

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Fairfield, New Jersey

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

of the

Essex Regional Educational Services Commission

Fairfield, New Jersey

For The Fiscal Year Ended June 30, 2018

Prepared by

Business Office

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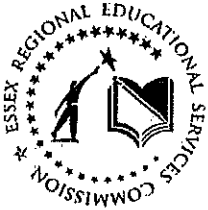
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INTRODUCTORY SECTION



**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SUPERINTENDENT'S OFFICE**

333 Fairfield Road
Fairfield, New Jersey 07004
Tel: (973) 405-6262 x244 / Fax: (973) 405-6555

LAURIE W. NEWELL, Ph.D.
Superintendent

February 4, 2019

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

The comprehensive annual financial report (CAFR) of the Essex Regional Educational Services Commission for the fiscal year ended June 30, 2018, is hereby submitted. This CAFR includes the Commission's Financial Statements prepared in accordance with Governmental Accounting Standards Board. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Directors. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Commission. All disclosures necessary to enable the reader to gain an understanding of the Commission's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the Commission's organizational chart and a list of principal officials. The financial section begins with the Independent Auditor's Report and includes the Management's Discussion and Analysis, the Financial Statements and Notes providing an overview of the detailed budgetary information. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The Commission is required to undergo an annual single audit in conformity with the requirements of 2 CFR 200-Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (U.S. Uniform Guidance) and the State Treasury Circular Letter 15-08 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." Information related to this single audit, including the independent auditor's report on the internal control structure and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs is included in the single audit section of this report.

<u>FISCAL</u> <u>YEAR</u>	<u>Average Daily Enrollment (Essex Campus Academy)</u>	
	<u>STUDENT</u> <u>ENROLLMENT</u>	<u>PERCENT</u> <u>CHANGE</u>
2017-18	34.1	-25%
2016-17	45.6	11
2015-16	41.1	3
2014-15	40.0	0
2013-14	40.0	10
2012-13	36.4	-21
2011-12	46.3	-14
2010-11	53.8	-36
2009-10	84.7	2
2008-09	82.8	-25

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

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments of a line item basis. Open encumbrance at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. The Commission did not have any open encumbrances at June 30, 2018.

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

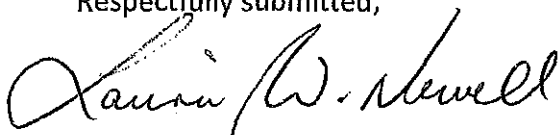
6) CASH MANAGEMENT: The investment policy of the Commission is guided in large part by state statutes as detailed in "Notes to the Financial Statements". The Commission has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions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

7) RISK MANAGEMENT: The Commission carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. A schedule of insurance coverage is found in the Statistical Section of the CAFR on Exhibit J-20.

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

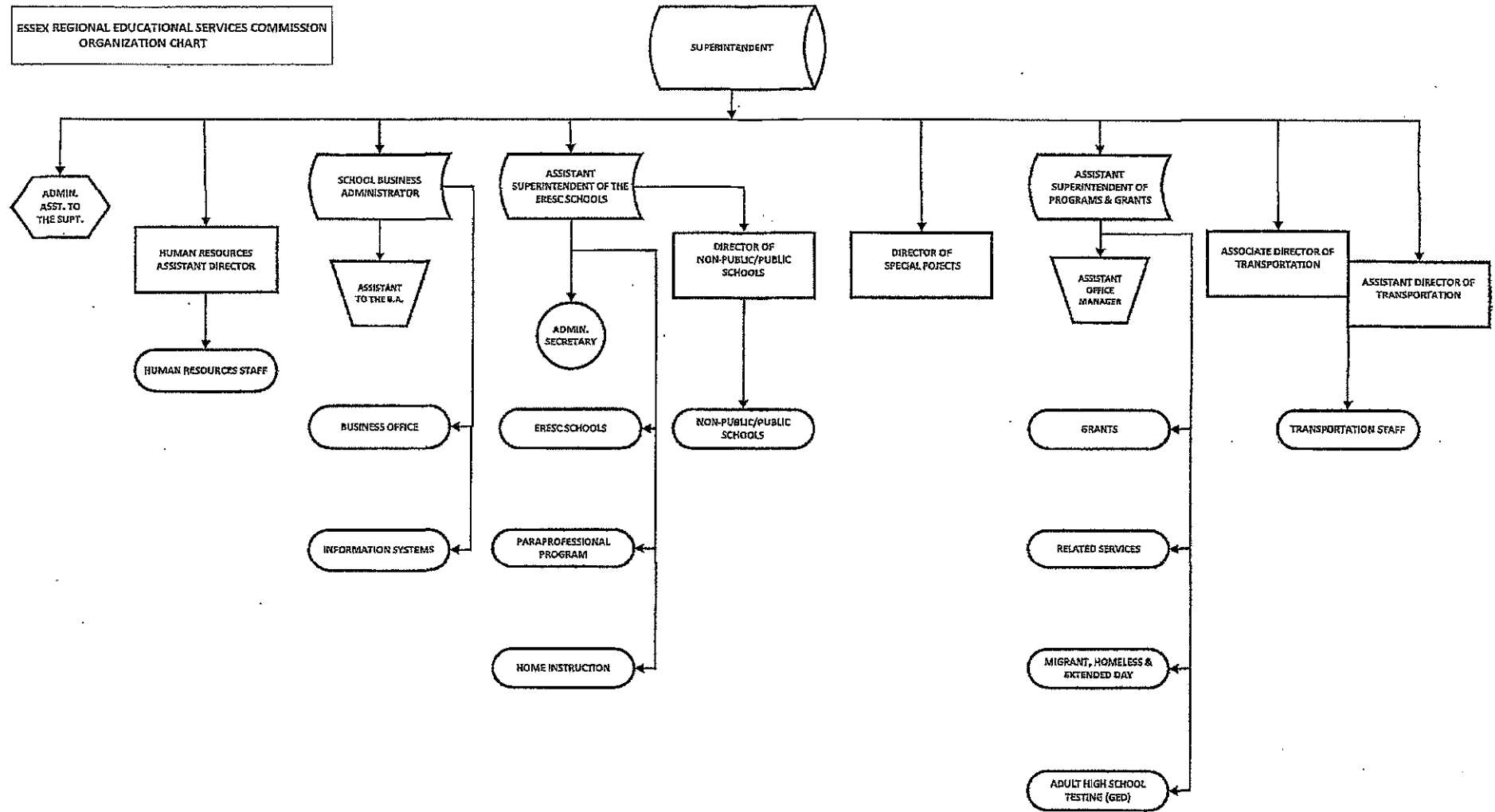
9) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Board of Directors for their concern in providing fiscal accountability to the citizens and taxpayers of the State and thereby contributing their full support to the development and maintenance of our financial operation.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

Respectfully submitted,



Dr. Laurie W. Newell
Superintendent of Schools

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
ORGANIZATION CHART



ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
Roster of Officials

MEMBERS OF THE BOARD OF EDUCATION

Mr. Richard Williams, President

Ms. Eve Robinson, Vice President

Ms. Terry Tucker, Executive Committee Member

Mr. Salvatore Carnovale

Mr. E. Lydell Carter

Ms. Christine Lamperello

Ms. Valerie Wilson

Ms. Maureen Jones

Mr. Ronnie Konner

Ms. Ellen Rogers

SCHOOL DISTRICT

Irvington Board of Education

Montclair Board of Education

East Orange Board of Education

Essex County Vocational

Orange Board of Education

Belleville Board of Education

Newark Board of Education

South Orange/Maplewood

Livingston Board of Education

Bloomfield Board of Education

OTHER OFFICIALS

Dr. Laurie W. Newell, Superintendent of Schools

Mr. John Ferraro, School Business Administrator

John H. Watson, Esq., Board Attorney

**ESSEX REGIONAL EDUCATIONAL
SERVICES COMMISSION**

Consultants and Advisors

AUDIT FIRM

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

ATTORNEY

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

OFFICIAL DEPOSITORY

PNC Bank
One Garrett Mountain
Woodland Park, NJ 07043

FINANCIAL SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
MARK SACO, CPA
SHERYL M. LEIDIG, CPA, PSA
ROBERT LERCH, CPA
CHRIS SOHN, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Essex Regional Educational Services Commission, as of and for the fiscal year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Essex Regional Educational Services Commission as of June 30, 2018, 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.

Emphasis of Matter

Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, in the fiscal year ended June 30, 2018 the Essex Regional Educational Services Commission adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Essex Regional Educational Services Commission's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, financial schedules, statistical section, schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Essex Regional Educational Services Commission.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 4, 2019 on our consideration of the Essex Regional Educational Services Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Essex Regional Educational Services Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Essex Regional Educational Services Commission's internal control over financial reporting and compliance.


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


Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
February 4, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Management's Discussion and Analysis

This section of the Essex Regional Educational Services Commission's annual financial report presents our discussion and analysis of the Commission's financial performance during the fiscal year that ended on June 30, 2018. Please read it in conjunction with the transmittal letter at the front of this report and the Commission's financial statements, which immediately follows this section.

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

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2017-2018 fiscal year include the following:

- The assets and deferred outflows of resources of the Essex Regional Educational Services Commission exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$20,419,239 (net position).
- The Commission's total net position decreased \$1,900,430.
- Overall Commission revenues were \$86,285,373. General revenues accounted for \$2,102,804 or less than 3% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$84,182,569 or more than 97% of total revenues.
- The Commission had \$88,744,346 in expenses for governmental activities, most of these expenses were offset by program specific charges, grants or contributions. Expenses for governmental activities exceeded revenues by \$2,541,409.
- As of the close of the current fiscal year, the Commission's governmental funds reported a combined ending fund balance of \$26,776,224, a decrease of \$3,921,657 when compared to the previous year ending fund balance.
- The General Fund unassigned fund balance at June 30, 2018 was \$1,209,493 a decrease of \$14,619,338 when compared with the beginning fund balance at July 1, 2017 of \$15,828,831. A significant portion of this decrease is attributable to an increase in the fund balance designation for building leases.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

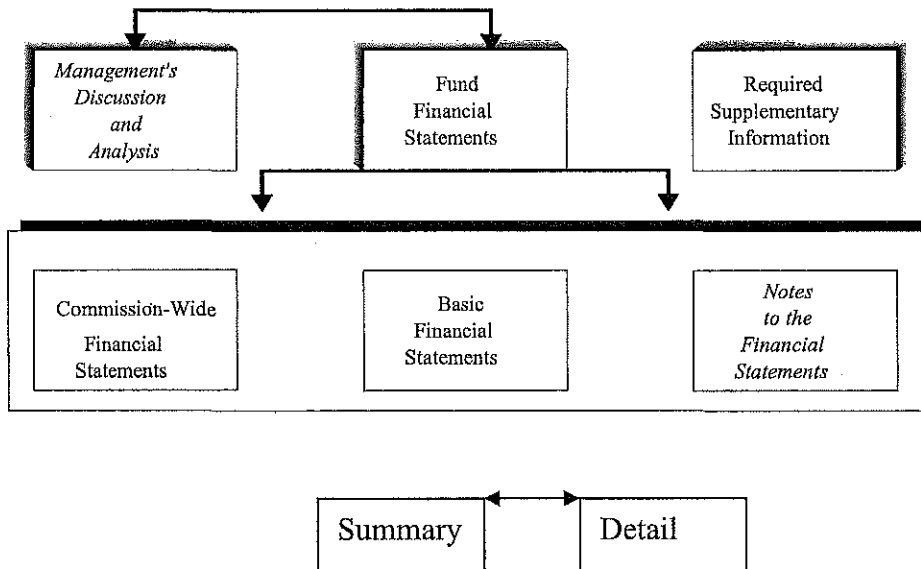
ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
FAIRFIELD, NEW JERSEY

Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

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



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

Management's Discussion and Analysis

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

Major Features of the Commission-wide and Fund Financial Statements

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

Commission-Wide Financial Statements

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

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

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

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

Management's Discussion and Analysis

Commission-Wide Financial Statements (Continued)

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

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

Fund Financial Statements

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

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

The Commission has three kinds of funds:

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

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

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

Notes to the Financial Statements

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

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

Management's Discussion and Analysis

Other Information

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

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

COMMISSION-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Commission, assets and deferred outflows exceeded liabilities and deferred inflows by \$20,419,239 and \$22,319,669 as of June 30, 2018 and 2017.

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

**Net Position
As of June 30, 2018 and 2017**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Assets						
Current Assets	\$ 39,084,817	\$ 35,378,385	\$ 19,057	\$ 13,743	\$ 39,103,874	\$ 35,392,128
Capital Assets	<u>21,261,739</u>	<u>10,870,849</u>	<u>14,055</u>	<u>-</u>	<u>21,275,794</u>	<u>10,870,849</u>
Total Assets	<u>60,346,556</u>	<u>46,249,234</u>	<u>33,112</u>	<u>13,743</u>	<u>60,379,668</u>	<u>46,262,977</u>
Deferred Outflows of Resources						
Deferred Amounts on Net						
Pension Liability	<u>3,453,727</u>	<u>5,098,433</u>	<u>-</u>	<u>-</u>	<u>3,453,727</u>	<u>5,098,433</u>
Liabilities						
Long-Term Liabilities	33,334,182	27,127,523			33,334,182	27,127,523
Other Liabilities	<u>6,671,833</u>	<u>1,525,807</u>	<u>46,106</u>	<u>7,751</u>	<u>6,717,939</u>	<u>1,533,558</u>
Total Liabilities	<u>40,006,015</u>	<u>28,653,330</u>	<u>46,106</u>	<u>7,751</u>	<u>40,052,121</u>	<u>28,661,081</u>
Deferred Inflows of Resources						
Deferred Amounts on Net						
Pension Liability	<u>3,362,035</u>	<u>380,660</u>	<u>-</u>	<u>-</u>	<u>3,362,035</u>	<u>380,660</u>
Net Position						
Net Investment						
in Capital Assets	3,083,300	2,541,005	14,055		3,097,355	2,541,005
Restricted	153,063	57,960			153,063	57,960
Unrestricted	<u>17,195,870</u>	<u>19,714,712</u>	<u>(27,049)</u>	<u>5,992</u>	<u>17,168,821</u>	<u>19,720,704</u>
Total Net Position	<u>\$ 20,432,233</u>	<u>\$ 22,313,677</u>	<u>\$ (12,994)</u>	<u>\$ 5,992</u>	<u>\$ 20,419,239</u>	<u>\$ 22,319,669</u>

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

Management's Discussion and Analysis

**Change in Net Position
For The Fiscal Years Ended June 30, 2018 and 2017**

	Governmental Activities		Business-Type Activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues						
Program Revenues						
Charges for Services	\$ 76,794,825	\$ 67,229,306	\$ 4,200		\$ 76,799,025	\$ 67,229,306
Operating Grants and Contributions	7,305,308	6,789,033	78,236	\$ 90,785	7,383,544	6,879,818
General Revenues						
Other	2,102,804	2,033,893	-	-	2,102,804	2,033,893
Total Revenues	<u>86,202,937</u>	<u>76,052,232</u>	<u>82,436</u>	<u>90,785</u>	<u>86,285,373</u>	<u>76,143,017</u>
Expenses						
Instruction						
Regular	4,188,444	5,012,806			4,188,444	5,012,806
Special Education	16,308,664	14,128,685			16,308,664	14,128,685
Other Instruction	3,920,277	4,033,579			3,920,277	4,033,579
Community Services	152,942	71,700			152,942	71,700
Support Services						
Student and Instruction Related Services	4,774,875	5,063,109			4,774,875	5,063,109
General Administrative Services	4,412,369	3,935,822			4,412,369	3,935,822
School Administrative Services	3,053,961	2,599,427			3,053,961	2,599,427
Central Services	1,481,206	961,956			1,481,206	961,956
Administrative Info. Technology	336,974	248,240			336,974	248,240
Plant Operations and Maintenance	1,686,201	1,574,760			1,686,201	1,574,760
Pupil Transportation	47,538,897	41,370,389			47,538,897	41,370,389
Interest on Long Term Debt	889,536	390,852			889,536	390,852
Cooperative Purchasing				20,750	-	20,750
Food Services	-	-	101,422	86,674	101,422	86,674
Total Expenses	<u>88,744,346</u>	<u>79,391,325</u>	<u>101,422</u>	<u>107,424</u>	<u>88,845,768</u>	<u>79,498,749</u>
Change in Net Position	(2,541,409)	(3,339,093)	(18,986)	(16,639)	(2,560,395)	(3,355,732)
Net Position, Beginning of Year	22,313,677	25,652,770	5,992	22,631	22,319,669	25,675,401
Prior Period Adjustments	659,965	-	-	-	659,965	-
Net Position, End of Year	<u>\$ 20,432,233</u>	<u>\$ 22,313,677</u>	<u>\$ (12,994)</u>	<u>\$ 5,992</u>	<u>\$ 20,419,239</u>	<u>\$ 22,319,669</u>

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

Management's Discussion and Analysis

Governmental Activities. The Commission's total governmental activities' revenues, which includes State and Federal grants, were \$86,202,937 and \$76,052,232 for the fiscal years ended June 30, 2018 and 2017, respectively. Tuition charges and local education fees of \$76,794,825 and \$67,229,306 represented 91% and 88% of the revenues for the respective years. Grants and contributions of \$7,305,308 and \$6,789,033 were realized for the fiscal years ended June 30, 2018 and 2017. In addition, the Commission realized in excess of \$2 million from miscellaneous income, which includes items such as interest, prior year refunds and other miscellaneous items.

The total cost of all governmental activities programs and services were \$88,744,346 and \$79,391,325 for the fiscal years ended June 30, 2018 and 2017, respectively. The Commission's expenses are related to educating and caring for students and providing transportation and other related services to local education agencies. Instruction totaled \$24,570,327 and \$23,246,770 representing 28% and 29% of total expenses for the fiscal years ended June 30, 2018 and 2017, respectively. Support services (including pupil transportation), totaled \$63,284,483 and \$55,753,703 representing 71% and 70% of total expenditures for the fiscal years ended June 30, 2018 and 2017, respectively. Interest on long term debt totaled less than 1%.

Net Cost of Governmental Activities. The Commission's total cost of services was \$88,744,346 and \$79,391,325 for the fiscal years ended June 30, 2018 and 2017. After applying program revenues, derived from charges for services and grants and contributions of \$84,100,133 and \$74,018,339, the net expense for fiscal years ended June 30, 2018 and 2017 were \$4,644,213 and \$5,372,986, respectively.

