

**WEST ESSEX REGIONAL
SCHOOL DISTRICT**

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

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2018**

**Comprehensive Annual
Financial Report**

of the

**West Essex Regional
School District**

North Caldwell, New Jersey

For the Fiscal Year Ended June 30, 2018

Prepared by

**West Essex Regional
School District**

WEST ESSEX REGIONAL SCHOOL DISTRICT
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INTRODUCTORY SECTION
(UNAUDITED)

WEST ESSEX REGIONAL SCHOOL DISTRICT

Board of Education

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

January 18, 2019

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

Dear Board Members:

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

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

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

The District provides a full range of educational services appropriate to grade levels 7 through 12. These include regular, vocational, as well as special education services for handicapped youngsters. The District completed the 2017-2018 fiscal year with an enrollment of 1,696 students, which is 43 students less than the previous year's enrollment.

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

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

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

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

During the 2017-18 school year, we focused on security upgrades. We've worked diligently on upgrading our cameras and camera system, we put in to place a new emergency notification system, completed a new phone system, and replaced all classroom locks.

We've, also, focused on various interior lighting upgrades to help cut down energy expenses.

In May, we began renovation on our team locker rooms in the Middle School.

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

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

5) BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by a vote of the Board of Education. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as restrictions, commitments and/or assignments of fund balance at June 30, 2018.

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

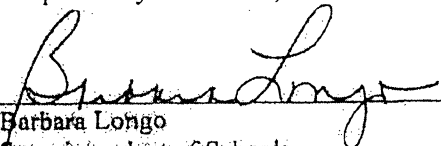
7) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements", Note 3. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under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

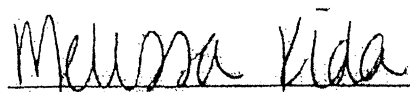
8) RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. The Board is a member of the School Alliance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

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

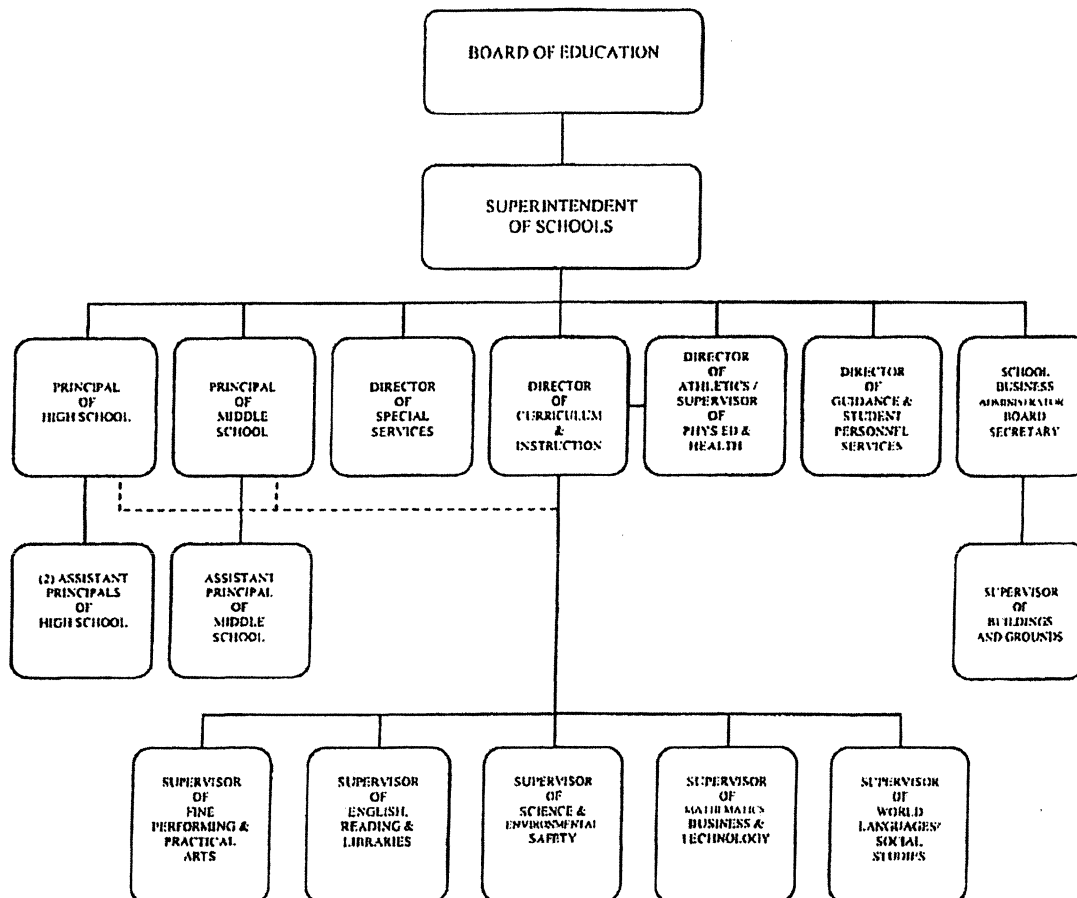
10) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the West Essex Regional School District Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance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

Respectfully submitted,


Barbara Longo
Superintendent of Schools


Melissa Kida
Business Administrator/Board Secretary

1110 ORGANIZATIONAL CHART



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



**WEST ESSEX REGIONAL SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2018**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Deborah Sacco-Calderone, President	2019
Cynthia Egan, Vice President	2020
Judith Amorim Dias	2019
Anne Fahey	2018
Anthony Prinzo	2019
Anthony Rubinich	2020
Dawn Smith	2020
Kristin Wells	2018
Maryadele Wojtowicz	2018

Other Officers

Title

Barbara Longo	Superintendent of Schools
Melissa Kida	Business Administrator/Board Secretary
Michael Halik	Treasurer of School Monies

WEST ESSEX REGIONAL SCHOOL DISTRICT

Consultants and Advisors

Audit Firm

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

And

Lawrence Business Park
11 Lawrence Road
Newton, NJ 07860

Attorney

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

Official Depositories

Lakeland Bank
250 Oak Ridge Road
Oak Ridge, NJ 07438

FINANCIAL SECTION

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the West Essex Regional School District (the "District") in the County of Essex, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Emphasis of Matter

As discussed in Note 10 to the basic financial statements, the District implemented Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, during the fiscal year ended June 30, 2018. Our opinions are 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, which follows this report, the pension and post-employment benefits schedules in Exhibits L-1 through L-5 and the related notes and the budgetary comparison information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey’s OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and the other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

January 18, 2019
Mount Arlington, New Jersey

NISIVOCCIA LLP



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

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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)**

This section of West Essex Regional School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2018. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Financial Highlights

- The District's financial status improved on a district-wide basis.
- Overall revenue was \$52.04 million.
- Overall expenses were \$50.21 million.

Overview of the Financial Statements

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

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

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

Figure A-1

Organization of the School District's Financial Report

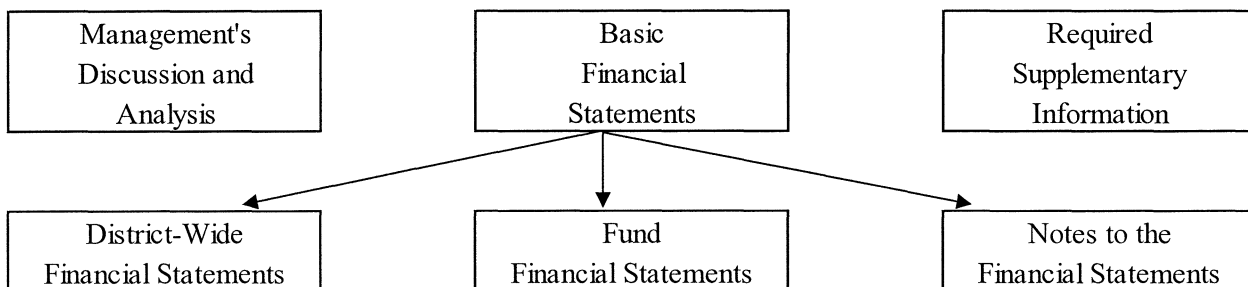


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights that structure and contents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

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

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

District-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

Financial Analysis of the District as a Whole

Net Position. The District's combined net position increased by \$1,830,976. Net position from governmental activities increased by \$1,770,363 and net position from business-type activities increased by \$60,613. Net investment in capital assets increased by \$380,662 restricted net position increased by \$1,600,325 and unrestricted net position decreased by 150,011.

Figure A-3

Condensed Statement of Net Position

	Government Activities		Business-Type Activities		Total School District		Percentage
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	Change 2017/18
Current and							
Other Assets	\$ 11,029,269	\$ 9,431,999	\$ 169,611	\$ 73,922	\$ 11,198,880	\$ 9,505,921	17.81%
Capital Assets, Net	45,194,150	46,365,234	95,168	104,833	45,289,318	46,470,067	-2.54%
Total Assets	56,223,419	55,797,233	264,779	178,755	56,488,198	55,975,988	0.92%
Deferred Outflows of Resources	3,623,720	4,486,525			3,623,720	4,486,525	-19.23%
Other Liabilities	739,090	634,803	36,494	11,083	775,584	645,886	20.08%
Long-Term Liabilities	23,523,712	27,751,514			23,523,712	27,751,514	-15.23%
Total Liabilities	24,262,802	28,386,317	36,494	11,083	24,299,296	28,397,400	-16.87%
Deferred Inflows of Resources	2,184,536	268,003			2,184,536	268,003	715.12%
Net Position:							
Net Investment in							
Capital Assets	33,668,032	33,277,705	95,168	104,833	33,763,200	33,382,538	1.14%
Restricted	9,252,912	7,652,587			9,252,912	7,652,587	20.91%
Unrestricted/(Deficit)	(9,521,143)	(9,300,854)	133,117	62,839	(9,388,026)	(9,238,015)	-1.62%
Total Net Position	\$ 33,399,801	\$ 31,629,438	\$ 228,285	\$ 167,672	\$ 33,628,086	\$ 31,797,110	5.76%

Changes in Net Position. The District's combined net position was \$33,629,086 on June 30, 2018, an increase of \$1,830,976 or 5.76% more than the year before. (See Figure A-3). Net Investment in Capital Assets increased due to a net reduction in long-term liabilities from current year maturities of \$1,725,000, capital leases payable of \$236,093, and current year capital assets additions of \$708,892 (\$708,892 from Governmental activities) offset by capital asset deletions of \$135,009, capital lease additions of \$307,627, a decrease in the deferred amount on refunding of \$92,055, and depreciation expense of \$1,754,632 (\$1,744,967 from Governmental activities and \$9,665 from Business-type activities). Restricted net position increased by \$1,600,325 due to the increases in Capital Reserve of \$1,911,900 and current year excess surplus of \$2,805 offset by decreases in Capital Projects fund balance of \$177,184, Debt Service fund balance of \$116,599, and Maintenance Reserve of \$20,597. The decrease in unrestricted net position was due primarily to an increase in General Fund fund balance designated for subsequent year's expenditures of \$118,681; a decrease in unamortized bond issuance premium of \$140,418; a decrease in changes in proportion in pensions of \$214,894 and a net decrease in pension liability of \$2,501,883; offset by a decrease in unassigned fund balance of \$45,993; a decrease in year-end encumbrances of \$157,846; a decrease in changes in pension assumptions of \$2,541,217; a decrease in investment gains in pensions of \$386,856; an increase between expected and actual pension experience of \$3,764; a net increase in compensated absences of \$67,695; and an increase in accrued interest payable of \$52.

Figure A-4

Changes in Net Position from Operating Results

	Governmental Activities 2017/18	Business- Type Activities 2017/18	Governmental Activities 2016/17	Business- Type Activities 2016/17	Total School District 2017/18	Total School District 2016/17	Percentage Change 2017/18
Revenue:							
Program Revenue:							
Charges for Services	\$ 201,745	\$ 974,783	\$ 219,426	\$ 865,003	\$ 1,176,528	\$ 1,084,429	8.49%
Operating Grants and Contributions	13,027,463		12,703,372		13,027,463	12,703,372	2.55%
Capital Grants and Contributions			360,204			360,204	-100.00%
General Revenue:							
Property Taxes	37,350,461		36,435,146		37,350,461	36,435,146	2.51%
Unrestricted State and Federal Aid	80,560		78,957		80,560	78,957	2.03%
Other	404,617		345,667		404,617	345,667	17.05%
Total Revenue	51,064,846	974,783	50,142,772	865,003	52,039,629	51,007,775	2.02%
Expenses:							
Instruction	27,374,582		26,886,693		27,374,582	26,886,693	1.81%
Pupil and Instruction Services	7,859,544		7,784,816		7,859,544	7,784,816	0.96%
Administrative and Business	4,805,605		4,757,286		4,805,605	4,757,286	1.02%
Maintenance and Operations	4,903,628		4,687,057		4,903,628	4,687,057	4.62%
Transportation	2,044,430		1,979,890		2,044,430	1,979,890	3.26%
Other	2,306,694	914,170	2,226,021	829,098	3,220,864	3,055,119	5.43%
Total Expenses	49,294,483	914,170	48,321,763	829,098	50,208,653	49,150,861	2.15%
Increase in Net Position	\$ 1,770,363	\$ 60,613	\$ 1,821,009	\$ 35,905	\$ 1,830,976	\$ 1,856,914	-1.40%

Revenue Sources. The District’s total revenue for the 2017/18 school year was \$52,039,629. (See Figure A-4). Property taxes and state formula aid accounted for most of the District’s revenue, with local taxes accounting for \$37,350,461 of the total, or 71.77percent. (See Figure A-5). Another 25.19 percent came from state and federal aid and the remainder from miscellaneous sources and charges for services.

Figure A-5

Sources of Revenue for Fiscal Year 2018

	Amount	Percentage
Sources of Income:		
Grants and Contributions	\$ 13,027,463	25.03%
Property Taxes	37,350,461	71.77%
Unrestricted Federal and State Aid	80,560	0.16%
Charges for Services	1,176,528	2.26%
Other	404,617	0.78%
	\$ 52,039,629	100.00%

The total cost of all programs and services was \$50,208,653. The District’s expenses are predominantly related to instructing and providing pupil services and transportation (70.17 percent). (See Figure A-6). The District’s administrative and business activities accounted for 9.57 percent of total costs. The District’s maintenance and operations costs accounted for 9.77 percent of total costs.

Figure A-6**Expenses for Fiscal Year 2018**

Expense Category:	<u>Amount</u>	<u>Percentage</u>
Instruction	\$ 27,374,582	54.52%
Pupil and Instruction Services	7,859,544	15.65%
Administrative and Business	4,805,605	9.57%
Maintenance and Operations	4,903,628	9.77%
Transportation	2,044,430	4.07%
Other	3,220,864	6.42%
	<u>\$ 50,208,653</u>	<u>100.00%</u>

Governmental Activities

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

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

Figure A-7 presents the cost of six major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs).

The net cost shows the financial burden placed on the District's taxpayers by each of these functions:

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

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2017/18</u>	<u>2017/18</u>	<u>2016/17</u>	<u>2016/17</u>
Instruction	\$ 27,374,582	\$ 18,006,003	\$ 26,886,693	\$ 23,604,549
Pupil and Instruction Services	7,859,544	6,443,889	7,784,816	7,116,172
Administrative and Business	4,805,605	3,521,600	4,757,286	4,335,486
Maintenance and Operations	4,903,628	3,999,790	4,687,057	4,378,673
Transportation	2,044,430	1,787,299	1,979,890	1,807,491
Other	2,306,694	2,306,694	2,226,021	2,198,112
	<u>\$ 49,294,483</u>	<u>\$ 36,065,275</u>	<u>\$ 48,321,763</u>	<u>\$ 43,440,483</u>

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

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

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

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

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

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

Business-Type Activities

Net position from the District’s business-type activity increased by \$60,613. (Refer to Figure A-4)

Financial Analysis of the District’s Funds

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

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

General Fund Budgetary Highlights

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

Capital Assets and Long-Term Liabilities

Figure A-8

Capital Assets (Net of Depreciation)

	Government Activities		Business-Type Activities		Total School District		Percentage
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	Change 2016/17
Sites	\$ 583,463	\$ 288,849			\$ 583,463	\$ 288,849	102.00%
Site Improvements	2,644,740	2,795,403			2,644,740	2,795,403	-5.39%
Buildings and Building Improvements	40,648,302	42,080,639			40,648,302	42,080,639	-3.40%
Machinery and Equipment	1,317,645	1,200,343	\$ 95,168	\$ 104,833	1,412,813	1,305,176	8.25%
Total	\$45,194,150	\$46,365,234	\$ 95,168	\$ 104,833	\$45,289,318	\$46,470,067	-2.54%

Long-term Liabilities

At year-end, the District had \$11,735,000 in general obligation bonds outstanding – a decrease of \$1,725,000 from last year (due to \$1,725,000 of maturities) – as shown in Figure A-9. (More detailed information about the District’s long-term liabilities is presented in Note 8 to the financial statements.)

Figure A-9

Long-Term Liabilities

	Total School District		Percentage
	2017/18	2016/17	Change 2016/17
Bonds Payable	\$ 11,735,000	\$ 13,460,000	-12.82%
Unamortized Bond Issuance Premium	979,932	1,120,350	-12.53%
Net Pension Liability	9,876,633	12,378,516	-20.21%
Capital Leases Payable	463,379	391,845	18.26%
Compensated Absences Payable	468,769	400,803	16.96%
	<u>\$ 23,523,713</u>	<u>\$ 27,751,514</u>	-15.23%

- The District continued to pay down its debt, retiring \$1,725,000 of outstanding bonds and \$236,093 of capital leases. The District also issued \$307,627 of new capital leases.
- The District’s liability for net pension liability decreased \$2,501,883.
- Unamortized bond issuance premium decreased \$140,418.
- The District’s liability for accumulated sick and vacation time increased by \$67,966.

Factors Bearing on the District’s Future

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

Many factors were considered by the School District’s administration during the process of developing the fiscal year 2018-2019 budget. The primary factors were the District’s projected student population, anticipated state and federal aid as well as increasing salary and related benefit costs, due to negotiations.

These indicators were considered when adopting the budget for fiscal year 2018-2019. Budgeted expenditures in the General Fund increased to \$37,932,051 for fiscal year 2018-2019.

