,739, students, which is 18 students above the previous year's enrollment.

The Honorable President and Members of  
the Board of Education  
West Essex Regional School District  
Page 2  
September 22, 2017

2) ECONOMIC CONDITION AND OUTLOOK: The West Essex Regional School District is comprised of four suburban municipalities: Essex Fells, Fairfield, North Caldwell, and Roseland. Covering an area of 18 square miles, with a combined population of approximately 22,850, these four highly desirable communities are located just 25 miles west of the cultural center of New York City and one hour from the New Jersey shore.

The West Essex area is convenient to Newark Liberty Airport, the New Jersey Turnpike, the Garden State Parkway, and train and bus service to New York City.

High economic standards are characteristic of the West Essex Community, as the District factor grouping rating, assigned by the New Jersey Department of Education is an "I" and about 75% of the wage earners are employed in professional, managerial, technical, or skilled occupations.

3) MAJOR INITIATIVES: The mission of the West Essex Regional School system is to provide a superior education to all students.

We updated our Science Curriculum to align with the NGSS. In addition, We completed a 1:1 initiative with chrome books for all students and lap tops for all teaching staff.

We resurfaced and striped our parking lots and driveways in 2016.

In June 2017, we began a replacement of our current phone and PA system. In addition, we added an emergency notification system.

4) INTERNAL ACCOUNTING CONTROLS: Management of the District is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the District 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 system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state awards, the District also is responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system is also subject to periodic evaluation by the District's management. As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control system, including that portion related to major federal and state award programs, as well as to determine that the District has complied with applicable laws, regulations, contracts and grants.

5) BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by a vote of the Board of Education. 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 reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as restrictions, commitments and/or assignments of fund balance at June 30, 2017.

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

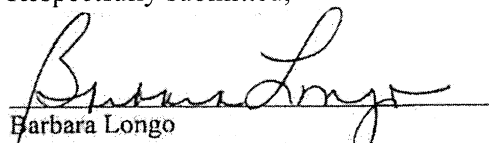
7) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements", Note 3. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

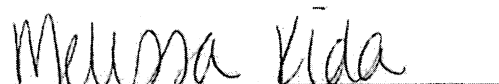
8) RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. The Board is a member of the School Alliance Insurance Fund ("SAIF"). The SAIF is a risk-sharing public entity risk management fund that is both an insured and self-administered group of school districts established for the purpose of providing low-cost insurance coverage to their members. The School Alliance Insurance Fund oversees risk management for the District. The District is also a member of the Morris Essex Insurance Group (the "Group"). This public entity risk management pool provides workers' compensation for its members. A schedule of insurance coverage is found on Exhibit J-20.

9) OTHER INFORMATION: Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The Auditors' Report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The Auditors' Reports related specifically to the single audit and *Government Auditing Standards* are included in the single audit section of this report.

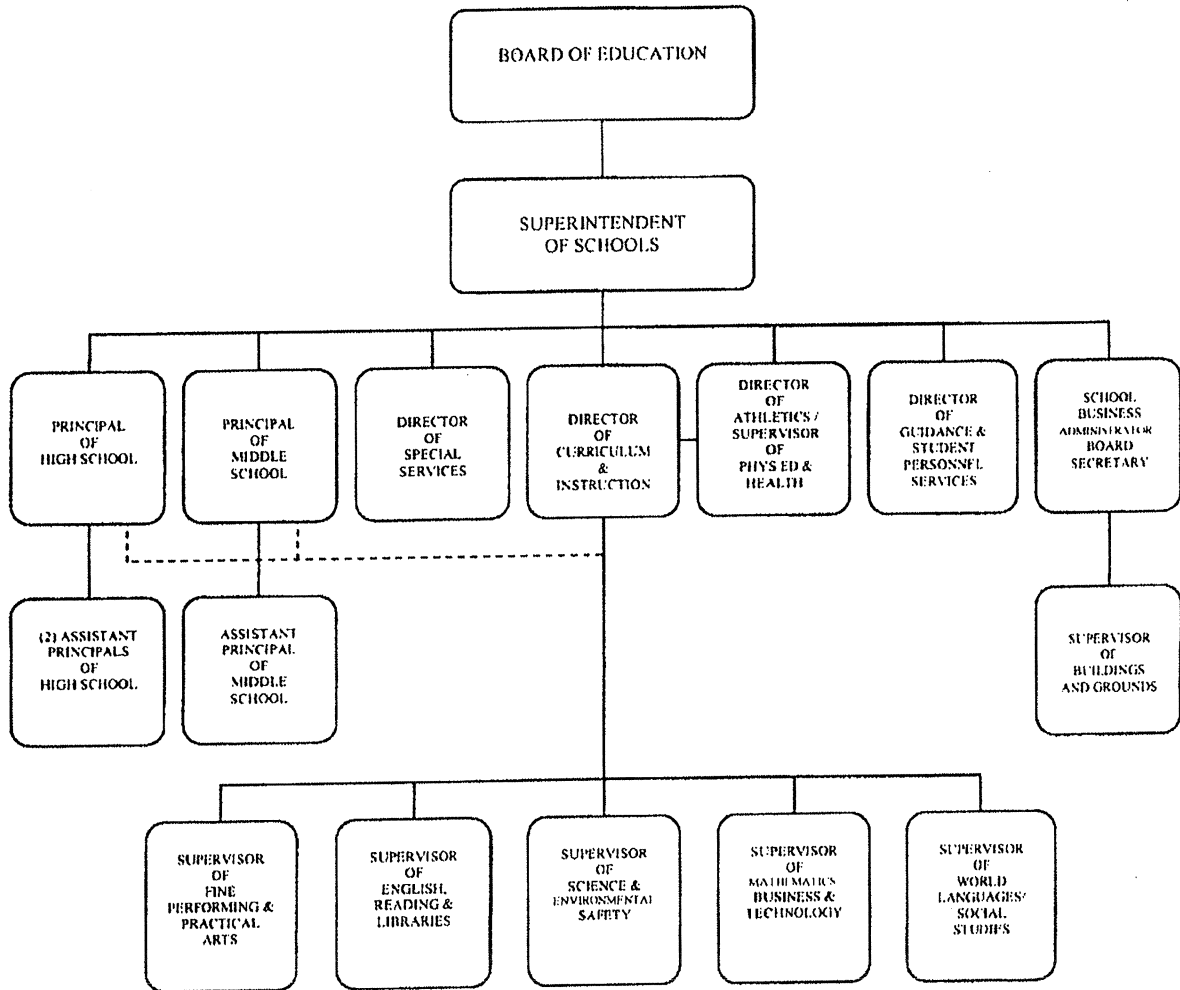
10) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the West Essex Regional School District Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of the financial and accounting staff.

Respectfully submitted,

  
Barbara Longo  
Superintendent of Schools

  
Melissa Kida  
Business Administrator/Board Secretary

### 1110 ORGANIZATIONAL CHART



Adopted: 6 April 2009  
Modified: 26 September 2011  
Modified: 10 September 2012



**WEST ESSEX REGIONAL SCHOOL DISTRICT  
ROSER OF OFFICIALS  
JUNE 30, 2017**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Kristin Wells, President	2018
Deborah Sacco-Calderone, Vice President	2019
Judith Amorim Dias	2019
Cynthia Egan	2017
Anne Fahey	2018
Anthony Prinzo	2019
Anthony Rubinich	2017
Dawn Smith	2017
Maryadele Wojtowicz	2018

<u>Other Officers</u>	<u>Title</u>
Barbara Longo	Superintendent of Schools
Melissa Kida	Business Administrator/Board Secretary (from 1/1/2017)
Michael Falkowski	Interim Business Administrator/Board Secretary (to 12/31/2016)
Kerry Keane	Treasurer of School Monies

# **WEST ESSEX REGIONAL SCHOOL DISTRICT**

Consultants and Advisors

## **Audit Firm**

Nisivoccia LLP, CPAs  
Mount Arlington Corporate Center  
200 Valley Road Suite 300  
Mount Arlington, NJ 07856-1320

And

Lawrence Business Park  
11 Lawrence Road  
Newton, NJ 07860

## **Attorney**

Fogarty & Hara  
16-00 Route 208 S.  
Fair Lawn, NJ 07410

## **Official Depositories**

Lakeland Bank  
250 Oak Ridge Road  
Oak Ridge, NJ 07438

FINANCIAL SECTION

## Independent Auditors' Report

The Honorable President and Members  
of the Board of Education  
West Essex Regional School District  
County of Essex, New Jersey

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the West Essex Regional School District (the "District") in the County of Essex, as of and for the fiscal 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 misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the West Essex Regional School District, in the County of Essex, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, which follows this report, the pension schedules in Exhibits L-1 through L-6 and the related notes and the budgetary comparison information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state 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*; and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and the other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Honorable President and Members  
of the Board of Education  
West Essex Regional School District  
Page 3

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22 2017 on our consideration of the District'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 District's internal control over financial reporting and compliance.

September 22, 2017  
Mount Arlington, New Jersey

NISIVOCCIA LLP



William F. Schroeder  
Licensed Public School Accountant #2112  
Certified Public Accountant



REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)

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

This section of West Essex Regional School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2017. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

**Financial Highlights**

- The District's financial status improved on a district-wide basis.
- Overall revenue was \$51.01 million.
- Overall expenses were \$49.15 million.

**Overview of the Financial Statements**

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more* detail than the District-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the District operates like a business, such as food services.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1**

**Organization of the School District's Financial Report**

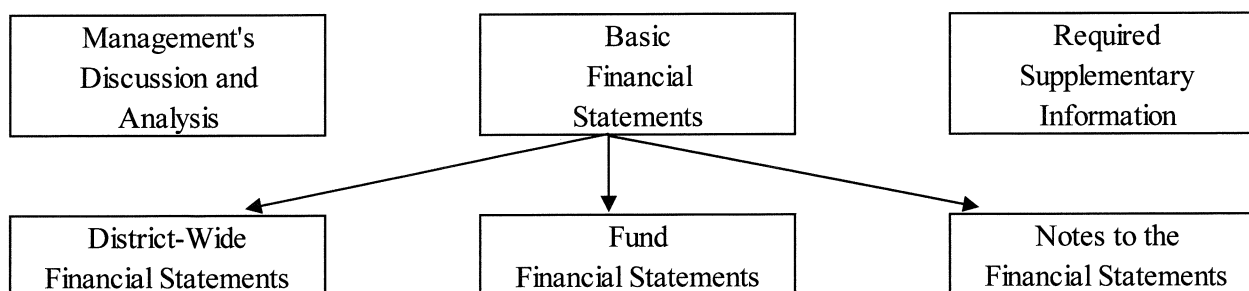


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights that structure and contents of each of the statements.

**Figure A-2**

***Major Features of the District-Wide and Fund Financial Statements***

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as student activities monies.
Required Financial Statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenue, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenue, expenses, and changes in net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
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 and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities are included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## ***District-wide Statements***

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

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

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

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes, tuition and state formula aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's food service is included here.

## ***Fund Financial Statements***

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

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants).

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.
- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. *Internal service funds* (the other kind of proprietary fund) report activities that provide supplies and services for other programs and activities. The District currently does not maintain any internal service funds.
- *Fiduciary funds*: The District is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District

excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

*Notes to Basic Financial Statements:* Provide additional information essential to a full understanding of the District-wide and fund financial statements.

### Financial Analysis of the District as a Whole

*Net Position.* The District's combined net position increased by \$1,856,914. Net position from governmental activities increased by \$1,821,009 and net position from business-type activities increased by \$35,905. Net investment in capital assets increased by \$1,081,046, restricted net position increased by \$1,935,099, and unrestricted net position decreased by \$1,159,231.

**Figure A-3**

#### Condensed Statement of Net Position

	Government Activities		Business-Type Activities		Total School District		Percentage
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	Change 2016/17
Current and							
Other Assets	\$ 9,431,999	\$ 8,475,935	\$ 73,922	\$ 126,954	\$ 9,505,921	\$ 8,602,889	10.50%
Capital Assets, Net	46,365,234	47,689,367	104,833	50,810	46,470,067	47,740,177	-2.66%
Total Assets	<u>55,797,233</u>	<u>56,165,302</u>	<u>178,755</u>	<u>177,764</u>	<u>55,975,988</u>	<u>56,343,066</u>	-0.65%
Deferred Outflows of Resources	4,486,525	2,109,628			4,486,525	2,109,628	112.67%
Other Liabilities	634,803	1,557,358	11,083	45,997	645,886	1,603,355	-59.72%
Long-Term Liabilities	27,751,514	26,625,922			27,751,514	26,625,922	4.23%
Total Liabilities	<u>28,386,317</u>	<u>28,183,280</u>	<u>11,083</u>	<u>45,997</u>	<u>28,397,400</u>	<u>28,229,277</u>	0.59%
Deferred Inflows of Resources	268,003	283,221			268,003	283,221	-5.37%
Net Position:							
Net Investment in							
Capital Assets	33,277,705	32,250,682	104,833	50,810	33,382,538	32,301,492	3.35%
Restricted	7,652,587	5,717,488			7,652,587	5,717,488	33.85%
Unrestricted/(Deficit)	<u>(9,300,854)</u>	<u>(8,159,741)</u>	<u>62,839</u>	<u>80,957</u>	<u>(9,238,015)</u>	<u>(8,078,784)</u>	-14.35%
Total Net Position	<u>\$ 31,629,438</u>	<u>\$ 29,808,429</u>	<u>\$ 167,672</u>	<u>\$ 131,767</u>	<u>\$ 31,797,110</u>	<u>\$ 29,940,196</u>	6.20%

*Changes in Net Position.* The District's combined net position was \$31,797,110 on June 30, 2017, an increase of \$1,856,914 or 6.20% more than the year before. (See Figure A-3). Net Investment in Capital Assets increased due to a net reduction in long-term liabilities from current year maturities and defeasances offset by the refunding bonds issued of \$1,827,000 and capital leases payable of \$192,234 as well as current year capital assets additions of \$531,681 (\$469,767 from Governmental activities and \$61,914 from Business-type activities) and an increase in the deferred amount on refunding of \$331,922; offset by current year depreciation expense of \$1,801,791 (\$1,793,900 from Governmental activities and \$7,891 from Business-type activities). Restricted net position increased by \$1,935,099 due to the increases in Capital Projects fund balance of \$360,204, Capital Reserve of \$1,135,256, Maintenance Reserve of \$55,000 and prior year excess surplus designated for subsequent year's expenditures of \$501,269 offset by decreases in Debt Service fund balance of \$115,361 and current year excess surplus of \$1,269. The decrease in unrestricted net position was due primarily to a decrease in General Fund fund balance designated for subsequent year's expenditures of \$364,164; an increase in unamortized bond issuance premium of \$415,267; an increase in changes in proportion in pensions of \$145,846 and a net increase in pension liability of \$2,747,458; offset by an increase in unassigned fund balance of \$60,392; an increase in year-end encumbrances of \$265,313; an increase in changes in pension assumptions of \$1,522,528; an increase in investment gains in pensions of \$635,785; an increase between expected and actual pension experience of \$881; a net decrease in compensated absences of \$17,899; and a decrease in accrued interest payable of \$28,824.

**Figure A-4**

**Changes in Net Position from Operating Results**

	Governmental Activities	Business- Type Activities	Governmental Activities	Business- Type Activities	Total School District	Total School District	Percentage Change
	2016/17	2016/17	2015/16	2015/16	2016/17	2015/16	2016/17
<b>Revenue:</b>							
<b>Program Revenue:</b>							
Charges for Services	\$ 219,426	\$ 865,003	\$ 79,974	\$ 841,025	\$ 1,084,429	\$ 920,999	17.74%
Operating Grants and Contributions	12,703,372		9,525,846		12,703,372	9,525,846	33.36%
Capital Grants and Contributions	360,204				360,204		100.00%
<b>General Revenue:</b>							
Property Taxes	36,435,146		35,752,595		36,435,146	35,752,595	1.91%
Unrestricted State and Federal Aid	78,957		58,853		78,957	58,853	34.16%
Other	345,667		335,207		345,667	335,207	3.12%
<b>Total Revenue</b>	<b>50,142,772</b>	<b>865,003</b>	<b>45,752,475</b>	<b>841,025</b>	<b>51,007,775</b>	<b>46,593,500</b>	<b>9.47%</b>
<b>Expenses:</b>							
Instruction	26,886,693		23,604,549		26,886,693	23,604,549	13.90%
Pupil and Instruction Services	7,784,816		7,116,172		7,784,816	7,116,172	9.40%
Administrative and Business	4,757,286		4,335,486		4,757,286	4,335,486	9.73%
Maintenance and Operations	4,687,057		4,378,673		4,687,057	4,378,673	7.04%
Transportation	1,979,890		1,807,491		1,979,890	1,807,491	9.54%
Other	2,226,021	829,098	2,198,112	816,748	3,055,119	3,014,860	1.34%
<b>Total Expenses</b>	<b>48,321,763</b>	<b>829,098</b>	<b>43,440,483</b>	<b>816,748</b>	<b>49,150,861</b>	<b>44,257,231</b>	<b>11.06%</b>
<b>Increase in Net Position</b>	<b>\$ 1,821,009</b>	<b>\$ 35,905</b>	<b>\$ 2,311,992</b>	<b>\$ 24,277</b>	<b>\$ 1,856,914</b>	<b>\$ 2,336,269</b>	<b>-20.52%</b>

*Revenue Sources.* The District's total revenue for the 2016/17 school year was \$51,007,775. (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$36,435,146 of the total, or 71.43 percent. (See Figure A-5). Another 25.77 percent came from state and federal aid and the remainder from miscellaneous sources and charges for services.

**Figure A-5**

**Sources of Revenue for Fiscal Year 2017**

	Amount	Percentage
<b>Sources of Income:</b>		
Grants and Contributions	\$ 13,063,576	25.61%
Property Taxes	36,435,146	71.43%
Unrestricted Federal and State Aid	78,957	0.16%
Charges for Services	1,084,429	2.12%
Other	345,667	0.68%
	<b>\$ 51,007,775</b>	<b>100.00%</b>

The total cost of all programs and services was \$49,150,861. The District's expenses are predominantly related to instructing and providing pupil services (74.48 percent). (See Figure A-6). The District's administrative and business activities accounted for 9.66 percent of total costs. The District's maintenance and operations costs accounted for 9.52 percent of total costs.

**Figure A-6****Expenses for Fiscal Year 2017**

Expense Category:	<u>Amount</u>	<u>Percentage</u>
Instruction	\$ 26,886,693	54.63%
Pupil and Instruction Services	7,784,816	15.82%
Administrative and Business	4,757,286	9.66%
Maintenance and Operations	4,687,057	9.52%
Transportation	1,979,890	4.03%
Other	3,055,119	6.34%
	<u>\$ 49,150,861</u>	<u>100.00%</u>

**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Figure A-7 shows the total cost of services and the net cost of services. The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

As discussed elsewhere in this commentary, the financial position of the District improved. However, maintaining existing programs with a slight increase in enrollment and the provision of special programs and services for disabled pupils, combined with rising salary and benefit costs, school security, out of district tuitions, state mandates on testing and energy costs place great demands on the District's resources.

Figure A-7 presents the cost of six major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation and other. 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 District's taxpayers by each of these functions:

**Figure A-7****Net Cost of Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2016/17</u>	<u>2016/17</u>	<u>2015/16</u>	<u>2015/16</u>
Instruction	\$ 26,886,693	\$ 17,692,220	\$ 23,604,549	\$ 16,720,825
Pupil and Instruction Services	7,784,816	6,420,096	7,116,172	6,122,636
Administrative and Business	4,757,286	3,506,683	4,335,486	3,422,375
Maintenance and Operations	4,687,057	3,446,527	4,378,673	3,775,904
Transportation	1,979,890	1,747,214	1,807,491	1,594,811
Other	2,226,021	2,226,021	2,198,112	2,198,112
	<u>\$ 48,321,763</u>	<u>\$ 35,038,761</u>	<u>\$ 43,440,483</u>	<u>\$ 33,834,663</u>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student. Also included are extracurricular activities expenses related to student activities provided by the school district which are designed to provide opportunities for students to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

Pupil and instructional services include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development. Curriculum and staff development expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public is also included in this figure.

General administration, school administration and central services include expenses associated with administrative and financial supervision of the District including, but not limited to, legal and communication costs.

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

Pupil transportation includes activities involved with the conveyance of students to and from school as provided by state law, as well as to and from all other school activities.

Other expenses include the interest on debt for the school district.

### Business-Type Activities

Net position from the District’s business-type activity increased by \$35,905. (Refer to Figure A-4)

### Financial Analysis of the District’s Funds

The District’s financial position improved during the year despite difficult economic times. As the demographics of our geographic area change, additional student needs and expenditures arise. Difficult economic times and recent legislation have had a direct impact upon the District’s revenue sources.

All of these factors are likely to continue for the next several years. To maintain a stable financial position, the District must continue to practice sound fiscal management, including efficiency/cost containment practices, evaluation of services and programs, energy conservation, and seeking additional sources of revenues.

### General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. These budget amendments are due to changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment.

### Capital Assets and Long-Term Liabilities

Figure A-8

	Capital Assets (Net of Depreciation)						Percentage Change 2016/17
	Government Activities		Business-Type Activities		Total School District		
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	
Sites	\$ 288,849	\$ 288,849			\$ 288,849	\$ 288,849	0.00%
Site Improvements	2,795,403	2,946,066			2,795,403	2,946,066	-5.11%
Buildings and Building Improvements	42,080,639	43,402,737			42,080,639	43,402,737	-3.05%
Machinery and Equipment	1,200,343	1,051,715	\$ 104,833	\$ 50,810	1,305,176	1,102,525	18.38%
<b>Total</b>	<b>\$ 46,365,234</b>	<b>\$ 47,689,367</b>	<b>\$ 104,833</b>	<b>\$ 50,810</b>	<b>\$ 46,470,067</b>	<b>\$ 47,740,177</b>	<b>-2.66%</b>



## Long-term Liabilities

At year-end, the District had \$13,460,000 in general obligation bonds outstanding – a decrease of \$1,827,000 from last year (due to \$1,790,000 of maturities and \$37,000 reduction due to the bond refunding) – as shown in Figure A-9. (More detailed information about the District’s long-term liabilities is presented in Note 8 to the financial statements.)

**Figure A-9**

### Long-Term Liabilities

	Total School District		Percentage
	2016/17	2015/16	Change 2015/16
Bonds Payable	\$ 13,460,000	\$ 15,287,000	-11.95%
Unamortized Bond Issuance Premium	1,120,350	705,083	58.90%
Net Pension Liability	12,378,516	9,631,058	28.53%
Capital Leases Payable	391,845	584,079	-32.91%
Compensated Absences Payable	400,803	418,702	-4.27%
	<u>\$ 27,751,514</u>	<u>\$ 26,625,922</u>	4.23%

- The District continued to pay down its debt, retiring \$1,790,000 of outstanding bonds and \$192,234 of capital leases.
- The District issued \$3,965,000 in Refunding Bonds which defeased \$4,002,000 of existing bonds. The refinancing resulted in over 5% net present value savings in interest costs to their final maturity.
- The District’s liability for net pension liability increased \$2,747,458.
- Unamortized bond issuance premium increased \$415,267.
- The District’s liability for accumulated sick and vacation time decreased by \$17,899.