**Total and Net (Expense) Revenue from Governmental Activities
For the Fiscal Years Ended June 30, 2018 and 2017**

	<u>Total Cost of Services</u>		<u>Net (Cost) Income of Services</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Instruction				
Regular	4,188,444	\$ 5,012,806	\$ (295,352)	\$ (283,081)
Special Education	16,308,664	14,128,685	(9,816,617)	(9,316,082)
Other Instruction	3,920,277	4,033,579	(8,414)	1,273,480
Community Services	152,942	71,700	(152,942)	(71,700)
Support Services				
Student and Instruction Related Services	4,774,875	5,063,109	10,975,806	9,053,489
General Administrative Services	4,412,369	3,935,822	(2,991,785)	(2,264,762)
School Administrative Services	3,053,961	2,599,427	(1,173,453)	(1,135,265)
Central Services	1,481,206	961,956	(1,253,365)	(961,956)
Administrative Info. Technology	336,974	248,240	(310,448)	(248,240)
Plant Operations and Maintenance	1,686,201	1,574,760	(1,542,228)	(1,501,476)
Pupil Transportation	47,538,897	41,370,389	2,814,121	473,459
Interest on Long Term Debt	889,536	390,852	(889,536)	(390,852)
	<u>889,536</u>	<u>390,852</u>	<u>(889,536)</u>	<u>(390,852)</u>
Total	\$ 88,744,346	\$ 79,391,325	\$ (4,644,213)	\$ (5,372,986)

Business-Type Activities – The Commission's total business-type activities revenues were \$82,436 and \$90,785 for the fiscal years ended June 30, 2018 and June 30, 2017. Grants and contributions accounted for 95% and 100% of total revenue for the fiscal years ended June 30, 2018 and 2017.

The total cost of all business-type activities programs and services were \$101,422 and \$107,424 for the fiscal years ended June 30, 2018 and 2017. The Commission's expenses are related to Food Service programs provided to all eligible students within the Commission.

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

Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE COMMISSION'S FUNDS

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

Governmental Funds

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

The financial performance of the Commission as a whole is reflected in its governmental funds as well. As the Commission completed the school year, its governmental funds reported a combined fund balance of \$26,776,224 for the fiscal year ended June 30, 2018 compared to \$30,697,881 for the fiscal year ended June 30, 2017.

Revenues for the Commission's governmental funds were \$79,711,442 and \$76,518,288, while total expenses were \$94,625,003 and \$74,580,689 for the fiscal years ended June 30, 2018 and 2017, respectively.

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

The following schedule presents a summary of General Fund Revenues.

	Fiscal Year Ended		Amount of Increase (Decrease)	Percent Change
	June 30,			
	<u>2018</u>	<u>2017</u>		
Local Sources				
Tuition Charges	\$ 3,604,340	\$ 4,137,786	\$ (533,446)	-13%
Transportation Fees	47,628,824	44,805,695	2,823,129	6%
Miscellaneous	14,828,105	14,205,558	622,547	4%
State Sources	<u>1,986,596</u>	<u>1,906,731</u>	<u>79,865</u>	4%
 Total General Fund Revenues	 <u>\$ 68,047,865</u>	 <u>\$ 65,055,770</u>	 <u>\$ 2,992,095</u>	 5%

Total revenues increased \$2,992,095 or 5% from the previous year. Transportation fees increased in excess of \$2.8 million for additional transportation services provided to other local education agencies. Miscellaneous revenues increased \$622,547 mainly attributed to an increase in fees from services provided to other local education agencies. State aid revenues increased almost \$80,000 due to the increase in State funding for TPAF On-Behalf contributions. Tuition charges decreased over \$500,000 primarily from a reduction in enrollments.

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

Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE COMMISSION'S FUNDS (Continued)

The following schedule presents a summary of General Fund Expenditures.

	Fiscal Year Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	June 30,			
	<u>2018</u>	<u>2017</u>		
Instruction	\$ 15,453,332	\$ 13,905,602	\$ 1,547,730	11%
Support Services	55,851,128	48,410,529	7,440,599	15%
Capital Outlay	38,569		38,569	
Debt Service	<u>1,039,662</u>	<u>770,000</u>	<u>269,662</u>	35%
 Total Expenditures	 <u>\$ 72,382,691</u>	 <u>\$ 63,086,131</u>	 <u>\$ 9,296,560</u>	 15%

Total General Fund expenditures increased \$9,296,560 or 15% from the previous year. This is a result of an increase in the cost of transportation and others support expenditures for services provided to other local education agencies.

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

Revenues of the Special Revenue Fund were \$11,640,315 and \$11,462,518 for the fiscal years ended June 30, 2018 and 2017. Local sources accounted for the majority of Special Revenue Fund's revenue which represented 89% and 88% of the total revenues for fiscal years June 30, 2018 and June 30, 2017.

Total Special Revenue Fund revenues increased \$177,797 or 2% from the previous year.

Expenditures of the Special Revenue Fund were \$11,640,315 and \$11,462,518 for the fiscal years ended June 30, 2018 and 2017. Instructional expenditures were \$6,282,269 and \$6,318,338 or 54% and 55% and expenditures for the support services were \$5,336,482 and \$5,144,180 or 46% and 45% of total expended for the fiscal years ended June 30, 2018 and 2017. In addition, expenditures for debt service totaled \$21,564 for the fiscal year ended June 30, 2018.

Capital Projects Fund - The Commission transferred \$300,000 to the Capital Projects Fund during 2017-2018 to fund various capital improvements. During the 2017/18 school year, the Commission refinanced its existing lease purchase agreements and financed an additional \$1.5 million for renovations to 369 Passaic Avenue. The Commission also entered into lease purchase agreements for a new administration building and school building facility totaling \$9,085,499.

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

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

Management's Discussion and Analysis

GENERAL FUND BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS

The Commission's investment in capital assets for its governmental activities as of June 30, 2018 and 2017 amounted to \$21,261,739 and \$10,870,849. The Commission's business-type activities capital assets totaled \$14,055 as of June 30, 2018. The capital assets consist of land, construction in progress site and leasehold improvements, building and building improvements, computers, specialized machinery and various other types of equipment. Depreciation charges for fiscal years 2017-2018 and 2016-2017 amounted to \$585,046 and \$453,466 for governmental activities. There was no depreciation expense on the business-type activities capital assets acquired during 2017-2018 as they were not acquired until year end..

Capital Assets at June 30, 2018 and 2017
(Net of Accumulated Depreciation)

	Governmental Activities		Business-Type Activities	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 2,924,000	\$ 2,100,000		
Site Improvements	31,152	33,326		
Building and Building Improvements	17,578,254	8,451,035		
Leasehold Improvements	98,300	105,973		
Machinery and Equipment	<u>630,033</u>	<u>180,515</u>	\$ 14,055	-
 Total Capital Assets, Net	 <u>\$ 21,261,739</u>	 <u>\$ 10,870,849</u>	 <u>\$ 14,055</u>	 <u>\$ -</u>

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

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

Management's Discussion and Analysis

LONG TERM LIABILITIES

At year end, the Commission's long-term liabilities consisted of compensated absences payable of \$422,135 and \$403,891, capital leases payable in the amount of \$18,796,505 and \$8,329,844 and net pension liability of \$14,115,542 and \$18,393,788 for the fiscal years ended June 30, 2018 and 2017.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Many factors were considered by the Commission's administration during the process of developing the fiscal year 2018-2019 budget. The primary factors were the Commission's projected student population and services required to be provided to local education agencies as well as increasing transportation, salary and related benefit costs.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our member school districts, customers, and investors and creditors with a general overview of the Commission's finances and to demonstrate the Commission's accountability for the money it receives. If you have questions about this report or need additional information contact the School Business Administrator, Essex Regional Educational Services Commission, 333 Fairfield Road, Fairfield, NJ 07004.

BASIC FINANCIAL STATEMENTS

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
STATEMENT OF NET POSITION
AS OF JUNE 30, 2018

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 9,239,356		\$ 9,239,356
Receivables, Net	29,104,927	\$ 19,057	29,123,984
Other Current Assets	60,683		60,683
Internal Balances	38,523	(38,523)	
Restricted Assets			
Cash and Cash Equivalents	641,328		641,328
Capital Assets			
Capital Assets Not Being Depreciated	2,924,000		2,924,000
Capital Assets Being Depreciated (Net)	18,337,739	14,055	18,351,794
 Total Assets	 <u>60,346,556</u>	 <u>(5,411)</u>	 <u>60,341,145</u>
 DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts on Net Pension Liability	<u>3,453,727</u>	<u>-</u>	<u>3,453,727</u>
 Total Deferred Outflows of Resources	 <u>3,453,727</u>	 <u>-</u>	 <u>3,453,727</u>
 Total Assets and Deferred Outflows	 <u>63,800,283</u>	 <u>(5,411)</u>	 <u>63,794,872</u>
 LIABILITIES			
Accounts Payable and Other Current Liabilities	5,654,599	7,583	5,662,182
Accrued Interest Payable	222,210		222,210
Unearned Revenue	795,024		795,024
Noncurrent Liabilities			
Due Within One Year	818,208		818,208
Due Beyond One Year	32,515,974	-	32,515,974
 Total Liabilities	 <u>40,006,015</u>	 <u>7,583</u>	 <u>40,013,598</u>
 DEFERRED INFLOWS OF RESOURCES			
Deferred Amounts on Net Pension Liability	<u>3,362,035</u>	<u>-</u>	<u>3,362,035</u>
 Total Deferred Inflows of Resources	 <u>3,362,035</u>	 <u>-</u>	 <u>3,362,035</u>
 Total Liabilities and Deferred Inflows	 <u>43,368,050</u>	 <u>7,583</u>	 <u>43,375,633</u>
 NET POSITION			
Net Investment in Capital Assets	3,083,300	14,055	3,097,355
Restricted	153,063		153,063
Unrestricted	17,195,870	(27,049)	17,168,821
 Total Net Position	 <u>\$ 20,432,233</u>	 <u>\$ (12,994)</u>	 <u>\$ 20,419,239</u>

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

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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	\$ 4,188,444	\$ 2,230,013	\$ 1,663,079		\$ (295,352)		\$ (295,352)
Special Education	16,308,664	4,143,574	2,348,473		(9,816,617)		(9,816,617)
Other Instruction	3,920,277	3,662,178	249,685		(8,414)		(8,414)
Comm Services/Other Instruction	152,942				(152,942)		(152,942)
Support Services							
Student and Instruction Related Services	4,774,875	14,610,704	1,139,977		10,975,806		10,975,806
General Administrative Services	4,412,369	794,872	625,712		(2,991,785)		(2,991,785)
School Administrative Services	3,053,961	1,074,012	806,496		(1,173,453)		(1,173,453)
Central Services	1,481,206		227,841		(1,253,365)		(1,253,365)
Administrative Info. Technology	336,974		26,526		(310,448)		(310,448)
Plant Operations and Maintenance	1,686,201	111,957	32,016		(1,542,228)		(1,542,228)
Pupil Transportation	47,538,897	50,167,515	185,503		2,814,121		2,814,121
Interest and Other Charges	889,536	-	-		(889,536)		(889,536)
22 Total Governmental Activities	<u>88,744,346</u>	<u>76,794,825</u>	<u>7,305,308</u>	<u>-</u>	<u>(4,644,213)</u>	<u>-</u>	<u>(4,644,213)</u>
Business-Type Activities							
Cooperative Purchasing		4,200				\$ 4,200	4,200
Food Service	101,422	-	78,236	-	-	(23,186)	(23,186)
Total Business-Type Activities	<u>101,422</u>	<u>4,200</u>	<u>78,236</u>	<u>-</u>	<u>-</u>	<u>(18,986)</u>	<u>(18,986)</u>
Total Primary Government	<u>\$ 88,845,768</u>	<u>\$ 76,799,025</u>	<u>\$ 7,383,544</u>	<u>\$ -</u>	<u>(4,644,213)</u>	<u>(18,986)</u>	<u>(4,663,199)</u>
General Revenues							
Indirect Cost Reimbursement and Miscellaneous					2,102,804	-	2,102,804
Total General Revenues					<u>2,102,804</u>	<u>-</u>	<u>2,102,804</u>
Change in Net Position					(2,541,409)	(18,986)	(2,560,395)
Net Position, Beginning of Year					22,313,677	5,992	22,319,669
Prior Period Adjustment - Capital Assets and Capital Leases					659,965	-	659,965
Net Position, End of Year					<u>\$ 20,432,233</u>	<u>\$ (12,994)</u>	<u>\$ 20,419,239</u>

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

FUND FINANCIAL STATEMENTS

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 9,100,256		\$ 139,100	\$ 9,239,356
Receivables, Net				
Accounts	19,430	\$ 18,738		38,168
Receivables from Other Governments	24,589,568	4,468,659		29,058,227
Due from Other Funds	3,403,113			3,403,113
Security Deposits	60,683			60,683
Restricted Cash - Cash with Fiscal Agent	-	-	641,328	641,328
	<u>37,173,050</u>	<u>4,487,397</u>	<u>780,428</u>	<u>42,440,875</u>
Total Assets				
LIABILITIES, DEFERRED INFLOWS OF RESOURCES				
FUND BALANCE				
Liabilities				
Accounts Payable	\$ 4,372,218	\$ 315,022	\$ 9,299	\$ 4,696,539
Accrued Salaries and Wages	914,037	25,964		940,001
Other Liabilities		18,059		18,059
Due to Other Funds		3,356,058		3,356,058
Unearned Revenue	22,730	772,294	-	795,024
	<u>5,308,985</u>	<u>4,487,397</u>	<u>9,299</u>	<u>9,805,681</u>
Total Liabilities				
Deferred Inflows of Resources				
Unavailable Revenue - Program Fees	5,858,970	-	-	5,858,970
	<u>5,858,970</u>	<u>-</u>	<u>-</u>	<u>5,858,970</u>
Total Deferred Inflows of Resources				
Fund Balances				
Assigned:				
Designated for Capital Projects	2,389,970		771,129	3,161,099
Designated for Repairs and Replacements	683,475			683,475
Designated for Building Leases	21,722,157			21,722,157
Unassigned	1,209,493	-	-	1,209,493
	<u>26,005,095</u>	<u>-</u>	<u>771,129</u>	<u>26,776,224</u>
Total Fund Balances				
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 37,173,050</u>	<u>\$ 4,487,397</u>	<u>\$ 780,428</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$26,562,376 and the accumulated depreciation is \$5,300,637	21,261,739
Unearned revenues in the funds that do not provide current financial resources are realized as revenues in the statement of activities	5,858,970
The District has financed capital assets through the issuance of long-term debt. The interest accrued at year end is:	(222,210)
Long term liabilities, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Capital Leases Payable	\$ (18,796,505)
Compensated Absences	(422,135)
Net Pension Liability	(14,115,542)
Deferred Amounts on Net Pension Liability	
Deferred Inflows	(3,362,035)
Deferred Outflows	3,453,727
	<u>(33,242,490)</u>
Net Position of Governmental Activities	<u>\$ 20,432,233</u>

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local Sources				
Tuition Charges	\$ 3,604,340			\$ 3,604,340
Transportation Fees	47,628,824			47,628,824
Miscellaneous	14,828,105	\$ 10,302,077	\$ 23,262	25,153,444
Total - Local Sources	66,061,269	10,302,077	23,262	76,386,608
State Sources	1,986,596	124,998		2,111,594
Federal Sources	-	1,213,240	-	1,213,240
Total Revenues	68,047,865	11,640,315	23,262	79,711,442
EXPENDITURES				
Current				
Instruction				
Regular Instruction	1,821,847	1,656,807		3,478,654
Special Education Instruction	13,478,543	713,599		14,192,142
Other Special Instruction		3,911,863		3,911,863
Community Service/Other Instruction	152,942			152,942
Support Services				
Student and Instruction Related Services	1,059,113	3,412,888		4,472,001
General Administrative Services	3,312,900	639,651		3,952,551
School Administrative Services	1,501,888	1,074,012		2,575,900
Central Services	1,309,634			1,309,634
Administrative Info. Technology	303,897			303,897
Plant Operations and Maintenance	1,095,550	111,957		1,207,507
Pupil Transportation	47,268,146	97,974		47,366,120
Capital Outlay	38,569		10,195,592	10,234,161
Debt Service				
Principal	587,248	19,805		607,053
Interest and Other Charges	452,414	1,759	406,405	860,578
Total Expenditures	72,382,691	11,640,315	10,601,997	94,625,003
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,334,826)	-	(10,578,735)	(14,913,561)
OTHER FINANCING SOURCES (USES)				
Lease Purchase Proceeds			9,085,499	9,085,499
Refunding Lease Purchase Proceeds			10,034,501	10,034,501
Payments for Refunding Lease Purchase			(8,128,096)	(8,128,096)
Transfers In			300,000	300,000
Transfers Out	(300,000)	-	-	(300,000)
Total Other Financing Sources (Uses)	(300,000)	-	11,291,904	10,991,904
Net Change in Fund Balances	(4,634,826)	-	713,169	(3,921,657)
Fund Balance, Beginning of Year	30,639,921	-	57,960	30,697,881
Fund Balance, End of Year	\$ 26,005,095	\$ -	\$ 771,129	\$ 26,776,224

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
WITH THE COMMISSION-WIDE STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Net Change in Fund Balances - Governmental Funds (Exhibit B-2) **\$ (3,921,657)**

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

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

Unearned Revenue - June 30, 2017	\$ (3,347,949)	
Unearned Revenue - June 30, 2018	<u>5,858,970</u>	2,511,021

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

Capital Outlay	10,234,161	
Depreciation Expense	<u>(585,046)</u>	9,649,115

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

Capital Leases Principal Paid	607,053	
Proceeds from Capital Leases	(9,085,499)	
Proceeds from Refunding Lease Purchase	(10,034,501)	
Payments for Refunding Lease Purchase	<u>8,128,096</u>	(10,384,851)

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

Increase in Compensated Absences		(18,244)
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In the statement of activities, pension expenses are measured by the liability accrued during the year. In the governmental funds, however, expenditures are reported in the amount of financial resources used (paid).

