

**Comprehensive Annual
Financial Report**

of the

Union County Educational Services Commission

County of Union

Westfield, New Jersey

For the Fiscal Year Ended June 30, 2018

Prepared by

**Union County Educational Services Commission
Business Office**

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INTRODUCTORY SECTION



Building Partnerships for Tomorrow

Union County Educational Services Commission

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Westfield, New Jersey 07090
Phone: 908-233-9317
Fax: 908-233-7432
Transportation Fax: 908-518-1669

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Eric Larson
Business Administrator/
Board Secretary
elarson@ucesc.org

William C. Schaarschmidt
Transportation Coordinator
wschaarschmidt@ucesc.org

February 15, 2019

Honorable President and
Members of the Board of Directors
Union County Educational Services Commission
45 Cardinal Drive
Westfield, NJ 07090

Dear Board Members:

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

In an effort to advance the educational environment the Union County Educational Services Commission schools set the following Professional Learning Committee (PLC) goals for the 2017-2018 school year and reported the corresponding outcomes:

Hillcrest Academy North, Hillcrest Academy South, and Lamberts Mill Academy:

Goals:

1. English and Social Studies: Design common assessments for each unit of the curriculum map in order to:
 - a. Assess the progress of students toward standards
 - b. Assess the effectiveness of teacher pedagogy
 - c. Identify areas where skill remediation is necessary
2. Art, Business Education, Math, Physical Education/Health, Science, Spanish: Identify and remediate areas of skill deficiencies that are impeding students from meeting the content area NJSLs.

Outcomes:

- English and Social Studies Departments designed common assessments, trialed the assessments, revised the format and plan for the assessments, and created a Unit I assessment for each English and Social Studies course.
- English: 91% of students met their individual Lexile Level goal.
- Math: 88% of students met their individual math fluency goal

Union County Educational Services Commission

www.ucesc.org



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- Science: 87% of Science students met their individual goal in using text based evidence to create a written argument
- Social Studies: 92% of Social Studies students met their individual goal in using text based evidence to create a written argument.

Crossroads School:

Goal: Decrease the number of student restraints by training staff to utilize techniques to prevent, minimize, and manage behaviors.

Outcomes:

- 7 staff across Westlake & Crossroads were trained as Safety Care Trainers
- 107 Staff across Westlake & Crossroads were trained in Safety Care
- Decrease physical management incidents by **34%**
 - 2016-2017
 - 39 Occurrences of Physical Management
 - 2017-2018
 - 13 Occurrences of Physical Management
- Increase proactive interactions
 - "This helps me to feel more prepared"
 - "Help, Prompt, Wait, gives strategies to help any person calm down"
 - "Makes me feel more supported, like a team"

Westlake School:

Goal: Create materials that will increase engagement of students in the vocational program.

Outcomes: Created Beginning, Intermediate, and Advanced folders in Google Drive which were populated with vocational activities.

Non-Public Services:

Goal: Identify, incorporate, and analyze the use of mindfulness techniques when working with students in push in and pull out settings.

Outcomes: Offered a full day professional development session led by a expert in using mindfulness with children. Teachers incorporated those strategies into their pull out sessions with students.

Work Readiness Academy:

Goal: Implement and assess a Person-Centered Planning approach in the Work Readiness Academy.

Outcomes:

Project SEARCH- OMC:



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The students participated in many lessons and activities throughout the school year which focused on self-discovery. Students developed self-awareness through answering questions like:

- What do people like and admire about me? They focused on examples related to their personality, interests, and strengths.
- What are my preferences? Students identified what they enjoy and what they prefer to avoid, at home, work and in the community.
- What accommodations could be made to help you do your best work? Students enhanced their skills to self-advocate in order to develop a better understanding of their needs, in order to communicate them to others.
- What are your goals for the future? Students defined goals they want to achieve related to personal, social, lifestyle and employment outcomes.

Work Readiness Academy:

Students in the Work Readiness Academy participated in several lessons that addressed each component of a Person Centered Plan to individually plan for their future. They worked in groups learning how to think about and uncover their thoughts regarding the following subject matter:

- What do others like and admire about me (the student)?
- Self awareness and self advocacy
- How we communicate with others and how others can best communicate with me.
- What are my values?
- What is important to and for me and to be self determined?
- What others need to know to best support me?
- My Vision for my future?
- Recommendations for action. Areas where we identify support strategies to help build the skills students will need in order to obtain the future they want.



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We would like to express our appreciation to the members of the UCESC Board of Directors and Representative Assembly for their concern in providing fiscal accountability to the members of the UCESC and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our business office staff.

Respectfully submitted,

Terry Foppert
Superintendent

Eric Larson
Business Administrator/Bd. Sec.

**UNION COUNTY EDUCATIONAL SERVICES COMMISSION
ROSTER OF OFFICIALS
JUNE 30, 2018**

<u>Members of the Representative Assembly</u>	<u>District</u>	<u>Term Expires</u>
Ms. Helen E. Kirsch, President	Berkeley Heights	6/2019
Mr. Daniel DeMarco	Cranford	6/2019
Ms. Lorraine J. Aklonis	Clark	6/2019
Mr. Stanley Neron	Elizabeth	6/2019
Ms. Linda Koenig	Garwood	6/2019
Ms. Kisha Chiles-Bass	Hillside	6/2019
Ms. Annmarie Duda	Kenilworth	6/2019
Ms. Sheenaider Guillaume	Linden	6/2019
Dr. Dana Guidici Pietro	Mountainside	6/2019
Ms. Mary Misiukiewicz	New Providence	6/2019
Ms. Emily Morgan	Plainfield	6/2019
Ms. Deborah Bridges	Rahway	6/2019
Ms. Donna Eleazer	Roselle	6/2019
Ms. Kimberly Powers	Roselle Park	6/2019
Dr. Cindy Clancy	Scotch Plains/Fanwood	6/2019
Mr. Scott Donner	Springfield	6/2019
Mr. Josh Weinreich	Summit	6/2019
Mr. David Arminio, Executive Committee	Union	6/2019
Ms. Amy Root	Westfield	6/2019
Ms. Maureen Byrne, Vice President	Winfield	6/2019
Mr. Peter Capodice, Alternate Executive Committee	Union County Vo-Tech	6/2019

Other Officials

Mrs. Terry Foppert, Superintendent
 Dr. Robert A. Behot, Board Secretary/Business Administrator
 Derlys Gutierrez, Attorney

**UNION COUNTY EDUCATIONAL SERVICES COMMISSION
CONSULTANTS AND ADVISORS
JUNE 30, 2018**

Audit Firm

Suplee, Clooney & Company
Certified Public Accountants
308 East Broad Street
Westfield, New Jersey 07090-2122

Attorney

Cleary, Giacobbe, Alfieri and Jacobs LLC
5 Ravine Drive
Matawan, New Jersey 07747

Official Depository

The Provident Bank
206 South Avenue
Fanwood, New Jersey 07023

UNION COUNTY EDUCATIONAL SERVICES COMMISSION

		Representative Assembly		Board Secretary		Board of Directors		Board Attorney	
		Superintendent		Assistant Superintendent					
		Principal HAN		Principal HAS		Principal LMA			
Director of Curriculum & Instruction	Director of Nonpublic Services	Principal Westlake School	Principal Crossroads School	Supervisor of Instruction	Supervisor of Instruction	Supervisor of Instruction	Secretary	Teachers	Technology
	Supervisor of Instruction	Supervisor of Instruction	Supervisor of Instruction	Supervisor of Instruction	Supervisor of Instruction	Supervisor of Instruction	Secretary	Teachers	Technology Coordinator
	Secretaries	Secretary	Secretary	Secretary	Secretary	Secretary	Secretary	Teachers	Network Adm/Computer Tech
	Teachers/Paraprofessionals	Teachers	Teachers	Teachers	Teachers	Teachers	Teachers	Para-Professionals	Educational Data Specialist
	Therapists	Paraprofessionals	Paraprofessionals	Paraprofessionals/Security Monitors	Paraprofessionals/Security Monitors	Paraprofessionals/Security Monitors	Paraprofessionals/Security Monitors	Social Workers	Operations & Maintenance Staff
	Non Public Nurses	Therapists	Social Worker	Social Worker	Social Worker	Social Worker	Social Worker	Para-Professionals	Transportation Office Staff
	Child Study Team	Social Worker	Therapist	Nursing Consultant/Physician	Nursing Consultant/Physician	Nursing Consultant/Physician	Nursing Consultant/Physician	Social Workers	Operations & Maintenance Staff
	Contracted Services	Nursing Consultant/Physician	Nursing Consultant/Physician	Custodian	Custodian	Custodian	Custodian	Social Workers	Transportation Office Staff
	Custodian	Custodian	Kitchen Staff	Emergency Management	Emergency Management	Emergency Management	Emergency Management	Social Workers	Transportation Office Staff
		Trinitas Hospital Teacher/Autism						Trinitas Bedside Instruction Tutors	Operations & Maintenance Staff
								Trinitas Hospital Clerical Staff	

FINANCIAL SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Union County Educational Services Commission
County of Union
Westfield, New Jersey 07090

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 Union County Educational Services Commission, in the County of Union, State of New Jersey (the "Commission") as of and for the 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey and State of New Jersey *OMB Circular 15-08* "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

SUPLEE, CLOONEY & COMPANY

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Commission as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 7 to the basic financial statements, during the fiscal year ended June 30, 2018, the Commission adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. 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 and budgetary comparison information in Exhibit C-1 through C-3, the schedules related to accounting and reporting for pensions in Exhibit L-1 through L-4 and the schedule related to accounting and reporting for postretirement benefits other than pensions (OPEB) in Exhibit M-1 are 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.

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Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying supplementary information schedules such as the introductory section, combining statements and individual fund financial statements, the statistical section and the Schedules of Expenditures of Federal Awards and State Financial Assistance, as listed in the table of contents, as required by the State of New Jersey's OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid," and the State of New Jersey, Department of Education, Division of Finance, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and the Schedules of Expenditures of Federal Awards and State Financial Assistance, as listed in the table of contents, as required by the State of New Jersey's OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid," and the State of New Jersey, Department of Education, Division of Finance 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. 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 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 fund financial statements and the schedule 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 other information, such as the introductory and statistical sections, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 15, 2019 on our consideration of the Union County Educational Services Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on effectiveness of the 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 Commission's internal control over financial reporting and compliance.


CERTIFIED PUBLIC ACCOUNTANTS


PUBLIC SCHOOL ACCOUNTANT NO. 948

February 15, 2019

REQUIRED SUPPLEMENTARY INFORMATION – Part I

MANAGEMENT'S DISCUSSION AND ANALYSIS

**UNION COUNTY EDUCATIONAL SERVICES COMMISSION
WESTFIELD, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018
UNAUDITED**

The Management's Discussion and Analysis of the Union County Educational Services Commission (the "Commission") offers readers of the Commission's financial statements a narrative overview of the financial activities for the fiscal year ended June 30, 2018. The intent of this discussion is to look at the Commission's financial performance as a whole; therefore readers should also review the transmittal letter at the front of this report, along with the Commission's financial statements and notes to the financial statements to enhance their understanding of the Commission's financial performance.

Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements-Management's Discussion and Analysis-for the State and Local Governments* issued in June 1999. Certain comparative information between the current fiscal year (2017-2018) and the prior fiscal year (2016-2017) is required to be presented in the MD&A.

Financial Highlights

- Revenue from governmental activities accounted for \$58,095,849.79 or 99 percent of total Commission revenue. The other 1 percent of revenue was generated by the business type activities.
- Total assets of governmental activities increased by \$442,125.40 as cash and cash equivalents increased \$5,913,845.23, receivables decreased \$5,393,697.25, net investment in capital assets decreased by \$78,022.58.
- Total net position of the governmental activities of the Commission increased by \$2,571,410.18.
- Governmental fund revenues and other financing sources exceeded by expenditures and other financing uses by \$2,367,625.76.
- In fiscal year 2018, the District implemented GASB 75 "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions". Prior year information has not been restated.

**UNION COUNTY EDUCATIONAL SERVICES COMMISSION
WESTFIELD, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018
UNAUDITED**

Overview of the Financial Statements

This Comprehensive Annual Financial Report ("CAFR") consists of three parts: Management's Discussion and Analysis (this section), The Basic Financial Statements, and Required Supplementary Information. The Basic Financial Statements include two kinds of statements that present different views of the Commission, Commission-wide Financial Statements and Fund Financial Statements.

- Commission-wide Financial Statements provide both short-term and long-term information about the Commission's overall financial status.
- Fund Financial Statements report the Commission's operations in more detail than the Commission-wide statements on individual parts of the Commission, the Governmental Funds, Proprietary Funds and Fiduciary Funds.
- Governmental Funds Statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- Proprietary Funds Statements offer short and long-term financial information about the activities the Commission operates like a business, which include food services.
- 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.

The notes to financial statements are also included, which are an integral part of the financial statements. The information in the notes provides detailed data on the Commission's financial operations.

Required supplementary information further explains and supports the financial statements with a comparison of the Commission's budget for the year. Exhibit A-1 reflects how the various parts of this annual report are arranged and related to one another.

**UNION COUNTY EDUCATIONAL SERVICES COMMISSION
WESTFIELD, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018
UNAUDITED**

Commission-wide Financial Statements

The Commission-wide Financial 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 and liabilities. All current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or disbursed.

The Commission-wide Financial Statements report the Commission's net position and how they have changed. Net position, the difference between the Commission's assets 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 has improved or diminished. The causes of this change may be a result of many factors, some financial and some not. Non-financial factors include current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the Commission-wide Financial Statements, the Commission's activities are divided into two categories, governmental and business-type activities.

- Governmental activities - All of the Commission's programs and services are reported here including, but not limited to regular and special education instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- Business-type activities - These services are provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Commission charges fees to help it cover the costs of certain services it provided. The food service activities are reported as business activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Commission's funds, focusing on major funds. 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 by bond covenants. The Commission establishes other funds to control and manage money for particular purposes (i.e. long-term debt) or to show that it is properly using certain restricted revenues (i.e. entitlement grants).

**UNION COUNTY EDUCATIONAL SERVICES COMMISSION
WESTFIELD, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018
UNAUDITED**

Fund Financial Statements (Continued)

The Commission maintains three financial funds:

- **Governmental Funds:** The Commission's activities reported in governmental funds focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting that measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Commission's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the government-wide Statement of Net Position and Statement of Activities) and governmental funds statements is reconciled in the financial statements.
- **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 financial statements. The Commission's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flow.
- **Fiduciary Funds:** The Commission is the trustee, or fiduciary, for assets that belong to others, such as payroll deductions. 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. The Commission excludes these activities from the Commission-wide financial statements because it cannot use these assets to finance its operations.

**UNION COUNTY EDUCATIONAL SERVICES COMMISSION
WESTFIELD, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018
UNAUDITED**

Financial Analysis of the Commission as a Whole

The Commission's combined net position has increased from the 2016-2017 fiscal year. The net position from governmental activities increased \$2,571,410.18. Net position from business-type activities decreased \$10,645.87. Table 1 below reflects the Commission's net position as a whole. Table 2 reflects the changes in net position from operating results.

**Table 1
Condensed Statement of Net Position**

	2018	2017
Assets		
Current and Other Assets	\$21,476,074.97	\$20,961,175.60
Capital Assets	<u>7,492,625.30</u>	<u>7,571,392.76</u>
 Total Assets	 <u>28,968,700.27</u>	 <u>28,532,568.36</u>
Deferred Outflows of Resources		
Related to Pensions	<u>3,179,567.00</u>	<u>4,687,051.00</u>
Liabilities		
Long-Term Liabilities	12,865,859.97	17,445,173.57
Other Liabilities	<u>1,225,961.55</u>	<u>3,046,677.35</u>
 Total Liabilities	 <u>14,091,821.52</u>	 <u>20,491,850.92</u>
Deferred Inflows of Resources		
Related to Pensions	<u>2,976,047.00</u>	<u>208,134.00</u>
Net Position		
Net Investment in Capital Assets	5,457,625.30	5,001,392.76
Restricted	921,428.39	709,389.47
Unrestricted	<u>8,701,345.06</u>	<u>6,808,852.21</u>
 Total Net Position	 <u><u>\$15,080,398.75</u></u>	 <u><u>\$12,519,634.44</u></u>

**UNION COUNTY EDUCATIONAL SERVICES COMMISSION
WESTFIELD, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018
UNAUDITED**

Table 2

Changes in Net Position from Operating Results

	2018	2017
Revenues		
Program Revenues:		
Charges for Services	\$27,278,353.80	\$27,203,680.60
Operating Grants and Contributions	12,848,738.54	11,863,269.83
Capital Grants and Contributions		
General Revenues:		
Tuition	19,902,432.82	18,849,795.52
Grants and Entitlements	5,934.00	
Other	705,225.32	646,350.48
	<u>60,740,684.48</u>	<u>58,563,096.43</u>
Program Expenses		
Instruction	18,358,820.25	17,926,809.11
Support Services:		
Pupils and Instructional Staff		
General and School Administration and Business Operations and Maintenance	10,547,133.54	10,326,929.39
Pupil Transportation	27,478,389.38	27,443,283.40
Business Type Activities	244,768.56	233,309.43
Special Schools	1,161,971.20	1,117,811.54
Other	388,837.24	412,902.81
	<u>58,179,920.17</u>	<u>57,461,045.68</u>
Change in Net Position	<u><u>\$2,560,764.32</u></u>	<u><u>\$1,102,050.75</u></u>

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services.

