

**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, 2019**

**Comprehensive Annual
Financial Report**

of the

**West Essex Regional
School District**

North Caldwell, New Jersey

For the Fiscal Year Ended June 30, 2019

Prepared by

**West Essex Regional
School District**

WEST ESSEX REGIONAL SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2019

INTRODUCTORY SECTION (Unaudited)

Letter of Transmittal	1
Organizational Chart	4
Roster of Officials	5
Consultants and Advisors.....	6

FINANCIAL SECTION.....7

Independent Auditors' Report	8
------------------------------------	---

Required Supplementary Information.....	11
Management's Discussion and Analysis (Unaudited).....	12

Basic Financial Statements (Sections A and B).....	20
--	----

A. District-Wide Financial Statements.....	21
A-1 Statement of Net Position	22
A-2 Statement of Activities.....	23

B. Fund Financial Statements.....	25
B-1 Balance Sheet – Governmental Funds	26
B-2 Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds.....	28
B-3 Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	29
B-4 Statement of Net Position – Proprietary Funds.....	31
B-5 Statement of Revenue, Expenses and Changes in Fund Net Position – Proprietary Funds	32
B-6 Statement of Cash Flows – Proprietary Funds.....	33
B-7 Statement of Fiduciary Net Position – Fiduciary Funds	34
B-8 Statement of Changes in Fiduciary Net Position – Fiduciary Funds	35

Notes to the Basic Financial Statements.....	36
--	----

Required Supplementary Information (Unaudited)75

L. Schedules Related to Accounting and Reporting for Pensions and Postemployment Benefits Other than Pensions (Unaudited).....	76
---	----

L-1 Schedule of District's Proportionate Share of the Net Pension Liability – Public Employees Retirement System.....	76
--	----

L-2 Schedule of District Contributions – Public Employees Retirement System	77
---	----

L-3 Schedule of State Proportionate Share of the Net Pension Liability Associated with the District – Teachers' Pension and Annuity Fund.....	78
--	----

L-4 Schedule of State Contributions – Teachers' Pension and Annuity Fund	79
--	----

L-5 Schedule of Changes in the State's Proportionate Share of the Total OPEB Liability Associated with the District and Related Ratios	80
---	----

Notes to Required Supplementary Information.....	81
--	----

WEST ESSEX REGIONAL SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

FINANCIAL SECTION (Cont'd)

Required Supplementary Information (Unaudited) (Cont'd)

C. Budgetary Comparison Schedules (Unaudited).....	84
C-1 Budgetary Comparison Schedule – General Fund.....	85
C-2 Budgetary Comparison Schedule - Special Revenue Fund.....	95
C-3 Required Supplementary Information - Budgetary Comparison Schedule – Note to RSI.....	96

Other Supplementary Schedules (D.-I.)

D. School Level Schedules (Not Applicable).....	98
E. Special Revenue Fund	99
E-1 Combining Schedule of Program Revenue and Expenditures - Special Revenue Fund – Budgetary Basis.....	100
E-2 Preschool Education Aid Schedule of Expenditures – Budgetary Basis (Not Applicable)	
F. Capital Projects Fund.....	101
F-1 Summary Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budgetary Basis	102
F-1A Schedule of Project Revenue, Expenditures, Project Balance and Project Status – Budgetary Basis – Renovations to Junior High School	103
G. Proprietary Funds (Enterprise Fund)	104
G-1 Statement of Net Position	105
G-2 Statement of Revenue, Expenses and Changes in Fund Net Position.....	106
G-3 Statement of Cash Flows	107
H. Fiduciary Funds	108
H-1 Combining Statement of Net Position	109
H-2 Statement of Changes in Fiduciary Net Position	110
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	111
H-4 Payroll Agency Fund Schedule of Receipts and Disbursements	112
I. Long-Term Debt	113
I-1 Schedule of Serial Bonds	114
I-2 Schedule of Obligations Under Capital Leases.....	115
I-3 Debt Service Fund Budgetary Comparison Schedule.....	116

WEST ESSEX REGIONAL SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

STATISTICAL SECTION

J.	Statistical Section (Unaudited)	117
J-1	Net Position by Component	118
J-2	Changes in Net Position	119
J-3	Fund Balances - Governmental Funds	121
J-4	Changes in Fund Balances - Governmental Funds	122
J-5	General Fund Other Local Revenue by Source	124
J-6	Assessed Value and Actual Value of Taxable Property	125
J-7	Direct and Overlapping Property Tax Rates	127
J-8	Principal Property Taxpayers, Current Year and Nine Years Ago	129
J-9	Property Tax Levies and Collections	133
J-10	Ratios of Outstanding Debt by Type	134
J-11	Ratios of Net General Bonded Debt Outstanding	135
J-12	Ratios of Overlapping Governmental Activities Debt	136
J-13	Legal Debt Margin Information	137
J-14	Demographic and Economic Statistics	138
J-15	Principal Employers, Current Year and Nine Years Ago	141
J-16	Full-time Equivalent District Employees by Function/Program	142
J-17	Operating Statistics	143
J-18	School Building Information	144
J-19	Schedule of Required Maintenance	145
J-20	Insurance Schedule	146
K.	SINGLE AUDIT SECTION	148
K-1	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 <i>Government Auditing Standards</i>	149
K-2	Independent Auditors' Report on Compliance for Each Major State Program and Report on Internal Control over Compliance	151
K-3	Schedule of Expenditures of Federal Awards	153
K-4	Schedule of Expenditures of State Awards	154
K-5	Notes to the Schedules of Expenditures of Federal and State Awards	156
K-6	Schedule of Findings and Questioned Costs	158
K-7	Summary Schedule of Prior Audit Findings	160

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

November 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, 2019, 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 2018-2019 fiscal year with an enrollment of 1,721 students, which is 25 students more 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 2018-19 school year, we focused on continuing security upgrades. We've continued to upgrade our district cameras and camera system. Our focus on security upgrades is ongoing.

We've also continued with various interior LED lighting upgrades to help cut down energy expenses.

In 2019, we completed the renovation of our team locker rooms in the Middle School. Both locker rooms have new lockers, bathrooms, showers, lighting and exhaust system upgrades.

We've also continued the completion of classroom renovations in both buildings each summer. Classroom upgrades include new floors, ceilings, lights, sheetrock and whiteboards.

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.

The Honorable President and Members of
the Board of Education
West Essex Regional School District
Page 3
November 18, 2019

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, 2019.

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,



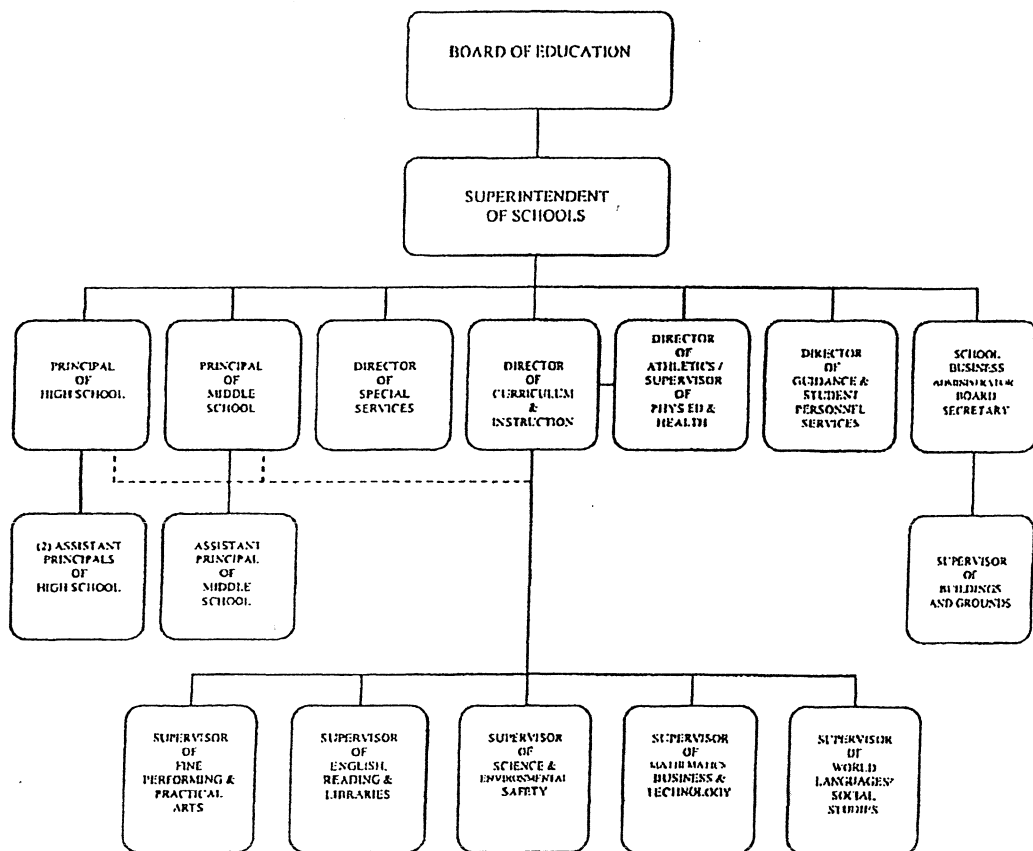
Damion Macioci
Superintendent of Schools



Melissa Kida
Business Administrator/Board Secretary

ADMINISTRATION
1110/Page 1 of 1
Organizational Chart
M

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, 2019**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Cynthia Egan, President	2020
Anthony Prinzo, Vice President	2019
Deborah Sacco-Calderone	2019
Judith Amorim Dias	2019
Anne Fahey	2021
Anthony Rubinich	2020
Dawn Smith	2020
Raphael Stampone	2021
Maryadele Wojtowicz	2021

Other Officers

Title

Barbara Longo	Superintendent of Schools (Until 6-30-19)
Damion Macioci	Superintendent of Schools (From 7-1-19)
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, 2019, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, which follows this report, the pension 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 other supplementary schedules and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and the other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying other supplementary schedules 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 other supplementary schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

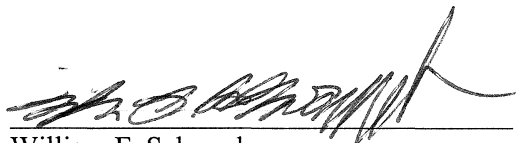
The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

November 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, 2019
(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, 2019. 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.

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

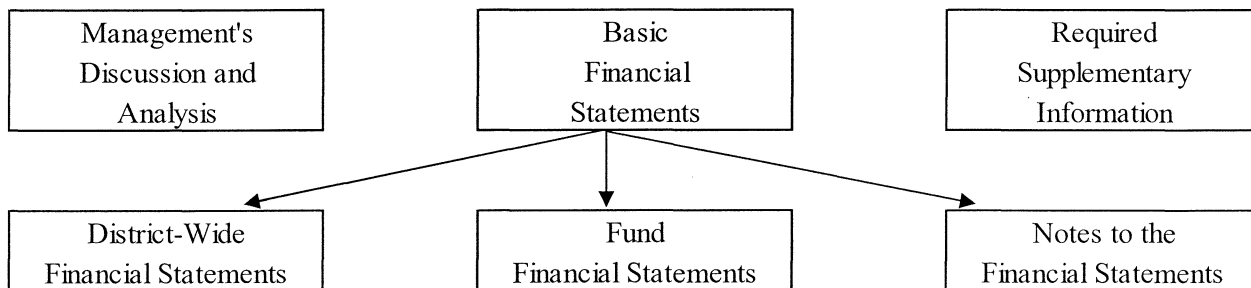


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights that structure and contents 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 \$2,247,063. Net position from governmental activities increased by \$2,176,798 and net position from business-type activities increased by \$70,265. Net investment in capital assets increased by \$960,083, restricted net position increased by \$696,134 and unrestricted net position increased by \$590,846.

Figure A-3

Condensed Statement of Net Position

	Government Activities		Business-Type Activities		Total School District		Percentage Change
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	
Current and Other Assets	\$ 12,262,700	\$ 11,029,269	\$ 220,001	\$ 169,611	\$ 12,482,701	\$ 11,198,880	
Capital Assets, Net	44,210,242	45,194,150	105,247	95,168	44,315,489	45,289,318	
Total Assets	<u>56,472,942</u>	<u>56,223,419</u>	<u>325,248</u>	<u>264,779</u>	<u>56,798,190</u>	<u>56,488,198</u>	0.55%
Deferred Outflows of Resources	<u>2,745,089</u>	<u>3,623,720</u>			<u>2,745,089</u>	<u>3,623,720</u>	-24.25%
Other Liabilities	811,614	739,089	26,698	36,494	838,312	775,583	
Long-Term Liabilities	19,888,245	23,523,713			19,888,245	23,523,713	
Total Liabilities	<u>20,699,859</u>	<u>24,262,802</u>	<u>26,698</u>	<u>36,494</u>	<u>20,726,557</u>	<u>24,299,296</u>	-17.24%
Deferred Inflows of Resources	<u>2,941,573</u>	<u>2,184,536</u>			<u>2,941,573</u>	<u>2,184,536</u>	34.65%
Net Position:							
Net Investment in Capital Assets	34,618,036	33,668,032	105,247	95,168	34,723,283	33,763,200	
Restricted	9,949,046	9,252,912			9,949,046	9,252,912	
Unrestricted/(Deficit)	<u>(8,990,483)</u>	<u>(9,521,143)</u>	<u>193,303</u>	<u>133,117</u>	<u>(8,797,180)</u>	<u>(9,388,026)</u>	
Total Net Position	<u>\$ 35,576,599</u>	<u>\$ 33,399,801</u>	<u>\$ 298,550</u>	<u>\$ 228,285</u>	<u>\$ 35,875,149</u>	<u>\$ 33,628,086</u>	6.68%

Changes in Net Position. The changes in Net Position shows the cost of program services and the revenues of the District on a comparative schedule.