Contacting the District’s Financial Management

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

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

WEST ESSEX REGIONAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,829,718	\$ 157,095	\$ 1,986,813
Receivables from State Government	555,974		555,974
Receivables from Federal Government	74,630		74,630
Receivables from Other Governments	1,072,292		1,072,292
Other Receivables	101,144		101,144
Interfund Receivable	11,759		11,759
Inventories		12,516	12,516
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	7,154,349		7,154,349
Maintenance Reserve Account - Cash and Cash Equivalents	229,403		229,403
Capital Assets, Net:			
Sites (Land)	583,463		583,463
Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment	44,610,687	95,168	44,705,855
Total Assets	<u>56,223,419</u>	<u>264,779</u>	<u>56,488,198</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amount on Refunding	672,261		672,261
Deferred Outflows Related to Pension	2,951,459		2,951,459
Total Deferred Outflows of Resources	<u>3,623,720</u>		<u>3,623,720</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	582,044	24,077	606,121
Accrued Interest Payable	114,295		114,295
Unearned Revenue	42,751	12,417	55,168
Noncurrent Liabilities:			
Due Within One Year	2,241,620		2,241,620
Due Beyond One Year	21,282,092		21,282,092
Total Liabilities	<u>24,262,802</u>	<u>36,494</u>	<u>24,299,296</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows Related to Pension	2,184,536		2,184,536
Total Deferred Inflows of Resources	<u>2,184,536</u>		<u>2,184,536</u>
NET POSITION			
Net Investment in Capital Assets	33,668,032	95,168	33,763,200
Restricted for:			
Capital Projects	7,668,082		7,668,082
Debt Service	351,353		351,353
Maintenance Reserve	229,403		229,403
Excess Surplus	500,000		500,000
Excess Surplus Designated for Subsequent Year's Expenditures	504,074		504,074
Unrestricted/(Deficit)	<u>(9,521,143)</u>	<u>133,117</u>	<u>(9,388,026)</u>
Total Net Position	<u>\$ 33,399,801</u>	<u>\$ 228,285</u>	<u>\$ 33,628,086</u>

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

WEST ESSEX REGIONAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 20,654,120	\$ 201,745	\$ 5,812,408		\$ (14,841,712)		\$ (14,841,712)
Special Education	4,416,798		2,832,330		(1,382,723)		(1,382,723)
School Sponsored/Other Instruction	2,303,664		522,096		(1,781,568)		(1,781,568)
Support Services:							
Tuition	2,527,262				(2,527,262)		(2,527,262)
Student and Instruction Related Services	5,332,282		1,415,655		(3,916,627)		(3,916,627)
General Administrative Services	841,692		166,511		(675,181)		(675,181)
School Administrative Services	3,008,672		868,144		(2,140,528)		(2,140,528)
Central Services	734,230		181,564		(552,666)		(552,666)
Administrative Information Technology	221,011		67,786		(153,225)		(153,225)
Plant Operations and Maintenance	4,903,628		903,838		(3,999,790)		(3,999,790)
Pupil Transportation	2,044,430		257,131		(1,787,299)		(1,787,299)
Interest on Long-Term Debt	465,758				(465,758)		(465,758)
Unallocated Depreciation	1,840,936				(1,840,936)		(1,840,936)
Total Governmental Activities	49,294,483	201,745	13,027,463		(36,065,275)		(36,065,275)
Business-Type Activities:							
Food Service	914,170	974,783				\$ 60,613	60,613
Total Primary Government	\$ 50,208,653	\$ 974,783	\$ 13,027,463		(36,065,275)	60,613	(36,004,662)

WEST ESSEX REGIONAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
General Revenues:			
Taxes:			
Property Taxes, Levied for General Purposes, Net	\$ 35,227,991		\$ 35,227,991
Taxes Levied for Debt Service	2,122,470		2,122,470
Federal, State and Local Aid not Restricted	80,560		80,560
Interest Earnings	20,174		20,174
Miscellaneous Income	384,443		384,443
Total General Revenues	37,835,638		37,835,638
Change in Net Position	1,770,363	\$ 60,613	1,830,976
Net Position - Beginning	31,629,438	167,672	31,797,110
Net Position - Ending	\$ 33,399,801	\$ 228,285	\$ 33,628,086

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

FUND FINANCIAL STATEMENTS

WEST ESSEX REGIONAL SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 964,632		\$ 513,733	\$ 351,353	\$ 1,829,718
Interfund Receivable	43,267				43,267
Receivables From State Government	555,974				555,974
Receivables From Federal Government		\$ 74,630			74,630
Receivables From Other Governments	1,072,292				1,072,292
Other Accounts Receivables	101,144				101,144
Restricted Cash and Cash Equivalents	7,383,752				7,383,752
Total Assets	<u>\$ 10,121,061</u>	<u>\$ 74,630</u>	<u>\$ 513,733</u>	<u>\$ 351,353</u>	<u>\$ 11,060,777</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund Payable		\$ 31,508			\$ 31,508
Accounts Payable	\$ 133,194	971			134,165
Unearned Revenue	600	42,151			42,751
Total Liabilities	133,794	74,630			208,424
Fund Balances:					
Restricted:					
Capital Reserve Account	7,154,349				7,154,349
Maintenance Reserve Account	229,403				229,403
Excess Surplus -					
Subsequent Year's Expenditures	504,074				504,074
Excess Surplus	500,000				500,000
Capital Projects Fund			\$ 513,733		513,733
Debt Service				\$ 351,353	351,353
Assigned:					
Designated for Subsequent Year's					
Expenditures	250,919				250,919
Year End Encumbrances	234,780				234,780
Unassigned	1,113,742				1,113,742
Total Fund Balances	9,987,267		513,733	351,353	10,852,353
Total Liabilities and Fund Balances	<u>\$ 10,121,061</u>	<u>\$ 74,630</u>	<u>\$ 513,733</u>	<u>\$ 351,353</u>	

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

Capital Assets Used in Governmental Activities are not Financial Resources and Therefore are not Reported in the Funds. The Cost of the Assets is \$65,236,058 and the Accumulated Depreciation is \$20,041,908.	45,194,150
Bond Issuance Premiums are Reported as Revenue in the Governmental Funds in the Year the Bonds are Sold. The Amount is \$2,014,077 and the Accumulated Amortization is \$1,034,145.	(979,932)
The Deferred Amount on the Refunding is not Reported as an Expenditure in the Governmental Funds in the Year of the Expenditure.	672,261

WEST ESSEX REGIONAL SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	<u>Total Governmental Funds</u>
Amounts Reported for <i>Governmental Activities</i> in the Statement of Net Position (A-1) are Different Because:	
Interest on Long-Term Debt is not Accrued in Governmental Funds, but Rather is Recognized as an Expenditure When Due.	\$ (114,295)
The Net Pension Liability for PERS and the Board of Education Employees' Pension Fund of Essex County is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(9,876,633)
Certain Amounts Related to the Net Pension Liability are deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds:	
Changes in Assumptions - Pensions	1,989,801
Difference Between Projected and Actual Earnings on Investments - Pensions	97,279
Changes in Proportions - Pensions	183,939
Difference between Expected and Actual Experience - Pensions	232,561
Changes in Proportions - Pensions	(202,030)
Changes in Assumptions - Pensions	(1,982,506)
Long-Term Liabilities, Including Bonds Payable, are not Due and Payable in the Current Period and Therefore are not Reported as Liabilities in the Funds.	<u>(12,667,147)</u>
Net Position of Governmental Activities	<u>\$ 33,399,801</u>

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

WEST ESSEX REGIONAL SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 35,227,991			\$ 2,122,470	\$ 37,350,461
Tuition from Other LEAs	201,745				201,745
Miscellaneous	404,617	\$ 6,873			411,490
Total - Local Sources	35,834,353	6,873		2,122,470	37,963,696
State Sources	6,220,558				6,220,558
Federal Sources		376,564			376,564
Total Revenues	42,054,911	383,437		2,122,470	44,560,818
EXPENDITURES:					
Current:					
Regular Instruction	11,890,960	54,561			11,945,521
Special Education Instruction	2,254,719	302,632			2,557,351
School-Sponsored/Other Instruction	1,504,722				1,504,722
Support Services and Undistributed Costs:					
Tuition	2,527,262				2,527,262
Student and Other Instruction Related Services	3,102,268	26,244			3,128,512
General Administrative Services	648,836				648,836
School Administrative Services	1,671,874				1,671,874
Central Services	443,770				443,770
Administrative Information Technology	118,450				118,450
Plant Operations and Maintenance	3,429,615				3,429,615
Student Transportation	2,032,610				2,032,610
Unallocated Benefits	10,062,016				10,062,016
Debt Service:					
Principal				1,725,000	1,725,000
Interest and Other Charges				514,069	514,069
Capital Outlay	866,486		\$ 177,184		1,043,670
Total Expenditures	40,553,588	383,437	177,184	2,239,069	43,353,278
Excess /(Deficit) of Revenue Over/(Under) Expenditures	1,501,323		(177,184)	(116,599)	1,207,540
Other Financing Sources/(Uses):					
Capital Leases (Non-budgeted)	307,627				307,627
Total Other Financing Sources/(Uses)	307,627				307,627
Excess/(Deficit) of Revenues and Other Financing Sources					
Net Change in Fund Balances	1,808,950		(177,184)	(116,599)	1,515,167
Fund Balance - July 1	8,178,317		690,917	467,952	9,337,186
Fund Balance - June 30	\$ 9,987,267	\$ -0-	\$ 513,733	\$ 351,353	\$ 10,852,353

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

WEST ESSEX REGIONAL SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ 1,515,167

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

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

Depreciation Expense	\$ (1,879,976)	
Capital Outlays	<u>708,892</u>	
		(1,171,084)

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. When accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+). (52)

The governmental funds report bond proceeds as financing sources. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Proceeds from capital lease issues are an other financing source in the governmental funds, they are not revenue in the statement of activities, issuing debt increases long-term liabilities in the statement of net position.

Capital leases entered into by the District are an other financing source in the governmental funds, but the acquisition increases long-term liabilities in the statement of net position and is not reported in the statement of activities. (307,627)

Repayment of capital leases is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities. 236,093

Repayment of serial bonds is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities. 1,725,000

The governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. 140,418

The governmental funds report the effect of the deferred amount on refunding when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. (92,055)

The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:

Change in Net Pension Liability		2,501,883
Deferred Outflows:		
Changes in Assumptions		(558,711)
Changes in Proportion		148,921
Difference between Expected and Actual Experience		3,764
Difference Between Projected and Actual Earnings on Investments		(386,856)
Deferred Inflows:		
Changes in Assumptions		(1,982,506)
Changes in Proportion		65,973

WEST ESSEX REGIONAL SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

In the statement of activities, certain operating expenses, e.g., compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid).

When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).

\$ (67,965)

Change in Net Position of Governmental Activities

\$ 1,770,363

WEST ESSEX REGIONAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Business-Type Activities
	Enterprise Fund Food Service
<u>ASSETS:</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 157,095
Inventories	12,516
Total Current Assets	169,611
Non-Current Assets:	
Capital Assets	261,481
Less: Accumulated Depreciation	(166,313)
Total Non-Current Assets	95,168
Total Assets	264,779
<u>LIABILITIES:</u>	
Current Liabilities:	
Accounts Payable - Vendors	24,077
Unearned Revenue	12,417
Total Current Liabilities	36,494
<u>NET POSITION:</u>	
Investment in Capital Assets	95,168
Unrestricted	133,117
Total Net Position	\$ 228,285

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

WEST ESSEX REGIONAL SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Business-Type Activities
	Enterprise Fund Food Service
Operating Revenue:	
Local Sources:	
Daily Sales- Nonreimbursable Program	\$ 965,734
Special Events	9,049
	974,783
Total Operating Revenue	974,783
Operating Expenses:	
Cost of Sales - Nonreimbursable Program	385,969
Salaries, Benefits & Payroll Taxes	340,524
Other Purchased Services	39,264
Supplies, Insurance and Other Costs	25,781
Management Fee	64,087
Miscellaneous Expense	48,880
Depreciation Expense	9,665
	914,170
Total Operating Expenses	914,170
Operating Income	60,613
Change in Net Position	60,613
Net Position - Beginning of Year	167,672
Net Position - End of Year	\$ 228,285

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

WEST ESSEX REGIONAL SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Business-Type Activities
	Enterprise Fund Food Service
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 976,117
Payments to Employees	(340,524)
Payments to Suppliers	(541,952)
	93,641
Net Cash Provided by Operating Activities	93,641
Cash and Cash Equivalents, July 1	63,454
Cash and Cash Equivalents, June 30	\$ 157,095
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 60,613
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	9,665
Changes in Assets and Liabilities:	
Increase in Unearned Revenue	1,334
(Decrease) in Accounts Payable	24,077
Decrease in Inventory	(2,048)
	93,641
Net Cash Provided by Operating Activities	\$ 93,641

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

WEST ESSEX REGIONAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>	<u>Flexible Spending Trust</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 615,476	\$ 290,778	\$ 112,755	\$ 16,759
Total Assets	<u>615,476</u>	<u>290,778</u>	<u>112,755</u>	<u>16,759</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	240,965			
Due to Student Groups	362,752			
Interfund Payable - General Fund	<u>11,759</u>			
Total Liabilities	<u>615,476</u>			
<u>NET POSITION:</u>				
Restricted For:				
Unemployment Claims		290,778		
Scholarships			112,755	
Flexible Spending Claims				<u>16,759</u>
Total Net Position	<u>\$ -0-</u>	<u>\$ 290,778</u>	<u>\$ 112,755</u>	<u>\$ 16,759</u>

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

WEST ESSEX REGIONAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Unemployment Compensation Trust	Private Purpose Scholarship Trust	Flexible Spending Trust
	<u>Trust</u>	<u>Trust</u>	<u>Trust</u>
ADDITIONS:			
Contributions:			
Employee	\$ 50,851		\$ 46,003
Employer	39,472		
Private Donations		\$ 26,823	
Total Contributions	<u>90,323</u>	<u>26,823</u>	<u>46,003</u>
Investment Earnings:			
Interest	538	258	
Net Investment Earnings	<u>538</u>	<u>258</u>	
Total Additions	<u>90,861</u>	<u>27,081</u>	<u>46,003</u>
DEDUCTIONS:			
Scholarships Awarded	60,908		
Flexible Spending Claims			42,704
Scholarships Awarded		38,500	
Total Deductions	<u>60,908</u>	<u>38,500</u>	<u>42,704</u>
Change in Net Position	29,953	(11,419)	3,299
Net Position - Beginning of the Year	<u>260,825</u>	<u>124,174</u>	<u>13,460</u>
Net Position - End of the Year	<u>\$ 290,778</u>	<u>\$ 112,755</u>	<u>\$ 16,759</u>

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

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (the "Board") of West Essex Regional School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

A. Reporting Entity:

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

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation:

District-Wide Financial Statements:

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

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

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

B. Basis of Presentation: (Cont'd)

District-Wide Financial Statements (Cont'd):

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

Fund Financial Statements:

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

The District reports the following governmental funds:

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

As required by NJDOE, the District includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenue. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment.

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

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

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

B. Basis of Presentation: (Cont'd)

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

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

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

C. Measurement Focus and Basis of Accounting:

The district-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred,

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ended June 30, 2018 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by School Board resolution.

All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

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

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

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 42,065,051	\$ 407,104
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, Whereas the GAAP Basis does not.		(23,667)
Prior Year State Aid Payments Recognized for GAAP Statements	91,971	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(102,111)	
Total Revenues as Reported on the Statement of Revenues,		
Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 42,054,911</u>	<u>\$ 383,437</u>

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

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

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

	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 40,245,961	\$ 407,104
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		(23,667)
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 40,245,961	\$ 383,437

E. Cash and Cash Equivalents and Investments:

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

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

New Jersey school districts are limited as to the type of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

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

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

F. Interfund Transactions:

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

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

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

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

I. Short-term Interfund Receivables/Payables:

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

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2018.

K. Capital Assets:

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

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

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

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

L. Long Term Liabilities:

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

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

M. Accrued Salaries and Wages:

The District does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year, therefore, there are no accrued salaries and wages as of June 30, 2018.

N. Compensated Absences:

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

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

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

O. Unearned Revenue:

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

P. Fund Balance Appropriated:

General Fund: Of the \$9,987,267 General Fund fund balance at June 30, 2018, \$234,780 is assigned for encumbrances; \$7,154,349 is restricted in the capital reserve account; \$229,403 is restricted in the maintenance reserve account; \$500,000 is restricted for current year excess surplus in accordance with N.J.S.A. 18A:7F-7 (S1701) and will be appropriated and included as anticipated revenue for the year ending June 30, 2020; \$504,074 is restricted for prior year excess surplus in accordance with N.J.S.A. 18A:7F-7 (S1701) and has been appropriated and included as anticipated revenue for the year ending June 30, 2019; \$250,919 is assigned for subsequent year's expenditures; and \$1,113,742 is unassigned on the GAAP basis, which is \$102,111 less than the budgetary unassigned fund balance due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2019.

Capital Projects Fund: The \$513,733 Capital Projects Fund balance at June 30, 2018 is restricted.

Debt Service Fund: The \$351,353 Debt Service Fund fund balance at June 30, 2018 is restricted.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, C.73 (s1701), the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District had excess surplus at June 30, 2018 as detailed above.

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

P. Fund Balance Appropriated: (Cont'd)

Unassigned fund balance in the General Fund is less on a GAAP basis than budgetary basis in the amount of \$102,111 as of June 30, 2018 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event state school aid payments are not made until the following school budget year, districts must record the last state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize these last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final two state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments noted above.

Q. Deficit Net Position:

The District has a deficit in unrestricted net position of \$9,521,143 in governmental activities, which is primarily due to the changes in net pension liability of \$9,876,633. This deficit does not indicate that the District is having financial difficulties and is a permitted practice under generally accepted accounting principles.

R. Net Position:

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

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources at June 30, 2018 for the deferred amount on the refunding of debt related to the District's 2011 and 2016 refunding bonds, changes in proportion and changes in assumptions in pensions, the difference between expected and actual experience in pensions, the net difference between projected and actual investment earnings on pension plan investments and the District contribution subsequent to the measurement date related to pensions.

A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred inflows of resources at June 30, 2018 for the changes in proportion and assumptions in pensions.

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

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

R. Net Position: (Cont'd)

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

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

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

S. Fund Balance Restrictions, Commitments and Assignments:

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

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

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has no committed resources at June 30, 2018.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for the 2018/2019 budget and encumbrances in the General Fund at June 30, 2018.