**UNION COUNTY EDUCATIONAL SERVICES COMMISSION
WESTFIELD, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018
UNAUDITED**

Table 3

Net Cost of Services

Table 3 shows the total cost of services and the net cost of services. The total costs include compensating absences, unallocated benefits, and depreciation and is reduced by grants and specific state aid. In accordance with GASB Statement 34, a comparison to fiscal year 2017 is presented.

	<u>Total Cost of Services 2018</u>	<u>Total Cost of Services 2017</u>	<u>Net Cost of Services 2018</u>	<u>Net Cost of Services 2017</u>
Instruction	\$18,358,820.25	\$17,926,809.11	\$10,638,039.01	\$10,765,674.59
Support Services:				
Pupils and Instructional Staff				
General and School Administration				
and Business and Maintenance	10,547,133.54	10,326,929.39	6,378,395.69	6,482,902.95
Pupil Transportation	27,478,389.38	27,443,283.40	(232,566.30)	(124,883.35)
Business Type Activities	244,768.56	233,309.43	20,645.87	4,714.17
Special Schools	1,161,971.20	1,117,811.54	853,542.31	852,784.08
Other	<u>388,837.24</u>	<u>412,902.81</u>	<u>388,837.24</u>	<u>412,902.81</u>
Total Expenses	<u>\$58,179,920.17</u>	<u>\$57,461,045.68</u>	<u>\$18,046,893.82</u>	<u>\$18,394,095.25</u>

Governmental Activities

Tuition and transportation are the foundation for the Commission's revenue for governmental activities during fiscal year 2018.

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student.

Pupils and instructional staff include the activities involved with assisting the staff with the content and process of teaching students.

General administration, school administration and business include expenses with administrative and financial supervision of the Commission.

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

Pupil transportation includes activities involved with the conveyance of students to and from various schools through parts of Northern and Central New Jersey as well as to and from school activities as provided by state law.

**UNION COUNTY EDUCATIONAL SERVICES COMMISSION
WESTFIELD, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018
UNAUDITED**

Interest and fiscal charges involve the transactions associated with the payment of interest and other related charges to debt of the Commission.

The School District's Funds

All governmental funds (i.e., general fund, special revenue fund and capital projects fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$55,448,797.87 and expenditures were \$53,076,874.03.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management, which required significant budget adjustments to contend with state aid reductions. The following schedules, which do not include the Capital Project Fund's activity, present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2018, and the amount and percentage of increase or decrease in relation to prior year revenues.

<u>Revenues</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase(Decrease) from FY 2017</u>	<u>Percent Increase (Decrease)</u>
Tuition	\$19,902,432.82	35.89%	\$1,052,637.30	5.58%
Transportation	27,248,312.34	49.14%	77,686.79	0.29%
Local educational	4,782,971.00	8.63%	(107,465.00)	(2.20)%
Miscellaneous	673,438.40	1.21%	19,794.29	3.03%
State Sources	2,841,643.31	5.12%	384,612.69	15.65%
Total	<u>\$55,448,797.87</u>	<u>100.00%</u>	<u>\$1,427,266.07</u>	<u>2.64%</u>

The following schedule represents a summary of general fund, special revenue fund, and debt service fund expenditures for the fiscal year ended June 30, 2018, and the percentage of increases and decreases in relation to prior year amounts.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase(Decrease) from FY 2017</u>	<u>Percent Increase (Decrease)</u>
Current:				
Instruction	\$9,758,325.00	18.39%	\$188,610.00	1.90%
Support Services	42,556,181.03	80.18%	651,163.41	1.51%
Capital Outlay	762,368.00	1.44%	94,240.30	11.00%
Total	<u>\$53,076,874.03</u>	<u>100.00%</u>	<u>\$934,013.71</u>	<u>1.79%</u>

**UNION COUNTY EDUCATIONAL SERVICES COMMISSION
WESTFIELD, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018
UNAUDITED**

General Fund Budgeting Highlights

The Commission's budget is prepared according to New Jersey Statutes and is based on accounting for certain transactions on a basis of modified accrual and encumbrance accounting. The most significant budgeted fund is the General Fund.

Over the course of the year, the Commission revised the annual operating budget several times. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent over expenditures in specific line item accounts due to the fluctuation in student enrollment.

Capital Assets

During the fiscal year 2017-2018 the Commission purchased several capital assets. Table 4 reflects the comparative balances of capital assets net of depreciation. The detail of the changes in capital assets is reflected in Note 3 to the financial statements.

**Table 4
Capital Assets (Net of Depreciation)**

	2018	2017
Governmental Activities Capital Assets, Net:		
Land	\$773,250.00	\$773,250.00
Site Improvements	224,033.21	7,908.75
Building and Building Improvements	6,044,171.01	6,275,740.14
Machinery and Equipment	<u>442,639.24</u>	<u>505,217.15</u>
Total Governmental Activities Capital Assets, Net	<u>\$7,484,093.46</u>	<u>\$7,562,116.04</u>
Business Type Activities Capital Assets, Net:		
Machinery and Equipment	<u>8,531.84</u>	<u>9,276.72</u>
Total Business Type Activities Capital Assets, Net:	<u>8,531.84</u>	<u>9,276.72</u>
Total Capital Assets, Net	<u><u>\$7,492,625.30</u></u>	<u><u>\$7,571,392.76</u></u>

Contacting the Commission's Financial Management

This financial report is designed to provide UCESC member schools, Commission Board members and the general public with an overview of the Union County Educational Services Commission's business activities for the fiscal year. To contact the business office, call or write to Eric Larson, Business Administrator, Union County Educational Services Commission, 45 Cardinal Drive, Westfield, NJ 07090 or (908)-233-9317.

BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the Commission's operations. These financial statements present the financial position and operating results of all funds as of June 30, 2018.

COMMISSION-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the Commission. These statements include the financial activities of the overall Commission, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Commission.

UNION COUNTY EDUCATIONAL SERVICES COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
ASSETS:			
Cash and cash equivalents	\$15,699,334.50		\$15,699,334.50
Receivables, net	5,707,345.14	\$62,558.01	5,769,903.15
Inventory		6,837.32	6,837.32
Capital assets:			
Land	773,250.00		773,250.00
Other capital assets, net	6,710,843.46	8,531.84	6,719,375.30
Total assets	<u>28,890,773.10</u>	<u>77,927.17</u>	<u>28,968,700.27</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Related to pensions	3,179,567.00		3,179,567.00
LIABILITIES:			
Cash Deficit		3,048.30	3,048.30
Accounts payable	583,626.96	17,978.60	601,605.56
Interfunds payable	37,208.78	7,159.00	44,367.78
Unearned revenue	4,527.98	548.30	5,076.28
Accrued interest payable	6,863.63		6,863.63
Net pension liability	10,843,960.00		10,843,960.00
Noncurrent liabilities:			
Due within one year	565,000.00		565,000.00
Due beyond one year	2,021,899.97		2,021,899.97
Total liabilities	<u>14,063,087.32</u>	<u>28,734.20</u>	<u>14,091,821.52</u>
DEFERRED INFLOWS OF RESOURCES:			
Related to pensions	2,976,047.00		2,976,047.00
NET POSITION:			
Net investment in capital assets	5,449,093.46	8,531.84	5,457,625.30
Restricted for:			
Capital projects fund	505,091.39		505,091.39
Other purposes	416,337.00		416,337.00
Unrestricted	8,660,683.93	40,661.13	8,701,345.06
Total net position	<u>\$15,031,205.78</u>	<u>\$49,192.97</u>	<u>\$15,080,398.75</u>

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

UNION COUNTY EDUCATIONAL SERVICES COMMISSION
STATEMENT OF ACTIVITIES
JUNE 30, 2018

FUNCTIONS/PROGRAMS	EXPENSES	INDIRECT EXPENSE ALLOCATION	CHARGES FOR SERVICES	PROGRAM REVENUES OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION	
						GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES
Governmental Activities:							
Instruction:							
Regular	\$ 6,170,652.45	\$ 8,445,166.25	\$	\$ 7,637,740.02	\$ 5,934.00	\$ (6,972,144.68)	\$ (6,972,144.68)
Special	3,624,306.00	118,695.55		77,107.22		(3,665,894.33)	(3,665,894.33)
Support services:							
Student and instruction related services	3,732,919.00	1,586,831.27		3,089,236.72		(2,230,513.55)	(2,230,513.55)
General administrative services	816,045.00	419,803.68		231,321.67		(1,004,527.01)	(1,004,527.01)
School administrative services	1,018,649.00	819,592.43		462,643.34		(1,375,598.09)	(1,375,598.09)
Central services	516,654.96	399,193.74		231,321.67		(684,527.03)	(684,527.03)
Plant operations and maintenance	971,966.00	265,478.46		154,214.45		(1,083,230.01)	(1,083,230.01)
Student transportation services	26,686,995.00	791,394.38	27,248,312.34	462,643.34		232,566.30	232,566.30
Unallocated Benefits	13,280,092.71	(13,280,092.71)				0.00	0.00
Special Schools	630,785.00	531,186.20		308,428.89		(853,542.31)	(853,542.31)
Interest on long term debt	97,089.36	0.00				(97,089.36)	(97,089.36)
Unallocated depreciation	388,997.13	(97,249.25)				(291,747.88)	(291,747.88)
Total governmental activities	<u>57,935,151.61</u>	<u>(97,249.25)</u>	<u>27,248,312.34</u>	<u>12,654,657.31</u>	<u>5,934.00</u>	<u>(18,026,247.96)</u>	<u>(18,026,247.95)</u>
Business-type activities:							
Food service	244,768.56		30,041.46	194,081.23		(20,645.87)	(20,645.87)
Total business-type activities	<u>244,768.56</u>		<u>30,041.46</u>	<u>194,081.23</u>		<u>(20,645.87)</u>	<u>(20,645.87)</u>
Total primary government	\$ <u>58,179,920.17</u>	\$	\$ <u>27,278,353.80</u>	\$ <u>12,848,738.54</u>	\$ <u>5,934.00</u>	\$ <u>(18,026,247.96)</u>	\$ <u>(18,046,893.82)</u>
General Revenues:							
Tuition						\$ 19,902,432.82	\$ 19,902,432.82
Miscellaneous income						651,985.32	651,985.32
Donated capital assets						53,240.00	53,240.00
Transfers						(10,000.00)	0.00
Total general revenues and transfers						<u>20,597,658.14</u>	<u>20,607,658.14</u>
Change in net position						2,571,410.18	2,560,764.32
Net Position-beginning						12,459,795.60	12,519,634.44
Net Position-ending						<u>15,031,205.78</u>	<u>15,080,398.76</u>

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

MAJOR FUND FINANCIAL STATEMENTS

The Individual fund financial statements and schedules present more detailed information for the individual fund in a format that segregates information by fund type.

UNION COUNTY EDUCATIONAL SERVICES COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS AND OTHER DEBITS:				
Assets:				
Cash and cash equivalents	\$14,893,259.80	308,142.31	\$497,932.39	\$15,699,334.50
Accounts receivable:				
Local agency fees		\$841,682.53		841,682.53
Transportation fees - other lea's	1,884,339.77			1,884,339.77
Tuition fees - other lea's	2,913,115.17			2,913,115.17
State	28,229.52			28,229.52
Other	39,978.15			39,978.15
Interfund	1,109,323.13		7,159.00	1,116,482.13
Total assets	<u>20,868,245.54</u>	<u>1,149,824.84</u>	<u>505,091.39</u>	<u>22,523,161.77</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	111,212.99	38,706.97		149,919.96
Unearned revenue		4,527.98		4,527.98
Interfunds payable	47,101.02	1,106,589.89		1,153,690.91
Total liabilities	<u>158,314.01</u>	<u>1,149,824.84</u>		<u>1,308,138.85</u>
Fund balances:				
Restricted for:				
Capital projects fund			505,091.39	505,091.39
Assigned for year-end encumbrances	129.00			129.00
Assigned for subsequent years expenditures	416,337.00			416,337.00
Unassigned	20,293,465.53			20,293,465.53
Total fund balances	<u>20,709,931.53</u>		<u>505,091.39</u>	<u>21,215,022.92</u>
Total liabilities and fund balances	<u>\$20,868,245.54</u>	<u>\$1,149,824.84</u>	<u>\$505,091.39</u>	

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

UNION COUNTY EDUCATIONAL SERVICES COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

Total Fund Balances (Brought Forward)		\$21,215,022.92
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.		
Cost of Assets	\$16,147,936.82	
Accumulated Depreciation	<u>(8,663,843.36)</u>	7,484,093.46
Long term liabilities, including bonds payable, and other related amounts that are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Net Pension Liability	(10,843,960.00)	
Compensated Absences	(551,899.97)	
Bonds Payable	<u>(2,035,000.00)</u>	(13,430,859.97)
Deferred Outflows and Inflows of resources are applicable to future periods and therefore are not reported in the funds.		
Pensions:		
Deferred Outflows		3,179,567.00
Deferred Inflows:		
Pension related		(2,976,047.00)
Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.		
Accounts Payable - Pension Related	(433,707.00)	
Accrued Interest Payable	<u>(6,863.63)</u>	<u>(440,570.63)</u>
Net Position of Governmental Activities		<u><u>\$15,031,205.78</u></u>
		0.00

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

UNION COUNTY EDUCATIONAL SERVICES COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
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	\$19,902,432.82			\$19,902,432.82
Transportation fees from other lea's	27,248,312.34			27,248,312.34
Local educational agency sources		\$4,782,971.00		4,782,971.00
Miscellaneous	646,283.40	27,155.00	\$5,701.92	679,140.32
Total revenues-local sources	<u>47,797,028.56</u>	<u>4,810,126.00</u>	<u>5,701.92</u>	<u>52,612,856.48</u>
State sources	<u>2,701,900.31</u>	<u>139,743.00</u>		<u>2,841,643.31</u>
Total revenues	<u>50,498,928.87</u>	<u>4,949,869.00</u>	<u>5,701.92</u>	<u>55,454,499.79</u>
EXPENDITURES:				
Current expense:				
Instruction:				
Regular instruction	3,828,692.00	2,305,327.00		6,134,019.00
Special education instruction	3,624,306.00			3,624,306.00
Support services:				
Student and instruction related services	1,836,402.00	1,895,342.00		3,731,744.00
General administrative services	816,045.00			816,045.00
School administrative services	1,018,649.00			1,018,649.00
Central services	616,203.72			616,203.72
Plant operations and maintenance	1,038,966.00			1,038,966.00
Student transportation services	26,686,995.00			26,686,995.00
Employee benefits	7,272,352.31	743,266.00		8,015,618.31
Capital outlay-lease purchase principal	468,000.00			468,000.00
Capital outlay	288,434.00	5,934.00		294,368.00
Special schools	630,785.00			630,785.00
Total expenditures	<u>48,127,005.03</u>	<u>4,949,869.00</u>		<u>53,076,874.03</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,371,923.84</u>		<u>5,701.92</u>	<u>2,377,625.76</u>
Other financing sources (uses):				
Operating transfers out	<u>(10,000.00)</u>			<u>(10,000.00)</u>
Total financing sources (uses):	<u>(10,000.00)</u>			<u>(10,000.00)</u>
Net change in fund balances	2,361,923.84		5,701.92	2,367,625.76
Fund balances, July 1,	<u>18,348,007.69</u>	<u>-0-</u>	<u>499,389.47</u>	<u>18,847,397.16</u>
Fund balances, June 30,	<u>\$20,709,931.53</u>	<u>-0-</u>	<u>\$505,091.39</u>	<u>\$21,215,022.92</u>

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

UNION COUNTY EDUCATIONAL SERVICES COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Total net change in fund balances - governmental funds (from B-2)		\$2,367,625.76
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the period.		
Depreciation expense		(\$388,997.13)
Donated capital assets		53,240.00
Capital outlays	\$294,368.00	
Less: Capital outlays not capitalized	<u>(36,633.45)</u>	
		257,734.55
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.		
		535,000.00
In the statement of activities, interest on long-term debt is accrued, regardless of when due. In governmental funds, interest is reported when due. The accrued interest is a increase in the reconciliation.		
		2,459.40
Commission pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.		
Commission pension contributions	431,549.00	
Less: Pension expense	<u>(686,764.00)</u>	
		(255,215.00)
In the statement of activities, certain expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		
		<u>(437.40)</u>
Change in net position of governmental activities		<u><u>\$2,571,410.18</u></u>