Figure A-4

Changes in Net Position from Operating Results

	Governmental Activities 2018/19	Business- Type Activities 2018/19	Governmental Activities 2017/18	Business- Type Activities 2017/18	Total School District 2018/19	Total School District 2017/18	Percentage Change
Revenue:							
Program Revenue:							
Charges for Services	\$ 205,107	\$ 1,031,870	\$ 201,745	\$ 974,783	\$ 1,236,977	\$ 1,176,528	
Operating Grants and Contributions	11,126,288		13,027,463		11,126,288	13,027,463	
General Revenue:							
Property Taxes	38,337,735		37,350,461		38,337,735	37,350,461	
Unrestricted State and Federal Aid	34,218		80,560		34,218	80,560	
Other	677,036		404,617		677,036	404,617	
Total Revenue	50,380,384	1,031,870	51,064,846	974,783	51,412,254	52,039,629	-1.21%
Expenses:							
Instruction	26,275,743		27,374,582		26,275,743	27,374,582	
Pupil and Instruction Services	7,597,136		7,859,544		7,597,136	7,859,544	
Administrative and Business	4,823,541		4,805,605		4,823,541	4,805,605	
Maintenance and Operations	4,816,405		4,903,628		4,816,405	4,903,628	
Transportation	2,538,588		2,044,430		2,538,588	2,044,430	
Capital Outlay	83,370				83,370		
Other	2,068,803	961,605	2,306,694	914,170	3,030,408	3,220,864	
Total Expenses	48,203,586	961,605	49,294,483	914,170	49,165,191	50,208,653	-2.08%
Increase in Net Position	\$ 2,176,798	\$ 70,265	\$ 1,770,363	\$ 60,613	\$ 2,247,063	\$ 1,830,976	22.72%

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Figure A-5 shows the total cost of services and the net cost of services. The net cost shows the financial burden that was placed on the District’s taxpayers by each of these functions.

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

Figure A-5 presents the cost of seven major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation capital outlay 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-5

Net Cost of Governmental Activities

	<u>Total Cost of Services</u> <u>2018/19</u>	<u>Net Cost of Services</u> <u>2018/19</u>	<u>Total Cost of Services</u> <u>2017/18</u>	<u>Net Cost of Services</u> <u>2017/18</u>
Instruction	\$ 26,275,743	\$ 18,293,517	\$ 27,374,582	\$ 18,006,003
Pupil and Instruction Services	7,597,136	6,526,853	7,859,544	6,443,889
Administrative and Business	4,823,541	3,794,023	4,805,605	3,521,600
Maintenance and Operations	4,816,405	4,096,225	4,903,628	3,999,790
Transportation	2,538,588	2,009,400	2,044,430	1,787,299
Capital Outlay	83,370	83,370		
Other	2,068,803	2,068,803	2,306,694	2,306,694
	<u>\$ 48,203,586</u>	<u>\$ 36,872,191</u>	<u>\$ 49,294,483</u>	<u>\$ 36,065,275</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 \$70,265. (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-6

Capital Assets (Net of Depreciation)

	Government Activities		Business-Type Activities		Total School District		Percentage Change
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	
Sites	\$ 288,849	\$ 583,463			\$ 288,849	\$ 583,463	
Construction in Progress	1,190,682				1,190,682		
Site Improvements	2,494,077	2,644,740			2,494,077	2,644,740	
Buildings and Building Improvements	39,177,176	40,648,302			39,177,176	40,648,302	
Machinery and Equipment	1,059,458	1,317,645	\$ 105,247	\$ 95,168	1,164,705	1,412,813	
Total	\$44,210,242	\$45,194,150	\$ 105,247	\$ 95,168	\$44,315,489	\$45,289,318	-2.15%

Long-term Liabilities

At year-end, the District had \$10,010,000 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-7. (More detailed information about the District’s long-term liabilities is presented in Note 8 to the financial statements.)

Figure A-7

Long-Term Liabilities

	Total School District		Percentage Change
	2018/19	2017/18	
Bonds Payable	\$ 10,010,000	\$ 11,735,000	
Unamortized Bond Issuance Premium	839,514	979,932	
Net Pension Liability	8,392,630	9,876,633	
Capital Leases Payable	162,412	463,379	
Compensated Absences Payable	483,689	468,769	
	\$ 19,888,245	\$ 23,523,713	-15.45%

- The District continued to pay down its debt, retiring \$1,725,000 of outstanding bonds and \$300,967 of capital leases.
- The District’s liability for net pension liability decreased \$1,484,003.
- Unamortized bond issuance premium decreased \$140,418.
- The District’s liability for accumulated sick and vacation time increased by \$14,920.

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 2019-2020 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 2019-2020. Budgeted expenditures in the General Fund increased to \$40,294,812 for fiscal year 2019-2020.

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, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,536,469	\$ 208,807	\$ 1,745,276
Receivables from State Government	708,034		708,034
Receivables from Federal Government	89,949		89,949
Receivables from Other Governments	726,013		726,013
Other Receivables	74,349		74,349
Interfund Receivable	417,667		417,667
Inventories		11,194	11,194
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	8,353,816		8,353,816
Maintenance Reserve Account - Cash and Cash Equivalents	356,403		356,403
Capital Assets, Net:			
Sites (Land) and Construction in Progress	1,190,682		1,190,682
Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment	43,019,560	105,247	43,124,807
Total Assets	<u>56,472,942</u>	<u>325,248</u>	<u>56,798,190</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amount on Refunding	580,206		580,206
Deferred Outflows Related to Pension	2,164,883		2,164,883
Total Deferred Outflows of Resources	<u>2,745,089</u>		<u>2,745,089</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	675,800	10,662	686,462
Accrued Interest Payable	101,135		101,135
Unearned Revenue	34,679	16,036	50,715
Noncurrent Liabilities:			
Due Within One Year	2,094,115		2,094,115
Due Beyond One Year	17,794,130		17,794,130
Total Liabilities	<u>20,699,859</u>	<u>26,698</u>	<u>20,726,557</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows Related to Pension	2,941,573		2,941,573
Total Deferred Inflows of Resources	<u>2,941,573</u>		<u>2,941,573</u>
NET POSITION			
Net Investment in Capital Assets	34,618,036	105,247	34,723,283
Restricted for:			
Capital Projects	8,353,816		8,353,816
Debt Service	234,753		234,753
Maintenance Reserve	356,403		356,403
Excess Surplus	1,004,074		1,004,074
Unrestricted/(Deficit)	(8,990,483)	193,303	(8,797,180)
Total Net Position	<u>\$ 35,576,599</u>	<u>\$ 298,550</u>	<u>\$ 35,875,149</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, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 19,658,050	\$ 205,107	\$ 4,621,292		\$ (15,036,758)	\$ (15,036,758)	
Special Education	4,317,588		2,723,764		(1,388,717)	(1,388,717)	
School Sponsored/Other Instruction	2,300,105		432,063		(1,868,042)	(1,868,042)	
Support Services:							
Tuition	2,845,271				(2,845,271)	(2,845,271)	
Student and Instruction Related Services	4,751,865		1,070,283		(3,681,582)	(3,681,582)	
General Administrative Services	1,047,544		160,791		(886,753)	(886,753)	
School Administrative Services	2,782,247		652,419		(2,129,828)	(2,129,828)	
Central Services	734,179		166,528		(567,651)	(567,651)	
Administrative Information Technology	259,571		49,780		(209,791)	(209,791)	
Plant Operations and Maintenance	4,816,405		720,180		(4,096,225)	(4,096,225)	
Pupil Transportation	2,538,588		529,188		(2,009,400)	(2,009,400)	
Interest on Long-Term Debt	390,027				(390,027)	(390,027)	
Capital Outlay	83,370				(83,370)	(83,370)	
Unallocated Depreciation	1,678,776				(1,678,776)	(1,678,776)	
Total Governmental Activities	48,203,586	205,107	11,126,288		(36,872,191)	(36,872,191)	
Business-Type Activities:							
Food Service	961,605	1,031,870				70,265	70,265
Total Primary Government	\$ 49,165,191	\$ 1,031,870	\$ 11,126,288	\$ -0-	(36,872,191)	70,265	(36,801,926)

WEST ESSEX REGIONAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
General Revenues:			
Taxes:			
Property Taxes, Levied for General Purposes, Net	\$ 36,277,785		\$ 36,277,785
Taxes Levied for Debt Service	2,059,950		2,059,950
Federal, State and Local Aid not Restricted	34,218		34,218
Interest Earnings	24,369		24,369
Miscellaneous Income	652,667		652,667
Total General Revenues	39,048,989		39,048,989
Change in Net Position	2,176,798	\$ 70,265	2,247,063
Net Position - Beginning	33,399,801	228,285	33,628,086
Net Position - Ending	\$ 35,576,599	\$ 298,550	\$ 35,875,149

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, 2019

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 1,301,716		\$ 234,753	\$ 1,536,469
Interfund Receivable	472,937			472,937
Receivables From State Government	708,034			708,034
Receivables From Federal Government		\$ 89,949		89,949
Receivables From Other Governments	726,013			726,013
Other Accounts Receivables	74,349			74,349
Restricted Cash and Cash Equivalents	8,710,219			8,710,219
Total Assets	\$ 11,993,268	\$ 89,949	\$ 234,753	\$ 12,317,970
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund Payable		\$ 55,270		\$ 55,270
Accounts Payable	\$ 229,577			229,577
Unearned Revenue		34,679		34,679
Total Liabilities	229,577	89,949		319,526
Fund Balances:				
Restricted:				
Capital Reserve Account	8,353,816			8,353,816
Maintenance Reserve Account	356,403			356,403
Excess Surplus -				
Subsequent Year's Expenditures	500,000			500,000
Excess Surplus	504,074			504,074
Debt Service			\$ 234,753	234,753
Assigned:				
Designated for Subsequent Year's Expenditures	248,962			248,962
Year End Encumbrances	519,490			519,490
Unassigned	1,280,946			1,280,946
Total Fund Balances	11,763,691		234,753	11,998,444
Total Liabilities and Fund Balances	\$ 11,993,268	\$ 89,949	\$ 234,753	

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.	44,210,242
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 \$1,174,563.	(839,514)
The Deferred Amount on the Refunding is not Reported as an Expenditure in the Governmental Funds in the Year of the Expenditure.	580,206

WEST ESSEX REGIONAL SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	<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.	\$ (101,135)
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.	(8,392,630)
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:	
Deferred Outflows	1,718,660
Deferred Inflows	(2,941,573)
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>(10,656,101)</u>
Net Position of Governmental Activities	<u><u>\$ 35,576,599</u></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, 2019

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 36,277,785			\$ 2,059,950	\$ 38,337,735
Tuition from Other LEAs	205,107				205,107
Miscellaneous	677,036	\$ 44,131			721,167
Total - Local Sources	37,159,928	44,131		2,059,950	39,264,009
State Sources	7,272,916				7,272,916
Federal Sources		383,797			383,797
Total Revenues	44,432,844	427,928		2,059,950	46,920,722
EXPENDITURES:					
Current:					
Regular Instruction	12,291,325	99,647			12,390,972
Special Education Instruction	2,408,550	302,895			2,711,445
School-Sponsored/Other Instruction	1,592,645				1,592,645
Support Services and Undistributed Costs:					
Tuition	2,845,271				2,845,271
Student and Other Instruction Related Services	3,025,654	25,386			3,051,040
General Administrative Services	700,578				700,578
School Administrative Services	1,701,544				1,701,544
Central Services	455,471				455,471
Administrative Information Technology	177,023				177,023
Plant Operations and Maintenance	3,546,859				3,546,859
Student Transportation	2,526,767				2,526,767
Unallocated Benefits	10,919,028				10,919,028
Debt Service:					
Principal				1,725,000	1,725,000
Interest and Other Charges				451,550	451,550
Capital Outlay	465,705		\$ 513,733		979,438
Total Expenditures	42,656,420	427,928	513,733	2,176,550	45,774,631
Excess /(Deficit) of Revenue Over/(Under) Expenditures	1,776,424		(513,733)	(116,600)	1,146,091
Fund Balance - July 1	9,987,267		513,733	351,353	10,852,353
Fund Balance - June 30	\$ 11,763,691	\$ -0-	\$ -0-	\$ 234,753	\$ 11,998,444

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, 2019

Total Net Change in Fund Balances - Governmental Funds (from B-2)	\$ 1,146,091
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>896,068</u>
	(983,908)
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 (+).	
	13,160
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.	
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.	300,967
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	1,484,003
Change in Deferred Outflows	(784,920)
Change in Deferred Inflows	(757,037)

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, 2019

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 (+).

\$ (14,921)

Change in Net Position of Governmental Activities

\$ 2,176,798

WEST ESSEX REGIONAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

	Business-Type Activities
	Enterprise Fund Food Service
<u>ASSETS:</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 208,807
Inventories	11,194
Total Current Assets	220,001
Non-Current Assets:	
Capital Assets	281,225
Less: Accumulated Depreciation	(175,978)
Total Non-Current Assets	105,247
Total Assets	325,248
<u>LIABILITIES:</u>	
Current Liabilities:	
Accounts Payable - Vendors	10,662
Unearned Revenue	16,036
Total Current Liabilities	26,698
<u>NET POSITION:</u>	
Investment in Capital Assets	105,247
Unrestricted	193,303
Total Net Position	\$ 298,550

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, 2019

	Business-Type Activities
	Enterprise Fund Food Service
Operating Revenue:	
Local Sources:	
Daily Sales- Nonreimbursable Program	\$ 1,020,933
Special Events	10,937
	1,031,870
Total Operating Revenue	1,031,870
Operating Expenses:	
Cost of Sales - Nonreimbursable Program	411,814
Salaries, Benefits & Payroll Taxes	357,342
Other Purchased Services	44,570
Supplies, Insurance and Other Costs	22,183
Management Fee	70,394
Miscellaneous Expense	45,637
Depreciation Expense	9,665
	961,605
Total Operating Expenses	961,605
Operating Income/Change in Net Position	70,265
Net Position - Beginning of Year	228,285
Net Position - End of Year	\$ 298,550

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, 2019

	Business-Type Activities
	Enterprise Fund Food Service
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 1,035,489
Payments to Employees	(357,342)
Payments to Suppliers	(606,691)
	71,456
Net Cash Provided by Operating Activities	71,456
Cash Flows from Capital and Related Financing Activities:	
Purchases of Capital Assets	(19,744)
	(19,744)
Net Cash Used for Capital and Related Financing Activities	(19,744)
Net Increase in Cash and Cash Equivalents	51,712
Cash and Cash Equivalents, July 1	157,095
Cash and Cash Equivalents, June 30	\$ 208,807
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 70,265
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	9,665
Changes in Assets and Liabilities:	
Increase in Unearned Revenue	3,619
(Decrease) in Accounts Payable	(13,415)
Decrease in Inventory	1,322
	1,322
Net Cash Provided by Operating Activities	\$ 71,456

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, 2019

	<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	\$ 805,888	\$ 321,514	\$ 112,338	\$ 14,695
Total Assets	<u>805,888</u>	<u>321,514</u>	<u>112,338</u>	<u>14,695</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	6,482			
Due to Student Groups	381,739			
Interfund Payable - General Fund	<u>417,667</u>			
Total Liabilities	<u>805,888</u>			
<u>NET POSITION:</u>				
Restricted For:				
Unemployment Claims		321,514		
Scholarships			112,338	
Flexible Spending Claims				<u>14,695</u>
Total Net Position	<u>\$ -0-</u>	<u>\$ 321,514</u>	<u>\$ 112,338</u>	<u>\$ 14,695</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, 2019

	Unemployment Compensation Trust	Private Purpose Scholarship Trust	Flexible Spending Trust
	<u>Trust</u>	<u>Trust</u>	<u>Trust</u>
ADDITIONS:			
Contributions:			
Employee	\$ 42,607		\$ 65,670
Employer	5,633		
Private Donations		\$ 24,720	
Total Contributions	<u>48,240</u>	<u>24,720</u>	<u>65,670</u>
Investment Earnings:			
Interest	599	253	
Net Investment Earnings	<u>599</u>	<u>253</u>	
Total Additions	<u>48,839</u>	<u>24,973</u>	<u>65,670</u>
DEDUCTIONS:			
Unemployment Claims	18,103		
Flexible Spending Claims			67,734
Scholarships Awarded		25,390	
Total Deductions	<u>18,103</u>	<u>25,390</u>	<u>67,734</u>
Change in Net Position	30,736	(417)	(2,064)
Net Position - Beginning of the Year	<u>290,778</u>	<u>112,755</u>	<u>16,759</u>
Net Position - End of the Year	<u>\$ 321,514</u>	<u>\$ 112,338</u>	<u>\$ 14,695</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, 2019

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, 2019
(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, 2019
(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, both restricted and unrestricted net position may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(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, 2019 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by School Board resolution.