### Factors Bearing on the District’s Future

While many factors influence the School District's future, the availability of funding for special education needs, changes in student population and the economy will have the most impact on educational and fiscal decisions in the future.

Many factors were considered by the School District's administration during the process of developing the fiscal year 2017-2018 budget. The primary factors were the District's projected student population, anticipated state and federal aid as well as increasing salary and related benefit costs, due to negotiations.

These indicators were considered when adopting the budget for fiscal year 2017-2018. Budgeted expenditures in the General Fund decreased to \$37,445,333 for fiscal year 2017-2018.

### Contacting the District’s Financial Management

This financial report is designed to provide the District’s citizens, taxpayers, customers and investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the School Business Administrator/Board Secretary at West Essex Regional School District, West Greenbrook Road, North Caldwell, New Jersey 07006.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

WEST ESSEX REGIONAL SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2017

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,840,986	\$ 63,454	\$ 1,904,440
Receivables from State Government	608,787		608,787
Receivables from Federal Government	370,364		370,364
Receivables from Other Governments	886,727		886,727
Other Receivables	232,686		232,686
Inventories		10,468	10,468
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	5,242,449		5,242,449
Maintenance Reserve Account - Cash and Cash Equivalents	250,000		250,000
Capital Assets, Net:			
Sites (Land)	288,849		288,849
Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment	46,076,385	104,833	46,181,218
Total Assets	<u>55,797,233</u>	<u>178,755</u>	<u>55,975,988</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Amount on Refunding	764,316		764,316
Changes in Proportion - Pensions	35,018		35,018
Changes in Assumptions - Pensions	2,548,512		2,548,512
Difference Between Expected and Actual Experience - Pensions	228,797		228,797
Difference Between Projected and Actual Earnings on Investments - Pensions	484,135		484,135
District Contribution Subsequent to the Measurement Date-Pensions	425,747		425,747
Total Deferred Outflows of Resources	<u>4,486,525</u>		<u>4,486,525</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	494,872		494,872
Accrued Interest Payable	114,243		114,243
Unearned Revenue	25,688	11,083	36,771
Noncurrent Liabilities:			
Due Within One Year	2,092,563		2,092,563
Due Beyond One Year	25,658,951		25,658,951
Total Liabilities	<u>28,386,317</u>	<u>11,083</u>	<u>28,397,400</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Changes in Proportion - Pensions	268,003		268,003
Total Deferred Inflows of Resources	<u>268,003</u>		<u>268,003</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	33,277,705	104,833	33,382,538
Restricted for:			
Capital Projects	5,933,366		5,933,366
Debt Service	467,952		467,952
Maintenance Reserve	250,000		250,000
Excess Surplus	500,000		500,000
Excess Surplus Designated for Subsequent Year's Expenditures	501,269		501,269
Unrestricted/(Deficit)	<u>(9,300,854)</u>	<u>62,839</u>	<u>(9,238,015)</u>
Total Net Position	<u>\$ 31,629,438</u>	<u>\$ 167,672</u>	<u>\$ 31,797,110</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

WEST ESSEX REGIONAL SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 20,146,613	\$ 219,426	\$ 5,667,913		\$ (14,478,700)		\$ (14,478,700)
Special Education	4,465,866		2,798,619		(1,447,821)		(1,447,821)
School Sponsored/Other Instruction	2,274,214		508,515		(1,765,699)		(1,765,699)
Support Services:							
Tuition	2,640,421				(2,640,421)		(2,640,421)
Student and Instruction Related Services	5,144,395		1,364,720		(3,779,675)		(3,779,675)
General Administrative Services	835,943		162,179		(673,764)		(673,764)
School Administrative Services	3,016,987		845,561		(2,171,426)		(2,171,426)
Central Services	678,504		176,841		(501,663)		(501,663)
Administrative Information Technology	225,852		66,022		(159,830)		(159,830)
Plant Operations and Maintenance	4,687,057		880,326	\$ 360,204	(3,446,527)		(3,446,527)
Pupil Transportation	1,979,890		232,676		(1,747,214)		(1,747,214)
Interest on Long-Term Debt	616,401				(616,401)		(616,401)
Unallocated Depreciation	1,609,620				(1,609,620)		(1,609,620)
Total Governmental Activities	48,321,763	219,426	12,703,372	360,204	(35,038,761)		(35,038,761)
Business-Type Activities:							
Food Service	829,098	865,003				\$ 35,905	35,905
Total Primary Government	\$ 49,150,861	\$ 865,003	\$ 12,703,372	\$ 360,204	(35,038,761)	35,905	(35,002,856)

WEST ESSEX REGIONAL SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
General Revenues:			
Taxes:			
Property Taxes, Levied for General Purposes, Net	\$ 34,244,997		\$ 34,244,997
Taxes Levied for Debt Service	2,190,149		2,190,149
Federal, State and Local Aid not Restricted	78,957		78,957
Interest Earnings	17,319		17,319
Miscellaneous Income	328,348		328,348
Total General Revenues	36,859,770		36,859,770
Change in Net Position	1,821,009	\$ 35,905	1,856,914
Net Position - Beginning	29,808,429	131,767	29,940,196
Net Position - Ending	\$ 31,629,438	\$ 167,672	\$ 31,797,110

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

FUND FINANCIAL STATEMENTS

WEST ESSEX REGIONAL SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 682,117		\$ 690,917	\$ 467,952	\$ 1,840,986
Interfund Receivable	357,501				357,501
Receivables From State Government	608,787				608,787
Receivables From Federal Government		\$ 370,364			370,364
Receivables From Other Governments	886,727				886,727
Other Accounts Receivables	232,686				232,686
Restricted Cash and Cash Equivalents	5,492,449				5,492,449
<b>Total Assets</b>	<b>\$ 8,260,267</b>	<b>\$ 370,364</b>	<b>\$ 690,917</b>	<b>\$ 467,952</b>	<b>\$ 9,789,500</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Interfund Payable		\$ 357,501			\$ 357,501
Accounts Payable	\$ 69,125				69,125
Unearned Revenue	12,825	12,863			25,688
<b>Total Liabilities</b>	<b>81,950</b>	<b>370,364</b>			<b>452,314</b>
<b>Fund Balances:</b>					
<b>Restricted:</b>					
Capital Reserve Account	5,242,449				5,242,449
Maintenance Reserve Account	250,000				250,000
Excess Surplus -					
Subsequent Year's Expenditures	501,269				501,269
Excess Surplus	500,000				500,000
Capital Projects Fund			\$ 690,917		690,917
Debt Service				\$ 467,952	467,952
<b>Assigned:</b>					
Designated for Subsequent Year's					
Expenditures	132,238				132,238
Year End Encumbrances	392,626				392,626
Unassigned	1,159,735				1,159,735
<b>Total Fund Balances</b>	<b>8,178,317</b>		<b>690,917</b>	<b>467,952</b>	<b>9,337,186</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 8,260,267</b>	<b>\$ 370,364</b>	<b>\$ 690,917</b>	<b>\$ 467,952</b>	

Amounts Reported for *Governmental Activities* in the Statement of Net Position (A-1) are Different Because:

Capital Assets Used in Governmental Activities are not Financial Resources and Therefore are not Reported in the Funds. The Cost of the Assets is \$64,662,175 and the Accumulated Depreciation is \$18,296,941.	46,365,234
Bond Issuance Premiums are Reported as Revenue in the Governmental Funds in the Year the Bonds are Sold. The Amount is \$2,014,077 and the Accumulated Amortization is \$893,727.	(1,120,350)
The Deferred Amount on the Refunding is not Reported as an Expenditure in the Governmental Funds in the Year of the Expenditure.	764,316



WEST ESSEX REGIONAL SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017

	<u>Total Governmental Funds</u>
<i>Amounts Reported for Governmental Activities</i> in the Statement of Net Position (A-1) are Different Because:	
Interest on Long-Term Debt is not Accrued in Governmental Funds, but Rather is Recognized as an Expenditure When Due.	\$ (114,243)
The Net Pension Liability for PERS and the Board of Education Employees' Pension Fund of Essex County is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(12,378,516)
Certain Amounts Related to the Net Pension Liability are deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds:	
Changes in Assumptions - Pensions	2,548,512
Difference Between Projected and Actual Earnings on Investments - Pensions	484,135
Changes in Proportions - Pensions	35,018
Difference between Expected and Actual Experience - Pensions	228,797
Changes in Proportions - Pensions	(268,003)
Long-Term Liabilities, Including Bonds Payable, are not Due and Payable in the Current Period and Therefore are not Reported as Liabilities in the Funds.	<u>(14,252,648)</u>
Net Position of Governmental Activities	<u>\$ 31,629,438</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL  
STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

WEST ESSEX REGIONAL SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 34,244,997			\$ 2,190,149	\$ 36,435,146
Tuition from Other LEAs	219,426				219,426
Miscellaneous	345,667	\$ 5,432			351,099
Total - Local Sources	34,810,090	5,432		2,190,149	37,005,671
State Sources	5,410,867		\$ 360,204		5,771,071
Federal Sources		370,364			370,364
Total Revenues	40,220,957	375,796	360,204	2,190,149	43,147,106
EXPENDITURES:					
Current:					
Regular Instruction	11,410,754	59,847			11,470,601
Special Education Instruction	2,303,609	304,497			2,608,106
School-Sponsored/Other Instruction	1,484,989				1,484,989
Support Services and Undistributed Costs:					
Tuition	2,640,421				2,640,421
Student and Other Instruction Related Services	3,032,643	11,452			3,044,095
General Administrative Services	546,201				546,201
School Administrative Services	1,704,659				1,704,659
Central Services	404,043				404,043
Administrative Information Technology	123,385				123,385
Plant Operations and Maintenance	3,234,854				3,234,854
Student Transportation	1,970,178				1,970,178
Unallocated Benefits	9,028,590				9,028,590
Debt Service:					
Principal				1,790,000	1,790,000
Interest and Other Charges				515,510	515,510
Capital Outlay	684,834				684,834
Total Expenditures	38,569,160	375,796		2,305,510	41,250,466
Excess /(Deficit) of Revenue Over/(Under) Expenditures	1,651,797		360,204	(115,361)	1,896,640
Other Financing Sources/(Uses):					
School Refunding Bonds Issued				3,965,000	3,965,000
School Bonds Defeased				(4,002,000)	(4,002,000)
Bond Premium				555,685	555,685
Bond Issuance Costs				(94,708)	(94,708)
Deferred Amount on Refunding				(423,977)	(423,977)
Total Other Financing Sources/(Uses)					
Net Change in Fund Balances	1,651,797		360,204	(115,361)	1,896,640
Fund Balance - July 1	6,526,520		330,713	583,313	7,440,546
Fund Balance - June 30	\$ 8,178,317	\$ -0-	\$ 690,917	\$ 467,952	\$ 9,337,186

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL  
STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

WEST ESSEX REGIONAL SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Total Net Change in Fund Balances - Governmental Funds (from B-2)		\$ 1,896,640
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 differs from depreciation during the period.		
Depreciation Expense	\$ (1,793,900)	
Capital Outlays	469,767	(1,324,133)
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. When accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+).		
		28,824
Repayment of capital leases 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.		
		192,234
Repayment of serial bonds 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.		
		1,790,000
The governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
		140,418
Debt issued for the advanced refunding less the amount of bonds defeased are not recorded in the governmental funds.		
School Bonds Issued	(3,965,000)	
School Bonds Defeased	4,002,000	
Deferred Amount on School Refunding	423,977	
School Bond Premium	(555,685)	(94,708)
The governmental funds report the effect of the deferred amount on refunding when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
		(92,055)
The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:		
Change in Net Pension Liability		(2,747,458)
Deferred Outflows:		
Changes in Assumptions		1,522,528
Changes in Proportion		(9,414)
Difference between Expected and Actual Experience		881
Difference Between Projected and Actual Earnings on Investments		635,785
Deferred Inflows:		
Changes in Proportion		(136,432)

WEST ESSEX REGIONAL SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Amounts Reported for Governmental Activities in the Statement  
of Activities (A-2) are Different Because:

In the statement of activities, certain operating expenses, e.g., compensated absences 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 to the reconciliation (+).

\$ 17,899

Change in Net Position of Governmental Activities

\$ 1,821,009

WEST ESSEX REGIONAL SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2017

	Business-Type Activities
	Enterprise Fund Food Service
<u>ASSETS:</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 63,454
Inventories	10,468
Total Current Assets	73,922
Non-Current Assets:	
Capital Assets	261,481
Less: Accumulated Depreciation	(156,648)
Total Non-Current Assets	104,833
Total Assets	178,755
<u>LIABILITIES:</u>	
Current Liabilities:	
Unearned Revenue	11,083
Total Current Liabilities	11,083
<u>NET POSITION:</u>	
Investment in Capital Assets	104,833
Unrestricted	62,839
Total Net Position	\$ 167,672

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

WEST ESSEX REGIONAL SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Business-Type Activities
	Enterprise Fund Food Service
Operating Revenue:	
Local Sources:	
Daily Sales- Nonreimbursable Program	\$ 853,851
Special Events	11,152
	865,003
Total Operating Revenue	865,003
Operating Expenses:	
Cost of Sales - Nonreimbursable Program	345,342
Salaries, Benefits & Payroll Taxes	326,915
Other Purchased Services	36,571
Supplies, Insurance and Other Costs	27,732
Management Fee	56,890
Miscellaneous Expense	27,757
Depreciation Expense	7,891
	829,098
Total Operating Expenses	829,098
Operating Income	35,905
Change in Net Position	35,905
Net Position - Beginning of Year	131,767
Net Position - End of Year	\$ 167,672

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN  
INTEGRAL PART OF THIS STATEMENT

WEST ESSEX REGIONAL SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Business-Type Activities
	Enterprise Fund Food Service
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 873,339
Payments to Employees	(326,915)
Payments to Suppliers	(532,691)
	13,733
Net Cash Provided by Operating Activities	
Cash Flows from Capital and Related Financing Activities:	
Purchases of Capital Assets	(61,914)
	(61,914)
Net Cash Used for Capital and Related Financing Activities	
Cash Flows from Noncapital Financing Activities:	
Interfund Payable - General Fund	(54,772)
	(54,772)
Net Cash Used for Noncapital Financing Activities	
Net Decrease in Cash and Cash Equivalents	(102,953)
Cash and Cash Equivalents, July 1	166,407
Cash and Cash Equivalents, June 30	\$ 63,454
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 35,905
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	7,891
Changes in Assets and Liabilities:	
Increase in Unearned Revenue	3,489
(Decrease) in Accounts Payable	(38,403)
Decrease in Other Accounts Receivable	4,847
Decrease in Inventory	4
	13,733
Net Cash Provided by Operating Activities	\$ 13,733

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN  
INTEGRAL PART OF THIS STATEMENT

WEST ESSEX REGIONAL SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2017

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>	<u>Flexible Spending Trust</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 374,863	\$ 260,825	\$ 124,174	\$ 13,460
Total Assets	<u>374,863</u>	<u>260,825</u>	<u>124,174</u>	<u>13,460</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	18,757			
Due to Student Groups	<u>356,106</u>			
Total Liabilities	<u>374,863</u>			
<u>NET POSITION:</u>				
Restricted For:				
Unemployment Claims		260,825		
Scholarships			124,174	
Flexible Spending Claims				<u>13,460</u>
Total Net Position	<u>\$ -0-</u>	<u>\$ 260,825</u>	<u>\$ 124,174</u>	<u>\$ 13,460</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT



WEST ESSEX REGIONAL SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Unemployment Compensation Trust	Private Purpose Scholarship Trust	Flexible Spending Trust
<b>ADDITIONS:</b>			
Contributions:			
Employee	\$ 50,818		\$ 52,204
Employer	37,202		
Private Donations		\$ 18,738	
Total Contributions	<u>88,020</u>	<u>18,738</u>	<u>52,204</u>
Investment Earnings:			
Interest	<u>480</u>	<u>282</u>	
Net Investment Earnings	<u>480</u>	<u>282</u>	
Total Additions	<u>88,500</u>	<u>19,020</u>	<u>52,204</u>
<b>DEDUCTIONS:</b>			
Unemployment Compensation Claims	52,861		
Flexible Spending Claims			42,023
Scholarships Awarded		<u>50,504</u>	
Total Deductions	<u>52,861</u>	<u>50,504</u>	<u>42,023</u>
Change in Net Position	35,639	(31,485)	10,181
Net Position - Beginning of the Year	<u>225,186</u>	<u>155,659</u>	<u>3,279</u>
Net Position - End of the Year	<u>\$ 260,825</u>	<u>\$ 124,174</u>	<u>\$ 13,460</u>

WEST ESSEX REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (the "Board") of West Essex Regional School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government 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.

A. Reporting Entity:

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. 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 District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation:

District-Wide Financial Statements:

The statement of net position and the statement of activities present financial information about the District's governmental and business type activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between the governmental and business type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenue and other on exchange transactions. Business type activities are financed in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by

WEST ESSEX REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation: (Cont'd)

District-Wide Financial Statements (Cont'd):

the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

During the fiscal year, the School District segregates transactions related to certain School District 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 District'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 District reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the District and is used to account for and report all expendable financial resources not accounted for and reported in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the capital outlay subfund. These resources can be transferred from and to current expenses by board resolution.

As required by NJDOE, the District includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states 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 revenue. 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.

Special Revenue Fund: The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Thus, the Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Governments (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted or committed to expenditures for specified purposes.

Capital Projects Fund: The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election, funds appropriated from the General Fund, and from aid provided by the state to offset the cost of approved capital projects.

WEST ESSEX REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation: (Cont'd)

Debt Service Fund: The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

The District reports the following proprietary fund:

Enterprise Funds: The Enterprise Funds account for all revenue and expenses pertaining to the Board's cafeteria operations. The Food Service Fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the District reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the District on behalf of others and includes the Student Activities Fund, Payroll Agency Fund and the Private Purpose Scholarship Trust.

C. Measurement Focus and Basis of Accounting:

The district-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, 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.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

It is the District's policy, that when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, to apply restricted resources first followed by unrestricted resources. Similarly, within unrestricted fund balance, it is the District's policy to apply committed resources first followed by assigned resources and then unassigned resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

WEST ESSEX REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ended June 30, 2017 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by School Board resolution.

All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the 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 generally accepted accounting principles, with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

The general fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the last two state aid payments for the current year. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenue and Expenditures:

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 40,220,544	\$ 375,419
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, Whereas the GAAP Basis does not.		377
Prior Year State Aid Payments Recognized for GAAP Statements	92,384	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(91,971)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 40,220,957	\$ 375,796

WEST ESSEX REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control: (Cont'd)

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenue and Expenditures:

	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 38,569,160	\$ 375,419
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		377
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 38,569,160	\$ 375,796

E. Cash and Cash Equivalents and Investments:

Cash and cash equivalents include petty cash, change funds, amounts in deposits, and short-term investments with original maturities of three months or less.

The District generally records investments at fair value and records the unrealized gains and losses as part of investment income. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

New Jersey school districts are limited as to the type 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 districts. Additionally, the District 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 17:9-41et 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 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 market value of 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 the other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

WEST ESSEX REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

F. Interfund Transactions:

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

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

G. Allowance for Uncollectible Accounts:

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

H. 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 restricted, committed and/or assigned fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund for which the District has received advances are reflected in the balance sheet as unearned revenue 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.

I. Short-term Interfund Receivables/Payables:

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

WEST ESSEX REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

J. Inventories and Prepaid Expenses:

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund, are recorded as an expenditure during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2017.

K. Capital Assets:

During the year ended June 30, 1994, the District established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994, are recorded at historical cost including ancillary charges necessary to place the asset into service. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Land has been recorded at estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment. The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line.

The estimated useful lives of capital assets reported in the District-wide statements and proprietary funds are as follows:

	<u>Estimated Useful Life</u>
Buildings and Building Improvements	50 years
Site Improvements	20 years
Machinery and Equipment	10 to 15 years
Computer and Related Technology	5 years
Vehicles	8 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures in the governmental fund upon acquisition. Capital assets are not capitalized and the related depreciation is not reported in the fund financial statements.

L. Long Term Liabilities:

In the district-wide and enterprise fund statements of net position, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or enterprise funds. Bond premium and discounts are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.



WEST ESSEX REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

M. Accrued Salaries and Wages:

The District does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year, therefore, there are no accrued salaries and wages as of June 30, 2017.

N. Compensated Absences:

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

District employees are granted varying amounts of vacation and sick leave in accordance with the District's various employee contracts/agreements. Upon termination, employees are paid for accrued vacation. The District's various employee contracts/agreements permit employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement, employees shall be paid by the District for the unused sick leave in accordance with the District's agreements with the various employee contracts/agreements.

In the district-wide *Statement of Net Position*, the liabilities, whose average maturities are greater than one year, should be reported in two components – the amount due within one year and the amount due in more than one year.

O. Unearned Revenue:

Unearned revenue in the special revenue and the enterprise funds represent cash which has been received but not yet earned.

P. Fund Balance Appropriated:

General Fund: Of the \$8,178,317 General Fund fund balance at June 30, 2017, \$392,626 is assigned for encumbrances; \$5,242,449 is restricted in the capital reserve account; \$250,000 is restricted in the maintenance reserve account; \$500,000 is restricted for current year excess surplus in accordance with N.J.S.A. 18A:7F-7 (S1701) and will be appropriated and included as anticipated revenue for the year ending June 30, 2019; \$501,269 is restricted for prior year excess surplus in accordance with N.J.S.A. 18A:7F-7 (S1701) and has been appropriated and included as anticipated revenue for the year ending June 30, 2018; \$132,238 is assigned for subsequent year's expenditures; and \$1,159,735 is unassigned on the GAAP basis, which is \$91,971 less than the budgetary unassigned fund balance due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2018.

Capital Projects Fund: The \$690,917 Capital Projects Fund balance at June 30, 2017 is restricted.

Debt Service Fund: The \$467,952 Debt Service Fund fund balance at June 30, 2017 is restricted.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, C.73 (s1701), the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District had excess surplus at June 30, 2017 as detailed above.

WEST ESSEX REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

P. Fund Balance Appropriated: (Cont'd)

Unassigned fund balance in the General Fund is less on a GAAP basis than budgetary basis in the amount of \$92,384 as of June 30, 2017 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event state school aid payments are not made until the following school budget year, districts must record the last state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize these last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final two state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments noted above.