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

OTHER FUNDS

UNION COUNTY EDUCATIONAL SERVICES COMMISSION
PROPRIETARY FUND
STATEMENT OF NET POSITION
AS OF JUNE 30, 2018

		<u>FOOD SERVICE FUND TOTAL</u>
ASSETS:		
Current assets:		
Accounts receivable:		
State	\$	193.84
Federal		15,263.15
Interfunds		47,101.02
Inventories		<u>6,837.32</u>
Total current assets		<u>69,395.33</u>
Noncurrent assets:		
Furniture, machinery & equipment		20,919.30
Less accumulated depreciation		<u>(12,387.46)</u>
Total noncurrent assets		<u>8,531.84</u>
TOTAL ASSETS	\$	<u>77,927.17</u>
LIABILITIES:		
Current liabilities:		
Cash deficit	\$	3,048.30
Accounts payable		17,978.60
Unearned revenue		548.30
Interfunds		<u>7,159.00</u>
Total current liabilities		<u>28,734.20</u>
NET POSITION:		
Net investment in capital assets		8,531.84
Unrestricted		<u>40,661.13</u>
TOTAL NET POSITION	\$	<u><u>\$49,192.97</u></u>

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

UNION COUNTY EDUCATIONAL SERVICES COMMISSION
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>FOOD SERVICE FUND TOTAL</u>
OPERATING REVENUES:	
Local sources:	
Daily sales-reimbursable programs	\$27,463.30
Daily sales-non reimbursable programs:	2,148.00
Miscellaneous	430.16
	430.16
Total operating revenue	30,041.46
OPERATING EXPENSES:	
Cost of sales-reimbursable	151,002.22
Cost of sales-non-reimbursable	657.56
Salaries	53,259.85
Employee benefits	12,866.72
General supplies	4,287.53
Management fee	17,550.00
Depreciation	744.88
Miscellaneous	4,399.80
	4,399.80
Total operating expenses	244,768.56
Operating (loss)	(214,727.10)
Nonoperating revenues:	
State sources:	
State school lunch program	2,245.29
Federal sources:	
National school lunch program	115,190.06
National school breakfast program	61,188.05
National food distribution commodities	15,457.83
	15,457.83
Total nonoperating revenues	194,081.23
Income/(loss) before contributions and transfers	(20,645.87)
Transfers in	10,000.00
Change in net position	(10,645.87)
Net position - July 1	59,838.84
Net position - June 30	\$49,192.97

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

UNION COUNTY EDUCATIONAL SERVICES COMMISSION
PROPRIETARY FUND
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>FOOD SERVICE FUND TOTAL</u>
Cash flows from operating activities:	
Receipts from customers	\$29,568.01
Payments to employees	(52,139.75)
Payments to suppliers	<u>(173,563.33)</u>
Net cash provided (used) by operating activities	<u>(196,135.07)</u>
Cash flows from noncapital financing activities:	
State sources	2,224.24
Federal sources	175,381.80
Other subsidies and transfers to other funds	(2,188.77)
Operating subsidies and transfers from other funds	<u>10,000.00</u>
Net cash provided by noncapital financing activities	<u>185,417.27</u>
Net increase/(decrease) in cash and cash equivalents	(10,717.80)
Cash and cash equivalents, July 1	<u>7,669.50</u>
Cash and cash equivalents, June 30	<u><u>(\$3,048.30)</u></u>
Operating (loss)	(\$214,727.10)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:	
Depreciation	744.88
Federal commodities	15,457.83
Change in assets and liabilities:	
(Increase) Decrease in inventory	785.24
Increase (Decrease) in unearned revenue	(1,467.24)
Increase (Decrease) in accounts payable	<u>3,071.32</u>
Net cash (used) by operating activities	<u><u>(\$196,135.07)</u></u>

UNION COUNTY EDUCATIONAL SERVICES COMMISSION
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018

	AGENCY FUNDS
ASSETS:	
Cash	\$625,417.46
Total assets	\$625,417.46
LIABILITIES:	
Liabilities:	
Payroll deductions & withholdings	\$260,123.12
Accrued salaries	339,783.73
Interfund payable	2,733.24
Payable to student groups	22,777.37
Total liabilities	\$625,417.46
	0.00

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

Union County Educational Services Commission
Notes to the Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The Union County Educational Services Commission is an instrumentality of the State of New Jersey, established to function as an educational institution in one or more counties for the purpose of carrying on programs of education, research and development, and providing to public Commissions administrative services as may be authorized pursuant to the rules of the State Board of Education. The Commission consists of representatives of the membership Commissions and is responsible for the fiscal control of the commission. A superintendent is appointed by the Board of Directors of the Commission and is responsible for the administrative control of the Commission.

The primary criterion for including activities within the Commission's reporting entity, are set forth in Statement No. 39 of the Governmental Accounting Standards Board entitled "*Determining Whether Certain Organizations are Component Units*" (GASB 39) as codified in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards.

Organizations that are legally separate, tax-exempt entities and that meet *all* of the following criteria should be discretely presented as component units. These criteria are:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government.
2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources of the organization.
3. The economic resources received or held by an *individual organization* that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

Union County Educational Services Commission
Notes to the Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The combined financial statements include all funds of the Commission over which the Board exercises operating control. The operations of the Commission include two elementary schools, and three high schools. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the Commission is not includable in any other reporting entity on the basis of such criteria.

Basis of Presentation, Basis of Accounting

The Commission's basic financial statements consist of Commission-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Basis of Presentation

Commission-Wide Statements: The Statement of Net Position and the Statement of Activities display information about the Commission as a whole. These statements include the financial activities of the overall Commission, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish generally between the governmental and business-type activity of the Commission. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Net Position presents the financial condition of the governmental and business-type activity of the Commission at fiscal year end. The Statement of Activities presents a comparison between direct expenses and program revenues for the business-type activity of the Commission and for each function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirement of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the Commission.

Union County Educational Services Commission
Notes to the Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Governmental Fund Types

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

As required by the New Jersey State Department of Education, the Commission includes budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, Commission taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

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

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

Union County Educational Services Commission
Notes to the Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Fund

Enterprise Fund - The enterprise fund accounts for all revenues and expenses pertaining to the food service operations. These funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Fiduciary Fund Types

Agency Funds - The agency funds are used to account for assets held by the Commission on behalf of others and are custodial in nature. The agency funds included in this category are as follows:

Payroll and Student Activities Funds (Agency) - These are agency funds used to account for the assets that the Commission holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations.

Basis of Accounting - Measurement Focus

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

Commission-Wide, Proprietary, and Fiduciary Fund Financial Statements: The Commission-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Union County Educational Services Commission
Notes to the Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting - Measurement Focus

Basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements.

Commission-Wide, Proprietary, and Fiduciary Fund Financial Statements: The Commission-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transactions can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budgets are submitted to the county superintendent of schools' office and are approved by the Board of School Estimates. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments and transfers must be approved by School Board resolution. All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year. The capital projects fund presents the remaining project appropriations compared to current year expenditures.

Union County Educational Services Commission
Notes to the Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control

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

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

Encumbrance Accounting

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

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

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

Interfunds

Interfund receivables and payables arise from transactions between particular funds and are considered short term in duration. The interfund transactions are recorded by all funds affected in the period in which the transactions are executed and are part of the Commission's available expendable resources.

Union County Educational Services Commission
Notes to the Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tuition and Transportation Fees

Tuition is based on estimates made by the Commission. Transportation fees are based on actual costs incurred plus an administrative fee.

Inventories and Prepaid Expenses

Inventories of materials and supplies held for consumption in the governmental funds are recorded as expenditures at the time of purchase and year end balances are not reported in the financial statements.

Inventories of food and/or supplies in the food service fund are recorded at cost on a first-in, first-out basis or, in the case of Food Distribution Commodities, at stated value which approximates market.

Prepaid expenses which benefit future periods, other than those recorded in the enterprise fund, are recorded as expenditures in the year of purchase.

Capital Assets

The Commission has established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994 are recorded at actual cost. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Donated fixed assets are valued at their acquisition value on the date received. The cost of normal repairs and maintenance are not capitalized. Interest is not capitalized on Capital Assets.

All reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method and the half-year convention over the following estimated useful lives:

Union County Educational Services Commission
Notes to the Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
School Buildings	50
Building Improvements	20
Electrical/Plumbing	30
Vehicles	6-8
Office and Computer Equipment	5-20
Instructional Equipment	5-20
Grounds Equipment	5-15
Food Service Equipment	7-20

Accrued Salaries and Wages

Certain Commission employees who provide services to the Commission over the ten-month academic year have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned, but undisbursed, amounts be retained in a separate bank account. As of June 30, 2018, the amounts earned by these employees, but not disbursed, was \$339,783.73.

Compensated Absences

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

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

Union County Educational Services Commission
Notes to the Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences (Continued)

The liability for compensated absences was accrued using the termination payment method, whereby the liability is calculated based on the amount of sick leave and vacation days that are expected to become eligible for payment upon termination. The Commission estimates its accrued compensated absences liability based on the accumulated sick and vacation days at the balance sheet date by those employees who are currently eligible to receive termination payments.

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

Unearned Revenue

Unearned revenue in the general, special revenue and capital projects funds represents funds which have been received but not yet earned. A corresponding accounts receivable has also been established for any open encumbrances at year end which is allowable under Generally Accepted Accounting Principles.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the Commission-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

Union County Educational Services Commission
Notes to the Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Net Position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Commission or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Commission's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

Fund Balance Restrictions

Under GASB 54, in the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Education, the Commission's highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Education. The Commission reports amounts Designated for Subsequent Year's Expenditures as Committed Fund Balance.

Assigned – includes amounts that the Commission intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the Commission's policy, amounts may be assigned by the Business Administrator. The Commission reports Year End Encumbrances as Assigned Fund Balance.

Unassigned - is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance

Union County Educational Services Commission
Notes to the Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Restrictions (Continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Commission considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the Commission considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

Revenues - Exchange and Non-Exchange Transactions

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

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

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

Proprietary Funds Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Commission enterprise fund are charges to customers for sales of food service. Operating expenses for enterprise funds include the cost of sales and services, administrative expense and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Union County Educational Services Commission
Notes to the Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allocation of Indirect Expenses

The Commission reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation, and medical and dental benefits, were allocated based on salaries of the program. Depreciation expense, where practicable, is specifically identified by function and is included in the Statement of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities.

Extraordinary and Special Items

Extraordinary items are transactions or events that are unusual in nature and infrequent of occurrence. Special items are transactions or events that are within control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Accounting and Financial Reporting for 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 New Jersey Public Employees Retirement System ("PERS") and the Teachers' Pension and Annuity Fund ("TPAF") and the additions to/deductions from these retirement systems' fiduciary net position have been determined on the same basis as they were reported by PERS and TPAF. 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 are reflected based on amounts that are normally expected to be liquidated with available financial resources for required pension contributions. Expenditures for PERS are recognized based upon billings made by the State of New Jersey due April 1st of each fiscal year. TPAF contributions are paid on the Commission's behalf by the State of New Jersey. The governmental fund financial statements reflect both a revenue and expense for this pension contribution.

Union County Educational Services Commission
Notes to the Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

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

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

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Commission considers petty cash, change funds, cash in banks, certificates of deposits, and short term investments with original maturities of three months or less as cash and cash equivalents. Investments are stated at fair value.

Deposits

New Jersey statutes permit the deposit of public funds in public depositories which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. Each depository participating in the GUDPA system must pledge collateral equal to 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of 75% of its capital funds. No collateral is required for amounts covered by FDIC insurance. The collateral which may be pledged to support these deposits includes obligations of the State and federal governments, insured securities and other collateral approved by the Department.

When the capital position of the depository deteriorates or the depository takes an unusually large amount of public deposits, the Department of Banking and Insurance requires additional collateral to be pledged. Under (GUDPA), if a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of the deposits to the governmental unit.

Union County Educational Services Commission
Notes to the Financial Statements
June 30, 2018

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

The Commission had the following cash and cash equivalents at June 30, 2018:

Fund Type:	Bank	Reconciling Items:		Reconciled
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Governmental	\$13,278,606.87	\$4,809,467.50	\$2,388,739.87	\$15,699,334.50
Proprietary	23,409.83	0.00	26,458.13	(3,048.30)
Fiduciary	<u>690,850.57</u>	<u>62.79</u>	<u>65,495.90</u>	<u>625,417.46</u>
	<u>\$13,992,867.27</u>	<u>\$4,809,530.29</u>	<u>\$2,480,693.90</u>	<u>\$16,321,703.66</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Commission does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of June 30, 2018, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash on balance in the bank, \$1,000,000.00 was covered by Federal Depository Insurance and \$12,470,247.81 was covered under the provisions of NJGUDPA, \$17,528.07 was on deposit with the New Jersey Cash Management Fund and \$505,091.39 was on deposit in government money market mutual funds, which are considered a cash equivalent. These funds are not insured by either FDIC or GUDPA, but are collateralized by the underlying governmental securities.

Investments

The purchase of investments by the Commission is strictly limited by the express authority of the N.J.S.A. 18A:20-37 Education, Administration of Commissions. Permitted investments include any of the following type of securities:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;

Union County Educational Services Commission
Notes to the Financial Statements
June 30, 2018

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments (Continued)

2. Government money market mutual funds which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a-1 et seq., and operated in accordance with 17 C.F.R. § 270.2a-7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 18A:20-37. These funds are also required to be rated by a nationally recognized statistical rating organization.
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the Local Unit or bonds or other obligations of Commissions of which the Local Unit is a part or within which the Commission is located.
5. Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Investment of the Department of Treasury for investment by Commissions;
6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 18A:20-37. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization.
7. 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); or

Union County Educational Services Commission
Notes to the Financial Statements
June 30, 2018

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments (Continued)

8. Agreements for the repurchase of fully collateralized securities if:
- a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is not more than 30 days;
 - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C. 17:19-41); and
 - e. a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2018, the Commission had \$17,528.07 on deposit with the New Jersey Cash Management Fund. Based upon the limitations set forth by New Jersey Statutes 40A:5-15.1 and existing investment practices of the Investment Council of the New Jersey Cash Management Fund, the Commission is generally not exposed to credit risks, custodial credit risks, concentration of credit risks and interest rate risks for its investments nor is it exposed to foreign currency risk for its deposits and investments.

Based upon the limitation set forth by New Jersey Statutes 18A:20-37 and its existing investment practices, the Commission is generally not exposed to credit risks, custodial credit risks, concentration of credit risks and interest rate risks for its investments, nor is it exposed to foreign currency risks for its deposits and investments.

Union County Educational Services Commission
Notes to the Financial Statements
June 30, 2018

NOTE 3: CHANGE IN CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions/ Transfers</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>			
Capital Assets not being depreciated			
Sites	\$773,250.00	_____	\$773,250.00
Total Capital Assets not being depreciated	\$773,250.00	_____	\$773,250.00
Capital Assets being depreciated			
Site Improvements	243,520.00	\$264,644.10	508,164.10
Building & Building Improvements	11,510,897.00	16,850.00	11,527,747.00
Machinery & Equipment	3,309,295.27	\$29,480.45	3,338,775.72
Total Capital Assets being depreciated	15,063,712.27	310,974.55	15,374,686.82
Totals at historical cost	15,836,962.27	310,974.55	16,147,936.82
Total Gross assets (Memo only)	15,836,962.27	310,974.55	16,147,936.82
Less: Accumulated Depreciation for:			
Site Improvements	(274,384.83)	(9,746.06)	(284,130.89)
Building & Building Improvements	(5,196,383.28)	(287,192.71)	(5,483,575.99)
Machinery & Equipment	(2,804,078.12)	(92,058.36)	(2,896,136.48)
Total depreciation	(8,274,846.23)	(388,997.13)	(8,663,843.36)
Total capital assets being depreciated net of accumulated depreciation	7,562,116.04	(78,022.58)	7,484,093.46
Governmental activities capital assets, net	\$7,562,116.04	(\$78,022.58)	\$7,484,093.46
<u>Business-type activities:</u>			
Equipment	\$20,919.30	_____	\$20,919.30
Less: Accumulated Depreciation	(11,642.58)	(744.88)	(12,387.46)
Proprietary fund capital assets, net	\$9,276.72	(\$744.88)	\$8,531.84

Union County Educational Services Commission
Notes to the Financial Statements
June 30, 2018

NOTE 3: CHANGE IN CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to governmental expenses as follows:

Regular Instruction	\$77,799.40
General administration	19,449.85
Direct Expense of various functions	<u>291,747.88</u>
	<u><u>\$388,997.13</u></u>

NOTE 4: LONG-TERM LIABILITIES

The following is a summary of changes in liabilities that effect other long-term obligations for the year ended June 30, 2018.