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

T. Revenue - Exchange and Nonexchange Transactions:

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

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

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

U. Operating Revenue and Expenses:

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

V. Management Estimates:

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

W. Pensions:

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

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

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

Deposits:

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

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

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

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

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

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

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

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located.
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983, c.313 (C.40A:5A-1 et seq.). Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c281 (C.52:18A-90.4); or
- (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 a. or are bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the requirements of the "Local Authorities Fiscal Control Law," P.L. 1983, c. 313 (C.40A:5A-1 et seq.) ;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed; or

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

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

Investments: (Cont'd)

(9) Deposit of funds in accordance with the following conditions:

- (a) The funds are initially invested through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41) designated by the school district;
- (b) The designated public depository arranges for the deposit of the funds in deposit accounts in one or more federally insured banks, savings banks or savings and loan associations or credit unions for the account of the school district;
- (c) 100 percent of the principal and accrued interest of each deposit is insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund;
- (d) The designated public depository acts as custodian for the school district with respect to these deposits; and
- (e) On the same date that the school district's funds are deposited pursuant to subparagraph (b) of this paragraph, the designated public depository receives an amount of deposits from customers of other financial institutions, wherever located, equal to the amounts of funds initially invested by the school district through the designated public depository.

As of June 30, 2018, cash and cash equivalents of the District consisted of the following:

	Restricted Cash and		Cash and	Total
	Capital	Maintenance		
	<u>Reserve</u>	<u>Reserve</u>	<u>Equivalents</u>	
Checking Accounts	<u>\$ 7,154,349</u>	<u>\$ 229,403</u>	<u>\$ 3,022,581</u>	<u>\$ 10,406,333</u>
	<u>\$ 7,154,349</u>	<u>\$ 229,403</u>	<u>\$ 3,022,581</u>	<u>\$ 10,406,333</u>

During the period ended June 30, 2018, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2018, was \$10,406,333 and the bank balance was \$11,214,162.

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT

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

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

Beginning Balance, July 1, 2017	\$ 5,242,449
Add:	
Deposit as per Board Resolution - June 2018	2,000,000
Less:	
Transfer to Capital Outlay as per Board Resolution	<u>(88,100)</u>
Ending Balance, June 30, 2018	<u>\$ 7,154,349</u>

The balance in the capital reserve account at June 30, 2018 does not exceed the LRFP balance of local support costs of uncompleted capital projects. The withdrawal from the capital reserve was for use in DOE approved facilities projects consistent with the District's LRFP.

NOTE 5. MAINTENANCE RESERVE ACCOUNT

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

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

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

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 5. MAINTENANCE RESERVE ACCOUNT (Cont'd)

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

The activity of the maintenance reserve for the July 1, 2017 to June 30, 2018 fiscal year is as follows:

Beginning Balance, July 1, 2017	\$ 250,000
Add:	
Deposit as per Board Resolution - June 2018	76,256
Less:	
Budgeted Withdrawal	(96,853)
Ending Balance, June 30, 2018	\$ 229,403

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2018 were as follows:

	Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 288,849	\$ 294,614		\$ 583,463
Total Capital Assets Not Being Depreciated	288,849	294,614		583,463
Capital Assets Being Depreciated:				
Site Improvements	4,380,232			4,380,232
Buildings and Building Improvements	57,037,283	38,789		57,076,072
Machinery and Equipment	2,955,811	375,489	\$ (135,009)	3,196,291
Total Capital Assets Being Depreciated	64,373,326	414,278	(135,009)	64,652,595
Governmental Activities Capital Assets	64,662,175	708,892	(135,009)	65,236,058
Less Accumulated Depreciation for:				
Site Improvements	(1,584,829)	(150,663)		(1,735,492)
Buildings and Building Improvements	(14,956,644)	(1,471,126)		(16,427,770)
Machinery and Equipment	(1,755,468)	(258,187)	135,009	(1,878,646)
	(18,296,941)	(1,879,976)	135,009	(20,041,908)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 46,365,234	\$ (1,171,084)	\$ -0-	\$ 45,194,150
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 261,481			\$ 261,481
Less: Accumulated Depreciation	(156,648)	\$ (9,665)		(166,313)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	\$ 104,833	\$ (9,665)	\$ -0-	\$ 95,168

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 6. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to governmental functions as follows:

Unallocated	\$ 1,678,776
Regular Instruction	56,380
General Administrative Services	42,403
Transportation	11,820
Operation and Maintenance of Plant	90,597
	<u>\$ 1,879,976</u>

NOTE 7. OPERATING LEASES

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

<u>Year Ending</u>	<u>Amount</u>
2019	\$ 18,822
2020	3,137
Total future minimum lease payments	<u>\$ 21,959</u>

NOTE 8. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2018, the following changes occurred in liabilities reported in the district-wide financial statements:

	<u>Balance</u> <u>6/30/2017</u>	<u>Accrued</u>	<u>Retired</u>	<u>Balance</u> <u>6/30/2018</u>
Serial Bonds Payable	\$ 13,460,000		\$ 1,725,000	\$ 11,735,000
Unamortized Bond Issuance Premium	1,120,350		140,418	979,932
Net Pension Liability	12,378,516		2,501,883	9,876,633
Obligations Under Capital Leases	391,845	\$ 307,627	236,093	463,379
Compensated Absences Payable	400,803	77,837	9,871	468,769
	<u>\$ 27,751,514</u>	<u>\$ 385,464</u>	<u>\$ 4,613,265</u>	<u>\$ 23,523,713</u>

A. Bonds Payable:

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

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

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

A. Bonds Payable: (Cont'd)

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

The District had bonds outstanding as of June 30, 2018 as follows:

<u>Purpose</u>	<u>Serial Bonds</u> Final Maturity Date	<u>Interest</u> Rate	<u>Amount</u>
Serial Bonds	8/15/19	3.125-3.25%	\$ 635,000
Refunding Bonds	11/1/22	2.25-5.00%	7,205,000
Refunding Bonds	8/15/29	3.00-4.00%	3,895,000
			<u>\$ 11,735,000</u>

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

<u>Year Ending June 30,</u>	<u>Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,725,000	\$ 451,550	\$ 2,176,550
2020	1,740,000	376,900	2,116,900
2021	1,755,000	295,313	2,050,313
2022	1,810,000	223,975	2,033,975
2023	1,850,000	193,162	2,043,162
Thereafter 5 Years (2024-2028)	2,010,000	301,062	2,311,062
Thereafter 2 Years (2029-2030)	845,000	27,382	872,382
	<u>\$ 11,735,000</u>	<u>\$ 1,869,344</u>	<u>\$ 13,604,344</u>

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

B. Bonds Authorized But Not Issued:

As of June 30, 2018, the Board had no bonds authorized but not issued.

C. Capital Leases Payable:

The District has \$1,087,627 in capital leases payable for district-wide computers of which \$624,248 has been liquidated as of June 30, 2018. The capital lease is for 4 years in length and will be liquidated by the General Fund. The following is a schedule of the future minimum lease payments under the capital leases, and the present value of the net minimum lease payments at June 30, 2018.

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

C. Capital Leases Payable: (Cont'd)

<u>Year Ending</u>	<u>Amount</u>
2019	\$ 309,657
2020	109,982
2021	<u>68,036</u>
	487,675
Less: Amount representing interest	<u>(24,296)</u>
Present value of net minimum lease payments	<u>\$ 463,379</u>

The current portion of capital leases payable at June 30, 2018 is \$300,966 and the long-term portion is \$162,413.

D. Compensated Absences Payable:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The current portion of the compensated absences balance of the governmental funds is \$75,237 and is separated from the long-term liability balance of compensated absences of \$393,532. The General Fund will be used to liquidate the governmental funds Compensated Absences Payable.

E. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2018 is \$-0- and the long-term portion is \$9,876,633. See Note 9 for further information on the PERS.

F. Unamortized Bond Premium:

The unamortized bond issuance premium of the governmental fund types is recorded in the noncurrent liabilities. The current portion of the unamortized bond issuance premium balance of the governmental funds is \$140,418 and is separated from the long-term liability balance of \$839,514.

NOTE 9. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP).

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS):

Plan Description

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

Benefits Provided

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

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

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$428,245 for 2018.

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Contributions (Cont'd)

The employee contribution rate was 7.34% effective July 1, 2017. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2018, the District reported a liability of \$9,876,633 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 District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2017, the District's proportion was 0.0424%, which was an increase of 0.0009% from its proportion measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the District recognized pension expense of \$702,352. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	6.44	\$ 112,040	
	2015	5.72	471,942	
	2016	5.57	1,405,819	
	2017	5.48		\$ (1,982,506)
			1,989,801	(1,982,506)
Difference Between Expected and Actual Experience	2015	5.72	130,938	
	2016	5.57	42,663	
	2017	5.48	58,960	
			232,561	
Net Difference Between Projected and Actual				
Investment Earnings on Pension Plan Investments	2014	5.00	(118,351)	
	2015	5.00	100,960	
	2016	5.00	423,312	
	2017	5.00	(338,668)	
			67,253	
Changes in Proportion	2014	6.44		(72,302)
	2015	5.72	25,603	
	2016	5.57		(129,728)
	2017	5.48	158,336	
			183,939	(202,030)
District Contribution Subsequent to the Measurement Date	2017	1.00	447,879	
			\$ 2,921,433	\$ (2,184,536)

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

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

Fiscal Year Ending June 30,	Total
2018	\$ 232,507
2019	350,856
2020	212,601
2021	(282,760)
2022	(206,095)
	\$ 307,109

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:

Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment Rate of Return	7.00%

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

The actuarial assumptions used in the July 1, 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.

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	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%

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. The local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040.

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Discount Rate (Cont'd)

Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2017 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
District's proportionate share of the Net Pension Liability	\$ 12,252,634	\$ 9,876,633	\$ 7,897,130

Pension plan Fiduciary Net Position

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

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

Plan Description

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

Benefits Provided

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

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2018, the State's pension contribution was less than the actuarial determined amount.

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2018, the State of New Jersey contributed \$2,077,248 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$6,260,137.

The employee contribution rate was 7.34% effective July 1, 2017. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

At June 30, 2018, the State's proportionate share of the net pension liability associated with the District was \$90,140,200. 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 District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2017, the District's proportion was 0.134%, which was a decrease of 0.009% from its proportion measured as of June 30, 2016.

District's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Associated with the District	90,140,200
Total	<u>\$ 90,140,200</u>

For the fiscal year ended June 30, 2018, the State recognized pension expense on behalf of the District in the amount of \$6,244,457 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2018 financial statements.

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

	<u>Year of Deferral</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2014	8.5	\$ 1,383,974,317	
	2015	8.3	3,776,126,119	
	2016	8.3	8,218,154,928	
	2017	8.3		\$ 11,684,858,458
			<u>13,378,255,364</u>	<u>11,684,858,458</u>
Difference Between Expected and Actual Experience	2014	8.5		13,181,413
	2015	8.3	233,218,057	
	2016	8.3		102,199,790
	2017	8.3	207,898,332	
			<u>441,116,389</u>	<u>115,381,203</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5	(435,309,142)	
	2015	5	385,284,122	
	2016	5	1,295,565,574	
	2017	5	(904,033,050)	
			<u>341,507,504</u>	
		<u>\$ 14,160,879,257</u>	<u>\$ 11,800,239,661</u>	

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

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

Fiscal Year Ending June 30,	Total
2018	\$ 740,341,056
2019	1,175,650,200
2020	983,008,137
2021	551,152,948
2022	624,850,883
Thereafter	(1,714,363,628)
	\$ 2,360,639,596

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%

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

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

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	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%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.25% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Discount Rate – TPAF (Cont'd)

contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. The State contributed 40% of the actuarially determined contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2036. Therefore, the long-term expected rate of return on pension 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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the State's proportionate share of the net pension liability associated with the District as of June 30, 2017 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	1% Decrease (3.25%)	Current Discount Rate (4.25%)	1% Increase (5.25%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 107,089,385	\$ 90,140,200	\$ 76,177,387

Pension Plan Fiduciary Net Position - TPAF

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

C. Defined Contribution Retirement Program (DCRP):

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

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the District recognized pension expense of \$26,354 for the fiscal year ended June 30, 2018. Employee contributions to DCRP amounted to \$25,209 for the fiscal year ended June 30, 2018.

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)

General Information about the OPEB Plan

Plan Description and Benefits Provided

The District is in a "special funding situation", as described in GASB Statement No. 75, in that OPEB contributions and expenses are legally required to be made by and are the sole responsibility of the State of New Jersey, not the District.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefits for the State Health Benefit Local Education Retired Education Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan 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 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The State Health Benefits 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. 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 years or more of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

The total nonemployer OPEB liability does not include certain other postemployment benefit obligations that are provided by the local education employers. The reporting of these benefits, if any, is the responsibility of the individual education employers.

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) (Cont'd)

Employees Covered by Benefit Terms

At June 30, 2016, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	142,331
Active Plan Members	223,747
Total	366,078

Total Nonemployer OPEB Liability

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 as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016.

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%		
	TPAF/ABP	PERS	PFRS
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 on age
Thereafter	2.00 - 5.45%	3.15 - 5.15%	3.10 - 9.98%
	based on years of service	based on age	based on 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 MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Health 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.

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

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) (Cont'd)

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 rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% and decreases to a 5.0% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond rate as chosen by the State of New Jersey Division of Pensions and Benefits. 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 State's Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2016	\$57,831,784,184
Changes for Year:	
Service Cost	2,391,878,884
Interest on the Total OPEB Liability	1,699,441,736
Changes of Assumptions	(7,086,599,129)
Gross Benefit Payments by the State	(1,242,412,566)
Contributions from Members	45,748,749
Net Changes	(4,191,942,326)
Balance at June 30, 2017	\$53,639,841,858

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) (Cont'd)

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

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2017 and 2016, respectively, calculated using the discount rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	At 1% Decrease (2.58%)	At Discount Rate (3.58%)	At 1% Increase (4.58%)
	Total OPEB Liability Attributable to the District	\$ 71,841,035	\$ 60,519,519

	June 30, 2016		
	At 1% Decrease (1.85%)	At Discount Rate (2.85%)	At 1% Increase (3.85%)
	Total OPEB Liability Attributable to the District	\$ 78,338,967	\$ 65,390,300

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Healthcare Trend Rate

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2017 and 2016, respectively, calculated using the healthcare trend rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
	Total OPEB Liability Attributable to the District	\$ 49,771,454	\$ 60,519,519

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) (Cont'd)

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Healthcare Trend Rate (Cont'd)

	June 30, 2016		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 53,654,562	\$ 65,390,300	\$ 81,079,864

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

For the fiscal year ended June 30, 2018 the District recognized OPEB expense of \$3,745,757 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Statement 75, in which there is a special funding situation.

In accordance with GASB Statement 75, as the District's proportionate share of the OPEB liability is \$-0, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2017 the State had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Assumption Changes		\$ (6,343,769,032)
Contributions Made in Fiscal Year Ending 2018 After June 30, 2017 Measurement Date	\$ 1,190,373,242	
	<u>\$ 1,190,373,242</u>	<u>\$ (6,343,769,032)</u>

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) (Cont'd)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Cont'd)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	Total
2018	\$ (742,830,097)
2019	(742,830,097)
2020	(742,830,097)
2021	(742,830,097)
2022	(742,830,097)
Thereafter	(2,629,618,547)
	\$ (6,343,769,032)

NOTE 11. RISK MANAGEMENT

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

Property and Liability Insurance

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

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

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

Selected summarized financial information for the Fund as of June 30, 2018 is as follows:

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

Property and Liability Insurance (Cont'd)

	<u>School Alliance Insurance Fund</u>
Total Assets	<u>\$ 45,062,979</u>
Net Position	<u>\$ 10,127,373</u>
Total Revenue	<u>\$ 42,084,945</u>
Total Expenses	<u>\$ 39,779,381</u>
Change in Net Position	<u>\$ 2,305,564</u>
Members Dividends	<u>\$ -0-</u>

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

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

The June 30, 2018 audit report for the Group is not available as of the date of this report. Selected, summarized financial information for the Group as of June 30, 2017 is as follows:

	<u>Morris Essex Insurance Group</u>
Total Assets	<u>\$ 10,087,866</u>
Net Position	<u>\$ 7,503,025</u>
Total Revenue	<u>\$ 3,384,095</u>
Total Expenses	<u>\$ 1,932,089</u>
Change in Net Position	<u>\$ 490,233</u>
Members Dividends	<u>\$ 961,773</u>

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

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

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

New Jersey Unemployment Compensation Insurance

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Interest Earned</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2018	\$ 39,472	\$ 538	\$ 50,851	\$ 60,908	\$ 290,778
2017	50,818	480	37,202	52,861	260,825
2016	27,206	392	46,827	21,866	225,186

NOTE 12. ECONOMIC DEPENDENCY

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

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 43,267	
Special Revenue Fund		\$ 31,508
Fiduciary Funds		11,759
	<u>\$ 43,267</u>	<u>\$ 43,267</u>

The interfund between the General Fund and the Special Revenue Fund is due to the timing between expenditure and reimbursement of grants from the State of New Jersey. The interfund between General Fund and Fiduciary Funds are due to excess funds transferred to the Fiduciary Funds.

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 14. DEFERRED COMPENSATION

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457. The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency.

The plan administrators are as follows:

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

NOTE 15. TAX CALENDAR

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

NOTE 16. ACCOUNTS PAYABLE

The following accounts payable existed on the various balance sheets as of June 30, 2018:

	<u>Governmental Funds</u>		District Contri- bution Susequent to the Measure- ment Date	Total Governmental Activities	<u>Business-Type</u>
	General Fund	Special Revenue Fund			Proprietary Funds
Vendors	\$ 133,194	\$ 971		\$ 134,165	\$ 24,077
State of New Jersey			\$ 447,879	447,879	
	<u>\$ 133,194</u>	<u>\$ 971</u>	<u>\$ 447,879</u>	<u>\$ 582,044</u>	<u>\$ 24,077</u>

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 17. COMMITMENTS AND CONTINGENCIES

Grant Programs

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

Litigation

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

Encumbrances

At June 30, 2018, there were encumbrances as detailed below in the governmental funds.

General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
\$ 234,780	\$ 23,667	\$ 513,733	\$ 772,180

On the District's Governmental Funds Balance Sheet as of June 30, 2017 \$-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$23,667 less than the actual year-end encumbrances on the budgetary basis. On the GAAP basis, encumbrances are not recognized until paid and this non-recognition of encumbrances on a GAAP basis is also reflected as a reduction in grants receivable or an increase in unearned revenue in the Special Revenue Fund. The \$513,733 of fiscal year-end encumbrances in the Capital Projects Fund are included in the restricted fund balance at June 30, 2018.

NOTE 18. TRANSFERS TO CAPITAL OUTLAY

During the fiscal year ended June 30, 2018, the District transferred \$88,100 to the capital outlay account for construction services which required approval of the County Superintendent.