Q. Deficit Net Position:

The District has a deficit in unrestricted net position of \$9,300,854 in governmental activities, which is due to accrued interest payable of \$114,243, \$400,803 of compensated absences payable, an unamortized bond premium of \$1,120,350, changes in proportion in pensions of \$268,003 and net pension liability of \$12,378,516 offset by \$132,238 of fund balance assigned for subsequent year's expenditures, \$392,626 of fund balance assigned for encumbrances, changes in pension assumptions of \$2,548,512, changes in proportion in pensions of \$35,018, investment gains in pensions of \$484,135, the difference between expected and actual experience in pensions of \$228,797 and Governmental Funds unassigned fund balance of \$1,159,735. This deficit does not indicate that the District is having financial difficulties and is a permitted practice under generally accepted accounting principles.

R. Net Position:

Net Position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources at June 30, 2017 for the deferred amount on the refunding of debt related to the District's 2011 and 2016 refunding bonds, changes in proportion and changes in assumptions in pensions, the difference between expected and actual experience in pensions, the net difference between projected and actual investment earnings on pension plan investments and the District contribution subsequent to the measurement date related to pensions.

A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had a deferred inflow of resources at June 30, 2017 for the changes in proportion in pensions.

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

WEST ESSEX REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

R. Net Position: (Cont'd)

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

S. Fund Balance Restrictions, Commitments and Assignments:

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the District's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts have been restricted, committed or assigned.

Fund balance restrictions have been established for the debt service fund, capital projects fund, capital reserve, maintenance reserve and excess surplus.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has no committed resources at June 30, 2017.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for the 2017/2018 budget and encumbrances in the General Fund at June 30, 2017.

WEST ESSEX REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

T. Revenue - Exchange and Nonexchange Transactions:

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

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

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

U. Operating Revenue and Expenses:

Operating revenue are those revenues that are generated directly from the primary activity of the respective Enterprise Fund. For the School District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Enterprise Fund.

V. Management Estimates:

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

W. Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State of New Jersey Public Employees' Retirement System (PERS), the State of New Jersey Teachers' Pension and Annuity Fund (TPAF) and the Board of Education Employees' Pension Fund of Essex County (the Plan) and additions to deductions from the PERS's, the TPAF's and the Plan's net position have been determined on the same basis as they are reported by the PERS, the TPAF and the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension Plan investments are reported at fair value.

WEST ESSEX REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include petty cash, change funds, amounts in deposits, and short-term investments with original maturities of three months or less.

The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB requires disclosure of the level of custodial credit risk assumed by the District in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk - In accordance with its cash management plan, the District ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk - The District limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed on the following page.

Custodial Credit Risk – The District's policy with respect to custodial credit risk requires that the District ensures that District funds are only deposited in financial institutions in which NJ school districts are permitted to invest their funds.

Deposits:

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation or by any other agency of the United States that insures deposits made in public depositories. School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit, and

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

WEST ESSEX REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Investments:

New Jersey statutes permit the Board to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c281 (C.52:18A-90.4); or
- (7) Agreements for the repurchase of fully collateralized securities if:
  - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c236 (C.17:9-41); and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2017, cash and cash equivalents of the District consisted of the following:

	Restricted Cash and Cash Equivalents		Cash and	Total
	Capital Reserve	Maintenance Reserve	Cash Equivalents	
Checking Accounts	\$ 5,242,449	\$ 250,000	\$ 2,677,762	\$ 8,170,211
	\$ 5,242,449	\$ 250,000	\$ 2,677,762	\$ 8,170,211

During the period ended June 30, 2017, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2017, was \$8,170,211 and the bank balance was \$9,665,930.

WEST ESSEX REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the District on September 25, 2002 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the State Department of Education, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-5.1(d)7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

Beginning Balance, July 1, 2016	\$ 4,107,193
Add:	
Deposit as per Board Resolution - June 2017	1,813,087
Unexpended Funds of Budgeted Withdrawal and Board Resolution for Capital Outlay	3,117,169
Less:	
Budgeted Withdrawal for Capital Outlay	(1,300,000)
Transfer to Capital Outlay as per Board Resolution	<u>(2,495,000)</u>
Ending Balance, June 30, 2017	<u>\$ 5,242,449</u>

The balance in the capital reserve account at June 30, 2017 does not exceed the LRFP balance of local support costs of uncompleted capital projects. The withdrawal from the capital reserve was for use in DOE approved facilities projects consistent with the District's LRFP.

NOTE 5. MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account was established by Board resolution on June 20, 2011. These funds may be used for specific activities necessary for the purpose of keeping a school facility open and safe for use or in its original condition, and for keeping its constituent buildings systems fully and efficiently functional and for keeping their warranties valid but cannot be used for routine or capital maintenance. The purpose of the reserve is to provide funds for anticipated expenditures required to maintain a building.

Pursuant to N.J.A.C. 6A:26A-4.2 funds may be deposited into the maintenance reserve account at any time by board resolution to meet the required maintenance of the District by transferring unassigned general fund balance or by transferring excess unassigned general fund balance that is anticipated to be deposited during the current fiscal year in the advertised recapitulation of balances of the subsequent fiscal year's budget that is certified for taxes. Funds may be withdrawn from the maintenance reserve account and appropriated into the required maintenance account lines at budget time or any time during the fiscal year by Board resolution for use on required maintenance activities by school facility as reported in the comprehensive maintenance plan.

Funds withdrawn from the maintenance reserve account are restricted to required maintenance appropriations and may not be transferred to any other line-item account. In any fiscal year that maintenance reserve account funds are withdrawn, unexpended required maintenance appropriations, up to the amount of maintenance reserve account funds

WEST ESSEX REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 5. MAINTENANCE RESERVE ACCOUNT (Cont'd)

withdrawn, shall be restored to the maintenance reserve account at fiscal year-end. At no time, shall the maintenance reserve account have a balance that exceeds four percent of the replacement cost of the current fiscal year of the District's school facilities. If the account exceeds this maximum amount at June 30, the excess shall be restricted and designated in the subsequent fiscal year's budget. The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

The activity of the maintenance reserve for the July 1, 2016 to June 30, 2017 fiscal year is as follows:

Beginning Balance, July 1, 2016	\$ 195,000
Add:	
Transfer from Unassigned Fund Balance as per Board Resolution - June 2017	55,000
	\$ 250,000
Ending Balance, June 30, 2017	\$ 250,000

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2017 were as follows:

	Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 288,849			\$ 288,849
Total Capital Assets Not Being Depreciated	288,849			288,849
Capital Assets Being Depreciated:				
Site Improvements	4,380,232			4,380,232
Buildings and Building Improvements	56,959,138	\$ 78,145		57,037,283
Machinery and Equipment	2,564,189	391,622		2,955,811
Total Capital Assets Being Depreciated	63,903,559	469,767		64,373,326
Governmental Activities Capital Assets	64,192,408	469,767		64,662,175
Less Accumulated Depreciation for:				
Site Improvements	(1,434,166)	(150,663)		(1,584,829)
Buildings and Building Improvements	(13,556,401)	(1,400,243)		(14,956,644)
Machinery and Equipment	(1,512,474)	(242,994)		(1,755,468)
	(16,503,041)	(1,793,900)		(18,296,941)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 47,689,367	\$ (1,324,133)	\$ -0-	\$ 46,365,234
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 199,567	\$ 61,914		\$ 261,481
Less: Accumulated Depreciation	(148,757)	(7,891)		(156,648)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	\$ 50,810	\$ 54,023	\$ -0-	\$ 104,833



WEST ESSEX REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 6. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to governmental functions as follows:

Unallocated	\$ 1,609,620
Regular Instruction	60,043
General Administrative Services	24,825
Transportation	9,712
Operation and Maintenance of Plant	89,700
	<u>\$ 1,793,900</u>

NOTE 7. OPERATING LEASES

The District has a commitment to lease copying equipment under an operating lease. Future minimum lease payments are as follows:

<u>Year Ending</u>	<u>Amount</u>
2018	67,782
2019	18,822
2020	3,137
Total future minimum lease payments	<u>\$ 89,741</u>

NOTE 8. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2017, the following changes occurred in liabilities reported in the district-wide financial statements:

	<u>Balance</u> <u>6/30/2016</u>	<u>Accrued</u>	<u>Retired</u>	<u>Balance</u> <u>6/30/2017</u>
Serial Bonds Payable	\$ 15,287,000	\$ 3,965,000	\$ 5,792,000	\$ 13,460,000
Unamortized Bond Issuance Premium	705,083	555,685	140,418	1,120,350
Net Pension Liability	9,631,058	2,747,458		12,378,516
Obligations Under Capital Leases	584,079		192,234	391,845
Compensated Absences Payable	418,702		17,899	400,803
	<u>\$ 26,625,922</u>	<u>\$ 7,268,143</u>	<u>\$ 6,142,551</u>	<u>\$ 27,751,514</u>

A. Bonds Payable:

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds.

On August 15, 2009, the District issued serial bonds in the amount of \$6,537,000. The bonds were issued with interest rates ranging from 3.00% to 4.00%. The bonds mature on August 15, 2012 through 2019.

WEST ESSEX REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 8. LONG-TERM LIABILITIES (Cont'd)

A. Bonds Payable: (Cont'd)

On July 14, 2011 and July 11, 2016, the District issued refunding bonds in the amount of \$14,470,000 and \$3,965,000. The bonds were issued with interest rates ranging from 2.00% to 5.00% and 2.00% to 4.00%. The bonds mature on November 1, 2011 through 2022 and August 15, 2016 through 2029.

The District had bonds outstanding as of June 30, 2017 as follows:

<u>Purpose</u>	<u>Serial Bonds</u> Final Maturity Date	<u>Interest</u> Rate	<u>Amount</u>
Serial Bonds	8/15/19	3.125-3.25%	\$ 940,000
Refunding Bonds	11/1/22	2.25-5.00%	8,625,000
Refunding Bonds	8/15/29	3.00-4.00%	3,895,000
			<u>\$ 13,460,000</u>

Principal and interest due on serial bonds outstanding are as follows:

<u>Year Ending June 30,</u>	<u>Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,725,000	\$ 514,069	\$ 2,239,069
2019	1,725,000	451,550	2,176,550
2020	1,740,000	376,900	2,116,900
2021	1,755,000	295,313	2,050,313
2022	1,810,000	223,975	2,033,975
Thereafter 5 Years (2023-2027)	3,430,000	458,162	3,888,162
Thereafter 3 Years (2028-2030)	1,275,000	63,444	1,338,444
	<u>\$ 13,460,000</u>	<u>\$ 2,383,413</u>	<u>\$ 15,843,413</u>

The bond payments will be paid from the Debt Service Fund.

B. Bonds Authorized But Not Issued:

As of June 30, 2017, the Board had no bonds authorized but not issued.

C. Capital Leases Payable:

The District has \$780,000 in capital leases payable for district-wide computers of which \$388,155 has been liquidated as of June 30, 2017. The capital lease is for 4 years in length and will be liquidated by the General Fund. The following is a schedule of the future minimum lease payments under the capital leases, and the present value of the net minimum lease payments at June 30, 2017.

WEST ESSEX REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Continued)

NOTE 8. LONG-TERM LIABILITIES (Cont'd)

C. Capital Leases Payable: (Cont'd)

<u>Year Ending</u>	<u>Amount</u>
2018	\$ 199,675
2019	<u>199,675</u>
	399,350
Less: Amount representing interest	<u>(7,505)</u>
Present value of net minimum lease payments	<u>\$ 391,845</u>

The current portion of capital leases payable at June 30, 2017 is \$194,682 and the long-term portion is \$197,163.

D. Compensated Absences Payable:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The current portion of the compensated absences balance of the governmental funds is \$32,463 and is separated from the long-term liability balance of compensated absences of \$368,340. The General Fund will be used to liquidate the governmental funds Compensated Absences Payable.

E. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2017 is \$-0- and the long-term portion is \$12,302,942. See Note 9 for further information on the PERS.

The Board of Education Employees' Pension Fund of Essex County's (the Plan) net pension liability of the governmental fund types are recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2017 is \$-0- and the long-term portion is \$75,574. See Note 9 for further information on the Plan.

F. Unamortized Bond Premium:

The unamortized bond issuance premium of the governmental fund types is recorded in the noncurrent liabilities. The current portion of the unamortized bond issuance premium balance of the governmental funds is \$140,418 and is separated from the long-term liability balance of \$979,932.

WEST ESSEX REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 9. PENSION PLANS

Substantially all of the Board’s employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers’ Pension and Annuity Fund (TPAF) or the Public Employee’s Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP). A small number of the District’s retirees participate in the Board of Education Employees’ Pension Fund of Essex County (the “Plan”).

A. Public Employees’ Retirement System (PERS):

Plan Description

The State of New Jersey, Public Employees’ Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division’s Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrprts.shtml](http://www.state.nj.us/treasury/pensions/annrprts.shtml).

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. 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 1/55<sup>th</sup> of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and 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 with 25 or more years of service credit before age 62 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 members 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.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers’ contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine

WEST ESSEX REGIONAL SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS): (Cont'd)

Contributions (Cont'd)

the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$375,724 for 2016.

The employee contribution rate was 7.20% effective July 1, 2016. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2017, the District reported a liability of \$12,302,942 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. 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 members, actuarially determined. At June 30, 2016, the District's proportion was 0.042%, which was a decrease of 0.001% from its proportion measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the District recognized pension expense of \$1,118,031. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Year of Deferral</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2014	6.44	\$ 154,651	
	2015	5.72	631,936	
	2016	5.57	1,761,925	
Difference Between Expected and Actual Experience	2015	5.72	175,328	
	2016	5.57	53,469	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5.00	(231,746)	
	2015	5.00	148,269	
	2016	5.00	552,599	
Changes in Proportion	2014	6.44		\$ 101,935
	2015	5.72	35,018	
	2016	5.57		166,068
District Contribution Subsequent to the Measurement Date	2016	1.00	420,000	
			<u>\$ 3,701,449</u>	<u>\$ 268,003</u>

WEST ESSEX REGIONAL SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS): (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts including changes in proportion and the District contribution subsequent to the measurement date) related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Total
2017	\$ 730,905
2018	730,905
2019	846,778
2020	711,417
2021	226,426
	\$ 3,246,431

Actuarial Assumptions

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

Inflation Rate	3.08%
Salary Increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment Rate of Return	7.65%

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

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

WEST ESSEX REGIONAL SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS): (Cont'd)

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension 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' target asset allocation as of June 30, 2016 are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. 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% as of June 30, 2016 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount 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 upon the contribution rate in the most recent fiscal year. The local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034.

WEST ESSEX REGIONAL SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS): (Cont'd)

Discount Rate (Cont'd)

Therefore, the long-term expected rate of return on pension 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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2016 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2016		
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
District's proportionate share of the Net Pension Liability	\$ 15,075,820	\$ 12,302,942	\$ 10,013,692

Pension plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

B. Teachers' Pension and Annuity Fund (TPAF):

Plan Description

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrprts.shtml](http://www.state.nj.us/treasury/pensions/annrprts.shtml).

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



WEST ESSEX REGIONAL SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF): (Cont'd)

Benefits Provided (Cont'd)

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 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 1/55<sup>th</sup> of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and 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 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2016, the State's pension contribution was less than the actuarially determined amount.

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, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2017, the State of New Jersey contributed \$1,451,196 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$8,446,862.

The employee contribution rate was 7.20% effective July 1, 2016. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

WEST ESSEX REGIONAL SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF): (Cont'd)

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

At June 30, 2017, the State's proportionate share of the net pension liability associated with the District was \$112,420,836. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. 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 members, actuarially determined. At June 30, 2016, the District's proportion was 0.143%, which was an increase of 0.007% from its proportion measured as of June 30, 2015.

District's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>112,420,836</u>
Total	<u>\$ 112,420,836</u>

For the fiscal year ended June 30, 2016, the State recognized pension expense on behalf of the District in the amount of \$8,446,862 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2017 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Year of Deferral</u>	<u>Ammortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2014	8.5	\$ 1,691,524,165	
	2015	8.3	4,488,602,746	
	2016	8.3	<u>9,522,623,964</u>	
			<u>15,702,750,875</u>	
Difference Between Expected and Actual Experience	2014	8.5		\$ 16,110,615
	2015	8.3	277,221,464	
	2016	8.3	<u>118,421,979</u>	
			<u>277,221,464</u>	<u>134,532,594</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5	(870,618,286)	
	2015	5	577,926,182	
	2016	5	<u>1,727,420,767</u>	
			<u>1,434,728,663</u>	
			<u>\$ 17,414,701,002</u>	<u>\$ 134,532,594</u>

WEST ESSEX REGIONAL SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF): (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Amounts reported by the State as collective deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense excluding that attributable to employer-paid members contributions as follows:

Fiscal Year Ending June 30,	Total
2016	\$ 2,538,535,636
2017	2,538,535,636
2018	2,973,844,781
2019	2,781,202,718
2020	2,349,347,527
Thereafter	4,098,702,110
	\$ 17,280,168,408

Actuarial Assumptions

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

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

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 years 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.

WEST ESSEX REGIONAL SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF): (Cont'd)

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension 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' target asset allocation as of June 30, 2016 are summarized in the following table:

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

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 3.22% as of June 30, 2016. 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% as of June 30, 2016 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that

WEST ESSEX REGIONAL SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF): (Cont'd)

Discount Rate – TPAF (Cont'd)

contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. The State contributed 30% of the actuarially determined contributions. Based on those assumptions, the pension 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 pension plan investments was applied to projected benefit payments through 2029, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the State's proportionate share of the net pension liability associated with the District as of June 30, 2016 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2016		
	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 134,255,604	\$ 112,420,838	\$ 94,589,934

Pension Plan Fiduciary Net Position - TPAF

Detailed information about the TPAF's fiduciary net position is available in the separately issued TPAF financial statements.

C. Defined Contribution Retirement Program (DCRP):

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 TPAF, 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.

WEST ESSEX REGIONAL SCHOOL DISTRICT  
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(Continued)

NOTE 9. PENSION PLANS (Cont'd)

C. Defined Contribution Retirement Program (DCRP): (Cont'd)

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 Chapter 103, 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.

For DCRP, the District recognized pension expense of \$13,248 for the fiscal year ended June 30, 2017. Employee contributions to DCRP amounted to \$24,287 for the fiscal year ended June 30, 2017.

D. Board of Education Employees' Pension Fund of Essex County (the Plan):

Plan Description

The Board of Education Employees' Pension Fund of Essex County (the "Plan"), is a multiple-employer contributory defined benefit pension plan that provides pension and life insurance benefits to employees of the Boards of Education within Essex County employed before July 1, 1981, except temporary employees and employees eligible for coverage under any New Jersey State administered pension plan created under prior New Jersey laws.

The ECPF became effective April 16, 1929. The Plan provides for retirement, service, and non-service connected death and disability benefits for its members. The Plan is governed by New Jersey Statutes under Title 18A, and is administered by a Board of Trustees for the Plan who is also responsible for the management and investment of Plan assets. The Board of Trustees consists of one active and five retired elected Plan members.

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

Benefits Provided

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

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

Contributions

Contributions are made by the members at 3%, the maximum contribution rate required by statute, of their annual compensation. Contributions made by the Boards are determined annually based upon actuarial valuations. The Boards are required to reimburse the Plan for administrative expenses and cost of living increases associated with its retirees. Plan provisions and contribution requirements are established by New Jersey state statute assets. District contributions to the Plan amounted to \$9,966 for fiscal year 2017.

WEST ESSEX REGIONAL SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

D. Board of Education Employees' Pension Fund of Essex County (the Plan): (Cont'd)

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

At June 30, 2017, the District reported a liability of \$75,574 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. 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 members, actuarially determined. The District rolled forward the net pension liability to June 30, 2017 with no adjustments. At June 30, 2016, the District's proportion was 0.209%, which was an increase of 0.008% from its proportion measured as of June 30, 2015. The District utilized the proportion at June 30, 2016 for June 30, 2017 as there were no known changes to the District's proportionate share as of June 30, 2017.

For the fiscal year ended June 30, 2017, the District recognized pension expense of \$9,966.

At June 30, 2017, the District reported deferred outflows of resources related to pension from the sources noted in the below table. For the fiscal year ended June 30, 2017 we amortized the deferred outflow of resources at June 30, 2016 by the amount to be amortized for the fiscal year ended June 30, 2017 per the June 30, 2016 actuarial valuation. There were no deferred inflows of resources.

	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>
Net Difference Between Projected and Actual		
Investment Earnings on Pension Plan Investments:		
2016	5 years	\$ 13,548
2015	5 years	1,465
		<u>15,013</u>
District Contribution Subsequent to the Measurement Date	1 year	<u>5,747</u>
		<u>\$ 20,760</u>

The amounts reported as a deferred outflow of resources for the net difference between projected and actual investment earnings on pension plan investments only related to pensions will be recognized in pension expense as follows.

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2018	\$ 3,876
2019	3,876
2020	3,876
2021	<u>3,385</u>
	<u>\$ 15,013</u>

WEST ESSEX REGIONAL SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

D. Board of Education Employees' Pension Fund of Essex County (the Plan): (Cont'd)

Actuarial Assumptions

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

Inflation Rate	2.30%
Salary Increases	4.50%
Investment Rate of Return, net of Plan investment expense, including inflation	7.00%
Cost of Living Adjustments ("COLA")	3.00%

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 separate annuitant and non-annuitant tables with static projections using Scale AA through the valuation year plus 7 years for annuitants and the valuation year plus 15 years for no annuitants. For disabled retirees, mortality rates are based on the 1994 Group Annuity Mortality Table set forward 10 years.

No changes to the actuarial assumptions as of June 30, 2016 are known as of June 30, 2017 so the actuarial assumptions as of June 30, 2016 were utilized for June 30, 2017.

Long Term Expected Rate of Return

The long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class including in the Plan's target asset allocation as of June 30, 2015 are summarized in the following table:

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

\* - Net of 2.0% inflation assumption

No changes to the long term expected rate of return as of June 30, 2016 are known as of June 30, 2017 so the discount rate as of June 30, 2016 was utilized for June 30, 2017.



WEST ESSEX REGIONAL SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

D. Board of Education Employees' Pension Fund of Essex County (the Plan): (Cont'd)

Discount Rate

The discount rate used to measure the total pension liability was 6.50% as of June 30, 2016. No changes to the discount rate as of June 30, 2016 are known as of June 30, 2017 so the discount rate as of June 30, 2016 was utilized for June 30, 2017.

The projection of cash flows used to determine the discount rate assumed that contributions will be made at the actuarially determined amount, including the reimbursement of administrative expenses and COLA payments. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2016 calculated using the discount rate of 7%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2016		
	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
District's proportionate share of the Net Pension Liability	\$ 100,951	\$ 75,574	\$ 53,521

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan financial statements.

NOTE 10. POST-RETIREMENT BENEFITS

P.L. 1987, c.384 and P.L. 1990, c.6 of Public Laws 1990 required TPAF and 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. Chapter 103 of Public Law amended the law to eliminate the funding of post-retirement medical benefits through 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, c.62. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

WEST ESSEX REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Continued)

NOTE 10. POST-RETIREMENT BENEFITS (Cont'd)

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides employer paid 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 Pension 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/financial2015combined.pdf>.