	Net Pension <u>Liability</u>	Compensated Absences <u>Payable</u>	Capital Lease/ Lease Purchase <u>Agreements</u>	<u>Total</u>
Balance June 30, 2017	\$14,858,711.00	\$551,462.57	\$2,570,000.00	\$17,980,173.57
Additions	<u>14,858,711.00</u>	<u>437.40</u>	<u>2,570,000.00</u>	<u>17,980,610.97</u>
Deletions	<u>4,014,751.00</u>	<u>551,899.97</u>	<u>535,000.00</u>	<u>4,549,751.00</u>
Balance June 30, 2018	<u><u>\$10,843,960.00</u></u>	<u><u>\$551,899.97</u></u>	<u><u>\$2,035,000.00</u></u>	<u><u>\$13,430,859.97</u></u>
Amounts due within one year	<u><u></u></u>	<u><u></u></u>	<u><u>\$565,000.00</u></u>	<u><u>\$565,000.00</u></u>

Capital Leases/Lease Purchase Agreements Payable:

The Commission has financed the acquisition of land, buildings, and improvements through two lease purchase agreements. The following is a schedule of the future minimum lease payments under these leases, and the present value of the net minimum lease payments at June 30, 2018:

<u>Year</u>	<u>Amount</u>
2019	\$645,331.26
2020	644,913.76
2021	398,718.76
2022	<u>547,968.76</u>
Total Minimum Lease Payments	2,236,932.54
Less: Amounts Representing Interest	<u>201,932.54</u>
Present Value of Minimum Lease Payments	<u><u>\$2,035,000.00</u></u>

Union County Educational Services Commission
Notes to the Financial Statements
June 30, 2018

NOTE 5: PENSION PLANS

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

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

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

Defined Contribution Retirement Program (DCRP) - The Defined Contribution Retirement Program (DCRP) was established under the provision of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one year of membership

Union County Educational Services Commission
Notes to the Financial Statements
June 30, 2018

NOTE 5: PENSION PLANS (CONTINUED)

Significant Legislation

Effective June 28, 2011, P.L. 2011, c. 78 enacted certain changes in the operations and benefit provisions of the TPAF and the PERS systems.

Pension Plan Design Changes

Effective June 28, 2011, P.L. 2011, c. 78, new members of TPAF and PERS, hired on or after June 28, 2011, will need 30 years of creditable service and have attained the age of 65 for receipt of the early retirement benefit without a reduction of 1/4 of 1% for each month that the member is under age 65. New members will be eligible for a service retirement benefit at age 65.

Funding Changes

Under the new legislation, the methodology for calculating the unfunded accrued liability payment portion of the employer's annual pension contribution to the PERS, and TPAF. The unfunded actuarial accrued liability (UAAL) will be amortized for each plan over an open-ended 30 year period and paid in level dollars. Beginning with the July 1, 2019 actuarial valuation (July 1, 2018 for PFRS), the UAAL will be amortized over a closed 30 year period until the remaining period reaches 20, when the amortization period will revert to an open-ended 20 year period.

COLA Suspension

The payment of automatic cost-of-living adjustment to current and future retirees and beneficiaries are suspended until reactivated as permitted by this law.

Vesting and Benefit Provisions The vesting and benefit provisions of PERS are set by N.J.S.A. 43:15A, 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after ten years of service, except for post-retirement healthcare benefits that vest after 25 years of service.

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.

Union County Educational Services Commission
Notes to the Financial Statements
June 30, 2018

NOTE 5: PENSION PLANS (CONTINUED)

Contribution Requirements The contribution policy is set by N.J.S.A. 43:15A and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation.

Effective June 28, 2011, P.L. 2011, c. 78 provides for increases in the employee contribution rates: from 5.5% to 6.5% plus an additional 1% phased-in over 7 years beginning in the first year, meaning after 12 months, after the law's effective date for TPAF and PERS.

Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement.

<u>Three-Year Trend Information for PERS</u>			
<u>Year</u> <u>June 30,</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2018	\$431,549.00	100.00%	\$431,549.00
2017	\$445,697.00	100.00%	\$445,697.00
2016	\$439,890.00	100.00%	\$439,890.00

During the fiscal years ended June 30, 2018, 2017 and 2016, the State of New Jersey contributed \$1,276,030.00, \$934,390.00 and \$676,243.00 respectively, excluding post-retirement medical and long-term disability insurance, to the TPAF pension system on behalf of the Commission.

Also, in accordance with N.J.S.A. 18A:66-66 during the years ended June 30, 2018, 2017 and 2016, the State of New Jersey reimbursed the Commission \$599,453.31, \$603,646.62 and \$623,903.40 respectively for the employer's share of social security contributions for TPAF members, as calculated on their base salaries.

Union County Educational Services Commission
Notes to the Financial Statements
June 30, 2018

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68

Public Employees Retirement System (PERS)

At June 30, 2018, the Commission reported a liability of \$10,843,960.00 for its proportionate share of the 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 July 1, 2016 which was rolled forward to June 30, 2017. The Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2017, the Commission's proportion was 0.0465837832 percent, which was an decrease of 0.0035855286 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Commission recognized pension expense of \$696,843.00 in the government-wide financial statements. This pension expense was based on the pension plans June 30, 2017 measurement date.

At June 30, 2018, the Commission reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Differences between expected and actual experience		\$255,338.00
Changes of assumptions	\$2,176,675.00	2,184,684.00
Net difference between projected and actual earnings on pension plan investments		73,840.00
Changes in proportion and differences between Commission contributions and proportionate share of contributions	799,372.00	231,998.00
Commission contributions subsequent to the measurement date		<u>433,707.00</u>
	<u>\$2,976,047.00</u>	<u>\$3,179,567.00</u>

The \$433,707 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2018, the plan measurement date is June 30, 2017) will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Union County Educational Services Commission
Notes to the Financial Statements
June 30, 2018

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(Continued)

Public Employees Retirement System (PERS) (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	Amount
<u>June 30</u>	
2019	\$159,880.00
2020	289,823.00
2021	88,222.00
2022	(473,361.00)
2023	(294,751.00)
	<u>(\$230,187.00)</u>

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 rolled forward to June 30, 2017. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	2.25 Percent
Salary Increases	
Through 2026	1.65-4.15 Percent (based on age)
Thereafter	2.65-5.15 Percent (based on age)
Investment Rate of Return	7.00 Percent

Mortality Rate

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

Union County Educational Services Commission
Notes to the Financial Statements
June 30, 2018

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

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. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017 and 7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Union County Educational Services Commission
Notes to the Financial Statements
June 30, 2018

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

Long-Term Rate of Return (continued)

Best estimates of arithmetic rates of return for each major asset class included in PERS'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>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
US 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 market equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts venture capital	8.25%	13.08%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 5.00% and 3.98% as of June 30, 2017 and 2016, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and 7.65%, and a municipal bond rate of 3.58% and 2.85% as of June 30, 2017 and 2016, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Union County Educational Services Commission
Notes to the Financial Statements
June 30, 2018

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

Discount Rate (Continued)

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employer contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the collective net pension liability to changes in the discount rate

The following presents the collective net pension liability of the participating employers as of June 30, 2017 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease <u>4.00%</u>	At Current Discount Rate <u>5.00%</u>	1% Increase <u>6.00%</u>
Commission's proportionate share of the pension liability	\$13,452,668.00	\$10,843,960.00	\$8,670,583.00

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295.

Union County Educational Services Commission
Notes to the Financial Statements
June 30, 2018

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Teachers Pensions and Annuity Fund (TPAF)

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

The portion of the TPAF Net Pension Liability that was associated with the Commission recognized at June 30, 2018 was as follows:

Net Pension Liability:	
Commissions proportionate share	-0-
State's proportionate share	
associated with the Commission	<u>\$56,009,774</u>
	<u><u>\$56,009,774</u></u>

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 June 30, 2016. The net pension liability associated with the Commission 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 Commissions and the State, actuarially determined. At June 30, 2017, the proportion of the TPAF net pension liability associated with the Commission was .0830714603% which was an decrease of .0055988335 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Commission recognized on-behalf pension expense and revenue of \$3,880,074.00 in the commission-wide financial statements for contributions provided by the State. This pension expense and revenue was based on the pension plans June 30, 2017 measurement date.

Union County Educational Services Commission
Notes to the Financial Statements
June 30, 2018

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Teachers Pensions 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%

Mortality Rate

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

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

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% and 7.65% at June 30, 2017 and June 30, 2016 respectively) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Union County Educational Services Commission
Notes to the Financial Statements
June 30, 2018

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Teachers Pensions and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions (Continued)

Long-Term Expected Rate of Return (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in TPAF'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>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
US 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 market equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts venture capital	8.25%	13.08%
	<u>100.00%</u>	

Union County Educational Services Commission
Notes to the Financial Statements
June 30, 2018

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Teachers Pensions and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 4.25% and 3.22% as of June 30, 2017 and 2016, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and 7.65, and a municipal bond rate of 3.58% and 2.85% as of June 30, 2017 and 2016, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 40% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2036. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2036, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability,

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

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

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Teachers Public and Annuity Fund (TPAF). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295.

Union County Educational Services Commission
Notes to the Financial Statements
June 30, 2018

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS – GASB 75

Plan Description and Benefits Provided

The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan, with that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The State Health Benefit Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A 52:14-17.32f. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. According to N.J.S.A 52:14-17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). 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.

Employees Covered by Benefit Terms

The State Health Benefit Local Education Retired Employees Plan Membership covered by the benefit terms consisted of the following:

Active Plan Members	\$223,747
Inactive Plan Members or Beneficiaries	
Currently Receiving Benefits	142,331
Inactive Plan Members or Beneficiaries	
Not Yet Receiving Benefits	<u>- 0 -</u>
Total Plan Members	<u>\$366,078</u>

Union County Educational Services Commission
Notes to the Financial Statements
June 30, 2018

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)

Total Nonemployer OPEB Liability

The portion of the Total Nonemployer OPEB Liability that was associated with the Commission at June 30, 2018 was as follows:

Nonemployer OPEB Liability:	
Commissions proportionate share	-0-
State's proportionate share associated with the Commission	<u>\$46,292,941.00</u>
	<u><u>\$46,292,941.00</u></u>

The Total Nonemployer OPEB Liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017.

The Total Nonemployer OPEB Liability was determined separately based on actual data of the Commission.

For the year ended June 30, 2018, the Commission recognized on-behalf post-employment expense and revenue of \$3,228,939.00 in the government-wide financial statements for contributions provided by the State. This expense and revenue was based on the plans June 30, 2017 measurement date.

At June 30, 2017, the Commission's proportion was 0.0863032764 percent, which was an increase of .0009728622 from its proportion measured as of June 30, 2016.

The State, a Nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS, TPAF/ABP and PFRS participants. The Commission's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Consequently, the Commission did not recognize any portion of the collective net OPEB liability on the Statement of Net Position.

Union County Educational Services Commission
Notes to the Financial Statements
June 30, 2018

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)

Actuarial Assumptions and Other Imputes

The total OPEB liability in the June 30, 2017 actuarial valuation reported by the State in the State's most recently issued CAFR was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation 2.5 percent

	<u>TPAF/ABP</u>	<u>PERS</u>	<u>PFRS</u>
Salary Increases Through 2026	1.55-4.55%	2.15-4.15%	2.10-8.98%
	Based on years of Service	Based on Age	Based of Age
Thereafter	2.00-5.45%	3.15-5.15%	3.10-9.98
	Based on years of Service	Based on Age	Based of Age

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Post-Retirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 - June 30, 2015, July 1, 2010 - June 30, 2013, and July 1, 2011 - June 30, 2014 for TPAF, PFRS and PERS, respectively.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Pan B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Union County Educational Services Commission
Notes to the Financial Statements
June 30, 2018

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)

Discount Rate

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This 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.

Changes in the Total Nonemployer OPEB Liability

Shown below are details regarding the Total Nonemployer OPEB Liability for the Measurement Period from June 30, 2016 to June 30, 2017:

Balance at 6/30/16		\$49,348,101
Changes for the year:		
Service cost	\$2,351,295	
Interest	1,458,819	
Changes in assumptions or other inputs	(5,832,514)	
Benefit payments	(1,072,243)	
Contributions from Members	39,483	
Net change in OPEB Liability	(3,055,160)	(3,055,160)
Balance at 6/30/17		\$46,292,941

Sensitivity of the Total Nonemployer OPEB Liability to Changes in the Discount Rate

The following presents the total nonemployer OPEB liability associated with the Commission as of June 30, 2017 calculated using the discount rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2017		
	<u>1.00% Decrease (2.58%)</u>	<u>At Discount Rate (3.58)</u>	<u>1.00% Increase (4.58%)</u>
State of New Jersey's Share of Nonemployer OPEB Liability Associated with the Commission	\$54,953,061	\$46,292,941	\$39,423,652

Union County Educational Services Commission
Notes to the Financial Statements
June 30, 2018

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)

Sensitivity of the Total Nonemployer OPEB Liability to Changes in Healthcare Trends

The following presents the total nonemployer OPEB liability associated with the Commission as of June 30, 2017 respectively, calculated using the healthcare trend rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a healthcare trend rate that is 1- percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2017		
	<u>1.00% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1.00% Increase</u>
State of New Jersey's Share of Nonemployer OPEB Liability Associated with the Commission	\$38,071,469	\$46,292,941	\$57,210,959

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2017, the State reported deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB associated with the Commission from the following sources:

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Changes of assumptions	\$5,474,881.00	-
Changes in proportion	-	\$444,572.00
	\$5,474,881.00	\$444,572.00

Union County Educational Services Commission
Notes to the Financial Statements
June 30, 2018

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB associated with the Commission will be recognized in OPEB expense as follows:

Year Ended <u>June 30,</u>	<u>Amount</u>
2019	(\$552,172)
2020	(\$552,172)
2021	(\$552,172)
2022	(\$552,172)
2023	(\$552,172)
Total Thereafter	<u>(\$2,269,447)</u>
	<u><u>(\$5,030,309)</u></u>

In accordance with GASBS No. 75, the Commission's proportionate share of school retirees OPEB is zero. There is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources in the financial statements.

State Health Benefit Local Education Retired Employee Plan Information

The New Jersey Division of Pension and Benefits issues publicly available reports on the OPEB plan. Those reports may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, NJ 08625-0295 or on their website at:

<http://www.state.nj.us/treasury/pensions/gasb-notices-opeb.shtml>

Union County Educational Services Commission
Notes to the Financial Statements
June 30, 2018

NOTE 8: LITIGATION

The Commission attorney's letter advises that there is no litigation, pending litigation, claims, contingent liabilities, unasserted claims or assessments or statutory violations which involve the Board of Education and which might materially affect the Board's financial position.

NOTE 9: CONTINGENCIES

The Commission receives financial assistance from the State of New Jersey and the U.S. Government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. The State and Federal grants received and expended in the 2017-2018 fiscal year were subject to the U.S. OMB Uniform Guidance and New Jersey OMB Circular 15-08 which mandates that grant revenues and expenditures be audited in conjunction with the Board's annual audit. Findings and questioned costs, if any, relative to federal awards and state financial assistance programs will be discussed in the Single Audit Section, Schedule of Findings and Questioned Costs. In addition, all grants and cost reimbursements are subject to financial and compliance audits by the grantors. Further, the School Child Nutrition Program is a recipient of federal reimbursements and is subject to certain related federal regulations. These federal reimbursements are subject to subsequent audit and interpretation by the New Jersey Department of Education. The Board management does not believe such an audit would result in material amounts of disallowed costs.

NOTE 10: RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters.

Property and Liability Insurance

The Commission maintains commercial coverage covering each of those risks of loss. The administration believes such coverage is sufficient to preclude any significant uninsured losses to the Commission. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

New Jersey Unemployment Compensation Insurance

The Commission has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributory Method". Under this plan, the Commission is required to calculate and pay the amount required on a quarterly basis based upon rates as determined by the New Jersey Department of Labor.

Union County Educational Services Commission
Notes to the Financial Statements
June 30, 2018

NOTE 11: FOUNDATION

Since this Foundation operates under an independent Board of Trustees and independent management, the financial statement of the Foundation are not included in the accompanying financial statements. As of June 30, 2018, the Commission estimated that the Foundation had net position of approximately \$233,093.63. Revenue and support received by the Foundation, and not reflected in the financial statements of the Commission, aggregated approximately \$27,155.40 to June 30, 2018.

NOTE 12: FUND BALANCE APPROPRIATED

General Fund - Of the \$20,709,931.53 in General Fund Balance at June 30, 2018, \$129.00 has been assigned for encumbrances; \$416,337.00 has been assigned - subsequent years' expenditures and \$20,293,465.53 is unassigned.

NOTE 13: INTERFUNDS RECEIVABLE AND PAYABLE

The following interfund balances remained on the balance sheet at June 30, 2018:

<u>FUND</u>	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
General Fund	\$ 1,109,323.13	\$ 47,101.02
Special Revenue Fund	0.00	1,106,589.89
Capital Projects Fund	7,159.00	0.00
Proprietary Fund	47,101.02	7,159.00
Fiduciary Fund	<u> </u>	<u>2,733.24</u>
	<u>\$ 1,163,583.15</u>	<u>\$ 1,163,583.15</u>

All balances resulted from the time lag between the dates that short-term loans were disbursed and payments between the funds were returned.

NOTE 14: INVENTORY

Inventory in the Food Service Fund at June 30, 2018 consisted of the following:

Food and Supplies	<u>\$6,837.32</u>
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The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1996) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of non-operating revenue in the financial statements.