(Increase) Decrease in Pension Expense		
Public Employees' Retirement System	(347,873)	
Essex County Pension Fund	<u>38</u>	(347,835)

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

Increase in Accrued Interest		<u>(28,958)</u>
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Change in Net Position of Governmental Activities (Exhibit A-2) **\$ (2,541,409)**

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 PROPRIETARY FUNDS
 ENTERPRISE FUNDS
 STATEMENT OF NET POSITION
 AS OF JUNE 30, 2018**

	<u>Non-Major Programs</u>
ASSETS	
Current Assets	
Intergovernmental Accounts Receivable	
Federal	\$ 19,012
State	<u>45</u>
Total Current Assets	<u>19,057</u>
Non-Current Assets	
Capital Assets	21,225
Accumulated Depreciation	<u>(7,170)</u>
Total Capital Assets, Net	<u>14,055</u>
Total Assets	<u>33,112</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	7,583
Due to Other Funds	<u>38,523</u>
Total Liabilities	<u>46,106</u>
NET POSITION	
Net Investment in Capital Assets	14,055
Unrestricted	<u>(27,049)</u>
Total Net Position	<u>\$ (12,994)</u>

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 PROPRIETARY FUND
 ENTERPRISE FUNDS
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Non-Major Programs
OPERATING REVENUES	
Participation Fees	\$ 4,200
Total Operating Revenues	4,200
OPERATING EXPENSES	
Cost of Sales - Reimbursable Programs	101,102
Other	320
Total Operating Expenses	101,422
Operating (Loss)	(97,222)
NONOPERATING REVENUES	
State Sources	
State School Lunch Program	628
Federal Sources	
School Breakfast Program	20,259
National School Lunch Program	33,714
After School Snack Program	9,260
Equipment Grant	14,375
Total Nonoperating Revenues	78,236
Change in Net Position	(18,986)
Net Position, Beginning of Year	5,992
Net Position, End of Year	\$ (12,994)

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 PROPRIETARY FUNDS
 ENTERPRISE FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Non-Major Programs</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Participating Members	\$ 4,200
Cash Payments for Goods and Services	<u>(101,590)</u>
Net Cash (Used for) Operating Activities	<u>(97,390)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Cash Received (Paid) from Interfund Activities	17,773
Cash Received from State and Federal Subsidy Reimbursements	<u>66,058</u>
Net Cash Provided By Non-Capital Financing Activities	<u>83,831</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of Capital Assets	<u>(14,055)</u>
Net Cash Used By Capital Financing Activities	<u>(14,055)</u>
Net Change in Cash and Cash Equivalents	(27,614)
Cash and Cash Equivalents, Beginning of Year	<u>27,614</u>
Cash and Cash Equivalents, End of Year	<u>\$ -</u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:	
Operating (Loss)	\$ (97,222)
Decrease in Accounts Payable	<u>(168)</u>
Net Cash (Used for) Operating Activities	<u>\$ (97,390)</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2018**

	<u>Agency Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ <u>273,699</u>
Total Assets	\$ <u>273,699</u>
LIABILITIES	
Due to Student Groups	\$ 2,603
Payroll Deductions and Withholdings	262,564
Due to Other Funds	<u>8,532</u>
Total Liabilities	\$ <u>273,699</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOT APPLICABLE

NOTES TO THE FINANCIAL STATEMENTS

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

B. New Accounting Standards

During fiscal year 2018, the Commission adopted the following GASB statements:

- GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.
- GASB No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and other post-employment benefits (OPEB)).
- GASB No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

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

- GASB No. 84, *Fiduciary Activities*, will be effective with the fiscal year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities of all state and local governments.
- GASB No. 87, *Leases*, will be effective with the fiscal year ending June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.
- GASB No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, will be effective beginning with the fiscal year ending June 30, 2019. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistency provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms association with debt will be disclosed.
- GASB No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*, will be effective beginning with the fiscal year ending June 30, 2020. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

C. Basis of Presentation - Financial Statements

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

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Commission-Wide Financial Statements

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

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

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

Fund Financial Statements

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

The Commission reports the following major governmental funds:

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

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

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (Continued)

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

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

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

Additionally, the Commission reports the following fund types:

The *fiduciary agency funds* account for assets held by the Commission as an agent for student activities and for payroll deductions and withholdings. The funds for the student activities fund are solely for noninstructional student activities that are supported and controlled by student organizations for which school administration does not have management involvement. The payroll funds are held to remit employee withholdings to respective state, federal and other agencies.

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

Reclassifications

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

D. Measurement Focus and Basis of Accounting

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

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

1. Cash, Cash Equivalents and Investments

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

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

2. Receivables

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

3. Inventories

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

4. Restricted Assets

Certain assets are classified as restricted on the balance sheet because they are maintained in separate bank accounts and/or their use is limited by state or county regulations for capital projects and/or Lease-Purchase Agreements for capital projects.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

5. Capital Assets

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

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

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

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

6. Deferred Outflows/Inflows of Resources

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 NOTES TO THE FINANCIAL STATEMENT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. *Deferred Outflows/Inflows of Resources (Continued)*

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

General Fund	
Intergovernmental Receivables:	
Tuition	\$ 384,751
Transportation Fees	4,731,892
Miscellaneous Service Fees	<u>742,327</u>
 Total Unavailable Revenue	 <u>\$ 5,858,970</u>

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

7. *Compensated Absences*

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

8. *Pensions*

In the commission-wide financial statements, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the retirement systems sponsored and administered by the State of New Jersey and additions to/deductions from these retirement systems' fiduciary net position have been determined on the same basis as they are reported by the retirement systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. Long-Term Obligations

In the commission-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net position.

10. Net Position/Fund Balance

Commission-Wide Statements

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

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

Governmental Fund Statements

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

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

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

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

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

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

In the general operating fund and other governmental funds (capital projects fund type), it is the Commission's policy to consider restricted resources to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted (i.e., committed, assigned or unassigned) fund balances are available, followed by committed and then

assigned fund balances. Unassigned amounts are used only after the other resources have been used.
ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

11. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Board itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Commission's highest level of decision-making authority. The Board of Directors is the highest level of decision-making authority for the Commission that can, by adoption of a resolution or formal Board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Commission for specific purposes but do not meet the criteria to be classified as committed. The Board of Directors has authorized the School Business Administrator/Board Secretary to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

F. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Tuition Revenues and Expenditures

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

Tuition Expenditures - Tuition charges for the fiscal years 2016-2017 and 2017-2018 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

3. Proprietary Funds, Operating and Nonoperating Revenues and Expenses

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

Budget adoptions and amendments are recorded in the Commission’s minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Commission approved several budget transfers during 2017/2018. Also, during 2017/2018 the Board increased the original budget of the General Fund by \$9,609,582 and the Special Revenue Fund by \$2,669,488. The increases were funded by additional surplus appropriated, grant awards and additional program fees.

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

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Excess Expenditures Over Appropriations

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

	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund			
Undistributed Expenditures			
General Administration			
Miscellaneous Expenditures	1,534,155	1,534,274	119
Special Revenue Fund			
Support Services			
Indirect Costs	293,049	639,651	346,602

The above variances were offset with other available resources.

C. Transfers to Capital Outlay

During the 2017/2018 school year, the district transferred and/or appropriated additional surplus of \$119,869 to the non-equipment capital outlay accounts.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Cash Deposits and Investments

Cash Deposits

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

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2018, the book value of the Commission's deposits were \$10,154,383 and bank and brokerage firm balances of the Commission's deposits amounted to \$12,732,203. The Board's deposits which are displayed on the various fund balance sheets as "cash and cash equivalents" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ <u>12,732,203</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash Deposits and Investments (Continued)

Cash Deposits (Continued)

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Commission does not have a policy for custodial credit risk. As of June 30, 2018 the Commission’s bank balances were not exposed to custodial credit risk.

Investments

The Commission is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America; Government Money Market Mutual Funds; 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 obligations bear a fixed rate of interest not dependent on any index or other external factor; bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located; Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the “Local Authorities Fiscal Control Law,” (C.40A:5A-1 et seq.); Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by school districts; Local Government investment pools; deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); and agreements for the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

B. Receivables

Receivables as of June 30, 2018 for the Commission’s individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Food Service</u>	<u>Total</u>
Receivables:				
Accounts	\$ 19,430	\$ 18,738		\$ 38,168
Intergovernmental				
Federal		370,245	\$ 19,012	389,257
State	44,613		45	44,658
Local	<u>24,544,955</u>	<u>4,098,414</u>	<u>-</u>	<u>28,643,369</u>
Gross Receivables	24,608,998	4,487,397	19,057	29,115,452
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 24,608,998</u>	<u>\$ 4,487,397</u>	<u>\$ 19,057</u>	<u>\$ 29,115,452</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

C. Unearned Revenue

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

General Fund	
Summer School Tuition	\$ 20,730
Donation for Subsequent Year	2,000
Special Revenue Fund	
Unencumbered Grant Drawdowns	<u>772,294</u>
	<u>\$ 795,024</u>

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

	Balance, July 1, 2017	Prior Period Adjustment	Increases	Decreases	Balance, June 30, 2018
Governmental Activities:					
Capital Assets, Not Being Depreciated:					
Land	\$ 2,100,000	-	\$ 824,000	-	\$ 2,924,000
Total Capital Assets, Not Being Depreciated	<u>2,100,000</u>	<u>-</u>	<u>824,000</u>	<u>-</u>	<u>2,924,000</u>
Capital Assets, Being Depreciated:					
Site Improvements	35,692				35,692
Building and Building Improvements	12,051,198	\$ 133,376	9,371,592		21,556,166
Leasehold Improvements	154,389				154,389
Machinery and Equipment	2,138,411	(284,851)	38,569	-	1,892,129
Total Capital Assets Being Depreciated	<u>14,379,690</u>	<u>(151,475)</u>	<u>9,410,161</u>	<u>-</u>	<u>23,638,376</u>
Less Accumulated Depreciation For:					
Site Improvements	(2,366)		(2,174)		(4,540)
Building and Building Improvements	(3,600,163)	48,414	(426,163)		(3,977,912)
Leasehold Improvements	(48,416)		(7,673)		(56,089)
Machinery and Equipment	(1,957,896)	844,836	(149,036)	-	(1,262,096)
Total Accumulated Depreciation	<u>(5,608,841)</u>	<u>893,250</u>	<u>(585,046)</u>	<u>-</u>	<u>(5,300,637)</u>
Total Capital Assets, Being Depreciated, Net	<u>8,770,849</u>	<u>741,775</u>	<u>8,825,115</u>	<u>-</u>	<u>18,337,739</u>
Governmental Activities Capital Assets, net	<u>\$ 10,870,849</u>	<u>\$ 741,775</u>	<u>\$ 9,649,115</u>	<u>\$ -</u>	<u>\$ 21,261,739</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

	<u>Balance, July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2018</u>
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Machinery and Equipment	\$ 7,170	\$ 14,055	-	\$ 21,225
Total Capital Assets Being Depreciated	<u>7,170</u>	<u>14,055</u>	<u>-</u>	<u>21,225</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	<u>(7,170)</u>	<u>-</u>	<u>-</u>	<u>(7,170)</u>
Total Accumulated Depreciation	<u>(7,170)</u>	<u>-</u>	<u>-</u>	<u>(7,170)</u>
Business-Type Activities Capital Assets, Net	<u>\$ -</u>	<u>\$ 14,055</u>	<u>\$ -</u>	<u>\$ 14,055</u>

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

Governmental Activities:

Instruction	
Regular	\$ 7,480
Special	30,854
Other	<u>8,414</u>
Total Instruction	<u>46,748</u>
Support Services	
General Administration	69,618
Operations and Maintenance of Plant	439,145
Pupil Transportation	<u>29,535</u>
Total Support Services	<u>538,298</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 585,046</u>

The Commission conducted an update and appraisal of its capital assets inventory during the 2017/18 fiscal year. The Commission has recorded a prior period adjustment to its July 1, 2017 capital asset values as well as the accumulated depreciation amount. The net effect of this adjustment was an increase to governmental activities net position of \$741,775.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2018, is as follows:

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 3,356,058
General Fund	Cooperative Purchasing Fund	16,550
General Fund	Food Service Fund	21,973
General Fund	Payroll Agency Fund	<u>8,532</u>
Total		<u>\$ 3,403,113</u>

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

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

Interfund Transfers

	<u>Transfer In:</u>
	Capital
	Projects
	<u>Fund</u>
Transfer Out:	
General Fund	<u>\$ 300,000</u>

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

F. Leases

Operating Leases

The Commission leases buildings and office equipment under noncancelable operating leases. Lease payments for the fiscal year ended June 30, 2018 were \$468,168. The future minimum lease payments for these operating leases are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2019	\$ 476,560
2020	485,119
2021	493,848
2022	<u>458,681</u>
Total	<u>\$ 1,914,208</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

F. Leases (Continued)

Capital Leases

The Commission is leasing building acquisitions and buses under capital leases. The leases are for terms of 5 to 25 years.

The capital assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Land	\$ 2,924,000
Building and Building Improvements	20,161,499
Machinery and Equipment	<u>103,374</u>
 Total	 <u>\$ 23,188,873</u>

The unexpended proceeds from capital leases in the amount of \$641,328 at June 30, 2018 are held with the Fiscal Agent.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018 were as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2019	\$ 1,328,269
2020	1,337,449
2021	1,458,918
2022	1,436,983
2023	3,057,328
2024-2028	7,187,544
2029-2033	5,323,426
2034-2038	<u>2,276,929</u>
 Total Minimum Lease Payments	 23,406,846
Less: Amount Representing Interest	<u>(4,610,341)</u>
 Present Value of Minimum Lease Payments	 <u>\$ 18,796,505</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

G. Other Long-Term Liabilities

Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2018, was as follows:

	Balance, July 1, 2017	Prior Period Adjustment	Additions	Reductions	Balance, June 30, 2018	Due Within One Year
Governmental activities:						
Capital Leases	\$ 8,329,844	\$ 81,810	\$ 19,120,000	\$ 8,735,149	\$ 18,796,505	\$ 818,208
Compensated Absences	403,891		18,244		422,135	
Net Pension Liability						
Essex County	23,737			3,516	20,221	
PERS	<u>18,370,051</u>	<u>-</u>	<u>-</u>	<u>4,274,730</u>	<u>14,095,321</u>	<u>-</u>
Governmental Activity Long-Term Liabilities	<u>\$ 27,127,523</u>	<u>\$ 81,810</u>	<u>\$ 19,138,244</u>	<u>\$ 13,013,395</u>	<u>\$ 33,334,182</u>	<u>\$ 818,208</u>

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

The Commission recorded a prior period adjustment for the lease of school buses, executed by the Commission in 2016/17. The net effect of the adjustment was a decrease to governmental activities net position of \$81,810.

NOTE 4 OTHER INFORMATION

A. Risk Management

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

B. Contingent Liabilities

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

Federal and State Awards – The Board participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor government. As of June 30, 2018, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Commission.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans

Plan Descriptions and Benefits Provided

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

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

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:

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

Teachers' Pension and Annuity Fund (TPAF) – Established in January 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time certified teachers or professional staff of the public school systems in the State. Membership is mandatory for such employees. TPAF is a cost sharing multiple employer defined benefit pension plan with a special funding situation, by which the State is responsible to fund 100% of local employer contributions, excluding any local employer early retirement incentive (ERI) contributions.

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.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

Teachers' Pension and Annuity Fund (TPAF) (Continued)

The following represent the membership tiers for TPAF:

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

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

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

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

Other Pension Funds

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

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

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

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

Plan Amendments

The authority to amend the provisions of the above plans rests with new legislation passed by the State of New Jersey. Pension reforms enacted pursuant to Chapter 78, P.L. 2011 included provisions creating special Pension Plan Design Committees for TPAF and PERS, once a Target Funded Ratio (TFR) is met. The Pension Plan Design Committees will have the discretionary authority to modify certain plan design features, including member contribution rate; formula for calculation of final compensation of final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. The committees will also have the authority to reactivate the cost of living adjustment (COLA) on pensions. However, modifications can only be made to the extent that the resulting impact does not cause the funded ratio to drop below the TFR in any one year of a 30-year projection period.

Measurement Focus and Basis of Accounting

The financial statements of the retirement systems are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the pension trust funds. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

Investment Valuation

The Division of Investment, Department of the Treasury, State of New Jersey (Division of Investment) manages and invests certain assets of the retirement systems. Investments are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

Funding Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the aggregate funded ratio for the State administered TPAF and local PERS retirement systems, is 33 percent with an unfunded actuarial accrued liability of 90.90 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded TPAF system is 25.41 percent and \$67.6 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS is 48.10 percent and \$23.3 billion, respectively.

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

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

Actuarial Methods and Assumptions

In the July 1, 2016 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (a) an investment rate of return for the retirement systems of 7.00 percent and (b) projected salary increases applied through the year 2026 of 1.65-5.15 percent based on age for the PERS and varying percentages based on experience for TPAF.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 7.34% for PERS, 7.34% for TPAF and 5.50% for DCRP of the employee's annual compensation for fiscal year 2018.

Annual Pension Costs (APC)

For the fiscal year ended June 30, 2018 for TPAF, which is a cost sharing multiple employer defined benefit pension plan with a special funding situation, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multiple employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

Annual Pension Costs (APC) (Continued)

During the fiscal years ended June 30, 2018, 2017 and 2016 the Commission was required to contribute for PERS and DCRP and the State of New Jersey, as a nonemployer contributing entity, was required to contribute for TPAF, respectively for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Fiscal Year Ended <u>June 30,</u>	<u>PERS</u>	On-Behalf <u>TPAF</u>	<u>DCRP</u>
2018	\$ 560,941	\$ 905,410	\$ 253,279
2017	551,022	719,272	209,401
2016	528,378	576,901	191,895

In addition for fiscal years 2017/2018 and 2016/2017 the Commission contributed \$4,848 and \$1,554, respectively for PERS and the State contributed \$857 and \$1,061, respectively for TPAF for Long Term Disability Insurance Premium (LTDI).

The PERS contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure. The on-behalf TPAF contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB Statement No. 85, *Omnibus 2017* (GASB No. 85). The DCRP contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure, as well as, the district-wide financial statements (accrual basis) as an expense.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Commission \$495,244 during the fiscal year ended June 30, 2018 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been recognized in the commission-wide financial statements (accrual basis) and the governmental fund financial statements (modified accrual basis) as a revenue and expense/expenditure in accordance with GASB No. 85.