The State's on-behalf Post-Retirement Medical Contributions to TPAF for the District amounted to \$1,252,987, \$1,362,404 and \$1,166,902 for 2017, 2016 and 2015, respectively. These amounts have been included in the District-wide financial statements and the fund-based statements as revenues and expenditures in accordance with GASB Statement No. 24.

NOTE 11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The District obtains their health benefit coverage through the State of New Jersey Health Benefits Plan.

Property and Liability Insurance

The West Essex Regional School District is a member of the School Alliance Insurance Fund (the "Fund") This public entity risk management pool provides general liability and property and automobile coverage. The District is also a member of the Morris Essex Insurance Group (the "Group"). This public entity risk management pool provides workers' compensation for its members. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The Fund and the Group are risk-sharing public entity risk pools that are insured and self-administered groups of school boards established for the purpose of providing low-cost insurance for its respective members in order to keep local property taxes to a minimum.

Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Fund and the Group are elected.

As a member of the Fund and the Group, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund or the Group were to be exhausted, members would become responsible for their respective shares of the Fund or the Group's liabilities. The Fund or the Group can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body.

WEST ESSEX REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

Property and Liability Insurance (Cont'd)

The June 30, 2017 audit report for the Fund is not available as of the date of this report. Selected, summarized financial information for the Fund as of June 30, 2016 is as follows:

	<u>School Alliance Insurance Fund</u>
Total Assets	\$ 38,579,014
Net Position	\$ 9,463,015
Total Revenue	\$ 41,445,355
Total Expenses	\$ 39,153,730
Change in Net Position	\$ 2,291,625
Members Dividends	\$ -0-

Financial statements for the Fund are available at the Fund's Executive Director's Office:

Public Entity Group Administrative Services  
51 Everett Drive  
Suite B-40  
West Windsor, NJ 08550

The June 30, 2017 audit report for the Group is not available as of the date of this report. Selected, summarized financial information for the Group as of June 30, 2016 is as follows:

	<u>Morris Essex Insurance Group</u>
Total Assets	\$ 9,740,564
Net Position	\$ 7,012,792
Total Revenue	\$ 3,393,346
Total Expenses	\$ 1,680,814
Change in Net Position	\$ 910,167
Members Dividends	\$ 802,365

Financial statements for the Group are available at the Group's Executive Director's Office:

The Burton Agency, Executive Director  
44 Bergen St  
Westwood, NJ 07675

WEST ESSEX REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method”. Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State. The following is a summary of District and employee contributions, interest earned, reimbursements to the State for benefits paid and the ending balance of the District’s expendable trust fund for the current and previous two years.

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Interest Earned</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017	\$ 50,818	\$ 480	\$ 37,202	\$ 52,861	\$ 260,825
2016	27,206	392	46,827	21,866	225,186
2015	97,290	320	48,321	123,264	172,627

NOTE 12. ECONOMIC DEPENDENCY

The Board of Education receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Board of Education's programs and activities.

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 357,501	
Special Revenue Fund		\$ 357,501
	<u>\$ 357,501</u>	<u>\$ 357,501</u>

The interfund between the General Fund and the Special Revenue Fund is due to the timing between expenditure and reimbursement of grants from the State of New Jersey.

WEST ESSEX REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Continued)

NOTE 14. 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) and 457. The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency.

The plan administrators are as follows:

- AXA
- Met Life
- Oppenheimer Funds
- Lincoln Financial Advisors
- VALIC

NOTE 15. TAX CALENDAR

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and there is an imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the current and prior year may be placed in lien at a tax sale held after December 10. Taxes are collected by the constituent municipality and are remitted to the local school district on a predetermined mutually agreed-upon schedule.

NOTE 16. ACCOUNTS PAYABLE

The following accounts payable existed on the various balance sheets as of June 30, 2017:

	<u>Governmental Funds</u>	District Contri- bution Susequent to the Measure- ment Date	Total Governmental Activities
	General Fund		
Vendors	\$ 69,125		\$ 69,125
State of New Jersey		\$ 425,747	425,747
	<u>\$ 69,125</u>	<u>\$ 425,747</u>	<u>\$ 494,872</u>

WEST ESSEX REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 17. COMMITMENTS AND CONTINGENCIES

Grant Programs

The School District participates in state and federally assisted grant programs. The programs are subject to program compliance audits by grantors or their representatives. The School District is potentially liable for expenditures which may be disallowed pursuant to terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Litigation

The District is periodically involved in pending lawsuits. The District estimates that any potential claims against it resulting from such litigation and not covered by insurance would not materially affect the financial position of the District.

Encumbrances

At June 30, 2017, there were encumbrances as detailed below in the governmental funds.

<u>General Fund</u>	<u>Total Governmental Funds</u>
\$ 392,626	\$ 392,626

NOTE 18. TRANSFERS TO CAPITAL OUTLAY

During the fiscal year ended June 30, 2017, the District transferred \$80,000 to the capital outlay accounts for equipment and therefore did not require approval from the County Superintendent. The District also transferred \$2,495,000 to the capital outlay account for construction services which required approval of the County Superintendent.

SCHEDULES OF REQUIRED  
SUPPLEMENTARY INFORMATION

WEST ESSEX REGIONAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST THREE FISCAL YEARS  
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
District's Proportion of the Net Pension Liability	0.0422792453%	0.0425589699%	0.0415399521%
District's Proportionate Share of the Net Pension Liability	\$ 7,915,831	\$ 9,553,636	\$ 12,302,942
District's Covered Employee Payroll	\$ 2,717,516	\$ 2,772,137	\$ 2,903,955
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	291.29%	344.63%	423.66%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	52.08%	47.93%	40.14%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.



WEST ESSEX REGIONAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST THREE FISCAL YEARS  
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
Contractually Required Contribution	\$ 348,544	\$ 365,893	\$ 375,724
Contributions in relation to the Contractually Required Contribution	<u>(348,544)</u>	<u>(365,893)</u>	<u>(375,724)</u>
Contribution Deficiency (Excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's Covered Employee Payroll	\$ 2,668,452	\$ 2,717,516	\$ 2,772,137
Contributions as a Percentage of Covered Employee Payroll	13.06%	13.46%	13.55%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

WEST ESSEX REGIONAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF STATE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
ASSOCIATED WITH THE DISTRICT TEACHERS' PENSION AND ANNUITY FUND  
LAST THREE FISCAL YEARS  
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
State's Proportion of the Net Pension Liability Attributable to the District	0.1278586395%	0.1359611981%	0.1429083894%
State's Proportionate Share of the Net Pension Liability Attributable to the District	\$ 68,336,281	\$ 85,933,283	\$ 112,420,836
District's Covered Employee Payroll	\$ 13,935,919	\$ 14,003,957	\$ 14,604,419
State's Proportionate Share of the Net Pension Liability Associated with the District as a Percentage of its Covered Employee Payroll	490.36%	613.64%	769.77%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	33.64%	28.71%	22.33%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

WEST ESSEX REGIONAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF STATE CONTRIBUTIONS  
TEACHERS' PENSION AND ANNUITY FUND  
LAST THREE FISCAL YEARS  
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
Contractually required contribution	\$ 3,677,134	\$ 5,247,001	\$ 8,446,862
Contributions in relation to the contractually required contribution	<u>(735,056)</u>	<u>(1,144,180)</u>	<u>(1,451,196)</u>
Contribution deficiency/(excess)	<u>\$ 2,942,078</u>	<u>\$ 4,102,821</u>	<u>\$ 6,995,666</u>
District's covered employee payroll	\$ 14,003,957	\$ 14,604,419	\$ 14,687,078
Contributions as a percentage of covered employee payroll	5.25%	7.83%	9.88%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

WEST ESSEX REGIONAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
BOARD OF EDUCATION EMPLOYEES' PENSION FUND OF ESSEX COUNTY  
LAST THREE FISCAL YEARS  
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
District's Proportion of the Net Pension Liability	0.2009986%	0.2009986%	0.2087780%
District's Proportionate Share of the Net Pension Liability	\$ 77,422	\$ 75,574	\$ 75,574
District's Covered Employee Payroll	\$ -0-	\$ -0-	\$ -0-
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	0.00%	0.00%	0.00%
Plan Fiduciary Net Position (*) as a Percentage of the Total Pension Liability	76.05%	75.39%	75.39%

\* - Fiduciary Net Position Excludes an Amount Designated for Insurance Benefits of \$19,628,046 and \$19,972,514 for fiscal years ending June 30, 2015 and 2016, respectively.

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

WEST ESSEX REGIONAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
BOARD OF EDUCATION EMPLOYEES' PENSION FUND OF ESSEX COUNTY  
LAST THREE FISCAL YEARS  
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
Contractually Required Contribution	\$ 11,764	\$ 10,857	\$ 9,966
Contributions in Relation to the Contractually Required Contribution	(11,764)	(10,857)	(9,966)
Contribution Deficiency (Excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's Covered Employee Payroll	\$ -0-	\$ -0-	\$ -0-
Contributions as a Percentage of Covered Employee Payroll	0.00%	0.00%	0.00%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

WEST ESSEX REGIONAL SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.90% as of June 30, 2015 to 3.98% as of June 30, 2016. The municipal bond rate changed from 3.80% to 2.85%. The long-term expected rate of return on pension plan investments changed from 7.90% to 7.65%.

The inflation rate changed from 3.04% as of June 30, 2015 to 3.08% as of June 30, 2016. The salary increases changed from 2.15% - 4.40% for 2012 – 2021 to 1.65%-4.15% through 2026 and from 3.15%-5.40% thereafter to 2.65%-5.15% thereafter.

The mortality rates in the July 1, 2014 actuarial valuation were based on the following:

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback one year for females) are used to value disabled retirees.

The mortality rates in the July 1, 2015 actuarial valuation were based on the following:

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

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.13% as of June 30, 2015 to 3.22% as of June 30, 2016. The municipal bond rate changed from 3.80% to 2.85%. The long-term expected rate of return on pension plan investments changed from 7.90% to 7.65%.

WEST ESSEX REGIONAL SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

B. TEACHERS PENSION AND ANNUITY FUND (Cont'd)

Changes of Assumptions (Cont'd)

The mortality rates in the July 1, 2014 actuarial valuation were based on the following:

Mortality rates were based on the RP-2000 Health Annuitant Mortality Tables for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The mortality rates in the July 1, 2015 actuarial valuation were based on the following:

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 years average of Social Security data from 1953 to 2013.

C. BOARD OF EDUCATION EMPLOYEES' PENSION FUND OF ESSEX COUNTY

Benefit Changes

There were none known.

Changes of Assumptions

No change to the actuarial assumptions as of June 30, 2016 are known as of June 30, 2017 so the actuarial assumptions as of June 30, 2016 were utilized for June 30, 2017.

BUDGETARY COMPARISON SCHEDULES



WEST ESSEX REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 34,244,997		\$ 34,244,997	\$ 34,244,997	
Tuition from Other LEA's	60,000		60,000	219,426	\$ 159,426
Unrestricted Miscellaneous Revenue	375,000		375,000	345,667	(29,333)
Total - Local Sources	<u>34,679,997</u>		<u>34,679,997</u>	<u>34,810,090</u>	<u>130,093</u>
	375,000				
State Sources:					
Special Education Aid	788,960		788,960	788,960	
Security Aid	29,634		29,634	29,634	
Transportation Aid	182,327		182,327	182,327	
Additional Adjustment Aid	1		1	1	
Per Pupil Growth Aid	16,800		16,800	16,800	
PARCC Readiness Aid	16,800		16,800	16,800	
Professional Learning Community Aid	17,460		17,460	17,460	
Extraordinary Special Education Costs Aid				504,339	504,339
Nonpublic Transportation Aid				52,026	52,026
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				1,252,987	1,252,987
TPAF On-Behalf Pension Contributions (Non-Budgeted)				1,451,196	1,451,196
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)				52,580	52,580
TPAF Long-Term Disability Insurance (On-Behalf - Non-Budgeted)				3,180	3,180
TPAF Social Security (Reimbursed - Non-Budgeted)				1,042,164	1,042,164
Total State Sources	<u>1,051,982</u>		<u>1,051,982</u>	<u>5,410,454</u>	<u>4,358,472</u>
Total Revenues	<u>35,731,979</u>		<u>35,731,979</u>	<u>40,220,544</u>	<u>4,488,565</u>
<b>EXPENDITURES:</b>					
Current Expense:					
REGULAR PROGRAMS - INSTRUCTION:					
Grades 6-8 - Salaries of Teachers	3,584,325	\$ (48,697)	3,535,628	3,436,875	98,753
Grades 9-12 - Salaries of Teachers	6,890,652	136,126	7,026,778	6,986,722	40,056
Regular Programs - Home Instruction:					
Salaries of Teachers	35,000	22,057	57,057	57,031	26
Purchased Professional-Educational Services	5,000	(1,058)	3,942	3,942	3,942

WEST ESSEX REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
Current Expense:					
<b>REGULAR PROGRAMS - INSTRUCTION:</b>					
Regular Programs - Undistributed Instruction:					
Purchased Professional - Educational Services	\$ 38,391		\$ 38,391	\$ 33,656	\$ 4,735
Purchased Technical Services	11,140	(5,724)	5,416	5,160	256
Other Purchased Services	428,694	(45,596)	383,098	373,785	9,313
General Supplies	450,179	52,240	502,419	468,458	33,961
Textbooks	155,234	(101,500)	53,734	45,568	8,166
Other Objects	37,100	(4,145)	32,955	3,499	29,456
<b>TOTAL REGULAR PROGRAMS - INSTRUCTION</b>	<b>11,635,715</b>	<b>3,703</b>	<b>11,639,418</b>	<b>11,410,754</b>	<b>228,664</b>
<b>SPECIAL EDUCATION - INSTRUCTION:</b>					
Learning and/or Language Disabilities:					
Salaries of Teachers	99,433	15,000	114,433	111,153	3,280
General Supplies	3,000		3,000	2,078	922
Total Learning and/or Language Disabilities	102,433	15,000	117,433	113,231	4,202
Resource Room/Resource Center:					
Salaries of Teachers	1,529,377	75,140	1,604,517	1,604,517	
Other Salaries for Instruction	596,404	(60,776)	535,628	520,859	14,769
Purchased Technical Services	71,265		71,265	42,267	28,998
General Supplies	28,500		28,500	15,146	13,354
Textbooks	6,540		6,540	6,164	376
Total Resource Room/Resource Center	2,232,086	14,364	2,246,450	2,188,953	57,497
Home Instruction:					
Salaries of Teachers	67,500	(50,000)	17,500	473	17,027
General Supplies	1,000		1,000	952	48
Total Home Instruction	68,500	(50,000)	18,500	1,425	17,075
<b>TOTAL SPECIAL EDUCATION - INSTRUCTION</b>	<b>2,403,019</b>	<b>(20,636)</b>	<b>2,382,383</b>	<b>2,303,609</b>	<b>78,774</b>

WEST ESSEX REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
Current Expense:					
School Sponsored Cocurricular Activities:					
Salaries	\$ 192,535	\$ 7,214	\$ 199,749	\$ 199,749	
Purchased Services (300-500 Series)	8,050	(8,015)	35	35	
Supplies and Materials	68,000	10,195	78,195	72,310	\$ 5,885
Other Objects	43,975	(7,926)	36,049	35,572	477
Total School-Sponsored Cocurricular Activities	312,560	1,468	314,028	307,666	6,362
School-Sponsored Athletics:					
Salaries	796,908		796,908	750,588	46,320
Purchased Services (300-500 Series)	178,009	22,280	200,289	157,011	43,278
Supplies and Materials	301,546	(30,910)	270,636	269,259	1,377
Other Objects	1,000		1,000	465	535
Total School-Sponsored Athletics	1,277,463	(8,630)	1,268,833	1,177,323	91,510
Total Instruction	15,628,757	(24,095)	15,604,662	15,199,352	405,310
Undistributed Expenditures - Instruction:					
Tuition to Other LEA's Within the State - Special	100,016	(50,000)	50,016	35,348	14,668
Tuition to County Vo. School District-Regular	15,601		15,601	5,911	9,690
Tuition to County Vo. School District-Special	142,734	(55,000)	87,734	82,539	5,195
Tuition to Private Schools for the Handicapped Within State	2,463,678	8,000	2,471,678	2,347,112	124,566
Tuition to Private Schools for the Handicapped Outside State	80,851	97,000	177,851	169,511	8,340
Total Undistributed Expenditures - Instruction	2,802,880		2,802,880	2,640,421	162,459

WEST ESSEX REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
Current Expense:					
Undistributed Expenditures - Attendance and Social Work Services:					
Salaries	\$ 52,277	\$ 301	\$ 52,578	\$ 52,577	\$ 1
Other Purchased Services	2,000	1,000	3,000	1,793	1,207
Total Undistributed Expenditures - Attendance and Social Work Services	54,277	1,301	55,578	54,370	1,208
Undistributed Expenditures - Health Services:					
Salaries	191,401		191,401	188,247	3,154
Purchased Professional and Technical Services	18,315	5	18,320	18,320	
Other Purchased Services (400-500 series)	275		275		275
Supplies and Materials	4,584	(5)	4,579	4,339	240
Total Undistributed Expenditures - Health Services	214,575		214,575	210,906	3,669
Undist. Expend. - Speech, OT, PT and Related Services:					
Purchased Professional - Educational Services		9,775	9,775	9,775	
Total Undist. Expend. - Speech, OT, PT and Related Services		9,775	9,775	9,775	
Undist. Expend. - Other Supp. Serv. Students - Extraordinary Services:					
Purchased Professional - Educational Services	139,600	(9,775)	129,825	110,530	19,295
Total Undist. Expend. - Other Supp. Serv. Students - Extraordinary Services	139,600	(9,775)	129,825	110,530	19,295
Undist. Expend. - Guidance:					
Salaries of Other Professional Staff	891,883	(118,576)	773,307	734,333	38,974
Salaries of Secretarial and Clerical Assistants	105,843	58,966	164,809	159,686	5,123
Other Salaries	16,000	1,610	17,610	17,610	
Other Purchased Professional and Technical Services	27,500	9,350	36,850	35,694	1,156

WEST ESSEX REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
Current Expense:					
Undist. Expend. - Guidance:					
Other Purchased Services	\$ 1,000		\$ 1,000		\$ 1,000
Supplies and Materials	25,000	\$ (9,350)	15,650	8,897	6,753
Other Objects	1,000		1,000	780	220
<b>Total Undist. Expend. - Guidance</b>	<b>1,068,226</b>	<b>(58,000)</b>	<b>1,010,226</b>	<b>957,000</b>	<b>53,226</b>
Undist. Expend. - Child Study Teams:					
Salaries of Other Professional Staff	429,815	75,000	504,815	498,456	6,359
Salaries of Secretarial and Clerical Assistants	113,848	29,000	142,848	142,457	391
Purchased Professional - Educational Services	332,628		332,628	189,102	143,526
Other Purchased Professional and Technical Services	60,000		60,000	11,990	48,010
Other Purchased Services	6,550		6,550	131	6,419
Miscellaneous Purchased Services	1,381		1,381	350	1,031
Supplies and Materials	5,200		5,200	2,915	2,285
<b>Total Undist. Expend. - Child Study Teams</b>	<b>949,422</b>	<b>104,000</b>	<b>1,053,422</b>	<b>845,401</b>	<b>208,021</b>
Undist. Expend. - Educational Media Services/School Library:					
Salaries	180,095		180,095	163,627	16,468
Salaries of Technology Coordinators	180,691	(10,000)	170,691	154,268	16,423
Supplies and Materials	45,000		45,000	36,881	8,119
<b>Total Undist. Expend. - Educational Media Services/School Library</b>	<b>405,786</b>	<b>(10,000)</b>	<b>395,786</b>	<b>354,776</b>	<b>41,010</b>
Undist. Expend. - Instructional Staff Training Services:					
Salaries of Supervisors of Instruction	408,199	65,000	473,199	417,332	55,867
Salaries of Other Professional Staff	5,000		5,000	461	4,539
Purchased Professional - Educational Services	66,480	1,895	68,375	47,694	20,681
Other Purchased Services	26,500		26,500	11,293	15,207
Other Objects		13,105	13,105	13,105	
<b>Total Undist. Expend. - Instructional Staff Training Services</b>	<b>506,179</b>	<b>80,000</b>	<b>586,179</b>	<b>489,885</b>	<b>96,294</b>

WEST ESSEX REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
Current Expense:					
Undist. Expend. - Support Services - General Administration:					
Salaries	\$ 313,041	\$ 17,750	\$ 330,791	\$ 303,088	\$ 27,703
Legal Services	100,000		100,000	35,989	64,011
Audit Fees	32,640		32,640	31,110	1,530
Architectural/Engineering Services	12,000	30,000	42,000	28,727	13,273
Other Purchased Professional Services	103,791	(59,150)	44,641	13,561	31,080
Communications/Telephone	86,302	7,500	93,802	84,446	9,356
BOE Other Purchased Services	6,000		6,000	1,323	4,677
Miscellaneous Purchased Services	15,729	7,450	23,179	13,024	10,155
General Supplies	6,100	5,000	11,100	5,752	5,348
Miscellaneous Expenditures	5,500	3,607	9,107	9,103	4
BOE Membership Dues and Fees	20,000	180	20,180	20,078	102
<b>Total Undist. Expend. - Support Services - General Administration</b>	<b>701,103</b>	<b>12,337</b>	<b>713,440</b>	<b>546,201</b>	<b>167,239</b>
Undist. Expend. - Support Serv. - School Administration:					
Salaries of Principals/Assistant Principals	673,898	2	673,900	673,899	1
Salaries of Other Professional Staff	534,663		534,663	529,637	5,026
Salaries of Secretarial and Clerical Assistants	383,511	1,000	384,511	376,690	7,821
Purchased Professional and Technical Services	12,800	7,700	20,500	16,957	3,543
Supplies and Materials	77,941	(5,337)	72,604	66,536	6,068
Other Objects	26,500	15,813	42,313	40,940	1,373
<b>Total Undist. Expend. - Support Serv. - School Administration</b>	<b>1,709,313</b>	<b>19,178</b>	<b>1,728,491</b>	<b>1,704,659</b>	<b>23,832</b>
Undist. Expend. - Central Services:					
Salaries	385,590	(21,000)	364,590	330,489	34,101
Purchased Professional Services	7,259	29,545	36,804	35,150	1,654
Purchased Technical Services	4,917		4,917	3,748	1,169
Miscellaneous Purchased Services	30,540	33,095	63,635	21,764	41,871
Supplies and Materials	5,000	13,500	18,500	9,642	8,858
Miscellaneous Expenditures	4,000	510	4,510	3,250	1,260
<b>Total Undist. Expend. - Central Services</b>	<b>437,306</b>	<b>55,650</b>	<b>492,956</b>	<b>404,043</b>	<b>88,913</b>