Union County Educational Services Commission
Notes to the Financial Statements
June 30, 2018

NOTE 15: DEFERRED COMPENSATION

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

Vanguard
AIG Valic
Lincoln Investments

NOTE 16: OPERATING LEASES

The Commission had a one year lease that expired on June 30, 2018 with the Township of Clark for use of the Oliver B. Resch Gymnasium. Total rent expense for this lease for the fiscal year ended June 30, 2018 was \$17,381.00. The Commission has agreed to extend the lease for the period of July 1, 2018 to June 30, 2019 at a cost of \$17,729.00. The Commission had a one year lease that expired June 30, 2018 with AM School Associates to rent building space. Total rent expense for this lease for the fiscal year ended June 30, 2018 was \$184,100.00. The Commission has agreed to extend the lease with AM School Associates for the period of July 1, 2018 to June 30, 2019 at a cost of \$187,782.00. The Commission has entered into a five year lease to rent copiers. Remaining future minimum lease payments are as follows for the copiers:

<u>Fiscal Year</u>	<u>Amount</u>
2019	\$22,644.36
2020	22,644.36
2021	<u>7,548.12</u>
Total	<u>\$52,836.84</u>

NOTE 17: SUBSEQUENT EVENTS

The Commission has evaluated subsequent events occurring after the financial statement date through February 15, 2019, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION – Part II

BUDGETARY COMPARISON SCHEDULES

UNION COUNTY EDUCATIONAL SERVICES COMMISSION

GENERAL FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE FISCAL YEARS ENDED JUNE 30, 2018

	ORIGINAL BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
REVENUES					
Local sources:					
Tuition	\$20,537,311.00	\$836,469.00	\$21,373,780.00	\$19,902,432.82	(\$1,471,347.18)
Transportation fees from other LEA's	26,216,095.00	1,500,000.00	27,716,095.00	27,248,312.34	(467,782.66)
Miscellaneous	276,774.00		276,774.00	576,283.40	299,509.40
Total-local sources	47,030,180.00	2,336,469.00	49,366,649.00	47,727,028.56	(1,639,620.44)
Intermediate sources:					
Restricted sources				70,000.00	70,000.00
Total-intermediate sources				70,000.00	70,000.00
State sources:					
On-behalf TPAF pension (non-budgeted)				1,245,798.00	1,245,798.00
On-behalf TPAF N.C.G.I. (non-budgeted)				30,232.00	30,232.00
On-behalf TPAF post retirement medical (non-budgeted)				824,161.00	824,161.00
On-behalf TPAF long-term disability insurance (non-budgeted)				2,256.00	2,256.00
Reimbursed TPAF social security contributions (non-budgeted)				599,453.31	599,453.31
Total - state sources				2,701,900.31	2,701,900.31
Total revenues	47,030,180.00	2,336,469.00	49,366,649.00	50,498,928.87	1,132,279.87

UNION COUNTY EDUCATIONAL SERVICES COMMISSION
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEARS ENDED JUNE 30, 2018

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS AND AMENDMENTS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE/ (UNFAVORABLE)</u>
EXPENDITURES					
CURRENT EXPENSE:					
Instruction - regular programs:					
Salaries of teachers:					
Grades 9-12	\$2,687,437.00	\$232,814.00	\$2,920,251.00	\$2,660,685.00	\$259,566.00
Regular programs - home instruction:					
Salaries of teachers	800,000.00		800,000.00	505,271.00	294,729.00
Regular programs - undistributed instruction:					
Other salaries for instruction	476,669.00	22,000.00	498,669.00	457,270.00	41,399.00
Purchased professional-educational services	44,820.00	(5,000.00)	39,820.00	19,342.00	20,478.00
General supplies	245,319.95	6,000.05	251,320.00	177,859.00	73,461.00
Textbooks	6,620.00	(2,500.00)	4,120.00	251.00	3,869.00
Other objects	19,130.00		19,130.00	8,014.00	11,116.00
Total regular programs	4,279,995.95	253,314.05	4,533,310.00	3,828,692.00	704,618.00
Special Education- Instruction					
Behavioral Disabilities					
Salaries of Teachers	770,000.00		770,000.00	686,951.00	83,049.00
Other Salaries	190,000.00		190,000.00	179,315.00	10,685.00
Total Behavioral Disabilities	960,000.00		960,000.00	866,266.00	93,734.00
Multiple Disabilities					
Salaries of Teachers	566,413.00	(42,000.00)	524,413.00	486,072.00	38,341.00
Other Salaries	213,204.00	57,700.00	270,904.00	265,969.00	4,935.00
Total Multiple Disabilities	779,617.00	15,700.00	795,317.00	752,041.00	43,276.00
Autism					
Salaries of Teachers	1,047,800.00	42,000.00	1,089,800.00	1,039,232.00	50,568.00
Other Salaries	900,000.00	83,000.00	983,000.00	966,767.00	16,233.00
Total Autism	1,947,800.00	125,000.00	2,072,800.00	2,005,999.00	66,801.00
Preschool Handicapped Full Time					
Salaries of Teachers	65,410.00		65,410.00		65,410.00
Other Salaries	34,610.00	(10,000.00)	24,610.00		24,610.00
Total Preschool Handicapped- Full Time	100,020.00	(10,000.00)	90,020.00		90,020.00

UNION COUNTY EDUCATIONAL SERVICES COMMISSION
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEARS ENDED JUNE 30, 2018

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS AND AMENDMENTS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE/ (UNFAVORABLE)</u>
Total Special Education	3,787,437.00	130,700.00	3,918,137.00	3,624,306.00	293,831.00
Total - instruction	8,067,432.95	384,014.05	8,451,447.00	7,452,998.00	998,449.00
Undistributed Expenditures:					
Instruction:					
Tuition - other	\$62,595.00		\$62,595.00	\$1,175.00	\$61,420.00
Total undist. expenditures - instruction	62,595.00		62,595.00	1,175.00	61,420.00
Health services:					
Salaries	402,027.00	\$183.00	402,210.00	364,466.00	37,744.00
Purchased professional and technical services	406,650.00	(2,725.00)	403,925.00	334,093.00	69,832.00
Supplies and materials	11,410.00		11,410.00	9,482.00	1,928.00
Total health services	820,087.00	(2,542.00)	817,545.00	708,041.00	109,504.00
Other support services - students - special services:					
Salaries of other professional staff	501,150.00	(53,188.00)	447,962.00	414,700.00	33,262.00
Purchased professional - educational services	200,000.00		200,000.00	110,130.00	89,870.00
Total other support services - students - special services	701,150.00	(53,188.00)	647,962.00	524,830.00	123,132.00

UNION COUNTY EDUCATIONAL SERVICES COMMISSION

GENERAL FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE FISCAL YEARS ENDED JUNE 30, 2018

	ORIGINAL BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
Improvement of instruction services/ other support services-instructional staff:					
Salaries of supervisors of instruction	\$372,476.00	\$64,346.00	\$436,822.00	\$389,875.00	\$46,947.00
Total improvement of instruction services/ other support services-instructional staff	372,476.00	64,346.00	436,822.00	389,875.00	46,947.00
Educational media services/school library:					
Salaries of technology coordinators	223,000.00	(16,000.00)	207,000.00	147,005.00	59,995.00
Other purchased services (400-500)	50,000.00	16,000.00	66,000.00	63,782.00	2,218.00
Supplies and materials	7,080.00		7,080.00	2,869.00	4,211.00
Total educational media services/school library	280,080.00		280,080.00	213,656.00	66,424.00
Support services general administration:					
Salaries	565,800.00		565,800.00	484,015.00	81,785.00
Legal services	56,100.00	15,000.00	71,100.00	32,611.00	38,489.00
Audit fees	30,015.00		30,015.00	30,015.00	
Architectural/Engineer Services	18,585.00		18,585.00	9,120.00	9,465.00
Other purchased professional services	93,860.00	(15,000.00)	78,860.00	53,486.00	25,374.00
Communications/telephone	100,170.00		100,170.00	69,264.00	30,906.00
Other purchased services (400-500 series)	193,520.00	(4,000.00)	189,520.00	96,597.00	92,923.00
Supplies and materials	20,550.00		20,550.00	17,763.00	2,787.00
Miscellaneous expenditures	27,000.00		27,000.00	23,174.00	3,826.00
Total support services general administration	1,105,600.00	(4,000.00)	1,101,600.00	816,045.00	285,555.00

UNION COUNTY EDUCATIONAL SERVICES COMMISSION

GENERAL FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE FISCAL YEARS ENDED JUNE 30, 2018

	ORIGINAL BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
Support services school administration:					
Salaries of principals/asst. principals	\$724,578.00	\$9,215.00	\$733,793.00	\$733,476.00	\$317.00
Salaries of secretarial and clerical assistants	197,397.00		197,397.00	172,591.00	24,806.00
Other purchased services (400-500 series)	8,930.00		8,930.00	3,849.00	5,081.00
Supplies and materials	27,190.00	2,000.00	29,190.00	25,581.00	3,609.00
Other objects	79,160.00	30,450.00	109,610.00	83,152.00	26,458.00
Total support services school administration	1,037,255.00	41,665.00	1,078,920.00	1,018,649.00	60,271.00
Central services:					
Salaries	445,230.00		445,230.00	406,440.00	38,790.00
Purchased technical services	118,524.00		118,524.00	81,951.72	36,572.28
Misc. purchased services (400-500 series)	3,240.00		3,240.00	1,168.00	2,072.00
Supplies and materials	18,690.00		18,690.00	18,505.00	185.00
Interest on lease purchase agreements	99,553.00		99,553.00	99,549.00	4.00
Board office misc. dues and fees	9,364.00		9,364.00	8,590.00	774.00
Total central services	694,601.00		694,601.00	616,203.72	78,397.28
Other operation and maint. of plant:					
Salaries	352,610.00	6,000.00	358,610.00	295,137.00	63,473.00
Cleaning, repair and maint. services	428,100.00	10,000.00	438,100.00	266,745.00	171,355.00
Rental of land & building other than lease pur agrmt	205,000.00	(3,519.00)	201,481.00	201,481.00	
General supplies	63,675.00	4,000.00	67,675.00	58,609.00	9,066.00
Energy (natural gas)	94,165.00		94,165.00	51,016.00	43,149.00
Energy (electricity)	284,100.00		284,100.00	165,978.00	118,122.00
Total other operation and maint. of plant	1,427,650.00	16,481.00	1,444,131.00	1,038,966.00	405,165.00

UNION COUNTY EDUCATIONAL SERVICES COMMISSION
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEARS ENDED JUNE 30, 2018

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS AND AMENDMENTS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE/ (UNFAVORABLE)</u>
Student transportation services:					
Sal. for pupil trans. (bet. home & sch) - sp. Ed.	\$397,870.00	(\$4,150.00)	\$393,720.00	\$385,415.00	\$8,305.00
Sal. for pupil trans. (other than bet. home & sch) - vendors	364,360.00	\$20,000.00	384,360.00	367,962.00	16,398.00
Cleaning, repair, & maint. services	173,235.00		173,235.00	155,097.00	18,138.00
Contr. serv. (bet. home & sch) - vendors	24,787,465.00	1,469,400.00	26,256,865.00	25,735,216.00	521,649.00
Contracted services (other than between home & school) - vendors	17,080.00		17,080.00	1,475.00	15,605.00
Supplies and materials	7,000.00		7,000.00	6,314.00	686.00
Transportation supplies	45,200.00		45,200.00	35,516.00	9,684.00
Other objects	100.00		100.00		100.00
Total student transportation services	<u>25,792,310.00</u>	<u>1,485,250.00</u>	<u>27,277,560.00</u>	<u>26,686,995.00</u>	<u>590,565.00</u>
Unallocated benefits - employee benefits:					
Social security contributions	370,280.00	10,680.00	380,960.00	353,901.00	27,059.00
Other retirement contributions - regular	530,180.00	(6,370.00)	523,810.00	432,692.00	91,118.00
Unemployment compensation	47,174.00	38.00	47,212.00	46,587.00	625.00
Workmen's compensation	163,670.00	(636.00)	163,034.00	149,212.00	13,822.00
Health benefits	4,171,910.00	(43,863.00)	4,128,047.00	3,564,626.00	563,421.00
Unused Sick Payment to Term/Retired Staff	50,000.00		50,000.00	23,434.00	26,566.00
Total unallocated benefits - employee benefits:	<u>5,333,214.00</u>	<u>(40,151.00)</u>	<u>5,293,063.00</u>	<u>4,570,452.00</u>	<u>722,611.00</u>

UNION COUNTY EDUCATIONAL SERVICES COMMISSION
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEARS ENDED JUNE 30, 2018

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS AND AMENDMENTS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE/ (UNFAVORABLE)</u>
On-behalf TPAF pension (non-budgeted)				\$1,245,798.00	(\$1,245,798.00)
On-behalf TPAF N.C.G.I. (non-budgeted)				\$30,232.00	(\$30,232.00)
On-behalf TPAF post retirement medical (non-budgeted)				824,161.00	(824,161.00)
On-behalf TPAF long-term disability insurance (non-budgeted)				2,256.00	(2,256.00)
Reimbursed TPAF social security contributions (non-budgeted)				599,453.31	(599,453.31)
				<u>2,701,900.31</u>	<u>(2,701,900.31)</u>
Total undistributed expenditures	\$37,627,018.00	\$1,507,861.00	\$39,134,879.00	39,286,788.03	(151,909.03)
TOTAL EXPENDITURES - CURRENT EXPENSE	<u>45,694,450.95</u>	<u>1,891,875.05</u>	<u>47,586,326.00</u>	<u>46,739,786.03</u>	<u>846,539.97</u>
CAPITAL OUTLAY:					
Equipment:					
Undistributed expenditures - instruction	255,000.00	190,000.00	445,000.00	281,750.00	163,250.00
Undistributed expenditures - general admin.	10,000.00		10,000.00	2,236.00	7,764.00
Undistributed expenditures - central services	10,000.00		10,000.00	4,448.00	5,552.00
Total equipment	<u>275,000.00</u>	<u>190,000.00</u>	<u>465,000.00</u>	<u>288,434.00</u>	<u>176,566.00</u>
Facilities acquisition and construction svcs.:					
Lease purchase agreements - principal	479,000.00		479,000.00	468,000.00	11,000.00
Total facilities acquisition and const. serv.	<u>479,000.00</u>		<u>479,000.00</u>	<u>468,000.00</u>	<u>11,000.00</u>
TOTAL CAPITAL OUTLAY	<u>754,000.00</u>	<u>190,000.00</u>	<u>944,000.00</u>	<u>756,434.00</u>	<u>187,566.00</u>
SPECIAL SCHOOLS					
Summer school - instruction:					
Salaries of teachers	266,428.00		266,428.00	251,600.00	14,828.00
Other salaries for instruction	190,585.00		190,585.00	171,591.00	18,994.00
General supplies	50,622.00		50,622.00	11,900.00	38,722.00
Total summer school - instruction	<u>507,635.00</u>		<u>507,635.00</u>	<u>435,091.00</u>	<u>72,544.00</u>

UNION COUNTY EDUCATIONAL SERVICES COMMISSION
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEARS ENDED JUNE 30, 2018

	ORIGINAL BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
(Continued from prior page)					
Summer school - support services:					
Salaries	\$106,880.00		\$106,880.00	\$106,471.00	\$409.00
Personal services - employee benefits	51,565.00		51,565.00	49,570.00	1,995.00
Purchased professional and technical services	21,818.00	\$60,000.00	81,818.00	29,934.00	51,884.00
Other purchased services (400-500 series)	24,056.00		24,056.00	9,719.00	14,337.00
Total summer school - support services	204,319.00	60,000.00	264,319.00	195,694.00	68,625.00
TOTAL SPECIAL SCHOOLS	711,954.00	60,000.00	771,954.00	630,785.00	141,169.00
TOTAL EXPENDITURES	47,160,404.95	2,141,875.05	49,302,280.00	48,127,005.03	1,175,274.97
Excess (deficiency) of revenues over (under) expenditures	(130,224.95)	194,593.95	64,369.00	2,371,923.84	2,307,554.84
Other financing sources(uses) Transfer of funds - enterprise fund	(20,000.00)		(20,000.00)	(10,000.00)	(10,000.00)
Total other financing sources	(20,000.00)		(20,000.00)	(10,000.00)	(10,000.00)

UNION COUNTY EDUCATIONAL SERVICES COMMISSION
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEARS ENDED JUNE 30, 2018

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS AND AMENDMENTS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE/ (UNFAVORABLE)</u>
Excess of revenues and other financing sources over expenditures and other financing sources	(150,224.95)	194,593.95	44,369.00	2,361,923.84	2,317,554.84
Fund balances, July 1	18,348,007.69		18,348,007.69	18,348,007.69	
Fund balances, June 30	<u>\$18,197,782.74</u>	<u>\$194,593.95</u>	<u>\$18,392,376.69</u>	<u>\$20,709,931.53</u>	<u>\$2,317,554.84</u>
Recapitulation:					
Assigned - year-end encumbrances				\$129.00	
Committed - designated for subsequent years expenditures				416,337.00	
Unassigned fund balance				20,293,465.53	
Reconciliation to governmental funds statements (GAAP):				20,709,931.53	
Fund balance per governmental funds (GAAP)				<u>\$20,709,931.53</u>	

UNION COUNTY EDUCATIONAL SERVICES COMMISSION
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND
 FOR FISCAL YEARS ENDED JUNE 30, 2018