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

Public Employees Retirement System (PERS)

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, (GASB No. 68) requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the fiscal year ended June 30, 2017. Employer allocation percentages have been rounded for presentation purposes.

Although the NJ Division of Pensions and Benefits ("Division") administers one cost-sharing multiple employer defined benefit pension plan, separate actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective pension expense excluding that attributable to employer-paid member contributions are determined separately for each individual employer of the State and local groups of the plan.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

To facilitate the separate actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages are presented for each group. The allocation percentages for each group as of June 30, 2017 are based on the ratio of each employer's contribution to total employer contributions of the group for the fiscal year ended June 30, 2017.

At June 30, 2018, the Commission reported in the statement of net position (accrual basis) a liability of \$14,095,321 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportionate share of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2017, the Commission's proportionate share was .06055 percent, which was a decrease of .00148 percent from its proportionate share measured as of June 30, 2016 of .06203 percent.

For the fiscal year ended June 30, 2018, the Commission recognized in the Commission-wide statement of activities (accrual basis) pension expense of \$908,814 for PERS. The pension contribution made by the Commission during the current 2017/2018 fiscal year is the contribution that is applied to the net pension liability reported at the end of the current fiscal year of June 30, 2018 with a measurement date of the prior fiscal year end of June 30, 2017. Since the State of New Jersey applies the current year pension contribution towards the calculation of the net pension liability reported at the end of the current fiscal year, which has a measurement date of the preceding fiscal year end, there is no deferred outflows of resources reported as of June 30, 2018 for contributions made subsequent to the current fiscal year end. At June 30, 2018, the Commission reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 331,896	
Changes of Assumptions	2,839,722	\$ 2,829,311
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	95,980	
Changes in Proportion and Differences Between Commission Contributions and Proportionate Share of Contributions	<u>184,288</u>	<u>532,724</u>
Total	<u>\$ 3,451,886</u>	<u>\$ 3,362,035</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

At June 30, 2018, the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>	<u>Total</u>
2019	\$ 230,728
2020	398,744
2021	251,855
2022	(461,059)
2023	(330,417)
Thereafter	<u>-</u>
	<u>\$ 89,851</u>

Actuarial Assumptions

The Commission's total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65-4.15% Based on Age
Thereafter	2.65-5.15% Based on Age
Investment Rate of Return	7.00%
Mortality Rate Table	RP-2000

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

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

C. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
US Equities	30.00%	8.19%
Non-US Developed Markets Equity	11.50%	9.00%
Emerging Market Equities	6.50%	11.64%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Estate	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liabilities of the PERS plan was as follows:

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2017	5.00%
2017	June 30, 2016	3.98%

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

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

Period of Projected Benefit Payments for which the Following Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2040
Municipal Bond Rate *	From July 1, 2040 and Thereafter

* The municipal bond return rate used is 3.58% as of the measurement date of June 30, 2017. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the Commission's proportionate share of the PERS net pension liability calculated using the discount rate of 5.00%, as well as what the Commission's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.00 percent) or 1-percentage-point higher (6.00 percent) than the current rate:

	1% Decrease <u>(4.00%)</u>	Current Discount Rate <u>(5.00%)</u>	1% Increase <u>(6.00%)</u>
Commission's Proportionate Share of the PERS Net Pension Liability	\$ <u>17,486,202</u>	\$ <u>14,095,321</u>	\$ <u>11,270,297</u>

The sensitivity analysis was based on the proportionate share of the Commission's net pension liability at June 30, 2017. A sensitivity analysis specific to the Commission's net pension liability was not provided by the pension system.

Pension Plan Fiduciary Net Position

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

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

C. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF)

GASB No. 68, requires participating employers in TPAF to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The non-employer allocation percentages presented are based on the ratio of the State's contributions made as a non-employer toward the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the fiscal year ended June 30, 2017. Non-employer allocation percentages have been rounded for presentation purposes.

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and non-employer contributions by the State. 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 includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. For the fiscal year ended June 30, 2017, the State's pension contribution was less than the actuarial determined amount.

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

For the fiscal year ended June 30, 2018, the Commission recognized in the commission-wide statement of activities (accrual basis) pension expense of \$2,986,789 for TPAF. This amount has been included in the commission-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 85.

At June 30, 2018 the State's proportionate share of the net pension liability attributable to the Commission is \$43,115,001. The nonemployer allocation percentages are based on the ratio of the State's contributions made as an employer and nonemployer towards the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the year ended June 30, 2017. At June 30, 2017, the state's share of the net pension liability attributable to the Commission was .06395 percent, which was a decrease of .00811 percent from its proportionate share measured as of June 30, 2016 of .07206 percent.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.25%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.00%

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Estate	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

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

C. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Discount Rate

The discount rate used to measure the total pension liabilities of the TPAF plan was as follows:

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2017	4.25%
2017	June 30, 2016	3.22%

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

Period of Projected Benefit

Payments for which the Following Rates were Applied:

Long-Term Expected Rate of Return Through June 30, 2036

Municipal Bond Rate * From July 1, 2036
 and Thereafter

* The municipal bond return rate used is 3.58% as of the measurement date of June 30, 2017. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the State's proportionate share of the TPAF net pension liability attributable to the Commission calculated using the discount rate of 4.25%, as well as what the State's proportionate share of the TPAF net pension liability attributable to the Commission that would be if it were calculated using a discount rate that is 1-percentage-point lower (3.25 percent) or 1-percentage-point higher (5.25 percent) than the current rate:

	1% Decrease <u>(3.25%)</u>	Current Discount Rate <u>(4.25%)</u>	1% Increase <u>(5.25%)</u>
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the Commission	<u>\$ 51,221,974</u>	<u>\$ 43,115,001</u>	<u>\$ 36,436,442</u>

The sensitivity analysis was based on the State's proportionate share of the net pension liability attributable to the Commission at June 30, 2017. A sensitivity analysis specific to the State's proportionate share of the net pension liability attributable to the Commission at June 30, 2017 was not provided by the pension system.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Pension Plan Fiduciary Net Position

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

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

Plan Description

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

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

Benefits Provided

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

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

Contributions

Contributions are made by the members at 3%, the maximum contribution rate required by statute, of their annual compensation. Contributions made by the Boards are determined annually based upon actuarial valuations. The Boards are required to reimburse the Plan for administrative expenses and cost of living increases associated with its retirees. Plan provisions and contribution requirements are established by New Jersey state statute assets. The Commission's contributions to the Plan amounted to \$2,917 for fiscal year 2018.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

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

At June 30, 2018, the Commission reported in the statement of net position (accrual basis) a liability of \$20,221 for its proportionate share of the ECPF net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportionate share of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating school Commissions, actuarially determined. At June 30, 2017, the Commission's proportionate share was .07075 percent, which was an increase of .00518 percent from its proportionate share measured as of June 30, 2016 of .06557.

For the year ended June 30, 2018, the Commission recognized in the commission wide statement of activities (accrual basis) a pension expense of \$3,095 for ECPF. At June 30, 2018, the Commission reported deferred outflows of resources related to ECPF from the following sources:

	Deferred Outflows of Resources
Net Difference Between Projected and Actual On Pension Plan Investments	\$ <u>1,841</u>

At June 30, 2018, the amounts reported as deferred outflows of resources related to ECPF pension will be recognized as pension expense of \$368 per year for the fiscal years ended June 30, 2019 through June 30, 2023.

Actuarial Assumptions

The Commission's total pension liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

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

Actuarial Assumptions (Continued)

Long-Term Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investments expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
U.S. Large Cap Equity	50.00%	6.71%
U.S. Small Cap Equity	10.00%	6.71%
U.S. Fixed Income	40.00%	2.11%

Discount Rate

The discount rate used to measure the total pension liability of the ECPF was 6.50% (measurement date June 30, 2017).

Sensitivity of Net Pension Liability

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

	<u>Decrease (5.5%)</u>	<u>Discount Rate (6.5%)</u>	<u>Increase (7.5%)</u>
Commission's Proportionate Share of the Net Pension Liability	<u>\$ 25,396</u>	<u>\$ 20,221</u>	<u>\$ 13,458</u>

Pension Plan Fiduciary Net Position

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

D. Post-Retirement Medical Benefits

The State of New Jersey sponsors and administers the post-retirement health benefit program plan for school districts.

As a result of implementing GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, the post-retirement health benefit program plan is reported in an Agency Fund in the New Jersey Comprehensive Annual Financial Report effective for the fiscal year ended June 30, 2017. Therefore, the plan has no assets accumulated in a trust. In accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension* (GASB No. 75), the plan is classified as a single employer defined benefit OPEB plan with a special funding situation that is not administered through a trust that meets the criteria in paragraph 4 of GASB No. 75.

Plan Description and Benefits Provided

The State of New Jersey sponsors and administers the following post-retirement health benefit program plan covering certain local school district employees, including those Commission employees and retirees eligible for coverage.

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) – N.J.S.A. 52:14-17.32f provides medical coverage and prescription drug benefits to qualified retired education participants. The State of New Jersey provides employer-paid coverage to members of the TPAF who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of Chapter 126, P.L. 1992, the State also provides employer-paid coverage to members of the PERS and Alternate Benefits Program (ABP) who retire from a board of education or county college with 25 years of service or on a disability retirement if the member’s employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare Parts A and B by paying the cost of the insurance for themselves and their covered dependents.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree’s annual retirement benefit and level of coverage.

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

Plan Membership

Membership of the defined benefit OPEB plan consisted of the following at June 30, 2016:

Active Plan Members	223,747
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	142,331
Inactive Plan Members Entitled to but not yet Receiving Benefits	_____ -
Total	<u>366,078</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

D. Post-Retirement Medical Benefits (Continued)

Measurement Focus and Basis of Accounting

The financial statements of the post-employment health benefit plans are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the post-employment health benefit plans. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the State had a \$69.3 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$25.5 billion for state active and retired members and \$43.8 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

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

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

Actuarial Methods and Assumptions

In the July 1, 2016, OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

D. Post-Retirement Medical Benefits (Continued)

Post-Retirement Medical Benefits Contributions

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2017, there were 112,966, retirees receiving post-retirement medical benefits and the State contributed \$1.39 billion on their behalf. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program (ABP) who retired from a board of education or county college with 25 years of service. The State paid \$238.9 million toward Chapter 126 benefits for 20,913 eligible retired members in Fiscal Year 2017.

The State sets the contribution rate based on a pay as you go basis and not on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions, as a nonemployer contributing entity, to the State Health Benefits Program Fund – Local Education Retired for retirees' post-retirement benefits on behalf of the Commission for the fiscal years ended June 30, 2018, 2017 and 2016 were \$584,785, \$599,317 and \$686,930, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund – Local Education Retired for PERS retirees' post-retirement benefits on behalf of the Commission was not determined or made available by the State of New Jersey. The on-behalf OPEB contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 85.

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

GASB Statement No. 75 requires participating employers in the State Health Benefit Program Fund – Local Education Retired to recognize their proportionate share of the collective OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense excluding that attributable to retiree-paid member contributions. The nonemployer allocation percentages presented are based on the ratio of the State's contributions made as a nonemployer toward the actuarially determined contribution amount to total contributions to the plan during the fiscal year ended June 30, 2017. Nonemployer allocation percentages have been rounded for presentation purposes.

In accordance with GASB No. 75, the Commission is not required to recognize an OPEB liability for the post-employment health benefit plan. The State of New Jersey, as a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to the plan on behalf of the Commission. Accordingly, the Commission's proportionate share percentage determined under Statement No. 75 is zero percent and the State's proportionate share is 100% of the OPEB liability attributable to the Commission. Therefore, in addition, the Commission does not recognize any portion of the collective deferred outflows of resources and deferred inflows of resources related to the plan.

For the fiscal year ended June 30, 2018, the Commission recognized in the commission-wide statement of activities (accrual basis) OPEB expense of \$2,483,880. This amount has been included in the commission-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 85.

At June 30, 2018 the State's proportionate share of the OPEB liability attributable to the District is \$44,987,306. The nonemployer allocation percentages are based on the ratio of the State's proportionate share of the OPEB liability attributable to the District at June 30, 2017 to the total OPEB liability of the State Health Benefit Program Fund – Local Education Retired Employees Plan at June 30, 2017. At June 30, 2017, the state's share of the OPEB liability attributable to the District was .08387 percent, which was an increase of .00036 percent from its proportionate share measured as of June 30, 2016 of .08351 percent.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

D. Post-Retirement Medical Benefits (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Actuarial Assumptions

The OPEB liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases *	
Initial Fiscal Year Applied Through	2026
Rate	1.55% to 4.55%
Rate Thereafter	2.00% to 5.45%
Mortality	RP-2014 Headcount-Weighted Healthy Employee, Healthy Annuitant and Disabled Male/Female Mortality Table with Fully Generational Mortality Improvement Projections from the Central Year Using Scale MP-2017
Long-Term Rate of Return	1.00%

*Salary increases are based on the defined benefit plan that the individual is enrolled in and his or her year of service for TPAF or his or her age for PERS.

Healthcare cost trend rates for pre-Medicare Preferred Provider Organization (PPO) medical benefits, this amount initially is 5.9 percent and decreases to a 5.0 percent long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5 percent. For health maintenance organization (HMO) medical benefits; the trend rate is initially 5.9 percent and decreases to a 5.0 percent long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5 percent and decreases to a 5.0 percent long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0 percent. This reflects the known underlying cost of the Part B premium. The Medicare Advantage trend rate is 4.5 percent and will continue in all future years.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the TPAF and PERS actuarial experience studies for the period July 1, 2012 to June 30, 2015 and July 1, 2011 to June 30, 2014, respectively.

Long-Term Expected Rate of Return

As the OPEB plan only invests in the State of New Jersey Cash Management Fund, the long-term expected rate of return on OPEB investments was based off the best-estimate ranges of future real rates of return (expected returns, net of OPEB plan investment expense and inflation) for cash equivalents, which is 1.00% as of June 30, 2017.

Discount Rate

The discount rate used to measure the total OPEB liabilities of the plan was as follows:

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2017	3.58%
2017	June 30, 2016	2.85%

The discount rate represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

D. Post-Retirement Medical Benefits (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Changes in the Total OPEB Liability

The change in the State's proportionate share of the OPEB liability attributable to the District for the fiscal year ended June 30, 2018 (measurement date June 30, 2017) is as follows:

	Total OPEB Liability (State Share 100%)
Balance, June 30, 2016 Measurement Date	\$ 48,297,353
Changes Recognized for the Fiscal Year:	
Service Cost	\$ 1,662,545
Interest on the Total OPEB Liability	1,409,656
Changes of Assumptions	(5,378,616)
Gross Benefit Payments	(1,042,001)
Contributions from the Member	38,369
Net Changes	\$ (3,310,047)
Balance, June 30, 2017 Measurement Date	\$ 44,987,306

Changes of assumptions and other inputs reflect a change in the discount rate from 2.85 percent in 2016 to 3.58 percent in 2017.

The change in the total OPEB liability was based on the State's proportionate share of the OPEB liability attributable to the District at June 30, 2017. A change in the total OPEB liability specific to the State's proportionate share of the OPEB liability attributable to the District for the fiscal year ended June 30, 2017 was not provided by the pension system.

Sensitivity of OPEB Liability

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the State's proportionate share of the OPEB liability attributable to the District calculated using the discount rate of 3.58%, as well as what the State's proportionate share of the OPEB liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
State's Proportionate Share of the OPEB Liability Attributable to the District	\$ 53,403,178	\$ 44,987,306	\$ 38,311,756

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

D. Post-Retirement Medical Benefits (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Sensitivity of OPEB Liability (Continued)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the State's proportionate share of the OPEB liability attributable to the District calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	Healthcare Cost Trend Rates	<u>1% Increase</u>
Total OPEB Liability (School Retirees)	\$ <u>36,997,710</u>	\$ <u>44,987,306</u>	\$ <u>55,597,395</u>

The sensitivity analyses were based on the State's proportionate share of the OPEB liability attributable to the District at June 30, 2017. Sensitivity analyses specific to the State's proportionate share of the OPEB liability attributable to the District at June 30, 2017 were not provided by the pension system.