WEST ESSEX REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
Current Expense:					
Undist. Expend. - Administrative Information Technology:					
Salaries	\$ 128,552		\$ 128,552	\$ 123,385	\$ 5,167
Total Undist. Expend. - Administrative Information Technology	128,552		128,552	123,385	5,167
Required Maintenance for School Facilities:					
Salaries	508,244	\$ 102,958	611,202	602,601	8,601
Cleaning, Repair and Maintenance Services	309,325	(70,570)	238,755	196,495	42,260
General Supplies	141,440	60,000	201,440	174,474	26,966
Other Objects	2,000		2,000	880	1,120
Total Required Maintenance for School Facilities	961,009	92,388	1,053,397	974,450	78,947
Undist. Expend. - Custodial Services:					
Salaries	813,638	7,187	820,825	774,054	46,771
Purchased Professional and Technical Services	5,700	(1,555)	4,145	4,145	
Cleaning, Repair and Maintenance Services	55,330	(16,000)	39,330	35,959	3,371
Other Purchased Property Services	37,310	15,000	52,310	34,770	17,540
Insurance	274,193	35,000	309,193	308,401	792
Miscellaneous Purchased Services	24,000	(24,000)			
General Supplies	181,233	(7,100)	174,133	153,516	20,617
Energy (Natural Gas)	165,000	(86,960)	78,040	40,636	37,404
Energy (Electricity)	686,000		686,000	569,322	116,678
Total Undist. Expend. - Custodial Services	2,242,404	(78,428)	2,163,976	1,916,658	247,318
Undist. Expend. - Care and Upkeep of Grounds:					
Salaries	246,231		246,231	218,141	28,090
Purchased Professional and Technical Services	1,000		1,000	1,000	
Cleaning, Repair, and Maintenance Services	41,925	(10,000)	31,925	18,638	13,287
General Supplies	45,000	8,150	53,150	43,508	9,642
Other Objects	1,000	12,900	13,900	12,874	1,026
Total Undist. Expend. - Care and Upkeep of Grounds	335,156	11,050	346,206	293,161	53,045

WEST ESSEX REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
Current Expense:					
Undist. Expend. - Security	\$ 48,602	\$ 2,725	\$ 51,327	\$ 50,400	\$ 927
Salaries	10,000	(9,900)	100	95	5
Purchased Professional and Technical Services	5,000	(4,900)	100	90	10
General Supplies		31,100	31,100		31,100
Other Objects		19,025	82,627	50,585	32,042
Total Undist. Expend. - Security	63,602				
Undist. Expend. - Student Transportation Services:					
Contracted Services:					
Aid in Lieu of Payments for Nonpublic School Students	168,376	26,000	194,376	169,241	25,135
Between Home and School - Vendors	819,516	(13,000)	806,516	802,797	3,719
Other than Between Home and School - Vendors	291,312	98,837	390,149	383,848	6,301
Special Education Students - Vendors	759,526	(111,837)	647,689	614,292	33,397
Total Undist. Expend. - Student Transportation Services	2,038,730		2,038,730	1,970,178	68,552
Unallocated Benefits:					
Social Security Contributions	431,767		431,767	428,085	3,682
Other Retirement Contribution - PERS	399,844	(24,120)	375,724	375,724	
Other Retirement Contribution - ERIP	9,857	109	9,966	9,966	
Other Retirement Contribution - Regular	18,870	400	19,270	17,490	1,780
Unemployment Compensation	76,000		76,000	32,314	43,686
Workmen's Compensation	188,200	3,127	191,327	187,893	3,434
Health Benefits	4,313,165	(203,367)	4,109,798	4,046,753	63,045
Tuition Reimbursement	45,000		45,000	31,263	13,737
Other Employee Benefits	216,000	(80,555)	135,445	96,995	38,450
Total Unallocated Benefits	5,698,703	(304,406)	5,394,297	5,226,483	167,814



WEST ESSEX REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
Current Expense:					
ON-BEHALF CONTRIBUTIONS:					
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				\$ 1,252,987	\$ (1,252,987)
TPAF On-Behalf Pension Contributions (Non-Budgeted)				1,451,196	(1,451,196)
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)				52,580	(52,580)
TPAF Long-Term Disability Insurance (On-Behalf - Non-Budgeted)				3,180	(3,180)
TPAF Social Security (Reimbursed - Non-Budgeted)				1,042,164	(1,042,164)
TOTAL ON-BEHALF CONTRIBUTIONS				3,802,107	(3,802,107)
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS	\$ 5,698,703	\$ (304,406)	\$ 5,394,297	9,028,590	(3,634,293)
TOTAL UNDISTRIBUTED EXPENDITURES	20,456,823	(55,905)	20,400,918	22,684,974	(2,284,056)
TOTAL GENERAL CURRENT EXPENSE	36,085,580	(80,000)	36,005,580	37,884,326	(1,878,746)
<b>CAPITAL OUTLAY:</b>					
Equipment:					
Undistributed:					
Instruction	69,500	(53,966)	15,534	15,534	
Required Maint for School Facilities	83,483	43,266	126,749	110,599	16,150
Care & Upkeep of Grounds	14,000		14,000	6,219	7,781
Non-Instructional Services	5,761	90,700	96,461	16,409	80,052
Total Equipment	172,744	80,000	252,744	148,761	103,983
Facilities Acquisition and Construction Services:					
Architectural/Engineering Services	100,000		100,000	90,482	9,518
Construction Services	1,214,000	2,495,000	3,709,000	362,221	3,346,779
Other Objects - Assessment for Debt Service on SDA Funding	83,370		83,370	83,370	
Total Facilities Acquisition and Construction Services	1,397,370	2,495,000	3,892,370	536,073	3,356,297
TOTAL CAPITAL OUTLAY	1,570,114	2,575,000	4,145,114	684,834	3,460,280

WEST ESSEX REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>TOTAL EXPENDITURES</b>	<b>\$ 37,655,694</b>	<b>\$ 2,495,000</b>	<b>\$ 40,150,694</b>	<b>\$ 38,569,160</b>	<b>\$ 1,581,534</b>
Excess/(Deficit) of Revenues Over/(Under) Expenditures	(1,923,715)	(2,495,000)	(4,418,715)	1,651,384	6,070,099
Fund Balance, July 1	6,618,904		6,618,904	6,618,904	
Fund Balance, June 30	<u>\$ 4,695,189</u>	<u>\$ (2,495,000)</u>	<u>\$ 2,200,189</u>	<u>\$ 8,270,288</u>	<u>\$ 6,070,099</u>
<b>Recapitulation:</b>					
Restricted Fund Balance:				\$ 5,242,449	
Capital Reserve				250,000	
Maintenance Reserve				500,000	
Excess Surplus to be Utilized for 2018-2019 school year				501,269	
Excess Surplus - Designated for Subsequent Year's Expenditures				132,238	
Assigned Fund Balance:				392,626	
Designated for Subsequent Year's Expenditures				1,251,706	
Year End Encumbrances				8,270,288	
Unassigned Fund Balance				(91,971)	
<b>Reconciliation to Governmental Funds Statement (GAAP):</b>					
Last State Aid Payments not Recognized on GAAP basis				<u>\$ 8,178,317</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 8,178,317</u>	

WEST ESSEX REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
 (Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Sources	\$ 309,244	\$ 14,750	\$ 14,750	\$ 5,055	\$ (9,695)
Federal Sources		74,578	383,822	370,364	(13,458)
<b>Total Revenues</b>	<b>309,244</b>	<b>89,328</b>	<b>398,572</b>	<b>375,419</b>	<b>(23,153)</b>
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of Teachers	35,608	4,392	40,000	37,152	2,848
Purchased Professional and Technical Services		14,901	14,901	14,901	
Tuition	261,911	20,434	282,345	282,345	
General Supplies		18,841	18,841	7,417	11,424
<b>Total Instruction</b>	<b>297,519</b>	<b>58,568</b>	<b>356,087</b>	<b>341,815</b>	<b>14,272</b>
Support Services:					
Salaries of Supervisors of Instruction		3,962	3,962	3,962	
Personal Services - Employee Benefits		3,060	3,060	3,060	
Other Purchased Services	11,725	23,738	35,463	26,582	8,881
<b>Total Support Services</b>	<b>11,725</b>	<b>30,760</b>	<b>42,485</b>	<b>33,604</b>	<b>8,881</b>
<b>Total Expenditures</b>	<b>\$ 309,244</b>	<b>\$ 89,328</b>	<b>\$ 398,572</b>	<b>\$ 375,419</b>	<b>\$ 23,153</b>

WEST ESSEX REGIONAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Unaudited)

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 40,220,544	\$ 375,419
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, Whereas the GAAP Basis does not:		377
Prior Year State Aid Payments Recognized for GAAP Purposes, not Recognized for Budgetary Statements	92,384	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(91,971)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 40,220,957	\$ 375,796
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 38,569,160	\$ 375,419
Differences - Budget to GAAP		
Encumbrances for Supplies and Equipment Ordered but Not Received are Reported in the Year the Order is Placed for Budgetary Purposes, but in the Year the Supplies are Received for Financial Reporting Purposes:		377
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 38,569,160	\$ 375,796

WEST ESSEX REGIONAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Unaudited)

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budget for the fiscal year ended June 30, 2017 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

The general fund budgetary revenue differs from the GAAP revenue due to a difference in the recognition of the last two state aid payments for the current year. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

SCHOOL LEVEL SCHEDULES  
(NOT APPLICABLE)

SPECIAL REVENUE FUND

WEST ESSEX REGIONAL SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	No Child Left Behind Title I	Title IIA	IDEA Part B Basic	Local Grants	Totals
REVENUE:					
Local Sources				\$ 5,055	\$ 5,055
Federal Sources	\$ 60,736	\$ 5,131	\$ 304,497		\$ 370,364
Total Revenue	60,736	5,131	304,497	5,055	375,419
EXPENDITURES:					
Instruction:					
Salaries of Teachers	37,152				37,152
Purchased Professional and Technical Services	14,901				14,901
Tuition			282,345		282,345
General Supplies	2,362			5,055	7,417
Total Instruction	54,415		282,345	5,055	341,815
Support Services:					
Salaries of Supervisors of Instruction	3,261	701			3,962
Personal Services - Employee Benefits	3,060				3,060
Other Purchased Services		4,430	22,152		26,582
Total Support Services	6,321	5,131	22,152		33,604
Total Expenditures	\$ 60,736	\$ 5,131	\$ 304,497	\$ 5,055	\$ 375,419



CAPITAL PROJECTS FUND

WEST ESSEX REGIONAL SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Revenue:		
State Sources - SDA Grant		\$ 360,204
Total Revenue		360,204
Excess of Revenues Over Expenditures		360,204
Fund Balance - Beginning of Year		330,713
Fund Balance - End of Year		\$ 690,917

WEST ESSEX REGIONAL SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS -  
BUDGETARY BASIS  
RENOVATIONS TO JUNIOR HIGH SCHOOL  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Prior Periods	Current Year	Totals	Revised Project Authorization
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 1,115,697	\$ 360,204	\$ 1,475,901	\$ 1,475,901
Bond Proceeds	3,912,246		3,912,246	3,912,246
Transfer to Senior High School Project	(850,000)		(850,000)	(850,000)
Total Revenue and Other Financing Sources	4,177,943	360,204	4,538,147	4,538,147
Expenditures:				
Purchased Professional and Technical Services	864,705		864,705	864,705
Construction Services	2,637,194		2,637,194	3,328,111
Equipment	278,443		278,443	278,443
Contingency	66,888		66,888	66,888
Total Expenditures	3,847,230		3,847,230	4,538,147
Excess/(Deficit) of Revenue and Other Financing Sources Over/(Under) Expenditures	\$ 330,713	\$ 360,204	\$ 690,917	\$ -0-

Additional Project Information:

Project Numbers	SP202761
Grant Date	8/29/2002
Bond Authorization Date	12/01/20012
Bonds Authorized	\$ 3,912,246
Bonds Issued	3,912,246
Original Authorized Cost	\$ 5,475,000
Reduced Authorized Cost	(936,853)
Revised Authorized Cost	\$ 4,538,147

Percentage Increase over Original Authorized Cost	(23.69)%
Percentage Completion	100.00%
Original Target Completion Date	December 2005
Revised Target Completion Date	June 2012

PROPRIETARY FUNDS

WEST ESSEX REGIONAL SCHOOL DISTRICT  
ENTERPRISE FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2017

	Business-Type Activities
	Enterprise Fund Food Service
<u>ASSETS:</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 63,454
Inventories	10,468
	10,468
Total Current Assets	73,922
Non-Current Assets:	
Capital Assets	261,481
Less: Accumulated Depreciation	(156,648)
	(156,648)
Total Non-Current Assets	104,833
Total Assets	178,755
<u>LIABILITIES:</u>	
Current Liabilities:	
Unearned Revenue	11,083
	11,083
Total Current Liabilities	11,083
<u>NET POSITION:</u>	
Investment in Capital Assets	104,833
Unrestricted	62,839
	62,839
Total Net Position	\$ 167,672

WEST ESSEX REGIONAL SCHOOL DISTRICT  
ENTERPRISE FUNDS  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Busines-Type Activities
	Enterprise Fund Food Service
Operating Revenue:	
Local Sources:	
Daily Sales - Non-Reimbursable Program	\$ 853,851
Special Events	11,152
Total Operating Revenue	865,003
Operating Expenses:	
Cost of Sales - Non-Reimbursable Program	345,342
Salaries, Benefits & Payroll Taxes	326,915
Other Purchased Services	36,571
Supplies, Insurance and Other Costs	27,732
Management Fee	56,890
Miscellaneous Expense	27,757
Depreciation Expense	7,891
Total Operating Expenses	829,098
Operating Income	35,905
Change in Net Position	35,905
Net Position - Beginning of Year	131,767
Net Position - End of Year	\$ 167,672

WEST ESSEX REGIONAL SCHOOL DISTRICT  
ENTERPRISE FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Business-Type Activities</u> <u>Enterprise Fund Food Service</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 873,339
Payments to Employees	(326,915)
Payments to Suppliers	(532,691)
	13,733
Net Cash Provided by Operating Activities	13,733
Cash Flows from Capital and Related Financing Activities:	
Purchases of Capital Assets	(61,914)
	(61,914)
Net Cash Used for Capital and Related Financing Activities	(61,914)
Cash Flows from Noncapital Financing Activities:	
Interfund Payable - General Fund	(54,772)
	(54,772)
Net Cash Used for Noncapital Financing Activities	(54,772)
Net Decrease in Cash and Cash Equivalents	(102,953)
Cash and Cash Equivalents, July 1	166,407
Cash and Cash Equivalents, June 30	\$ 63,454
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 35,905
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	7,891
Changes in Assets and Liabilities:	
Increase in Unearned Revenue	3,489
(Decrease) in Accounts Payable	(38,403)
Decrease in Other Accounts Receivable	4,847
Decrease in Inventory	4
	4
Net Cash Provided by Operating Activities	\$ 13,733

FIDUCIARY FUNDS



WEST ESSEX REGIONAL SCHOOL DISTRICT  
AGENCY FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2017

	<u>Agency</u>	<u>Total</u>	<u>Private</u>	<u>Flexible</u>
<u>ASSETS:</u>	<u>Payroll</u>	<u>Agency</u>	<u>Purpose</u>	<u>Spending</u>
Student Activity			<u>Scholarship</u>	<u>Trust</u>
			<u>Trust</u>	<u>Trust</u>
Cash and Cash Equivalents	\$ 18,757	\$ 374,863	\$ 124,174	\$ 13,460
Total Assets	18,757	374,863	124,174	13,460
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings Due to Student Groups	18,757	18,757		
Total Liabilities	18,757	374,863		
<u>NET POSITION:</u>				
Restricted For:				
Unemployment Claims			260,825	
Scholarships			124,174	
Flexible Spending Claims				13,460
Total Net Position	\$ -0-	\$ -0-	\$ 124,174	\$ 13,460

WEST ESSEX REGIONAL SCHOOL DISTRICT  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>	<u>Flexible Spending Trust</u>
<b>ADDITIONS:</b>			
Contributions:			
Employee	\$ 50,818		\$ 52,204
Employer	37,202		
Private Donations		\$ 18,738	
Total Contributions	<u>88,020</u>	<u>18,738</u>	<u>52,204</u>
Investment Earnings:			
Interest	480	282	
Net Investment Earnings	<u>480</u>	<u>282</u>	
Total Additions	<u>88,500</u>	<u>19,020</u>	<u>52,204</u>
<b>DEDUCTIONS:</b>			
Unemployment Compensation Claims	52,861		
Flexible Spending Claims			42,023
Scholarships Awarded		50,504	
Total Deductions	<u>52,861</u>	<u>50,504</u>	<u>42,023</u>
Change in Net Position	35,639	(31,485)	10,181
Net Position - Beginning of the Year	<u>225,186</u>	<u>155,659</u>	<u>3,279</u>
Net Position - End of the Year	<u>\$ 260,825</u>	<u>\$ 124,174</u>	<u>\$ 13,460</u>

WEST ESSEX REGIONAL SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 283,928	\$ 835,897	\$ 763,719	\$ 356,106
Total Assets	<u>\$ 283,928</u>	<u>\$ 835,897</u>	<u>\$ 763,719</u>	<u>\$ 356,106</u>
 <u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	283,928	\$ 835,897	\$ 763,719	\$ 356,106
Total Liabilities	<u>\$ 283,928</u>	<u>\$ 835,897</u>	<u>\$ 763,719</u>	<u>\$ 356,106</u>

WEST ESSEX REGIONAL SCHOOL DISTRICT  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 135,933	\$ 22,230,080	\$ 22,347,256	\$ 18,757
Total Assets	<u>\$ 135,933</u>	<u>\$ 22,230,080</u>	<u>\$ 22,347,256</u>	<u>\$ 18,757</u>
 <u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 28,871	\$ 22,230,080	\$ 22,240,194	\$ 18,757
Interfund Payable - General Fund	107,062		107,062	
Total Liabilities	<u>\$ 135,933</u>	<u>\$ 22,230,080</u>	<u>\$ 22,347,256</u>	<u>\$ 18,757</u>

LONG-TERM DEBT

WEST ESSEX REGIONAL SCHOOL DISTRICT  
LONG-TERM DEBT  
SCHEDULE OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding			Interest Rate	Balance July 1, 2016	Issued	Retired or Matured	Balance June 30, 2017
			Date	Amount	June 30, 2017					
Serial Bonds	8/15/2009	\$ 6,537,000	8/15/2017	\$ 305,000	3.125%	\$ 5,232,000		\$ 4,292,000	\$ 940,000	
	8/15/2018		8/15/2018	310,000	3.250%					
	8/15/2019		8/15/2019	325,000	3.250%					
Refunding Bonds	7/14/2011	14,470,000	11/1/2017	120,000	2.250%	10,055,000		1,430,000	8,625,000	
			11/1/2017	675,000	3.000%					
			11/1/2017	625,000	4.000%					
			11/1/2018	1,365,000	4.000%					
			11/1/2018	50,000	5.000%					
			11/1/2019	1,415,000	5.000%					
			11/1/2020	1,420,000	5.000%					
			11/1/2021	1,465,000	3.500%					
			11/1/2022	1,490,000	5.000%					
Refunding Bonds 2016	7/13/2016	3,965,000	8/15/2020	335,000	3.000%	\$ 3,965,000		70,000	3,895,000	
			8/15/2021	345,000	3.000%					
			8/15/2022	360,000	3.000%					
			8/15/2023	375,000	4.000%					
			8/15/2024	390,000	4.000%					
			8/15/2025	400,000	4.000%					
			8/15/2026	415,000	4.000%					
			8/15/2027	430,000	4.000%					
			8/15/2028	425,000	3.250%					
		8/15/2029	420,000	3.250%						
						\$ 15,287,000	\$ 3,965,000	\$ 5,792,000	\$ 13,460,000	
							Bonds Matured	\$ 1,790,000		
							Bonds Defeased	4,002,000		
								\$ 5,792,000		

WEST ESSEX REGIONAL SCHOOL DISTRICT  
LONG-TERM DEBT  
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES

<u>Item</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance June 30, 2016</u>	<u>Matured</u>	<u>Balance June 30, 2017</u>
Computer Equipment	1.274%	\$ 780,000	<u>\$ 584,079</u>	<u>\$ 192,234</u>	<u>\$ 391,845</u>

WEST ESSEX REGIONAL SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 DEBT SERVICE FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
 (Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 2,190,149		\$ 2,190,149	\$ 2,190,149	
Total Revenues	2,190,149		2,190,149	2,190,149	
<b>EXPENDITURES:</b>					
Regular Debt Service:					
Interest	586,749	\$ (70,000)	516,749	515,510	\$ 1,239
Redemption of Principal	1,720,000	70,000	1,790,000	1,790,000	
Total Regular Debt Service	2,306,749		2,306,749	2,305,510	1,239
Total Expenditures	2,306,749		2,306,749	2,305,510	1,239
Excess/(Deficit) of Revenues Over/(Under) Expenditures	(116,600)	-0-	(116,600)	(115,361)	1,239
<b>Other Financing Sources:</b>					
School Refunding Bonds Issued				3,965,000	3,965,000
School Bonds Defeased				(4,002,000)	(4,002,000)
Bond Premium				555,685	555,685
Bond Issuance Costs				(94,708)	(94,708)
Deferred Amount on Refunding				(423,977)	(423,977)
Total Other Financing Sources					
Excess/(Deficit) of Revenues and Other Financing Sources Over/(Under) Expenditures	(116,600)		(116,600)	(115,361)	1,239
Fund Balance, July 1	583,313	-0-	583,313	583,313	
Fund Balance, June 30	\$ 466,713	\$ -0-	\$ 466,713	\$ 467,952	\$ 1,239
<b>Recapitulation:</b>					
Restricted - Designated for Subsequent Year's Expenditures				\$ 116,600	
Restricted				351,352	
				\$ 467,952	



## STATISTICAL SECTION

(UNAUDITED)

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

### Contents

	<u>Exhibit</u>
<b>Financial Trends</b>	
These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	J-1 thru J-5
<b>Revenue Capacity</b>	
These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.	J-6 thru J-9
<b>Debt Capacity</b>	
These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	J-10 thru J-13
<b>Demographic and Economic Information</b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.	J-14 thru J-15
<b>Operating Information</b>	
These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.	J-16 thru J-20

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

WEST ESSEX REGIONAL SCHOOL DISTRICT  
NET POSITION BY COMPONENT,  
LAST TEN FISCAL YEARS  
ACCURAL BASIS OF ACCOUNTING  
UNAUDITED