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
REVENUES:					
Local education agency sources	\$5,657,090.00	\$266,100.00	\$5,923,190.00	\$4,782,971.00	(\$1,140,219.00)
Other sources		37,500.00	37,500.00	27,155.00	(10,345.00)
State sources	137,974.00	1,769.00	139,743.00	139,743.00	
Total revenues	\$5,795,064.00	\$305,369.00	\$6,100,433.00	\$4,949,869.00	(\$1,150,564.00)
EXPENDITURES:					
Instruction:					
Salaries of teachers	\$1,763,300.00	(\$107,470.00)	\$1,655,830.00	\$1,404,631.00	\$251,199.00
Other salaries for instruction	150,000.00	19,814.00	169,814.00	97,031.00	72,783.00
Purchased professional educational services	95,380.00	(95,380.00)			
Other purchased services	15,435.00	(15,435.00)			
Supplies	265,243.00	12,575.00	277,818.00	234,438.00	43,380.00
Textbooks	294,288.00		294,288.00	242,679.00	51,609.00
Other objects	325,000.00	98,300.00	423,300.00	326,548.00	96,752.00
Total instruction	2,908,646.00	(87,596.00)	2,821,050.00	2,305,327.00	515,723.00
Support services:					
Salaries of supervisor's of instruction	215,000.00		215,000.00	211,375.00	3,625.00
Salaries of other professional staff	464,276.00	(3,481.00)	460,795.00	415,163.00	45,632.00
Salaries of secretarial and clerical assistants	117,550.00		117,550.00	117,265.00	285.00
Other salaries for instruction	40,730.00	20,000.00	60,730.00	51,075.00	9,655.00
Purchased professional educational services	570,000.00	91,963.00	661,963.00	524,397.00	137,566.00
Other purchased professional services	50,698.00	(38,698.00)	12,000.00	1,812.00	10,188.00
Personal services - employee benefits	863,364.00	187,153.00	1,050,517.00	743,266.00	307,251.00
Rentals	57,000.00	10,000.00	67,000.00	67,000.00	
Other purchased services	160,756.00	71,703.00	232,459.00	170,600.00	61,859.00
Supplies and materials	75,919.00	16,825.00	92,744.00	59,742.00	33,002.00
Indirect costs - administrative fees	248,065.00		248,065.00	248,065.00	
Other objects	3,060.00	37,500.00	40,560.00	28,848.00	11,712.00
Total support services	2,866,418.00	392,965.00	3,259,383.00	2,638,608.00	620,775.00
Facilities acquisition & construction services:					
Instructional equipment	20,000.00		20,000.00	5,934.00	14,066.00
Total expenditures	\$5,795,064.00	\$305,369.00	\$6,100,433.00	\$4,949,869.00	\$1,150,564.00

UNION COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
BUDGET TO GAAP RECONCILIATION
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>
Sources/inflows of resources		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$50,498,928.87	\$4,949,869.00
Difference - budget to GAAP Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and related revenue is recognized.	-0-	-0-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	\$50,498,928.87	\$4,949,869.00
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules	\$48,137,005.03	\$4,949,869.00
Difference - budget to GAAP Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial purposes	-0-	-0-
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	\$48,137,005.03	\$4,949,869.00

REQUIRED SUPPLEMENTARY INFORMATION - PART III

SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR PENSION (GASB 68)

UNION COUNTY EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS

Measurement Date Ending June 30,	Commission's Proportion of the Net Pension Liability (Asset)	Commission's Proportionate Share of the Net Pension Liability (Asset)	Commission's Covered-Employee Payroll	Commission's Proportion of the Net Pension Liability (Asset) as a percentage of it's Covered-Employee Payroll	Plan Fiduciary Net Position as a percentage of the total Pension Liability
2013	0.0483272556%	\$ 9,236,299	\$ 3,479,367	265.46%	48.72%
2014	0.0515311053%	9,648,032	3,312,707	291.24%	52.08%
2015	0.0511659564%	11,485,732	3,423,912	335.46%	47.92%
2016	0.0501693118%	14,858,711	3,088,201	481.14%	40.14%
2017	0.0465837832%	10,843,960	3,125,455	346.96%	48.09%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

UNION COUNTY EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF THE COMMISSION'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS

Fiscal Year Ending June 30,	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Commission's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2014	\$ 424,815	\$ 364,136	\$ -0-	\$ 3,312,707	10.99%
2015	439,890	424,815	-0-	3,423,912	12.41%
2016	445,697	439,890	-0-	3,088,201	14.24%
2017	447,925	445,697	-0-	3,125,455	14.26%
2018	433,707	433,707	-0-	3,426,712	12.66%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

UNION COUNTY EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS PENSION AND ANNUITY FUND
LAST TEN YEARS

Measurement Date Ending June 30,	Commission's Proportion of the Net Pension Liability (Asset)	Commission's Proportionate Share of the Net Pension Liability (Asset)	Commission's Covered-Employee Payroll	Commission's Proportion of the Net Pension Liability (Asset) as a percentage of it's Covered-Employee Payroll	Plan Fiduciary Net Position as a percentage of the total Pension Liability
2013	0.0927846028%	\$ -0-	\$ 8,870,701.00	-0-	33.76%
2014	0.0894788484%	-0-	8,921,587.00	-0-	33.64%
2015	0.0900519867%	-0-	8,367,792.00	-0-	28.71%
2016	0.0886702938%	-0-	8,588,894.00	-0-	22.33%
2017	0.0830714603%	-0-	8,432,495.00	-0-	25.41%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

UNION COUNTY EDUCATIONAL SERVICES COMMISSION
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Public Employees Retirement System

Change in benefit terms: None

Change in assumptions: The discount rate changed from 3.98% to 5.00% as of June 30, 2017.

Teacher Pension and Annuity Fund

Change in benefit terms: None

Change in assumptions: The discount rate changed from 3.22% to 4.25% as of June 30, 2017.

SCHEDULE RELATED TO ACCOUNTING AND REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (GASB 75)

UNION COUNTY EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF CHANGES IN THE TOTAL
OPEB LIABILITY AND RELATED RATIOS
LAST TEN YEARS

Fiscal Year
 Ended June
30, 2018

Changes for the year:	
Service cost	\$2,351,295
Interest	1,458,819
Changes in assumptions or other inputs	(5,832,514)
Benefit payments	(1,072,243)
Contributions from Members	39,483
Net changes	<u>(3,055,160)</u>
Beginning Balance	\$49,348,101
Ending Balance	<u><u>\$46,292,941</u></u>
Covered Employee Payroll	19,276,455
Total OPEB Liability as a percentage of Covered Employee Payroll	-0-

Change of Benefit Terms:

No Change in Benefits terms between the June 30, 2016 actuarial valuation and the June 30, 2017 actuarial valuation.

Change of Assumptions:

The Discount Rate Changed from 2.85% at the June 30, 2016 measurement date to 3.58% at the 6/30/2017 measurement date.

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

OTHER SUPPLEMENTARY INFORMATION

UNION COUNTY EDUCATIONAL SERVICES COMMISSION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	HOME INSTRUCTION	UCESC FOUNDATION	NON-PUBLIC TECHNOLOGY	NON-PUBLIC NURSING SERVICES	NON-PUBLIC TEXTBOOKS	IDEA PART B PROGRAM
REVENUES:						
Local education agency sources	\$15,351.00			\$403,647.00	\$242,679.00	\$1,056,376.00
Other sources		\$27,155.00				
State sources						
Total revenues	\$15,351.00	\$27,155.00	\$238,870.00	\$403,647.00	\$242,679.00	\$1,056,376.00
EXPENDITURES:						
Instruction:						
Salaries of teachers	\$14,430.00					\$493,064.00
Other salaries for instruction			\$227,815.00			97,031.00
Supplies					\$242,679.00	1,129.00
Textbooks						
Other objects						
Total instruction	14,430.00		227,815.00		242,679.00	591,224.00
Support services:						
Salaries of supervisor's of instruction				\$309,118.00		
Salaries of other professional staff						
Salaries of secretarial and clerical assistants						
Other salaries for instruction						74,210.00
Purchased professional educational services						
Other purchased professional services				52,497.00		302,520.00
Personal services - employee benefits						
Rentals						
Other purchased services						25,040.00
Supplies and materials				13,913.00		
Indirect costs - administrative fees				5,382.00		
Miscellaneous expenditures	921.00	\$27,155.00	11,055.00	22,737.00		63,382.00
Total support services	921.00	27,155.00	11,055.00	403,647.00		465,152.00
Facilities acquisition & construction services:						
Instructional equipment						
Total facilities acquisition & construction services						
Total expenditures	\$15,351.00	\$27,155.00	\$238,870.00	\$403,647.00	\$242,679.00	\$1,056,376.00
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$-0-	\$-0-	\$-0-	\$-0-	\$-0-	\$-0-

UNION COUNTY EDUCATIONAL SERVICES COMMISSION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	NON-PUBLIC CHAPTER 192	NON-PUBLIC CHAPTER 193	NON-PUBLIC SECURITY AID	DYFS DAY TREATMENT PROGRAM	TOTAL
REVENUES:					
Local education agency sources	\$1,206,554.00	\$1,292,946.00	\$326,548.00		\$4,782,971.00
Other sources				\$139,743.00	27,155.00
State sources					139,743.00
Total revenues	<u>\$1,206,554.00</u>	<u>\$1,292,946.00</u>	<u>\$326,548.00</u>	<u>\$139,743.00</u>	<u>\$4,949,869.00</u>
EXPENDITURES:					
Instruction:					
Salaries of teachers	\$593,297.00	\$303,840.00			\$1,404,631.00
Other salaries for instruction					97,031.00
Supplies		5,494.00			234,438.00
Textbooks					242,679.00
Other objects			\$326,548.00		326,548.00
Total instruction	<u>593,297.00</u>	<u>309,334.00</u>	<u>326,548.00</u>		<u>2,305,327.00</u>
Support services:					
Salaries of supervisor's of instruction	91,177.00	120,198.00			211,375.00
Salaries of other professional staff				106,045.00	415,163.00
Salaries of secretarial and clerical assistants	55,138.00	62,127.00			117,265.00
Other salaries for instruction	50,075.00	1,000.00			51,075.00
Purchased professional educational services		416,489.00		33,698.00	524,397.00
Other purchased professional services		1,812.00			1,812.00
Personal services - employee benefits	220,213.00	168,036.00			743,266.00
Rentals	48,411.00	18,589.00			67,000.00
Other purchased services	55,250.00	76,397.00			170,600.00
Supplies and materials	20,600.00	33,760.00			59,742.00
Indirect costs - administrative fees	72,393.00	77,577.00			248,065.00
Miscellaneous expenditures		1,693.00			28,848.00
Total support services	<u>613,257.00</u>	<u>977,678.00</u>		<u>139,743.00</u>	<u>2,638,608.00</u>
Facilities acquisition & construction services:					
Instructional equipment		5,934.00			5,934.00
Total facilities acquisition & construction services		<u>5,934.00</u>			<u>5,934.00</u>
Total expenditures	<u>\$1,206,554.00</u>	<u>\$1,292,946.00</u>	<u>\$326,548.00</u>	<u>\$139,743.00</u>	<u>\$4,949,869.00</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$-0-</u>

SPECIAL REVENUE FUND DETAIL STATEMENTS

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

CAPITAL PROJECTS FUND DETAIL STATEMENTS

The capital projects fund is used to account for the acquisition and construction of major capital facilities and equipment purchases other than those financed by proprietary funds.

UNION COUNTY EDUCATIONAL SERVICES COMMISSION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

REVENUES AND OTHER FINANCING SOURCES:	
Interest earned	<u>\$5,701.92</u>
Total revenues and other financing sources	<u>5,701.92</u>
Excess (deficiency) of revenues over (under) expenditures	5,701.92
Fund balance - July 1	<u>499,389.47</u>
Fund balance - June 30	<u><u>\$505,091.39</u></u>

FIDUCIARY FUND DETAIL STATEMENTS

Fiduciary funds are used to account for assets when the Commission is functioning either as a trustee or as an agent for another party.

Student Activity Fund: This agency fund is used to account for student funds held at the schools.

Payroll Agency Fund: This agency fund is used to account for the payroll transactions of the Commission.

UNION COUNTY EDUCATIONAL SERVICES COMMISSION
FIDUCIARY FUND
COMBINING STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018

	<u>PAYROLL AGENCY</u>	<u>STUDENT ACTIVITY</u>	<u>TOTAL AGENCY</u>
ASSETS:			
Cash and cash equivalents	<u>\$602,640.09</u>	<u>\$22,777.37</u>	<u>\$625,417.46</u>
Total assets	<u><u>\$602,640.09</u></u>	<u><u>\$22,777.37</u></u>	<u><u>\$625,417.46</u></u>
LIABILITIES:			
Liabilities:			
Payroll deductions payable	\$260,123.12		\$260,123.12
Accrued salaries	339,783.73		339,783.73
Interfund payable	2,733.24		2,733.24
Payable to student groups		<u>\$22,777.37</u>	<u>22,777.37</u>
Total liabilities	<u><u>\$602,640.09</u></u>	<u><u>\$22,777.37</u></u>	<u><u>\$625,417.46</u></u>

UNION COUNTY EDUCATIONAL SERVICES COMMISSION
STUDENT ACTIVITY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>BALANCE</u> <u>JUNE 30, 2017</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2018</u>
ASSETS:				
Cash and cash equivalents	\$ <u>18,140.73</u>	\$ <u>25,265.08</u>	\$ <u>20,628.44</u>	\$ <u>22,777.37</u>
Total assets	\$ <u><u>18,140.73</u></u>	\$ <u><u>25,265.08</u></u>	\$ <u><u>20,628.44</u></u>	\$ <u><u>22,777.37</u></u>
LIABILITIES:				
Due student groups	\$ <u>18,140.73</u>	\$ <u>25,265.08</u>	\$ <u>20,628.44</u>	\$ <u>22,777.37</u>
Total liabilities	\$ <u><u>18,140.73</u></u>	\$ <u><u>25,265.08</u></u>	\$ <u><u>20,628.44</u></u>	\$ <u><u>22,777.37</u></u>

UNION COUNTY EDUCATIONAL SERVICES COMMISSION
FIDUCIARY FUND
PAYROLL AGENCY FUND SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>BALANCE</u> <u>JUNE 30, 2017</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2018</u>
ASSETS:				
Cash and cash equivalents	\$595,302.34	\$11,491,802.96	\$11,484,465.21	\$602,640.09
Total assets	<u>\$595,302.34</u>	<u>\$11,491,802.96</u>	<u>\$11,484,465.21</u>	<u>\$602,640.09</u>
LIABILITIES:				
Payroll deductions payable	\$251,093.26	\$11,152,019.23	\$11,142,989.37	\$260,123.12
Accrued salaries	341,475.84	339,783.73	341,475.84	339,783.73
Interfund payable	2,733.24	0.00	0.00	2,733.24
Total liabilities	<u>\$595,302.34</u>	<u>\$11,491,802.96</u>	<u>\$11,484,465.21</u>	<u>\$602,640.09</u>

LONG-TERM LIABILITIES SCHEDULES

The Long-Term schedules are used to reflect the outstanding principal balances of the long-term liabilities of the Commission. This may include obligations under Capital Leases and Certificates of Participation

UNION COUNTY EDUCATIONAL SERVICES COMMISSION
LONG-TERM LIABILITIES
SCHEDULE OF CERTIFICATES OF PARTICIPATION
JUNE 30, 2018

ISSUE	DATE OF ISSUE	AMOUNT OF ISSUE	MATURITIES		RATE OF INTEREST	BALANCE JULY 1, 2017	RETIRED	BALANCE JUNE 30, 2018
			DATE	AMOUNT				
Refinance of purchase and renovation of Lamberts Mill Road School	2006	\$4,465,000.00	6/15/2019	\$330,000.00	4.300%	\$1,875,000.00	\$315,000.00	\$1,560,000.00
			6/15/2020	345,000.00	4.300%			
			6/15/2021	360,000.00	4.375%			
			6/15/2022	525,000.00	4.375%			
Refinance of purchase and renovation of Cardinal Drive Property and Building	2012	1,725,000.00	3/1/2019	235,000.00	2.650%	695,000.00	220,000.00	475,000.00
			3/1/2020	240,000.00	2.650%			
						<u>\$2,570,000.00</u>	<u>\$535,000.00</u>	<u>\$2,035,000.00</u>

UNION COUNTY EDUCATIONAL SERVICES COMMISSION
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES/LEASE PURCHASE AGREEMENTS
JUNE 30, 2018

<u>DESCRIPTION</u>	<u>INTEREST</u> <u>RATE PAYABLE</u>	<u>AMOUNT OF</u> <u>ORIGINAL</u> <u>ISSUE</u>	<u>AMOUNT</u> <u>OUTSTANDING</u> <u>JUNE 30, 2017</u>	<u>RETIRED</u> <u>CURRENT YEAR</u>	<u>AMOUNT</u> <u>OUTSTANDING</u> <u>JUNE 30, 2018</u>
2006 - 1997 Refinance	4.1 to 4.373%	\$4,465,000.00	\$1,875,000.00	\$315,000.00	\$1,560,000.00
2012 - Cardinal Drive Refinance	2.650%	1,725,000.00	695,000.00	220,000.00	475,000.00
			<u>\$2,570,000.00</u>	<u>\$535,000.00</u>	<u>\$2,035,000.00</u>