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

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

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

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 44,453,098	\$ 407,708
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.		20,220
Prior Year State Aid Payments Recognized for GAAP Statements	102,111	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(122,365)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 44,432,844	\$ 427,928

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(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:

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 42,656,420	\$ 407,708
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.		<u>20,220</u>
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 42,656,420</u>	<u>\$ 427,928</u>

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, 2019
(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, 2019
(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, 2019.

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, 2019
(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, 2019.

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 \$11,763,691 General Fund fund balance at June 30, 2019, \$519,490 is assigned for encumbrances; \$8,353,816 is restricted in the capital reserve account; \$356,403 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, 2021; \$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, 2020; \$248,962 is assigned for subsequent year's expenditures; and \$1,280,946 is unassigned on the GAAP basis, which is \$122,365 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, 2020.

Debt Service Fund: The \$234,753 Debt Service Fund fund balance at June 30, 2019 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, 2019 as detailed above.

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(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 \$122,365 as of June 30, 2019 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 \$8,990,483 in governmental activities, which is primarily due to the changes in net pension liability. 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, 2019 for the deferred amount on the refunding of debt related to the District's 2011 and 2016 refunding bonds and 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, 2019 for 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, 2019
(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 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, 2019.

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 2019/2020 budget and encumbrances in the General Fund at June 30, 2019.

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(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, 2019
(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, 2019
(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, 2019
(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, 2019, cash and cash equivalents of the District consisted of the following:

	Restricted Cash and Cash Equivalents		Cash and	Total
	Capital Reserve	Maintenance Reserve	Cash Equivalents	
Checking Accounts	\$ 8,353,816	\$ 356,403	\$ 2,999,711	\$ 11,709,930
	\$ 8,353,816	\$ 356,403	\$ 2,999,711	\$ 11,709,930

During the period ended June 30, 2019, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2019, was \$11,709,930 and the bank balance was \$12,852,705.

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(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, 2018	\$ 7,154,349
Add:	
Deposit as per Board Resolution - June 2019	1,649,800
Unexpended Funds of Budgeted Withdrawal for Capital Outlay	79,696
Less:	
Budgeted Withdrawal for Capital Outlay	<u>(530,029)</u>
Ending Balance, June 30, 2019	<u>\$ 8,353,816</u>

The balance in the capital reserve account at June 30, 2019 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, 2019
(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, 2018 to June 30, 2019 fiscal year is as follows:

Beginning Balance, July 1, 2018	\$ 229,403
Add:	
Deposit as per Board Resolution - June 2019	127,000
Ending Balance, June 30, 2019	\$ 356,403

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2019 were as follows:

	Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 288,849			\$ 288,849
Construction in Progress	294,614	\$ 896,068		1,190,682
Total Capital Assets Not Being Depreciated	583,463	896,068		1,479,531
Capital Assets Being Depreciated:				
Site Improvements	4,380,232			4,380,232
Buildings and Building Improvements	57,076,072			57,076,072
Machinery and Equipment	3,196,291			3,196,291
Total Capital Assets Being Depreciated	64,652,595			64,652,595
Governmental Activities Capital Assets	65,236,058	896,068		66,132,126
Less Accumulated Depreciation for:				
Site Improvements	(1,735,492)	(150,663)		(1,886,155)
Buildings and Building Improvements	(16,427,770)	(1,471,126)		(17,898,896)
Machinery and Equipment	(1,878,646)	(258,187)		(2,136,833)
	(20,041,908)	(1,879,976)		(21,921,884)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 45,194,150	\$ (983,908)	\$ -0-	\$ 44,210,242
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 261,481	\$ 19,744		\$ 281,225
Less: Accumulated Depreciation	(166,313)	(9,665)		(175,978)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	\$ 95,168	\$ 10,079	\$ -0-	\$ 105,247

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 6. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to governmental functions as follows:

Unallocated	\$ 1,678,776
Regular Instruction	58,880
General Administrative Services	39,903
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>
2020	\$ 74,537
2021	71,400
2022	53,550
Total future minimum lease payments	<u>\$ 199,487</u>

NOTE 8. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2019, the following changes occurred in liabilities reported in the district-wide financial statements:

	<u>Balance</u> <u>6/30/2018</u>	<u>Accrued</u>	<u>Retired</u>	<u>Balance</u> <u>6/30/2019</u>
Serial Bonds Payable	\$ 11,735,000		\$ 1,725,000	\$ 10,010,000
Unamortized Bond Issuance Premium	979,932		140,418	839,514
Net Pension Liability	9,876,633		1,484,003	8,392,630
Obligations Under Capital Leases	463,379		300,967	162,412
Compensated Absences Payable	468,769	\$ 84,181	69,261	483,689
	<u>\$ 23,523,713</u>	<u>\$ 84,181</u>	<u>\$ 3,719,649</u>	<u>\$ 19,888,245</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, 2019
(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, 2019 as follows:

<u>Purpose</u>	<u>Serial Bonds</u> <u>Final Maturity</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Amount</u>
Serial Bonds	8/15/19	3.125-3.25%	\$ 325,000
Refunding Bonds	11/1/22	2.25-5.00%	5,790,000
Refunding Bonds	8/15/29	3.00-4.00%	3,895,000
			\$ 10,010,000

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>
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	150,513	2,000,513
2024	765,000	100,363	865,363
Thereafter 5 Years (2025-2029)	1,670,000	263,905	1,933,905
Thereafter 1 Year (2030)	420,000	6,825	426,825
	\$ 10,010,000	\$ 1,417,794	\$ 11,427,794

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

B. Bonds Authorized But Not Issued:

As of June 30, 2019, 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 \$925,215 has been liquidated as of June 30, 2019. 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, 2019.

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

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

C. Capital Leases Payable: (Cont'd)

<u>Year Ending</u>	<u>Amount</u>
2020	\$ 109,982
2021	<u>68,036</u>
	178,018
Less: Amount representing interest	<u>(15,606)</u>
Present value of net minimum lease payments	<u>\$ 162,412</u>

The current portion of capital leases payable at June 30, 2019 is \$98,792 and the long-term portion is \$63,620.

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 \$114,904 and is separated from the long-term liability balance of compensated absences of \$368,785. 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, 2019 is \$-0- and the long-term portion is \$8,392,630. 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 \$140,419 and is separated from the long-term liability balance of \$699,095.

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, 2019

(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.state.nj.us/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:

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 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 is being paid by the employer in level annual payments over a period of 15 years, which began 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 \$439,081 for 2019.

The employee contribution rate was 7.50% effective July 1, 2018.

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(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

At June 30, 2019, the District reported a liability of \$8,392,630 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. 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, 2018, the District's proportion was 0.0426%, which was an increase of 0.0002% from its proportion measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the District recognized pension expense of \$451,908. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Year of Deferral</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2014	6.44	\$ 66,428	
	2015	5.72	299,817	
	2016	5.57	1,016,721	
	2017	5.48		\$ (1,547,118)
	2018	5.63		(1,136,399)
			<u>1,382,966</u>	<u>(2,683,517)</u>
Difference Between Expected and Actual Experience	2015	5.72	83,183	
	2016	5.57	30,855	
	2017	5.48	46,011	
	2018	5.63		(43,275)
			<u>160,049</u>	<u>(43,275)</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2015	5.00		50,714
	2016	5.00		283,516
	2017	5.00		(255,178)
	2018	5.00		(157,775)
				<u>(78,723)</u>
Changes in Proportion	2014	6.44		(42,669)
	2015	5.72	16,189	
	2016	5.57		(93,389)
	2017	5.48	122,992	
	2018	5.63	36,464	
			<u>175,645</u>	<u>(136,058)</u>
District Contribution Subsequent to the Measurement Date	2018	1.00	446,223	
			<u>\$ 2,164,883</u>	<u>\$ (2,941,573)</u>

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(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
2019	\$ 58,249
2020	(80,647)
2021	(578,303)
2022	(501,282)
2023	(160,517)
	\$ (1,262,500)

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. 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 Conduent modified 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. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and a generational approach based on the Conduent 2014 projection scale thereafter. 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, 2017 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, 2019

(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, 2018) 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, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
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 5.66% as of June 30, 2018. 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 3.87% as of June 30, 2018 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 June 30, 2046.

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(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 June 30, 2046, 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, 2018 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, 2018		
	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
District's proportionate share of the Net Pension Liability	\$ 10,552,765	\$ 8,392,630	\$ 6,580,414

Pension plan Fiduciary Net Position

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

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

Plan Description

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/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, 2019
(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.

Special Funding Situation

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 2019, the State of New Jersey contributed \$2,793,184 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$5,231,321.

The employee contribution rate was 7.50% effective July 1, 2018.

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(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, 2019, the State's proportionate share of the net pension liability associated with the District was \$89,736,440. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. 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, 2018, the District's proportion was 0.141%, which was an increase of 0.007% from its proportion measured as of June 30, 2017.

District's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>89,736,440</u>
Total	<u>\$ 89,736,440</u>

For the fiscal year ended June 30, 2019, the State recognized pension expense on behalf of the District in the amount of \$5,231,321 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2019 financial statements.

The State reported collective 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	8.5	\$ 1,076,424,469	
	2015	8.3	3,063,649,492	
	2016	8.3	6,913,685,892	
	2017	8.3		\$ 10,084,192,916
	2018	8.29		5,994,557,085
				<u>11,053,759,853</u>
Difference Between Expected and Actual Experience	2014	8.5		10,252,211
	2015	8.3	189,214,650	
	2016	8.3		85,977,601
	2017	8.3	179,419,108	
	2018	8.29	1,051,605,259	
				<u>1,420,239,017</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2015	5		(192,642,062)
	2016	5		(863,710,381)
	2017	5		678,024,787
	2018	5		384,121,486
				<u>5,793,830</u>
			<u>\$ 12,473,998,870</u>	<u>\$ 16,180,773,643</u>

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(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
2019	\$ 401,574,312
2020	208,932,249
2021	(222,922,941)
2022	(149,225,008)
2023	(735,040,983)
Thereafter	(3,210,092,402)
	\$ (3,706,774,773)

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.25%
Salary Increases:	
2011-2026	1.55 – 4.55%
Thereafter	2.00 – 5.45%
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the RP-2006 Employee White Collar Mortality Tables, set back 3 years for males and 5 years for females, projected on a generational basis from a base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Post-retirement mortality rates were based on the RP-2006 Healthy Annuitant White Collar Mortality Tables, with adjustments as described in the latest experience study, projected on a generational basis from a base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Disabled mortality rates were based on the RP-2006 Disabled Retiree Mortality Tables with rates adjusted by 90%. No mortality improvement is assumed for disabled retiree mortality.

The actuarial assumptions used in the July 1, 2017 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, 2019
(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, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
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 4.86% as of June 30, 2018. 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 3.87% as of June 30, 2018 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.

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Discount Rate – TPAF (Cont'd)

The State contributed 50% 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 2040. 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 State's proportionate share of the net pension liability associated with the District as of June 30, 2018 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, 2018		
	1% Decrease (3.86%)	Current Discount Rate (4.86%)	1% Increase (5.86%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 106,066,768	\$ 89,736,440	\$ 76,198,996

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, 2019
(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 \$31,577 for the fiscal year ended June 30, 2019. Employee contributions to DCRP amounted to \$12,139 for the fiscal year ended June 30, 2019.

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 Codification Section P50, 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 GASB Codification Section P50. 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.

For additional information about the State Health Benefit Local Education Retired Education Plan, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at <https://www.state.nj.us/treasury/pensions/gasb-notices-opeb.shtml>.

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(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, 2017, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	145,050
Active Plan Members	217,131
Total	362,181

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. 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.

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
Salary Increases:		
Through 2026	1.55 - 4.55% based on years of service	2.15 - 4.15% based on age
Thereafter	2.00 - 5.45% based on years of service	3.15 - 5.15% based on age

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 - June 30, 2015 and July 1, 2011 – June 30, 2014 for TPAF and PERS, respectively.

100% of all retirees who currently have healthcare coverage are assumed to continue with that coverage. 100% of active members are considered to participate in the Plan upon retirement, having a coverage blend of 85% and 15% in PPO and HMO, respectively.

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(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)

Mortality Rates

Pre-retirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Post-retirement mortality rates were based on the RP-2006 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-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using MP-2017 scale.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits and health maintenance organization (HMO) medical benefits, trend rate is initially 5.8% and decreases to a 5.0% long term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long term rate after seven 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 rates for June 30, 2018 and 2017 were 3.87% and 3.58%, respectively, a change of +.29%. 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 Proportionate Share of the Total OPEB Liability Associated with the District

	Total OPEB Liability
Balance at June 30, 2017	\$ 60,519,519
Changes for Year:	
Service Cost	2,217,562
Interest on the Total OPEB Liability	2,222,332
Changes of Assumptions	(5,926,581)
Differences between Expected and Actual Experiences	(6,054,068)
Gross Benefit Payments by the State	(1,380,983)
Contributions from Members	47,729
Net Changes	(8,874,009)
Balance at June 30, 2018	\$ 51,645,510

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(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, 2018, 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, 2018		
	At 1% Decrease (2.87%)	At Discount Rate (3.87%)	At 1% Increase (4.87%)
Total OPEB Liability Attributable to the District	\$ 61,055,506	\$ 51,645,510	\$ 44,165,535

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, 2018, 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, 2018		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 42,688,022	\$ 51,645,510	\$ 63,492,131

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(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)

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

For the fiscal year ended June 30, 2019 the District recognized OPEB expense of \$2,315,030 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 Codification Section P50, in which there is a special funding situation.