	June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Governmental Activities</b>										
Net Investment in Capital Assets										
Restricted	\$ 17,287,520	\$ 18,815,040	\$ 19,449,139	\$ 24,390,733	\$ 25,317,984	\$ 26,350,801	\$ 27,209,038	\$ 31,043,671	\$ 32,250,682	\$ 33,277,705
Unrestricted/(Deficit)	1	1	400,001	668,730	2,847,261	3,667,260	4,812,739	4,195,942	5,717,488	7,652,587
Total Governmental Activities Net Position	\$ 17,811,918	\$ 18,711,404	\$ 20,103,129	\$ 25,847,830	\$ 28,453,378	\$ 30,680,987	\$ 24,920,547	\$ 27,496,437	\$ 29,808,429	\$ 31,629,438
<b>Business-type Activities</b>										
Investment in Capital Assets	\$ 53,785	\$ 47,940	\$ 24,050	\$ 42,605	\$ 33,447	\$ 24,289	\$ 12,596	\$ 57,527	\$ 50,810	\$ 104,833
Unrestricted	303,201	318,082	193,941	169,167	166,668	168,342	100,098	49,963	80,957	62,839
Total Business-type Activities Net Position	\$ 356,986	\$ 366,022	\$ 217,991	\$ 211,772	\$ 200,115	\$ 192,631	\$ 112,694	\$ 107,490	\$ 131,767	\$ 167,672
<b>District-wide</b>										
Net Investment in Capital Assets	\$ 17,341,305	\$ 18,862,980	\$ 19,473,189	\$ 24,433,358	\$ 25,351,431	\$ 26,375,090	\$ 27,221,634	\$ 31,101,198	\$ 32,301,492	\$ 33,382,538
Restricted	1	1	400,001	668,730	2,847,261	3,667,260	4,812,739	4,195,942	5,717,488	7,652,587
Unrestricted/(Deficit)	827,598	214,445	447,930	957,514	454,801	831,268	(7,001,132)	(7,693,213)	(8,078,784)	(9,238,015)
Total District Net Position	\$ 18,168,904	\$ 19,077,426	\$ 20,321,120	\$ 26,059,602	\$ 28,653,493	\$ 30,873,618	\$ 25,033,241	\$ 27,603,927	\$ 29,940,196	\$ 31,797,110

Source: School District Financial Reports

WEST ESSEX REGIONAL SCHOOL DISTRICT  
CHANGES IN NET POSITION, LAST TEN FISCAL YEARS  
ACCURAL BASIS OF ACCOUNTING  
UNAUDITED

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses:</b>										
<b>Governmental Activities:</b>										
<b>Instruction:</b>										
Regular	\$ 13,234,960	\$ 12,251,493	\$ 12,979,956	\$ 13,639,725	\$ 14,254,374	\$ 15,319,829	\$ 15,059,639	\$ 15,756,950	\$ 17,669,411	\$ 20,146,613
Special Education	4,619,720	5,210,393	4,944,372	4,614,351	5,291,950	5,376,409	5,244,537	3,777,063	3,965,786	4,465,866
Other Special Education	115,385	49,460	39,674	33,961	58,892	48,195	130,856			
School Sponsored Activities And Athletics	1,521,978	1,525,939	1,589,966	1,649,919	1,667,883	1,640,057	1,600,776	1,834,509	1,969,352	2,274,214
<b>Support Services:</b>										
Tuition								2,520,512	2,460,215	2,640,421
Student & Instruction Related Services	3,809,712	3,514,237	3,715,740	3,852,337	3,848,598	4,090,642	3,954,056	4,321,389	4,655,957	5,144,395
General Administrative Services	1,016,751	858,745	691,266	913,994	952,905	945,428	773,663	865,242	837,366	835,943
School Administrative Services	1,435,789	1,800,938	1,819,095	1,608,671	1,964,673	2,169,472	2,260,028	2,455,661	2,593,985	3,016,987
Central and Other Support Services	584,498	743,597	652,801	549,639	584,917	552,372	566,228	649,021	696,651	678,504
Administrative Information Technology								189,067	207,484	225,852
Plant Operations and Maintenance	3,450,036	4,333,145	3,855,280	3,592,306	3,598,805	3,655,757	3,979,360	4,022,505	4,378,673	4,687,057
Pupil Transportation	2,198,035	2,423,669	2,369,440	1,772,268	1,823,129	1,839,796	1,792,279	2,140,161	1,807,491	1,979,890
Transfer of Funds to Charter School	892,860	874,887	1,068,923	1,010,252	665,601	761,455	691,812	663,512	597,552	616,401
Interest on Long-term Debt								1,588,396	1,600,560	1,609,620
Unallocated Depreciation								35,284		
<b>Total Governmental Activities Expenses</b>	<b>\$ 32,879,724</b>	<b>\$ 33,586,503</b>	<b>\$ 33,726,513</b>	<b>\$ 33,237,423</b>	<b>\$ 34,711,727</b>	<b>\$ 36,399,412</b>	<b>\$ 36,053,234</b>	<b>\$ 40,819,272</b>	<b>\$ 43,440,483</b>	<b>\$ 48,321,763</b>
<b>Business-type Activities:</b>										
Food Service	560,853	550,230	632,181	683,937	695,121	750,776	794,468	765,978	816,748	829,098
Total Business-type Activities Expense	560,853	550,230	632,181	683,937	695,121	750,776	794,468	765,978	816,748	829,098
Total District Expenses	<b>\$ 33,440,577</b>	<b>\$ 34,136,733</b>	<b>\$ 34,358,694</b>	<b>\$ 33,921,360</b>	<b>\$ 35,406,848</b>	<b>\$ 37,150,188</b>	<b>\$ 36,847,702</b>	<b>\$ 41,585,250</b>	<b>\$ 44,257,231</b>	<b>\$ 49,150,861</b>

WEST ESSEX REGIONAL SCHOOL DISTRICT  
CHANGES IN NET POSITION, LAST TEN FISCAL YEARS  
ACCURAL BASIS OF ACCOUNTING  
UNAUDITED  
(Continued)

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Program Revenues:</b>										
<b>Governmental Activities:</b>										
Charges for Services:										
Instruction (Tuition)	\$ 46,944	\$ 20,635	\$ 67,175	\$ 145,971	\$ 168,593	\$ 77,076	\$ 102,010	\$ 52,289	\$ 79,974	\$ 219,426
Operating Grants and Contributions	4,428,984	3,810,271	4,601,827	3,135,488	3,903,058	4,782,073	4,329,234	8,139,878	9,525,846	12,703,372
Capital Grants and Contributions	509,127	706,619	4,500	3,262,003	19,205			72,520		360,204
<b>Total Governmental Activities Program Revenues</b>	<b>4,985,055</b>	<b>4,537,525</b>	<b>4,673,502</b>	<b>6,543,462</b>	<b>4,090,856</b>	<b>4,859,149</b>	<b>4,431,244</b>	<b>8,264,687</b>	<b>9,605,820</b>	<b>13,283,002</b>
<b>Business-type Activities:</b>										
Charges for Services:										
Food Service	621,235	559,266	497,411	635,113	726,069	743,292	727,484	760,774	841,025	865,003
<b>Total Business-type Activities Program Revenues</b>	<b>621,235</b>	<b>559,266</b>	<b>497,411</b>	<b>635,113</b>	<b>726,069</b>	<b>743,292</b>	<b>727,484</b>	<b>760,774</b>	<b>841,025</b>	<b>865,003</b>
<b>Total District Program Revenues</b>	<b>\$ 5,606,290</b>	<b>\$ 5,096,791</b>	<b>\$ 5,170,913</b>	<b>\$ 7,178,575</b>	<b>\$ 4,816,925</b>	<b>\$ 5,602,441</b>	<b>\$ 5,158,728</b>	<b>\$ 9,025,461</b>	<b>\$ 10,446,845</b>	<b>\$ 14,148,005</b>
<b>Net (Expense)/Revenue:</b>										
Governmental Activities	\$ (27,894,669)	\$ (29,048,978)	\$ (29,053,011)	\$ (26,693,961)	\$ (30,620,871)	\$ (31,540,263)	\$ (31,621,990)	\$ (32,554,585)	\$ (33,834,663)	\$ (35,038,761)
Business-type Activities	60,382	9,036	(134,770)	(48,824)	30,948	(7,484)	(66,984)	(5,204)	24,277	35,905
<b>Total District-wide Net Expense</b>	<b>\$ (27,834,287)</b>	<b>\$ (29,039,942)</b>	<b>\$ (29,187,781)</b>	<b>\$ (26,742,785)</b>	<b>\$ (30,589,923)</b>	<b>\$ (31,547,747)</b>	<b>\$ (31,688,974)</b>	<b>\$ (32,559,789)</b>	<b>\$ (33,810,386)</b>	<b>\$ (35,002,856)</b>
<b>General Revenues and Other Changes in Net Position:</b>										
<b>Governmental Activities:</b>										
Property Taxes Levied for General Purposes	\$ 26,009,320	\$ 27,347,610	\$ 28,163,781	\$ 30,787,000	\$ 30,284,468	\$ 30,890,157	\$ 31,507,960	\$ 32,390,184	\$ 33,383,315	\$ 34,244,997
Property Taxes Levied for Debt Service	2,279,000	2,234,375	2,188,875	1,090,680	2,546,355	2,507,679	2,407,198	2,425,105	2,369,280	2,190,149
State Aid - Unrestricted	406,264	14,852						56,617	58,853	78,957
Investment Earnings			206,279	359,117	395,596	370,036	345,949	13,506	11,594	17,319
Miscellaneous Income	372,946	351,627						245,063	323,613	328,348
Loss on Disposal of Capital Assets	(1,900)									
<b>Total Governmental Activities</b>	<b>29,065,630</b>	<b>29,948,464</b>	<b>30,558,935</b>	<b>32,236,797</b>	<b>33,226,419</b>	<b>33,767,872</b>	<b>34,261,107</b>	<b>35,130,475</b>	<b>36,146,655</b>	<b>36,859,770</b>
<b>Total District-wide</b>	<b>\$ 29,065,630</b>	<b>\$ 29,948,464</b>	<b>\$ 30,558,935</b>	<b>\$ 32,236,797</b>	<b>\$ 33,226,419</b>	<b>\$ 33,767,872</b>	<b>\$ 34,261,107</b>	<b>\$ 35,130,475</b>	<b>\$ 36,146,655</b>	<b>\$ 36,859,770</b>
<b>Change in Net Position</b>										
Governmental Activities	\$ 1,170,961	\$ 899,486	\$ 1,505,924	\$ 5,542,836	\$ 2,605,548	\$ 2,227,609	\$ 2,639,117	\$ 2,575,890	\$ 2,311,992	\$ 1,821,009
Business-type Activities	60,382	9,036	(134,770)	(48,824)	30,948	(7,484)	(66,984)	(5,204)	24,277	35,905
<b>Total District</b>	<b>\$ 1,231,343</b>	<b>\$ 908,522</b>	<b>\$ 1,371,154</b>	<b>\$ 5,494,012</b>	<b>\$ 2,636,496</b>	<b>\$ 2,220,125</b>	<b>\$ 2,572,133</b>	<b>\$ 2,570,686</b>	<b>\$ 2,336,269</b>	<b>\$ 1,856,914</b>

WEST ESSEX REGIONAL SCHOOL DISTRICT  
 FUND BALANCES, GOVERNMENTAL FUNDS,  
 LAST TEN FISCAL YEARS  
 MODIFIED ACCRUAL BASIS OF ACCOUNTING  
 UNAUDITED

	June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 27,001	\$ 415,426	\$ 1,141,261							
Unreserved	1,335,627	261,838	324,835							
Restricted				\$ 668,729	\$ 2,768,729	\$ 3,588,729	\$ 3,777,933	\$ 3,281,916	\$ 4,803,462	\$ 6,493,718
Committed				98,123		161,670	490,602			
Assigned				716,497	385,557	531,760	1,117,233	841,259	623,715	524,864
Unassigned				700,917	619,125	621,000	626,842	1,152,698	1,099,343	1,159,735
Total General Fund	\$ 1,362,628	\$ 677,264	\$ 1,466,096	\$ 2,184,266	\$ 3,773,411	\$ 4,903,159	\$ 6,012,610	\$ 5,275,873	\$ 6,526,520	\$ 8,178,317
All Other Governmental Funds										
Reserved	\$ 482,539	\$ 2,627,000	\$ 2,126,854							
Unreserved/(Deficit)	4,268,036	(1,226,743)	212,827							
Restricted				\$ 1,041,648	\$ 1,112,216	\$ 914,026	\$ 1,034,806	\$ 914,026	\$ 914,026	\$ 1,158,869
Total All Other Governmental Funds	\$ 4,750,575	\$ 1,400,257	\$ 2,339,681	\$ 1,041,648	\$ 1,112,216	\$ 914,026	\$ 1,034,806	\$ 914,026	\$ 914,026	\$ 1,158,869
Total Governmental Funds	\$ 6,113,203	\$ 2,077,521	\$ 3,805,777	\$ 3,225,914	\$ 4,885,627	\$ 5,817,185	\$ 7,047,416	\$ 6,189,899	\$ 7,440,546	\$ 9,337,186

WEST ESSEX REGIONAL SCHOOL DISTRICT  
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
MODIFIED ACCRUAL BASIS OF ACCOUNTING  
UNAUDITED

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues</b>										
Property Tax Levy	\$ 28,288,320	\$ 29,581,985	\$ 30,352,656	\$ 31,877,680	\$ 32,830,823	\$ 33,397,836	\$ 33,915,158	\$ 34,815,289	\$ 35,752,595	\$ 36,435,146
Tuition	46,944	20,635	67,175	145,971	168,593	77,076	102,010	52,289	79,974	219,426
Miscellaneous	372,946	351,627	207,879	359,117	427,395	400,230	370,871	278,405	356,350	351,099
State Sources	4,491,433	4,192,380	4,084,854	5,961,262	3,456,344	4,429,723	3,950,324	4,930,968	5,084,650	5,771,071
Federal Sources	343,814	339,362	519,873	436,229	434,120	322,156	353,988	376,133	376,085	370,364
<b>Total Revenue</b>	<b>33,543,457</b>	<b>34,485,989</b>	<b>35,232,437</b>	<b>38,780,259</b>	<b>37,317,275</b>	<b>38,627,021</b>	<b>38,692,351</b>	<b>40,453,084</b>	<b>41,649,654</b>	<b>43,147,106</b>
<b>Expenditures</b>										
<b>Instruction</b>										
Regular Instruction	12,992,305	12,019,960	12,648,777	13,099,598	13,537,087	14,632,909	14,329,700	11,111,898	11,135,574	11,470,601
Special Education Instruction	4,569,763	5,162,725	4,876,189	4,505,230	5,129,066	5,220,165	5,089,627	2,574,809	2,528,909	2,608,106
Other Instruction	112,860	47,051	36,228	34,033	58,888	48,264	127,465			
School Sponsored Activities and Athletics	1,496,889	1,501,999	1,555,723	1,600,028	1,600,030	1,574,858	1,537,986	1,340,691	1,363,207	1,484,989
<b>Tuition</b>										
Student & Instruction Related Services	3,737,161	3,445,011	3,616,721	3,713,399	3,672,145	3,921,624	3,769,634	2,520,512	2,460,215	2,640,421
General Administrative Services	1,008,500	850,872	680,005	861,798	757,690	900,256	751,062	671,493	3,015,578	3,044,095
School Administrative Services	1,411,800	1,778,048	1,786,354	1,549,120	1,869,652	2,078,786	2,152,073	1,633,517	605,176	546,201
Central and Other Support Services	572,846	732,480	636,899	529,614	557,774	526,331	540,137	445,456	1,600,486	1,704,659
Administrative Information Technology									442,350	404,043
Plant Operations and Maintenance	3,413,517	3,648,300	3,155,439	3,515,583	3,493,524	3,554,853	3,839,438	3,126,978	125,050	123,385
Pupil Transportation	2,198,035	2,423,669	2,369,440	1,768,021	1,816,080	1,832,747	1,781,428	2,128,409	3,264,591	3,234,854
Unallocated Benefits								7,665,652	1,797,862	1,970,178
Transfer of Funds to Charter School								35,284	8,647,379	9,028,590
<b>Capital Outlay</b>										
Debt Service:										
Principal	2,708,359	3,015,490	6,118,034	4,740,163	697,802	818,459	1,136,371	3,286,537	1,043,350	684,834
Interest and Other Charges	1,632,633	1,754,138	1,669,127	2,443,129	1,720,000	1,665,000	1,705,000	1,710,000	1,720,000	1,790,000
<b>Total Expenditures</b>	<b>36,759,997</b>	<b>37,233,000</b>	<b>40,041,181</b>	<b>39,521,575</b>	<b>36,700,954</b>	<b>37,616,932</b>	<b>37,540,651</b>	<b>42,090,601</b>	<b>40,399,007</b>	<b>41,250,466</b>

WEST ESSEX REGIONAL SCHOOL DISTRICT  
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,  
LAST TEN FISCAL YEARS

MODIFIED ACCRUAL BASIS OF ACCOUNTING  
UNAUDITED  
(Continued)

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Excess/(Deficit) of Revenues										
Over/(Under) Expenditures	\$ (3,216,540)	\$ (2,747,011)	\$ (4,808,744)	\$ (741,316)	\$ 616,321	\$ 1,010,089	\$ 1,151,700	\$ (1,637,517)	\$ 1,250,647	\$ 1,896,640
Other Financing Sources/(Uses)				161,453						
Proceeds from Leases	1,250,000		6,537,000							
Proceeds from Bonds					14,470,000					3,965,000
Proceeds from Refunding Bonds					1,458,392					555,685
Premium on Bonds					(14,885,000)					(4,002,000)
Payment to Refunded Bonds Escrow Agent										(94,708)
Costs of Refunding Bond Issue										(423,977)
Deferred Amount on Refunding										
Transfers In	107,564	47,839	263,293	1,138,728			120,780	926,026		
Transfers Out	(107,564)	(47,839)	(263,293)	(1,138,728)			(120,780)	(926,026)		
Capital Leases (Non-budgeted)								780,000		
Total Other Financing Sources/(Uses)	1,250,000		6,537,000	161,453	1,043,392			780,000		
Net Change in Fund Balances	\$ (1,966,540)	\$ (2,747,011)	\$ 1,728,256	\$ (579,863)	\$ 1,659,713	\$ 1,010,089	\$ 1,151,700	\$ (857,517)	\$ 1,250,647	\$ 1,896,640
Debt Service as a Percentage of Noncapital Expenditures	7.45%	7.62%	7.55%	10.36%	9.75%	6.81%	6.83%	6.25%	6.01%	5.67%

WEST ESSEX REGIONAL SCHOOL DISTRICT  
 GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE  
 LAST TEN FISCAL YEARS  
 MODIFIED ACCRUAL BASIS OF ACCOUNTING  
UNAUDITED

	June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Tuition	\$ 46,944	\$ 20,635	\$ 67,175	\$ 145,971	\$ 168,593	\$ 77,076	\$ 102,010	\$ 1,755	\$ 79,974	\$ 219,426
Rentals/Facility Use	9,600	72,125	34,582	52,091	58,431	67,601	95,195	75,155	54,755	77,615
Interest	90,726	78,696	71,081	6,449	6,765	9,770	12,174	13,506	11,594	17,319
Request for Proposal Fees	3,300									
Athletic Game Receipts	12,499	14,474	12,471	15,414	9,185	19,195	28,075	24,035	15,638	14,571
Prior Year Refunds and Reimbursements	122,914	89,537	55,927	40,295	65,654		12,181	7,990	44,128	9,524
Energy Rebate	12,132			82,060	36,161	58,636	31,772			
E-Rate Reimbursement	12,213	27,862	20,515	3,726	35,984	23,158	15,332	21,390	10,499	
Workers Compensation Refund					91,520	49,438			47,585	
Vending Machines								170		
Student Activity Fees	1,998	21,094	9,682	94,341	91,896	104,585	107,132	105,000	100,635	114,150
Miscellaneous				64,741		37,653	44,087	61,857	50,373	112,488
Total Miscellaneous	\$ 312,326	\$ 324,423	\$ 271,433	\$ 505,088	\$ 564,189	\$ 447,112	\$ 447,958	\$ 310,858	\$ 415,181	\$ 565,093

Source: School District Financial Reports



WEST ESSEX REGIONAL SCHOOL DISTRICT  
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY  
LAST TEN YEARS  
UNAUDITED

**ESSEX FIELDS BOROUGH**

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities <sup>a</sup>	Net Valuation Taxable	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
2007	\$ 9,147,000	\$ 783,758,100			\$ 22,047,400			\$ 814,952,500	\$ 295,363	\$ 815,247,863	\$ 0.74	\$ 909,637,586
2008	9,147,000	788,387,000			22,047,400			819,581,400	247,614	819,829,014	0.83	915,224,261
2009	7,145,600	785,894,700			22,047,400			815,087,700	331,433	815,419,133	0.82	866,846,814
2010	6,463,200	735,974,800			25,143,800			767,581,800	336,248	767,918,048	0.89	829,476,548
2011	6,463,200	736,848,900			25,143,800			768,455,900	327,163	768,783,063	0.91	806,128,748
2012	6,463,200	736,201,200			25,143,800			767,808,200	293,033	763,237,133	0.94	757,461,483
2013	6,463,200	734,459,400			20,279,700			761,202,300	288,400	761,490,700	0.99	745,211,103
2014	6,463,200	728,166,000			19,793,000			754,422,200	221,600	754,643,800	1.01	732,622,134
2015	7,175,100	725,853,900			19,793,000			753,822,000	221,600	753,043,600	1.02	753,878,979
2016	6,455,100	725,508,700			19,793,000			751,756,800	202,000	751,958,800	1.01	764,401,837

**FAIRFIELD TOWNSHIP**

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities <sup>a</sup>	Net Valuation Taxable	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
2007	\$ 20,315,800	\$ 650,134,500	\$ 434,600	\$ 46,600	\$ 418,904,900	\$ 479,097,500	\$ 11,701,000	\$ 1,580,634,900	\$ 5,278,100	\$ 1,585,913,000	\$ 1.30	\$ 2,935,460,557
2008	23,548,300	656,138,400	241,600	46,600	397,923,400	476,087,700	11,701,000	1,565,707,000	5,617,500	1,571,324,500	1.37	3,033,568,912
2009	44,949,900	1,317,292,700	492,900	47,500	777,919,000	946,905,400	16,500,000	3,104,107,400	10,901,748	3,115,009,148	0.72	3,109,397,060
2010	50,823,000	1,317,526,000	492,900	47,500	775,320,000	938,752,800	16,500,000	3,099,462,200	10,901,748	3,110,363,948	0.75	3,125,008,280
2011	48,359,400	1,320,103,100	501,300	47,500	774,727,000	918,689,900	15,000,000	3,077,428,200	10,130,737	3,087,558,937	0.79	3,004,475,056
2012	40,010,500	1,105,701,000	424,200	33,300	692,955,600	823,057,500	15,000,000	2,677,182,100	10,025,440	2,687,207,540	0.90	2,962,755,685
2013	38,877,100	1,108,782,600	424,200	33,300	665,905,200	817,502,000	15,000,000	2,646,524,400	7,898,040	2,654,422,440	0.91	2,783,791,725
2014	38,420,800	1,111,492,100	424,200	33,300	653,979,100	802,744,600	15,000,000	2,622,094,100	7,402,303	2,629,496,403	0.93	2,591,005,944
2015	35,959,100	1,119,311,600	424,200	33,300	650,828,300	791,236,800	15,000,000	2,612,793,300	7,466,353	2,620,259,653	0.96	2,648,934,593
2016	36,133,900	1,123,687,800	452,200	27,600	627,499,880	779,629,900	15,000,000	2,582,431,280	6,669,400	2,589,100,680	1.04	3,041,679,929