SCHEDULES OF REQUIRED
SUPPLEMENTARY INFORMATION

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

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
District's Proportion of the Net Pension Liability	0.0422792453%	0.0425589699%	0.0415399521%	0.0424283127%
District's Proportionate Share of the Net Pension Liability	\$ 7,915,831	\$ 9,553,636	\$ 12,302,942	\$ 9,876,633
District's Covered Employee Payroll	\$ 2,717,516	\$ 2,772,137	\$ 2,903,955	\$ 2,918,396
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	291.29%	344.63%	423.66%	338.43%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	52.08%	47.93%	40.14%	48.10%

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

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

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
Contractually Required Contribution	\$ 348,544	\$ 365,893	\$ 375,724	\$ 428,245
Contributions in relation to the Contractually Required Contribution	(348,544)	(365,893)	(375,724)	(428,245)
Contribution Deficiency (Excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's Covered Employee Payroll	\$ 2,668,452	\$ 2,717,516	\$ 2,772,137	\$ 2,903,955
Contributions as a Percentage of Covered Employee Payroll	13.06%	13.46%	13.55%	14.75%

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

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

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
State's Proportion of the Net Pension Liability Attributable to the District	0.1278586395%	0.1359611981%	0.1429083894%	0.1336923813%
State's Proportionate Share of the Net Pension Liability Attributable to the District	\$ 68,336,281	\$ 85,933,283	\$ 112,420,836	\$ 90,140,224
District's Covered Employee Payroll	\$ 13,935,919	\$ 14,003,957	\$ 14,604,419	\$ 14,687,078
State's Proportionate Share of the Net Pension Liability Associated with the District as a Percentage of its Covered Employee Payroll	490.36%	613.64%	769.77%	613.74%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	33.64%	28.71%	22.33%	25.41%

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

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

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
Contractually required contribution	\$ 3,677,134	\$ 5,247,001	\$ 8,446,862	\$ 6,244,457
Contributions in relation to the contractually required contribution	(735,056)	(1,144,180)	(1,451,196)	(2,077,248)
Contribution deficiency/(excess)	<u>\$ 2,942,078</u>	<u>\$ 4,102,821</u>	<u>\$ 6,995,666</u>	<u>\$ 4,167,209</u>
District's covered employee payroll	\$ 13,935,919	\$ 14,003,957	\$ 14,604,419	\$ 14,687,078
Contributions as a percentage of covered employee payroll	5.27%	8.17%	9.94%	14.14%

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

WEST ESSEX REGIONAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF CHANGES IN THE STATE'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TWO FISCAL YEARS
UNAUDITED

	Fiscal Years Ending	
	June 30, 2016	June 30, 2017
Total OPEB Liability		
Service Cost	\$ 1,723,999,319	\$ 2,391,878,884
Interest Cost	1,823,643,792	1,699,441,736
Changes in Assumptions	8,611,513,521	(7,086,599,129)
Member Contributions	46,273,747	45,748,749
Gross Benefit Payments	<u>(1,223,298,019)</u>	<u>(1,242,412,566)</u>
Net Change in Total OPEB Liability	10,982,132,360	(4,191,942,326)
Total OPEB Liability - Beginning	<u>46,849,651,824</u>	<u>57,831,784,184</u>
Total OPEB Liability - Ending	<u>\$ 57,831,784,184</u>	<u>\$ 53,639,841,858</u>
State's Covered Employee Payroll *	\$ 13,493,400,208	\$ 13,493,400,208
Total OPEB Liability as a Percentage of Covered Employee Payroll	429%	398%

* - Covered payroll for the fiscal years ending June 30, 2016 and June 30, 2017 is based on the payroll on the June 30, 2016 census data.

Note: This schedule does not contain ten years of information as GASB No. 75 was implemented during the fiscal year ended June 30, 2018.

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.98% as of June 30, 2016 to 5.00% as of June 30, 2017. The municipal bond rate changed from 2.85% to 3.58%. The long-term expected rate of return on pension plan investments changed from 7.65% to 7.00%.

The inflation rate changed from 3.08% as of June 30, 2016 to 2.25% as of June 30, 2017.

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.22% as of June 30, 2016 to 4.25% as of June 30, 2017. The municipal bond rate changed from 2.85% to 3.58%. The long-term expected rate of return on pension plan investments changed from 7.65% to 7.00%.

The inflation rate changed from 2.50% as of June 30, 2016 to 2.25% as of June 30, 2017.

State Health Benefit Local Education Retired Employees OPEB Plan

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

BUDGETARY COMPARISON SCHEDULES

WEST ESSEX REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 35,227,991		\$ 35,227,991	\$ 35,227,991	
Tuition from Other LEA's	60,000		60,000	201,745	\$ 141,745
Unrestricted Miscellaneous Revenue	375,000		375,000	404,617	29,617
Total - Local Sources	<u>35,662,991</u>		<u>35,662,991</u>	<u>35,834,353</u>	<u>171,362</u>
State Sources:					
Special Education Aid	882,967		882,967	882,967	
Security Aid	29,634		29,634	29,634	
Transportation Aid	182,327		182,327	182,327	
Additional Adjustment	1		1	1	
Per Pupil Growth Aid	16,800		16,800	16,800	
PARCC Readiness Aid	16,800		16,800	16,800	
Professional Learning Community Aid	17,460		17,460	17,460	
Extraordinary Special Education Costs Aid				427,466	427,466
Nonpublic Transportation Aid				75,110	75,110
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				1,374,209	1,374,209
TPAF On-Behalf Pension Contributions (Non-Budgeted)				2,077,248	2,077,248
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)				50,410	50,410
TPAF Long-Term Disability Insurance (On-Behalf - Non-Budgeted)				2,851	2,851
TPAF Social Security (Reimbursed - Non-Budgeted)				1,077,415	1,077,415
Total State Sources	<u>1,145,989</u>		<u>1,145,989</u>	<u>6,230,698</u>	<u>5,084,709</u>
Total Revenues	<u>36,808,980</u>		<u>36,808,980</u>	<u>42,065,051</u>	<u>5,256,071</u>
EXPENDITURES:					
Current Expense:					
REGULAR PROGRAMS - INSTRUCTION:					
Grades 6-8 - Salaries of Teachers	3,604,276	\$ (8,000)	3,596,276	3,536,673	59,603
Grades 9-12 - Salaries of Teachers	7,335,771	(3,406)	7,332,365	7,307,903	24,462
Regular Programs - Home Instruction:					
Salaries of Teachers	35,000	20,120	55,120	45,225	9,895
Purchased Professional-Educational Services	5,000	(5,000)			

WEST ESSEX REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
REGULAR PROGRAMS - INSTRUCTION:					
Regular Programs - Undistributed Instruction:					
Purchased Professional - Educational Services	\$ 38,391	\$ (25,500)	\$ 12,891	\$ 12,255	\$ 636
Other Purchased Services	451,929	34,328	486,257	463,853	22,404
General Supplies	483,685	23,688	507,373	364,672	142,701
Textbooks	81,651	25,580	107,231	103,558	3,673
Other Objects	27,100	40,800	67,900	56,821	11,079
TOTAL REGULAR PROGRAMS - INSTRUCTION	12,062,803	102,610	12,165,413	11,890,960	274,453
SPECIAL EDUCATION - INSTRUCTION:					
Learning and/or Language Disabilities:					
Salaries of Teachers	115,000		115,000	109,500	5,500
General Supplies	3,000		3,000	1,477	1,523
Total Learning and/or Language Disabilities	118,000		118,000	110,977	7,023
Resource Room/Resource Center:					
Salaries of Teachers	1,621,802	(33,515)	1,588,287	1,588,287	
Other Salaries for Instruction	593,900	(28,285)	565,615	510,612	55,003
Purchased Technical Services	41,265		41,265	27,355	13,910
General Supplies	17,168		17,168	11,145	6,023
Textbooks	6,000		6,000	5,459	541
Total Resource Room/Resource Center	2,280,135	(61,800)	2,218,335	2,142,858	75,477
Home Instruction:					
General Supplies	1,000		1,000	884	116
Total Home Instruction	1,000		1,000	884	116
TOTAL SPECIAL EDUCATION - INSTRUCTION	2,399,135	(61,800)	2,337,335	2,254,719	82,616

WEST ESSEX REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
School Sponsored Cocurricular Activities:					
Salaries	\$ 205,000	\$ 5,033	\$ 210,033	\$ 210,033	\$ 3,500
Purchased Services (300-500 Series)	2,500	1,000	3,500		21,730
Supplies and Materials	95,000	(17,513)	77,487	55,757	2,614
Other Objects	32,975	14,800	47,775	45,161	27,844
Total School-Sponsored Cocurricular Activities	<u>335,475</u>	<u>3,320</u>	<u>338,795</u>	<u>310,951</u>	
School-Sponsored Athletics:					
Salaries	819,690		819,690	790,664	29,026
Purchased Services (300-500 Series)	246,639	(28,000)	218,639	173,304	45,335
Supplies and Materials	219,500	7,000	226,500	218,876	7,624
Other Objects	1,000	11,000	12,000	10,927	1,073
Total School-Sponsored Athletics	<u>1,286,829</u>	<u>(10,000)</u>	<u>1,276,829</u>	<u>1,193,771</u>	<u>83,058</u>
Total Instruction	<u>16,084,242</u>	<u>34,130</u>	<u>16,118,372</u>	<u>15,650,401</u>	<u>467,971</u>
Undistributed Expenditures - Instruction:					
Tuition to Other LEA's Within the State - Special	127,587		127,587	126,418	1,169
Tuition to County Vo. School District-Regular	15,601		15,601	5,911	9,690
Tuition to County Vo. School District-Special	142,734		142,734	28,959	113,775
Tuition to Private Schools for the Handicapped Within State	2,657,266	(141,200)	2,516,066	2,239,770	276,296
Tuition to Private Schools for the Handicapped Outside State	178,489	200	178,689	126,204	52,485
Total Undistributed Expenditures - Instruction	<u>3,121,677</u>	<u>(141,000)</u>	<u>2,980,677</u>	<u>2,527,262</u>	<u>453,415</u>

WEST ESSEX REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
Undistributed Expenditures - Attendance and Social Work Services:					
Salaries	\$ 54,407		\$ 54,407	\$ 54,407	
Supplies and Materials	2,500		2,500	2,471	\$ 29
Total Undistributed Expenditures - Attendance and Social Work Services	56,907		56,907	56,878	29
Undistributed Expenditures - Health Services:					
Salaries	196,206	\$ 681	196,887	196,887	
Purchased Professional and Technical Services	19,000		19,000	19,000	
Supplies and Materials	4,500	(681)	3,819	2,949	870
Total Undistributed Expenditures - Health Services	219,706		219,706	218,836	870
Undist. Expend. - Other Supp. Serv. Students - Extraordinary Services:					
Purchased Professional - Educational Services	70,330		70,330	28,430	41,900
Total Undist. Expend. - Other Supp. Serv. Students - Extraordinary Services	70,330		70,330	28,430	41,900
Undist. Expend. - Guidance:					
Salaries of Other Professional Staff	751,627		751,627	709,192	42,435
Salaries of Secretarial and Clerical Assistants	163,913	4,448	168,361	168,361	
Other Salaries	16,000		16,000	14,498	1,502
Other Purchased Professional and Technical Services	29,000	19,932	48,932	48,931	1

WEST ESSEX REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
Undist. Expend. - Guidance:					
Supplies and Materials	\$ 15,750	\$ (12,292)	\$ 3,458	\$ 13,906	\$ 3,458
Other Objects	1,000	15,000	16,000	954,888	2,094
Total Undist. Expend. - Guidance	<u>977,290</u>	<u>27,088</u>	<u>1,004,378</u>		<u>49,490</u>
Undist. Expend. - Child Study Teams:					
Salaries of Other Professional Staff	513,463	61,800	575,263	573,632	1,631
Salaries of Secretarial and Clerical Assistants	163,913		163,913	163,913	
Purchased Professional - Educational Services	344,505	(46,415)	298,090	226,979	71,111
Other Purchased Professional and Technical Services	60,000		60,000	34,427	25,573
Other Purchased Services	6,000		6,000		6,000
Miscellaneous Purchased Services	1,381		1,381	395	986
Supplies and Materials	5,200		5,200	3,667	1,533
Total Undist. Expend. - Child Study Teams	<u>1,094,462</u>	<u>15,385</u>	<u>1,109,847</u>	<u>1,003,013</u>	<u>106,834</u>
Undist. Expend. - Educational Media Services/School Library:					
Salaries	182,851	7,160	190,011	184,670	5,341
Salaries of Technology Coordinators	172,958	19,255	192,213	184,244	7,969
Supplies and Materials	45,000		45,000	39,359	5,641
Total Undist. Expend. - Educational Media Services/School Library	<u>400,809</u>	<u>26,415</u>	<u>427,224</u>	<u>408,273</u>	<u>18,951</u>
Undist. Expend. - Instructional Staff Training Services:					
Salaries of Supervisors of Instruction	420,972		420,972	369,862	51,110
Salaries of Other Professional Staff	5,000		5,000		5,000
Purchased Professional - Educational Services	68,026	213	68,239	52,616	15,623
Other Purchased Services	26,610		26,610	9,472	17,138
Total Undist. Expend. - Instructional Staff Training Services	<u>520,608</u>	<u>213</u>	<u>520,821</u>	<u>431,950</u>	<u>88,871</u>

WEST ESSEX REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
Undist. Expend. - Support Services - General Administration:					
Salaries	\$ 345,383	\$ 41,000	\$ 386,383	\$ 357,158	\$ 29,225
Legal Services	100,000		100,000	54,954	45,046
Audit Fees	32,640		32,640	32,640	
Architectural/Engineering Services	12,000		12,000		12,000
Other Purchased Professional Services	100,000	(11,100)	88,900	81,636	7,264
Communications/Telephone	86,302		86,302	78,320	7,982
BOE Other Purchased Services	6,000		6,000	5,174	826
Miscellaneous Purchased Services	17,000		17,000	8,756	8,244
General Supplies	6,100	(100)	6,000	4,135	1,865
Miscellaneous Expenditures	5,500	2,000	7,500	5,985	1,515
BOE Membership Dues and Fees	20,000	100	20,100	20,078	22
Total Undist. Expend. - Support Services - General Administration	<u>730,925</u>	<u>31,900</u>	<u>762,825</u>	<u>648,836</u>	<u>113,989</u>
Undist. Expend. - Support Serv. - School Administration:					
Salaries of Principals/Assistant Principals	691,419	3,422	694,841	694,841	
Salaries of Other Professional Staff	553,277	3,422	556,699	537,805	18,894
Salaries of Secretarial and Clerical Assistants	408,462		408,462	343,082	65,380
Purchased Professional and Technical Services	11,500	(925)	10,575	6,659	3,916
Supplies and Materials	75,589	(11,644)	63,945	58,692	5,253
Other Objects	26,500	5,725	32,225	30,795	1,430
Total Undist. Expend. - Support Serv. - School Administration	<u>1,766,747</u>		<u>1,766,747</u>	<u>1,671,874</u>	<u>94,873</u>
Undist. Expend. - Central Services:					
Salaries	386,637	8,884	395,521	377,134	18,387
Purchased Professional Services	6,559		6,559	5,100	1,459
Purchased Technical Services	4,917		4,917	2,095	2,822
Miscellaneous Purchased Services	64,528	(12,934)	51,594	49,453	2,141
Supplies and Materials	9,000		9,000	6,893	2,107
Miscellaneous Expenditures	4,000	600	4,600	3,095	1,505
Total Undist. Expend. - Central Services	<u>475,641</u>	<u>(3,450)</u>	<u>472,191</u>	<u>443,770</u>	<u>28,421</u>

WEST ESSEX REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
Undist. Expend. - Administrative Information Technology:					
Salaries	\$ 115,000	\$ 3,450	\$ 118,450	\$ 118,450	\$ 5,051
Total Undist. Expend. - Administrative Information Technology	115,000	3,450	118,450	118,450	39,511
Required Maintenance for School Facilities:					
Salaries	604,081	42,038	646,119	641,068	33,062
Cleaning, Repair and Maintenance Services	207,220	(15,000)	192,220	152,709	1,895
General Supplies	198,820	14,786	213,606	180,544	305
Other Objects	2,200		2,200		
Total Required Maintenance for School Facilities	1,012,321	41,824	1,054,145	974,626	79,519
Undist. Expend. - Custodial Services:					
Salaries	778,868	3,367	782,235	769,804	12,431
Purchased Professional and Technical Services	5,700	(792)	4,908	4,908	
Cleaning, Repair and Maintenance Services	60,000		60,000	37,600	22,400
Other Purchased Property Services	58,810		58,810	43,584	15,226
Insurance	316,361	90,000	406,361	314,787	91,574
Miscellaneous Purchased Services	24,000		24,000		24,000
General Supplies	147,221		147,221	114,708	32,513
Energy (Natural Gas)	82,000	20,000	102,000	99,425	2,575
Energy (Electricity)	700,000	(91,991)	608,009	480,285	127,724
Total Undist. Expend. - Custodial Services	2,172,960	20,584	2,193,544	1,860,193	333,351
Undist. Expend. - Care and Upkeep of Grounds:					
Salaries	251,258	713	251,971	235,852	16,119
Purchased Professional and Technical Services	1,000		1,000		1,000
Cleaning, Repair, and Maintenance Services	39,925		39,925	21,316	18,609
General Supplies	45,000	29,100	74,100	59,451	14,649
Other Objects	1,000		1,000		1,000
Total Undist. Expend. - Care and Upkeep of Grounds	338,183	29,813	367,996	316,619	51,377

WEST ESSEX REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
Undist. Expend. - Security	\$ 49,865	\$ 6,665	\$ 56,530	\$ 56,530	\$ 1,645
Salaries	10,000	(30)	9,970	8,325	6
Purchased Professional and Technical Services	99,007	83,725	182,732	182,726	500
General Supplies	31,096		31,096	30,596	2,151
Other Objects	189,968	90,360	280,328	278,177	
Total Undist. Expend. - Security					
Undist. Expend. - Student Transportation Services:					
Contracted Services:					
Aid in Lieu of Payments for Nonpublic School Students	168,376	7,857	176,233	164,722	11,511
Between Home and School - Vendors	815,374	15,000	830,374	830,117	257
Other than Between Home and School - Vendors	304,524	58,843	363,367	306,717	56,650
Special Education Students - Vendors	774,736	(40,700)	734,036	731,054	2,982
Total Undist. Expend. - Student Transportation Services	2,063,010	41,000	2,104,010	2,032,610	71,400
Unallocated Benefits:					
Social Security Contributions	435,000	4,600	439,600	439,429	171
Other Retirement Contribution - PERS	420,000	11,000	431,000	428,245	2,755
Other Retirement Contribution - ERIP	5,747		5,747	5,747	
Unemployment Compensation	76,000		76,000	39,472	36,528
Workmen's Compensation	198,000	6,000	204,000	203,173	827
Health Benefits	4,622,936	(181,599)	4,441,337	4,312,159	129,178
Tuition Reimbursement	45,000		45,000	25,793	19,207
Other Employee Benefits	216,000	(57,713)	158,287	25,865	132,422
Total Unallocated Benefits	6,018,683	(217,712)	5,800,971	5,479,883	321,088