In accordance with GASB Codification Section P50, 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, 2018 the State had deferred outflows of resources and deferred inflows of resources related to OPEB associated with the District from the following sources:

	<u>Year of Deferral</u>	<u>Original Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2017	9.54		\$ (6,319,298)
Changes in Assumptions	2018	9.51		(5,342,341)
			<u>\$ -0-</u>	<u>(11,661,639)</u>
Differences Between Expected and Actual Experience	2018	9.51		(5,050,175)
Changes in Proportion	N/A	N/A		(540,097)
			<u>\$ -0-</u>	<u>(540,097)</u>

N/A - Not Available

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(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	\$ (2,059,315)
2019	(2,059,315)
2020	(2,059,315)
2021	(2,059,315)
2022	(2,059,315)
Thereafter	(6,415,237)
	\$ (16,711,814)

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, 2019
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

Property and Liability Insurance (Cont'd)

	<u>School Alliance Insurance Fund</u>
Total Assets	\$ 45,062,979
Net Position	\$ 12,432,937
Total Revenue	\$ 42,084,945
Total Expenses	\$ 39,779,381
Change in Net Position	\$ 2,305,564
Members Dividends	\$ -0-

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

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

The June 30, 2019 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, 2018 is as follows:

	<u>Morris Essex Insurance Group</u>
Total Assets	\$ 10,451,281
Net Position	\$ 7,796,837
Total Revenue	\$ 3,830,220
Total Expenses	\$ 2,486,421
Change in Net Position	\$ 293,812
Members Dividends	\$ 1,049,987

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, 2019
(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>
2019	\$ 5,633	\$ 599	\$ 42,607	\$ 18,103	\$ 321,514
2018	39,472	538	50,851	60,908	290,778
2017	50,818	480	37,202	52,861	260,825

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	\$ 472,937	
Special Revenue Fund		\$ 55,270
Fiduciary Funds		417,667
	<u>\$ 472,937</u>	<u>\$ 472,937</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 employee health benefit contributions not turned over to the General Fund before year end.

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(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, 2019:

	<u>Governmental Funds</u>	District Contri- bution Susequent to the Measure- ment Date	Total Governmental Activities	<u>Business-Type Activities Proprietary Funds</u>
	General Fund			
Vendors	\$ 229,577		\$ 229,577	\$ 10,662
State of New Jersey		\$ 446,223	446,223	
	<u>\$ 229,577</u>	<u>\$ 446,223</u>	<u>\$ 675,800</u>	<u>\$ 10,662</u>

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(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, 2019, there were encumbrances as detailed below in the governmental funds.

General Fund	Special Revenue Fund	Total Governmental Funds
\$ 519,490	\$ 3,447	\$ 522,937

On the District's Governmental Funds Balance Sheet as of June 30, 2019 \$-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$3,447 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.

NOTE 18. TRANSFERS TO CAPITAL OUTLAY

During the fiscal year ended June 30, 2019, the District did not transfer funds to the capital outlay accounts.

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 FIVE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
District's Proportion of the Net Pension Liability	0.0422792453%	0.0425589699%	0.0415399521%	0.0424283127%	0.0426248957%
District's Proportionate Share of the Net Pension Liability	\$ 7,915,831	\$ 9,553,636	\$ 12,302,942	\$ 9,876,633	\$ 8,392,630
District's Covered Employee Payroll	\$ 2,717,516	\$ 2,772,137	\$ 2,903,955	\$ 2,918,396	\$ 3,098,361
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%	270.87%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	52.08%	47.93%	40.14%	48.10%	53.60%

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 FIVE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
Contractually Required Contribution	\$ 348,544	\$ 365,893	\$ 375,724	\$ 428,245	\$ 439,081
Contributions in relation to the Contractually Required Contribution	<u>(348,544)</u>	<u>(365,893)</u>	<u>(375,724)</u>	<u>(428,245)</u>	<u>(439,081)</u>
Contribution Deficiency (Excess)	<u>\$ -0-</u>	<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	\$ 2,918,396
Contributions as a Percentage of Covered Employee Payroll	13.06%	13.46%	13.55%	14.75%	15.05%

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 FIVE 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%
				26.49%

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 FIVE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
Contractually required contribution	\$ 3,677,134	\$ 5,247,001	\$ 8,446,862	\$ 6,244,457	\$ 5,231,321
Contributions in relation to the contractually required contribution	(735,056)	(1,144,180)	(1,451,196)	(2,077,248)	(2,793,184)
Contribution deficiency/(excess)	<u>\$ 2,942,078</u>	<u>\$ 4,102,821</u>	<u>\$ 6,995,666</u>	<u>\$ 4,167,209</u>	<u>\$ 2,438,137</u>
District's covered employee payroll	\$ 13,935,919	\$ 14,003,957	\$ 14,604,419	\$ 14,687,078	\$ 15,127,956
Contributions as a percentage of covered employee payroll	5.27%	8.17%	9.94%	14.14%	18.46%

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 Year Ending	
	2017	2018
Total OPEB Liability		
Service Cost	\$ 2,679,518	\$ 2,217,562
Interest Cost	1,920,885	2,222,332
Changes in Assumptions	(8,121,040)	(5,926,581)
Differences between Expected and Actual Experiences		(6,054,068)
Member Contributions	51,616	47,729
Gross Benefit Payments	(1,401,760)	(1,380,983)
Net Change in Total OPEB Liability	(4,870,781)	(8,874,009)
Total OPEB Liability - Beginning	65,390,300	60,519,519
Total OPEB Liability - Ending	\$ 60,519,519	\$ 51,645,510
State's Covered Employee Payroll *	\$ 14,604,419	\$ 15,127,956
Total OPEB Liability as a Percentage of Covered Employee Payroll	414%	341%

* - Covered payroll for the fiscal years ending June 30, 2017 and June 30, 2018 are based on the payroll on the June 30, 2016 and June 30, 2017 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, 2019
(UNAUDITED)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 5.00% as of June 30, 2017 to 5.66% as of June 30, 2018. The municipal bond rate changed from 3.58% to 3.87%.

The mortality rates utilized in the July 1, 2016 valuation were as follows: 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 mortality rates utilized in the July 1, 2017 valuation were as follows: 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 Conduent modified 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. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

B. TEACHERS' PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 4.25% as of June 30, 2017 to 4.86% as of June 30, 2018. The municipal bond rate changed from 3.58 to 3.87%.

The salary increases in the July 1, 2016 valuation were as follows: 2012-2021 and thereafter – varies based on experience. The salary increases in the July 1, 2017 valuation are as follows: 2011-2026 – 1.55% - 4.55% and thereafter – 2% - 5.45%.

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)
(Continued)

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

Changes of Actuarial Assumptions (Cont'd)

The mortality rates utilized in the July 1, 2016 valuation were as follows: Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

The mortality rates utilized in the July 1, 2017 valuation were as follows: Pre-retirement mortality rates were based on the RP-2006 Employee White Collar Mortality Tables, set back 3 years for males and 5 years for females, projected on a generational basis from a base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Post-retirement mortality rates were based on the RP-2006 Healthy Annuitant White Collar Mortality Tables, with adjustments as described in the latest experience study, projected on a generational basis from a base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Disabled mortality rates were based on the RP-2006 Disabled Retiree Mortality Tables with rates adjusted by 90%. No mortality improvement is assumed for disabled retiree mortality.

C.STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEB PLAN

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.58% as of June 30, 2017 to 3.87% as of June 30, 2018.

The mortality rates in the valuation as of June 30, 2017 were based on the following:

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 mortality rates in the valuation as of June 30, 2018 were based on the following:

Pre-retirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Post-retirement mortality rates were based on the RP-2006 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-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using MP-2017 scale.

The health care trend rates in the valuation as of June 30, 2017 were based on the following:

WEST ESSEX REGIONAL SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)
(Continued)

C.STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEB PLAN Cont'd)

Changes of Actuarial Assumptions (Cont'd)

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 eight years. For prescription drug benefits, the initial trend rate is 8.0% decreasing 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.

The health care trend rates in the valuation as of June 30, 2018 were based on the following:

For pre-Medicare preferred provider organization (PPO) medical benefits and health maintenance organization (HMO) medical benefits, trend rate is initially 5.8% and decreases to a 5.0% long term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long term rate after seven 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.

BUDGETARY COMPARISON SCHEDULES

WEST ESSEX REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 36,277,785		\$ 36,277,785	\$ 36,277,785	
Tuition from Other LEA's	60,000		60,000	205,107	\$ 145,107
Unrestricted Miscellaneous Revenue	375,000		375,000	677,036	302,036
Total - Local Sources	36,712,785		36,712,785	37,159,928	447,143
State Sources:					
Special Education Aid	882,967		882,967	882,967	
Security Aid	29,634		29,634	29,634	
Transportation Aid	479,086		479,086	479,086	
Additional Extraordinary Special Education Costs Aid				1,662	1,662
Extraordinary Special Education Costs Aid				577,468	577,468
Nonpublic Transportation Aid				75,980	75,980
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				1,293,505	1,293,505
TPAF On-Behalf Pension Contributions (Non-Budgeted)				2,793,184	2,793,184
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)				58,469	58,469
TPAF Long-Term Disability Insurance (On-Behalf - Non-Budgeted)				2,909	2,909
TPAF Social Security (Reimbursed - Non-Budgeted)				1,098,306	1,098,306
Total State Sources	1,391,687		1,391,687	7,293,170	5,901,483
Total Revenues	38,104,472		38,104,472	44,453,098	6,348,626
EXPENDITURES:					
Current Expense:					
REGULAR PROGRAMS - INSTRUCTION:					
Grades 6-8 - Salaries of Teachers	3,615,002	\$ 48,627	3,663,629	3,663,629	
Grades 9-12 - Salaries of Teachers	7,515,232	(51,037)	7,464,195	7,445,607	18,588
Regular Programs - Home Instruction:					
Salaries of Teachers	35,000	26,479	61,479	51,714	9,765
Purchased Professional-Educational Services	5,000	(1,829)	3,171		3,171

WEST ESSEX REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(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	\$ 10,000	\$ 5,500	\$ 15,500	\$ 10,748	\$ 4,752
Other Purchased Services	745,567	(17,613)	727,954	617,920	110,034
General Supplies	545,457	(60,369)	485,088	405,430	79,658
Textbooks	107,475	(15,901)	91,574	64,770	26,804
Other Objects	27,200	8,778	35,978	31,507	4,471
TOTAL REGULAR PROGRAMS - INSTRUCTION	12,605,933	(57,365)	12,548,568	12,291,325	257,243
SPECIAL EDUCATION - INSTRUCTION:					
Learning and/or Language Disabilities:					
Salaries of Teachers	100,767		100,767	99,935	832
General Supplies	3,000		3,000	2,632	368
Total Learning and/or Language Disabilities	103,767		103,767	102,567	1,200
Resource Room/Resource Center:					
Salaries of Teachers	1,702,513	43,887	1,746,400	1,746,400	
Other Salaries for Instruction	614,542	(75,713)	538,829	517,671	21,158
Purchased Technical Services	42,595		42,595	32,590	10,005
General Supplies	15,673		15,673	7,866	7,807
Textbooks	6,000		6,000	880	5,120
Total Resource Room/Resource Center	2,381,323	(31,826)	2,349,497	2,305,407	44,090
Home Instruction:					
General Supplies	1,000		1,000	576	424
Total Home Instruction	1,000		1,000	576	424
TOTAL SPECIAL EDUCATION - INSTRUCTION	2,486,090	(31,826)	2,454,264	2,408,550	45,714

WEST ESSEX REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
School Sponsored Cocurricular Activities:					
Salaries	\$ 210,000	\$ 63,652	\$ 273,652	\$ 242,726	\$ 30,926
Purchased Services (300-500 Series)	5,700	(200)	5,500	5,500	
Supplies and Materials	73,470	(5,400)	68,070	52,112	15,958
Other Objects	50,000	5,600	55,600	50,264	5,336
Total School-Sponsored Cocurricular Activities	339,170	63,652	402,822	350,602	52,220
School-Sponsored Athletics:					
Salaries	821,357	2,632	823,989	823,750	239
Purchased Services (300-500 Series)	245,163	(45,899)	199,264	182,907	16,357
Supplies and Materials	236,088	12,791	248,879	234,736	14,143
Other Objects	2,000	(1,350)	650	650	
Total School-Sponsored Athletics	1,304,608	(31,826)	1,272,782	1,242,043	30,739
Total Instruction	16,735,801	(57,365)	16,678,436	16,292,520	385,916
Undistributed Expenditures - Instruction:					
Tuition to Other LEAs Within the State - Regular		27,784	27,784	20,295	7,489
Tuition to Other LEA's Within the State - Special	127,587	10,200	137,787	136,552	1,235
Tuition to County Vo. School District-Regular	7,500	(7,500)			
Tuition to County Vo. School District-Special	67,000	(47,000)	20,000	16,554	3,446
Tuition to Private Schools for the Handicapped Within State	2,619,489	115,900	2,735,389	2,613,098	122,291
Tuition to Private Schools for the Handicapped Outside State	178,689	(92,800)	85,889	58,772	27,117
Total Undistributed Expenditures - Instruction	3,000,265	6,584	3,006,849	2,845,271	161,578

WEST ESSEX REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
Undistributed Expenditures - Attendance and Social Work Services:					
Salaries	\$ 56,357	\$ 50,000	\$ 106,357	\$ 101,886	\$ 4,471
Supplies and Materials	2,500		2,500	935	1,565
Total Undistributed Expenditures - Attendance and Social Work Services	58,857	50,000	108,857	102,821	6,036
Undistributed Expenditures - Health Services:					
Salaries	202,924		202,924	162,260	40,664
Purchased Professional and Technical Services	19,000	60	19,060	19,060	
Supplies and Materials	4,500	3,028	7,528	6,515	1,013
Total Undistributed Expenditures - Health Services	226,424	3,088	229,512	187,835	41,677
Undist. Expend. - Guidance:					
Salaries of Other Professional Staff	715,672	(45,380)	670,292	645,313	24,979
Salaries of Secretarial and Clerical Assistants	163,763		163,763	151,013	12,750
Other Salaries	16,000		16,000	15,494	506
Other Purchased Professional and Technical Services	18,562	8,412	26,974	22,278	4,696