E. Subsequent Events

On November 15, 2018, the Board of Directors deemed certain accounts receivable as uncollectible, and approved a write-off of \$1,499,523 and \$293,196 of General and Special Revenue Fund receivables.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Original Budget	Adjustments	Final Budget	Actual	Variance Final To Actual
REVENUES					
Local Sources					
Tuition	\$ 5,499,606	\$ (70,111)	\$ 5,429,495	\$ 3,604,340	\$ (1,825,155)
Transportation Fees	43,200,000	5,974,461	49,174,461	47,628,824	(1,545,637)
Miscellaneous	13,195,924	3,155,190	16,351,114	14,828,105	(1,523,009)
Total Local Sources	61,895,530	9,059,540	70,955,070	66,061,269	(4,893,801)
State Sources					
On-Behalf TPAF (Non-Budget)					
Pension Contribution				883,959	883,959
NCGI Premium				21,451	21,451
LTDI				857	857
Post Retirement Medical Benefits				584,785	584,785
Social Security Contributions (Non-Budget)				495,244	495,244
Lead Testing for Schools Aid	-	-	-	300	300
Total State Sources	-	-	-	1,986,596	1,986,596
Total Revenues	61,895,530	9,059,540	70,955,070	68,047,865	(2,907,205)
CURRENT EXPENDITURES					
Instruction - Regular Programs					
Salaries of Teachers:					
Grades 9 - 12	745,136	(38,437)	706,699	483,605	223,094
Home Instruction:					
Salaries of Teachers	554,815	(1,745)	553,070	553,070	-
Purchased Professional - Educational Services	10,000	23,516	33,516	33,516	-
Other Purchased Services	2,500	2,130	4,630	369	4,261
Regular Programs - Undistributed Instruction					
General Supplies		13,211	13,211	13,211	-
Other Objects	-	93,775	93,775	93,775	-
Total Instruction Regular Programs	1,312,451	92,450	1,404,901	1,177,546	227,355
Special Education					
Learning/Language Disabilities					
Salaries of Teachers	690,000	(21,996)	668,004	646,947	21,057
Other Salaries for Instruction	129,000	104,404	233,404	208,815	24,589
General Supplies		24,825	24,825	24,825	-
Other Objects	-	5,460	5,460	5,272	188
Total Learning/Language Disabilities	819,000	112,693	931,693	885,859	45,834
Behavioral Disabilities					
Salaries of Teachers	366,000	11,522	377,522	365,955	11,567
Other Salaries for Instruction	6,902,729	2,546,248	9,448,977	9,416,379	32,598
General Supplies	3,500	11,853	15,353	14,963	390
Textbooks	1,000	(518)	482	482	-
Other Objects	5,500	46,231	51,731	31,129	20,602
Total Behavioral Disabilities	7,278,729	2,615,336	9,894,065	9,828,908	65,157
Total Special Education	8,097,729	2,728,029	10,825,758	10,714,767	110,991
Before and After School Programs - Instruction					
Purchased Professional-Educational Services	-	152,942	152,942	152,942	-
Total Before and After School Programs - Instruction	-	152,942	152,942	152,942	-
Total Instruction	9,410,180	2,973,421	12,383,601	12,045,255	338,346

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Original Budget	Adjustments	Final Budget	Actual	Variance Final To Actual
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures					
Instruction					
Tuition to County Voc. School District-Special	\$ 25,000	\$ (10,887)	\$ 14,113	\$ 3,630	10,483
Total Undistributed Expenditures - Instruction	25,000	(10,887)	14,113	3,630	10,483
Health Services					
Salaries	99,410	(4,050)	95,360	79,046	16,314
General Supplies	500	(34)	466	466	-
Total Health Services	99,910	(4,084)	95,826	79,512	16,314
Other Supp. Serv. - Speech, OT, PT & Related Services					
Salaries	47,000	(23,114)	23,886	23,886	-
Purchased Professional-Educational Services	37,000	21,267	58,267	58,267	-
Total Other Supp. Serv. - Speech, OT, PT & Related Serv.	84,000	(1,847)	82,153	82,153	-
Child Study Teams					
Salaries of Other Professional Staff	467,529	(113,336)	354,193	344,114	10,079
Purchased Professional-Educational Services	60,450	159,209	219,659	215,322	4,337
Total Child Study Teams	527,979	45,873	573,852	559,436	14,416
Improvement of Inst. Serv.					
Purchased Professional-Educational Services	12,500	15,464	27,964	27,964	-
Total Improvement of Inst. Serv.	12,500	15,464	27,964	27,964	-
Instructional Staff Training Services					
Purchased Professional - Educational Services	16,500	(4,727)	11,773	11,459	314
Total Instructional Staff Training Services	16,500	(4,727)	11,773	11,459	314
Support Services General Administration					
Salaries	1,004,584	68,709	1,073,293	1,028,803	44,490
Legal Services	60,000	57,149	117,149	117,149	-
Audit Fees	35,000	20,631	55,631	55,631	-
Other Purchased Professional Services	125,000	(17,663)	107,337	91,431	15,906
Communications/Telephone	374,800	(317,602)	57,198	55,454	1,744
BOE Other Purchased Services		200	200	200	-
Misc. Purchased Services	8,100	(3,102)	4,998	4,953	45
General Supplies	4,200	1,334	5,534	4,352	1,182
BOE In-House Training/Meeting Supplies	7,000	(3,510)	3,490	540	2,950
Miscellaneous Expenditures	1,630,321	(96,166)	1,534,155	1,534,274	(119)
BOE Membership Dues and Fees	15,500	(1,404)	14,096	11,256	2,840
Total Support Services General Administration	3,264,505	(291,424)	2,973,081	2,904,043	69,038
Support Services School Administration					
Salaries of Principals and Assistant Principals	464,332	144,289	608,621	542,388	66,233
Salaries of Other Professional Staff	108,998	(12,355)	96,643	91,710	4,933
Salaries of Secretarial and Clerical Assistants	514,587	(107,798)	406,789	333,293	73,496
Purchased Prof. and Tech. Services	10,000	(2,313)	7,687	7,687	-
Other Purchased Services	16,450	(5,930)	10,520	7,593	2,927
Supplies and Materials	2,200	13,391	15,591	13,591	2,000
Other Objects	10,500	27,484	37,984	37,881	103
Total Support Services School Administration	1,127,067	56,768	1,183,835	1,034,143	149,692

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Original Budget	Adjustments	Final Budget	Actual	Variance Final To Actual
CURRENT EXPENDITURES (Continued)					
Central Services					
Salaries	\$ 589,432	\$ 95,629	\$ 685,061	\$ 685,061	
Purchased Professional Services	144,516	4,897	149,413	149,413	
Purchased Technical Services	78,500	72,768	151,268	145,095	\$ 6,173
Miscellaneous Purchased Services		63,971	63,971	57,795	6,176
Supplies and Materials	10,000	(1,612)	8,388	8,388	
Interest on Lease Purchase Agreements	382,324	78,591	460,915	460,915	
Miscellaneous Expenditures	60,383	(10,554)	49,829	49,829	
Total Central Services	1,265,155	303,690	1,568,845	1,556,496	12,349
Admin. Info. Tech.					
Salaries	222,270	5,230	227,500	227,500	
Purchased Professional Services	-	24,249	24,249	24,249	
Supplies and Materials	-	1,877	1,877	1,877	
Total Admin. Info. Technology	222,270	31,356	253,626	253,626	-
Required Maintenance for School Facilities					
Cleaning, Repair and Maintenance Services	17,000	25,293	42,293	41,658	635
General Supplies	12,500	(10,428)	2,072	1,025	1,047
Other Objects	6,500	16,431	22,931	13,828	9,103
Total Required Maintenance for School Facilities	36,000	31,296	67,296	56,511	10,785
Custodial Services					
Salaries	271,538	12,461	283,999	272,019	11,980
Purchased Prof. and Tech. Services		40,480	40,480	40,480	
Cleaning, Repair and Maintenance Services	10,000	17,786	27,786	27,786	
Rental of Land & Bldg. Oth. Than Lease Pur Agreement	424,000	(2,225)	421,775	400,551	21,224
Insurance	64,800	(35,592)	29,208	28,977	231
Miscellaneous Purchased Services	1,500	318	1,818	1,818	
General Supplies	14,500	(7,863)	6,637	4,205	2,432
Energy (Heat and Electricity)	159,300	21,895	181,195	159,827	21,368
Other Objects	1,500	7,177	8,677	8,588	89
Total Custodial Services	947,138	54,437	1,001,575	944,251	57,324
Security					
Purchased Prof. and Tech. Services	-	34,680	34,680	34,680	
Total Security	-	34,680	34,680	34,680	-
Student Transportation Services					
Salaries for Pupil Trans (Bet Home & Sch)-Sp Ed	943,000	52,938	995,938	985,211	10,727
Contr Serv(Special Education)-Vendors	40,703,000	6,000,235	46,703,235	46,065,231	638,004
Total Student Transportation Services	41,646,000	6,053,173	47,699,173	47,050,442	648,731
Unallocated Employee Benefits					
Social Security Contributions	943,198	65,222	1,008,420	979,847	28,573
Other Retirement Contributions - PERS	759,852	(43,167)	716,685	700,418	16,267
Unemployment Compensation	98,741	14,858	113,599	107,250	6,349
Workers Compensation	318,496	(136,537)	181,959	173,547	8,412
Health Benefits	1,363,550	(32,997)	1,330,553	1,139,921	190,632
Tuition Reimbursements	13,000	(10,878)	2,122	1,122	1,000
Total Unallocated Employee Benefits	3,496,837	(143,499)	3,353,338	3,102,105	251,233
On-Behalf TPAF (Non-Budget)					
Pension Contribution				883,959	(883,959)
NCGI Premium				21,451	(21,451)
LTDI				857	(857)
Post Retirement Medical Benefits				584,785	(584,785)
Social Security Contributions (Non-Budget)	-	-	-	495,244	(495,244)
Total TPAF Pension and Social Security Contributions	-	-	-	1,986,296	(1,986,296)

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Original Budget	Adjustments	Final Budget	Actual	Variance Final To Actual
CURRENT EXPENDITURES (Continued)					
Total Undistributed Expenditures	\$ 52,770,861	\$ 6,170,269	\$ 58,941,130	\$ 59,686,747	\$ (745,617)
Total Current Expenditures	62,181,041	9,143,690	71,324,731	71,732,002	(407,271)
CAPITAL OUTLAY					
Equipment					
Instruction					
Behavioral Disabilities		3,727	3,727	3,727	
Undistributed Expenditures					
Central Services		38,569	38,569	38,569	
Non-Instructional Services	-	3,727	3,727	3,727	-
Total Facilities Acquisition and Constr. Services	-	46,023	46,023	46,023	-
Facilities Acquisition and Constr. Services					
Other Purchased Prof. and Tech Services	50,000	(50,000)			
Construction Services	10,000	(10,000)			-
Lease Purchase Agreements - Principal	408,176	179,869	588,045	587,646	399
Total Facilities Acquisition and Constr. Services	468,176	119,869	588,045	587,646	399
Total Expenditures - Capital Outlay	468,176	165,892	634,068	633,669	399
SPECIAL SCHOOLS					
Summer School- Instruction					
Salaries of Teachers	20,700	(20,700)	-	-	-
Total Summer School- Instruction	20,700	(20,700)	-	-	-
Summer School- Support Services					
Purchase Professional and Technical Services	8,050	28,263	36,313	17,020	19,293
Personal Services - Employee Benefits	3,925	(3,925)			-
Other Objects	3,638	(3,638)	-	-	-
Total Summer School- Support Services	15,613	20,700	36,313	17,020	19,293
Total Expenditures - Special Schools	36,313	-	36,313	17,020	19,293
Total Expenditures - General Fund	62,685,530	9,309,582	71,995,112	72,382,691	(387,579)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(790,000)	(250,042)	(1,040,042)	(4,334,826)	(3,294,784)
Other Financing Sources (Uses)					
Transfer Out - Capital Projects Fund	-	(300,000)	(300,000)	(300,000)	-
Total Other Financing Sources (Uses)	-	(300,000)	(300,000)	(300,000)	-
Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(790,000)	(550,042)	(1,340,042)	(4,634,826)	(3,294,784)
Fund Balance, Beginning of Year	30,639,921	-	30,639,921	30,639,921	-
Fund Balance, End of Year	\$ 29,849,921	\$ (550,042)	\$ 29,299,879	\$ 26,005,095	\$ (3,294,784)
Recapitulation of Fund Balance					
Assigned Fund Balance					
Designated for Capital Projects				\$ 2,389,970	
Designated for Repairs and Replacements				683,475	
Designated for Building Leases				21,722,157	
Unassigned Fund Balance				1,209,493	
Fund Balance (Budgetary Basis/GAAP Basis)				\$ 26,005,095	

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Local Sources	\$ 8,694,604	\$ 2,177,873	\$ 10,872,477	\$ 10,302,077	\$ (570,400)
State		124,998	124,998	124,998	-
Federal	1,558,947	366,617	1,925,564	1,213,240	(712,324)
Total Revenues	<u>10,253,551</u>	<u>2,669,488</u>	<u>12,923,039</u>	<u>11,640,315</u>	<u>(1,282,724)</u>
EXPENDITURES					
Instruction					
Salaries of Teachers	3,917,751	759,274	4,677,025	4,221,389	455,636
Other Salaries for Instruction	639,545	284,206	923,751	758,834	164,917
Purchased Professional and Technical Services	87,000	(14,315)	72,685	30,632	42,053
Other Purchased Services	67,233	(48,390)	18,843	10,672	8,171
General Supplies	20,760	388,844	409,604	274,412	135,192
Textbooks		500	500	414	86
Other Objects	2,932	8,464	11,396	4,802	6,594
Total Instruction	<u>4,735,221</u>	<u>1,378,583</u>	<u>6,113,804</u>	<u>5,301,155</u>	<u>812,649</u>
Support Services					
Salaries of Supervisors of Instruction	440,834	95,928	536,762	439,137	97,625
Salaries of Principals/Program Directors	239,547	284,820	524,367	479,241	45,126
Salaries of Other Professional Staff	201,374	138,662	340,036	272,775	67,261
Salaries of Secretaries and Clerical Assistants	188,171	132,326	320,497	301,752	18,745
Other Salaries	610,820	250,949	861,769	847,814	13,955
Purchased Professional-Educational Services	1,103,788	234,407	1,338,195	1,210,012	128,183
Other Purchased Professional Services	1,000	36,370	37,370	6,929	30,441
Purchased Technical Services	16,000	3,230	19,230	14,375	4,855
Cleaning, Repairs and Maintenance	10,500	5,787	16,287	15,238	1,049
Rentals	35,000	(1,506)	33,494	20,292	13,202
Indirect Costs	544,359	(251,310)	293,049	639,651	(346,602)
Travel	13,750	13,140	26,890	17,952	8,938
Other Purchased Services	88,900	7,235	96,135	81,444	14,691
Supplies and Materials	73,875	308,508	382,383	309,740	72,643
Telephone	13,000	864	13,864	10,136	3,728
Utilities	28,500	10,903	39,403	37,796	1,607
Other Objects	51,638	28,000	79,638	66,159	13,479
Total Support Services	<u>3,661,056</u>	<u>1,298,313</u>	<u>4,959,369</u>	<u>4,770,443</u>	<u>188,926</u>
Transportation Salaries		41,026	41,026	41,026	-
Contracted Services - Transportation	-	109,477	109,477	70,631	38,846
Total Transportation	<u>-</u>	<u>150,503</u>	<u>150,503</u>	<u>111,657</u>	<u>38,846</u>
Personal Services - Employee Benefits	<u>1,846,274</u>	<u>(190,189)</u>	<u>1,656,085</u>	<u>1,414,291</u>	<u>241,794</u>
Equipment Facilities Acq. and Construction					
Instructional Equipment		30,483	30,483	29,974	509
Construction Services	11,000	1,795	12,795	12,795	-
Total Equipment and Facilities Acq. and Construction	<u>11,000</u>	<u>32,278</u>	<u>43,278</u>	<u>42,769</u>	<u>509</u>
Total Expenditures	<u>10,253,551</u>	<u>2,669,488</u>	<u>12,923,039</u>	<u>11,640,315</u>	<u>1,282,724</u>
Excess of Revenue over Expenditures	-	-	-	-	-
Fund Balances, Beginning of Year	-	-	-	-	-
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual revenue amounts (budgetary basis)	<u>\$ 68,047,865</u>	<u>\$ 11,640,315</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 68,047,865</u>	<u>\$ 11,640,315</u>
Uses/Outflows of Resources		
Actual expenditure amounts (budgetary basis)	<u>\$ 72,382,691</u>	<u>\$ 11,640,315</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 72,382,691</u>	<u>\$ 11,640,315</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART III
PENSION INFORMATION
AND
OTHER POST-EMPLOYMENT BENEFITS INFORMATION

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Commission's Proportion of the Net Position Liability (Asset)	0.06055%	0.06203%	0.06146%	0.06023%	0.06396%
Commission's Proportionate Share of the Net Pension Liability (Asset)	\$ 14,095,321	\$ 18,370,051	\$ 13,796,195	\$ 11,277,307	\$ 12,224,394
Commission's Covered-Employee Payroll	\$ 4,151,769	\$ 4,074,250	\$ 4,080,778	\$ 4,036,385	\$ 4,098,734
Commission's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	339.50%	450.88%	338.08%	279.39%	298.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.10%	40.14%	47.93%	52.08%	48.72%

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

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

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 560,941	\$ 551,022	\$ 528,378	\$ 496,554	\$ 481,940
Contributions in Relation to the Contractually Required Contributions	<u>560,941</u>	<u>551,022</u>	<u>528,378</u>	<u>496,554</u>	<u>481,940</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commission's Covered- Employee Payroll	\$ 4,151,769	\$ 4,074,250	\$ 4,080,778	\$ 4,036,385	\$ 4,098,734
Contributions as a Percentage of Covered-Employee Payroll	13.51%	13.52%	12.95%	12.30%	11.76%

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

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Commission's Proportion of the Net Position Liability (Asset)	0.00%	0.00%	0.00%	0.00%	0.00%
Commission's Proportionate Share of the Net Pension Liability (Asset)	\$ -	\$ -	\$ -	\$ -	\$ -
State's Proportionate Share of the Net Pension Liability (Asset) Associated With the Commission	<u>43,115,001</u>	<u>56,683,140</u>	<u>51,495,835</u>	<u>42,303,700</u>	<u>42,289,363</u>
Total	<u>\$ 43,115,001</u>	<u>\$ 56,683,140</u>	<u>\$ 51,495,835</u>	<u>\$ 42,303,700</u>	<u>\$ 42,289,363</u>
Commission's Covered-Employee Payroll	\$ 6,118,584	\$ 5,975,010	\$ 6,692,070	\$ 7,355,503	\$ 7,705,990
Commission's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	0	0	0	0	0
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	25.41%	22.33%	28.71%	33.64%	33.76%

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

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

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

Board of Education Employees' Pension Fund of Essex County

Last Three Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required Contribution	\$ 2,917	\$ 3,410	\$ 3,381
Contributions in Relation to the Contractually Required Contribution	<u>(2,917)</u>	<u>(3,410)</u>	<u>(3,381)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commission's Covered Employee Payroll	\$ -	\$ -	\$ -
Contributions as a Percentage of Covered Employee Payroll	0%	0%	0%

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

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF COMMISSION'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND SCHEDULE OF COMMISSION CONTRIBUTIONS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Change of Benefit Terms: None.

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S PROPORTIONATE SHARE OF
TOTAL OPEB LIABILITY**

Postemployment Health Benefit Plan

Last One Fiscal Year*

	2018
Total OPEB Liability	
Service Cost	\$ 1,687,623
Interest on Total OPEB Liability	1,419,263
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	-
Changes of Assumptions	(5,943,474)
Gross Benefit Payments	(491,559)
Contribution from the Member	18,100
Net Change in Total OPEB Liability	(3,310,047)
Total OPEB Liability - Beginning	48,297,353
Total OPEB Liability - Ending	\$ 44,987,306
District's Proportionate Share of OPEB Liability	\$ -
State's Proportionate Share of OPEB Liability	44,987,306
Total OPEB Liability - Ending	\$ 44,987,306
District's Covered-Employee Payroll	\$ 10,270,353
District's Proportionate Share of the Total OPEB Liability as a Percentage of its Covered-Employee Payroll	0%

Note: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

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

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 75. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S PROPORTIONATE SHARE OF THE OPEB LIABILITY
AND SCHEDULE OF DISTRICT PROPORTIONATE SHARE OF THE OPEB LIABILITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Changes in Benefit Terms:

None.