**STATISTICAL SECTION
(UNAUDITED)**

UNION COUNTY EDUCATIONAL SERVICES COMMISSION
STATISTICAL SECTION

<u>Contents</u>	<u>Page</u>
Financial Trends:	
These schedules contain trend information to help the reader understand how the Commission's financial performance and well being have changed over time.	J-1 to J-4
Revenue Capacity:	
These schedules contain information to help the reader assess the Commission's most significant local revenue source, the property tax.	J-5
Debt Capacity:	
These schedules present information to help the reader assess the affordability of the Commission's current levels of outstanding debt and the Commission's ability to issue additional debt in the future.	N/A
Demographic and Economic Information:	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the Commission's financial activities take place.	N/A
Operating Information:	
These schedules contain service and infrastructure data to help the reader understand how the information in the Commission's financial report relates to the services the Commission provides and the activities it performs.	J-18 and J-20

Sources

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

UNION COUNTY EDUCATIONAL SERVICES COMMISSION
NET POSITION BY COMPONENT
UNAUDITED

	2018	2017	2016	2015	2014	2,013.00	2012	2011	2010	2009
Governmental activities										
Net investment in capital assets	\$ 5,449,093.46	\$ 4,992,116.04	\$ 4,680,853.75	\$ 4,462,491.40	\$ 4,253,442.63	\$ 4,190,159.92	\$ 3,931,675.03	\$ 2,934,242.75	\$ 3,716,994.35	\$ 3,612,992.34
Restricted	921,428.39	709,389.47	497,359.34	661,723.89	587,192.13	847,279.48	846,950.42	1,282,315.28	982,865.83	844,288.45
Unrestricted	8,660,683.93	6,756,290.09	6,179,817.59	4,805,150.91	13,071,082.30	13,100,557.33	12,744,866.51	13,425,469.50	13,425,469.50	13,766,348.02
Total governmental activities net position	\$ 15,031,205.78	\$ 12,459,795.60	\$ 11,358,030.68	\$ 9,929,366.20	\$ 17,911,717.06	\$ 18,137,996.73	\$ 17,523,491.96	\$ 17,337,514.12	\$ 18,125,329.68	\$ 18,223,628.81
Business-type activities										
Net investment in capital assets	\$ 8,531.84	\$ 9,276.72	\$ 2,272.53	\$ 3,527.88	\$ 3,912.74	\$ 4,297.60	\$ 4,682.46	\$ 5,067.32	\$ 5,452.18	\$ 5,452.18
Unrestricted	40,661.13	50,562.12	57,280.48	66,469.22	58,020.01	49,182.37	54,195.64	51,963.35	65,750.89	35,971.25
Total business-type activities net position	\$ 49,192.97	\$ 59,838.84	\$ 59,553.01	\$ 69,997.10	\$ 61,932.75	\$ 53,479.97	\$ 58,878.10	\$ 57,030.67	\$ 71,203.07	\$ 35,971.25
Commission-wide										
Net investment in capital assets	\$ 5,457,625.30	\$ 5,001,392.76	\$ 4,683,126.28	\$ 4,466,019.28	\$ 4,257,355.37	\$ 4,194,457.52	\$ 3,936,357.49	\$ 2,939,310.07	\$ 3,722,446.53	\$ 3,612,992.34
Restricted	921,428.39	709,389.47	497,359.34	661,723.89	587,192.13	847,279.48	846,950.42	1,282,315.28	982,865.83	844,288.45
Unrestricted	8,701,345.06	6,808,852.21	6,237,088.07	4,871,620.13	13,129,102.31	13,149,739.70	12,799,082.15	13,172,919.44	13,491,220.39	13,802,319.27
Total Commission net position	\$ 15,080,398.75	\$ 12,519,634.44	\$ 11,417,583.69	\$ 9,999,363.30	\$ 17,973,649.81	\$ 18,191,476.70	\$ 17,582,370.06	\$ 17,394,544.79	\$ 18,196,532.75	\$ 18,259,600.06

Sources: CAFR Schedule A-1

UNION COUNTY EDUCATIONAL SERVICES COMMISSION
CHANGES IN NET POSITION
UNAUDITED

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
EXPENSES										
Governmental activities										
Instruction:										
Regular	\$ 14,615,818.70	\$ 14,229,493.72	\$ 16,678,556.51	\$ 15,477,454.09	\$ 14,624,522.84	\$ 14,492,967.40	\$ 13,435,683.62	\$ 13,404,993.33	\$ 13,763,841.36	\$ 12,660,264.12
Vocational	3,743,001.55	3,697,315.39	104,527.74	115,951.23	174,898.62	188,568.32	174,617.50	195,684.50	187,512.39	325,155.89
Nonpublic school programs										
Support Services:										
Student & instruction related services	5,319,750.27	5,276,794.44	4,908,302.05	4,772,660.91	4,594,237.18	4,666,443.51	4,495,653.91	4,527,564.43	4,651,154.85	4,815,590.34
School administrative services	1,838,241.43	1,664,682.72	1,397,418.64	1,312,665.35	1,174,274.42	1,095,768.12	1,091,457.58	1,388,788.74	1,234,189.37	1,266,687.49
General administrative services	1,235,848.68	1,155,788.37	1,106,568.09	1,058,066.49	874,615.73	883,827.07	1,016,030.02	780,115.47	729,309.11	714,339.08
Plant operations and maintenance	1,237,444.46	1,317,749.83	1,325,563.21	1,209,082.22	1,134,719.27	1,263,244.54	1,059,219.59	1,046,351.45	1,046,351.45	1,086,492.15
Pupil transportation	27,478,389.38	27,443,283.40	24,804,258.03	23,255,261.59	21,756,688.20	20,621,894.34	19,446,933.60	17,532,976.52	20,135,543.88	22,057,377.72
Other support services	915,848.70	911,914.03	833,612.54	813,819.20	714,375.12	660,887.43	848,358.10	841,873.73	844,893.50	728,399.23
Special Schools	1,161,971.20	1,117,811.54	917,368.98	880,600.91	634,991.85	615,673.96	557,834.00	533,966.00	581,262.17	366,914.87
Amortization of bond issuance costs						29,906.73	29,906.73	29,906.73	29,906.73	29,907.00
Interest on long-term debt	97,089.36	119,262.62	133,754.04	150,637.80	408,540.07	181,004.61		298,736.86	298,736.83	297,822.63
Unallocated depreciation	291,747.88	293,640.19	298,736.83	298,736.83	(111,069.26)	298,736.83		40,575,444.81	43,502,701.64	44,368,940.52
Total governmental activities expenses	57,935,151.61	57,227,736.25	52,508,666.66	49,344,936.62	45,980,794.04	44,998,922.86	42,454,431.46	40,575,444.81	43,502,701.64	44,368,940.52
Business-type activities:										
Food Service	244,768.56	233,309.43	224,777.24	224,245.02	184,488.79	172,185.68	159,909.51	175,345.71	161,134.97	152,994.16
Total business-type activities expense	244,768.56	233,309.43	224,777.24	224,245.02	184,488.79	172,185.68	159,909.51	175,345.71	161,134.97	152,994.16
Total Commission expenses	\$ 58,179,920.17	\$ 57,461,045.68	\$ 52,733,443.90	\$ 49,569,181.64	\$ 46,165,282.83	\$ 45,171,108.54	\$ 42,614,340.97	\$ 40,750,790.52	\$ 43,663,836.61	\$ 44,521,934.68
PROGRAM REVENUES										
Governmental activities:										
Charges for Services:										
Instruction (tuition)	\$ 19,902,432.82	\$ 18,849,795.52	\$ 18,620,571.64	\$ 17,712,696.48	\$ 16,595,656.55	\$ 16,527,275.28	\$ 15,221,068.31	\$ 14,219,326.23	\$ 14,498,674.45	\$ 13,797,815.85
Pupil transportation	27,248,312.34	27,170,625.55	24,645,044.56	23,123,529.92	21,777,847.65	20,646,150.56	19,382,151.32	17,318,550.50	20,492,128.95	22,233,934.39
Operating grants and contributions	12,654,657.31	11,667,729.62	10,013,710.40	9,034,776.85	7,124,760.76	7,882,567.39	7,508,842.02	7,697,035.07	7,957,181.26	8,218,073.64
Capital grants and contributions	5,934.00									
Total governmental activities program revenues	59,811,336.47	57,688,150.69	53,279,326.60	49,871,003.25	45,498,264.96	45,055,993.23	42,112,061.65	39,234,911.80	42,947,984.66	44,249,823.88
Business-type activities:										
Charges for services:										
Food Service	30,041.46	33,055.05	28,613.55	30,061.44	32,398.52	23,001.02	18,938.62	18,747.35	14,725.69	16,836.75
Operating grants and contributions	194,081.23	195,540.21	185,719.60	172,247.93	160,542.05	143,768.56	141,591.78	137,818.36	167,375.53	148,767.54
Total business-type activities program revenues	224,122.69	228,595.26	214,333.15	202,309.37	192,941.57	166,769.58	160,530.40	156,565.71	182,101.22	165,604.29
Total Commission program revenues	\$ 60,035,459.16	\$ 57,916,745.95	\$ 53,493,659.75	\$ 50,073,312.62	\$ 45,691,206.53	\$ 45,222,762.81	\$ 42,272,592.05	\$ 39,391,477.51	\$ 43,130,085.88	\$ 44,415,428.17
NET (EXPENSE)/REVENUE										
Governmental activities	\$ 1,876,184.86	\$ 460,414.44	\$ 770,659.94	\$ 526,066.63	\$ (482,529.08)	\$ 57,070.37	\$ (342,369.81)	\$ (1,340,533.01)	\$ (654,716.98)	\$ (119,116.64)
Business-type activities	(20,645.87)	(4,714.17)	(10,444.09)	(21,935.65)	8,452.78	(5,416.10)	620.89	(18,780.00)	20,966.25	12,610.13
Total Commission-wide net expense	\$ 1,855,538.99	\$ 455,700.27	\$ 760,215.85	\$ 504,130.98	\$ (474,076.30)	\$ 51,654.27	\$ (341,748.92)	\$ (1,359,313.01)	\$ (633,750.73)	\$ (106,506.51)

UNION COUNTY EDUCATIONAL SERVICES COMMISSION
CHANGES IN NET POSITION
UNAUDITED

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
Governmental activities:										
Investment earnings	\$ 651,985.32	\$ 642,041.24	\$ 658,004.54	\$ 598,171.93	\$ 666,055.50	\$ 49,175.44	\$ 56,642.18	\$ 96,986.45	\$ 91,548.18	\$ 204,972.63
Miscellaneous income	53,240.00	4,309.24		27,809.35		508,258.96	471,705.47	455,731.00	377,869.67	423,408.15
Cancellation of accounts payable	(10,000.00)	(5,000.00)		(30,000.00)					(13,000.00)	(13,000.00)
Transfers	695,225.32	641,350.48	658,004.54	595,981.28	666,055.50	557,434.40	528,347.65	552,717.45	456,417.85	615,380.68
Total governmental activities	\$ 10,000.00	\$ 5,000.00	\$ 658,004.54	\$ 625,981.28	\$ 666,055.50	\$ 557,452.37	\$ 529,574.19	\$ 557,325.05	\$ 470,683.42	\$ 630,864.94
Business-type activities:										
Miscellaneous income	10,000.00	5,000.00		30,000.00		17.97	1,226.54	4,607.60	1,265.57	2,484.26
Transfers	10,000.00	5,000.00		30,000.00		17.97	1,226.54	4,607.60	1,265.57	13,000.00
Total business-type activities	\$ 705,225.32	\$ 646,350.48	\$ 658,004.54	\$ 625,981.28	\$ 666,055.50	\$ 557,452.37	\$ 529,574.19	\$ 557,325.05	\$ 470,683.42	\$ 630,864.94
Total Commission-wide	\$ 2,571,410.18	\$ 1,101,764.92	\$ 1,428,664.48	\$ 1,122,047.91	\$ 183,526.42	\$ 614,504.77	\$ 185,977.84	\$ (787,815.56)	\$ (98,299.13)	\$ 496,264.04
CHANGE IN NET POSITION	(10,645.87)	285.83	(10,444.09)	8,064.35	8,452.78	(5,398.13)	1,847.43	(14,172.40)	35,231.82	28,094.39
Governmental activities	\$ 2,560,764.31	\$ 1,102,050.75	\$ 1,418,220.39	\$ 1,130,112.26	\$ 191,979.20	\$ 609,106.64	\$ 187,825.27	\$ (801,987.96)	\$ (63,067.31)	\$ 524,358.43
Business-type activities										
Total Commission										

Source: CAFR Schedule A-2

UNION COUNTY EDUCATIONAL SERVICES COMMISSION
FUND BALANCES - GOVERNMENTAL FUNDS
UNAUDITED

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Fund										
Reserved	\$ 416,466.00	\$ 210,224.95	\$ 116.00	\$ 166,262.27	\$ 117,053.58	\$ 42,701.63	\$ 56,031.63	\$ 496,360.83	\$ 228,956.31	\$ 184,835.34
Assigned	20,293,465.53	18,137,782.74	16,469,910.97	14,667,797.41	13,521,072.18	13,318,909.59	12,978,885.38	12,287,057.67		
Unassigned									13,436,832.46	13,606,980.69
Unreserved									13,665,788.77	13,791,816.03
Total general fund	\$ 20,709,931.53	\$ 18,348,007.69	\$ 16,470,026.97	\$ 14,834,059.68	\$ 13,638,125.76	\$ 13,361,611.22	\$ 13,034,917.01	\$ 12,783,418.50	\$ 13,665,788.77	\$ 13,791,816.03
All Other Governmental Funds										
Unreserved, reported in:										
Capital projects fund	\$ 505,091.39	\$ 499,389.47	\$ 497,359.34	\$ 496,723.89	\$ 496,522.13	\$ 847,279.48	\$ 846,950.42	\$ 435,624.00	\$ 845,811.83	\$ 844,288.45
Restricted	505,091.39	499,389.47	496,723.89	496,522.13	847,279.48	846,950.42	435,624.00	845,811.83	844,288.45	833,889.73
	\$ 505,091.39	\$ 499,389.47	\$ 496,723.89	\$ 496,522.13	\$ 847,279.48	\$ 846,950.42	\$ 435,624.00	\$ 845,811.83	\$ 844,288.45	\$ 833,889.73

Source: CAFR Schedule B-1

UNION COUNTY EDUCATIONAL SERVICES COMMISSION
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
UNAUDITED

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues										
Commission charges	\$ 4,782,971.00	\$ 4,890,436.00	\$ 4,914,516.00	\$ 4,892,913.00	\$ 5,308,290.00	\$ 5,754,697.00	\$ 5,792,202.00	\$ 6,308,395.00	\$ 6,631,797.00	\$ 6,816,308.32
Tuition	19,890,432.82	18,849,795.52	18,620,571.64	17,712,696.48	16,595,656.55	16,527,275.28	15,221,068.31	14,219,326.23	14,498,674.45	13,797,815.85
Transportation fees from other leas	27,245,312.34	27,170,625.55	24,645,044.56	23,123,529.92	21,777,847.65	20,646,150.56	19,382,151.32	17,318,550.50	20,492,128.95	22,233,934.39
Miscellaneous	679,140.32	655,674.24	674,715.54	638,310.93	676,108.50	605,425.40	560,945.65	634,880.45	509,379.85	674,675.00
State sources	2,841,643.31	2,457,030.62	2,317,135.40	2,015,223.85	1,806,417.76	2,079,879.39	1,684,042.02	1,306,477.07	1,285,422.26	1,355,471.00
Total revenue	55,454,499.79	54,023,561.93	51,171,983.14	48,382,674.18	46,164,320.46	45,613,427.63	42,640,409.30	39,787,629.25	43,417,402.51	44,878,204.56
Expenditures										
Instruction										
Regular instruction	6,134,019.00	6,155,819.00	10,039,735.00	9,737,654.00	10,367,254.71	10,264,689.00	9,746,035.00	9,941,533.80	10,571,299.83	9,574,973.59
Special education instruction	3,624,306.00	3,413,896.00		25,880.00	109,649.00	124,250.00	121,324.00	141,286.00	137,922.00	234,090.00
Vocational education										
Undistributed										
Tuition	1,175.00		502.00	16.00						
Student & instruction related services	3,731,744.00	3,696,450.00	3,655,669.00	3,677,426.00	3,758,502.00	3,954,298.00	3,916,129.20	3,965,500.00	3,930,872.00	4,269,185.02
General administrative services	816,045.00	750,979.00	741,096.00	771,745.00	678,263.00	679,670.00	567,667.00	569,963.00	594,303.00	546,346.00
School administrative services	1,018,649.00	903,746.00	760,779.00	769,536.00	835,040.00	748,961.00	822,148.00	895,227.00	869,194.00	856,891.00
Central services	618,203.72	642,127.00	656,957.00	696,201.00	694,650.00	664,507.00	678,458.00	683,147.00	690,428.00	593,784.00
Plant operations and maintenance	1,038,966.00	1,116,270.00	1,181,523.00	1,096,550.00	1,075,545.00	1,079,570.00	985,376.00	970,982.00	988,518.00	982,245.00
Student transportation services	26,686,995.00	26,673,058.00	24,173,307.00	22,716,530.00	21,362,366.00	20,235,249.00	19,040,822.00	17,172,553.00	19,802,771.00	21,769,851.00
Unallocated employee benefits	8,015,618.31	7,518,383.62	7,291,046.40	6,754,543.85	6,524,961.76	6,431,832.12	5,793,001.67	5,392,607.07	5,105,739.26	4,553,294.30
Principal payment on lease	468,000.00	464,000.00	437,950.00	417,950.00	400,000.00	368,160.00	384,044.00	373,415.00	428,090.00	295,849.00
Capital outlay	294,368.00	204,127.70	97,558.00	0.00	3,089.00	40,834.00	9,696.80	253,366.20	120,229.30	123,089.00
Special schools	630,785.00	604,004.00	499,258.00	520,316.00	439,243.00	422,719.00	323,950.00	309,540.00	289,540.00	341,528.00
Total expenditures	53,076,874.03	52,142,860.32	49,535,380.40	47,184,347.85	46,238,563.47	45,014,739.12	42,368,651.67	40,668,120.07	43,528,906.39	44,137,125.91
Excess (Deficiency) of revenues over (under) expenditures	2,377,625.76	1,880,701.61	1,636,602.74	1,198,326.33	(74,243.01)	598,688.51	251,757.63	(881,490.82)	(111,503.88)	741,078.65
Other Financing sources (uses)										
Transfers out	(10,000.00)	(5,000.00)	(30,000.00)	(30,000.00)		(271,665.02)			(13,000.00)	(13,000.00)
Cancellation of accounts payable		4,309.24		27,809.35						
Total other financing sources (uses)	(10,000.00)	4,309.24	(2,190.65)	(74,243.01)	(271,665.02)	(271,665.02)			(13,000.00)	(13,000.00)
Net change in fund balances	\$ 2,367,625.76	\$ 1,636,602.74	\$ 1,196,135.68	\$ (74,243.01)	\$ 327,023.49	\$ 251,757.63	\$ 251,757.63	\$ (881,490.82)	\$ (124,503.88)	\$ 728,078.65
Debt service as a percentage of noncapital expenditures	0.89%	0.89%	0.89%	0.89%	0.87%	0.82%	0.91%	0.92%	0.99%	0.87%