WEST ESSEX REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
Undist. Expend. - Guidance:					
Supplies and Materials	\$ 8,750	\$ (5,500)	\$ 3,250	\$ 155	\$ 3,095
Other Objects	16,400		16,400	13,051	3,349
Total Undist. Expend. - Guidance	939,147	(42,468)	896,679	847,304	49,375
Undist. Expend. - Child Study Teams:					
Salaries of Other Professional Staff	581,087	40,380	621,467	621,467	
Salaries of Secretarial and Clerical Assistants	167,363	(50,000)	117,363	109,114	8,249
Purchased Professional - Educational Services	404,230	(30,013)	374,217	259,386	114,831
Other Purchased Professional and Technical Services	52,500		52,500	19,340	33,160
Miscellaneous Purchased Services	7,381		7,381	395	6,986
Supplies and Materials	5,200		5,200	4,772	428
Total Undist. Expend. - Child Study Teams	1,217,761	(39,633)	1,178,128	1,014,474	163,654
Undist. Expend. - Educational Media Services/School Library:					
Salaries	192,312	5,000	197,312	190,915	6,397
Salaries of Technology Coordinators	228,147		228,147	208,156	19,991
Supplies and Materials	45,000		45,000	30,741	14,259
Total Undist. Expend. - Educational Media Services/School Library	465,459	5,000	470,459	429,812	40,647
Undist. Expend. - Instructional Staff Training Services:					
Salaries of Supervisors of Instruction	429,465		429,465	373,542	55,923
Salaries of Other Professional Staff	5,000		5,000		5,000
Purchased Professional - Educational Services	67,895	436	68,331	59,903	8,428
Other Purchased Services	27,477	(705)	26,772	9,963	16,809
Total Undist. Expend. - Instructional Staff Training Services	529,837	(269)	529,568	443,408	86,160

WEST ESSEX REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
Undist. Expend. - Support Services - General Administration:					
Salaries	\$ 402,444		\$ 402,444	\$ 396,888	\$ 5,556
Legal Services	100,000	(260)	99,740	76,459	23,281
Audit Fees	32,640	260	32,900	32,900	
Architectural/Engineering Services	14,500	(13,000)	1,500	1,000	500
Other Purchased Professional Services	90,900	(8,880)	82,020	46,954	35,066
Communications/Telephone	86,302	2,880	89,182	80,388	8,794
BOE Other Purchased Services	10,000		10,000	5,729	4,271
Miscellaneous Purchased Services	17,500	13,000	30,500	24,126	6,374
General Supplies	6,000	3,000	9,000	8,454	546
Miscellaneous Expenditures	5,500	3,000	8,500	6,876	1,624
BOE Membership Dues and Fees	25,000		25,000	20,804	4,196
Total Undist. Expend. - Support Services - General Administration	790,786		790,786	700,578	90,208
Undist. Expend. - Support Serv. - School Administration:					
Salaries of Principals/Assistant Principals	708,705	6,500	715,205	715,205	
Salaries of Other Professional Staff	534,628	21,625	556,253	556,253	
Salaries of Secretarial and Clerical Assistants	388,942	(28,125)	360,817	338,934	21,883
Purchased Professional and Technical Services	11,500	3,160	14,660	9,027	5,633
Supplies and Materials	70,083	(5,720)	64,363	60,080	4,283
Other Objects	26,800	5,200	32,000	22,045	9,955
Total Undist. Expend. - Support Serv. - School Administration	1,740,658	2,640	1,743,298	1,701,544	41,754
Undist. Expend. - Central Services:					
Salaries	397,593	13,455	411,048	411,048	
Purchased Professional Services	7,500		7,500	5,777	1,723
Purchased Technical Services	5,000	(2,940)	2,060	1,950	110
Miscellaneous Purchased Services	32,500	(16,500)	16,000	14,552	1,448
Supplies and Materials	9,233	10,000	19,233	18,830	403
Miscellaneous Expenditures	7,500	(2,067)	5,433	3,314	2,119
Total Undist. Expend. - Central Services	459,326	1,948	461,274	455,471	5,803

WEST ESSEX REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
Undist. Expend. - Administrative Information Technology:					
Salaries	\$ 117,875	\$ 5,000	\$ 122,875	\$ 122,875	
Purchased Technical Services	29,551	40,111	69,662	54,148	\$ 15,514
Total Undist. Expend. - Administrative Information Technology	147,426	45,111	192,537	177,023	15,514
Required Maintenance for School Facilities:					
Salaries	695,351	37,100	732,451	676,929	55,522
Cleaning, Repair and Maintenance Services	208,345	33,649	241,994	234,417	7,577
General Supplies	203,829	(4,080)	199,749	171,463	28,286
Other Objects	2,000		2,000	125	1,875
Total Required Maintenance for School Facilities	1,109,525	66,669	1,176,194	1,082,934	93,260
Undist. Expend. - Custodial Services:					
Salaries	816,228	16,997	833,225	782,508	50,717
Purchased Professional and Technical Services	4,909		4,909	4,909	
Cleaning, Repair and Maintenance Services	60,000	(3,300)	56,700	51,219	5,481
Other Purchased Property Services	58,810	(2,500)	56,310	36,526	19,784
Insurance	335,343		335,343	333,768	1,575
Miscellaneous Purchased Services	24,000	(24,000)			
General Supplies	148,234		148,234	123,408	24,826
Energy (Natural Gas)	62,000		62,000	45,242	16,758
Energy (Electricity)	700,000	(30,000)	670,000	609,269	60,731
Total Undist. Expend. - Custodial Services	2,209,524	(42,803)	2,166,721	1,981,940	184,781
Undist. Expend. - Care and Upkeep of Grounds:					
Salaries	257,664		257,664	255,738	1,926
Purchased Professional and Technical Services	1,000		1,000	905	95
Cleaning, Repair, and Maintenance Services	39,925		39,925	37,360	2,565
General Supplies	104,797		104,797	56,332	48,465
Other Objects	1,000		1,000	794	206
Total Undist. Expend. - Care and Upkeep of Grounds	404,386		404,386	351,129	53,257

WEST ESSEX REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
Undist. Expend. - Security	\$ 51,112	\$ 11,362	\$ 62,474	\$ 62,474	\$ 25,534
Salaries	100,000	(61,917)	38,083	12,549	10,876
Purchased Professional and Technical Services	32,709	34,000	66,709	55,833	36,410
General Supplies	183,821	(16,555)	167,266	130,856	
Total Undist. Expend. - Security					
Undist. Expend. - Student Transportation Services:					
Contracted Services:					
Aid in Lieu of Payments for Nonpublic School Students	175,000	28,733	203,733	169,233	34,500
Between Home and School - Vendors	872,450	177,867	1,050,317	1,050,119	198
Other than Between Home and School - Vendors	378,054	51,167	429,221	408,659	20,562
Special Education Students - Vendors	775,000	206,325	981,325	898,756	82,569
Total Undist. Expend. - Student Transportation Services	2,200,504	464,092	2,664,596	2,526,767	137,829
Unallocated Benefits:					
Social Security Contributions	440,000	26,000	466,000	463,305	2,695
Other Retirement Contribution - PERS	442,000	6,942	448,942	439,081	9,861
Other Retirement Contribution - ERIP	5,879		5,879	5,879	
Unemployment Compensation	76,000	29,586	105,586	40,527	65,059
Workmen's Compensation	205,000	(13,036)	191,964	177,449	14,515
Health Benefits	5,082,745	(571,567)	4,511,178	4,303,051	208,127
Tuition Reimbursement	45,000		45,000	32,276	12,724
Other Employee Benefits	220,000	76,036	296,036	211,087	84,949
Total Unallocated Benefits	6,516,624	(446,039)	6,070,585	5,672,655	397,930

WEST ESSEX REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(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)				\$ 1,293,505	\$ (1,293,505)
TPAF On-Behalf Pension Contributions (Non-Budgeted)				2,793,184	(2,793,184)
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)				58,469	(58,469)
TPAF Long-Term Disability Insurance (On-Behalf - Non-Budgeted)				2,909	(2,909)
TPAF Social Security (Reimbursed - Non-Budgeted)				1,098,306	(1,098,306)
TOTAL ON-BEHALF CONTRIBUTIONS				<u>5,246,373</u>	<u>(5,246,373)</u>
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS	\$ 6,516,624	\$ (446,039)	\$ 6,070,585	10,919,028	(4,848,443)
TOTAL UNDISTRIBUTED EXPENDITURES	22,200,330	57,365	22,257,695	25,898,195	(3,640,500)
TOTAL GENERAL CURRENT EXPENSE	38,936,131		38,936,131	42,190,715	(3,254,584)
CAPITAL OUTLAY:					
Facilities Acquisition and Construction Services:					
Architectural/Engineering Services	30,670		30,670	10,250	20,420
Construction Services	570,029		570,029	372,085	197,944
Other Objects - Assessment for Debt Service on SDA Funding	83,370		83,370	83,370	
Total Facilities Acquisition and Construction Services	684,069		684,069	465,705	218,364
TOTAL CAPITAL OUTLAY	684,069		684,069	465,705	218,364

WEST ESSEX REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
TOTAL EXPENDITURES	\$ 39,620,200		\$ 39,620,200	\$ 42,656,420	\$ (3,036,220)
Excess/(Deficit) of Revenues Over/(Under) Expenditures	(1,515,728)		(1,515,728)	1,796,678	3,312,406
Fund Balance, July 1	10,089,378		10,089,378	10,089,378	
Fund Balance, June 30	\$ 8,573,650	\$ -0-	\$ 8,573,650	\$ 11,886,056	\$ 3,312,406
Recapitulation:					
Restricted Fund Balance:				\$ 8,353,816	
Capital Reserve				356,403	
Maintenance Reserve				500,000	
Excess Surplus - Restricted for 2020-2021				504,074	
Excess Surplus - Restricted for 2019-2020				248,962	
Assigned Fund Balance:				519,490	
Designated for Subsequent Year's Expenditures				1,403,311	
Year End Encumbrances				11,886,056	
Unassigned Fund Balance				(122,365)	
Reconciliation to Governmental Funds Statement (GAAP):					
Last State Aid Payments not Recognized on GAAP basis				\$ 11,763,691	
Fund Balance per Governmental Funds (GAAP)					

WEST ESSEX REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
 (Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources	\$ 263,000	\$ 20,464	\$ 20,464	\$ 20,464	
Federal Sources		142,064	405,064	387,244	\$ (17,820)
Total Revenues	<u>263,000</u>	<u>162,528</u>	<u>425,528</u>	<u>407,708</u>	<u>(17,820)</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	21,000	23,233	44,233	40,215	4,018
Purchased Professional and Technical Services		21,775	21,775	18,301	3,474
Tuition	230,000	72,895	302,895	302,895	
General Supplies		20,464	20,464	20,464	
Total Instruction	<u>251,000</u>	<u>138,367</u>	<u>389,367</u>	<u>381,875</u>	<u>7,492</u>
Support Services:					
Salaries of Supervisors of Instruction		3,749	3,749	3,749	
Personal Services - Employee Benefits		3,372	3,372	3,372	
Other Purchased Services	12,000	17,040	29,040	18,712	10,328
Total Support Services	<u>12,000</u>	<u>24,161</u>	<u>36,161</u>	<u>25,833</u>	<u>10,328</u>
Total Expenditures	<u>\$ 263,000</u>	<u>\$ 162,528</u>	<u>\$ 425,528</u>	<u>\$ 407,708</u>	<u>\$ 17,820</u>

WEST ESSEX REGIONAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Unaudited)

Note A - Explanation of Differences between Budgetary Inflows and Outflows and
GAAP Revenues 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	\$ 44,453,098	\$ 407,708
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:		20,220
Prior Year State Aid Payments Recognized for GAAP Purposes, not Recognized for Budgetary Statements	102,111	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(122,365)</u>	
 Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	 <u>\$ 44,432,844</u>	 <u>\$ 427,928</u>
 Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 42,656,420	\$ 407,708
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:		<u>20,220</u>
 Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	 <u>\$ 42,656,420</u>	 <u>\$ 427,928</u>

WEST ESSEX REGIONAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(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, 2019 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, 2019

	Elementary and Secondary Education Act Title I	Title IIA	Education Act Title IV	IDEA Part B Basic	Local Grants	Totals
REVENUE:						
Local Sources					\$ 20,464	\$ 20,464
Federal Sources	\$ 59,293	\$ 15,656	\$ 9,400	\$ 302,895		387,244
Total Revenue	59,293	15,656	9,400	302,895	20,464	407,708
EXPENDITURES:						
Instruction:						
Salaries of Teachers	40,215					40,215
Purchased Professional and Technical Services	12,901		5,400	302,895		18,301
Tuition						302,895
General Supplies					20,464	20,464
Total Instruction	53,116		5,400	302,895	20,464	381,875
Support Services:						
Salaries of Supervisors of Instruction	2,805	744	200			3,749
Personal Services - Employee Benefits	3,372	14,912	3,800			3,372
Other Purchased Services						18,712
Total Support Services	6,177	15,656	4,000			25,833
Total Expenditures	\$ 59,293	\$ 15,656	\$ 9,400	\$ 302,895	\$ 20,464	\$ 407,708

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, 2019

Expenditures:	
Construction Services	\$ 513,733
Total Expenditures	<u>513,733</u>
Deficit of Revenues Under Expenditures	(513,733)
Fund Balance - Beginning of Year	<u>513,733</u>
Fund Balance - End of Year	<u><u>\$ -0-</u></u>
<u>Recapitulation:</u>	
Restricted for Encumbrances	<u>513,733</u>
Total Fund Balance - Budgetary Basis	<u>-0-</u>
Fund Balance per Governmental Funds (GAAP)	<u><u>\$ -0-</u></u>

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, 2019

	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
Bond Proceeds	3,912,246		3,912,246	3,912,246
Transfer to Senior High School Project	(850,000)		(850,000)	(850,000)
Total Revenue and Other Financing Sources	<u>4,538,147</u>		<u>4,538,147</u>	<u>4,538,147</u>
Expenditures:				
Purchased Professional and Technical Services	864,705		864,705	864,705
Construction Services	2,814,378	\$ 513,733	3,328,111	3,328,111
Equipment	278,443		278,443	278,443
Contingency	66,888		66,888	66,888
Total Expenditures	<u>4,024,414</u>	<u>513,733</u>	<u>4,538,147</u>	<u>4,538,147</u>
Excess/(Deficit) of Revenue and Other Financing Sources Over/(Under) Expenditures	<u>\$ 513,733</u>	<u>\$ (513,733)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

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	<u>\$ 4,538,147</u>
Percentage Increase over Original Authorized Cost	(23.69)%
Percentage Completion	100%
Original Target Completion Date	December 2005
Revised Target Completion Date	October 2018