Changes of Assumptions

Assumptions used in calculating the OPEB liability are presented in Note 4.

SCHOOL LEVEL SCHEDULES

(General Fund)

NOT APPLICABLE

SPECIAL REVENUE FUND

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 SPECIAL REVENUE FUND
 COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Migrant Education CY 2017	Migrant Education CY 2018	McKinney Homeless Education Current	McKinney Homeless Education Comp	Migrant Education Summer	Total Brought Forward (Ex. E-1a)	Total Brought Forward (Ex. E-1b)	Totals
REVENUES								
Local Sources						\$ 7,669,717	\$ 2,632,360	\$ 10,302,077
State Sources						124,998		124,998
Federal Sources	\$ 452,662	\$ 135,271	\$ 54,391	\$ 139,413	\$ 46,146	-	385,357	1,213,240
Total Revenues	\$ 452,662	\$ 135,271	\$ 54,391	\$ 139,413	\$ 46,146	\$ 7,794,715	\$ 3,017,717	\$ 11,640,315
EXPENDITURES								
Instruction:								
Salaries of Teachers	\$ 102,949	\$ 16,534	\$ 18,001	\$ 39,883		\$ 2,622,300	\$ 1,421,722	\$ 4,221,389
Other Salaries for Instruction	16,977			8,336		464,321	269,200	758,834
Purchased Prof. and Technical Services						26,404	4,228	30,632
Other Purchased Services	4,787	5,845	40			-		10,672
General Supplies	32,499		300	3,534		218,062	20,017	274,412
Textbooks							414	414
Other Objects						4,362	440	4,802
Total Instruction	157,212	22,379	18,341	51,753	-	3,335,449	1,716,021	5,301,155
Support Services								
Salaries of Supervisors of Instruction			8,000	10,000		421,137		439,137
Salaries of Principals/Program Directors	20,819	15,912		8,000		123,114	311,396	479,241
Salaries of Other Professional Staff		476		10,160			262,139	272,775
Salaries of Secretaries and Clerical Assistants	24,000			11,000		181,896	84,856	301,752
Other Salaries	67,826	50,655	10,266	8,434		710,633		847,814
Transportation Salaries				8,079		32,947		41,026
Personal Services - Employee Benefits	57,286	42,529	5,744	30,798		820,847	457,087	1,414,291
Purchased Professional-Educational Services						1,210,012		1,210,012
Other Purchased Professional Services	4,695					2,234		6,929
Purchased Technical Services						14,375		14,375
Cleaning, Repairs and Maintenance						15,238		15,238
Rentals						20,292		20,292
Contracted Services - Transportation	56,048		10,641			3,942		70,631
Indirect Costs					\$ 3,550	519,101	117,000	639,651
Travel	10,005	2,774		349		4,824		17,952
Other Purchased Services	3,285	498		426	42,596	34,639		81,444
Supplies and Materials	44,920	48	1,399	414		251,733	11,226	309,740
Telephone						4,887	5,249	10,136
Utilities						37,796		37,796
Other Objects	6,566					36,824	22,769	66,159
Total Support Services	295,450	112,892	36,050	87,660	46,146	4,446,471	1,271,722	6,296,391
Equipment and Facilities Acquisition and Construction								
Instructional Equipment							29,974	29,974
Construction Services						12,795		12,795
Total Equipment and Facilities Acquisition						12,795	29,974	42,769
Total Expenditures	\$ 452,662	\$ 135,271	\$ 54,391	\$ 139,413	\$ 46,146	\$ 7,794,715	\$ 3,017,717	\$ 11,640,315

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Extended Day Program	IDEA - B Services	Non Public Technology Services	Chapter 192/193 Services	Title I Services	Non Public Nursing Services	Total Carried Forward
REVENUES							
Local Sources		\$ 946,688	\$ 171,462	\$ 4,702,441	\$ 508,683	\$ 1,340,443	\$ 7,669,717
State Sources	\$ 124,998	-	-	-	-	-	124,998
Federal Sources	-	-	-	-	-	-	-
Total Revenues	\$ 124,998	\$ 946,688	\$ 171,462	\$ 4,702,441	\$ 508,683	\$ 1,340,443	\$ 7,794,715
EXPENDITURES							
Instruction:							
Salaries of Teachers		\$ 29,857		\$ 2,360,477	\$ 231,966		\$ 2,622,300
Other Salaries for Instruction	\$ 18,368	445,953					464,321
Purchased Prof. and Technical Services				13,211	13,193		26,404
Other Purchased Services							-
General Supplies		146,382		478	71,202		218,062
Other Objects	4,362	-	-	-	-	-	4,362
Total Instruction	22,730	622,192	-	2,374,166	316,361	-	3,335,449
Support Services							
Salaries of Supervisors of Instruction				257,454	74,527	\$ 89,156	421,137
Salaries of Program Directors	16,014			107,100			123,114
Salaries of Other Professional Staff							-
Salaries of Secretaries and Clerical Assistants	6,834			175,062			181,896
Other Salaries				70,400		640,233	710,633
Transportation Salaries	32,947						32,947
Personal Services - Employee Benefits	15,618	67,939		546,685	44,624	145,981	820,847
Purchased Professional-Educational Services		206,205		881,409		122,398	1,210,012
Other Purchased Professional Services					2,234		2,234
Purchased Technical Services				13,230		1,145	14,375
Cleaning, Repairs and Maintenance				15,238			15,238
Rentals	19,000			1,292			20,292
Contracted Services - Transportation	3,942						3,942
Indirect Costs	7,500	50,352	\$ 27,400	135,122	65,187	233,540	519,101
Travel				4,520	304		4,824
Other Purchased Services				21,369		13,270	34,639
Supplies and Materials	413		144,062	12,538		94,720	251,733
Telephone				4,887			4,887
Utilities				37,796			37,796
Other Objects	-	-	-	31,378	5,446	-	36,824
Total Support Services	102,268	324,496	171,462	2,315,480	192,322	1,340,443	4,446,471
Equipment and Facilities Acquisition and Construction							
Construction Services	-	-	-	12,795	-	-	12,795
Total Equipment and Facilities Acquisition	-	-	-	12,795	-	-	12,795
Total Expenditures	\$ 124,998	\$ 946,688	\$ 171,462	\$ 4,702,441	\$ 508,683	\$ 1,340,443	\$ 7,794,715

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Union Detention Center	Union Detention Center Title I Services	Essex Detention Center	Essex Detention Center Title I	Safety Grant	Total Carried Forward
REVENUES						
Local Sources	\$ 830,981	\$ 155,195	\$ 1,640,706		\$ 5,478	\$ 2,632,360
State Sources						-
Federal Sources	-	-	-	\$ 385,357	-	385,357
Total Revenues	\$ 830,981	\$ 155,195	\$ 1,640,706	\$ 385,357	\$ 5,478	\$ 3,017,717
EXPENDITURES						
Instruction:						
Salaries of Teachers	\$ 431,125	\$ 97,004	\$ 674,046	\$ 219,547		\$ 1,421,722
Other Salaries for Instruction	55,345		165,769	48,086		269,200
Purchased Prof. and Technical Services	1,864		2,364			4,228
General Supplies	2,193		17,824			20,017
Textbooks			414			414
Other Objects	356	-	84	-	-	440
Total Instruction	490,883	97,004	860,501	267,633	-	1,716,021
Support Services						
Salaries of Program Directors	106,150		205,246			311,396
Salaries of Other Professional Staff	93,001		169,138			262,139
Salaries of Secretaries and Clerical Assistants	43,829		41,027			84,856
Personal Services - Employee Benefits	85,261	58,191	195,911	117,724		457,087
Indirect Costs	3,000		114,000			117,000
Supplies and Materials	1,769		3,979		5,478	11,226
Telephone	1,194		4,055			5,249
Other Objects	295	-	22,474	-	-	22,769
Total Support Services	334,499	58,191	755,830	117,724	5,478	1,271,722
Equipment and Facilities Acquisition and Construction						
Instructional Equipment	5,599	-	24,375	-	-	29,974
Total Equipment and Facilities Acquisition	5,599	-	24,375	-	-	29,974
Total Expenditures	\$ 830,981	\$ 155,195	\$ 1,640,706	\$ 385,357	\$ 5,478	\$ 3,017,717

CAPITAL PROJECTS FUND

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 CAPITAL PROJECTS FUND
 SUMMARY SCHEDULE OF PROJECT EXPENDITURES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>Issue/Project Title</u>	<u>Revised Appropriation</u>	<u>Transfers</u>	<u>Expenditures</u>		<u>Project Balance June 30, 2018</u>
			<u>Prior Periods</u>	<u>Current Year</u>	
Various Capital Improvements	\$ 90,000	\$ -	\$ 32,040	\$ 6,374	\$ 51,586
Capital Improvements - 369 Passaic Avenue	1,500,000			881,934	618,066
Acquisition of 333 Fairfield Road	7,465,499			7,465,499	-
Acquisition of 23 Fairfield Place	1,620,000			1,620,000	-
Various Capital Improvements	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>221,785</u>	<u>78,215</u>
	<u>\$ 10,975,499</u>	<u>\$ -</u>	<u>\$ 32,040</u>	<u>\$ 10,195,592</u>	<u>\$ 747,867</u>
			Project Balances		\$ 747,867
			Interest on Lease Purchase		<u>23,262</u>
			Fund Balance		<u>\$ 771,129</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Revenues and Other Financing Sources

Other Financing Sources	
Lease Purchase Proceeds	\$ 9,085,499
Refunding Lease Purchase Proceeds	10,034,501
Interest on Lease Purchase	23,262
Transfer from General Fund	<u>300,000</u>
 Total Revenues and Other Financing Sources	 <u>19,443,262</u>

Expenditures and Other Financing Uses

Expenditures:	
Capital Outlay	
Facilities Acquisition and Construction	
Building Acquisition	9,085,499
Purchased Professional Services	6,374
Construction Services	1,103,719
Payments for Refunding Lease Purchase	8,128,096
Costs of Issuance on Refunding Lease Purchase	<u>406,405</u>
 Total Expenditures	 <u>18,730,093</u>

Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	713,169
 Fund Balance, Beginning of Year	 <u>57,960</u>
 Fund Balance, End of Year	 <u>\$ 771,129</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
VARIOUS CAPITAL IMPROVEMENTS
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Local Sources - Transfer from Reserve For Capital Projects	\$ 90,000	-	\$ 90,000	\$ 90,000
Total Revenues and Other Financing Sources	<u>90,000</u>	<u>-</u>	<u>90,000</u>	<u>90,000</u>
Expenditures and Other Financing Uses				
Purchased Professional and Technical Services		\$ 6,374	6,374	50,000
Construction Services	32,040	-	32,040	40,000
Total Expenditures and Other Financing Uses	<u>32,040</u>	<u>6,374</u>	<u>38,414</u>	<u>90,000</u>
Excess (Deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ 57,960</u>	<u>\$ (6,374)</u>	<u>\$ 51,586</u>	<u>\$ -</u>
Additional Project Information:				
Original Authorized Cost	\$ 40,000			
Revised Authorized Cost	\$ 90,000			
Percentage Increase Over Original Authorized Cost	125%			
Percentage Completion	43%			
Original Target Completion Date	June 30, 2018			
Revised Target Completion Date	June 30, 2018			

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
CAPITAL IMPROVEMENTS - 369 PASSAIC AVENUE
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Proceeds from Lease Purchase Agreement	-	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000
Total Revenues and Other Financing Sources	-	1,500,000	1,500,000	1,500,000
Expenditures and Other Financing Uses				
Purchased Professional and Technical Services		99,073	99,073	100,000
Construction Services	-	782,861	782,861	1,400,000
Total Expenditures and Other Financing Uses	-	881,934	881,934	1,500,000
Excess (Deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ -	\$ 618,066	\$ 618,066	\$ -
Additional Project Information:				
Original Authorized Cost		\$ 1,500,000		
Revised Authorized Cost		\$ 1,500,000		
Percentage Completion		59%		
Original Target Completion Date		June 30, 2018		
Revised Target Completion Date		December 31, 2018		

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
ACQUISITION OF 333 FAIRFIELD ROAD
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Proceeds from Lease Purchase Agreement	-	\$ 7,465,499	\$ 7,465,499	\$ 7,465,499
Total Revenues and Other Financing Sources	-	7,465,499	7,465,499	7,465,499
Expenditures and Other Financing Uses				
Building Acquisition	-	7,465,499	7,465,499	7,465,499
Total Expenditures and Other Financing Uses	-	7,465,499	7,465,499	7,465,499
Excess (Deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ -	\$ -	\$ -	\$ -
Additional Project Information:				
Original Authorized Cost		\$ 7,465,499		
Revised Authorized Cost		\$ 7,465,499		
Percentage Completion		100%		
Original Target Completion Date		December 31, 2017		
Revised Target Completion Date		December 31, 2017		

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
ACQUISITION OF 23 FAIRFIELD PLACE
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Proceeds from Lease Purchase Agreement	-	\$ 1,620,000	\$ 1,620,000	\$ 1,620,000
Total Revenues and Other Financing Sources	-	1,620,000	1,620,000	1,620,000
Expenditures and Other Financing Uses				
Building Acquisition	-	1,620,000	1,620,000	1,620,000
Total Expenditures and Other Financing Uses	-	1,620,000	1,620,000	1,620,000
Excess (Deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ -	\$ -	\$ -	\$ -
Additional Project Information:				
Original Authorized Cost		\$ 1,620,000		
Revised Authorized Cost		\$ 1,620,000		
Percentage Completion		100%		
Original Target Completion Date		June 30, 2018		
Revised Target Completion Date		June 30, 2018		

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
VARIOUS CAPITAL IMPROVEMENTS
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Local Sources - Transfer from Reserve For Capital Projects	-	\$ 300,000	\$ 300,000	\$ 300,000
Total Revenues and Other Financing Sources	-	300,000	300,000	300,000
Expenditures and Other Financing Uses				
Purchased Professional and Technical Services		221,785	221,785	260,000
Construction Services	-	-	-	40,000
Total Expenditures and Other Financing Uses	-	221,785	221,785	300,000
Excess (Deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ -	\$ 78,215	\$ 78,215	\$ -
Additional Project Information:				
Original Authorized Cost		\$ 300,000		
Revised Authorized Cost		\$ 300,000		
Percentage Completion		74%		
Original Target Completion Date		June 30, 2018		
Revised Target Completion Date		June 30, 2018		

PROPRIETARY FUND

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2018**

	<u>Non-Major Enterprise Funds</u>		
	<u>Food Service</u>	<u>Cooperative Purchasing</u>	<u>Total</u>
ASSETS			
Current Assets			
Intergovernmental Accounts Receivable			
Federal	\$ 19,012		\$ 19,012
State	45	-	45
Total Current Assets	<u>19,057</u>	<u>-</u>	<u>19,057</u>
Non-Current Assets			
Capital Assets	21,225		21,225
Accumulated Depreciation	<u>(7,170)</u>	<u>-</u>	<u>(7,170)</u>
Total Capital Assets, Net	<u>14,055</u>	<u>-</u>	<u>14,055</u>
Total Assets	<u>33,112</u>	<u>-</u>	<u>33,112</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	7,583		7,583
Due to Other Funds	<u>21,973</u>	<u>\$ 16,550</u>	<u>38,523</u>
Total Liabilities	<u>29,556</u>	<u>16,550</u>	<u>46,106</u>
NET POSITION			
Net Investment in Capital Assets	14,055		14,055
Unrestricted	<u>(10,499)</u>	<u>(16,550)</u>	<u>(27,049)</u>
Total Net Position	<u>\$ 3,556</u>	<u>\$ (16,550)</u>	<u>\$ (12,994)</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Non-Major Enterprise Funds

	<u>Food Service</u>	<u>Cooperative Purchasing</u>	<u>Total</u>
OPERATING REVENUES			
Participation Fees	-	\$ 4,200	\$ 4,200
Total Operating Revenues	-	4,200	4,200
OPERATING EXPENSES			
Cost of Sales - Reimbursable Programs	\$ 101,102		101,102
Other	320	-	320
Total Operating Expenses	101,422	-	101,422
Operating Income (Loss)	(101,422)	4,200	(97,222)
NONOPERATING REVENUES			
State Sources			
State School Lunch Program	628		628
Federal Sources			
School Breakfast Program	20,259		20,259
National School Lunch Program	33,714		33,714
After School Snack Program	9,260		9,260
Equipment Grant	14,375	-	14,375
Total Nonoperating Revenues	78,236	-	78,236
Change in Net Position	(23,186)	4,200	(18,986)
Net Position, Beginning of Year	26,742	(20,750)	5,992
Net Position, End of Year	\$ 3,556	\$ (16,550)	\$ (12,994)

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Non-Major Enterprise Funds</u>		
	<u>Food Service</u>	<u>Cooperative Purchasing</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Participating Members		\$ 4,200	\$ 4,200
Cash Payments for Goods and Services	\$ (101,590)	-	(101,590)
Net Cash Provided By (Used For) Operating Activities	(101,590)	4,200	(97,390)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Cash Received (Paid) from Interfund Activities	21,973	(4,200)	17,773
Cash Received from State and Federal Subsidy Reimbursements	66,058	-	66,058
Net Cash Provided By (Used For) Non-Capital Financing Activities	88,031	(4,200)	83,831
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Purchase of Capital Assets	(14,055)	-	(14,055)
Net Cash Provided By (Used For) Capital Financing Activities	(14,055)	-	(14,055)
Net Change in Cash and Cash Equivalents	(27,614)	-	(27,614)
Cash and Cash Equivalents, Beginning of Year	27,614	-	27,614
Cash and Cash Equivalents, End of Year	\$ -	\$ -	\$ -
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (101,422)	\$ 4,200	\$ (97,222)
Decrease in Accounts Payable	(168)	-	(168)
Net Cash Provided By (Used For) Operating Activities	\$ (101,590)	\$ 4,200	\$ (97,390)

FIDUCIARY FUNDS

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
FIDUCIARY FUNDS
COMBINING STATEMENT OF AGENCY ASSETS AND LIABILITIES
AS OF JUNE 30, 2018**