Source: CAFR Schedule B-2

UNION COUNTY EDUCATIONAL SERVICES COMMISSION
GENERAL FUND OTHER MISCELLANEOUS REVENUE BY SOURCE
UNAUDITED

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>County</u> <u>Support</u>	<u>Commission</u> <u>Charges</u>	<u>Membership</u> <u>Fees</u>	<u>Miscellaneous</u>	<u>Total</u>
2018	\$ 70,000.00	\$ 89,874.27	\$ 20,359.02	\$ 466,050.11	\$ 646,283.40
2017	70,000.00	93,933.00	19,317.30	456,760.81	640,011.11
2016	70,000.00	95,518.68	19,111.73	472,738.68	665,844.05
2015	70,000.00	85,448.42	17,895.00	424,626.75	557,105.34
2014	70,000.00	154,833.90	17,661.20	423,348.95	528,088.51
2013	70,000.00	147,826.74	17,473.70	321,804.90	481,184.00
2012	70,000.00	145,192.61	34,457.91	278,437.99	417,831.67
2011	70,000.00	118,938.45		292,245.55	469,702.47
2010	70,000.00	114,213.05	24,912.70	208,705.92	412,565.16
2009	70,000.00	159,659.95	13,071.20	226,971.32	456,838.00

UNION COUNTY EDUCATIONAL SERVICES COMMISSION

JUNE 30, 2018

UNAUDITED

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<u>Commission Building</u>										
<u>Elementary</u>										
Crossroad (2001)										
Square Feet	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000
Capacity (students)	66	66	66	66	66	66	66	66	66	66
Enrollment	47	47	50	48	45	51	50	46	51	55
<u>Westlake (1997)</u>										
Square Feet	25,650	25,650	25,650	25,650	25,650	25,650	25,650	25,650	25,650	25,650
Capacity (students)	225	225	225	225	225	225	225	225	225	225
Enrollment	76	76	69	74	78	73	75	77	81	84
<u>High School</u>										
<u>Lamberts Mill Academy(Beadleston) (1997)</u>										
Square Feet	17,670	17,670	17,670	17,670	17,670	17,670	17,670	17,670	17,670	17,670
Capacity (students)	72	72	72	72	72	72	72	72	72	72
Enrollment	52	52	56	56	54	48	61	58	64	53
<u>Hillcrest Academy - South (2005)</u>										
Square Feet	13,680	13,680	13,680	13,680	13,680	13,680	13,680	13,680	13,680	13,680
Capacity (students)	108	108	108	96	160	160	160	160	160	160
Enrollment	100	100	106	84	80	59	72	80	80	80
<u>Hillcrest Academy - North (Building is Leased)</u>										
Square Feet	10,200	10,200	10,200	10,200	10,200	10,200	10,200	10,200	10,200	10,200
Capacity (students)	96	96	96	90	100	100	100	100	100	100
Enrollment	85	85	92	83	79	69	69	75	75	75

Number of Schools at June 30, 2018

- Elementary = 2
- Middle School = 0
- Senior High School = 3
- Other = 0

Source: Commission records

Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of additions. Enrollment is based on the annual October Commission count.

UNION COUNTY EDUCATIONAL SERVICES COMMISSION
INSURANCE SCHEDULE
JUNE 30, 2018
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
General Insurance		
Diploma Joint Insurance		
Blanket real and personal property	\$25,632,695.00	\$5,000.00
Electronic Data Processing	Included in Limit	5,000.00
Automobile	5,000,000.00	1,000.00
General Liability	5,000,000.00	
Umbrella - Diploma Joint Insurance fund	5,000,000.00	
Excess Liability		
Firemens Fund CAP	50,000,000.00	
Educators Legal Liability		
Diploma Joint Insurance fund	5,000,000.00	5,000.00
Officials Bonds-		
CSN Continental Casualty Co.		
Board Secretary/Business Administrator	320,000.00	
Public Officials Bond:- Crime Policy		
Diploma Joint Insurance fund		
Per Person	500,000.00	1,000.00
Per Loss	500,000.00	1,000.00
Public Employee Dishonesty Bond		
Workmens Compensation		
Diploma Joint Insurance fund	NJ Statutory	
Hospital Professional Liability-		
Princeton Insurance Company:		
Per Occurrence	2,000,000.00	5,000.00
Aggregate	4,000,000.00	
Employee Dishonesty	400,000.00	

Source: Commission records.

SINGLE AUDIT SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

Honorable President and Members
of the Board of Education
Union County Educational Services Commission
County of Union
Westfield, New Jersey 07090

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 the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Union County Educational Services Commission, in the County of Union, State of New Jersey (the "Commission") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated February 15, 2019.

Internal Control Over Financial Reporting

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

SUPLEE, CLOONEY & COMPANY

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However we noted an immaterial instance of noncompliance that we have reported to the Commission in a separate Auditor's Management Report on Administrative Findings – Financial and Compliance dated February 15, 2019.

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


CERTIFIED PUBLIC ACCOUNTANTS


PUBLIC SCHOOL ACCOUNTANT NO. 948

February 15, 2019



SUPLEE, CLOONEY & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR STATE FINANCIAL ASSISTANCE PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN
IN ACCORDANCE WITH THE NEW JERSEY OMB CIRCULAR 15-08**

Honorable President and Members
of the Board of Education
Union County Educational Services Commission
County of Union
Westfield, New Jersey 07090

Report on Compliance for Each Major State Program

We have audited the Union County Educational Services Commission's, in the County of Union, State of New Jersey (the "Commission") compliance with the types of compliance requirements described in the New Jersey *OMB State Grant Compliance Supplement* that could have a direct and material effect on each of the Commission's major state programs for the year ended June 30, 2018. The Commission's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Commission's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and New Jersey *OMB 15-08*. Those standards and New Jersey *OMB 15-08* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the 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 state program. However, our audit does not provide a legal determination of the Commission's compliance.

Opinion on Each Major State Program

In our opinion, the 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 state programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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


CERTIFIED PUBLIC ACCOUNTANTS


PUBLIC SCHOOL ACCOUNTANT NO. 948

February 15, 2019

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

FEDERAL GRANTEE/PASS-THROUGH GRANTEE/PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT OR STATE PROJECT NUMBER	FEDERAL AWARD I.D. NUMBER	AWARD AMOUNT	GRANT PERIOD		BALANCE AT JUNE 30, 2017	CASH RECEIPTS	BUDGETARY EXPENDITURES	SUBRECIPIENT BUDGETARY EXPENDITURES	BALANCE AT JUNE 30, 2018	
					FROM	TO					(ACCOUNTS RECEIVABLE)	DUE TO GRANTOR
Enterprise Funds												
U.S. Department of Agriculture												
Passed-Through State Department of Education:												
Child Nutrition Cluster												
National School Lunch Program	10.555	N/A	16171NJ04N1099	\$118,788.60	07/01/2016	06/30/2017	(\$9,363.24)	\$9,363.24				
National School Lunch Program	10.555	N/A	17181NJ04N1099	115,190.06	07/01/2017	06/30/2018		105,152.47				
National Food Distribution Program	10.555	N/A	16171NJ04N1099	13,443.09	07/01/2016	06/30/2017	1,542.09					
National Food Distribution Program	10.555	N/A	17181NJ04N1099	14,464.04	07/01/2017	06/30/2018		14,464.04				
National School Breakfast Program	10.553	N/A	16171NJ04N1099	61,822.15	07/01/2016	06/30/2017	(4,903.60)	4,903.60				
National School Breakfast Program	10.553	N/A	17181NJ04N1099	61,188.05	07/01/2017	06/30/2018		55,962.49				
Total Child Nutrition Cluster							(12,724.75)	189,845.84			(15,263.15)	548.30
Total U.S. Department of Agriculture							(12,724.75)	189,845.84			(15,263.15)	548.30
Total Expenditures of Federal Awards							(\$12,724.75)	\$189,845.84			(\$15,263.15)	\$548.30

See accompanying notes to schedules of expenditures of awards and financial assistance.

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

STATE GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	AWARD AMOUNT	GRANT PERIOD	BALANCE AT JUNE 30, 2017	CARRYOVER AMOUNT	CASH RECEIPTS	BUDGETARY EXPENDITURES	ADJUSTMENT/ REPAYMENT OF PRIOR YEARS BALANCES	BALANCE AT JUNE 30, 2018			MEMO		
									(ACCOUNTS RECEIVABLE)	UNEARNED REVENUE	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPENDITURES	
State Department of Education General Funds:														
On-behalf TPAF Pension	18-495-034-5094-002	\$1,245,798.00	07/01/2017	06/30/2018		\$1,245,798.00	(\$1,245,798.00)							\$1,245,798.00
On-behalf TPAF N.C.G.I.	18-495-034-5094-004	30,232.00	07/01/2017	06/30/2018		\$30,232.00	(\$30,232.00)							30,232.00
On-behalf TPAF Post Retirement Medical	18-495-034-5094-001	824,161.00	07/01/2017	06/30/2018		824,161.00	(824,161.00)							824,161.00
On-behalf TPAF Long Term Disability Insurance	18-495-034-5094-004	2,256.00	07/01/2017	06/30/2018		2,256.00	(2,256.00)							2,256.00
Reimbursed TPAF social security contributions	17-495-034-5095-003	603,646.62	07/01/2016	06/30/2017	(\$29,583.89)	29,583.89								603,646.62
Reimbursed TPAF social security contributions	18-495-034-5095-003	599,453.31	07/01/2017	06/30/2018		571,223.79	(599,453.31)							599,453.31
Total General Funds				(29,583.89)		2,703,254.68	(2,701,900.31)			(28,229.52)			28,229.52	3,305,546.93
Special Revenue Fund:														
Passed Through State Department of Children & Families DYFS Day Treatment	10CCXM	137,974.00	07/01/2017	06/30/2018		139,743.00	(139,743.00)							137,974.00
Total Special Revenue Fund						139,743.00	(139,743.00)							137,974.00
Enterprise Fund:														
National School Lunch Program (state share)	17-100-010-3360-067	2,189.19	07/01/2016	06/30/2017	(172.79)	172.79								2,189.19
National School Lunch Program (state share)	18-100-010-3360-067	2,245.29	07/01/2017	06/30/2018		2,051.45	(2,245.29)			(193.84)				2,245.29
Total Enterprise Fund					(172.79)	2,224.24	(2,245.29)			(193.84)				4,434.48
Total Expenditures of State Financial Assistance Subject to OMB 15-08				(\$29,756.68)		\$2,845,221.92	(\$2,843,888.60)			(\$28,423.36)			\$28,229.52	\$3,447,955.41
Less: On-Behalf amounts not utilized for determination of Major Programs:														
On-behalf TPAF Pension		1,245,798.00	07/01/2017	06/30/2018		1,245,798.00	(1,245,798.00)							
On-behalf TPAF N.C.G.I.		30,232.00	07/01/2017	06/30/2018		30,232.00	(30,232.00)							
On-behalf TPAF Post Retirement Medical		824,161.00	07/01/2017	06/30/2018		824,161.00	(824,161.00)							
On-behalf TPAF Long Term Disability Insurance		2,256.00	07/01/2017	06/30/2018		2,256.00	(2,256.00)							
Total State Financial Assistance Subject to Single Audit						\$742,774.92	(\$741,441.60)							

See accompanying notes to schedules of expenditures of awards and financial assistance.

Union County Educational Services Commission
Notes to the Schedules of Expenditures of Federal Awards
and State Financial Assistance
Year Ended June 30, 2018

NOTE 1: GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state activity of the Union County Educational Services Commission. The Commission is defined in Note 1 to the Commission's basic financial statements. All federal and state awards received directly from the federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal awards and state financial assistance are presented on the budgetary basis of accounting with the exceptions of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 of the Commission's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The Commission has elected not to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

Union County Educational Services Commission
Notes to the Schedules of Expenditures of Federal Awards
and State Financial Assistance
Year Ended June 30, 2018

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

There is no adjustment to reconcile from the budgetary basis to the GAAP basis. Federal awards and state financial assistance revenues are reported in the Commission's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$2,701,900.31	\$2,701,900.31
Special Revenue Fund		139,743.00	139,743.00
Food Service Fund	<u>\$191,835.94</u>	<u>2,245.29</u>	<u>194,081.23</u>
Total Awards & Financial Assistance	<u><u>\$191,835.94</u></u>	<u><u>\$2,843,888.60</u></u>	<u><u>\$3,035,724.54</u></u>

NOTE 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5: OTHER

Revenues and expenditures reported in the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF pension contributions, post-retirement medical benefits and long-term disability insurance represents the amount paid by the state on behalf of the Commission for the year ended June 30, 2018. TPAF Social Security contributions represent the amount reimbursed by the state for the employer's share of Social Security contributions for TPAF members for the year ended June 30, 2018.

Union County Educational Services Commission
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

Section I – Summary of Auditor’s Results

Financial Statements

- | | | |
|-----|--|------------|
| (1) | Type of Auditor’s Report Issued: | Unmodified |
| (2) | Internal Control Over Financial Reporting: | |
| | (a) Material weakness identified? | No |
| | (b) Significant deficiencies identified that are not considered to be material weaknesses? | No |
| (3) | Noncompliance material to basic financial statements noted? | No |

Federal Program(s) – Not Applicable

State Program(s)

- | | | | | | | |
|--|--|----------------|-------------------------|--|------------------|--|
| (1) | Internal Control Over Major State Programs: | | | | | |
| | (a) Material weakness identified? | No | | | | |
| | (a) Significant deficiencies identified that are not considered to be material weaknesses? | No | | | | |
| (2) | Type of Auditor’s Report issued on compliance for major state program(s)? | Unmodified | | | | |
| (3) | Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 15-08? | No | | | | |
| (4) | Identification of Major State Program(s): | | | | | |
| | <table border="0" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;"><u>Program</u></td> <td style="text-align: center;"><u>Grant
Number</u></td> </tr> <tr> <td style="text-align: center;">Reimbursed TPAF
Social Security Cont.</td> <td style="text-align: center;">495-034-5095-002</td> </tr> </table> | <u>Program</u> | <u>Grant
Number</u> | Reimbursed TPAF
Social Security Cont. | 495-034-5095-002 | |
| <u>Program</u> | <u>Grant
Number</u> | | | | | |
| Reimbursed TPAF
Social Security Cont. | 495-034-5095-002 | | | | | |
| (5) | Program Threshold Determination:
Type A State Program Threshold > \$750,000.00
Type B State Program Threshold <= \$750,000.00 | | | | | |
| (6) | Auditee qualified as a low-risk auditee? | Yes | | | | |

Union County Educational Services Commission
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

Section II – Financial Statement Audit – Reported Findings Under Government Auditing Standards

Internal Control Findings

None Reported

Compliance Findings

None Reported

Section III – Findings and Questioned Costs Relative to Major Federal and State Programs

Federal Programs – Not Applicable

State Programs – None Reported

Union County Educational Services Commission

Schedule of Prior Year Audit Findings

Not Applicable