PROPRIETARY FUNDS

WEST ESSEX REGIONAL SCHOOL DISTRICT
ENTERPRISE FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019

	Business-Type Activities
	Enterprise Fund Food Service
<u>ASSETS:</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 208,807
Inventories	11,194
Total Current Assets	220,001
Non-Current Assets:	
Capital Assets	281,225
Less: Accumulated Depreciation	(175,978)
Total Non-Current Assets	105,247
Total Assets	325,248
<u>LIABILITIES:</u>	
Current Liabilities:	
Accounts Payable - Vendors	10,662
Unearned Revenue	16,036
Total Current Liabilities	26,698
<u>NET POSITION:</u>	
Investment in Capital Assets	105,247
Unrestricted	193,303
Total Net Position	\$ 298,550

WEST ESSEX REGIONAL SCHOOL DISTRICT
ENTERPRISE FUNDS
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Business-Type Activities</u>
	<u>Enterprise Fund</u>
	<u>Food Service</u>
Operating Revenue:	
Local Sources:	
Daily Sales - Non-Reimbursable Program	\$ 1,020,933
Special Events	10,937
	<hr/>
Total Operating Revenue	1,031,870
	<hr/>
Operating Expenses:	
Cost of Sales - Non-Reimbursable Program	411,814
Salaries, Benefits & Payroll Taxes	357,342
Other Purchased Services	44,570
Supplies, Insurance and Other Costs	22,183
Management Fee	70,394
Miscellaneous Expense	45,637
Depreciation Expense	9,665
	<hr/>
Total Operating Expenses	961,605
	<hr/>
Operating Income/Change in Net Position	70,265
	<hr/>
Net Position - Beginning of Year	228,285
	<hr/>
Net Position - End of Year	\$ 298,550
	<hr/> <hr/>

WEST ESSEX REGIONAL SCHOOL DISTRICT
ENTERPRISE FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Business-Type Activities
	Enterprise Fund Food Service
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 1,035,489
Payments to Employees	(357,342)
Payments to Suppliers	(606,691)
	71,456
Net Cash Provided by Operating Activities	71,456
Cash Flows from Capital and Related Financing Activities:	
Purchases of Capital Assets	(19,744)
	(19,744)
Net Cash Used for Capital and Related Financing Activities	(19,744)
Net Increase in Cash and Cash Equivalents	51,712
Cash and Cash Equivalents, July 1	157,095
Cash and Cash Equivalents, June 30	\$ 208,807
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 70,265
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	9,665
Changes in Assets and Liabilities:	
Increase in Unearned Revenue	3,619
(Decrease) in Accounts Payable	(13,415)
Decrease in Inventory	1,322
	1,322
Net Cash Provided by Operating Activities	\$ 71,456

FIDUCIARY FUNDS

WEST ESSEX REGIONAL SCHOOL DISTRICT
AGENCY FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2019

		<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>\$</u>	<u>Payroll</u>	<u>Agency</u>	<u>Trust</u>	<u>Trust</u>	<u>Trust</u>
Cash and Cash Equivalents	381,739	\$ 424,149	\$ 805,888	\$ 321,514	\$ 112,338	\$ 14,695
Total Assets	381,739	424,149	805,888	321,514	112,338	14,695
<u>LIABILITIES:</u>						
Payroll Deductions and Withholdings Due to Student Groups	381,739	6,482	6,482			
Interfund Payable - General Fund		417,667	417,667			
Total Liabilities	381,739	424,149	805,888			
<u>NET POSITION:</u>						
Restricted For:						
Unemployment Claims				321,514		
Scholarships					112,338	
Flexible Spending Claims						14,695
Total Net Position	\$ -0-	\$ -0-	\$ -0-	\$ 321,514	\$ 112,338	\$ 14,695

WEST ESSEX REGIONAL SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>	<u>Flexible Spending Trust</u>
ADDITIONS:			
Contributions:			
Employee	\$ 42,607		\$ 65,670
Employer	5,633		
Private Donations		\$ 24,720	
Total Contributions	<u>48,240</u>	<u>24,720</u>	<u>65,670</u>
Investment Earnings:			
Interest	599	253	
Net Investment Earnings	<u>599</u>	<u>253</u>	
Total Additions	<u>48,839</u>	<u>24,973</u>	<u>65,670</u>
DEDUCTIONS:			
Unemployment Compensation Claims	18,103		
Flexible Spending Claims			67,734
Scholarships Awarded		25,390	
Total Deductions	<u>18,103</u>	<u>25,390</u>	<u>67,734</u>
Change in Net Position	30,736	(417)	(2,064)
Net Position - Beginning of the Year	<u>290,778</u>	<u>112,755</u>	<u>16,759</u>
Net Position - End of the Year	<u>\$ 321,514</u>	<u>\$ 112,338</u>	<u>\$ 14,695</u>

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

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 362,752	\$ 1,019,387	\$ 1,000,400	\$ 381,739
Total Assets	<u>\$ 362,752</u>	<u>\$ 1,019,387</u>	<u>\$ 1,000,400</u>	<u>\$ 381,739</u>
 <u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	362,752	\$ 1,019,387	\$ 1,000,400	\$ 381,739
Total Liabilities	<u>\$ 362,752</u>	<u>\$ 1,019,387</u>	<u>\$ 1,000,400</u>	<u>\$ 381,739</u>

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

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 252,724	\$ 23,751,979	\$ 23,580,554	\$ 424,149
Total Assets	<u>\$ 252,724</u>	<u>\$ 23,751,979</u>	<u>\$ 23,580,554</u>	<u>\$ 424,149</u>
 <u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 240,965	\$ 23,346,071	\$ 23,580,554	\$ 6,482
Interfund Payable - General Fund	<u>11,759</u>	<u>405,908</u>	<u></u>	<u>417,667</u>
Total Liabilities	<u>\$ 252,724</u>	<u>\$ 23,751,979</u>	<u>\$ 23,580,554</u>	<u>\$ 424,149</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, 2018	Matured	Balance June 30, 2019
			Date	Amount				
Serial Bonds	8/15/2009	\$ 6,537,000	8/15/2019	\$ 325,000	3.250%	\$ 635,000	\$ 310,000	\$ 325,000
Refunding Bonds	7/14/2011	14,470,000	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%	7,205,000	1,415,000	5,790,000
Refunding Bonds 2016	7/13/2016	3,965,000	8/15/2020	335,000	3.000%			
			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%	3,895,000		3,895,000	
						\$ 11,735,000	\$ 1,725,000	\$ 10,010,000

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

<u>Item</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance June 30, 2018</u>	<u>Matured</u>	<u>Balance June 30, 2019</u>
Computer Equipment	1.274%	\$ 780,000	\$ 197,163	\$ 197,163	
Apple Computer Equipment	4.050%	30,997	20,252	9,925	\$ 10,327
Chromebooks	7.424%	86,550	55,884	26,909	28,975
Chromebooks	6.730%	190,080	190,080	66,970	123,110
			<u>\$ 463,379</u>	<u>\$ 300,967</u>	<u>\$ 162,412</u>

WEST ESSEX REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 2,059,950		\$ 2,059,950	\$ 2,059,950	
Total Revenues	2,059,950		2,059,950	2,059,950	
EXPENDITURES:					
Regular Debt Service:					
Interest	451,550		451,550	451,550	
Redemption of Principal	1,725,000		1,725,000	1,725,000	
Total Regular Debt Service	2,176,550		2,176,550	2,176,550	
Total Expenditures	2,176,550		2,176,550	2,176,550	
Excess/(Deficit) of Revenues Over/(Under) Expenditures	(116,600)		(116,600)	(116,600)	
Fund Balance, July 1	351,353		351,353	351,353	
Fund Balance, June 30	\$ 234,753	\$ -0-	\$ 234,753	\$ 234,753	\$ -0-
Recapitulation:					
Restricted - Designated for Subsequent Year's Expenditures			\$ 116,600		
Restricted			118,153		
			\$ 234,753		

STATISTICAL SECTION

(UNAUDITED)

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

Contents

	<u>Exhibit</u>
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,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental Activities										
Net Investment in Capital Assets	\$ 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	\$ 34,618,036
Restricted	400,001	668,730	2,847,261	3,667,260	4,812,739	4,195,042	5,717,488	7,652,587	9,252,912	9,949,046
Unrestricted/(Deficit)	253,989	788,347	288,133	662,926	(7,101,230)	(7,743,176)	(8,159,741)	(9,300,854)	(9,521,143)	(8,990,483)
Total Governmental Activities Net Position	\$ 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	\$ 35,576,599
Business-type Activities										
Investment in Capital Assets	\$ 24,050	\$ 42,605	\$ 33,447	\$ 24,289	\$ 12,596	\$ 57,527	\$ 50,810	\$ 104,833	\$ 95,168	\$ 105,247
Unrestricted	193,941	169,167	166,668	168,342	100,098	49,963	80,957	62,839	133,117	193,303
Total Business-type Activities Net Position	\$ 217,991	\$ 211,772	\$ 200,115	\$ 192,631	\$ 112,694	\$ 107,490	\$ 131,767	\$ 167,672	\$ 228,285	\$ 298,550
District-wide										
Net Investment in Capital Assets	\$ 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	\$ 34,723,283
Restricted	400,001	668,730	2,847,261	3,667,260	4,812,739	4,195,042	5,717,488	7,652,587	9,252,912	9,949,046
Unrestricted/(Deficit)	447,930	957,514	454,801	831,268	(7,001,132)	(7,693,213)	(8,078,784)	(9,238,015)	(9,388,026)	(8,797,180)
Total District Net Position	\$ 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	\$ 35,875,149

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,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses:										
Governmental Activities:										
Instruction:										
Regular	\$ 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	\$ 19,658,050
Special Education	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	4,317,588
Other Special Education	39,674	33,961	58,892	48,195	130,856					
School Sponsored Activities And Athletics	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	2,300,105
Support Services:										
Tuition										
Student & Instruction Related Services	3,715,740	3,852,337	3,848,398	4,090,642	3,954,056	2,520,512	2,460,215	2,640,421	2,527,262	2,845,271
General Administrative Services	691,266	913,994	952,905	945,428	773,663	865,242	4,655,957	5,144,395	5,332,282	4,751,865
School Administrative Services	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	1,047,344
Central and Other Support Services	652,801	549,639	584,917	552,372	566,228	649,021	696,651	678,504	734,230	734,179
Administrative Information Technology						189,067	207,484	225,852	221,011	259,571
Plant Operations and Maintenance	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	4,816,405
Pupil Transportation	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	2,538,588
Transfer of Funds to Charter School						35,284				
Interest on Long-term Debt	1,068,923	1,010,252	665,601	761,455	691,812	663,512	597,552	616,401	465,758	390,027
Capital Outlay										
Unallocated Depreciation										
Total Governmental Activities Expenses	\$ 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	\$ 48,203,586
Business-type Activities:										
Food Service	632,181	683,937	695,121	750,776	794,468	765,978	816,748	829,098	914,170	981,349
Total Business-type Activities Expense	\$ 632,181	\$ 683,937	\$ 695,121	\$ 750,776	\$ 794,468	\$ 765,978	\$ 816,748	\$ 829,098	\$ 914,170	\$ 981,349
Total District Expenses	\$ 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	\$ 49,184,935

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

	Fiscal Year Ending June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Program Revenues:										
Governmental Activities:										
Charges for Services:										
Instruction (Tuition)	\$ 67,175	\$ 145,971	\$ 168,593	\$ 77,076	\$ 102,010	\$ 52,289	\$ 79,974	\$ 219,426	\$ 201,745	\$ 205,107
Operating Grants and Contributions	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	11,126,288
Capital Grants and Contributions	4,500	3,262,003	19,205			72,520		360,204		
Total Governmental Activities Program Revenues	<u>4,673,502</u>	<u>6,543,462</u>	<u>4,090,856</u>	<u>4,859,149</u>	<u>4,431,244</u>	<u>8,264,687</u>	<u>9,605,820</u>	<u>13,283,002</u>	<u>13,229,208</u>	<u>11,331,395</u>
Business-type Activities:										
Charges for Services:										
Food Service	497,411	635,113	726,069	743,292	727,484	760,774	841,025	865,003	974,783	1,031,870
Total Business-type Activities Program Revenues	<u>497,411</u>	<u>635,113</u>	<u>726,069</u>	<u>743,292</u>	<u>727,484</u>	<u>760,774</u>	<u>841,025</u>	<u>865,003</u>	<u>974,783</u>	<u>1,031,870</u>
Total District Program Revenues	<u>\$ 5,170,913</u>	<u>\$ 7,178,575</u>	<u>\$ 4,816,925</u>	<u>\$ 5,602,441</u>	<u>\$ 5,158,728</u>	<u>\$ 9,025,461</u>	<u>\$ 10,446,845</u>	<u>\$ 14,148,005</u>	<u>\$ 14,203,991</u>	<u>\$ 12,363,265</u>
Net (Expense)/Revenue:										
Governmental Activities	\$ (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)	\$ (36,872,191)
Business-type Activities	(134,770)	(48,824)	30,948	(7,484)	(66,984)	(5,204)	24,277	35,905	60,613	50,521
Total District-wide Net Expense	<u>\$ (29,187,781)</u>	<u>\$ (26,742,785)</u>	<u>\$ (30,589,923)</u>	<u>\$ (31,547,747)</u>	<u>\$ (31,688,974)</u>	<u>\$ (32,559,789)</u>	<u>\$ (33,810,386)</u>	<u>\$ (35,002,856)</u>	<u>\$ (36,004,662)</u>	<u>\$ (36,821,670)</u>
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes	\$ 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	\$ 36,277,785
Property Taxes Levied for Debt Service	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	2,059,950
State Aid - Unrestricted						56,617	58,853	78,957	80,560	34,218
Investment Earnings		359,117	395,596	370,036	345,949	13,506	11,594	17,319	20,174	24,369
Miscellaneous Income	206,279					245,063		328,348	384,443	652,667
Total Governmental Activities	<u>30,558,935</u>	<u>32,236,797</u>	<u>33,226,419</u>	<u>33,767,872</u>	<u>34,261,107</u>	<u>35,130,475</u>	<u>36,146,655</u>	<u>36,859,770</u>	<u>37,835,638</u>	<u>39,048,989</u>
Business-type Activities:										
Purchase of Capital Assets										19,744
Total Business-type Activities	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>19,744</u>
Total District-wide	<u>\$ 30,558,935</u>	<u>\$ 32,236,797</u>	<u>\$ 33,226,419</u>	<u>\$ 33,767,872</u>	<u>\$ 34,261,107</u>	<u>\$ 35,130,475</u>	<u>\$ 36,146,655</u>	<u>\$ 36,859,770</u>	<u>\$ 37,835,638</u>	<u>\$ 39,068,733</u>
Change in Net Position										
Governmental Activities	\$ 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	\$ 2,176,798
Business-type Activities	(134,770)	(48,824)	30,948	(7,484)	(66,984)	(5,204)	24,277	35,905	60,613	70,265
Total District	<u>\$ 1,371,154</u>	<u>\$ 5,494,012</u>	<u>\$ 2,636,496</u>	<u>\$ 2,220,125</u>	<u>\$ 2,572,133</u>	<u>\$ 2,570,686</u>	<u>\$ 2,336,269</u>	<u>\$ 1,856,914</u>	<u>\$ 1,830,976</u>	<u>\$ 2,247,063</u>