WEST ESSEX REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
ON-BEHALF CONTRIBUTIONS:					
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				\$ 1,374,209	\$ (1,374,209)
TPAF On-Behalf Pension Contributions (Non-Budgeted)				2,077,248	(2,077,248)
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)				50,410	(50,410)
TPAF Long-Term Disability Insurance (On-Behalf - Non-Budgeted)				2,851	(2,851)
TPAF Social Security (Reimbursed - Non-Budgeted)				1,077,415	(1,077,415)
TOTAL ON-BEHALF CONTRIBUTIONS				4,582,133	(4,582,133)
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS	\$ 6,018,683	\$ (217,712)	\$ 5,800,971	10,062,016	(4,261,045)
TOTAL UNDISTRIBUTED EXPENDITURES	21,345,227	(34,130)	21,311,097	24,036,701	(2,725,604)
TOTAL GENERAL CURRENT EXPENSE	37,429,469		37,429,469	39,687,102	(2,257,633)
CAPITAL OUTLAY:					
Facilities Acquisition and Construction Services:					
Architectural/Engineering Services	100,000	48,100	148,100	117,430	30,670
Construction Services	239,127	40,000	279,127	278,059	1,068
Other Objects	80,000		80,000	80,000	
Other Objects - Assessment for Debt Service on SDA Funding	83,370		83,370	83,370	
Total Facilities Acquisition and Construction Services	502,497	88,100	590,597	558,859	31,738
Assets Acquired Under Capital Leases (Non-Budgeted):					
Regular Programs - Equipment				307,627	(307,627)
Total Assets Acquired Under Capital Leases (Non-Budgeted)				307,627	(307,627)
TOTAL CAPITAL OUTLAY	502,497	88,100	590,597	866,486	(275,889)

WEST ESSEX REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
TOTAL EXPENDITURES	\$ 37,931,966	\$ 88,100	\$ 38,020,066	\$ 40,553,588	\$ (2,533,522)
Excess/(Deficit) of Revenues Over/(Under) Expenditures	(1,122,986)	(88,100)	(1,211,086)	1,511,463	2,722,549
Other Financing Sources:					
Capital Leases (Non-budgeted)				307,627	307,627
Total Other Financing Sources				307,627	307,627
Excess/(Deficit) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(1,122,986)	(88,100)	(1,211,086)	1,819,090	3,030,176
Fund Balance, July 1	8,270,288		8,270,288	8,270,288	
Fund Balance, June 30	\$ 7,147,302	\$ (88,100)	\$ 7,059,202	\$ 10,089,378	\$ 3,030,176
Recapitulation:					
Restricted Fund Balance:				\$ 7,154,349	
Capital Reserve				229,403	
Maintenance Reserve				504,074	
Excess Surplus to be Utilized for 2019-2020 school year				500,000	
Excess Surplus - Designated for Subsequent Year's Expenditures					
Assigned Fund Balance:					
Designated for Subsequent Year's Expenditures				250,919	
Year End Encumbrances				234,780	
Unassigned Fund Balance				1,215,853	
				10,089,378	
Reconciliation to Governmental Funds Statement (GAAP):					
Last State Aid Payments not Recognized on GAAP basis				(102,111)	
Fund Balance per Governmental Funds (GAAP)				\$ 9,987,267	

WEST ESSEX REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
 (Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources	\$ 283,667	\$ 30,540	\$ 30,540	\$ 30,540	
Federal Sources		132,267	415,934	376,564	\$ (39,370)
Total Revenues	283,667	162,807	446,474	407,104	(39,370)
EXPENDITURES:					
Instruction:					
Salaries of Teachers	27,000	15,369	42,369	33,925	8,444
Purchased Professional and Technical Services	13,270	1,970	15,240	13,573	1,667
Tuition	238,353	64,279	302,632	302,632	
General Supplies	1,515	47,968	49,483	30,730	18,753
Total Instruction	280,138	129,586	409,724	380,860	28,864
Support Services:					
Salaries of Supervisors of Instruction	1,463	2,414	3,877	3,877	
Personal Services - Employee Benefits	2,066	1,175	3,241	3,241	
Other Purchased Services		29,632	29,632	19,126	10,506
Total Support Services	3,529	33,221	36,750	26,244	10,506
Total Expenditures	\$ 283,667	\$ 162,807	\$ 446,474	\$ 407,104	\$ 39,370

WEST ESSEX REGIONAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 42,065,051	\$ 407,104
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, Whereas the GAAP Basis does not:		(23,667)
Prior Year State Aid Payments Recognized for GAAP Purposes, not Recognized for Budgetary Statements	91,971	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(102,111)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 42,054,911	\$ 383,437
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 40,553,588	\$ 407,104
Differences - Budget to GAAP		
Encumbrances for Supplies and Equipment Ordered but Not Received are Reported in the Year the Order is Placed for Budgetary Purposes, but in the Year the Supplies are Received for Financial Reporting Purposes:		(23,667)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 40,553,588	\$ 383,437

WEST ESSEX REGIONAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budget for the fiscal year ended June 30, 2018 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

WEST ESSEX REGIONAL SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Elementary and Secondary Education Act</u>		<u>IDEA</u>	<u>Local</u>	<u>Totals</u>
	<u>Title I</u>	<u>Title IIA</u>	<u>Part B Basic</u>	<u>Grants</u>	
		<u>Title IV</u>			
REVENUE:					
Local Sources				\$ 30,540	\$ 30,540
Federal Sources	\$ 52,737	\$ 19,685	\$ 1,510	\$ 302,632	\$ 376,564
Total Revenue	<u>52,737</u>	<u>19,685</u>	<u>1,510</u>	<u>302,632</u>	<u>407,104</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	33,925				33,925
Purchased Professional and Technical Services	13,073	500			13,573
Tuition			302,632		302,632
General Supplies	190			30,540	30,730
Total Instruction	<u>47,188</u>	<u>500</u>	<u>302,632</u>	<u>30,540</u>	<u>380,860</u>
Support Services:					
Salaries of Supervisors of Instruction	2,308	1,509	60		3,877
Personal Services - Employee Benefits	3,241	18,176	950		3,241
Other Purchased Services					19,126
Total Support Services	<u>5,549</u>	<u>19,685</u>	<u>1,010</u>		<u>26,244</u>
Total Expenditures	<u>\$ 52,737</u>	<u>\$ 19,685</u>	<u>\$ 1,510</u>	<u>\$ 302,632</u>	<u>\$ 407,104</u>

CAPITAL PROJECTS FUND

WEST ESSEX REGIONAL SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Expenditures and Other Financing Uses:	
Construction Services	\$ 177,184
	<hr/>
Total Expenditures and Other Financing Uses	177,184
	<hr/>
Deficit of Revenues Under Expenditures	(177,184)
Fund Balance - Beginning of Year	690,917
	<hr/>
Fund Balance - End of Year	\$ 513,733
	<hr/> <hr/>
<u>Recapitulation:</u>	
Restricted for Encumbrances	513,733
	<hr/>
Total Fund Balance - Budgetary Basis	513,733
	<hr/>
Fund Balance per Governmental Funds (GAAP)	\$ 513,733
	<hr/> <hr/>

WEST ESSEX REGIONAL SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS -
BUDGETARY BASIS
RENOVATIONS TO JUNIOR HIGH SCHOOL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Prior Periods	Current Year	Totals	Revised Project Authorization
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 1,475,901	\$ 1,475,901	\$ 1,475,901	\$ 1,475,901
Bond Proceeds	3,912,246	3,912,246	3,912,246	3,912,246
Transfer to Senior High School Project	(850,000)	(850,000)	(850,000)	(850,000)
Total Revenue and Other Financing Sources	4,538,147	4,538,147	4,538,147	4,538,147
Expenditures:				
Purchased Professional and Technical Services	864,705	864,705	864,705	864,705
Construction Services	2,637,194	\$ 177,184	2,814,378	3,328,111
Equipment	278,443	278,443	278,443	278,443
Contingency	66,888	66,888	66,888	66,888
Total Expenditures	3,847,230	177,184	4,024,414	4,538,147
Excess/(Deficit) of Revenue and Other Financing Sources Over/(Under) Expenditures	\$ 690,917	\$ (177,184)	\$ 513,733	\$ -0-

Additional Project Information:

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

Percentage Increase over Original Authorized Cost
 89%
 Percentage Completion
 Original Target Completion Date
 Revised Target Completion Date

December 2005
 October 2018

PROPRIETARY FUNDS

WEST ESSEX REGIONAL SCHOOL DISTRICT
ENTERPRISE FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Business-Type Activities
	Enterprise Fund Food Service
<u>ASSETS:</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 157,095
Inventories	12,516
Total Current Assets	169,611
Non-Current Assets:	
Capital Assets	261,481
Less: Accumulated Depreciation	(166,313)
Total Non-Current Assets	95,168
Total Assets	264,779
<u>LIABILITIES:</u>	
Current Liabilities:	
Accounts Payable - Vendors	24,077
Unearned Revenue	12,417
Total Current Liabilities	36,494
<u>NET POSITION:</u>	
Investment in Capital Assets	95,168
Unrestricted	133,117
Total Net Position	\$ 228,285

WEST ESSEX REGIONAL SCHOOL DISTRICT
ENTERPRISE FUNDS
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Busines-Type Activities
	Enterprise Fund Food Service
Operating Revenue:	
Local Sources:	
Daily Sales - Non-Reimbursable Program	\$ 965,734
Special Events	9,049
	974,783
Total Operating Revenue	974,783
Operating Expenses:	
Cost of Sales - Non-Reimbursable Program	385,969
Salaries, Benefits & Payroll Taxes	340,524
Other Purchased Services	39,264
Supplies, Insurance and Other Costs	25,781
Management Fee	64,087
Miscellaneous Expense	48,880
Depreciation Expense	9,665
	914,170
Total Operating Expenses	914,170
Operating Income	60,613
Change in Net Position	60,613
Net Position - Beginning of Year	167,672
Net Position - End of Year	\$ 228,285

WEST ESSEX REGIONAL SCHOOL DISTRICT
ENTERPRISE FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Business-Type Activities
	Enterprise Fund Food Service
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 976,117
Payments to Employees	(340,524)
Payments to Suppliers	(541,952)
	93,641
Net Cash Provided by Operating Activities	93,641
Cash and Cash Equivalents, July 1	63,454
Cash and Cash Equivalents, June 30	\$ 157,095
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 60,613
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	9,665
Changes in Assets and Liabilities:	
Increase in Unearned Revenue	1,334
(Decrease) in Accounts Payable	24,077
Decrease in Inventory	(2,048)
	93,641
Net Cash Provided by Operating Activities	\$ 93,641

FIDUCIARY FUNDS

WEST ESSEX REGIONAL SCHOOL DISTRICT
AGENCY FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018

		<u>Agency</u>	<u>Total Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>	<u>Flexible Spending Trust</u>
<u>ASSETS:</u>		<u>Payroll</u>	<u>Agency</u>	<u>Trust</u>	<u>Trust</u>	<u>Trust</u>
Cash and Cash Equivalents	\$	362,752	\$ 252,724	\$ 290,778	\$ 112,755	\$ 16,759
Total Assets		<u>362,752</u>	<u>615,476</u>	<u>290,778</u>	<u>112,755</u>	<u>16,759</u>
<u>LIABILITIES:</u>						
Payroll Deductions and Withholdings			240,965			
Due to Student Groups		362,752	362,752			
Interfund Payable - General Fund		11,759	11,759			
Total Liabilities		<u>362,752</u>	<u>615,476</u>			
<u>NET POSITION:</u>						
Restricted For:						
Unemployment Claims				290,778		
Scholarships					112,755	
Flexible Spending Claims						16,759
Total Net Position	\$	<u>-0-</u>	<u>\$ -0-</u>	<u>\$ 290,778</u>	<u>\$ 112,755</u>	<u>\$ 16,759</u>

WEST ESSEX REGIONAL SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>	<u>Flexible Spending Trust</u>
ADDITIONS:			
Contributions:			
Employee	\$ 50,851		\$ 46,003
Employer	39,472		
Private Donations		\$ 26,823	
Total Contributions	<u>90,323</u>	<u>26,823</u>	<u>46,003</u>
Investment Earnings:			
Interest	538	258	
Net Investment Earnings	<u>538</u>	<u>258</u>	
Total Additions	<u>90,861</u>	<u>27,081</u>	<u>46,003</u>
DEDUCTIONS:			
Unemployment Compensation Claims	60,908		
Flexible Spending Claims			42,704
Scholarships Awarded		38,500	
Total Deductions	<u>60,908</u>	<u>38,500</u>	<u>42,704</u>
Change in Net Position	29,953	(11,419)	3,299
Net Position - Beginning of the Year	<u>260,825</u>	<u>124,174</u>	<u>13,460</u>
Net Position - End of the Year	<u>\$ 290,778</u>	<u>\$ 112,755</u>	<u>\$ 16,759</u>

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

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 356,106	\$ 759,319	\$ 752,673	\$ 362,752
Total Assets	<u>\$ 356,106</u>	<u>\$ 759,319</u>	<u>\$ 752,673</u>	<u>\$ 362,752</u>
 <u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	<u>356,106</u>	<u>\$ 759,319</u>	<u>\$ 752,673</u>	<u>\$ 362,752</u>
Total Liabilities	<u>\$ 356,106</u>	<u>\$ 759,319</u>	<u>\$ 752,673</u>	<u>\$ 362,752</u>

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

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 18,757	\$ 22,938,164	\$ 22,704,197	\$ 252,724
Total Assets	<u>\$ 18,757</u>	<u>\$ 22,938,164</u>	<u>\$ 22,704,197</u>	<u>\$ 252,724</u>
 <u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 18,757	\$ 22,926,405	\$ 22,704,197	\$ 240,965
Interfund Payable - General Fund		11,759		11,759
Total Liabilities	<u>\$ 18,757</u>	<u>\$ 22,938,164</u>	<u>\$ 22,704,197</u>	<u>\$ 252,724</u>

LONG-TERM DEBT

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance July 1, 2017	Matured	Balance June 30, 2018
			Date	Amount				
Serial Bonds	8/15/2009	\$ 6,537,000	8/15/2018	\$ 310,000	3.250%	\$ 940,000	\$ 305,000	\$ 635,000
			8/15/2019	325,000	3.250%			
Refunding Bonds	7/14/2011	14,470,000	11/1/2018	1,365,000	4.000%	8,625,000	1,420,000	7,205,000
			11/1/2018	50,000	5.000%			
			11/1/2019	1,415,000	5.000%			
			11/1/2020	1,420,000	5.000%			
			11/1/2021	1,465,000	3.500%			
			11/1/2022	1,490,000	5.000%			
Refunding Bonds 2016	7/13/2016	3,965,000	8/15/2020	335,000	3.000%	3,895,000		3,895,000
			8/15/2021	345,000	3.000%			
			8/15/2022	360,000	3.000%			
			8/15/2023	375,000	4.000%			
			8/15/2024	390,000	4.000%			
			8/15/2025	400,000	4.000%			
			8/15/2026	415,000	4.000%			
			8/15/2027	430,000	4.000%			
			8/15/2028	425,000	3.250%			
			8/15/2029	420,000	3.250%			
						<u>\$ 13,460,000</u>	<u>\$ 1,725,000</u>	<u>\$ 11,735,000</u>
						<u>3,895,000</u>		<u>3,895,000</u>

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

Item	Interest Rate	Original Issue	Balance June 30, 2017	Issued	Matured	Balance June 30, 2018
Computer Equipment	1.274%	\$ 780,000	\$ 391,845		\$ 194,682	\$ 197,163
Apple Computer Equipment	4.050%	30,997		\$ 30,997	10,745	20,252
Chromebooks	7.424%	86,550		86,550	30,666	55,884
Chromebooks	6.730%	190,080		190,080		190,080
			<u>\$ 391,845</u>	<u>\$ 307,627</u>	<u>\$ 236,093</u>	<u>\$ 463,379</u>

WEST ESSEX REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
 DEBT SERVICE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 2,122,469		\$ 2,122,469	\$ 2,122,470	\$ 1
Total Revenues	2,122,469		2,122,469	2,122,470	1
EXPENDITURES:					
Regular Debt Service:					
Interest	514,069		514,069	514,069	
Redemption of Principal	1,725,000		1,725,000	1,725,000	
Total Regular Debt Service	2,239,069		2,239,069	2,239,069	
Total Expenditures	2,239,069		2,239,069	2,239,069	
Excess/(Deficit) of Revenues Over/(Under) Expenditures	(116,600)	\$ -0-	(116,600)	(116,599)	-0-
Fund Balance, July 1	467,952	-0-	467,952	467,952	
Fund Balance, June 30	\$ 351,352	\$ -0-	\$ 351,352	\$ 351,353	\$ -0-
Recapitulation:					
Restricted - Designated for Subsequent Year's Expenditures			\$ 116,600		
Restricted			234,753		
			\$ 351,353		

STATISTICAL SECTION

(UNAUDITED)

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

Contents

Exhibit

Financial Trends

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

J-1 thru J-5

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.

J-6 thru J-9

Debt Capacity

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

J-10 thru J-13

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.

J-14 thru J-15

Operating Information

These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.