	<u>Student Activity</u>	<u>Payroll Agency Funds</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 2,603	\$ 271,096	\$ 273,699
Total Assets	<u>\$ 2,603</u>	<u>\$ 271,096</u>	<u>\$ 273,699</u>
LIABILITIES			
Due to Student Groups	\$ 2,603		\$ 2,603
Payroll Deductions and Withholdings		\$ 262,564	262,564
Due to Other Funds	<u>-</u>	<u>8,532</u>	<u>8,532</u>
Total Liabilities	<u>\$ 2,603</u>	<u>\$ 271,096</u>	<u>\$ 273,699</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOT APPLICABLE

**STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Balance</u> <u>July 1, 2017</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disburse-</u> <u>ments</u>	<u>Balance</u> <u>June 30, 2018</u>
Essex Junior Academy	\$ 1,051	\$ 128	\$ 137	\$ 1,042
Essex High School	495	1		496
Essex Campus Academy	1,789	2,882	4,504	167
Sojourn High School	-	1,166	268	898
	<u>\$ 3,335</u>	<u>\$ 4,177</u>	<u>\$ 4,909</u>	<u>\$ 2,603</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Balance, July 1, <u>2017</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance, June 30, <u>2018</u>
ASSETS				
Cash and Cash Equivalents	\$ 279,465	\$ 42,290,316	\$ 42,298,685	\$ 271,096
 Total Assets	 <u>\$ 279,465</u>	 <u>\$ 42,290,316</u>	 <u>\$ 42,298,685</u>	 <u>\$ 271,096</u>
LIABILITIES				
Payroll Deductions and Withholdings	\$ 270,933	\$ 26,027,149	\$ 26,035,518	\$ 262,564
Accrued Salaries and Wages		16,261,985	16,261,985	-
Due to Other Funds	<u>8,532</u>	<u>1,182</u>	<u>1,182</u>	<u>8,532</u>
 Total Liabilities	 <u>\$ 279,465</u>	 <u>\$ 42,290,316</u>	 <u>\$ 42,298,685</u>	 <u>\$ 271,096</u>

LONG-TERM DEBT

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOT APPLICABLE

**SCHEDULE OF CAPITAL LEASES PAYABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>Issue</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Balance, July 1, 2017</u>	<u>Prior Period Adjustment</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance, June 30, 2018</u>
369 Passaic Avenue	2.90%	\$ 12,500,000	\$ 8,329,844		\$ 10,034,501	\$ 8,579,344	\$ 9,785,001
333 Fairfield Road	3.15%	7,465,499			7,465,499	136,000	7,329,499
23 Fairfield Place		1,620,000			1,620,000		1,620,000
School Bus	2.15%	103,374	-	\$ 81,810	-	19,805	62,005
			<u>\$ 8,329,844</u>	<u>\$ 81,810</u>	<u>\$ 19,120,000</u>	<u>\$ 8,735,149</u>	<u>\$ 18,796,505</u>

**DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOT APPLICABLE

STATISTICAL SECTION

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

Contents

Exhibits

Financial Trends

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

J-1 to J-5

Revenue Capacity

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

J-6 to J-9

Debt Capacity

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

J-10 to J-13

Demographic and Economic Information

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

J-14 and J-15

Operating Information

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

J-16 to J-20

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

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014 (Restated)	2015	2016	2017	2018
Governmental Activities										
Net Investment in Capital Assets	\$ 2,805,918	\$ 3,392,027	\$ 3,411,282	\$ 3,123,390	\$ 2,976,864	\$ 2,831,476	\$ 2,756,573	\$ 2,591,880	\$ 2,541,005	\$ 3,083,300
Restricted	2,119,098	1,815,535	1,761,854	1,697,005	1,414,198	88,212	36,052	-	57,960	153,063
Unrestricted	24,254,803	25,031,661	25,777,639	26,373,107	26,679,257	17,995,299	18,809,424	23,060,890	19,714,712	17,195,870
Total Governmental Activities Net Position	\$ 29,179,819	\$ 30,239,223	\$ 30,950,775	\$ 31,193,502	\$ 31,070,319	\$ 20,914,987	\$ 21,602,049	\$ 25,652,770	\$ 22,313,677	\$ 20,432,233
Business-Type Activities										
Investment in Capital Assets			\$ 5,736	\$ 4,302	\$ 2,868	\$ 1,434				\$ 14,055
Unrestricted	\$ 6,026	\$ 6,026	7,371	14,807	18,842	25,163	\$ 40,253	\$ 22,631	\$ 5,992	(27,049)
Total Business-Type Activities Net Position	\$ 6,026	\$ 6,026	\$ 13,107	\$ 19,109	\$ 21,710	\$ 26,597	\$ 40,253	\$ 22,631	\$ 5,992	\$ (12,994)
Commission-Wide										
Net Investment in Capital Assets	\$ 2,805,918	\$ 3,392,027	\$ 3,417,018	\$ 3,127,692	\$ 2,979,732	\$ 2,832,910	\$ 2,756,573	\$ 2,591,880	\$ 2,541,005	\$ 3,097,355
Restricted	2,119,098	1,815,535	1,761,854	1,697,005	1,414,198	88,212	36,052	-	57,960	153,063
Unrestricted	24,260,829	25,037,687	25,785,010	26,387,914	26,698,099	18,020,462	18,849,677	23,083,521	19,720,704	17,168,821
Total Commission Net Position	\$ 29,185,845	\$ 30,245,249	\$ 30,963,882	\$ 31,212,611	\$ 31,092,029	\$ 20,941,584	\$ 21,642,302	\$ 25,675,401	\$ 22,319,669	\$ 20,419,239

Source: Commission's financial statements

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

		Fiscal Year Ended June 30,									
		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses											
Governmental Activities											
Instruction											
Regular	\$	3,882,148	4,088,268	4,098,815	3,631,613	4,122,477	3,480,682	4,470,116	3,871,547	5,012,806	4,188,444
Special Education		3,545,921	3,835,227	2,910,254	8,530,077	9,136,576	9,773,594	10,245,503	10,717,912	14,128,685	16,308,664
Other Instruction		6,796,615	7,436,822	6,760,567	6,321,903	4,875,645	5,099,113	5,331,868	5,739,014	4,033,579	3,920,277
Community Services/Other Instruction										71,700	152,942
Support Services:											
Student & Instruction Related Services		7,583,760	7,884,319	12,979,070	7,860,385	6,420,782	6,234,603	6,322,752	6,144,644	5,063,109	4,774,875
General Administrative Services		835,610	718,073	774,117	683,125	934,794	2,276,788	1,784,255	1,683,334	3,935,822	4,412,369
School Administrative Services		1,013,099	1,068,755	1,054,926	1,136,124	1,255,294	1,207,752	1,171,115	1,361,735	2,599,427	3,053,961
Central Services		644,228	798,615	900,040	770,527	782,318	725,075	727,272	712,869	961,956	1,481,206
Administrative Info. Technology		129,664	133,380	159,899	234,833	194,258	151,218	132,698	137,436	248,240	336,974
Plant Operations And Maintenance		1,497,997	1,491,935	1,595,476	1,642,414	1,690,455	1,487,824	1,488,500	1,530,426	1,574,760	1,686,201
Pupil Transportation		40,495,522	39,939,543	38,457,959	42,106,886	43,751,326	43,201,600	55,971,127	71,711,850	41,370,389	47,538,897
Interest On Long-Term Debt		489,389	479,404	472,165	461,169	384,009	436,410	422,747	407,624	390,852	889,536
Total Governmental Activities Expenses		66,913,953	67,874,341	70,163,288	73,379,056	73,547,934	74,074,659	88,067,953	104,018,391	79,391,325	88,744,346
Business-Type Activities											
Cooperative Purchasing											
Food Service		64,551	62,433	71,978	78,552	68,163	94,109	87,471	68,942	86,674	101,422
Total Business-Type Activities Expense		64,551	62,433	71,978	78,552	68,163	94,109	87,471	68,942	107,424	101,422
Total District Expenses	\$	66,978,504	67,936,774	70,235,266	73,457,608	73,616,097	74,168,768	88,155,424	104,087,333	79,498,749	88,845,768
Program Revenues											
Governmental Activities:											
Charges For Services:											
Instruction (Regular)	\$	3,847,060	4,519,577	3,472,176	3,053,560	2,783,443	2,201,921	2,493,540	2,449,612	2,787,678	2,230,013
Special Education		6,155,795	6,323,649	6,021,136	5,972,108	5,530,256	5,656,240	5,009,749	4,906,330	4,812,603	4,143,574
Other Instruction		5,377,201	6,922,642	5,948,585	5,612,115	4,630,818	4,846,085	4,299,240	3,501,992	3,543,957	3,662,178
Student and Instruction Related Services		8,028,872	7,637,326	12,763,421	12,621,977	11,611,081	12,465,347	13,243,687	13,062,651	12,601,468	14,610,704
General Administrative Services		149,460	169,870	577,577	434,196	262,489	1,764,771	1,110,950	636,931	1,024,340	794,872
School Administrative Services										580,602	1,074,012
Central Services				475,278	298,455	106,842					
Administration Info. Technology				84,437	90,960	26,609					
Plant Operations and Maintenance								13,866	37,458	34,810	111,957
Pupil Transportation		41,396,747	41,189,384	39,447,997	43,475,789	45,303,697	45,293,817	56,991,948	77,109,790	41,843,848	50,167,515
Interest on Long-Term Debt			54,000								
Operating Grants And Contributions		2,211,435	2,005,024	2,034,702	2,210,734	2,659,389	2,299,589	4,654,659	5,809,409	6,789,033	7,305,308
Total Governmental Activities Program Revenues		67,166,570	68,821,472	70,825,309	73,769,894	72,914,624	74,527,770	87,817,639	107,514,173	74,018,339	84,100,133

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Business-Type Activities:										
Charges For Services										
Cooperative Purchasing										\$ 4,200
Food Service	\$ 1,600	\$ 351	\$ 322							
Operating Grants And Contributions	55,864	55,410	67,036	\$ 82,873	\$ 70,764	\$ 98,996	\$ 101,127	\$ 51,320	\$ 90,785	78,236
Capital Grants and Contributions	-	-	7,170	-	-	-	-	-	-	-
Total Business Type Activities Program Revenues	57,464	55,761	74,528	82,873	70,764	98,996	101,127	51,320	90,785	82,436
Total District Program Revenues	\$ 67,224,034	\$ 68,877,233	\$ 70,899,837	\$ 73,852,767	\$ 72,985,388	\$ 74,626,766	\$ 87,918,766	\$ 107,565,493	\$ 74,109,124	\$ 84,182,569
Net (Expense)/Revenue										
Governmental Activities	\$ 252,617	\$ 947,131	\$ 662,021	\$ 390,838	\$ (633,310)	\$ 453,111	\$ (250,314)	\$ 3,495,782	\$ (5,372,986)	\$ (4,644,213)
Business-Type Activities	(7,087)	(6,672)	2,550	4,321	2,501	4,887	13,656	(17,622)	(16,639)	(18,986)
Total District-Wide Net Expense	\$ 245,530	\$ 940,459	\$ 664,571	\$ 395,159	\$ (630,709)	\$ 457,998	\$ (236,658)	\$ 3,478,160	\$ (5,389,625)	\$ (4,663,199)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Miscellaneous Income	291,900	169,372	54,062	117,164	510,127	1,615,851	937,376	554,939	2,033,893	2,102,804
Loss on Disposal of Capital Assets	(36,917)	(50,427)								
Transfers	(7,087)	(6,672)	(4,531)	(1,681)	-	-	-	-	-	-
Total Governmental Activities	247,896	112,273	49,531	115,483	510,127	1,615,851	937,376	554,939	2,033,893	2,102,804
Business-Type Activities:										
Transfers	7,087	6,672	4,531	1,681	-	-	-	-	-	-
Total Business-Type Activities	7,087	6,672	4,531	1,681	-	-	-	-	-	-
Total Commission-Wide	\$ 254,983	\$ 118,945	\$ 54,062	\$ 117,164	\$ 510,127	\$ 1,615,851	\$ 937,376	\$ 554,939	\$ 2,033,893	\$ 2,102,804
Change in Net Position										
Governmental Activities	\$ 500,513	\$ 1,059,404	\$ 711,552	\$ 506,321	\$ (123,183)	\$ 2,068,962	\$ 687,062	\$ 4,050,721	\$ (3,339,093)	\$ (2,541,409)
Business-Type Activities	-	-	7,081	6,002	2,601	4,887	13,656	(17,622)	(16,639)	(18,986)
Total Commission	\$ 500,513	\$ 1,059,404	\$ 718,633	\$ 512,323	\$ (120,582)	\$ 2,073,849	\$ 700,718	\$ 4,033,099	\$ (3,355,732)	\$ (2,560,395)

Source: Commission's financial statements

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ 2,000,000									
Unreserved	23,992,189	\$ 25,032,511								
Assigned			\$ 5,012,173	\$ 4,533,122	\$ 16,441,121	\$ 17,134,018	\$ 16,385,038	\$ 15,671,090	\$ 14,811,090	\$ 24,795,602
Unassigned	-	-	19,972,123	20,443,335	7,611,329	7,610,158	8,282,043	13,089,192	15,828,831	1,209,493
Total General Fund	<u>\$ 25,992,189</u>	<u>\$ 25,032,511</u>	<u>\$ 24,984,296</u>	<u>\$ 24,976,457</u>	<u>\$ 24,052,450</u>	<u>\$ 24,744,176</u>	<u>\$ 24,667,081</u>	<u>\$ 28,760,282</u>	<u>\$ 30,639,921</u>	<u>\$ 26,005,095</u>
All Other Governmental Funds										
Unreserved	\$ 119,098	\$ 1,815,535								
Restricted	-	-	\$ 1,761,854	\$ 1,697,005	\$ 1,414,198	\$ 88,212	\$ 36,052	\$ -	\$ 57,960	\$ 771,129
Total All Other Governmental Funds	<u>\$ 119,098</u>	<u>\$ 1,815,535</u>	<u>\$ 1,761,854</u>	<u>\$ 1,697,005</u>	<u>\$ 1,414,198</u>	<u>\$ 88,212</u>	<u>\$ 36,052</u>	<u>\$ -</u>	<u>\$ 57,960</u>	<u>\$ 771,129</u>

Source: Commission's financial statements

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Tuition Charges	\$ 4,119,640	\$ 4,689,320	\$ 4,505,166	\$ 4,767,441	\$ 4,733,809	\$ 3,867,628	\$ 4,679,444	\$ 3,848,879	\$ 4,137,786	\$ 3,604,340
Transportation Fees	41,206,038	41,143,289	39,522,391	42,790,390	44,296,463	43,808,107	54,508,463	77,827,845	44,805,695	47,628,824
Miscellaneous	20,413,386	22,489,071	25,043,753	24,218,331	20,531,007	23,266,126	24,109,079	20,142,315	24,325,451	25,153,444
State Sources	1,426,093	1,426,946	1,400,857	1,620,817	1,915,432	1,592,682	1,811,978	1,881,895	2,031,729	2,111,594
Federal Sources	785,342	570,036	633,845	589,917	743,937	706,907	1,006,830	1,321,631	1,217,627	1,213,240
Total Revenue	67,950,499	70,318,662	71,106,012	73,986,896	72,220,668	73,241,450	86,115,794	105,022,565	76,518,288	79,711,442
Expenditures										
Instruction										
Regular Instruction	3,881,257	4,086,428	4,101,707	3,633,314	4,124,419	3,456,189	3,259,296	3,223,866	3,741,810	3,478,654
Special Education Instruction	3,504,060	3,782,426	2,866,433	8,479,605	9,107,491	9,713,583	10,136,081	10,264,996	12,376,851	14,192,142
Other Instruction	6,801,189	7,440,226	6,760,567	6,330,597	4,875,645	5,099,113	5,331,868	4,824,129	4,033,579	3,911,863
Community Services									71,700	152,942
Support Services										
Student and Inst. Related Services	7,585,888	7,886,846	12,997,008	7,878,960	6,423,908	6,226,591	6,003,875	5,696,875	4,588,859	4,472,001
General Administration	1,786,575	1,761,518	1,730,966	1,328,410	928,168	2,268,945	1,743,482	1,472,773	3,455,369	3,952,551
School Administrative Services	979,828	1,044,182	1,034,202	1,121,016	1,240,552	1,189,158	1,050,228	1,159,525	1,987,351	2,575,900
Central Services	644,573	798,926	901,066	770,824	780,663	722,882	727,501	700,842	912,902	1,309,634
Admin. Information Technology	129,744	133,450	160,140	235,181	194,422	150,829	133,282	134,202	231,984	303,897
Plant Operations And Maintenance	1,146,913	1,094,485	1,165,627	1,209,822	1,201,781	1,049,769	1,057,239	1,080,251	1,119,946	1,207,507
Pupil Transportation	40,496,196	39,940,116	38,459,828	42,108,609	43,752,176	43,199,016	55,975,710	71,681,291	41,238,298	47,366,120
Capital Outlay	446,795	970,380	355,966	241,718	153,257	79,635	96,487		32,040	10,234,161
Debt Service										
Principal	145,332	152,016	193,345	252,965	255,073	277,160	300,286	334,613	370,551	607,053
Interest and Other Charges	490,915	484,232	476,502	466,882	389,927	442,840	429,714	415,387	399,449	860,578
Total Expenditures	68,039,265	69,575,231	71,203,377	74,057,903	73,427,482	73,875,710	86,245,049	100,988,750	74,580,689	94,625,003
Excess (Deficiency) of Revenues Over (Under) Expenditures	(88,766)	743,431	(97,365)	(71,007)	(1,206,814)	(634,260)	(129,255)	4,033,815	1,937,599	(14,913,561)
Other Financing Sources (Uses)										
Insurance Recovery								23,334		
Lease Purchase Proceeds										\$ 9,085,499
Refunding Lease Purchase Proceeds										10,034,501
Payments for Refunding Lease Purchase										(8,128,096)
Transfers In	230,000	2,000,000				1,562,898	18,980	36,052	90,000	300,000
Transfers Out	(237,087)	(2,006,672)	(4,531)	(1,681)	-	(1,562,898)	(18,980)	(36,052)	(90,000)	(300,000)
Total Other Financing Sources (Uses)	(7,087)	(6,672)	(4,531)	(1,681)	-	-	-	23,334	-	10,991,904
Net Change in Fund Balances	\$ (95,853)	\$ 736,759	\$ (101,896)	\$ (72,688)	\$ (1,206,814)	\$ (634,260)	\$ (129,255)	\$ 4,057,149	\$ 1,937,599	\$ (3,921,657)
Debt Service as a Percentage of Noncapital Expenditures	0.94%	0.93%	0.95%	0.98%	0.88%	0.98%	0.85%	0.74%	1.03%	1.74%

* Noncapital expenditures are total expenditures less Capital Outlay.