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,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Reserved	\$ 1,141,261									
Unreserved	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	\$ 9,714,293
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	768,452
Unassigned		700,917	619,125	621,000	626,842	1,152,698	1,099,343	1,159,735	1,113,742	1,280,946
Total General Fund	\$ 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	\$ 11,763,691
All Other Governmental Funds										
Reserved	\$ 2,126,854									
Unreserved/(Deficit)	212,827									
Restricted		\$ 1,041,648	\$ 1,112,216	\$ 914,026	\$ 1,034,806	\$ 914,026	\$ 914,026	\$ 1,158,869	\$ 865,086	\$ 234,753
Total All Other Governmental Funds	\$ 2,339,681	\$ 1,041,648	\$ 1,112,216	\$ 914,026	\$ 1,034,806	\$ 914,026	\$ 914,026	\$ 1,158,869	\$ 865,086	\$ 234,753
Total Governmental Funds	\$ 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	\$ 11,998,444

Source: School District Financial Reports

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,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Property Tax Levy	\$ 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	\$ 38,337,735
Tuition	67,175	145,971	168,593	77,076	102,010	52,289	79,974	219,426	201,745	205,107
Miscellaneous	207,879	359,117	427,395	400,230	370,871	278,405	356,350	351,099	411,490	721,167
State Sources	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	7,272,916
Federal Sources	519,873	436,229	434,120	322,156	353,988	376,133	376,085	370,364	376,564	383,797
Total Revenue	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	46,920,722
Expenditures										
Instruction										
Regular Instruction	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	12,390,972
Special Education Instruction	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	2,711,445
Other Instruction	36,228	34,033	58,888	48,264	127,465					
School Sponsored Activities and Athletics	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	1,592,645
Support Services:										
Tuition	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	2,845,271
Student & Instruction Related Services	680,005	861,798	757,690	900,256	751,062	671,493	605,176	546,201	648,836	700,578
General Administrative Services	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	1,701,544
Central and Other Support Services	636,899	529,614	557,774	526,331	540,137	445,456	442,350	404,043	443,770	455,471
Administrative Information Technology						122,000	125,050	123,385	118,450	177,023
Plant Operations and Maintenance	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	3,546,859
Pupil Transportation	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	2,526,767
Unallocated Benefits						7,665,652	8,647,379	9,028,590	10,062,016	10,919,028
Transfer of Funds to Charter School						35,284				
Capital Outlay	6,118,034	4,740,163	697,802	818,459	1,136,371	3,286,537	1,043,350	684,834	1,043,670	979,438
Debt Service:										
Principal	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	1,725,000
Interest and Other Charges	892,245	1,161,859	1,791,216	842,680	780,730	715,105	649,280	515,510	514,069	451,550
Total Expenditures	40,041,181	39,521,575	36,700,954	37,616,932	37,540,651	42,090,601	40,399,007	41,250,466	43,553,278	45,774,631

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,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Excess/(Deficit) of Revenues										
Over/(Under) Expenditures	\$ (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	\$ 1,146,091
Other Financing Sources/(Uses)										
Proceeds from Leases		161,453								
Proceeds from Bonds	6,537,000		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	263,293	1,138,728			120,780	926,026				
Transfers Out	(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	\$ 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	\$ 1,146,091
Debt Service as a Percentage of Noncapital Expenditures	7.55%	10.36%	9.75%	6.81%	6.83%	6.25%	6.01%	5.67%	5.28%	4.86%

Source: School District Financial Reports

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

	June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Tuition	\$ 67,175	\$ 145,971	\$ 168,593	\$ 77,076	\$ 102,010	\$ 1,755	\$ 79,974	\$ 219,426	\$ 201,745	\$ 205,107
Rentals/Facility Use	34,582	52,091	58,431	67,601	95,195	75,155	54,755	77,615	93,721	99,071
Interest	71,081	6,449	6,765	9,770	12,174	13,506	11,594	17,319	20,174	24,369
Athletic Game Receipts	12,471	15,414	9,185	19,195	28,075	24,035	15,638	14,571	18,856	25,029
Prior Year Refunds and Reimbursements	55,927	40,295	65,654		12,181	7,990	44,128	9,524		155,158
Energy Rebate		82,060	36,161	58,636	31,772					
E-Rate Reimbursement	20,515	3,726	35,984	23,158	15,332	21,390	10,499			16,123
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	125,428
Miscellaneous	9,682	64,741		37,653	44,087	61,857	50,373	112,488	176,033	231,858
Total Miscellaneous	\$ 271,433	\$ 505,088	\$ 564,189	\$ 447,112	\$ 447,958	\$ 310,858	\$ 415,181	\$ 565,093	\$ 606,362	\$ 882,143

Source: School District Financial Reports

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

ESSEX FELLOWS 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)
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
2018	6,351,800	796,248,600			19,073,100			821,673,500	248,500	821,922,000	1.01	810,710,510

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)
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
2018	36,442,200	1,139,996,200	452,200	27,600	610,677,980	773,692,800	15,000,000	2,576,288,980	7,336,353	2,583,625,333	1.10	2,887,300,037

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

NORTH CALDWELL BOROUGH

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2009	\$ 52,622,000	\$ 1,723,500,900	\$ 624,200	\$ 4,000	\$ 32,127,000	\$ 2,916,300		\$ 1,811,794,400	\$ 781,000	\$ 1,812,575,400	\$ 0.99	\$ 1,808,237,504
2010	36,736,800	1,568,711,600	642,900	4,000	29,817,300	2,916,300		1,638,828,900	761,600	1,639,590,500	1.13	1,767,502,544
2011	31,687,700	1,517,159,000	474,200	4,000	27,941,000	2,916,300		1,580,182,200	568,100	1,580,750,300	1.20	1,705,642,135
2012	27,965,000	1,477,834,400	424,000	4,000	25,749,200	2,916,300		1,534,892,900	572,300	1,535,465,200	1.24	1,629,143,891
2013	32,703,600	1,479,925,700	424,000	4,000	23,679,100	2,697,500		1,539,433,900	618,900	1,540,052,800	1.27	1,603,705,860
2014	24,013,300	1,511,273,300	228,500	5,700	23,217,700	2,697,500		1,561,436,000	528,800	1,561,964,800	1.28	1,627,465,417
2015	19,041,700	1,535,025,600			24,426,700	2,697,500		1,581,191,500	517,500	1,581,709,000	1.29	1,676,062,829
2016	20,618,600	1,542,944,100			24,707,200	2,500,000	\$ 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
2018	26,662,700	1,557,840,400			24,439,500	2,500,000		1,611,442,600	461,900	1,611,904,500	1.40	1,817,249,973

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)
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
2018	6,254,700	959,776,900			538,277,200	89,465,800	76,017,700	1,669,792,300	1,634,100	1,671,426,400	1.09	1,757,512,485

* - A revaluation was effective in this year.

Source: County Abstract of Rates

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			
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
2018	0.95	0.05	1.01	0.47	0.50	1.97

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			
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
2018	1.04	0.06	1.10	0.56	0.56	2.22

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

NORTH CALDWELL BOROUGH

Year Ended December 31,	School District of West Essex Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	General Obligation			Borough of North Caldwell	Essex County	
	Basic Rate ^a	Debt Service ^b	Total Direct			
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
2018	1.32	0.08	1.40	0.39	0.57	2.36

ROSELAND BOROUGH

Year Ended December 31,	School District of West Essex Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	General Obligation			Borough of Roseland	Essex County	
	Basic Rate ^a	Debt Service ^b	Total Direct			
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
2018	1.03	0.06	1.09	0.65	0.51	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

2018

Taxpayer	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
----------	------------------------	------	--

N/A

2009

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

N/A - Not applicable

Note: Individual Taxpayers in 2018 and 2009 may be different.

Source: Municipal Tax Assessor

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

FAIRFIELD TOWNSHIP

Taxpayer	2018		
	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>7.94%</u>

Taxpayer	2009		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
AMB-AMS	\$ 72,233,000	1	4.60%
Rt. 46 Associates	52,916,600	2	3.37%
Transwestern Greenbrook	43,665,000	3	2.78%
CRG 300 LLC	36,981,900	4	2.35%
Kyocera Mita America	32,644,400	5	2.08%
AMB Partners II LP	32,413,300	6	2.06%
True North Fairfield Property, LLC	26,858,300	7	1.71%
RRAMC	23,369,200	8	1.49%
AMCHU Associates	23,240,300	9	1.48%
Individual Taxpayer #1	23,023,600	10	1.47%
Total	<u>\$ 367,345,600</u>		<u>23.38%</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	2018		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Pulte Homes of NJ, LP	\$ 17,693,200	1	1.10%
Green Brook Country Club	12,000,000	2	0.74%
Individual Taxpayer #1	3,247,600	3	0.20%
Hidden Ridge at North Caldwell, LLC	2,956,200	4	0.18%
Individual Taxpayer #2	2,824,800	5	0.18%
Individual Taxpayer #3	2,563,000	6	0.16%
Heller Property Partners, LP	2,500,000	7	0.16%
Individual Taxpayer #4	2,470,900	8	0.15%
PSEG Services Corp	2,320,000	9	0.14%
The Crossing LLC	2,227,100	10	0.14%
Total	<u>\$ 50,802,800</u>		<u>3.15%</u>

Taxpayer	2009		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
K Hovnanian at North Caldwell LLC	\$ 21,635,300	1	1.19%
Greenbrook Country Club	17,956,800	2	0.99%
Zephyr Spc. 1 LLC	9,825,800	3	0.54%
K. Hovnanian at North Caldwell II	9,121,700	4	0.50%
Individual taxpayers	5,453,900	5	0.30%
Individual taxpayers	4,989,000	6	0.28%
Individual taxpayers	3,510,600	7	0.19%
Trans Continental Gas Pipeline	3,338,400	8	0.18%
Individual taxpayers	3,153,300	9	0.17%
Individual taxpayers	3,139,000	10	0.17%
Total	<u>\$ 82,123,800</u>		<u>4.53%</u>

Note: A revaluation became effective in 2008.

Source: Municipal Tax Assessor

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

ROSELAND BOROUGH

Taxpayer	2018		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Prudential Financial	\$ 115,950,400	1	6.94%
Eisenhower FO, LLC	76,906,600	2	4.60%
ADP, Inc	61,626,400	3	3.69%
Roseland Owner LLC	47,000,000	4	2.81%
Mack-Cali Realty Corp	42,073,100	5	2.52%
Individual Taxpayer #1	42,000,000	6	2.51%
Becker Equities, LLC	36,355,600	7	2.18%
Avalon Roseland, LLC	29,017,700	8	1.74%
P.S.E.&G. Services Corp.	16,292,600	9	0.97%
Roseland Commerce Park/Commons Investors LLC	15,540,100	10	0.93%
Total	<u>\$ 482,762,500</u>		<u>28.88%</u>

Taxpayer	2009		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Cali (Office Associates)	\$ 27,392,000	1	11.43%
Prudential	18,000,000	2	7.51%
Organon	11,800,000	3	4.92%
ADP Inc.	8,943,200	4	3.73%
Segal Development	7,316,900	5	3.05%
Livingston I Association	4,506,200	6	1.88%
Marcon Roseland Inc.	2,400,000	7	1.00%
Eagle Rock Associates	2,316,700	8	0.97%
American Bobst Holdings	200,000	9	0.08%
Sterling - Roseland LLC	1,969,000	10	0.82%
Total	<u>\$ 84,844,000</u>		<u>35.39%</u>

Note: A revaluation became effective in 2010.

Note: Individual Taxpayers in 2018 and 2009 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	
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-
2019	38,337,735	38,337,735	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				
					Capital Leases	Capital Leases			
2010	\$ 25,622,000	\$ -0-	\$ 779,625	\$ 102,051	\$ -0-	\$ -0-	2.37%	\$ 1,228	
2011	24,222,000	-0-	-0-	-0-	-0-	24,222,000	2.06%	1,116	
2012	22,087,000	-0-	-0-	-0-	-0-	22,087,000	1.85%	1,015	
2013	20,422,000	-0-	-0-	-0-	-0-	20,422,000	1.69%	935	
2014	18,717,000	-0-	-0-	-0-	-0-	18,717,000	1.47%	849	
2015	17,007,000	-0-	780,000	-0-	-0-	17,787,000	1.34%	805	
2016	15,287,000	-0-	584,079	-0-	-0-	15,871,079	1.17%	719	
2017	13,460,000	-0-	391,845	-0-	-0-	13,851,845	1.50%	628	
2018	11,735,000	-0-	463,379	-0-	-0-	12,198,379	0.87%	553	
2019	10,010,000	-0-	162,412	-0-	-0-	10,172,412	0.73%	461	

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		
2010	\$ 25,622,000	\$ -0-	\$ 25,622,000	0.43%	\$ 1,164
2011	24,222,000	-0-	24,222,000	0.33%	1,122
2012	22,087,000	-0-	22,087,000	0.30%	1,018
2013	20,422,000	-0-	20,422,000	0.30%	939
2014	18,717,000	-0-	18,717,000	0.28%	857
2015	17,007,000	-0-	17,007,000	0.26%	772
2016	15,287,000	-0-	15,287,000	0.23%	692
2017	13,460,000	-0-	13,460,000	0.20%	610
2018	11,735,000	-0-	11,735,000	0.18%	532
2019	10,010,000	-0-	10,010,000	0.15%	454