J-16 thru J-20

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

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

	June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
Net Investment in Capital Assets										
Restricted	\$ 18,815,040	\$ 19,449,139	\$ 24,390,753	\$ 25,317,984	\$ 26,350,801	\$ 27,209,038	\$ 31,043,671	\$ 32,250,682	\$ 33,277,705	\$ 33,668,032
Unrestricted/ (Deficit)	1 (103,637)	400,001 253,989	668,730 788,347	2,847,261 288,133	3,667,260 662,926	4,812,739 (7,101,230)	4,195,942 (7,743,176)	5,717,488 (8,159,741)	7,652,587 (9,300,854)	9,252,912 (9,521,143)
Total Governmental Activities Net Position	\$ 18,711,404	\$ 20,103,129	\$ 25,847,830	\$ 28,453,378	\$ 30,680,987	\$ 24,920,547	\$ 27,496,437	\$ 29,808,429	\$ 31,629,438	\$ 33,399,801
Business-type Activities										
Investment in Capital Assets	\$ 47,940	\$ 24,050	\$ 42,605	\$ 33,447	\$ 24,289	\$ 12,596	\$ 57,527	\$ 50,810	\$ 104,833	\$ 95,168
Unrestricted	318,082	193,941	169,167	166,668	168,342	100,098	49,963	80,957	62,839	133,117
Total Business-type Activities Net Position	\$ 366,022	\$ 217,991	\$ 211,772	\$ 200,115	\$ 192,631	\$ 112,694	\$ 107,490	\$ 131,767	\$ 167,672	\$ 228,285
District-wide										
Net Investment in Capital Assets	\$ 18,862,980	\$ 19,473,189	\$ 24,433,358	\$ 25,351,431	\$ 26,375,090	\$ 27,221,634	\$ 31,101,198	\$ 32,301,492	\$ 33,382,538	\$ 33,763,200
Restricted	1 214,445	400,001 447,930	668,730 957,514	2,847,261 454,801	3,667,260 831,268	4,812,739 (7,001,132)	4,195,942 (7,693,213)	5,717,488 (8,078,784)	7,652,587 (9,238,015)	9,252,912 (9,388,026)
Unrestricted/(Deficit)										
Total District Net Position	\$ 19,077,426	\$ 20,321,120	\$ 26,059,602	\$ 28,653,493	\$ 30,873,618	\$ 25,033,241	\$ 27,603,927	\$ 29,940,196	\$ 31,797,110	\$ 33,628,086

Source: School District Financial Reports

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

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses:										
Governmental Activities:										
Instruction:										
Regular	\$ 12,251,493	\$ 12,979,956	\$ 13,639,725	\$ 14,254,374	\$ 15,319,829	\$ 15,059,639	\$ 15,756,950	\$ 17,669,411	\$ 20,146,613	\$ 20,654,120
Special Education	5,210,393	4,944,372	4,614,351	5,291,950	5,376,409	5,244,537	3,777,063	3,965,786	4,465,866	4,416,798
Other Special Education	49,460	39,674	33,961	58,892	48,195	130,856				
School Sponsored Activities And Athletics	1,525,939	1,589,966	1,649,919	1,667,883	1,640,057	1,600,776	1,834,509	1,969,352	2,274,214	2,303,664
Support Services:										
Tuition							2,520,512	2,460,215	2,640,421	2,527,262
Student & Instruction Related Services	3,514,237	3,715,740	3,852,337	3,848,598	4,090,642	3,954,056	4,321,389	4,655,957	5,144,395	5,332,282
General Administrative Services	858,745	691,266	913,994	952,905	945,428	773,663	865,242	837,366	835,943	841,692
School Administrative Services	1,800,938	1,819,095	1,608,671	1,964,673	2,169,472	2,260,028	2,455,661	2,593,985	3,016,987	3,008,672
Central and Other Support Services	743,597	652,801	549,639	584,917	552,372	566,228	649,021	696,651	678,504	734,230
Administrative Information Technology							189,067	207,484	225,852	221,011
Plant Operations and Maintenance	4,333,145	3,855,280	3,592,306	3,598,805	3,655,757	3,979,360	4,022,505	4,378,673	4,687,057	4,903,628
Pupil Transportation	2,423,669	2,369,440	1,772,268	1,823,129	1,839,796	1,792,279	2,140,161	1,807,491	1,979,890	2,044,430
Transfer of Funds to Charter School	874,887	1,068,923	1,010,252	665,601	761,455	691,812	35,284	597,552	616,401	465,758
Interest on Long-term Debt							663,512	1,600,560	1,609,620	1,840,936
Unallocated Depreciation							1,588,396			
Total Governmental Activities Expenses	33,586,503	33,726,513	33,237,423	34,711,727	36,399,412	36,053,234	40,819,272	43,440,483	48,321,763	49,294,483
Business-type Activities:										
Food Service	550,230	632,181	683,937	695,121	750,776	794,468	765,978	816,748	829,098	914,170
Total Business-type Activities Expense	550,230	632,181	683,937	695,121	750,776	794,468	765,978	816,748	829,098	914,170
Total District Expenses	\$ 34,136,733	\$ 34,358,694	\$ 33,921,360	\$ 35,406,848	\$ 37,150,188	\$ 36,847,702	\$ 41,585,250	\$ 44,257,231	\$ 49,150,861	\$ 50,208,653

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

UNAUDITED
(Continued)

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Program Revenues:										
Governmental Activities:										
Charges for Services:										
Instruction (Tuition)	\$ 20,635	\$ 67,175	\$ 145,971	\$ 168,593	\$ 77,076	\$ 102,010	\$ 52,289	\$ 79,974	\$ 219,426	\$ 201,745
Operating Grants and Contributions	3,810,271	4,601,827	3,135,488	3,903,058	4,782,073	4,329,234	8,139,878	9,525,846	12,703,372	13,027,463
Capital Grants and Contributions	706,619	4,500	3,262,003	19,205		72,520		360,204		
Total Governmental Activities Program Revenues	4,537,525	4,673,502	6,543,462	4,090,856	4,859,149	4,431,244	8,264,687	9,605,820	13,283,002	13,229,208
Business-type Activities:										
Charges for Services:										
Food Service	559,266	497,411	635,113	726,069	743,292	727,484	760,774	841,025	865,003	974,783
Total Business-type Activities Program Revenues	559,266	497,411	635,113	726,069	743,292	727,484	760,774	841,025	865,003	974,783
Total District Program Revenues	5,096,791	5,170,913	7,178,575	4,816,925	5,602,441	5,158,728	9,025,461	10,446,845	14,148,005	14,203,991
Net (Expense)/Revenue:										
Governmental Activities	\$ (29,048,978)	\$ (29,053,011)	\$ (26,693,961)	\$ (30,620,871)	\$ (31,540,263)	\$ (31,621,990)	\$ (32,554,585)	\$ (33,834,663)	\$ (35,038,761)	\$ (36,065,275)
Business-type Activities	9,036	(134,770)	(48,824)	30,948	(7,484)	(66,984)	(5,204)	24,277	35,905	60,613
Total District-wide Net Expense	\$ (29,039,942)	\$ (29,187,781)	\$ (26,742,785)	\$ (30,589,923)	\$ (31,547,747)	\$ (31,688,974)	\$ (32,559,789)	\$ (33,810,386)	\$ (35,002,856)	\$ (36,004,662)
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes	\$ 27,347,610	\$ 28,163,781	\$ 30,787,000	\$ 30,284,468	\$ 30,890,157	\$ 31,507,960	\$ 32,390,184	\$ 33,383,315	\$ 34,244,997	\$ 35,227,991
Property Taxes Levied for Debt Service	2,234,375	2,188,875	1,090,680	2,546,355	2,507,679	2,407,198	2,425,105	2,369,280	2,190,149	2,122,470
State Aid - Unrestricted	14,852						56,617	58,853	78,957	80,560
Investment Earnings	351,627	206,279	359,117	395,596	370,036	345,949	13,506	11,594	17,319	20,174
Miscellaneous Income	29,948,464	30,558,935	32,236,797	33,226,419	33,767,872	34,261,107	35,130,475	36,146,655	328,348	384,443
Total District-wide	29,948,464	30,558,935	32,236,797	33,226,419	33,767,872	34,261,107	35,130,475	36,146,655	36,859,770	37,835,638
Change in Net Position										
Governmental Activities	\$ 899,486	\$ 1,505,924	\$ 5,542,836	\$ 2,605,548	\$ 2,227,609	\$ 2,639,117	\$ 2,575,890	\$ 2,311,992	\$ 1,821,009	\$ 1,770,363
Business-type Activities	9,036	(134,770)	(48,824)	30,948	(7,484)	(66,984)	(5,204)	24,277	35,905	60,613
Total District	\$ 908,522	\$ 1,371,154	\$ 5,494,012	\$ 2,636,496	\$ 2,220,125	\$ 2,572,133	\$ 2,570,686	\$ 2,336,269	\$ 1,856,914	\$ 1,830,976

Source: School District Financial Reports

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

	June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ 415,426	\$ 1,141,261								
Unreserved	261,838	324,835								
Restricted			\$ 668,729	\$ 2,768,729	\$ 3,588,729	\$ 3,777,933	\$ 3,281,916	\$ 4,803,462	\$ 6,493,718	\$ 8,387,826
Committed			98,123		161,670	490,602				
Assigned			716,497	385,557	531,760	1,117,233	841,259	623,715	524,864	485,699
Unassigned			700,917	619,125	621,000	626,842	1,152,698	1,099,343	1,159,735	1,113,742
Total General Fund	\$ 677,264	\$ 1,466,096	\$ 2,184,266	\$ 3,773,411	\$ 4,903,159	\$ 6,012,610	\$ 5,275,873	\$ 6,526,520	\$ 8,178,317	\$ 9,987,267
All Other Governmental Funds										
Reserved	\$ 2,627,000	\$ 2,126,854								
Unreserved/(Deficit)	(1,226,743)	212,827								
Restricted			\$ 1,041,648	\$ 1,112,216	\$ 914,026	\$ 1,034,806	\$ 914,026	\$ 914,026	\$ 1,158,869	\$ 865,086
Total All Other Governmental Funds	\$ 1,400,257	\$ 2,339,681	\$ 1,041,648	\$ 1,112,216	\$ 914,026	\$ 1,034,806	\$ 914,026	\$ 914,026	\$ 1,158,869	\$ 865,086
Total Governmental Funds	\$ 2,077,521	\$ 3,805,777	\$ 3,225,914	\$ 4,885,627	\$ 5,817,185	\$ 7,047,416	\$ 6,189,899	\$ 7,440,546	\$ 9,337,186	\$ 10,852,353

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

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Property Tax Levy	\$ 29,581,985	\$ 30,352,656	\$ 31,877,680	\$ 32,830,823	\$ 33,397,836	\$ 33,915,158	\$ 34,815,289	\$ 35,752,595	\$ 36,435,146	\$ 37,350,461
Tuition	20,635	67,175	145,971	168,593	77,076	102,010	52,289	79,974	219,426	201,745
Miscellaneous	351,627	2,078,799	3,591,117	4,273,395	4,429,723	3,970,871	2,784,405	3,563,350	3,511,099	4,114,490
State Sources	4,192,380	4,084,854	5,961,262	3,456,344	4,429,723	3,950,324	4,930,968	5,084,650	5,771,071	6,220,558
Federal Sources	339,362	519,873	436,229	434,120	322,156	353,988	376,133	376,085	370,364	376,564
Total Revenue	34,485,989	35,232,437	38,780,259	37,317,275	38,627,021	38,692,351	40,453,084	41,649,654	43,147,106	44,560,818
Expenditures										
Instruction										
Regular Instruction	12,019,960	12,648,777	13,099,598	13,537,087	14,632,909	14,329,700	11,111,898	11,135,574	11,470,601	11,945,521
Special Education Instruction	5,162,725	4,876,189	4,505,230	5,129,066	5,220,165	5,089,627	2,574,809	2,528,909	2,608,106	2,557,351
Other Instruction	47,051	36,228	34,033	58,888	48,264	127,465				
School Sponsored Activities and Athletics	1,501,999	1,555,723	1,600,028	1,600,030	1,574,858	1,537,986	1,340,691	1,363,207	1,484,989	1,504,722
Support Services:										
Tuition										
Student & Instruction Related Services	3,445,011	3,616,721	3,713,399	3,672,145	3,921,624	3,769,634	2,520,512	2,460,215	2,640,421	2,527,262
General Administrative Services	850,872	680,005	861,798	757,690	900,256	751,062	3,002,260	3,015,578	3,044,095	3,128,512
School Administrative Services	1,778,048	1,786,354	1,549,120	1,869,652	2,078,786	2,152,073	1,633,517	1,600,486	1,704,659	1,671,874
Central and Other Support Services	732,480	636,899	529,614	557,774	526,331	540,137	445,456	442,350	404,043	443,770
Administrative Information Technology							122,000	125,050	123,385	118,450
Plant Operations and Maintenance	3,648,300	3,155,439	3,515,583	3,493,524	3,554,853	3,839,438	3,126,978	3,264,591	3,234,854	3,429,615
Pupil Transportation	2,423,669	2,369,440	1,768,021	1,816,080	1,832,747	1,781,428	2,128,409	1,797,862	1,970,178	2,032,610
Unallocated Benefits							7,665,652	8,647,379	9,028,590	10,062,016
Transfer of Funds to Charter School							35,284			
Capital Outlay	3,015,490	6,118,034	4,740,163	697,802	818,459	1,136,371	3,286,537	1,043,350	684,834	1,043,670
Debt Service:										
Principal	1,754,138	1,669,127	2,443,129	1,720,000	1,665,000	1,705,000	1,710,000	1,720,000	1,790,000	1,725,000
Interest and Other Charges	853,257	892,245	1,161,859	1,791,216	842,680	780,730	715,105	649,280	515,510	514,069
Total Expenditures	37,233,000	40,041,181	39,521,575	36,700,954	37,616,932	37,540,651	42,090,601	40,399,007	41,250,466	43,353,278

WEST ESSEX REGIONAL SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
MODIFIED ACCRUAL BASIS OF ACCOUNTING

UNAUDITED
(Continued)

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Excess/(Deficit) of Revenues	\$ (2,747,011)	\$ (4,808,744)	\$ (741,316)	\$ 616,321	\$ 1,010,089	\$ 1,151,700	\$ (1,637,517)	\$ 1,250,647	\$ 1,896,640	\$ 1,207,540
Over/(Under) Expenditures										
Other Financing Sources/(Uses)			161,453							
Proceeds from Leases		6,537,000								
Proceeds from Bonds				14,470,000					3,965,000	
Proceeds from Refunding Bonds				1,458,392					555,685	
Premium on Bonds				(14,885,000)					(4,002,000)	
Payment to Refunded Bonds Escrow Agent									(94,708)	
Costs of Refunding Bond Issue									(423,977)	
Deferred Amount on Refunding										
Transfers In	47,839	263,293	1,138,728			120,780	926,026			
Transfers Out	(47,839)	(263,293)	(1,138,728)			(120,780)	(926,026)			
Capital Leases (Non-budgeted)							780,000			307,627
Total Other Financing Sources/(Uses)		6,537,000	161,453	1,043,392			780,000			307,627
Net Change in Fund Balances	\$ (2,747,011)	\$ 1,728,256	\$ (579,863)	\$ 1,659,713	\$ 1,010,089	\$ 1,151,700	\$ (857,517)	\$ 1,250,647	\$ 1,896,640	\$ 1,515,167
Debt Service as a Percentage of										
Noncapital Expenditures	7.62%	7.55%	10.36%	9.75%	6.81%	6.83%	6.25%	6.01%	5.67%	5.28%

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

	June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Tuition	\$ 20,635	\$ 67,175	\$ 145,971	\$ 168,593	\$ 77,076	\$ 102,010	\$ 1,755	\$ 79,974	\$ 219,426	\$ 201,745
Rentals/Facility Use	72,125	34,582	52,091	58,431	67,601	95,195	75,155	54,755	77,615	93,721
Interest	78,696	71,081	6,449	6,765	9,770	12,174	13,506	11,594	17,319	20,174
Athletic Game Receipts	14,474	12,471	15,414	9,185	19,195	28,075	24,035	15,638	14,571	18,856
Prior Year Refunds and Reimbursements	89,537	55,927	40,295	65,654	12,181	12,181	7,990	44,128	9,524	
Energy Rebate			82,060	36,161	58,636	31,772				
E-Rate Reimbursement	27,862	20,515	3,726	35,984	23,158	15,332	21,390	10,499		
Workers Compensation Refund				91,520	49,438			47,585		
Vending Machines							170			
Student Activity Fees			94,341	91,896	104,585	107,132	105,000	100,635	114,150	95,833
Miscellaneous	21,094	9,682	64,741	37,653	44,087	61,857		50,373	112,488	176,033
Total Miscellaneous	\$ 324,423	\$ 271,433	\$ 505,088	\$ 564,189	\$ 447,112	\$ 447,958	\$ 310,858	\$ 415,181	\$ 565,093	\$ 606,362

Source: School District Financial Reports

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

ESSEX FIELDS BOROUGH

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2008	\$ 9,147,000	\$ 788,387,000		\$ 22,047,400				\$ 819,581,400	\$ 247,614	\$ 819,829,014	\$ 0.83	\$ 915,224,261
2009	7,145,600	785,894,700		22,047,400				815,087,700	331,433	815,419,133	0.82	866,846,814
2010	6,463,200	735,974,800		25,143,800				767,581,800	336,248	767,918,048	0.89	829,476,548
2011	6,463,200	736,848,900		25,143,800				768,455,900	327,163	768,783,063	0.91	806,128,748
2012	6,463,200	736,201,200		25,143,800				767,808,200	293,033	763,237,133	0.94	757,461,483
2013	6,463,200	734,459,400		20,279,700				761,202,300	288,400	761,490,700	0.99	745,211,103
2014	6,463,200	728,166,000		19,793,000				754,422,200	221,600	754,643,800	1.01	732,622,134
2015	7,175,100	725,853,900		19,793,000				752,822,000	221,600	753,043,600	1.02	753,878,979
2016	6,455,100	725,508,700		19,793,000				751,756,800	202,000	751,958,800	1.01	764,401,837
2017	6,636,500	800,905,200		19,496,000				827,037,700	203,486	827,241,186	0.97	768,555,249

FAIRFIELD TOWNSHIP

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2008	\$ 23,548,300	\$ 656,158,400	\$ 241,600	\$ 46,600	\$ 397,923,400	\$ 476,087,700	\$ 11,701,000	\$ 1,565,707,000	\$ 5,617,500	\$ 1,571,324,500	\$ 1.37	\$ 3,033,568,912
2009	44,949,900	1,317,292,700	492,900	47,500	777,919,000	946,905,400	16,500,000	3,104,107,400	10,901,748	3,115,009,148	0.72	3,109,397,060
2010	50,823,000	1,317,526,000	492,900	47,500	775,320,000	938,752,800	16,500,000	3,099,462,200	10,901,748	3,110,363,948	0.75	3,125,008,280
2011	48,359,400	1,320,103,100	501,300	47,500	774,727,000	918,689,900	15,000,000	3,077,428,200	10,130,737	3,087,558,937	0.79	3,004,475,056
2012	40,010,500	1,105,701,000	424,200	33,300	692,955,600	823,057,500	15,000,000	2,677,182,100	10,025,440	2,687,207,540	0.90	2,962,755,685
2013	38,877,100	1,108,782,600	424,200	33,300	665,905,200	817,502,000	15,000,000	2,646,524,400	7,898,040	2,654,422,440	0.91	2,783,791,725
2014	38,420,800	1,111,492,100	424,200	33,300	653,979,100	802,744,600	15,000,000	2,622,094,100	7,402,303	2,629,496,403	0.93	2,591,005,944
2015	35,959,100	1,119,311,600	424,200	33,300	650,828,300	791,236,800	15,000,000	2,612,793,300	7,466,353	2,620,259,653	0.96	2,648,934,593
2016	36,133,900	1,123,687,800	452,200	27,600	627,499,880	779,629,900	15,000,000	2,582,431,280	6,669,400	2,589,100,680	1.04	3,041,679,929
2017	34,274,500	1,130,908,200	452,200	27,600	612,516,480	775,968,500	15,000,000	2,569,147,480	7,003,818	2,576,151,298	1.05	2,915,051,007