WEST ESSEX REGIONAL SCHOOL DISTRICT  
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY,  
LAST TEN YEARS  
UNAUDITED

**NORTH CALDWELL BOROUGH**

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities <sup>a</sup>	Net Valuation Taxable	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
2007	\$ 9,677,700	\$ 354,687,700	\$ 94,900	\$ 4,000	\$ 5,563,900	\$ 739,600	\$ 370,767,800	\$ 149,800	\$ 370,917,600	\$ 4.36	\$ 1,672,593,459	
2008	* 60,873,600	1,723,979,600	624,200	4,000	32,327,600	2,916,300	1,820,725,300	713,300	1,821,438,600	0.95	1,764,573,995	
2009	52,622,000	1,723,500,900	624,200	4,000	32,127,000	2,916,300	1,811,794,400	781,000	1,812,575,400	0.99	1,808,237,504	
2010	36,736,800	1,568,711,600	642,900	4,000	29,817,300	2,916,300	1,638,828,900	761,600	1,639,590,500	1.13	1,767,502,544	
2011	31,687,700	1,517,159,000	474,200	4,000	27,941,000	2,916,300	1,580,182,200	568,100	1,580,750,300	1.20	1,705,642,135	
2012	27,965,000	1,477,834,400	424,000	4,000	25,749,200	2,916,300	1,534,892,900	572,300	1,535,465,200	1.24	1,629,143,891	
2013	32,703,600	1,479,925,700	424,000	4,000	23,679,100	2,697,500	1,539,433,900	618,900	1,540,052,800	1.27	1,603,705,860	
2014	24,013,300	1,511,273,300	228,500	5,700	23,217,700	2,697,500	1,561,436,000	528,800	1,561,964,800	1.28	1,627,465,417	
2015	19,041,700	1,535,025,600			24,426,700	2,697,500	1,581,191,500	517,500	1,581,709,000	1.29	1,676,062,829	
2016	20,618,600	1,542,944,100			24,707,200	2,500,000	1,591,229,400	472,000	1,591,701,400	1.30	1,729,088,755	

**ROSELAND BOROUGH**

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities <sup>a</sup>	Net Valuation Taxable	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
2007	\$ 1,714,600	\$ 128,712,141		\$ 3,500	\$ 108,117,400	\$ 13,509,200	\$ 7,616,900	\$ 259,673,741	\$ 223,805	\$ 259,897,546	\$ 5.31	\$ 1,985,595,895
2008	1,670,300	131,740,741		3,500	87,252,700	12,437,700	7,616,900	240,721,841	228,176	240,950,017	5.85	1,848,524,833
2009	1,545,600	131,487,941		3,500	84,649,300	12,191,000	7,316,900	237,194,241	216,557	237,410,798	6.20	2,015,579,267
2010	* 21,591,600	987,424,646		4,600	666,755,200	85,871,000	53,906,200	1,815,553,246	1,913,146	1,817,466,392	0.84	1,980,725,360
2011	20,823,300	984,274,052		6,400	659,768,900	85,545,200	53,906,200	1,804,324,052	1,741,868	1,806,065,920	0.86	1,806,338,981
2012	14,864,900	983,130,652		6,400	579,971,400	85,210,500	53,906,200	1,713,019,652	1,612,156	1,714,631,808	0.94	1,876,699,561
2013	14,671,400	954,190,452		6,400	575,700,600	88,204,600	53,906,200	1,686,679,652	1,807,900	1,688,487,552	0.99	1,790,276,314
2014	14,517,100	951,345,752		6,400	563,386,400	91,276,600	53,906,200	1,674,438,452	1,466,700	1,675,903,152	1.01	1,791,196,093
2015	7,853,100	952,307,000		6,400	572,151,900	91,276,600	61,850,000	1,685,445,000	1,466,700	1,686,911,700	1.04	1,835,333,588
2016	7,729,700	955,023,000		6,400	570,801,300	89,465,800	76,017,700	1,699,043,900	1,559,200	1,700,603,100	1.04	1,818,332,621

\* - A revaluation was effective in this year.

WEST ESSEX REGIONAL SCHOOL DISTRICT  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST TEN YEARS  
UNAUDITED  
(Rate per \$100 of Assessed Value)

**ESSEX FELLS BOROUGH**

Year Ended December 31,	School District of West Essex Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	General Obligation			Borough of Essex Fells	Essex County	
	Basic Rate <sup>a</sup>	Debt Service <sup>b</sup>	Total Direct			
2007	\$ 0.68	\$ 0.06	\$ 0.74	\$ 0.32	\$ 0.42	\$ 1.48
2008	0.77	0.06	0.83	0.35	0.44	1.62
2009	0.76	0.06	0.82	0.37	0.41	1.61
2010	0.86	0.03	0.89	0.39	0.44	1.72
2011	0.83	0.07	0.91	0.41	0.46	1.78
2012	0.87	0.07	0.94	0.43	0.46	1.83
2013	0.92	0.07	0.99	0.44	0.48	1.91
2014	0.94	0.07	1.01	0.47	0.51	1.98
2015	0.95	0.07	1.02	0.48	0.52	2.02
2016	0.95	0.06	1.01	0.49	0.53	2.03

**FAIRFIELD TOWNSHIP**

Year Ended December 31,	School District of West Essex Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	General Obligation			Township of Fairfield	Essex County	
	Basic Rate <sup>a</sup>	Debt Service <sup>b</sup>	Total Direct			
2007	\$ 1.19	\$ 0.10	\$ 1.30	\$ 0.61	\$ 0.72	\$ 2.63
2008	1.26	0.10	1.37	0.67	0.75	2.79
2009	* 0.67	0.05	0.72	0.35	0.39	1.46
2010	0.73	0.03	0.75	0.40	0.41	1.56
2011	0.73	0.06	0.79	0.42	0.42	1.63
2012	0.83	0.07	0.90	0.50	0.49	1.89
2013	0.85	0.06	0.91	0.51	0.51	1.94
2014	0.87	0.06	0.93	0.53	0.50	1.96
2015	0.90	0.06	0.96	0.50	0.52	1.98
2016	0.98	0.06	1.04	0.57	0.59	2.20

**WEST ESSEX REGIONAL SCHOOL DISTRICT**  
**DIRECT AND OVERLAPPING PROPERTY TAX RATES**  
**LAST TEN YEARS**  
**UNAUDITED**  
(Rate per \$100 of Assessed Value)

**NORTH CALDWELL BOROUGH**

Year Ended December 31,	School District of West Essex Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	General Obligation			Borough of North Caldwell	Essex County	
	Basic Rate <sup>a</sup>	Debt Service <sup>b</sup>	Total Direct			
2007	\$ 4.01	\$ 0.35	\$ 4.36	\$ 1.22	\$ 1.78	\$ 7.36
2008	* 0.88	0.07	0.95	0.27	0.38	1.60
2009	0.92	0.07	0.99	0.30	0.39	1.67
2010	1.09	0.04	1.13	0.34	0.46	1.93
2011	1.11	0.09	1.20	0.36	0.47	2.04
2012	1.14	0.09	1.24	0.38	0.49	2.11
2013	1.18	0.09	1.27	0.38	0.51	2.17
2014	1.19	0.09	1.28	0.38	0.55	2.21
2015	1.20	0.09	1.29	0.38	0.55	2.23
2016	1.22	0.08	1.30	0.38	0.57	2.25

**ROSELAND BOROUGH**

Year Ended December 31,	School District of West Essex Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	General Obligation			Borough of Roseland	Essex County	
	Basic Rate <sup>a</sup>	Debt Service <sup>b</sup>	Total Direct			
2007	\$ 4.88	\$ 0.43	\$ 5.31	\$ 3.12	\$ 0.30	\$ 8.73
2008	5.41	0.44	5.85	3.21	3.02	12.08
2009	5.76	0.45	6.20	3.40	3.22	12.82
2010	* 0.81	0.03	0.84	0.56	0.44	1.83
2011	0.79	0.07	0.86	0.58	0.43	1.87
2012	0.87	0.07	0.94	0.59	0.51	2.04
2013	0.92	0.07	0.99	0.60	0.45	2.04
2014	0.94	0.07	1.01	0.61	0.54	2.16
2015	0.97	0.07	1.04	0.56	0.56	2.17
2016	0.98	0.06	1.04	0.62	0.56	2.22

Note: NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy . The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculation.

a The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.

b Rates for debt service are based on each year's requirements.

\* Revaluation became effective in this year.

Source: Municipal Tax Collector and School Business Administrator

WEST ESSEX REGIONAL SCHOOL DISTRICT  
PRINCIPAL PROPERTY TAX PAYERS,  
CURRENT YEAR AND NINE YEARS AGO

ESSEX FELLS BOROUGH

Taxpayer	2016		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Essex Fells Country Club	\$ 17,784,200	1	2.37%
Individual Tax Payer #1	4,511,100	2	0.60%
Individual Tax Payer #2	3,907,700	3	0.52%
Individual Tax Payer #3	3,569,200	4	0.47%
Individual Tax Payer #4	3,517,500	5	0.47%
Individual Tax Payer #5	3,441,900	6	0.46%
Individual Tax Payer #6	3,272,200	7	0.44%
Individual Tax Payer #7	3,234,800	8	0.43%
Individual Tax Payer #8	3,208,400	9	0.43%
Individual Tax Payer #9	3,205,700	10	0.43%
Total	<u>49,652,700</u>		<u>6.60%</u>

Taxpayer	2007		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Essex Fells Country Club	\$ 18,456,100	1	2.26%
Individual Taxpayers	37,162,500	2-10	4.56%
Total	<u>\$ 55,618,600</u>		<u>6.82%</u>

Source: Municipal Tax Assessor

WEST ESSEX REGIONAL SCHOOL DISTRICT  
PRINCIPAL PROPERTY TAX PAYERS,  
CURRENT YEAR AND NINE YEARS AGO

**FAIRFIELD TOWNSHIP**

Taxpayer	2016		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
AMB Properties 11, LLC	\$ 41,948,300	1	1.62%
Calandra Development	33,705,400	2	1.30%
GRE Greenbrook Property, LLC	29,536,000	3	1.14%
300 Fairfield Road, LLC	28,175,200	4	1.09%
C/O Ryan, LLC	21,668,400	5	0.84%
True North Fairfield Property	20,400,000	6	0.79%
Kyocera Mita America, Inc	20,000,000	7	0.77%
Marshall Field/Target Corp	18,900,000	8	0.73%
Skyline Properties, LLC	18,052,000	9	0.70%
LMR USA LLC	18,000,000	10	0.70%
Total	<u>250,385,300</u>		<u>9.67%</u>

Taxpayer	2007		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
AMB-AMS	\$ 37,801,700	1	2.38%
Rt. 46 Associates	27,200,000	2	1.72%
Transwestern Greenbrook	21,800,000	3	1.37%
CRG 300 LLC	20,157,500	4	1.27%
Kyocera Mita America	18,511,800	5	1.17%
AMB Partners II LP	17,701,400	6	1.12%
True North Fairfield Property, LLC	15,500,000	7	0.98%
RRAMC	12,766,300	8	0.80%
AMCHU Associates	11,701,000	9	0.74%
Individual Taxpayer #1	11,000,000	10	0.69%
Total	<u>\$ 194,139,700</u>		<u>12.24%</u>

Note: A revaluation became effective in 2009.

Note: Individual Taxpayers in 2016 and 2007 may be different.

Source: Municipal Tax Assessor

WEST ESSEX REGIONAL SCHOOL DISTRICT  
PRINCIPAL PROPERTY TAX PAYERS,  
CURRENT YEAR AND NINE YEARS AGO

NORTH CALDWELL BOROUGH

Taxpayer	2016		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Greenbrook Country Club	\$ 12,000,000	1	0.75%
K Hovnanian at Hilltop, LLC	8,503,100	2	0.53%
Individual taxpayer #1	3,425,400	3	0.22%
Hidden Ridge at North Caldwell	3,225,000	4	0.20%
Individual taxpayer #2	2,824,800	5	0.18%
Individual taxpayer #3	2,563,000	6	0.16%
Heller Property Partners, LP	2,500,000	7	0.16%
Individual taxpayer #4	2,470,900	8	0.16%
Individual taxpayer #5	2,458,300	9	0.15%
PSEG Services Corp.	2,320,000	10	0.15%
Total	<u>\$ 42,290,500</u>		<u>2.66%</u>

Taxpayer	2007		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
K Hovnanian at North Caldwell LLC	\$ 36,728,200	1	2.02%
Greenbrook Country Club	17,956,800	2	0.99%
Zephyr Spc. 1 LLC	9,750,000	3	0.54%
Individual taxpayers	13,947,100	4-6	0.77%
Beachmoont Development Corporation	3,426,200	7	0.19%
Transcontinental Gas Pipeline	3,338,400	8	0.18%
Individual taxpayers	6,275,100	9-10	0.34%
Total	<u>\$ 91,421,800</u>		<u>5.02%</u>

Note: A revaluation became effective in 2008.

Note: Individual Taxpayers in 2016 and 2007 may be different.

Source: Municipal Tax Assessor

WEST ESSEX REGIONAL SCHOOL DISTRICT  
PRINCIPAL PROPERTY TAX PAYERS,  
CURRENT YEAR AND NINE YEARS AGO

ROSELAND BOROUGH

Taxpayer	2016		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Prudential Financial - 80 Livingston	\$ 67,100,400	1	3.98%
ADP Incorporated	61,626,400	2	3.65%
56 Livingston Owner	57,127,200	3	3.39%
Prudential Financial - 55 Livingston	48,850,000	4	2.90%
Roseland Owner LLC - 8 Eisenhower	47,000,000	5	2.79%
Becker Equities, LLC - 4 Becker Farm Road	37,406,100	6	2.22%
Eisenhower 101 FO, LLC - 101 Eisenhower	30,000,000	7	1.78%
Avalon Roseland LLC	29,017,700	8	1.72%
Eisenhower 101 FO, LLC - 105 Eisenhower	28,952,000	9	1.72%
Eisenhower 101 FO, LLC - 103 Eisenhower	20,000,000	10	1.19%
<b>Total</b>	<b>\$ 427,079,800</b>		<b>25.32%</b>

Taxpayer	2007		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Prudential	\$ 27,000,700		9.98%
Cali (Office Associates)	17,850,100		6.60%
ADP Incorporated	16,652,000		6.16%
Gale and Wentworth	15,944,700		5.89%
Organon	15,310,300		5.66%
Segal Development	7,616,900		2.82%
Eagle Rock Associate	2,400,000		0.89%
American Bobst Holdings	2,127,400		0.79%
556 Eagle Rock Associates	1,235,100		0.46%
426 Eagle Rock Associates	1,235,100		0.46%
<b>Total</b>	<b>\$ 107,372,300</b>		<b>39.71%</b>

Note: A revaluation became effective in 2010.

Source: Municipal Tax Assessor



WEST ESSEX REGIONAL SCHOOL DISTRICT  
PROPERTY TAX LEVIES AND COLLECTIONS,  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
2008	\$ 28,288,319	\$ 28,288,319	100.00%	-0-
2009	29,581,985	29,581,985	100.00%	-0-
2010	30,320,556	30,320,556	100.00%	-0-
2011	31,877,680	31,685,577	99.40%	\$ 192,103
2012	32,830,823	32,830,823	100.00%	-0-
2013	33,397,836	33,397,836	100.00%	-0-
2014	33,915,158	33,323,280	98.25%	591,878
2015	34,815,289	34,815,289	100.00%	-0-
2016	35,752,595	35,752,595	100.00%	-0-
2017	36,435,146	36,435,146	100.00%	-0-

Source: West Essex Regional School District records including the Certificate and Report of School Taxes (A4F form)

- a. School taxes are collected by the respective Municipal Tax Collector. Under New Jersey State Statute, a municipality is required to remit to the school district the entire property tax balance, in the amount voted upon or certified prior to the end of the school year.

WEST ESSEX REGIONAL SCHOOL DISTRICT  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Total District	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds	Certificates of Participation	Capital Leases	Sale/Leaseback Contracts	Capital Leases				
					Capital Leases	Capital Leases			
2008	\$ 21,885,000	\$ -0-	\$ 1,204,941	\$ 300,000	\$ -0-	\$ -0-	23,389,941	\$ 2.01%	1,069
2009	20,485,000	-0-	950,000	200,803	-0-	-0-	21,635,803	1.92%	983
2010	25,622,000	-0-	779,625	102,051	-0-	-0-	26,503,676	2.35%	1,229
2011	24,222,000	-0-	-0-	-0-	-0-	-0-	24,222,000	2.03%	1,115
2012	22,087,000	-0-	-0-	-0-	-0-	-0-	22,087,000	1.83%	1,013
2013	20,422,000	-0-	-0-	-0-	-0-	-0-	20,422,000	1.67%	931
2014	18,717,000	-0-	-0-	-0-	-0-	-0-	18,717,000	1.45%	844
2015	17,007,000	-0-	780,000	-0-	-0-	-0-	17,787,000	1.33%	799
2016	15,287,000	-0-	584,079	-0-	-0-	-0-	15,871,079	1.22%	714
2017	13,460,000	-0-	391,845	-0-	-0-	-0-	13,851,845	2.94%	1,729

Note: Details regarding the district's outstanding debt can be found in the notes to the financial statements.

<sup>a</sup> See Exhibit J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

Source: School District Financial Reports

WEST ESSEX REGIONAL SCHOOL DISTRICT  
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property <sup>a</sup>	Per Capita <sup>b</sup>
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2008	\$ 21,885,000	\$ -0-	\$ 21,885,000	0.72%	\$ 1,003
2009	20,485,000	-0-	20,485,000	0.46%	936
2010	25,622,000	-0-	25,622,000	0.43%	1,164
2011	24,222,000	-0-	24,222,000	0.33%	1,123
2012	22,087,000	-0-	22,087,000	0.30%	1,017
2013	20,422,000	-0-	20,422,000	0.30%	936
2014	18,717,000	-0-	18,717,000	0.28%	853
2015	17,007,000	-0-	17,007,000	0.26%	767
2016	15,287,000	-0-	15,287,000	0.23%	686
2017	13,460,000	-0-	13,460,000	0.20%	605

Note: Details regarding the district's outstanding debt can be found in the notes to the financial statements.

a See Exhibit J-6 for property tax data. This ratio is calculated using valuation data for the prior calendar year.

b See Exhibit J-14 for population data. This ratio is calculated using population for the prior calendar year.

Source: School District Financial Reports

WEST ESSEX REGIONAL SCHOOL DISTRICT  
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2016  
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid With Property Taxes:			
Borough of Essex Fells	\$ 3,004,501	100.000%	\$ 3,004,501
Township of Fairfield	14,258,869	100.000%	14,258,869
Borough of North Caldwell	9,098,127	100.000%	9,098,127
Borough of Roseland	14,146,399	100.000%	14,146,399
Essex County General Obligation Debt:			
Borough of Essex Fells	489,730,689	0.903%	4,423,728
Township of Fairfield	489,730,689	3.594%	17,602,736
Borough of North Caldwell	489,730,689	2.043%	10,006,540
Borough of Roseland	489,730,689	2.149%	<u>10,523,010</u>
Subtotal, Overlapping Debt			83,063,910
West Essex Regional School District Direct Debt			<u>13,460,000</u>
Total Direct and Overlapping Debt			<u>\$ 96,523,910</u>

Sources: Assessed value data used to estimate applicable percentages provided by the Essex County Board of Taxation; debt outstanding data provided by each governmental unit.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Essex Fells, Fairfield, North Caldwell and Roseland. This process recognizes that, when considering the District's ability to issue and repay long-term, the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping unit.

<sup>a</sup> For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable equalized property values. Applicable percentages were estimated by determining the portion of another governmental unit's equalized property value that is within the district's boundaries and dividing it by each unit's total equalized property value.