Source: Commission's financial statements

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

Fiscal Year Ended June 30	Local Education Agency Fees	Indirect Cost Fees	Interest	Miscellaneous	Total
2009	\$ 3,969,280	\$ 965,132	\$ 163,678	\$ 28,222	\$ 5,126,312
2010	4,244,377	1,055,997	132,867	8,725	5,441,966
2011	9,471,705	968,497	22,608	31,454	10,494,264
2012	10,414,271	654,016	17,007	117,164	11,202,458
2013	8,958,318	228,221	26,577	483,550	9,696,666
2014	9,655,402	1,597,052	7,012	11,788	11,271,254
2015	11,688,846	937,376			12,626,222
2016	9,766,625	469,212	2,757	82,970	10,321,564
2017	12,177,461	1,865,118		162,979	14,205,558
2018	12,754,041	1,989,508	23,347	61,209	14,828,105

Source: Commission's financial statements

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

NOT APPLICABLE

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

NOT APPLICABLE

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

NOT APPLICABLE

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

NOT APPLICABLE

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

Fiscal Year Ended June 30,	Governmental Activities			County Population	Per Capita
	General Obligation Bonds	Capital Leases	Total Commission		
2009	\$	10,473,895	\$ 10,473,895	769,644	\$ 14
2010		10,313,837	10,313,837	784,694	13
2011		10,120,492	10,120,492	787,414	13
2012		9,867,527	9,867,527	788,942	13
2013		9,612,454	9,612,454	792,560	12
2014		9,335,294	9,335,294	797,078	12
2015		9,035,008	9,035,008	800,206	11
2016		8,700,395	8,700,395	803,876	11
2017		8,329,844	8,329,844	808,285	10
2018		18,796,505	18,796,505	808,285 (E)	23

Source: Commission records

(E) - Estimate

EXHIBIT J-11

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

NOT APPLICABLE

EXHIBIT J-12

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

NOT APPLICABLE

EXHIBIT J-13

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

NOT APPLICABLE

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

<u>Year Ended December 31,</u>	<u>Unemployment Rate</u>	<u>Per Capita Income</u>	<u>County Population</u>
2009	10.5%	\$ 51,448	769,644
2010	11.0%	51,866	784,694
2011	10.8%	54,345	787,414
2012	10.8%	54,842	788,942
2013	10.8%	55,455	792,560
2014	9.5%	57,541	797,078
2015	7.9%	59,863	800,206
2016	6.7%	60,887	803,876
2017	6.0%	60,887 (E)	808,285
2018	5.7%	60,887 (E)	808,285 (E)

Note: Information represents County of Essex demographics

Source: New Jersey Department of Work Force Development

E = Estimate

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

NOT APPLICABLE

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

<u>Function/Program</u>	<u>Fiscal Year Ended June 30,</u>									
	<u>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>	<u>2018</u>
Instruction	160	150	150	140	140	145	142	393	482	482
Support Services:										
Student and Instruction Related Services	106	106	324	280	290	292	298	10	38	38
General Administration	5	5	5	5	5	5	5	8	11	11
School Administrative Services	11	10	10	10	10	10	9	12	10	10
Central and Other Support Services	18	17	17	16	17	18	18	6	39	39
Plant Operations And Maintenance	7	7	6	6	6	6	6	4	3	3
Pupil Transportation	17	17	13	15	15	15	17	17	15	15
Total	324	312	525	472	483	491	495	450	598	598

Source: Commission's Personnel Records

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

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

Fiscal Year Ended June 30,	Enrollment	Operating Expenditures	Pupil/Teacher Ratio			Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
			Teaching Staff	Elementary/ Middle School	High School				
2009	157.1	\$ 66,956,223	24	5.2:1	6.0:1	157.1	103.8	-17.22%	66%
2010	122.0	67,968,603	17	8.7:1	6.3:1	122.0	89.4	-13.87%	60
2011	128.0	70,177,564	19	7.0:1	6.6:1	128.0	90.0	0.67%	70
2012	135.0	73,096,338	17	11.0:1	7.1:1	135.0	104.1	15.67%	76
2013	126.8	72,629,225	20	7.5:1	6.2:1	126.8	96.9	-6.92%	76
2014	120.0	73,076,075	20	6.8:1	5.6:1	120.0	106.5	9.91%	90
2015	122.0	85,418,562	20	7.0:1	5.7:1	122.0	105.0	-1.41%	85
2016	118.0	100,238,750	N/A	N/A	N/A	118.0	93.3	-11.14%	79
2017	138.7	73,778,649	N/A	N/A	N/A	138.7	99.5	6.65%	72
2018	103.0	82,923,211	N/A	N/A	N/A	98.5	70.4	-29.25%	73

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Sources: Commission's records

N/A - Not Available

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

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<u>District Building</u>										
<u>Dr. Jacqueline A. Young Education Center</u>										
Square Feet	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000
Capacity (students)										
Enrollment										
<u>Essex Campus Academy</u>										
Square Feet	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	25,000
Capacity (students)	125	125	125	125	125	125	125	125	125	125
Enrollment	83	52	52	46	36	40	40	41	45	34
<u>Essex Junior Academy</u>										
Square Feet	32,276	33,276	33,276	33,276	38,000	38,000	38,000	38,000	19,000	19,000
Capacity (students)	192	192	192	192	220	220	220	220	110	110
Enrollment	32	35	35	46	44	41	42	41	48	33
<u>Essex High School</u>										
Square Feet	6,260	7,580	7,580	7,580	7,580	7,580	7,580	7,580	19,000	19,000
Capacity (students)	36	48	48	48	48	48	48	48	110	110
Enrollment	42	35	35	44	46	39	40	36	45	36
Number of Schools at June 30, 2018										
Elementary/Middle School	1	1	1	1	1	1	1	1	1	1
Senior High School	2	2	2	2	2	2	2	2	2	2

Source: Commission's Records

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

NOT APPLICABLE

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF INSURANCE
JUNE 30, 2018
(Unaudited)

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

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

Source: Commission's records

SINGLE AUDIT SECTION



LERCH, VINCI & HIGGINS, LLP

EXHIBIT K-1

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
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ELIZABETH A. SHICK, CPA, RMA, PSA
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MARK SACO, CPA
SHERYL M. LEIDIG, CPA, PSA
ROBERT LERCH, CPA
CHRIS SOHN, CPA

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Essex Regional Educational Services Commission as of and for the fiscal year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Essex Regional Educational Services Commission's basic financial statements and have issued our report thereon dated February 4, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Essex Regional Educational Services Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey and which is described in the accompanying schedule of findings and questioned costs as item 2018-001.

We also noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Essex Regional Educational Services Commission in a separate report entitled, "Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance" dated February 4, 2019.

Essex Regional Educational Services Commission's Responses to Findings

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

Purpose of this Report

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



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



Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
February 4, 2019



LERCH, VINCI & HIGGINS, LLP

EXHIBIT K-2

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal and State Program

We have audited the Essex Regional Educational Services Commission's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement and the New Jersey OMB Circular 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the Essex Regional Educational Services Commission's major federal and state programs for the fiscal year ended June 30, 2018. The Essex Regional Educational Services Commission's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal and State Program

In our opinion, the Essex Regional Educational Services Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the U.S. Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2018-002. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-002 that we consider to be significant deficiencies.

Essex Regional Educational Services Commission's Responses to Findings


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


Purpose of This Report

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Essex Regional Educational Services Commission, as of and for the fiscal year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements. We issued our report thereon dated February 4, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards as required by the U.S. Uniform Guidance and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.


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


Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
February 4, 2019

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	FAIN Number	Grant Period	Award Amount	Balance July 1, 2017		Carryover Amount	Cash Received	Budgetary Expenditures	Adjustment	Balance June 30, 2018			Memo GAAP Receivable
					(Accounts Receivable)	Unearned Revenue					(Accounts Receivable)	Unearned Revenue	Due to LEA	
U.S. Department of Education Passed Through State Department of Education														
<u>Special Revenue Fund:</u>														
Migrant Education	84.011A	S011A150030	1/1/16-12/31/16	\$ 518,391	\$ (37,684)	\$ 37,199						\$ (485)		\$ (485)
Migrant Education	84.011A	S011A160030	1/1/17-12/31/17	672,462	(672,462)	528,669		\$ 624,628	\$ 452,662			\$ 28,173		
Migrant Education	84.011A	S011A170030	1/1/18-12/31/18	672,466					135,271			(672,466)	537,195	(135,271)
Migrant Education	84.011A	NA	1/1/15-12/31/15	518,391		5,082							5,082	
Total Migrant Education					(710,146)	570,950		624,628	587,933			(672,951)	570,450	(135,756)
Homeless Children and Youth Ed.	84.196	S196A170031	9/1/17-8/31/18	139,413				72,496	139,413			(66,917)		(66,917)
Homeless Children and Youth Ed.	84.196	S196A170031	9/1/17-8/31/18	54,391				12,418	54,391			(41,973)		(41,973)
Homeless Children and Youth Ed.	84.196	S196A160031	9/1/16-8/31/17	139,415	(12,872)	2,684		12,872					2,684	
Homeless Children and Youth Ed.	84.196	S196A160031	7/1/16-6/30/17	54,391	(32,128)	350		32,128					350	
Homeless Children and Youth Ed.	84.196	NA	9/1/14-9/30/15	335,393		13,107							13,107	
Total Homeless Children and Youth					(45,000)	16,141		129,914	193,804			(108,890)	16,141	(108,890)
Title I	84.013	S013A170030	7/1/17-6/30/18	458,862				259,758	385,357			(199,104)	73,505	(125,599)
Title I	84.013	S013A160030	7/1/16-6/30/17	518,202	(3,306)	22,461		3,306					22,461	
Total Title I					(3,306)	22,461		263,064	385,357			(199,104)	95,966	(125,599)
U.S. Department of Agriculture Passed Through State Department of Agriculture														
Summer Food Service Program	10.559	171NJ304N1099	10/1/16-9/30/17	46,146				46,146	46,146					
Total Special Revenue Fund					(738,452)	609,552		1,063,752	1,213,240			(980,945)	682,557	(370,245)
U.S. Department of Agriculture Passed Through State Department of Agriculture														
<u>Enterprise Fund:</u>														
National School Lunch Program	10.555	181NJ304N1099	7/1/17-6/30/18	33,714				31,309	33,714			(2,405)		(2,405)
National School Lunch Program	10.555	171NJ304N1099	7/1/16-6/30/17	55,107	(4,180)			4,180						
National School Breakfast Program	10.559	181NJ304N1099	7/1/17-6/30/18	20,259				18,805	20,259			(1,454)		(1,454)
National School Breakfast Program	10.553	171NJ304N1099	7/1/16-6/30/17	34,716	(2,628)			2,628						
After School Snack Program	10.558	181NJ304N1099	7/1/17-6/30/18	9,260				8,482	9,260			(778)		(778)
NSLP Equipment Assistance Grant	10.579	16161NJ3548103	2/1/18-6/30/18	14,375					14,375			(14,375)		(14,375)
Total Enterprise Fund					(6,808)			65,404	77,608			(19,012)		(19,012)
Total Federal Financial Awards					\$ (765,260)	\$ 609,552	\$ -	\$ 1,129,156	\$ 1,290,848	\$ -	\$ (999,957)	\$ 682,557	\$ -	\$ (389,257)

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ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Grant or State Project Number	Grant Period	Award Amount	Balance July 1, 2017	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustment	Balance June 30, 2018			MEMO		
									(Accts. Receivable)	Unearned Revenue	Due to LEA	GAAP Receivable	Cumulative Total Expenditures	
State Department of Education														
<u>General Fund:</u>														
TPAF On-Behalf														
Pension Contribution	18-495-034-5094-002	7/1/17-6/30/18	\$ 883,959			\$ 883,959	\$ 883,959							\$ 883,959
NCGI Premium	18-495-034-5094-004	7/1/17-6/30/18	21,451			21,451	21,451							21,451
LTDI Insurance	18-495-034-5094-004	7/1/17-6/30/18	857			857	857							857
Post Retirement Medical	18-495-034-5094-001	7/1/17-6/30/18	584,785	-	-	584,785	584,785	-	-	-	-	-	-	584,785
Total On-Behalf TPAF Pension				-	-	1,491,052	1,491,052	-	-	-	-	-	-	1,491,052
Lead Testing for schools Aid	18-495-034-5120-104	7/1/17-6/30/18	300			300	300							300
Reimbursed TPAF Social Security Contr.	17-495-034-5094-003	7/1/16-6/30/17	587,081	\$ (136,129)		136,129								-
Reimbursed TPAF Social Security Contr.	18-495-034-5095-003	7/1/17-6/30/18	495,244	-	-	450,631	495,244	-	\$ (44,613)	-	-			495,244
Total General Fund				(136,129)	-	2,077,812	1,986,296	-	(44,613)	-	-			1,986,296
<u>Special Revenue Fund:</u>														
State Division of Youth and Family Serv.														
Extended Day Care	18AJGM	7/1/17-6/30/18	124,998			124,997	124,998	\$ 1						124,998
Extended Day Care	16AJGM	7/1/15-6/30/16	124,997	9,283	-	-	-	-	-	\$ 9,283	-			-
Total Special Revenue Fund				9,283	-	124,997	124,998	1	-	9,283	-			124,998
<u>Enterprise Fund:</u>														
State School Lunch Program	17-100-034-5120-122	7/1/16-6/30/17	962	(71)		71								-
State School Lunch Program	18-100-034-5120-122	7/1/17-6/30/18	628	-	-	583	628	-	(45)	-	-			628
Total Enterprise Fund				(71)	-	654	628	-	(45)	-	-			628
Total State Financial Assistance Subject to Single Audit Determination				(126,917)	-	2,203,463	2,111,922	1	(44,658)	9,283	-			2,111,922
<u>General Fund</u>														
TPAF Pension Contributions														
Normal Contributions						(883,959)	(883,959)							(883,959)
NCGI Premium						(21,451)	(21,451)							(21,451)
LTDI Insurance						(857)	(857)							(857)
Post Retirement Medical						(584,785)	(584,785)							(584,785)
Total State Assistance Subject to Major Program Determination				\$ (126,917)	\$ -	\$ 712,411	\$ 620,870	\$ 1	\$ (44,658)	\$ 9,283	\$ -			\$ 620,870

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 GENERAL

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

NOTE 2 BASIS OF ACCOUNTING

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

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

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

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 1,986,596	\$ 1,986,596
Special Revenue Fund	\$ 1,213,240	124,998	1,338,238
Food Service Fund	<u>77,608</u>	<u>628</u>	<u>78,236</u>
Total Financial Assistance	<u>\$ 1,290,848</u>	<u>\$ 2,112,222</u>	<u>\$ 3,403,070</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018****NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

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

NOTE 5 OTHER INFORMATION

TPAF Social Security contributions in the amount of \$495,244 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2018. The amount reported as TPAF Pension System Contributions in the amount of \$905,410, TPAF Post-Retirement Medical Benefits Contributions in the amount of \$584,785 and TPAF Long-Term Disability Insurance in the amount of \$857 represents the amount paid by the State on behalf of the Commission for the fiscal year ended June 30, 2018.

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

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

NOTE 7 DE MINIMIS INDIRECT COST RATE

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Part I – Summary of Auditor’s Results

State Awards Section

Dollar threshold used to distinguish between
Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

X yes no

Internal Control over major programs:

(1) Material weaknesses identified?

 yes X no

(2) Significant deficiencies identified that are not
considered to be material weaknesses?

 yes X none reported

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

Unmodified

Any audit findings disclosed that are required to be reported
in accordance with NJ OMB Circular Letter 15-08?

 yes X no

Identification of major state programs:

State Grant/Project Number
495-034-5094-003

Name of State Program
TPAF Social Security Contribution

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Part 2 – Schedule of Financial Statement Findings

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

Finding 2018-001:

Our audit of the Commission's financial accounting records revealed that the expenditures recorded in the Commission's budgetary accounting system were not in agreement with amounts billed for certain Special Revenue Fund services (Non-Public Chapter 192-193 IDEA, Title I).

Criteria or Specific Requirement:

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

Condition:

Amounts expended in the Special Revenue Fund were not in agreement with amounts billed for services provided.

Context:

Certain revenue and expense accounts were over (under) stated at June 30, 2018.

Effect:

Revenue and expense accounts were over (under) stated.

Cause:

Unknown.

Recommendation:

The Commission reconcile the Special Revenue Fund service fee billings with program related expenditures and adjust its budgetary accounting records accordingly.

Views of Responsible Officials and Planned Corrective Action Plan:

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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

CURRENT YEAR FEDERAL AWARDS

Finding 2018-002:

Our audit of federal grant awards revealed the following:

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

Information on the Federal Program:

84.011

Migrant

Criteria or Specific Requirement:

Uniform Guidance

Conditions:

- The Commission's budgetary accounting reports were not in agreement with the grant reports.
- Time and activity reports were not maintained for employees charged to the Migrant grant.
- The Commission's official minutes did not contain the required salary resolutions for employees charged to federal programs.
- Expenditures totaling \$41,461 appear to be ineligible costs for the Migrant program.

Questioned Costs:

\$41,461

Context:

See Conditions.

Effects:

Grant expenditures may be over(under) stated.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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

CURRENT YEAR FEDERAL AWARDS

Finding 2018-002: (Continued)

Cause:

Unknown.

Recommendation:

- Grant financial reports be reconciled to the Commission's budgetary accounting records prior to their submission.
- Time and activity reports be completed for all employees funded by a federal grant.
- All employees charged to a federal grant program be referenced by name and pro-rata salary on a resolution approved by the Board.
- Only those expenditures allowed under Uniform Guidance and grant compliance supplements be charged to the Migrant grant.

Views of Responsible Officials and Planned Corrective Action Plan:

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

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

CURRENT YEAR STATE AWARDS

THERE ARE NONE.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

STATUS OF PRIOR YEAR FINDINGS

Finding 2017-001:

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

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

Current Status:

Corrective action was taken on a) and c). See Finding 2018-001.

Finding 2017-002:

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

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

Current Status:

Corrective action has been taken.

Finding 2017-003:

Our audit of federal grant awards revealed the following:

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

Current Status:

See Finding 2018-002.