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

NORTH CALDWELL BOROUGH

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2008	* \$ 60,873,600	\$ 1,723,979,600	\$ 624,200	\$ 4,000	\$ 32,327,600	\$ 2,916,300		\$ 1,820,725,300	\$ 713,300	\$ 1,821,438,600	\$ 0.95	\$ 1,764,573,995
2009	52,622,000	1,723,500,900	624,200	4,000	32,127,000	2,916,300		1,811,794,400	781,000	1,812,575,400	0.99	1,808,237,504
2010	36,736,800	1,568,711,600	642,900	4,000	29,817,300	2,916,300		1,638,828,900	761,600	1,639,590,500	1.13	1,767,502,544
2011	31,687,700	1,517,159,000	474,200	4,000	27,941,000	2,916,300		1,580,182,200	568,100	1,580,750,300	1.20	1,705,642,135
2012	27,965,000	1,477,834,400	424,000	4,000	25,749,200	2,916,300		1,534,892,900	572,300	1,535,465,200	1.24	1,629,143,891
2013	32,703,600	1,479,925,700	424,000	4,000	23,679,100	2,697,500		1,539,433,900	618,900	1,540,052,800	1.27	1,603,705,860
2014	24,013,300	1,511,273,300	228,500	5,700	24,426,700	2,697,500		1,561,436,000	528,800	1,561,964,800	1.28	1,627,465,417
2015	19,041,700	1,535,025,600			24,707,200	2,500,000	\$ 459,500	1,581,191,500	517,500	1,581,709,000	1.29	1,676,062,829
2016	20,618,600	1,542,944,100			24,707,200	2,500,000	\$ 459,500	1,591,229,400	472,000	1,591,701,400	1.30	1,729,088,755
2017	20,877,800	1,551,406,800			24,931,500	2,500,000		1,599,716,100	468,700	1,600,184,800	1.34	1,762,595,194

ROSELAND BOROUGH

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2008	\$ 1,670,300	\$ 131,740,741		\$ 3,500	\$ 87,252,700	\$ 12,437,700	\$ 7,616,900	\$ 240,721,841	\$ 228,176	\$ 240,950,017	\$ 5.85	\$ 1,848,524,833
2009	1,545,600	131,487,941		3,500	84,649,300	12,191,000	7,316,900	237,194,241	216,557	237,410,798	6.20	2,015,579,267
2010	* 21,591,600	987,424,646		4,600	666,755,200	85,871,000	53,906,200	1,815,553,246	1,913,146	1,817,466,392	0.84	1,980,725,360
2011	20,823,300	984,274,052		6,400	659,768,900	85,545,200	53,906,200	1,804,324,052	1,741,868	1,806,065,920	0.86	1,806,358,981
2012	14,864,900	983,130,652		6,400	579,971,400	85,210,500	53,906,200	1,713,019,652	1,612,156	1,714,631,808	0.94	1,876,699,561
2013	14,671,400	954,190,452		6,400	575,700,600	88,204,600	53,906,200	1,686,679,652	1,807,900	1,688,487,552	0.99	1,790,276,314
2014	14,517,100	951,345,752		6,400	563,386,400	91,276,600	53,906,200	1,674,438,452	1,466,700	1,675,905,152	1.01	1,791,196,093
2015	7,853,100	952,307,000		6,400	572,151,900	91,276,600	61,850,000	1,685,445,000	1,466,700	1,686,911,700	1.04	1,835,333,588
2016	7,729,700	955,023,000		6,400	570,801,300	89,465,800	76,017,700	1,699,043,900	1,559,200	1,700,603,100	1.04	1,818,332,621
2017	6,611,400	958,786,400		6,400	559,903,800	89,465,800	76,017,700	1,690,791,500	1,589,800	1,692,381,300	1.05	1,827,849,898

* - A revaluation was effective in this year.

Source: County Abstract of Ratables

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

ESSEX FELLS BOROUGH

Year Ended December 31,	School District of West Essex Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	General Obligation			Borough of Essex Fells	Essex County	
	Basic Rate ^a	Debt Service ^b	Total Direct			
2008	\$ 0.77	\$ 0.06	\$ 0.83	\$ 0.35	\$ 0.44	\$ 1.62
2009	0.76	0.06	0.82	0.37	0.41	1.61
2010	0.86	0.03	0.89	0.39	0.44	1.72
2011	0.83	0.07	0.91	0.41	0.46	1.78
2012	0.87	0.07	0.94	0.43	0.46	1.83
2013	0.92	0.07	0.99	0.44	0.48	1.91
2014	0.94	0.07	1.01	0.47	0.51	1.98
2015	0.95	0.07	1.02	0.48	0.52	2.02
2016	0.95	0.06	1.01	0.49	0.53	2.03
2017	0.91	0.06	0.97	0.46	0.48	1.91

FAIRFIELD TOWNSHIP

Year Ended December 31,	School District of West Essex Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	General Obligation			Township of Fairfield	Essex County	
	Basic Rate ^a	Debt Service ^b	Total Direct			
2008	\$ 1.26	\$ 0.10	\$ 1.37	\$ 0.67	\$ 0.75	\$ 2.79
2009	* 0.67	0.05	0.72	0.35	0.39	1.46
2010	0.73	0.03	0.75	0.40	0.41	1.56
2011	0.73	0.06	0.79	0.42	0.42	1.63
2012	0.83	0.07	0.90	0.50	0.49	1.89
2013	0.85	0.06	0.91	0.51	0.51	1.94
2014	0.87	0.06	0.93	0.53	0.50	1.96
2015	0.90	0.06	0.96	0.50	0.52	1.98
2016	0.98	0.06	1.04	0.57	0.59	2.20
2017	0.99	0.06	1.05	0.56	0.58	2.19

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

NORTH CALDWELL BOROUGH

Year Ended December 31,	School District of West Essex Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation		Borough of North Caldwell	Essex County	
		Debt Service ^b	Total Direct			
2008	* \$ 0.88	\$ 0.07	\$ 0.95	\$ 0.27	\$ 0.38	\$ 1.60
2009	0.92	0.07	0.99	0.30	0.39	1.67
2010	1.09	0.04	1.13	0.34	0.46	1.93
2011	1.11	0.09	1.20	0.36	0.47	2.04
2012	1.14	0.09	1.24	0.38	0.49	2.11
2013	1.18	0.09	1.27	0.38	0.51	2.17
2014	1.19	0.09	1.28	0.38	0.55	2.21
2015	1.20	0.09	1.29	0.38	0.55	2.23
2016	1.22	0.08	1.30	0.38	0.57	2.25
2017	1.26	0.08	1.34	0.39	0.57	2.30

ROSELAND BOROUGH

Year Ended December 31,	School District of West Essex Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation		Borough of Roseland	Essex County	
		Debt Service ^b	Total Direct			
2008	\$ 5.41	\$ 0.44	\$ 5.85	\$ 3.21	\$ 3.02	\$ 12.08
2009	5.76	0.45	6.20	3.40	3.22	12.82
2010	* 0.81	0.03	0.84	0.56	0.44	1.83
2011	0.79	0.07	0.86	0.58	0.43	1.87
2012	0.87	0.07	0.94	0.59	0.51	2.04
2013	0.92	0.07	0.99	0.60	0.45	2.04
2014	0.94	0.07	1.01	0.61	0.54	2.16
2015	0.97	0.07	1.04	0.56	0.56	2.17
2016	0.98	0.06	1.04	0.62	0.56	2.22
2017	0.99	0.06	1.05	0.64	0.56	2.25

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

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

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

* Revaluation became effective in this year.

Source: Municipal Tax Collector and School Business Administrator

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

ESSEX FELLS BOROUGH

Taxpayer	2017		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Essex Fells Country Club	\$ 16,075,800	1	1.94%
Individual Tax Payer #1	4,925,100	2	0.60%
Individual Tax Payer #2	4,077,300	3	0.49%
Individual Tax Payer #3	3,914,800	4	0.47%
Individual Tax Payer #4	3,750,500	5	0.45%
Individual Tax Payer #5	3,547,500	6	0.43%
Individual Tax Payer #6	3,492,000	7	0.42%
Individual Tax Payer #7	3,474,400	8	0.42%
Individual Tax Payer #8	3,191,000	9	0.39%
Individual Tax Payer #9	3,136,200	10	0.38%
Total	<u>\$ 49,584,600</u>		<u>5.99%</u>
Taxpayer	2008		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Essex Fells Country Club	\$ 18,456,100	1	2.25%
Individual Taxpayers	37,162,500	2-10	4.53%
Total	<u>\$ 55,618,600</u>		<u>6.78%</u>

Source: Municipal Tax Assessor

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

FAIRFIELD TOWNSHIP

Taxpayer	2017		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Breit Industrial Fair Prop, LLC	\$ 43,168,300	1	1.67%
GRE Greenbrook Property, LLC	21,692,000	2	0.84%
Fairfield Hotel Property Owner, LLC	20,400,000	3	0.79%
Kyocera Mita America, Inc	20,000,000	4	0.77%
Marshall Field/Target Corp	18,900,000	5	0.73%
Skyline Properties, LLC	18,052,500	6	0.70%
LMR USA, LLC	18,000,000	7	0.70%
Calandra Development	15,827,000	8	0.61%
Fairfield Executive Inn	14,900,000	9	0.58%
LMAN LNT, LLC	14,191,200	10	0.55%
Total	<u>\$ 205,131,000</u>		<u>7.92%</u>

Taxpayer	2008		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
AMB-AMS	\$ 37,801,700	1	2.38%
Rt. 46 Associates	27,200,000	2	1.72%
Transwestern Greenbrook	21,800,000	3	1.37%
CRG 300 LLC	20,157,500	4	1.27%
Kyocera Mita America	18,511,800	5	1.17%
AMB Partners II LP	17,701,400	6	1.12%
True North Fairfield Property, LLC	15,500,000	7	0.98%
RRAMC	12,766,300	8	0.80%
AMCHU Associates	11,701,000	9	0.74%
Individual Taxpayer #1	11,000,000	10	0.69%
Total	<u>\$ 194,139,700</u>		<u>12.24%</u>

Note: A revaluation became effective in 2009.

Source: Municipal Tax Assessor

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

NORTH CALDWELL BOROUGH

Taxpayer	2017		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Greenbrook Country Club	\$ 12,000,000	1	0.75%
Individual taxpayer #1	3,425,400	2	0.22%
Individual taxpayer #2	2,824,800	3	0.18%
Heller Property Partners, LP	2,500,000	4	0.16%
Individual taxpayer #3	2,470,900	5	0.16%
5 The Crossing, LLC	2,458,300	6	0.15%
Individual taxpayer #4	2,314,000	7	0.15%
Eddie 1, LLC	2,213,500	8	0.14%
Individual taxpayer #5	2,111,000	9	0.13%
Individual taxpayer #6	2,089,700	10	0.13%
Total	<u>\$ 34,407,600</u>		<u>2.16%</u>

Taxpayer	2008		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
K Hovnanian at North Caldwell LLC	\$ 36,728,200	1	2.02%
Greenbrook Country Club	17,956,800	2	0.99%
Zephyr Spc. 1 LLC	9,750,000	3	0.54%
Individual taxpayers	13,947,100	4-6	0.77%
Beachmoont Development Corporation	3,426,200	7	0.19%
Transcontinental Gas Pipeline	3,338,400	8	0.18%
Individual taxpayers	6,275,100	9-10	0.34%
Total	<u>\$ 91,421,800</u>		<u>5.02%</u>

Note: A revaluation became effective in 2008.

Note: Individual Taxpayers in 2017 and 2008 may be different.

Source: Municipal Tax Assessor

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

ROSELAND BOROUGH

Taxpayer	2017		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Prudential Financial - 80 Livingston Ave	\$ 67,100,400	1	3.98%
ADP Incorporated - 1 ADP Boulevard	61,626,400	2	3.65%
56 Livingston Owner - 56 Kivingston Ave	42,000,000	3	2.49%
Prudential Financial - 55 Livingston Ave	48,850,000	4	2.90%
Roseland Owner LLC - 8 Eisenhower Pkwy	47,000,000	5	2.79%
Becker Equities - 4 Becker Farm Road	36,355,600	6	2.16%
Eisenhower 101 FO, LLC - 101 Eisenhower Pkwy	29,429,700	7	1.74%
Avalon Roseland LLC - 56 Locust Ave	29,017,700	8	1.72%
Eisenhower 105 FO, LLC - 105 Eisenhower Pkwy	28,369,400	9	1.68%
Eisenhower 103 FO, LLC - 103 Eisenhower Pkwy	19,107,500	10	1.13%
Total	<u>\$ 408,856,700</u>		<u>24.24%</u>

Taxpayer	2008		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Cali (Office Associates)	\$ 28,827,800	1	9.98%
Prudential	18,800,000	2	6.60%
Organon	11,800,000	3	6.16%
ADP Inc.	10,453,500	4	5.89%
Segal Development	7,316,900	5	5.66%
Livingston I Association	2,779,200	6	2.82%
Marcon Roseland Inc.	2,316,700	7	0.89%
Eagle Rock Associates	2,400,000	8	0.79%
American Bobst Holdings	2,127,400	9	0.46%
Sterling - Roseland LLC	1,736,500	10	0.46%
Total	<u>\$ 88,558,000</u>		<u>39.71%</u>

Note: A revaluation became effective in 2010.

Note: Individual Taxpayers in 2017 and 2008 may be different.

Source: Municipal Tax Assessor

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2009	\$ 29,581,985	\$ 29,581,985	100.00%	-0-
2010	30,320,556	30,320,556	100.00%	-0-
2011	31,877,680	31,685,577	99.40%	\$ 192,103
2012	32,830,823	32,830,823	100.00%	-0-
2013	33,397,836	33,397,836	100.00%	-0-
2014	33,915,158	33,323,280	98.25%	591,878
2015	34,815,289	34,815,289	100.00%	-0-
2016	35,752,595	35,752,595	100.00%	-0-
2017	36,435,146	36,435,146	100.00%	-0-
2018	37,350,461	37,350,461	100.00%	-0-

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

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

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

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Certificates of Participation	Capital Leases	Sale/Leaseback Contracts	Capital Leases				
2009	\$ 20,485,000	\$ -0-	\$ 950,000	\$ 200,803	\$ -0-	\$ 21,635,803	1.91%	\$ 983	
2010	25,622,000	-0-	779,625	102,051	-0-	26,503,676	2.36%	1,226	
2011	24,222,000	-0-	-0-	-0-	-0-	24,222,000	2.05%	1,113	
2012	22,087,000	-0-	-0-	-0-	-0-	22,087,000	1.84%	1,009	
2013	20,422,000	-0-	-0-	-0-	-0-	20,422,000	1.67%	927	
2014	18,717,000	-0-	-0-	-0-	-0-	18,717,000	1.46%	840	
2015	17,007,000	-0-	780,000	-0-	-0-	17,787,000	1.33%	794	
2016	15,287,000	-0-	584,079	-0-	-0-	15,871,079	1.16%	708	
2017	13,460,000	-0-	391,845	-0-	-0-	13,851,845	2.82%	618	
2018	11,735,000	-0-	463,379	-0-	-0-	12,198,379	2.48%	544	

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

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

Source: School District Financial Reports

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property ^a	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2009	\$ 20,485,000	\$ -0-	\$ 20,485,000	0.46%	\$ 936
2010	25,622,000	-0-	25,622,000	0.43%	1,164
2011	24,222,000	-0-	24,222,000	0.33%	1,121
2012	22,087,000	-0-	22,087,000	0.30%	1,015
2013	20,422,000	-0-	20,422,000	0.30%	933
2014	18,717,000	-0-	18,717,000	0.28%	850
2015	17,007,000	-0-	17,007,000	0.26%	763
2016	15,287,000	-0-	15,287,000	0.23%	683
2017	13,460,000	-0-	13,460,000	0.20%	600
2018	11,735,000	-0-	11,735,000	0.18%	523

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

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

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

Source: School District Financial Reports

WEST ESSEX REGIONAL SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2017
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid With Property Taxes:			
Borough of Essex Fells	\$ 2,794,650	100.000%	\$ 2,794,650
Township of Fairfield	14,258,869	100.000%	14,258,869
Borough of North Caldwell	10,502,065	100.000%	10,502,065
Borough of Roseland	11,556,155	100.000%	11,556,155
Essex County General Obligation Debt:			
Borough of Essex Fells	410,788,661	0.867%	3,562,330
Township of Fairfield	410,788,661	3.289%	13,511,552
Borough of North Caldwell	410,788,661	1.989%	8,169,804
Borough of Roseland	410,788,661	2.062%	8,472,266
Subtotal, Overlapping Debt			72,827,692
West Essex Regional School District Direct Debt			11,735,000
Total Direct and Overlapping Debt			<u>\$ 84,562,692</u>

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

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

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

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

Legal Debt Margin Calculation for Fiscal Year 2018

	Borough of Essex Fells	Township of Fairfield	Borough of North Caldwell	Borough of Roseland	Total
Equalized valuation basis					
2017	\$ 815,458,194	\$ 2,846,070,101	\$ 1,802,293,939	\$ 1,770,091,604	\$ 7,233,913,838
2016	759,810,794	2,896,076,349	1,751,490,809	1,827,321,897	\$ 7,234,699,849
2015	764,309,623	3,045,472,727	1,716,447,568	1,794,362,823	\$ 7,320,592,741
					<u>\$21,789,206,428</u>
Average Equalized Valuation of Taxable Property					<u>\$ 7,263,068,809</u>
Debt Limit (4% of average equalization value)					<u>\$ 290,522,752 ^a</u>
Net Bonded School Debt					<u>11,735,000</u>
Legal Debt Margin					<u>\$ 278,787,752</u>