WEST ESSEX REGIONAL SCHOOL DISTRICT  
 LEGAL DEBT MARGIN INFORMATION  
 LAST TEN FISCAL YEARS  
 UNAUDITED

Legal Debt Margin Calculation for Fiscal Year 2017

	Borough of Essex Fells	Township of Fairfield	Borough of North Caldwell	Borough of Roseland	Total
Equalized valuation basis					
2016	\$ 759,810,794	\$ 2,896,076,349	\$ 1,751,490,809	\$ 1,827,321,897	\$ 7,234,699,849
2015	764,309,623	3,045,472,727	1,716,447,568	1,794,362,823	\$ 7,320,592,741
2014	755,631,210	2,625,244,393	1,653,362,982	1,813,929,641	\$ 6,848,168,226
					<u>\$21,403,460,816</u>
					<u>\$ 7,134,486,939</u>
					\$ 285,379,478 <sup>a</sup>
					<u>13,460,000</u>
					<u>\$ 271,919,478</u>

Average Equalized Valuation of Taxable Property

Debt Limit (4% of average equalization value)

Net Bonded School Debt

Legal Debt Margin

Fiscal Year Ended June 30,

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Limit	\$ 242,438,250	\$ 265,880,775	\$ 269,902,819	\$ 266,285,573	\$ 260,818,888	\$ 252,130,498	\$ 244,610,592	\$ 273,224,294	\$ 278,386,714	\$ 285,379,478
Total Net Debt Applicable to Limit	21,885,000	27,022,000	25,622,000	24,222,000	22,087,000	20,422,000	18,717,000	17,007,000	15,287,000	13,460,000
Legal Debt Margin	<u>\$ 220,553,250</u>	<u>\$ 238,858,775</u>	<u>\$ 244,280,819</u>	<u>\$ 242,063,573</u>	<u>\$ 238,731,888</u>	<u>\$ 231,708,498</u>	<u>\$ 225,893,592</u>	<u>\$ 256,217,294</u>	<u>\$ 263,099,714</u>	<u>\$ 271,919,478</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	9.03%	10.16%	9.49%	9.10%	8.47%	8.10%	7.65%	6.22%	5.49%	4.72%

a Limit set by NJSIA 18A:24-19 for Grades 7 through 12 district, other % limits would be applicable for other districts

Source: Equalized valuation bases were obtained from the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation

WEST ESSEX REGIONAL SCHOOL DISTRICT  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS  
UNAUDITED

Year	Population <sup>a</sup>	Borough of Essex Fells Income Personal Income <sup>b</sup>	Essex County Per Capita Personal Income <sup>c</sup>	Unemployment Rate <sup>d</sup>
2008	2,094	\$ 111,266,784	\$ 53,136	2.70%
2009	2,135	109,499,880	51,288	5.50%
2010	2,115	110,665,260	52,324	5.60%
2011	2,154	118,500,156	55,014	5.30%
2012	2,181	120,836,124	55,404	5.50%
2013	2,207	122,912,244	55,692	2.40%
2014	2,184	127,368,696	58,319	4.40%
2015	2,159	129,604,770	60,030	3.80%
2016	2,125	127,563,750	60,030 *	2.90%
2017	2,125 **	127,563,750 ***	60,030 *	N/A

Year	Population <sup>a</sup>	Township of Fairfield Income Personal Income <sup>b</sup>	Essex County Per Capita Personal Income <sup>c</sup>	Unemployment Rate <sup>d</sup>
2008	7,442	\$ 395,438,112	\$ 53,136	3.60%
2009	7,447	381,941,736	51,288	7.20%
2010	7,473	391,017,252	52,324	7.30%
2011	7,513	413,320,182	55,014	6.90%
2012	7,511	416,139,444	55,404	7.20%
2013	7,536	419,694,912	55,692	5.10%
2014	7,566	441,241,554	58,319	5.80%
2015	7,578	454,907,340	60,030	5.70%
2016	7,552	453,346,560	60,030 *	4.30%
2017	7,552 **	453,346,560 ***	60,030 *	N/A

WEST ESSEX REGIONAL SCHOOL DISTRICT  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS  
UNAUDITED

Year	Population <sup>a</sup>	Borough of North Caldwell Income Personal Income <sup>b</sup>	Essex County Per Capita Personal Income <sup>c</sup>	Unemployment Rate <sup>d</sup>
2008	7,020	\$ 373,014,720	\$ 53,136	3.30%
2009	7,071	362,657,448	51,288	6.60%
2010	6,162	322,420,488	52,324	6.70%
2011	6,192	340,646,688	55,014	6.40%
2012	6,261	346,884,444	55,404	6.60%
2013	6,370	354,758,040	55,692	3.10%
2014	6,580	383,739,020	58,319	3.60%
2015	6,661	399,859,830	60,030	3.10%
2016	6,669	400,340,070	60,030 *	2.70%
2017	6,669 **	400,340,070 ***	60,030 *	N/A

WEST ESSEX REGIONAL SCHOOL DISTRICT  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS  
UNAUDITED

Year	Population <sup>a</sup>	Borough of Roseland Income Personal Income <sup>b</sup>	Essex County Per Capita Personal Income <sup>c</sup>	Unemployment Rate <sup>d</sup>
2008	5,319	\$ 282,630,384	\$ 53,136	3.80%
2009	5,350	274,390,800	51,288	7.60%
2010	5,820	304,525,680	52,324	7.70%
2011	5,860	322,382,040	55,014	7.30%
2012	5,857	324,501,228	55,404	7.50%
2013	5,833	324,851,436	55,692	2.90%
2014	5,854	341,399,426	58,319	4.60%
2015	5,876	352,736,280	60,030	4.10%
2016	5,885	353,276,550	60,030 *	4.00%
2017	5,885 **	353,276,550 ***	60,030 *	N/A

\* - Latest Essex County per capita personal income available (2015) was used for calculation purposes.

\*\* - Latest population data available (2016) was used for calculation purposes.

\*\*\* - Latest available population data (2016) and latest available Essex County per capita personal income (2015) was used for calculation purposes.

N/A - Information not available

Sources:

<sup>a</sup> Population information provided by the NJ Dept of Labor and Workforce Development

<sup>b</sup> Personal income has been estimated based upon the municipal population and per capita personal income presented

<sup>c</sup> Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.

<sup>d</sup> Unemployment data provided by the NJ Dept of Labor and Workforce Development



WEST ESSEX REGIONAL SCHOOL DISTRICT  
PRINCIPAL EMPLOYERS, COUNTY OF ESSEX  
CURRENT YEAR AND NINE YEARS AGO  
UNAUDITED

Employer	2016	
	Employees	Percentage of Total Employment
St. Barnabas Health Care System	24,000	N/A
Verizon	16,500	N/A
PSE&G	13,100	N/A
New Jersey Transit	10,978	N/A
Prudential Ins. Co. of America	9,180	N/A
Newark Board of Education	4,845	N/A
Rutgers University - Newark Campus	4,400	N/A
City of Newark	4,200	N/A
Horizon Blue Cross Blue Shield	3,000	N/A
Automatic Data Processing	1,650	N/A
	91,853	N/A
	2007	
Employer	Employees	Percentage of Total Employment
Verizon Communications	17,996	N/A
Continental Airlines	13,752	N/A
PSE&G	10,500	N/A
Prudential Financial	8,143	N/A
Horizon Blue Cross Blue Shield	5,000	N/A
JP Morgan Chase	4,764	N/A
Automatic Data Processing	4,739	N/A
Roche	3,266	N/A
KPMG	2,197	N/A
Ricoh American Corp	1,375	N/A
	71,732	N/A

Note- Principal employers are that of Essex County

N/A - Information is not available

Source: Sussex County Chamber of Commerce

WEST ESSEX REGIONAL SCHOOL DISTRICT  
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	147	141	143	143	146	146	146	147	146	147
Support Services:										
Student & Instruction related services	33	38	36	36	36	36	36	26	36	36
General Administrative	2	1	2	2	2	2	2	2	2	2
School Administrative Services	17	9	8	8	9	9	9	9	9	9
Central and Other Support Services	6	7	8	8	8	8	8	8	8	8
Plant Operations and Maintenance	26	27	27	27	27	26	26	28	27	28
<b>Total</b>	<b>231</b>	<b>223</b>	<b>224</b>	<b>224</b>	<b>228</b>	<b>227</b>	<b>227</b>	<b>220</b>	<b>228</b>	<b>230</b>

Source: School District Personnel Records

WEST ESSEX REGIONAL SCHOOL DISTRICT  
OPERATING STATISTICS,  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year End June 30,	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil <sup>c</sup>	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
						Junior High School	Senior High School				
2008	1,604	\$ 31,513,676	\$ 19,647	7.56%	147	1:8	1:13	1,604	1,566	0.44%	97.63%
2009	1,633	31,610,115	19,357	-1.48%	146	1:11	1:18	1,633	1,583	1.81%	96.94%
2010	1,591	31,361,775	19,712	1.83%	143	1:12	1:12	1,561	1,498	-4.41%	95.96%
2011	1,589	31,176,424	19,620	-0.47%	143	1:11	1:11	1,589	1,522	1.79%	95.78%
2012	1,615	32,491,936	20,119	2.54%	146	1:11	1:11	1,615	1,573	1.64%	97.40%
2013	1,617	34,290,793	21,206	5.41%	146	1:11	1:11	1,618	1,550	0.19%	95.80%
2014	1,650	33,918,550	20,557	-3.06%	142.4	1:11	1:11	1,646	1,579	1.73%	95.93%
2015	1,651	36,378,959	22,034	7.19%	147.4	1:13	1:12	1,646	1,580	0.00%	95.99%
2016	1,721	36,986,377	21,491	-2.47%	146	1:12	1:12	1,711	1,639	3.95%	95.79%
2017	1,739	38,260,122	22,001	2.37%	147	1:10	1:11	1,700	1,619	-0.64%	95.24%

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).
- d The Cost Per Pupil calculated above is the sum of the operating expenditures divided by enrollment. This Cost Per Pupil may be different from other Cost Per Pupil calculations.

Source: School District records

WEST ESSEX REGIONAL SCHOOL DISTRICT  
SCHOOL BUILDING INFORMATION  
LAST TEN FISCAL YEARS  
UNAUDITED

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>District Building</u>										
Middle School										
Square Feet	175,500	175,500	175,500	175,500	175,500	175,500	175,500	175,500	175,500	175,500
Capacity (students) - *	721; 892	721; 892	721; 892	721; 892	721; 892	721; 892	721; 892	721; 892	721; 892	721; 892
Enrollment	810	576	565	594	579	564	580	578	497	571
High School										
Square Feet	232,931	232,931	232,931	232,931	232,931	232,931	232,931	232,931	232,931	232,931
Capacity (students) - *	873; 1,234	873; 1,234	873; 1,234	873; 1,234	873; 1,234	873; 1,234	873; 1,234	873; 1,234	873; 1,234	873; 1,234
Enrollment	763	998	1,029	1,025	1,050	1,087	1,072	1,059	1,190	1,128

Number of Schools at June 30, 2017  
 Middle School = 1  
 High School = 1

\* The first student capacity number reflects the FES (Facility Efficiency Standards) capacity while the second student capacity number reflects the District Practices as per the 2008 Long Range Facility Plan.

Note: Enrollment is based on the annual October district count.

Source: West Essex Regional School District Facilities Office

WEST ESSEX REGIONAL SCHOOL DISTRICT  
 SCHEDULE OF REQUIRED MAINTENANCE  
 LAST TEN FISCAL YEARS  
UNAUDITED

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>School Facilities</u>										
Senior High School	\$ 105,794	\$ 95,732	\$ 35,367	\$ 141,776	\$ 83,489	\$ 181,645	\$ 465,521	\$ 493,587	\$ 597,034	\$ 561,488
Junior High School	66,060	48,828	27,830	63,160	60,724	88,824	318,179	371,889	298,423	412,962
Total	\$ 171,854	\$ 144,560	\$ 63,197	\$ 204,936	\$ 144,213	\$ 270,469	\$ 783,700	\$ 865,476	\$ 895,457	\$ 974,450

Source: School District's Financial Statements

WEST ESSEX REGIONAL SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2017  
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
Commercial Package Policy - School Alliance Insurance Fund:		
<u>PROPERTY SECTION:</u>		
Blanket Building and Contents (fund limit)	\$ 500,000	
Member Retention per Occurrence		\$ 100,000
Sch Excess Liability Fund SIR per Occurrence		150,000
Accounts Receivable	2,500,000	2,500
Automobile Physical Damage	In Blanket Limit	1,000
Builders Risk (New Construction)	25,000,000	2,500
Electronic Data Processing Equipment	In Blanket Limit	2,500
<u>LIABILITY SECTION:</u>		
Comprehensive General Liability and Automobile Liability		
Per Occurrence	5,000,000	1,000
Fund Annual Aggregate	100,000	2,500
Underlying Insurance Limit	100,000	1,000
<u>EXCESS LIABILITY:</u>		
Excludes School Board Legal Liability	15,000,000	
<u>CRIME:</u>		
Blanket Employee Dishonesty	500,000	1,000
Computer Fraud	50,000	1,000
Forgery	50,000	1,000
Theft/Disappearance/Destruction:		
Inside	50,000	1,000
Outside	50,000	1,000
NJUEP Excess:		
Max/Occurrence	30,000	
Max Available Other Aggregate	30,000	
Max Products/Completed Ops Aggregate	30,000	
Crisis Fund	25,000	
IEP Hearing Limit of Liability	100,000	100,000
School Leaders Professional Liability Employment Practices Liability:		
Claim Limit of Liability	5,000,000	5,000
3rd Party Event Sublimit of Liability	5,000,000	5,000
Member Sublimit of Liability	5,000,000	
Excess School Leaders Professional Liability		
Loss	15,000	5,000
Policy Year Annual Aggregate	15,000	

WEST ESSEX REGIONAL SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2017  
UNAUDITED

	Coverage	Deductible
Morris Essex Insurance Group:		
<u>WORKERS' COMPENSATION:</u>		
(a) Statutory Benefits	Included	
(a) Employer's Liability	\$ 5,000,000	
Supplemental Coverage (optional)	Included	
Selective Insurance Company:		
Public Employees' Faithful Performance Blanket Position Bond -		
School Business Administrator/Board Secretary	275,000	
Treasurer	275,000	
Student Accident Insurance	5,000,000	
Boiler & Machinery	100,000,000	
Cyber Liability	2,000,000	\$ 100,000
Sexual Abuse & Molestation		
Occurrence/Member Aggregate	10,000,000	
Fund Aggregate	30,000,000	
Underlying Insurance Limit	100,000	
Medical Expense Benefits	150,000	

Source: School District records.

SINGLE AUDIT SECTION



Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

The Honorable President and Members  
of the Board of Education  
West Essex Regional School District  
County of Essex, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the West Essex Regional School District, in the County of Essex (the "District") as of and for the fiscal 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 September 22, 2017.

**Internal Control Over Financial Reporting**

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

### **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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

September 22, 2017  
Mount Arlington, New Jersey

NISIVOCCIA LLP



William F. Schroeder  
Licensed Public School Accountant #2112  
Certified Public Accountant

**Report on Compliance For Each Major State Program  
and Report on Internal Control Over Compliance**

**Independent Auditors' Report**

The Honorable President and Members  
of the Board of Education  
West Essex Regional School District  
County of Essex, New Jersey

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

We have audited the Board of Education of the West Essex Regional School District's (the "District's") 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 District's major state programs for the fiscal year ended June 30, 2017. The District's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the District'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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, the Uniform Guidance and New Jersey's OMB Circular 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 District'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 District's compliance.

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

In our opinion, the District 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 fiscal year ended June 30, 2017.

### Report on Internal Control Over Compliance

Management of the District 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 District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and NJOMB 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 District's internal control over compliance.

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

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

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

September 22, 2017  
Mount Arlington, New Jersey

NISIVOCIA LLP



William F. Schroeder  
Licensed Public School Accountant #2112  
Certified Public Accountant

WEST ESSEX REGIONAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Federal CFDA Number	Grant or State Project No.	Grant Period	Award Amount	Balance at June 30, 2016		Cash Received	Budgetary Expendi- tures	Adjustments	Balance at June 30, 2017		Amounts Paid to Subrecipients
				Budgetary Accounts Receivable	Budgetary Unearned Revenue				Budgetary Accounts Receivable	Budgetary Unearned Revenue	
U.S. Department of Education:											
Special Revenue Fund:											
Passed-through State Department of Education:											
No Child Left Behind:											
84.010	NCLB563017	7/1/16-6/30/17	\$ 65,224				\$ (60,736)	\$ 12,124		\$ (60,736)	
84.010	NCLB563016	7/1/15-6/30/16	65,521	\$ (17,809)		\$ 5,685		12,124		(60,736)	
				(17,809)		5,685				(60,736)	
84.367	NCLB563017	7/1/16-6/30/17	14,012	(6,308)		6,308				(5,131)	
84.367	NCLB563016	7/1/15-6/30/16	23,030	(6,308)		6,308				(5,131)	
				(6,308)		6,308				(5,131)	
Special Education Cluster:											
84.027	NCLB563017	7/1/16-6/30/17	304,497				(304,497)			(304,497)	
84.027	NCLB563016	7/1/15-6/30/16	308,132	(83,853)		83,853				(304,497)	
				(83,853)		83,853				(304,497)	
Total Special Education Cluster											
Subtotal - Special Revenue Fund											
Total U.S. Department of Education											
Total Federal Awards											
				(107,970)		95,846		12,124		(370,364)	
				(107,970)		95,846		12,124		(370,364)	
				\$ (107,970)	\$ -	\$ 95,846	\$ (370,364)	\$ 12,124	\$ (370,364)	\$ -0-	\$ -0-

SEE THE ACCOMPANYING NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

WEST ESSEX REGIONAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2016			Cash Received	Budgetary Expenditures	Adjustments	Balance at June 30, 2017		MEMO	
				Budgetary Accounts Receivable	Due to Grantor					GAAP Accounts Receivable	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
<u>State Department of Education:</u>													
General Fund State Aid:													
Transportation Aid	17-495-034-5120-014	7/1/16-6/30/17	\$ 182,327				\$ 166,387	\$ (182,327)			\$ (15,940)	\$ 182,327	
Special Education Aid	17-495-034-5120-089	7/1/16-6/30/17	788,960				719,984	(788,960)			(68,976)	788,960	
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	29,634				27,043	(29,634)			(2,591)	29,634	
Additional Adjustment Aid	17-495-034-5120-085	7/1/16-6/30/17	1				1	(1)				1	
PARCC Readiness	17-495-034-5120-098	7/1/16-6/30/17	16,800				15,331	(16,800)			(1,469)	16,800	
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	16,800				15,331	(16,800)			(1,469)	16,800	
Professional Learning Community Aid	17-495-034-5120-101	7/1/16-6/30/17	17,460				15,934	(17,460)			(1,526)	17,460	
Extraordinary Special Education Costs Aid	17-495-034-5120-044	7/1/16-6/30/17	504,339					(504,339)		\$ (504,339)	(504,339)	504,339	
Excess Nonpublic Transportation Costs	17-495-034-5120-014	7/1/16-6/30/17	52,026					(52,026)			(52,026)	52,026	
Reimbursed TPAF Social Security Contributions	17-495-034-5094-003	7/1/16-6/30/17	1,042,164				989,742	(1,042,164)			(52,422)	1,042,164	
On-Behalf TPAF Post Retirement Contributions	17-495-034-5094-001	7/1/16-6/30/17	1,252,987				1,252,987	(1,252,987)				1,252,987	
On-Behalf TPAF Pension Contributions	17-495-034-5094-002	7/1/16-6/30/17	1,451,196				1,451,196	(1,451,196)				1,451,196	
On-Behalf TPAF Non-Contributory Insurance	17-495-034-5094-004	7/1/16-6/30/17	52,580				52,580	(52,580)				52,580	
On-Behalf TPAF Long-Term Disability Insurance	17-495-034-5094-004	7/1/16-6/30/17	3,180				3,180	(3,180)				3,180	
Transportation Aid	16-495-034-5120-014	7/1/15-6/30/16	158,980	\$ (14,263)			14,263					158,980	
Special Education Aid	16-495-034-5120-089	7/1/15-6/30/16	811,495	(72,804)			72,804					811,495	
Security Aid	16-495-034-5120-084	7/1/15-6/30/16	25,666	(2,303)			2,303					25,666	
Additional Adjustment Aid	16-495-034-5120-085	7/1/15-6/30/16	1				1					1	
PARCC Readiness	16-495-034-5120-098	7/1/15-6/30/16	16,800	(1,507)			1,507					16,800	
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15-6/30/16	16,800	(1,507)			1,507					16,800	
Extraordinary Special Education Costs Aid	16-495-034-5120-044	7/1/15-6/30/16	455,307	(455,307)			455,307					455,307	
Excess Nonpublic Transportation Costs	16-495-034-5120-014	7/1/15-6/30/16	54,810	(54,810)			54,810					54,810	
Reimbursed TPAF Social Security Contributions	16-495-034-5094-003	7/1/15-6/30/16	1,045,397	(52,261)			52,261					1,045,397	
Subtotal - General Fund				(654,762)			5,364,458	(5,410,454)			(700,758)	7,995,710	
Total State Department of Education				(654,762)			5,364,458	(5,410,454)			(700,758)	7,995,710	

WEST ESSEX REGIONAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2016		Cash Received	Budgetary Expenditures	Adjustments	Balance at June 30, 2017		MEMO	
				Budgetary Accounts Receivable	Due to Grantor				GAAP Accounts Receivable	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
NJ Schools Development Authority:												
Capital Projects Fund:												
Educational Facilities Construction and Financing Act												
Middle School Improvements	SP202761	7/1/02-6/30/16	\$1,475,901	\$ (951,608)	\$ 1,311,812			\$ (360,204)				\$ (1,475,901)
Total NJ Schools Development Authority												
				(951,608)	1,311,812			(360,204)				(1,475,901)
Total State Awards Subject to Single Audit Determination												
				\$ (1,606,370)	\$ -0-	\$ 6,676,270	\$ (5,410,454)	\$ (360,204)	\$ (608,787)	\$ -0-	\$ (700,758)	\$ 6,519,809
Less: State Awards Not Subject to Single Audit Major Program Determination												
On-Behalf TPAF Pension System Contributions:												
On-Behalf TPAF Post Retirement Contributions	17-495-034-5094-001	7/1/16-6/30/17	(1,252,987)				1,252,987					
On-Behalf TPAF Pension Contributions	17-495-034-5094-002	7/1/16-6/30/17	(1,451,196)				1,451,196					
On-Behalf TPAF Non-Contributory Insurance	17-495-034-5094-004	7/1/16-6/30/17	(52,580)				52,580					
On-Behalf TPAF Long-Term Disability Insurance	17-495-034-5094-004	7/1/16-6/30/17	(3,180)				3,180					
Subtotal - On-Behalf TPAF Pension System Contributions												
							2,759,943					
Total State Awards Subject to Single Audit Major Program Determination												
							\$ (2,650,511)					

SEE THE ACCOMPANYING NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

WEST ESSEX REGIONAL SCHOOL DISTRICT  
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the Board of Education, West Essex Regional School District under programs of the federal and state governments for the fiscal year ended June 30, 2017. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported 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 Note 1 to the District's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3. INDIRECT COST RATE

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

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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



WEST ESSEX REGIONAL SCHOOL DISTRICT  
NOTES TO THE SCHEDULES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Continued)

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Cont'd)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$413 for the general fund and \$377 for the special revenue fund (of which \$377 is for local awards and is not included in the table below). See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Revenue from federal and state awards is reported in the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 5,410,867	\$ 5,410,867
Special Revenue Fund	\$ 370,364		370,364
Capital Projects Funds		360,204	360,204
Total Awards	<u>\$ 370,364</u>	<u>\$ 5,771,071</u>	<u>\$ 6,141,435</u>

NOTE 5. 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 6. OTHER

Revenue and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2017.

NOTE 7. NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY (SDA) GRANT

The District has a grant in the amount of \$1,475,901 for the Middle School improvements project from the Schools Development Authority (SDA) under the Educational Facilities Construction and Financing Act. The project is now complete and the District has submitted reimbursement requests and received \$1,311,812 on this project during the fiscal year ended June 30, 2017. As of June 30, 2017, the District has a \$-0- receivable on the budgetary and GAAP bases.

WEST ESSEX REGIONAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' 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*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over major state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance*.
- The auditor's report on compliance for each of the major state programs for the District expresses an unmodified opinion on all major state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The District was not subject to the single audit provisions of the Uniform Guidance for the fiscal year ended June 30, 2017 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Uniform Guidance.
- The District's program tested as a major state program for the current fiscal year consisted of the following:

	<u>State Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>State:</u>				
Reimbursed TPAF Social Security Contributions	17-495-034-5094-003	7/1/16-6/30/17	\$ 1,042,164	\$ 1,042,164

- The threshold used for distinguishing between Type A and Type B state programs was \$750,000.
- The District was determined to be a "low-risk" auditee for state programs.

WEST ESSEX REGIONAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

Summary of Auditors' Results: (Cont'd)

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

Findings and Questioned Costs for Federal Awards:

- Not applicable since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in 2 CFR 200.516(a) of the Uniform Guidance and New Jersey's OMB Circular 15-08.

WEST ESSEX REGIONAL SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Status of Prior Year Findings:

The District had no prior year audit findings.