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, 2018
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	\$ 2,153,250	100.000%	\$ 2,153,250
Township of Fairfield	3,866,000	100.000%	3,866,000
Borough of North Caldwell	10,828,291	100.000%	10,828,291
Borough of Roseland	9,881,086	100.000%	9,881,086
Essex County General Obligation Debt:			
Borough of Essex Fells	524,217,998	0.904%	4,738,869
Township of Fairfield	524,217,998	3.220%	16,877,216
Borough of North Caldwell	524,217,998	2.026%	10,622,422
Borough of Roseland	524,217,998	1.960%	<u>10,273,237</u>
Subtotal, Overlapping Debt			69,240,372
West Essex Regional School District Direct Debt			<u>10,010,000</u>
Total Direct and Overlapping Debt			<u>\$ 79,250,372</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 2019						
	Borough of Essex Fells	Township of Fairfield	Borough of North Caldwell	Borough of Roseland	Total	
Equalized valuation basis						
2018	\$ 799,837,925	\$ 2,846,070,101	\$ 1,803,920,967	\$ 2,068,622,770	\$ 7,518,451,763	
2017	815,458,194	2,896,076,349	1,802,293,939	1,770,091,604	7,283,920,086	
2016	759,810,794	3,045,472,727	1,751,490,809	1,827,321,897	7,384,096,227	
					<u>\$22,186,468,076</u>	
Average Equalized Valuation of Taxable Property					<u>\$ 7,395,489,359</u>	
Debt Limit (4% of average equalization value)					<u>\$ 295,819,574</u>	^a
Net Bonded School Debt					<u>10,010,000</u>	
Legal Debt Margin					<u>\$ 285,809,574</u>	

Fiscal Year Ended June 30,										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt Limit	\$ 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	\$ 295,819,574
Total Net Debt Applicable to Limit	<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>	<u>10,010,000</u>
Legal Debt Margin	<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>	<u>\$ 285,809,574</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	9.49%	9.10%	8.47%	8.10%	7.65%	6.22%	5.49%	4.72%	4.04%	3.38%

^a Limit set by NISA 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
2010	2,109	\$ 109,423,356	\$ 51,884	5.60%
2011	2,145	115,997,310	54,078	5.30%
2012	2,168	118,769,544	54,783	5.50%
2013	2,190	121,258,110	55,369	2.40%
2014	2,162	125,000,354	57,817	4.40%
2015	2,135	128,379,685	60,131	3.80%
2016	2,102	128,825,274	61,287	2.90%
2017	2,092	132,954,968	63,554	3.10%
2018	2,085	132,510,090	63,554 *	2.60%
2019	2,085 **	132,510,090 ***	63,554 *	N/A

Year	Population ^a	Township of Fairfield Income Personal Income ^b	Essex County Per Capita Personal Income ^c	Unemployment Rate ^d
2010	7,456	\$ 386,847,104	\$ 51,884	7.30%
2011	7,486	404,827,908	\$ 54,078	6.90%
2012	7,474	409,448,142	\$ 54,783	7.20%
2013	7,484	414,381,596	\$ 55,369	5.10%
2014	7,495	433,338,415	\$ 57,817	5.80%
2015	7,498	450,862,238	\$ 60,131	5.70%
2016	7,502	459,775,074	\$ 61,287	4.30%
2017	7,492	476,146,568	\$ 63,554	4.40%
2018	7,500	476,655,000	\$ 63,554 *	4.20%
2019	7,500 **	476,655,000 ***	\$ 63,554 *	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>
2010	6,178	320,539,352	\$ 51,884	6.70%
2011	6,199	335,229,522	\$ 54,078	6.40%
2012	6,259	342,886,797	\$ 54,783	6.60%
2013	6,355	351,869,995	\$ 55,369	3.10%
2014	6,548	378,585,716	\$ 57,817	3.60%
2015	6,621	398,127,351	\$ 60,131	3.10%
2016	6,627	406,148,949	\$ 61,287	2.70%
2017	6,622	420,854,588	\$ 63,554	2.70%
2018	6,618	420,600,372	\$ 63,554 *	2.20%
2019	6,618 **	420,600,372 ***	\$ 63,554 *	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
2010	5,838	\$ 302,898,792	\$ 51,884	7.70%
2011	5,870	317,437,860	\$ 54,078	7.30%
2012	5,858	320,918,814	\$ 54,783	7.50%
2013	5,823	322,413,687	\$ 55,369	2.90%
2014	5,830	337,073,110	\$ 57,817	4.60%
2015	5,844	351,405,564	\$ 60,131	4.10%
2016	5,849	358,467,663	\$ 61,287	4.00%
2017	5,844	371,409,576	\$ 63,554	3.70%
2018	5,851	371,854,454	\$ 63,554 *	3.10%
2019	5,851 **	371,854,454 ***	\$ 63,554 *	N/A

* - Latest Essex County per capita personal income available (2017) was used for calculation purposes.

** - Latest population data available (2018) was used for calculation purposes.

*** - Latest available population data (2018) and latest available Essex County per capita personal income (2017) 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

Employer	2018		
	Employees	Rank	Percentage of Total Employment
St. Barnabas Health Care System	31,683	1	8.55%
Rutgers University - Newark Campus	15,500	2	4.18%
Verizon	15,000	3	4.05%
New Jersey Transit	11,500	4	3.10%
Public Service Electric & Gas	10,000	5	2.70%
Prudential Ins. Co. of America	9,500	6	2.56%
Montclair State University	7,900	7	2.13%
Newark Board of Education	7,050	8	1.90%
Gateway Group One	6,250	9	1.69%
Automatic Data Processing	5,649	10	1.52%
	120,032		32.40%
Total Employment	370,503		

Employer	2009		
	Employees	Rank	Percentage of Total Employment
St. Barnabas Health Care System	23,000	1	6.99%
Verizon	17,100	2	5.20%
Prudential Ins. Co. of America	16,850	3	5.12%
Continental Airlines	15,500	4	4.71%
Newark Board of Education	11,000	5	3.34%
Automatic Data Processing	7,050	6	2.14%
New Jersey Transit	5,649	7	1.72%
Essex County	4,000	8	1.22%
City of Newark	3,900	9	1.18%
Ricoh American Corp	4,000	10	1.22%
	108,049		32.83%
Total Employment	329,123		

Note- Principal employers are that of Essex County

N/A - Information is not available

Source: Essex County Economic Development Corporation

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

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Instruction	143	143	146	146	146	147	146	147	155	159
Support Services:										
Student & Instruction related services	36	36	36	36	36	26	36	36	40	45
General Administrative	2	2	2	2	2	2	2	2	2	2
School Administrative Services	8	8	9	9	9	9	9	9	9	13
Central and Other Support Services	8	8	8	8	8	8	8	8	8	8
Plant Operations and Maintenance	27	27	27	26	26	28	27	28	28	30
Total	224	224	228	227	227	220	228	230	242	257

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				
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%
2019	1,721	42,618,643	24,764	4.69%	159	1:11	1:11	1,718	1,677	3.37%	97.61%

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>	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
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	565	594	579	564	580	578	497	571	555	562
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	1,029	1,025	1,050	1,087	1,072	1,059	1,190	1,128	1,107	1,129

Number of Schools at June 30, 2019
 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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
School Facilities										
Senior High School	\$ 35,367	\$ 141,776	\$ 83,489	\$ 181,645	\$ 465,521	\$ 493,587	\$ 597,034	\$ 561,488	\$ 552,773	\$ 594,946
Junior High School	27,830	63,160	60,724	88,824	318,179	371,889	298,423	412,962	421,853	487,988
Total	\$ 63,197	\$ 204,936	\$ 144,213	\$ 270,469	\$ 783,700	\$ 865,476	\$ 895,457	\$ 974,450	\$ 974,626	\$ 1,082,934

Source: School District's Financial Statements

WEST ESSEX REGIONAL SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2019
UNAUDITED

	Coverage	Deductible
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, 2019
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



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-298-8500 | 973-298-8501 Fax
 Lawrence Business Center
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 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.

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

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.

November 18, 2019
Mount Arlington, New Jersey

NISIVOCIA LLP



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



Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mt. Arlington, NJ 07856
973-298-8500 | 973-298-8501 Fax
Lawrence Business Center
11 Lawrence Road
Newton, NJ 07860
973-383-6699 | 973-383-6555 Fax

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

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

We have audited the Board of Education of the West Essex Regional School District's (the "District's") compliance with the types of compliance requirements described in the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the fiscal year ended June 30, 2019. The District's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2019.

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

Report on Internal Control Over Compliance

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

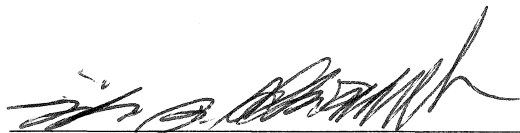
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

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

November 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, 2019

Federal Grantor/Pass Through Grantor/ Program/Cluster Title	Federal CFDA Number	Grant or State Project No.	Grant Period	Award Amount	Balance at June 30, 2018			Balance at June 30, 2019			
					Budgetary Accounts Receivable	Budgetary Unearned Revenue	Cash Received	Budgetary Expenditures	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	ESEA563019	7/1/18-6/30/19	\$ 63,680	\$	44,324	\$	(59,293)	\$	(14,969)	
	84.010	ESEA563018	7/1/17-6/30/18	61,647	(10,014)	10,014		(59,293)	(14,969)		
		Total Title I									
	84.367	ESEA563019	7/1/18-6/30/19	25,984	(7,856)	12,067		(15,656)	(3,589)		
	84.367	ESEA563018	7/1/17-6/30/18	30,171	(7,856)	7,247		(609)	(4,198)		
		Total Title II									
	84.424	ESEA359019	7/1/18-6/30/19	10,000	(560)	6,200		(9,400)	(3,200)		
	84.424	ESEA359018	7/1/17-6/30/18	3,000	(560)	530		(30)	(30)		
		Total Title IV									
Special Education Cluster:											
	84.027	IDEA563019	7/1/18-6/30/19	302,895		231,896		(302,895)	(70,999)		
	84.027	IDEA563018	7/1/17-6/30/18	302,632	(56,200)	56,200					
		Total Special Education Cluster									
		Subtotal - Special Revenue Fund									
		Total U.S. Department of Education									
		Total Federal Awards									

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, 2019

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2018		Cash Received	Budgetary Expenditures	Adjustments	Balance at June 30, 2019		MEMO	
				Budgetary Accounts Receivable	Due to Grantor				GAAP Accounts Receivable	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
<u>State Department of Education:</u>												
General Fund State Aid:												
Transportation Aid	19-495-034-5120-014	7/1/18-6/30/19	\$ 479,086			\$ 436,962	\$ (479,086)			\$ (42,124)	\$ 479,086	
Special Education Aid	19-495-034-5120-089	7/1/18-6/30/19	882,967			803,332	(882,967)			(77,635)	882,967	
Security Aid	19-495-034-5120-084	7/1/18-6/30/19	29,634			27,028	(29,634)			(2,606)	29,634	
Extraordinary Special Education Costs Aid	19-495-034-5120-044	7/1/18-6/30/19	577,468				(577,468)		\$ (577,468)	(577,468)	577,468	
Excess Nonpublic Transportation Costs	19-495-034-5120-014	7/1/18-6/30/19	75,980				(75,980)		(75,980)	(75,980)	75,980	
Reimbursed TPAF Social Security Contributions	19-495-034-5094-003	7/1/18-6/30/19	1,098,306			1,043,720	(1,098,306)		(54,586)	(54,586)	1,098,306	
On-Behalf TPAF Post Retirement Contributions	19-495-034-5094-001	7/1/18-6/30/19	1,293,505			1,293,505	(1,293,505)				1,293,505	
On-Behalf TPAF Pension Contributions	19-495-034-5094-002	7/1/18-6/30/19	2,793,184			2,793,184	(2,793,184)				2,793,184	
On-Behalf TPAF Non-Contributory Insurance	19-495-034-5094-004	7/1/18-6/30/19	58,469			58,469	(58,469)				58,469	
On-Behalf TPAF Long-Term Disability Insurance	19-495-034-5094-004	7/1/18-6/30/19	2,909			2,909	(2,909)				2,909	
Transportation Aid	18-495-034-5120-014	7/1/17-6/30/18	182,327	\$ (16,246)		16,246					182,327	
Special Education Aid	18-495-034-5120-089	7/1/17-6/30/18	882,967	(78,675)		78,675					882,967	
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	29,634	(2,640)		2,640					29,634	
PARCC Readiness	18-495-034-5120-098	7/1/17-6/30/18	16,800	(1,497)		1,497					16,800	
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	16,800	(1,497)		1,497					16,800	
Professional Learning Community Aid	18-495-034-5120-101	7/1/17-6/30/18	17,460	(1,556)		1,556					17,460	
Extraordinary Special Education Costs Aid	18-495-034-5120-044	7/1/17-6/30/18	429,128	(427,466)		429,128	(1,662)				429,128	
Excess Nonpublic Transportation Costs	18-495-034-5120-014	7/1/17-6/30/18	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	(53,398)		53,398			(708,034)	(830,399)	1,077,415	
Subtotal - General Fund				(658,085)		7,120,856	(7,293,170)		(708,034)	(830,399)	10,019,150	
Total State Department of Education				(658,085)		7,120,856	(7,293,170)		(708,034)	(830,399)	10,019,150	

WEST ESSEX REGIONAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2018		Cash Received	Budgetary Expenditures	Adjustments	Balance at June 30, 2019		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												
				\$ -0-	\$ -0-	\$ 7,120,856	\$ (7,293,170)	\$ -0-	\$ (708,034)	\$ -0-	\$ (830,399)	\$ 10,019,150
Less: State Awards Not Subject to Single Audit Major Program Determination												
On-Behalf TPAF Pension System Contributions:												
On-Behalf TPAF Post Retirement Contributions	19-495-034-5094-001	7/1/18-6/30/19	(1,293,505)				\$ 1,293,505					
On-Behalf TPAF Pension Contributions	19-495-034-5094-002	7/1/18-6/30/19	(2,793,184)				2,793,184					
On-Behalf TPAF Non-Contributory Insurance	19-495-034-5094-004	7/1/18-6/30/19	(58,469)				58,469					
On-Behalf TPAF Long-Term Disability Insurance	19-495-034-5094-004	7/1/18-6/30/19	(2,909)				2,909					
Subtotal - On-Behalf TPAF Pension System Contributions												
							4,148,067					
Total State Awards Subject to Single Audit Major Program Determination												
							\$ (3,145,103)					

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, 2019

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, 2019. 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, 2019

(Continued)

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$20,254) for the general fund and \$20,220 for the special revenue which includes \$23,667 of prior year local grant encumbrances payable. 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		\$ 7,272,916	\$ 7,272,916
Special Revenue Fund	\$ 383,797		383,797
Total Awards	<u>\$ 383,797</u>	<u>\$ 7,272,916</u>	<u>\$ 7,656,713</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, 2019.

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, 2019, 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, 2019

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 each 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 each of the major state programs for the District expresses an unmodified opinion on each 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, 2019 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Uniform Guidance.
- The District's programs tested as major state programs 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>
Special Education Aid	19-495-034-5120-089	7/1/18-6/30/19	\$ 882,967	\$ 882,967
Security Aid	19-495-034-5120-084	7/1/18-6/30/19	29,634	29,634

- 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, 2019
(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, 2019

Status of Prior Year Findings:

The District had no prior year audit findings.