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt Limit	\$265,880,775	\$269,902,819	\$266,285,573	\$260,818,888	\$252,130,498	\$244,610,592	\$273,224,294	\$278,386,714	\$285,379,478	\$290,522,752
Total Net Debt Applicable to Limit	<u>271,022,000</u>	<u>25,622,000</u>	<u>24,222,000</u>	<u>22,087,000</u>	<u>20,422,000</u>	<u>18,717,000</u>	<u>17,007,000</u>	<u>15,287,000</u>	<u>13,460,000</u>	<u>11,735,000</u>
Legal Debt Margin	<u>\$238,858,775</u>	<u>\$244,280,819</u>	<u>\$242,063,573</u>	<u>\$238,731,888</u>	<u>\$231,708,498</u>	<u>\$225,893,592</u>	<u>\$256,217,294</u>	<u>\$263,099,714</u>	<u>\$298,839,478</u>	<u>\$278,787,752</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	10.16%	9.49%	9.10%	8.47%	8.10%	7.65%	6.22%	5.49%	4.72%	4.04%

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

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

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

Year	Population ^a	Borough of Essex Fells Income Personal Income ^b	Essex County Per Capita Personal Income ^c	Unemployment Rate ^d
2009	2,135	\$ 109,841,480	\$ 51,448	5.50%
2010	2,121	110,007,786	51,866	5.60%
2011	2,161	117,439,545	54,345	5.30%
2012	2,190	120,103,980	54,842	5.50%
2013	2,218	122,999,190	55,455	2.40%
2014	2,196	126,360,036	57,541	4.40%
2015	2,173	130,082,299	59,863	3.80%
2016	2,144	130,541,728	60,887	2.90%
2017	2,137	130,115,519	60,887 *	3.10%
2018	2,137 **	130,115,519 ***	60,887 *	N/A

Year	Population ^a	Township of Fairfield Income Personal Income ^b	Essex County Per Capita Personal Income ^c	Unemployment Rate ^d
2009	7,447	\$ 383,133,256	\$ 51,448	7.20%
2010	7,463	387,075,958	51,866	7.30%
2011	7,507	407,967,915	54,345	6.90%
2012	7,513	412,027,946	54,842	7.20%
2013	7,542	418,241,610	55,455	5.10%
2014	7,577	435,988,157	57,541	5.80%
2015	7,595	454,659,485	59,863	5.70%
2016	7,614	463,593,618	60,887	4.30%
2017	7,614	463,593,618	60,887 *	4.40%
2018	7,614 **	463,593,618 ***	60,887 *	N/A

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

<u>Year</u>	<u>Population ^a</u>	<u>Borough of North Caldwell Income Personal Income ^b</u>	<u>Essex County Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2009	7,071	363,788,808	\$ 51,448	6.60%
2010	6,184	320,739,344	51,866	6.70%
2011	6,216	337,808,520	54,345	6.40%
2012	6,292	345,065,864	54,842	6.60%
2013	6,405	355,189,275	55,455	3.10%
2014	6,620	380,921,420	57,541	3.60%
2015	6,706	401,441,278	59,863	3.10%
2016	6,726	409,525,962	60,887	2.70%
2017	6,730	409,769,510	60,887 *	2.70%
2018	6,730 **	409,769,510 ***	60,887 *	N/A

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

Year	Population ^a	Borough of Roseland Income Personal Income ^b	Essex County Per Capita Personal Income ^c	Unemployment Rate ^d
2009	5,350	\$ 275,246,800	\$ 51,448	7.60%
2010	5,842	303,001,172	51,866	7.70%
2011	5,884	319,765,980	54,345	7.30%
2012	5,887	322,854,854	54,842	7.50%
2013	5,866	325,299,030	55,455	2.90%
2014	5,891	338,974,031	57,541	4.60%
2015	5,918	354,269,234	59,863	4.10%
2016	5,935	361,364,345	60,887	4.00%
2017	5,937	361,486,119	60,887 *	3.70%
2018	5,937 **	361,486,119 ***	60,887 *	N/A

* - Latest Essex County per capita personal income available (2016) was used for calculation purposes.

** - Latest population data available (2017) was used for calculation purposes.

*** - Latest available population data (2017) and latest available Essex County per capita personal income (2016) was used for calculation purposes.

N/A - Information not available

Sources:

^a Population information provided by the NJ Dept of Labor and Workforce Development

^b Personal income has been estimated based upon the municipal population and per capita personal income presented

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

^d Unemployment data provided by the NJ Dept of Labor and Workforce Development

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

2017		
Employer	Employees	Percentage of Total Employment
St. Barmabas Health Care Center	31,683	N/A
Rutgers University - Newark Campus	29,336	N/A
Verizon	15,000	N/A
New Jersey Transit	11,500	N/A
Public Service Electric & Gas	10,000	N/A
Prudential Ins. Co. of America	9,470	N/A
Montclair State University	7,525	N/A
Newark Board of Education	7,050	N/A
Gateway Group One	6,250	N/A
Automatic Data Processing	5,649	N/A
	133,463	N/A
2008		
Employer	Employees	Percentage of Total Employment
Verizon Communications	17,996	N/A
Continental Airlines	13,752	N/A
PSE&G	10,500	N/A
Prudential Financial	8,143	N/A
Horizon Blue Cross Blue Shield	5,000	N/A
JP Morgan Chase	4,764	N/A
Automatic Data Processing	4,739	N/A
Roche	3,266	N/A
KPMG	2,197	N/A
Ricoh American Corp	1,375	N/A
	71,732	N/A

Note- Principal employers are that of Essex County

N/A - Information is not available

Source: Essex County Chamber of Commerce

WEST ESSEX REGIONAL SCHOOL DISTRICT
 FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM,
 LAST TEN FISCAL YEARS
UNAUDITED

<u>Function/Program</u>	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Instruction	141	143	143	146	146	146	147	146	147	155
Support Services:	38	36	36	36	36	36	26	36	36	40
Student & Instruction related services	1	2	2	2	2	2	2	2	2	2
General Administrative	9	8	8	9	9	9	9	9	9	9
School Administrative Services	7	8	8	8	8	8	8	8	8	8
Central and Other Support Services	27	27	27	27	26	26	28	27	28	28
Plant Operations and Maintenance										
Total	223	224	224	228	227	227	220	228	230	242

Source: School District Personnel Records

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

Fiscal Year End June 30,	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Junior High School	Senior High School				
2009	1,633	\$ 31,610,115	\$ 19,357	-1.48%	146	1:11	1:18	1,633	1,583	1.81%	96.94%
2010	1,591	31,361,775	19,712	1.83%	143	1:12	1:12	1,561	1,498	-4.41%	95.96%
2011	1,589	31,176,424	19,620	-0.47%	143	1:11	1:11	1,589	1,522	1.79%	95.78%
2012	1,615	32,491,936	20,119	2.54%	146	1:11	1:11	1,615	1,573	1.64%	97.40%
2013	1,617	34,290,793	21,206	5.41%	146	1:11	1:11	1,618	1,550	0.19%	95.80%
2014	1,650	33,918,550	20,557	-3.06%	142.4	1:11	1:11	1,646	1,579	1.73%	95.93%
2015	1,651	36,378,959	22,034	7.19%	147.4	1:13	1:12	1,646	1,580	0.00%	95.99%
2016	1,721	36,986,377	21,491	-2.47%	146	1:12	1:12	1,711	1,639	3.95%	95.79%
2017	1,739	38,260,122	22,001	2.37%	147	1:10	1:11	1,700	1,619	-0.64%	95.24%
2018	1,694	40,070,539	23,654	7.51%	155	1:10	1:11	1,662	1,586	-2.24%	95.43%

Note: Enrollment based on annual October district count.

a Operating expenditures equal total expenditures less debt service and capital outlay.

b Teaching staff includes only full-time equivalents of certificated staff.

c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

d The Cost Per Pupil calculated above is the sum of the operating expenditures divided by enrollment. This Cost Per Pupil may be different from other Cost Per Pupil calculations.

Source: School District records

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

<u>District Building</u>	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Middle School										
Square Feet	175,500	175,500	175,500	175,500	175,500	175,500	175,500	175,500	175,500	175,500
Capacity (students) - *	721; 892	721; 892	721; 892	721; 892	721; 892	721; 892	721; 892	721; 892	721; 892	721; 892
Enrollment	576	565	594	579	564	580	578	497	571	555
High School										
Square Feet	232,931	232,931	232,931	232,931	232,931	232,931	232,931	232,931	232,931	232,931
Capacity (students) - *	873; 1,234	873; 1,234	873; 1,234	873; 1,234	873; 1,234	873; 1,234	873; 1,234	873; 1,234	873; 1,234	873; 1,234
Enrollment	998	1,029	1,025	1,050	1,087	1,072	1,059	1,190	1,128	1,107

Number of Schools at June 30, 2018
 Middle School = 1
 High School = 1

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

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

Source: West Essex Regional School District Facilities Office

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<u>School Facilities</u>										
Senior High School	\$ 95,732	\$ 35,367	\$ 141,776	\$ 83,489	\$ 181,645	\$ 465,521	\$ 493,587	\$ 597,034	\$ 561,488	\$ 552,773
Junior High School	48,828	27,830	63,160	60,724	88,824	318,179	371,889	298,423	412,962	421,853
Total	\$ 144,560	\$ 63,197	\$ 204,936	\$ 144,213	\$ 270,469	\$ 783,700	\$ 865,476	\$ 895,457	\$ 974,450	\$ 974,626

Source: School District's Financial Statements

WEST ESSEX REGIONAL SCHOOL DISTRICTINSURANCE SCHEDULEJUNE 30, 2018UNAUDITED

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

WEST ESSEX REGIONAL SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2018
UNAUDITED

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

Source: School District records.

SINGLE AUDIT SECTION

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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the West Essex Regional School District, in the County of Essex (the "District") as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 18, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

January 18, 2019
Mount Arlington, New Jersey

NISIVOCCIA LLP



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



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

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

We have audited the Board of Education of the West Essex Regional School District's (the "District's") compliance with the types of compliance requirements described in the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on the District's major state program for the fiscal year ended June 30, 2018. The District's major state program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the fiscal year ended June 30, 2018.

Report on Internal Control Over Compliance

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

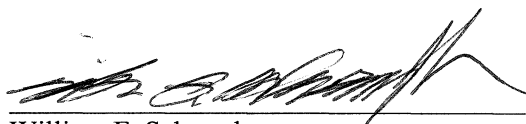
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

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

January 18, 2019
Mount Arlington, New Jersey

NISIVOCCIA LLP



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

WEST ESSEX REGIONAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass Through Grantor/ Program/Cluster Title	Federal CFDA Number	Grant or State Project No.	Grant Period	Award Amount	Balance at June 30, 2017			Balance at June 30, 2018		
					Budgetary Accounts Receivable	Budgetary Unearned Revenue	Cash Received	Budgetary Accounts Receivable	Budgetary Unearned Revenue	Amounts Paid to Subrecipients
U.S. Department of Education:										
Special Revenue Fund:										
Passed-through State Department of Education: Elementary and Secondary Education Act:										
	84.010	ESEA563018	7/1/17-6/30/18	\$ 61,647			\$ 42,723	\$ (52,737)	\$ (10,014)	
	84.010	NCLB563017	7/1/16-6/30/17	65,224	\$ (60,736)		60,736			
		Total Title I			(60,736)		103,459	(52,737)	(10,014)	
	84.367	ESEA563018	7/1/17-6/30/18	30,171			11,829	(19,685)	(7,856)	
	84.367	NCLB563017	7/1/16-6/30/17	14,012	(5,131)		5,131			
		Total Title II			(5,131)		16,960	(19,685)	(7,856)	
	84.186	ESEA359018	7/1/17-6/30/18	3,000			950	(1,510)	(560)	
		Total Title IV					950	(1,510)	(560)	
Special Education Cluster:										
	84.027	IDEA563018	7/1/17-6/30/18	302,632			246,432	(302,632)	(56,200)	
	84.027	IDEA563017	7/1/16-6/30/17	304,497	(304,497)		304,497			
		Total Special Education Cluster			(304,497)		550,929	(302,632)	(56,200)	
		Subtotal - Special Revenue Fund			(370,364)		672,298	(376,564)	(74,630)	
		Total U.S. Department of Education			(370,364)		672,298	(376,564)	(74,630)	
		Total Federal Awards			\$ (370,364)	\$ -0-	\$ 672,298	\$ (376,564)	\$ (74,630)	\$ -0-

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

WEST ESSEX REGIONAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2017			Balance at June 30, 2018			MEMO		
				Budgetary Accounts Receivable	Due to Grantor	Cash Received	Budgetary Expenditures	Adjustments	GAAP Accounts Receivable	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
<u>State Department of Education:</u>												
General Fund State Aid:												
Transportation Aid	18-495-034-5120-014	7/1/17-6/30/18	\$ 182,327			\$ 166,081	\$ (182,327)			\$ (16,246)	\$ 182,327	
Special Education Aid	18-495-034-5120-089	7/1/17-6/30/18	882,967			804,292	(882,967)			(78,675)	882,967	
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	29,634			26,994	(29,634)			(2,640)	29,634	
Additional Adjustment Aid	18-495-034-5120-085	7/1/17-6/30/18	1			1	(1)				1	
PARCC Readiness	18-495-034-5120-098	7/1/17-6/30/18	16,800			15,303	(16,800)			(1,497)	16,800	
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	16,800			15,303	(16,800)			(1,497)	16,800	
Professional Learning Community Aid	18-495-034-5120-101	7/1/17-6/30/18	17,460			15,904	(17,460)			(1,556)	17,460	
Extraordinary Special Education Costs Aid	18-495-034-5120-044	7/1/17-6/30/18	427,466				(427,466)		\$ (427,466)	(427,466)	427,466	
Excess Nonpublic Transportation Costs	18-495-034-5120-014	7/1/17-6/30/18	75,110				(75,110)		(75,110)	(75,110)	75,110	
Reimbursed TPAF Social Security Contributions	18-495-034-5094-003	7/1/17-6/30/18	1,077,415			1,024,017	(1,077,415)		(53,398)	(53,398)	1,077,415	
On-Behalf TPAF Post Retirement Contributions	18-495-034-5094-001	7/1/17-6/30/18	1,374,209			1,374,209	(1,374,209)				1,374,209	
On-Behalf TPAF Pension Contributions	18-495-034-5094-002	7/1/17-6/30/18	2,077,248			2,077,248	(2,077,248)				2,077,248	
On-Behalf TPAF Non-Contributory Insurance	18-495-034-5094-004	7/1/17-6/30/18	50,410			50,410	(50,410)				50,410	
On-Behalf TPAF Long-Term Disability Insurance	18-495-034-5094-004	7/1/17-6/30/18	2,851			2,851	(2,851)				2,851	
Transportation Aid	17-495-034-5120-014	7/1/16-6/30/17	182,327	\$ (15,940)	15,940						182,327	
Special Education Aid	17-495-034-5120-089	7/1/16-6/30/17	788,960	(68,976)	68,976						788,960	
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	29,634	(2,591)	2,591						29,634	
PARCC Readiness	17-495-034-5120-098	7/1/16-6/30/17	16,800	(1,469)	1,469						16,800	
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	16,800	(1,469)	1,469						16,800	
Professional Learning Community Aid	17-495-034-5120-101	7/1/16-6/30/17	17,460	(1,526)	1,526						17,460	
Extraordinary Special Education Costs Aid	17-495-034-5120-044	7/1/16-6/30/17	504,339	(504,339)	504,339						504,339	
Excess Nonpublic Transportation Costs	17-495-034-5120-014	7/1/16-6/30/17	52,026	(52,026)	52,026						52,026	
Reimbursed TPAF Social Security Contributions	17-495-034-5094-003	7/1/16-6/30/17	1,042,164	(52,422)	52,422						1,042,164	
Subtotal - General Fund				(700,758)	6,273,371		(6,230,698)		(555,974)	(658,085)	8,881,209	
Total State Department of Education				(700,758)	6,273,371		(6,230,698)		(555,974)	(658,085)	8,881,209	

WEST ESSEX REGIONAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2017		Cash Received	Budgetary Expenditures	Adjustments	Balance at June 30, 2018		MEMO	
				Budgetary Accounts Receivable	Due to Grantor				GAAP Accounts Receivable	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
Total State Awards Subject to Single Audit Determination				\$ (700,758)	\$ -0-	\$ 6,273,371	\$ (6,230,698)	\$ -0-	\$ (555,974)	\$ -0-	\$ (658,085)	\$ 8,881,209
Less: State Awards Not Subject to Single Audit Major Program Determination												
On-Behalf TPAF Pension System Contributions:												
On-Behalf TPAF Post Retirement Contributions	18-495-034-5094-001	7/1/17-6/30/18	(1,374,209)				\$ 1,374,209					
On-Behalf TPAF Pension Contributions	18-495-034-5094-002	7/1/17-6/30/18	(2,077,248)				2,077,248					
On-Behalf TPAF Non-Contributory Insurance	18-495-034-5094-004	7/1/17-6/30/18	(50,410)				50,410					
On-Behalf TPAF Long-Term Disability Insurance	18-495-034-5094-004	7/1/17-6/30/18	(2,851)				2,851					
Subtotal - On-Behalf TPAF Pension System Contributions												
3,504,718												
Total State Awards Subject to Single Audit Major Program Determination												
\$(2,725,980)												

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

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the Board of Education, West Essex Regional School District under programs of the federal and state governments for the fiscal year ended June 30, 2018. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting with the exception of programs recorded in the Food Service Fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the District's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3. INDIRECT COST RATE

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

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$10,140) for the general fund and (\$23,667) for the special revenue fund (of which \$23,667 is for local awards and is not included in the table below). See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Revenue from federal and state awards is reported in the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 6,220,558	\$ 6,220,558
Special Revenue Fund	\$ 376,564		376,564
Total Awards	<u>\$ 376,564</u>	<u>\$ 6,220,558</u>	<u>\$ 6,597,122</u>

NOTE 5. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 6. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2018.

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

The District has a grant in the amount of \$1,475,901 for the Middle School improvements project from the Schools Development Authority (SDA) under the Educational Facilities Construction and Financing Act. The project is now complete and the District has received \$1,311,812 on this project. As of June 30, 2018, the District has a \$0-receivable on the budgetary and GAAP basis.

WEST ESSEX REGIONAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over the major state program disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance*.
- The auditor's report on compliance for the major state program for the District expresses an unmodified opinion on the major state program.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The District was not subject to the single audit provisions of the Uniform Guidance for the fiscal year ended June 30, 2018 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Uniform Guidance.
- The District's program tested as a major state program for the current fiscal year consisted of the following:

<u>State:</u>	<u>State Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
Reimbursed TPAF Social Security Contributions	18-495-034-5094-003	7/1/17-6/30/18	\$ 1,077,415	\$ 1,077,415

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

WEST ESSEX REGIONAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

Summary of Auditors' Results: (Cont'd)

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

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

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

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

WEST ESSEX REGIONAL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Status of Prior Year Findings:

The District had no prior year audit findings.